

LIVE VIRTUAL COMMITTEE MEETING

*The Committee meeting will be held following the Board of Retirement meeting scheduled prior.



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

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101

WEDNESDAY, SEPTEMBER 2, 2020 - 9:00 A.M.**

This meeting will be conducted by the Operations Oversight Committee by teleconference under the Governor's Executive Order N-29-20.

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

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

COMMITTEE MEMBERS:

Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of March 4, 2020

II. 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.)

III. ACTION ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee recommend the Board of Retirement (BOR) adopt changes to the BOR Charter consistent with the recently adopted Audit Committee Charter with regard to appointment of the external financial auditor. (Memorandum dated August 24, 2020)
- B. Recommendation as submitted by James Beasley, Supervising Administrative Assistant, Admin Services : Recommend the Board of Retirement approve the purchase of Fiduciary Liability Insurance, effective October 9, 2020, with Euclid/Hudson Insurance Company and Westchester Fire Insurance Company. (Memorandum dated August 19, 2020)

IV. REPORTS

- A. LACERA Operations Briefing
JJ Popowich, Assistant Executive Officer
- B. Update on LTD/Workers' Compensation Service Verification
W. Louis Gittens, Benefits Division
- C. Project: MOU Retro-Salary Adjustment and Final Average Compensation
Derwin Brown, Chief, Quality Assurance and Metrics

V. ITEMS FOR STAFF REVIEW

VI. GOOD OF THE ORDER

(For information purposes only)

VII. ADJOURNMENT

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

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

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, MARCH 4, 2020, 10:02 A.M. – 10:18 A.M.

COMMITTEE MEMBERS

PRESENT: Thomas Walsh, Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

ABSENT: Herman B. Santos, Vice Chair

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

JP Harris
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Vanessa Gonzalez, Member Services Division
Stephanie Kawai, Benefits Division

The meeting was called to order by Chair Walsh at 10:02 a.m. Due to the absence of Mr. Santos, the Chair announced that Ms. Gray, as the alternate, would be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of February 5, 2020

Ms. Gray made a motion, Mr. Moore seconded, to approve the minutes of the regular meeting of February 5, 2020. The motion passed unanimously.

II. PUBLIC COMMENT

III. REPORTS

A. LACERA Operations Briefing
JJ Popowich

Mr. Popowich presented the monthly briefing on LACERA's operations, including the status of the Strategic Plan Goals and Operations Improvement initiatives.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed

B. Pre-1990 Project Update
Stephanie Kawai, Benefits Division
Vanessa Gonzalez, Member Services Division

Ms. Kawai and Ms. Gonzalez gave an update on the pre-1990 project, including background, preparation, and implementation. Phase I of the project is 98% completed, ahead of schedule and under budget.

IV. ITEMS FOR STAFF REVIEW

There was nothing to report.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 10:18 a.m.

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

August 24, 2020

TO: Operations Oversight Committee
Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian Gray, Alternate

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: September 2, 2020 Operations Oversight Committee Meeting

SUBJECT: Revisions to Board of Retirement Charter Regarding External Financial Auditor

RECOMMENDATION

That the Operations Oversight Committee recommend that the Board of Retirement (BOR) adopt changes to the BOR Charter consistent with the recently adopted Audit Committee Charter with regard to appointment of the external financial auditor.

AUTHORITY

Under the California Constitution, Article XVI, Section 17, the BOR has “plenary authority and fiduciary responsibility for . . . administration of the system.” Government Code Sections 31520 and 31520.1 in the County Employees Retirement Law of 1937 (CERL) states that the BOR is responsible for “the management of the retirement system.” This constitutional and statutory authority includes the power to adopt the BOR Charter to define the roles and operations of the Board. In the exercise of this power, the BOR, in conjunction with the Board of Investments (BOI), also created an Audit Committee with oversight of administrative audit functions and approved an Audit Committee Charter stating the Committee’s responsibilities.

This memo recommends that the BOR adopt changes to the BOR Charter to make it consistent with the June 24, 2020 Audit Committee Charter with respect to the appointment of the external financial auditor. Under its Charter, the Operations Oversight Committee (OOC) has responsibility to review governance documents, which includes the BOR Charter.

DISCUSSION

The Board of Retirement adopted a Charter on April 13, 2017. (The Charter was revised on May 7, 2020 in ways not material to this memo.) The Charter currently provides in Section 6.2(3) that the Board shall “Select LACERA’s External Financial Auditor.” This language was in furtherance of Government Code Section 31593 in

CERL, which provides that “The retirement board shall conduct an audit of the retirement system at least once every 12 months and report upon its financial condition. The retirement board may retain the services of a certified public accountant to perform the annual audit.” Under Section 31593, the BOR must ensure that the financial audit is performed every year. However, CERL does not specify the method by which the BOR obtains this assurance. The BOR has discretion. It “may” directly engage a CPA. It may also in its discretion take any other reasonable steps to ensure that an annual audit is conducted.

The BOR has, along with the BOI, historically approved an Audit Committee Charter to govern the role of the committee. With respect to the external financial auditor, the Audit Committee Charter, before the version adopted on June 24, 2020, provided, in Section V.C.1-3, that the Committee had responsibility to:

1. Make recommendations to the Board of Retirement regarding the appointment, compensation, and the work of the External Auditor.
2. Oversee the work of the External Auditor, including review of the External Auditor’s proposed audit scope and approach, as well as coordination with Internal Audit and Management.
3. Review the findings and recommendations of the External Auditor, Management’s responses, and actions taken to implement the audit recommendations.

The current Audit Committee Charter, approved by the BOR as well as the BOI on June 24, 2020, revised this structure such that the BOR now obtains assurance that an audit performed by giving the Audit Committee independence with regard to the selection and oversight of the external financial auditor. The current Audit Committee Charter, which is attached as Exhibit A, provides, in Section VII.B.1, that the Committee now has responsibility to:

1. Approve the appointment and compensation of the External Financial Auditor, hired to perform an independent audit of LACERA’s financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor’s proposed audit scope and approach, as well as coordination with Internal Audit and Management.

In approving the Audit Committee Charter with these provisions, the BOR fulfills its responsibility under Section 31593 to ensure that LACERA conducts a financial audit because the Charter directs the Audit Committee to engage an auditor and oversee the audit process for the annual financial statements. The BOR retains control at all times

over the Audit Committee Charter because the Charter is only effective with the BOR's ongoing approval, over which the BOR maintains control.

In order to align the BOR Charter with the BOR's action in approving the June 24, 2020 Audit Committee Charter, two changes to the BOR Charter are recommended:

1. Amend Section 6.2.1, to read, "Ensure that a financial audit is conducted under the oversight of the Audit Committee at least annually, and oversee Internal Audit reports referred by the Audit Committee or BOR Standing Committees." (New language is underlined.) This language directly affirms that the BOR will ensure that an annual financial audit is conducted by the Audit Committee in compliance with the BOR's responsibility under Section 31593. This concept is absent from the current Charter; the current Charter only addresses selection, but not performance of the annual audit. The new language thereby not only aligns the BOR Charter with the Audit Committee Charter but also corrects a preexisting gap in the current Charter. The placement of this new language aligns it with existing language concerning the BOR's role in overseeing audit reports referred by the Audit Committee.
2. Delete Section 6.2.3, which currently states that the BOR will "Select LACERA's External Financial Auditor." This language is no longer necessary because the BOR has approved the new Audit Committee Charter assuring that the Audit Committee will hire the financial auditor. (With the deletion of Section 6.2.3, current Section 6.2.4 will be renumbered.)

A redlined copy of the BOR Charter with these proposed changes is attached as Exhibit B.

Chief Audit Executive Richard Bendall mentioned the current BOR Charter provision at the June 24, 2020 joint BOR and BOI meeting at which the revised Audit Committee Charter was approved. This recommendation addresses the comment made by Mr. Bendall.

The recommendation has been reviewed by fiduciary counsel Christopher Waddell. He prepared a July 27, 2020 opinion letter reviewing the Audit Committee Charter changes and Board of Retirement Charter under Section 31593 and recommending changes. Subsequently, the language was slightly revised and finalized as it appears above and in Exhibit B. Mr. Waddell prepared a supplemental letter dated August 21, 2020 confirming his concurrence with the language proposed here. Mr. Waddell's July 27, 2020 and August 21, 2020 letters are attached as Exhibit C.

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CONCLUSION

For these reasons, this memo proposes that the OOC recommend that the BOR adopt changes to the BOR Charter as stated above to make the BOR Charter consistent with the recently adopted Audit Committee Charter with regard to appointment of the external financial auditor.

A three-year comprehensive review of the entire BOR Charter will be conducted this year in compliance with the review cycle stated in the Charter. There may be additional Charter changes proposed at that time relating to other aspects of the Charter. The recommendation in this memo is limited to prompt reconciliation of the BOR Charter with the recently-approved Audit Committee Charter as to the external financial auditor so there is no confusion with respect to that process.

Attachments

c: Santos H. Kreimann
Jonathan Grabel
JJ Popowich
Ted Granger
Richard Bendall

EXHIBIT A

Audit Committee Charter

Approved on June 24, 2020

Audit Committee Charter

June 2020



2020



AUDIT COMMITTEE CHARTER

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AUDIT COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- A.** Internal Audit Activity
- B.** Professional Service Provider Activity
- C.** Financial Reporting Process
- D.** Values and Ethics, and
- E.** Organizational Governance

III. PRINCIPLES OF THE AUDIT COMMITTEE

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

Integrity – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

Independence & Objectivity - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

Confidentiality – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.



Competency - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

Professional Standards - The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and any relevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

The Audit Committee is empowered to:

1. Approve the appointment, compensation, and work of the Financial Auditor hired to audit LACERA's financial statements.
2. Approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Resolve any significant disagreements regarding risks, findings, and/or payment between Management and the Financial and/or Other Service Providers.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of the chair and vice-chair of the Boards of Retirement and Investments, plus one additional Board member elected annually by each Board, for a total of four to six members¹. Board chairs and vice-chairs that leave Board service will be replaced automatically on the Audit Committee when the Board replaces its missing officer while other Committee membership remains intact. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of their term, the Board of the departing member, will elect a new Audit Committee member at the next

¹The number of Committee members is dependent upon the designated Chair and Vice Chair appointments to the Boards of Retirement and Investments. If both Boards were to elect the same individuals to the positions of Chair and/or Vice Chair, the Audit Committee would be comprised of four or five Board Members.



regularly scheduled Board meeting. If Audit Committee voting results in a tie, the Committee will forward the recommendation to the appropriate Board for consideration and final decision.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chairman, Vice Chair and Secretary, each to serve for a term of one year or until his or her successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of chair, the vice chair shall immediately assume the office of chair for the remainder of the term. In the event of a vacancy in the office of vice chair or secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

VI. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

Regular meeting notices and agendas will be posted at least 72 hours in advance of the regular meetings and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda will be made available for review at the office of the staff secretary to the Committee. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, and/or others to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee will have such other powers as provided in the Brown Act.

Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Four members of a six-member Audit Committee or three members of a four or five-member Audit Committee, excluding the audit consultant, constitute a quorum.



The secretary of the Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of the members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member, that member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting.

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
 - a. Review and provide input on Internal Audit's annual risk assessment
 - b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
 - c. Recommend to the Boards a budget to achieve the Plan plus a contingent budget for additional work related to audit findings or other unplanned work.
 - d. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.
2. Internal Audit Engagement & Follow-Up
 - a. Review and discuss engagement reports to take the following action(s):
 - i. accept and file report,
 - ii. instruct staff to forward report to Boards or Committees,
 - iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
 - iv. provide further instruction to staff.
 - b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
 - c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
 - d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
 - e. Review and advise Management and the Boards on the results of any special investigations.



3. Standards Conformance
 - a. Approve the Internal Audit Charter.
 - b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
 - c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
 - d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

Since the CAE reports to the Chief Executive Officer (CEO) for administrative purposes, but to the Audit Committee for functional purposes, the Audit Committee will be responsible for the following:

- a. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE, which will be addressed by the Boards in a joint meeting. Both Boards will make the final decisions as to the appointment, discipline, dismissal, and/or removal of the CAE. The CEO has authority to administer minor discipline, which is limited to counseling memos and written warnings, with notice of such discipline to be provided to the Committee and the Boards at their next meetings. Consideration by the Boards and the Committee concerning the appointment, discipline, dismissal, and/or removal of the CAE will be made in executive session under Government Code Section 54957(b).
- b. Perform the CAE's annual assessment with qualitative input from the CAE and CEO. The Committee's discussion regarding the CAE's annual performance evaluation will be made in executive session under Government Code Section 54957(b).
- c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

B. Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.



1. Approve the appointment and compensation of the External Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.

C. Financial Reporting Process

The Audit Committee is responsible for the oversight of the independent audit of LACERA's financial statement, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
4. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.
2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.



3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

1. Risk Management

- a. Annually review LACERA's risk profile.
- b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
- c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud

- a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
- b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls

- a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
- b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance

- a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.



- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Other Responsibilities

- 1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.
- 2. Provide an open avenue of communication between Internal Audit, all Professional Service Providers, including the Financial Auditor, Management, and the Boards.
- 3. Perform other activities related to this Charter as requested by the Boards.
- 4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on May 8, 2020 and approved by the Board of Investments and Board of Retirement on June 24, 2020. This Charter is thereby effective June 24, 2020 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Gina Sanchez

06/24/2020

Gina Sanchez
Chair, Audit Committee

Date

David Green

06/24/2020

David Green
Chair, Board of Investments

Date

Herman Santos

06/24/2020

Herman Santos
Chair, Board of Retirement

Date

EXHIBIT B
Proposed Redlined
BOR Charter



LOS ANGELES COUNTY
EMPLOYEES RETIREMENT
ASSOCIATION
LACERA

Board of Retirement Charter
Role of Chair/Vice-Chair/Secretary

Adopted by the Board of Retirement on April 13, 2017
Revised by the Board of Retirement on May 7, 2020

LACERA
Board of Retirement Charter

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LACERA
Board of Retirement Charter

1 Overview of the LACERA Board of Retirement

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

LACERA is an independent governmental entity, separate and distinct from the County, which administers and manages the Retiree Healthcare Benefits Program for the County and outside districts. LACERA is one of the largest county retirement systems in America. LACERA is funded by the County, participating employers, employees, and investment earnings.

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

LACERA is a public pension system created in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL Section 31520.2 provides that "Except as otherwise delegated to the board of investment and except for the statutory duties of the county treasurer, the management of the retirement system is vested in the board of retirement." The BOR has joint authority with the BOI over shared responsibilities, including, for example: the appointment and evaluation of the Chief Executive Officer (CEO); classification and compensation of personnel; and, adoption of LACERA's administrative budget.

LACERA
Board of Retirement Charter

2 Fiduciary and Co-Fiduciary Duties of the BOR

The members of the BOR recognize that they serve as fiduciaries for the administration of the retirement system, with fiduciary duties as defined in the California Constitution and CERL. The trustees have fiduciary duties both individually and collectively as a BOR.

In the exercise of their individual and collective fiduciary duties, the trustees and the BOR may, under the California Constitution and CERL, prudently delegate to staff, outside consultants and vendors, and other fiduciaries, while recognizing that the ultimate fiduciary responsibility of the BOR and its individual trustees for the retirement program is non-delegable. The BOR and the trustees exercise their fiduciary duties with respect to prudently delegated matters by having adequate processes in place to oversee their delegates, which processes should include reporting by and active monitoring and questioning of delegates.

The BOR must discharge its duties solely in the interest of members and their beneficiaries, and for the exclusive purposes of providing benefits to participants and their beneficiaries. In addition, the BOR is required to exercise the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

The BOR also has a fiduciary duty of undivided loyalty, and must be impartial in the exercise of such duty in regards to any divergent interests of various groups of members of the retirement system. The BOR must strive to minimize employer contributions and defray reasonable expenses of administering the system.

In the exercise of his or her individual fiduciary responsibilities, a trustee cannot knowingly participate in, or act to conceal, a breach of fiduciary duties by another trustee, enable another trustee to breach their fiduciary duties by failing to exercise reasonable care and prudence, or fail to take reasonable steps to report or remedy a breach of duty by another trustee when it is known or should have been known or suspected under the circumstances.

Further, the BOR and its members must observe laws applicable to the retirement program and to their conduct as trustees. They may not engage in any related party transactions with the retirement program or plan sponsor that are prohibited by California Constitution, CERL, and other applicable laws.

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Board of Retirement Charter

Trustees are also bound to observe applicable standards of conduct and limitations on conflicts of interest that are prohibited by the Political Reform Act of 1974 and other applicable laws. BOR members or anyone acting on their behalf must comply with these provisions.

3 Expectations of Trustees

To be effective as a BOR and as individual trustees, and in recognition of their fiduciary and co-fiduciary duties, trustees should:

- 3.1. Appropriately prepare for and attend the entirety of each BOR meeting and of each Committee meeting of which they are a member;
- 3.2. Provide proactive input to the BOR and Committees to aid their deliberations;
- 3.3. Be respectful of their fellow members and of staff while giving firm and clear direction;
- 3.4. Be respectful of majority decisions, without compromising their ability to properly advocate for the things they believe are in the organization's interests;
- 3.5. Be respectful of the roles of the Chair/ Vice-Chair/ Secretary in their efforts to facilitate the effectiveness of the BOR in achieving its objectives;
- 3.6. Maintain a sense of professional, personal decorum and collegiality amongst the trustees; and,
- 3.7. Diligently avoid conflicts of interest and adhere to the Conflict of Interest Code and Code of Ethical Conduct.

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Board of Retirement Charter

4 The Role of the Chair and Vice-Chair

See BOR Regulations for the:

- A. Election of Chair;
- B. Election of Vice Chair;
- C. Election of Secretary;
- D. Election of Audit Committee Member; and,
- E. Filling of Vacancy in Office.

Overall, the Chair (and in the absence of the Chair, the Vice-Chair), should facilitate the BOR deliberations and preside over its meetings, coordinate the setting of its agenda, and ensure the BOR is an effective working group in making progress on the BOR's duties and objectives. The Chair should promote a culture of openness, respect and debate, and ensure there is effective, open communication. The Chair should ensure that all BOR members receive accurate, timely and clear information.

Activities of the Chair (Vice-Chair) include the following:

- 4.1. Facilitate and preside over BOR meetings;
- 4.2. Coordinate the setting of agendas;
- 4.3. Liaise with staff through the CEO;
- 4.4. Facilitate the establishment of the BOR's major policy goals and objectives;
- 4.5. Coordinate the CEO's annual performance review;
- 4.6. Coordinate sharing of leading practices;
- 4.7. Make appointments to Committees;
- 4.8. Oversee the effectiveness of stakeholder relations; and,
- 4.9. Coordinate with the Chair of the BOI concerning matters of common interest.

Frequently Used Terms

- Facilitate means to make (an action or process) easy or easier.
- Coordinate means to bring different elements (of a complex activity or organization) into a relationship that will ensure efficiency or harmony.
- Liaise means to establish a working relationship, typically to cooperate on a matter of mutual concern.
- Ensure means make certain that (something) shall occur or be the case.

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Board of Retirement Charter

4.1 Facilitate and preside over BOR meetings

- 4.1.1 In consultation with the BOR and the CEO, schedule dates, times and location for BOR meetings.
- 4.1.2 Facilitate and preside over BOR meetings to enable effective and efficient functioning of such meetings, including:
 - 4.1.2.1 Ensure that discussion on agenda items is on topic, productive and professional;
 - 4.1.2.2 Ensure there is sufficient time during the meeting to fully discuss agenda items; and,
 - 4.1.2.3 Ensure that all meetings are conducted in a manner consistent with the Brown Act and Robert's Rules of Order.
- 4.1.3 Ensure meetings are called and held in accordance with LACERA's BOR Regulations, except that the Chair, in consultation with the Vice Chair and the Chief Executive Officer, may cancel or postpone Board meetings and, in further consultation with the committee chair, committee meetings when LACERA may not safely conduct regular operations because there is a declared national, state, County of Los Angeles, or City of Pasadena state of emergency or other governmental directive or when there is a natural disaster or other extraordinary circumstances. The Chair will schedule a Board meeting for the earliest available date to address with the Board the circumstances and the schedule for Board and committee meetings. In such circumstances, the Chair will be responsible for facilitating the normal operations of the Board to the extent possible.
- 4.1.4 Ensure the meeting agenda and relevant documents are circulated to the members of the BOR in advance of the BOR meeting and in compliance with the Brown Act to ensure sufficient preparation time.
- 4.1.5 Chair and facilitate the BOR meetings ensuring respectful debate such that all voices and opinions are heard.
- 4.1.6 Ensure meetings are run and votes are taken in accordance with agreed upon rules of order / procedure.
- 4.1.7 Call special meetings of the BOR when warranted.
- 4.1.8 Chair executive sessions of the BOR.

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4.2 [Coordinate the setting of agendas](#)

- 4.2.1 Facilitate the BOR in setting the strategy and policy of the BOR.
- 4.2.2 In consultation with the Vice Chair and CEO, coordinate and confirm an agenda for each BOR meeting (refer to the BOR Regulations for rules regarding placing an item on the agenda).
- 4.2.3 Plan agendas that facilitate the flow of work and the effectiveness of the achievement of the BOR's goals and objectives.
- 4.2.4 Maintain an annual calendar of BOR decisions to be made and communicate to Committee Chairs to facilitate appropriate timing of Committee recommendations to the BOR.
- 4.2.5 Communicate with Committee Chairs in setting the Committee agendas and integrating the activities of the Committees with the objectives of the BOR as a whole.

4.3 [Liaise with Staff through the CEO](#)

- 4.3.1 Liaise with staff through the CEO to keep an overview of the system's affairs and to provide BOR support as appropriate.
- 4.3.2 Monitor that BOR requests are implemented by staff, and reported back and confirmed to the BOR.

4.4 [Facilitate the establishment of the BOR's major policy goals and objectives](#)

- 4.4.1 Ensure the BOR identifies policy goals and objectives for the year.
- 4.4.2 Oversee that these goals and objectives link to the retirement program's strategic plan and are measurable.
- 4.4.3 Coordinate with the BOI to ensure the BOI's goals and objectives link to LACERA's overall strategic plan.

4.5 [Coordinate the CEO's annual performance review](#)

- 4.6.1 Coordinate the annual performance review of the CEO with the BOI and any other BOR direct reports and/or ensure there is a capable process to do so.
- 4.6.2 Coordinate with the BOI to establish annual goals for the CEO and other BOR direct reports.
- 4.6.3 Ensure the CEO's performance goals are linked to the strategic plan.

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4.6 [Coordinate the sharing of leading practices](#)

- 4.7.1 Coordinate the sharing and timely advice on leading and prevailing practices regarding retirement program activities.
- 4.7.2 Oversee the CEO's coordination of the BOR training with staff and consultants.

4.7 [Make appointments to Committees](#)

- 4.8.1 Appoint Committee Chairs and Vice-Chairs (Standing and Ad Hoc, in accordance with BOR Regulations).
- 4.8.2 Appoint members to Committees as detailed in the BOR Regulations and Standing Committee Charter.
- 4.8.3 Coordinate Committee Chair reporting to the BOR on Committee actions and agendas.
- 4.8.4 Provide leadership and ensure Committee members are aware of their obligations and comply with their responsibilities.

4.8 [Oversee the effectiveness of stakeholder relations](#)

- 4.9.1 Ensure the BOR, staff and consultants develop and manage key stakeholder relationships.
- 4.9.2 Be the BOR spokesperson for matters agreed upon by the BOR.
- 4.9.3 Act as an ambassador for the organization as agreed upon by the BOR.

4.9 [Coordinate with the Chair of the BOI concerning matters of common interest](#)

- 4.10.1 Ensure the two Boards openly communicate, have consensus on their respective separate jurisdictions as well as joint jurisdictions, and otherwise work well together in furtherance of LACERA's mission.

5 [The Role of the Secretary](#)

- 5.1 The Secretary is responsible for ensuring accurate and sufficient documentation exists to meet legal requirements, and to enable the public to determine when, how, and by whom the BOR's business was conducted.
- 5.2 Upon the BOR approving the BOR meeting minutes, the Secretary will join the BOR Chair in signing the minutes as evidence of their authenticity and completeness.

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- 5.3 In the absence of the Chair and Vice-Chair, the Secretary will call the meeting to order, presiding until the Chair or Vice-Chair is present.
- 5.4 The Secretary will conduct the Officer elections as detailed in the BOR Regulations.

6 Duties and Responsibilities of the BOR

6.1 Governance and Strategy

- 6.1.1 Approve BOR Charter.
- 6.1.2 Approve BOR Committee structure, roles and charters.
- 6.1.3 Approve BOR delegations to staff.
- 6.1.4 Approve BOR development policy and educational programs.
- 6.1.5 Approve BOR governance principles and policies.
- 6.1.6 Approve Organizational Policies as proposed by Committees and Staff, and act upon other Committee and Staff reports and recommendations, as appropriate.
- 6.1.7 Oversee the Strategic Planning Process.
- 6.1.8 Oversee the effectiveness of the of the BOR strategic plans.
- 6.1.9 Oversee the BOR stakeholder engagement program.
- 6.1.10 Oversee the BOR business planning process and business plans.

6.2 Reassurance, Risk and Compliance

- 6.2.1 Ensure that a financial audit is conducted under the oversight of the Audit Committee at least annually, and oOversee Internal Audit reports referred by the Audit Committee or BOR Standing Committees.
- 6.2.2 Oversee retirement and retiree healthcare-related risk framework and management.
- ~~6.2.3 Select LACERA's External Financial Auditor.~~
- ~~6.2.4~~6.2.3 Oversee retirement benefit and healthcare benefit controls and compliance.

6.3 Administration

- 6.3.1 Approve staff classification and compensation
- 6.3.2 Approve litigation and settlements related to retirement and retiree healthcare benefits.
- 6.3.3 Approve budget process and budgets.
- 6.3.4 Oversee the Privacy of Member Information.

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- 6.3.5 Conduct hiring, evaluation, compensation and firing of the CEO.
- 6.3.6 Oversee human resource policies for retirement and retiree healthcare operations.
- 6.3.7 Oversee accounting policies for non-investment activities.
- 6.3.8 Oversee the CEO's effectiveness in hiring/firing and management of the performance for senior executives.
- 6.3.9 Oversee business continuity plans.

6.4 Conflicts and Ethics

In addition to the BOR's other responsibilities, the BOR will have authority and responsibility to oversee actual and potential conflict of interest and ethics issues concerning the BOR's areas of responsibility as follows:

- 6.4.1 General Compliance. Oversee compliance with the Conflict of Interest Code, Code of Ethical Conduct, and conflict of interest and ethics laws, and take action with respect to such matters, as appropriate.
- 6.4.2 Matters Referred by Standing Committees. Review and take such action, as appropriate, with respect to reports and recommendations received from the Board of Retirement Standing Committees relating to conflict of interest and ethics issues in each Committee's areas of responsibility as defined in the Committee Charter.
- 6.4.3 BOR Members. BOR members will avoid actual or potential conflict of interest or ethics issues. BOR members will notify the BOR Chair and Vice Chair, the CEO, and Legal Counsel of such issues concerning themselves and other BOR members related to the business of the BOR. The BOR will take such action as is lawful and appropriate with respect to such issues, including procedures provided in the BOR Regulations.
- 6.4.4 Third-Parties. BOR members and staff will exercise diligence in identifying, and informing the BOR about, all actual and potential conflict of interest issues concerning persons and entities who have business before the BOR, such as vendors, consultants, and all other third-parties (Third-Parties). The BOR will take appropriate action with regard to such issues, including:
 - 6.4.4.1 Disclosure of actual or potential conflict of interest and ethics issues;
 - 6.4.4.2 Waiver of any disclosed conflict of interest and ethics issues;
 - 6.4.4.3 Other measures to eliminate or mitigate conflict of interest or ethics issues, including the costs of such measures;

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- 6.4.4.4 The prudence of contracting, doing business, or taking other action on behalf of LACERA with any Third-Party with conflict or interest or ethics issues;
- 6.4.4.5 Contract provisions and other means of ensuring against, monitoring, and addressing future conflict of interest and ethics issues of Third-Parties;
- 6.4.4.6 Violations by any Third-Party of LACERA's Conflict of Interest Code and Code of Ethical Conduct; and,
- 6.4.4.7 Such other conflict of interest and ethics issues as may arise relating to Third-Parties.

6.4.5 LACERA Staff

- 6.4.5.1 LACERA Staff Other Than the CEO. In that conflict of interest and ethics issues relating to staff other than the CEO may implicate Civil Services Rules, rights of privacy, and other employee rights, staff conflict of interest and ethics issues will be addressed by the BOR on an individual basis based upon consultation with the CEO, Human Resources, and Legal Counsel. The BOR will make recommendations concerning staff training on conflict of interest and ethics issues relating to the BOR's areas of responsibility.
- 6.4.5.2 CEO. Oversee conflict of interest and ethics issues with regard to the CEO. The BOR's discussion will take place in executive session to the extent permitted under the Brown Act given the circumstances of each individual issue. The Chair of the BOR will inform the Chair of the BOI of such issues and coordinate with the BOI as appropriate under the circumstances.

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7 Expectations of Committees

To be effective as a Committee, Committees should:

- 7.1 Develop and pursue agendas to make timely and substantive progress on issues within the Committee's area of responsibility, as described in their charters, with the goal of providing effective assistance to the full BOR in pursuing its work;
- 7.2 Provide ample opportunity for input by all trustees both verbally and in writing (even if they are not members of the Committee) during the course of its deliberations;
- 7.3 Once a decision has been made and recommended by the Committee, the Committee chair shall oversee staff in the preparation of executive summaries to the full BOR of issues considered by the Committee. Such summaries should include a high-level description of:
 - The issue(s) being addressed;
 - A brief background;
 - The due diligence process used to arrive at the Committee's recommendation;
 - The options available to the BOR (the least it could do to the most it could do);
 - The pros and cons of the main options, including sharing dissenting opinions when making recommendations to the BOR;
 - The risks of action and inaction; and,
 - Its recommendations to the BOR.

8 Charter Review

- 8.1 BOR shall review and update this charter at least once every three years.
- 8.2 This Charter was adopted by the Board of Retirement on April 13, 2017, and revised on May 7, 2020.

EXHIBIT C
Fiduciary Counsel
Opinion Letters

August 21, 2020

Steven P. Rice
Chief Counsel
Los Angeles County Employees Retirement Association
P.O. Box 7060
Pasadena, CA, 91109-7060

Via E-Mail

RE: Conforming Changes to Board of Retirement (BOR) Charter in Light of Independent Audit Committee Charter

Dear Steve:

This is a slightly revised version of our letter that we originally provided to you on July 27, 2020. You have asked us for our views with respect to what changes, if any, should be made to the BOR Charter in light of the adoption by the BOR and the Board of Investments (BOI) of a charter for its Audit Committee that provides, among other matters, for Committee determination of the appointment, compensation and work of the Financial Auditor hired to audit LACERA's financial statements. We understand that the intent of the BOR in adopting the Committee charter was to establish the Committee as an "independent" committee in accordance with applicable accounting standards of the Institute of Internal Auditors. You have also asked us to address any suggested revisions in the context of Government Code section 31593, which provides in relevant part that "The retirement board shall conduct an audit of the retirement system at least every 12 months and report upon its financial condition. The retirement board may retain the services of a certified public accountant to perform the annual audit."

We have reviewed the LACERA BOR and Audit Committee charters. In addition, we have examined the Board and Committee Charters and/or policies for another CERL system that also provides for an independent audit committee—the San Diego County Employees' Retirement Association (SDCERA). Based on that review, we believe it is sufficient for LACERA's purposes to:

- 1) Amend Section 6, subsection 2.1 in the BOR charter to read: "Ensure that a financial audit is conducted under the oversight of the Audit Committee at least annually and oversee Internal Audit reports referred by the Audit Committee or BOR Standing Committee"; and
- 2) Delete subsection 2.3 of Section 6 from the BOR charter.

We note that with respect to compliance with Government Code section 31593, SDCERA'S Policy on the Role of the Retirement Board at section II E (1) (d) includes language similar to what we have suggested above, and we believe that this language serves to fulfill the Government Code requirement.

Steven P. Rice
August 21, 2020
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Please let us know if you need any further assistance with respect to this matter.

Best regards.

OLSON REMCHO, LLP

A handwritten signature in blue ink, appearing to read "C. Waddell", with a long horizontal flourish extending to the right.

Christopher W. Waddell, Senior Attorney

CW

July 27, 2020

Steven P. Rice
Chief Counsel
Los Angeles County Employees Retirement Association
P.O. Box 7060
Pasadena, CA, 91109-7060

Via E-Mail

RE: Conforming Changes to Board of Retirement (BOR) Charter in Light of Independent Audit Committee Charter

Dear Steve:

You have asked us for our views with respect to what changes, if any, should be made to the BOR Charter in light of the adoption by the BOR and the Board of Investments (BOI) of a charter for its Audit Committee that provides, among other matters, for Committee of the appointment, compensation and work of the Financial Auditor hired to audit LACERA's financial statements. We understand that the intent of the BOR in adopting the Committee charter was to establish the Committee as an "independent" committee in accordance with applicable accounting standards of the Institute of Internal Auditors. You have also asked us to address any suggested revisions in the context of Government Code section 31593, which provides that "The retirement board shall conduct an audit of the retirement system at least every 12 months and report upon its financial condition."

We have reviewed the LACERA BOR and Audit Committee charters. In addition, we have examined the Board and Committee Charters and/or policies for two California public retirement systems of which we are aware that also provide for an independent audit committee—the San Diego County Employees' Retirement Association (SDCERA) and the California State Employees Retirement System (CalSTRS). Based on that review, we believe it is sufficient for LACERA's purposes to:

- 1) Amend Section 6, subsection 2.1 in the BOR charter to read: "Ensure that a financial audit is conducted at least annually and oversee Internal Audit reports referred by the Audit Committee or BOR Standing Committee; and
- 2) Delete subsection 2.3 of Section 6 from the BOR charter.

We note that with respect to compliance with Government Code section 31593, SDCERA'S Policy on the Role of the Retirement Board at section II E (1) (d) includes language similar to what we have suggested above, and we believe that this language serves to fulfill the Government Code requirement.

We also believe that the Board may wish to consider adding the following clause to the first sentence of the second paragraph of Section 2, following "CERL": "...appoint a committee to

Steven P. Rice

July 27, 2020

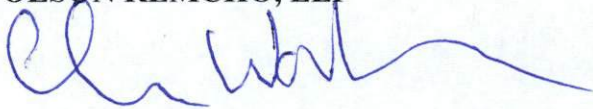
Page 2

perform any act within the power of the Board itself to perform,...” This language is similar to language from CalSTRS’ Board Policy Manual at page 7. We think the addition of such language would make clear that the Board can delegate its power and authority to a committee, which it has done in this case with respect to the Audit Committee.

Please let us know if you need any further assistance with respect to this matter.

Best regards.

OLSON REMCHO, LLP




Christopher W. Waddell, Senior Attorney

CW



August 19, 2020

TO: Operations Oversight Committee
Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

FROM: James Beasley 
Supervising Administrative Assistant II

FOR: September 2, 2020 Operations Oversight Committee Meeting

SUBJECT: FIDUCIARY LIABILITY INSURANCE RENEWAL

RECOMMENDATION

That the Board of Retirement approve the purchase of Fiduciary Liability Insurance effective October 9, 2020 with the following insurance carriers:

Coverage Type	Carrier	Limits	Premium
Fiduciary (Primary)	Euclid/Hudson Insurance Company	\$25 Million	\$228,590
Fiduciary (Excess)	Westchester Fire Insurance Company	\$10 Million	\$68,986

EXECUTIVE SUMMARY

For nearly two decades, LACERA has been purchasing insurance coverage to mitigate the risk of unforeseen damages and potential losses to the Trust Fund. LACERA's insurance program consists of various lines of coverage that is divided into two separate renewal periods, June 30th and October 9th. Insurance for the program is procured with the assistance of an insurance broker, Kaercher Campbell & Associates Insurance Brokerage (Broker), a member of the Seeman Holtz Family, who has over 25 years of experience working with various Pension Funds. The Broker services LACERA by procuring coverage quotations, negotiating premiums and coverage details, and provides consulting and support services throughout the year.

LACERA's insurance program is structured as follows:

<i>June 30th Renewal</i>	<i>October 9th Renewal</i>
<i>Business Property</i>	<i>Fiduciary Liability</i>
<i>General Liability</i>	<i>Excess Fiduciary Liability</i>
<i>Employee Benefits</i>	<i>Fiduciary Liability (OPEB)</i>
<i>Commercial Auto</i>	<i>Crime</i>
<i>Foreign Package</i>	<i>Cyber Liability</i>
<i>Primary Umbrella</i>	<i>Excess Cyber Liability</i>
<i>Excess Umbrella</i>	
<i>Difference-in-Condition</i>	
<i>Employment Practices Liability</i>	
<i>Terrorism Liability</i>	

DISCUSSION

In order to conduct LACERA's search for insurance coverage, the Broker, obtained competitive bids from various insurance carriers for each line of coverage. Their marketing efforts were comprehensive utilizing the marketplace to secure the best possible program renewals. The Broker approached numerous carriers and analyzed various programs to develop the most cost effective program for LACERA.

The Broker presented an insurance proposal package to the Insurance Selection Team (Team) for a complete analysis of each program whereby all terms (including coverage limits and sub-limits, deductibles, endorsements, and exclusions) were compared side-by-side. The selection of an insurance carrier is based on a number of factors, i.e. financial strength (A.M. Best financial strength and creditworthiness rating), Policy limits, potential covered losses, and cost. The Team consisted of representatives from the Administrative Services Division, Legal Office, and Executive Office.

Overall, the insurance market remains "flat" this year, as it was last year. A "flat" insurance market means premium pricing has stabilized. This pricing is primarily driven by the insurance surplus being at an all-time high, leading the Policy prices to remain relatively flat. However, due to the risk criteria that the underwriters use to determine the fiduciary liability limits (i.e., net plan assets, number of plan participants, status of fund ratio, and actuarial assumed investment earnings), there is a slight increase in premium on all the Fiduciary Liability Policies.

FIDUCIARY LIABILITY INSURANCE

LACERA Trust Fund

Fiduciary Liability insurance is targeted at protecting LACERA's assets against fiduciary-related claims of mismanagement of the employee benefit plan. If a claim is made against LACERA, it covers the legal expenses of defending against the claim, as well as the financial losses the plan may have incurred due to errors, omissions or breach of fiduciary duty. In order to protect the Trust Fund from liability due to a claim of breach of fiduciary duty, it is recommended that LACERA continue to obtain coverage in the amount of \$35 million. The highest limit that Fiduciary Insurance Carriers are willing to underwrite for the coverage is \$25 million; therefore, LACERA is required to obtain the coverage in multiple layers, \$25 million primary and \$10 million excess, to reach the desired coverage of \$35 million.

The Broker's marketing strategy focused on obtaining the most comprehensive coverage for the most competitive price. To meet LACERA's insurance needs, the Broker obtained quotes utilizing LACERA's Board approved Purchasing Policy requirements and standard industry criteria, which enabled them to successfully negotiate competitive options for renewal.

The Team compared the proposed coverage Policies, and determined the Euclid/Hudson Insurance Company (Hudson) and Westchester Fire Insurance Company Policy combination was more comprehensive and more competitive in pricing than the other qualifying competitors. The Team identified the following advantages offered:

- Lower retention rate (deductible)
- Waiver of Recourse flat annual fee of \$100
- Choice of legal counsel versus being required to use carrier panel counsel
- Settlers Claims Defense
- Coverage for benefits miscalculation (overpayments)
- Supplemental Cyber coverage for content restoration and crisis notification expenditures

Hudson, LACERA's current Fiduciary Insurance carrier, has agreed to underwrite the \$25 million Policy with a premium of \$228,590 and Westchester Fire Insurance Company will underwrite the excess \$10 million Policy with a premium of \$68,986. Hudson's proposed premiums are 6% lower than the other carriers under consideration due to a multiple Policy discount based on Hudson underwriting LACERA's Employment Practices Liability and the OPEB Trust Fund Fiduciary Liability Insurance Policies.

Fiduciary Liability Coverage

Risks	Policy Limits
<ul style="list-style-type: none"> • Accounting or Billing Errors or Omissions • Insufficiency of Funds • Poor or Negligent Investment Practices • Conflict of Interest • Errors in Computing or Administering Plans • Acts, Errors, and Omissions by Board Trustees and/or Staff Members • Acts, Errors, and Omissions by Investment Advisors 	\$25,000,000 Aggregate \$10,000,000 Excess \$2,000,000 Trustee Claim Expenses \$1,500,000 HIPPA & Hitech Fines/Penalties Sublimit \$500,000 Voluntary Compliance Program \$250,000 PPACA Fines & Penalties \$100,000 Cyber Essentials \$100,000 Benefit Overpayment

Waiver of Recourse – Supplemental Coverage

A Waiver of Recourse is an endorsement to a Fiduciary Liability Insurance Policy that prevents an insurance carrier from exercising its subrogation rights against an insured fiduciary (Board Trustees/Staff Members). Unlike most other forms of insurance, under Fiduciary Liability Policies, insurers have the right to exercise subrogation rights against insureds for non-willful or criminal acts.

Trustees of both Boards and specific Staff Members may have some potential individual exposure to Fiduciary Liability since they make decisions that could affect all of the Trust Funds. Board Trustees and Staff Members have the opportunity to protect themselves by purchasing the Waiver of Recourse supplemental coverage. Per Government Code Section 7511, Trust Fund assets cannot be used to purchase a Waiver of Recourse endorsement. The cost of this coverage for this renewal period is a flat fee of \$100.00 for each Trust Fund. The fee per person is dependent on the number of enrollees and will be determined and communicated to Board Trustees and Staff Members at a later date.

ADDITIONAL INSURANCE PROTECTION

In addition to the Fiduciary Liability (LACERA Trust), each line of coverage identified below is up for renewal. Board approval is not sought for these coverages because their premiums are within the CEO's \$150,000 signature authority; however, information on each coverage is provided for reference.

Additional Insurance Protection

Coverage Type	Carrier	Limits	Premium
Cyber Liability (Primary)	NAS	\$10 Million	\$84,197
Cyber Liability (Excess)	Brit Global Specialty	\$10 Million	\$62,858
Fiduciary Liability OPEB Trust	Euclid/Hudson Insurance Company	\$10 Million	\$41,447
Crime	Great American Insurance Co.	\$10 Million	\$21,795

CYBER LIABILITY

The costs and expenses of a data breach can be wide-ranging. According to the Cyber Claims Study conducted by NetDiligence (industry experts who provide cyber risk assessments), the smallest claims are approximately \$1,000 and the largest are \$80M. The numbers of records exposed range from 1 to over 300M, and the overall per-record costs range from less than \$0.01 to over \$1.5M.¹ Although, each breach has its own set of unique factors, the financial impact is fairly consistent across the board. Depending on the severity of the breach, the breach can be a financial burden to the organization. The impact to the organization can consist of the following:

- Information Loss
- Business Disruption
- Financial Loss
- Equipment Damages
- Defense Cost
- Good Will to Members

Potential costs associated with a data breach can add up rapidly and can be a financial burden to the organization. The Team conducted an analysis to determine the appropriate amount of coverage required to ensure the organization is upholding its fiduciary responsibility in protecting the Trust Fund. The analysis included evaluating the size of the Trust Fund, number of members (direct and indirect), number of records (electronic and paper), and loss history of known breaches outside of the organization. As the result of the analysis conducted by the team, the recommendation is to continue purchasing \$20 million in coverage to mitigate the severity of potential financial losses.

¹ NetDiligence- 2019 Cyber Claims Study <https://netdiligence.com/cyber-claims-study-2019-report/>

With business email compromises and ransomware attacks increasing dramatically across all industries in frequency and magnitude, including some high-profile breaches, we are starting to see an increase in premiums and a cautious deployment of capacity across the global marketplace. As the cyber threat landscape becomes more complex and demand for cyber security resources increases, so do the costs in remediating data breaches, particularly for large-scale events.

According to Beazley's May 2019 Breach Insights Report, the number of ransomware attacks increased by 105% in the first quarter of 2019 when compared with the first quarter of 2018. It also reported a 93% increase in the amount of ransom demanded over the same period. Several high-profile attacks against municipalities, schools, manufacturers, and healthcare facilities served to increase concerns.² Ransomware is not the only concern. In April 2019, the FBI reported that cyber losses were driven by social engineering attacks, specifically business email compromise. These attacks doubled in 2018, compared with 2017 figures, and amounted to \$1.3 billion in costs.³

Due to the increase of cybercrimes that have occurred in 2019 and during the COVID-19 pandemic, NAS will no longer offer the full \$20 million primary limits. However, they are willing to write a \$10 million Policy at a competitive price, a 30% difference below the next lowest competing carrier. In order to get the full \$20 million required amount, the coverage will be purchased in two layers, \$10 million primary and \$10 million excess.

The Team reviewed the Cyber Liability Insurance quotes to determine which Policy best protects the Trust Fund while still opting for the most competitive price. It was determined that the NAS Insurance Company's Policy form is more comprehensive than what the other carriers offered. NAS has agreed to underwrite the \$10 million Policy with a premium of \$84,197 along with Brit Global Specialty who will underwrite the excess \$10 million Policy with a premium of \$62,858, a total of \$147,055. The unanticipated premium increase for the Cyber Insurance, exceeds the budgeted amount by \$33,000. We intend on funding the increase within the existing budgetary resources and transfer Salary & Employee Benefits savings as part of a mid-year budget adjustment.

The following are additional advantages offered by NAS:

- Access to Expert Cyber Risk Advisors
- 24/7 Online Training Courses

² Beazley's May 2019 Breach Insights Report <https://www.beazley.com/documents/TMB/Insights/Beazley-BBR-Breach-Insights-Q2-2019-Ransomware-0519.pdf>

³ 2020 Market Conditions Report: Cyber Liability <https://www.ajg.com/us/news-and-insights/2020/feb/2020-market-conditions-report-cyber-liability/>

- Sample Policies and Vendor Agreement Templates
- Cyber Security Training Courses
- Compliance Materials
- Risk Management Tools and Guidelines
- Anti-Phishing / Social Engineering courses
- Incident Response Plans

Cyber Liability Coverage

Risks	Policy Limits
• Loss or Damage to Electronic Data	\$20,000,000 Security & Privacy Liability
• Loss of Income	\$20,000,000 Privacy Regulatory Defense &
• Cyber Extortion	Penalties
• Public Perception/Reputation	\$20,000,000 Multi Media Liability
• Virus	\$20,000,000 Breach Event Costs
• Malware	\$20,000,000 Network Assets Protection
• Unauthorized Access to LACERA	\$20,000,000 Cyber Extortion
System	\$5,000,000 Brandguard
• Failure to Properly Protect	\$1,000,000 Dependent Business Interruption
Confidential/Sensitive Data	\$100,000 Cyber Crime

FIDUCIARY LIABILITY – OPEB

LACERA purchases Fiduciary Insurance to provide coverage for all the OPEB Trust Funds, which is combined into one Insurance Policy. The OPEB Fiduciary Insurance program consists of the following Trust Funds:

- County OPEB Trust
- Superior Court OPEB Trust
- Master OPEB Trust

The annual premium for a \$10 million policy with Hudson Insurance Company is \$41,447 a slight increase in premium over the current expiring rate, \$40,050.

Just like the LACERA Trust Fund, the Board of Trustees and particular Staff Members have the opportunity to purchase the Waiver of Recourse supplemental coverage. The cost of this coverage for this renewal period is a flat fee of \$100.00 for each Trust Fund. The fee per person is dependent on the number of enrollees and will be determined and communicated to Board Trustees and Staff Members at a later date.

OPEB Fiduciary Coverage

<i>Risks</i>	<i>Policy Limits</i>
<ul style="list-style-type: none"> Accounting or Billing Errors or Omissions Insufficiency of Funds Poor or Negligent Investment Practices Conflict of Interest Errors in Computing or Administering Plans Acts, Errors, and Omissions by Board Trustees and/or Staff Members Acts, Errors, and Omissions by Investment Advisors 	\$2,000,000 Trustee Claim Expenses \$1,500,000 HIPPA & Hitech Fines/Penalties Sublimit \$250,000 Voluntary Compliance Program \$100,000 PPACA Fines & Penalties \$100,000 Cyber Essentials \$100,000 Benefit Overpayment

CRIME INSURANCE

Crime insurance coverage covers cash, assets, merchandise, or other property loss when someone perpetrates fraud, embezzlement, forgery, misrepresentation, robbery, theft, or any other type of business-related crime on the organization. The Crime insurance market remains stable, even though social engineering fraud continues to be a growing issue for insurance carriers, which may lead to future premium increase and new Policy language.

Great American Insurance Group is the only carrier approached willing to offer a \$50,000 deductible. Due to the size of the risk, all other carriers require a minimum \$100K deductible and are not competitively priced with Great American. The premium rate with the incumbent carrier (Great American Insurance Group) is \$21,795 for a \$10 million policy limit, a 60% difference below the next lowest competing carrier.

Crime Coverage

<i>Risks</i>	<i>Policy Limits</i>
<ul style="list-style-type: none"> Employee Dishonesty Computer Fraud – Third Party Impersonating as Staff Members to Acquire Funds Funds Transfer Fraud (Third Party) Forgery or Alteration of Checks Loss of Cash, Securities and Other Property (Third Party) Robbery 	\$10,000,000 Staff Member Dishonesty \$10,000,000 Forgery & Alterations \$10,000,000 Inside Premises \$10,000,000 Outside Premises \$10,000,000 Computer Fraud \$10,000,000 Money Orders & Counterfeit Paper Currency \$10,000,000 Fund Transfer Fraud

FISCAL IMPACT

The overall cost in premiums for the Fiduciary, Cyber, and Crime Insurance Program for the FY 2020-21 is \$507,873, an 11% increase from FY 2019-20 in the amount of \$454,292.

SUMMARY

In summary, after an extensive procurement process for Fiduciary and Cyber Liability Insurance, it is recommended to bind a one-year Fiduciary Insurance Policy with Euclid/Hudson Insurance Company with \$25 million Policy limits and excess coverage limits of \$10 million with Westchester Fire Insurance Company.

IT IS THEREFORE RECOMMENDED THAT THE COMMITTEE recommends the Board of Retirement approve the purchase of Fiduciary Liability Insurance effective October 9, 2020 with the following insurance carriers:

Coverage Type	Carrier	Limits	Premium
Fiduciary (Primary)	Euclid/Hudson Insurance Company	\$25 Million	\$228,590
Fiduciary (Excess)	Westchester Fire Insurance Company	\$10 Million	\$68,986

/JB

Noted and Approved




JJ Popowich

Assistant Executive Officer

FOR INFORMATION ONLY

August 25, 2020

TO: Operations Oversight Committee
Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

FROM: JJ Popowich, Assistant Executive Officer 

FOR: September 2, 2020 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff activities, updates on goals, and discuss opportunities and/or concerns. We will return to a more extensive briefing at the next OOC meeting.

-
- Public Records Request Update
 - Report of Felony Forfeiture Cases Processed

DATE RECEIVED	REQUESTER	DOCS REQUESTED
02-18-20	D. Kushner, Individual	<p>Monthly request:</p> <p><i>Sent, on February 18, 2020, via USPS First Class Mail the 3 DVDS listed below.</i></p> <p><i>Board of Investments dated February 12, 2020; The Equity: Public/Private Committee Meeting dated February 12, 2020, and Insurance Benefits & Legislative Committee Meeting dated February 13, 2020.</i></p>
02-20-20 (Legal received 03-18-20)	C. Devereaux, Bison	<p>Requested Private Equity's performance report for Q2 2019.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on February 28, 2020, via email: LACERA_2019.06.30.pdf</i></p>
02-20-20	H. Parker, Preqin	<p>Requested copy of PE report as of June 30, 2019 and requested copy of the Assembly Bill 2833 Report for the Fiscal year 2019.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on February 28, 2020, via email: LACERA 2019.06.30.pdf</i></p> <p><i>Sent, on March 3, 2020, via email: Assembly Bill 2033 Report-Fiscal Year 2019.pdf</i></p>
02-25-20	R. Fellner, Transparent California	<p>Request sent, on February 26, 2020, to LA County Auditor. Systems received response, on February 26, 2020, that information will possibly not be available until April 2020.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on March 11, 2020, via email: Transparent_Calif_Survivors_2019.xlsx and Transparent_Calif_Retirees_2019.xlsx</i></p>
02-27-20	R. Song, Individual	<p>Requested latest complete list of Private Equity Investment Managers by functional category.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on 02-28-20, via email: LACERA 2019.06.30.pdf</i></p>
03-05-20	V.Alvarez, HR, LA CountyPer monthly request:	<p>Per monthly request:</p> <p><i>Transmitted one document.</i></p> <p><i>Sent, on March 5,2020, via email: Board of Retirement Meeting of March 4, 2020, 2020, Benefit Approval List.pdf</i></p>
03-05-20	S. Ayers, Tristar Group	<p>Per monthly request:</p> <p><i>Transmitted one document.</i></p> <p><i>Sent, on March 5, 2020, via email: Board of Retirement Meeting of March 4, 2020, Benefit Approval List.pdf</i></p>
03-05-20	D. Gregory, Public Plan IQ	<p>Requested DVD recordings for the open sessions of the Board of Investments and Committee Meetings for the February 2020 meetings.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>Sent, on March 5, 2020, via USPS First Class mail: 5 DVDs of the open sessions of the February 2020 Board of Investments and open sessions of the Committee meetings</i>
03-05-20	J. Hammond, RELAC	Per monthly request: <i>Transmitted one document.</i> <i>Sent, on March 5, 2020, via email: Board of Retirement Meeting of March 4, 2020, Benefit Approval List.pdf</i>
03-05-20	Los Angeles Sheriffs Dept.	Per monthly request: <i>Transmitted 2 documents.</i> <i>Sent, on March 5, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated March 4, 2020</i>
03-05-20	T. Usher, HR, LA County	Per monthly request: <i>Transmitted 1 document.</i> <i>Sent, on March 5, 2020, via email: MonthlyAgenda.csv for March 2020</i>
03-13-20	J. Peterson, SPC Global	Questions on sale of Garden City Shopping Center, Cranston, Rhode Island, such as is TA Associates the Manager and how long was property in LACERA portfolio. <i>Questions answered via email, on March 13, 2020. TA Associates is the Property Manager and property was acquired in September 1988 for approximately \$155 million.</i> <i>Transmitted 1 document.</i> <i>Sent, on March 13, 2020, via email: TA and Barings_Redacted.pdf</i>
03-07-20 (Received 03-18-20)	C. Shu, Individual	Requested records LACERA's purchase of proxy advisory services and information for each provider for each year. <i>Transmitted 1 document.</i> <i>Sent, on March 18, 2020, via email: Proxy Vote FOIA 2019.xlsx</i>
03-16-20	J. Peterson, SBC Global	Questions on large asset sales. Answers shown below in italics and bold text. Question: Besides shopping center in Rhode Island, have any other assets been sold and what were the sales prices on those assets? <i>Answer: Four properties have been sold. Each sale was reported in public session and reflected in the minutes.</i> Question: At time of sale of shopping center in Rhode Island, was the asset managed by TA? <i>Answer: At time of sale, the shopping center was managed by TA.</i> Has LACERA made any commitments into open-ended funds with the capital from the large asset sale and what have Question: Have any assets been sold other than shopping center in Rhode Island these commitments been? <i>Answer: No.</i>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
03-18-20	C. Devereaux, Bison	Requested Private Equity Performance Reports for Q2 2019. <i>Transmitted 1 document.</i> <i>Sent, on March 18, 2019, via email: LACERA 2019.06.30.pdf</i>
04-01-20	J. Peterson, SBC Global	Question received and answer, shown below in italics, and bold text submitted, on April 1, 2020, via email. Question: What is the value of the LACERA real estate portfolio as of December 31, 2019? <i>Answer: Latest figure available is September 30, 2019, at which time the real estate portfolio value was \$5.9 billion.</i>
04-02-20	M. Simon, CoStar Group	Requested ownership confirmation of properties 9881 and 9891 Broken Land South. <i>LACERA ownership confirmed via email, on April 2, 2020.</i>
04-14-20	M. McCue, FIN News	Question regarding March 23, 2020 meeting - if any information reported regarding Polar Asset Management and One Rock Capital Partner discussions as well as the equity factor-based investment search. <i>Responsive answer, sent via email on April 16, 2020, is shown in italics and bold text. Under Agenda Item IV.A., the Board met in closed session to consider specific pension investments.</i> <i>Under Item IV A.1, the Board voted 8-0 to approve an investment of up to \$400 million in Polar Multi-Strategy Fun, with an initial allocation of \$300 million, with \$100 million available for follow-on investments.</i> <i>Under Item IV.A.2, the Board voted 8-0 to approve a commitment of up to \$150 million to One Rock Capital Partners III, LP.</i> <i>Under Item IV.A.3, the Board took action, which will be reported at a later date in Accordance with the Brown Act.</i>
04-15-20	E. Shery, PE Stack	Requested information regarding public records into the use of software, software as a service and market databases by public institutional investors for the purposes of managing investment portfolios. <i>Transmitted 1 document.</i> <i>Sent via email on April 21, 2020: Investments Data Providers.pdf.</i>
04-16-20	D. Essin, ieee	Question re LACERA's Asset Allocation as of March 31, 2020. Is the stock allocation 47% or 35%? <i>Answer, sent via email on April 16, 2020, is shown below in italics and bold text.</i> <i>The growth category target of 47% in the chart consists of stock, private equity, and real estate. Public stock makes up 35% of that target allocation. Combined allocation if 47%.</i>
04-16-20	R. Maifield, LACERA Benefits Member	Question: What is the IRS plan/section, IE 401(k) / 457(b), etc., under which our LACERA retirement plan is organized? <i>Responsive answer, sent via email on April 21, 2020, is shown below in italics and bold text.</i> <i>LACERA is an independent California public entity formed and organized under the County Employees Retirement Law of 1937, Cal. Gov't Code</i>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>Section 31450 et seq. The LACERA retirement plan is a defined benefit plan qualified under Internal Revenue Code section 401(a). It is also a governmental plan within the meaning of Internal Revenue Code section 414(d). LACERA has the rights and obligations following from its status under these two sections as provided in the Internal Revenue Code and other applicable law.</p>
04-29-29	H. Parker, Preqin	<p>Requested current asset and target allocations of current investments. Requested copy of fund manager and investment consultant presentations. Requested available documents detailing investment plans of LACERA for next 12 months. Provided appropriate website address to obtain requested information.</p> <p>Requested list of all partnership interest bought and sold to date in the secondary market, the price received/paid and corresponding net asset value date and net asset value associated with the purchase/sale. This information is exempt from disclosure at this time, the information is protected as proprietary information under CA Government Code Section 6254.k as a trade secret. LACERA will disclose secondary transactions when they are reported to the Board, but not holdings.</p>
04-30-20	M. Hanisee, ADDA	<p>Requested the most recent Board Travel Report with detailed expenses.</p> <p>Transmitted 1 document.</p> <p>Sent on, May 5, 2020, via email: 2020-03-04_bor_agnd.pdf.</p>
05-04-20	J. Mitchell, Buyouts Insider	<p>Questions from Requester: Has LACERA seen an increase in capital calls recently? How the crisis will be affecting LPs' private equity policies, as far as pacing, allocation, etc? How is LACERA adjusting? Requested picture of CIO.</p> <p>Advised, on May 4, 2020, to refer to LACERA's website for investment information.</p> <p>Transmitted 1 document.</p> <p>Sent, on May 4, 2020, via email: Jon-Grabel.jpg.</p>
05-07-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p>Transmitted one document.</p> <p>Sent, on May 7, 2020 via email: Board of Retirement Meeting of May 7, 2020, 2020, Benefit Approval List.pdf.</p>
05-07-20	S. Ayers Tristar Group	<p>Per monthly request:</p> <p>Transmitted 1 document.</p> <p>Sent, on May 7, 2020 via email: Board of Retirement Meeting of May 7, 2020, 2020, Benefit Approval List.pdf.</p>
05-07-20	J. Hammond, RELAC	<p>Per monthly request:</p> <p>Transmitted 1 document.</p> <p>Sent, on May 7, 2020, via email: Board of Retirement Meeting of May 7, 2020, 2020, Benefit Approval List.pdf.</p>
05-07-20	N. Lee, Preqin	<p>Requested information on Hedge Fund and Fund of Hedge Funds from October 1, 2019 to December 31, 2019.</p> <p>Transmitted, on May 12, 2020, responsive comment that reports will be available after the June 2020 Board of Investments meeting.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
05-07-20	Los Angeles Sheriffs Dept.	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on May 7, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated May 7, 2020.</i></p>
05-07-20	T. Usher, HR, LA County	<p>Per monthly request.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: Monthly Agenda.CSV for May 2020.</i></p>
05-08-20	J. Gray, Pitchbook	<p>Investment memorandum re investment consultants providing consultation re private equity, real estate/REIT and due diligence and presentation materials re investments into private equity, real estate/REIT, debt and infrastructure partnerships. Also for each fund, please indicate if the fund uses Subscription Credit Facilities.</p> <p><i>Transmitted 27 documents, via email, on May 11, 2020.</i></p>
05-12-20	P. Benson, Refi Global	<p>Questions and responsive answers shown below in italics and bold text.</p> <p><i>In a recent report, it said \$63m was redeemed from the real estate portfolio into the cash portfolio. Which real estate investment was redeemed/liquidated? There was no "redemption". The funds represent the aggregate amount of excess cash generated from monthly cash flow, as well as sales proceeds from one or more separate account properties. The names of sold properties have not been made public. Was there a reason behind this move? This represents normal portfolio activity. Do you currently have a pacing plan you are sticking to with regard to real estate as an asset class? If so, is there a copy I can request? Please see the Structure Review Update delivered to the BOI, May 2019. How has the retirement association adjusted as it relates to investing capital during Covid-19? What has changed? What has not? Please see the asset class update memos dated May 13, 2020.</i></p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent, on May 28, 2020, via email: Functional Asset Category Update-Real Assets and Inflation Hedges.pdf; Functional Asset Category Update-Credit Investments.pdf; Functional Asset Category Update-Risk Reduction and Mitigation Functional Asset Investments.pdf, and Functional Asset Investments-Growth Investments Update.pdf.</i></p>
05-13-20	J. Balestrieri, CIM Group	<p>Requested recording of Board of Investments meeting held on May 13, 2020.</p> <p><i>Sent on May 21, 2020, via First Class USPS Mail, the DVD containing responsive information.</i></p>
05-19-20	C. Nagy, eNACT Consulting	<p>Requested information for last actuarial audit re RFP documents, addendums to RFPs, Q&As, vendor proposals and scoring; final contract awards and does LACERA plan to have an actuarial audit in the future.</p> <p><i>Transmitted 7 documents.</i></p> <p><i>Sent, on June 10, 2020, via email: 7 responsive documents.</i></p>
05-20-20	J. Gray, Pitchbook	<p>Requested updated quarterly performance data alternative asset holdings 3Q 2019.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on May 28, 2020, via email:</i> LACERA 2019 – 3Q19 PMR.pdf and LACERA 2019.06.30.pdf.</p>
05-21-20	D. Kushner, Individual	<p>Per monthly request:</p> <p><i>Sent, on May 21, 2020, via USPS First Class Mail: 2 DVDs re Board of Investments dated May 13, 2020 and Joint Board Meeting Administrative and Disability dated May 7, 2020.</i></p>
05-29-20	C. Mendoza, PEI Media	<p>Questions from Requestor and answers, sent via email on June 8, 2020, shown in italics and bold text.</p> <ol style="list-style-type: none"> 1. What role are you looking for private equity to play in your overall investment portfolio? <i>We view private equity as a form of equity. As such, we utilize private equity to complement our public equities portfolio by accessing equity investments that are either underrepresented or unavailable in the public markets.</i> 2. Do you expect PE to outperform your public markets benchmarks over the next two years? <i>Given the valuation lags and J-curve effects inherent in private equity valuations, it is difficult to predict PE performance as compared to our public markets benchmarks over a short period of time. Our PE portfolio has historically outperformed our public markets benchmarks in the preceding 3-year, 5-year and 10-year periods, and we believe it is well positioned.</i> 3. What is your biggest concern regarding your private equity portfolio? <i>One of our main concerns is whether the companies in our portfolio have sufficient liquidity to survive this downturn, given the high level of leverage employed by many GPs in recent years. While most of our managers took steps such as reducing costs and drawing down revolvers to improve liquidity positions across our portfolio, this issue remains top of mind.</i> 4. How big a role does direct PE investment play in your portfolio, and do you expect this to change in the next two years? <i>PE plays a very important role in LACERA's portfolio. As we have learned during prior periods of market dislocation, some of the best performance in private equity has been during and immediately after economic downturns. We routinely evaluate our allocation to private equity and other investment categories in asset allocation studies.</i> 5. In today's environment, what are your priorities for selecting GPs to work with? What is your one piece of advice for a GP looking to manage your capital? <i>We have always looked to select GPs who have had success investing in different economic cycles. It is more important now than ever that we find GPs who have demonstrated experience in creating value through operations that allow their portfolio companies to weather a downturn. Our advice to GPs looking to manage our capital is to be prepared to demonstrate a high alignment of interests and true partnership with LPs.</i>
06-03-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on June 3, 2020, via email: Board of Retirement Meeting of June 3, 2020, 2020, Benefit Approval List.pdf.</i></p>
06-03-20	S. Ayers Tristar Group	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>Sent, on June 3, 2020, via email: Board of Retirement Meeting of June 3, 2020, 2020, Benefit Approval List.pdf.</i>
06-03-20	C. Devereaux, Cobalt	Requested performance reports for Private Equity and Real Estate. <i>Responsive comment, sent on June 3, 2020, via email: Reports are no been finalized for Q2 2019 and Q4 2019 will be sent to the Board soon.</i>
06-03-20	J. Hammond, RELAC	Per monthly request: <i>Transmitted 1 document.</i> <i>Sent, on June 3, 2020, via email: Board of Retirement Meeting of June 3, 2020, 2020, Benefit Approval List.pdf.</i>
06-03-20	Los Angeles Sheriffs Dept.	Per monthly request: <i>Transmitted 2 documents.</i> <i>Sent, on June 3, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated June 3, 2020.</i>
06-03-20	E. Raasch, Open the Books	Requested lists of retired members and survivors Providing monthly pension annuity information for the year 2019. <i>Transmitted 2 documents.</i> <i>Sent, on June 10, 2020, via email: LACERA_Retirees_2019.xlsx and LACERA_survivors_2019.xlsx.</i>
06-03-30	C. Devereaux, Cobalt	Requested performance reports for your private equity and real estate portfolios <i>Responsive comment, sent on June 3, 2020, shown below in italics and bold text.</i> <i>LACERA has not finalized the PE or RE fund reports since Q2 2019. Q4 2019 will be sent to the Board soon.</i>
06-09-20	T. Usher, HR, LA County	Per monthly request. <i>Transmitted 1 document.</i> <i>Sent via email: Monthly Agenda.CSV for June 2020.</i>
06-10-20	E. Mazey, Pageant Media	Questions regarding various investment funds that were talked about during BOI meeting: If there are allocations how much was allocated to each fund? Why was fund chosen? Was consultant used during any of the above-mentioned investment decisions? <i>Responsive comment sent, on June 18, 2020, via email: LACERA has nothing to add beyond the written material and the eventual out from closed session after the completion of each transaction.</i>
06-11-20	J. Fein, Unitehere 11	Requested audio or video transcript of June 2020 BOI meeting. <i>Responsive comment sent, on June 12, 2020, via email and responsive comment also sent on June 15, 2020 website address so requested information may be obtained.</i>
06-11-20	L. McBroom, LACERA Member	Requested documents relating to Capri Capital Partners and Baldwin Hills Crenshaw Plaza. <i>Transmitted 21 documents on June 16, 2020, via email.</i>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>Transmitted 2 documents on July 10, 2020, via email.</i>
06-16-20	M. Varma, S&P Global	Requested update on the consideration and discussion on the timeline and process for emerging manager program of hedge funds. <i>Transmitted 1 document.</i> <i>Sent, on June 17, 2020, via email: 2020.06.10 HF Emerging Manager RFP Update Final.pdf.</i>
06-17-20	J. Gray, Pitchbook	Requested updated quarterly performance data from your plan's alternative asset holdings for the following date(s): 4Q 2019. <i>Transmitted 2 documents.</i> <i>Sent, on June 18, 2020, via email: LACERA 2019 – 4Q19 PMR.pdf and 6. 2019 Second Quarter Hedge Fund Performance.pdf.</i>
06-17-20	A. Moser, Individual	Snapshots of all investment holdings at the end of each quarter from January 1, 2014 through March 31, 2020 (or the most recent date available). <i>Transmitted 17 documents on June 26, 2020 via email.</i> <i>Transmitted 1 document on June 29, 2020 via email.</i>
06-18-20	D. Gregory, Public Plan IQ	DVD recordings for the open sessions of the Board of Investments and Committee Meetings held in March, April, and May 2020. <i>Sent, on June 23, 2020, via USPS First Class mail: 6 DVDS for the following Board Meetings and open sessions committee meetings listed below.</i> <i>1. Board of Investments, dated March 23, 2020;</i> <i>2. Insurance Benefits & Legislative Committee Meeting, dated March 12, 2020;</i> <i>3. Operations Oversight Committee Meeting, dated March 4, 2020;</i> <i>4. Joint Organizational Governance Committee Meeting, dated April 29, 2020;</i> <i>5. Board of Investments, dated May 13, 2020; and</i> <i>6. Joint Board Meeting, dated May 20, 2020.</i>
06-22-02	J. Bogenschutz, Altman	Requested latest quarterly cash-flow reports of all private capital investments. <i>Transmitted 2 documents.</i> <i>Sent, on June 25, 2020, via email: LACERA 2019 – 4Q19 PMR.pdf and LACERA 2019.06.30 PMR.pdf.</i>
06-19-20	D. Kushner, Individual	Per monthly request: <i>Sent on June 19, 2020, via USPS First Class Mail the 6 DVDS listed below:</i> <i>1. Board of Investments, dated March 23, 2020;</i> <i>2. Insurance Benefits & Legislative Committee Meeting, dated March 12, 2020;</i> <i>3. Joint Organizational Governance Committee Meeting, dated April 29, 2020;</i> <i>4. Audit Committee Meeting, dated May 8, 2020;</i> <i>5. Board of Investments, dated May 13, 2020; and</i> <i>6. Joint Board Meeting, dated May 20, 2020.</i>
06-25-20	D. Kushner,	Per monthly request:

DATE RECEIVED	REQUESTER	DOCS REQUESTED
	Individual	<p><i>Sent on June 25, 2020, 5 DVDs via USPS First Class mail:</i></p> <ol style="list-style-type: none"> 1. <i>Board of Investments, dated June 10, 2020;</i> 2. <i>Credit Risk Mitigation Committee Meeting, dated June 10, 2020;</i> 3. <i>Insurance Benefits and Legislative Committee Meeting, dated June 11, 2020;;</i> 4. <i>Joint Board of Retirement and Board of Investments Meeting, dated June 24, 2020;</i> <p><i>and</i></p> <ol style="list-style-type: none"> 5. <i>Real Assets Committee Meeting, June 10, 2020.</i>
07-02-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on July 2, 2020, via email: Board of Retirement Meeting of July 2, 2020, 2020, Benefit Approval List.pdf.</i></p>
07-02-20	S. Ayers Tristar Group	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on July 2, 2020, via email: Board of Retirement Meeting of July 2, 2020, 2020, Benefit Approval List.pdf.</i></p>
07-02-20	LA Sheriffs De	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on July 2, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated July 1, 2020.</i></p>
07-14-20	J. Fein, Unitehere 11	<p>Requested video transcript of the July 8, 2020, BOI meeting.</p> <p><i>Transmitted, on July 15, 2020, responsive comment shown below in italics and bold text.</i></p> <p><i>LACERA has no obligation to create a record in response to a request. While a draft transcript was machine-generated using this software, it was grossly inaccurate and not suitable for production. As a draft, this document is exempt from production under California Government Code §6254(a). LACERA hereby reserves our right to rely upon any further exemptions that may apply. Video Link address was provided.</i></p>
07-02-20	Los Angeles Sheriffs Dept.	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on July 2, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated July 1, 2020.</i></p>
07-13-20	C. Devereaux, Cobalt	<p>Requested updates to the Q4 reports.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on July 17, 2020, via email: LACERA 2019 – 4Q19 PMR.pdf.</i></p>
07-14-20	O. Taylor, Proxy Insight	<p>Requested proxy voting records of the Los Angeles County Employees Retirement Association for the period of 1st January 2020 to 30th June 2020.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: Proxy Vote FOIA CYTD2020.xlsx.</i></p>
07-15-20	David Kushner,	<p>Per monthly request:</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
	Individual	<p><i>Sent, on July 15, 2020, via USPS First Class Mail the 2 DVDS shown below:</i></p> <p><i>Board of Investments – July 8, 2020 and The Equity: Public/Private Committee & Real Assets Committee Meetings – July 8, 2020.</i></p>
07-15-20	J. Martinen, Individual	<p>Requested documents for the period January 1, 2017 to present regarding buying or selling any private equity, private debt, real estate or infrastructure interests in the secondaries market. including price in relation to NAV.</p> <p><i>Transmitted 12 documents on July 20, 2020.</i></p> <p><i>Transmitted 1 document on July 30, 2020 via email.</i></p>
07-23-20	M. McCue, FIN News	<p>Requested the December 31, 2019 quarterly investment report.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on July 27, 2020, via email: Quarterly Investment Book 4Q19 FINAL.pdf.</i></p>
07-24-20	J. Gray, Pitchbook	<p>Requested documents from April 2020 through July 2020 prepared by LACERA investment committees and consultants regarding private equity, venture capital, mezzanine, distressed, real estate/REIT, debt and infrastructure partnerships being considered for investment; and request includes presentation and all due diligence materials.</p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent, on July 29, 2020, via email: 2020.05.13 Canaan XII Redacted Full.pdf; 2020.05.13 Thome Bravo XIV and Discover III Redacted Full.pdf; 2020.06.10 CVC VIII Redacted.pdf, and 2020.06.10 Silver Lake VI Redacted.pdf.</i></p>
07-27-20	J. Mitchell, Buyouts Insider	<p>Inquiry on LACERA's position on Bill AB 2473.</p> <p><i>Responsive comment, sent on July 27, 2020, via email that LACERA has not taken a position on the Bill.</i></p>
07-21-20	D. Waters, LACERA Member	<p>Requested copy of the 1982 Agreement between the County and LACERA.</p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent, on July 29, 2020, via email: 8 - 1982 Agreement.pdf; 9 – 1994 Amendment.pdf; 2014 Agreement.pdf, and rhc_enrollment_booklet.pdf.</i></p>
07-23-20	R. Thomas, Individual	<p>Inquiry as to LACERA holdings in the energy sector</p> <p><i>Transmitted 1 document, on July 31, 2020, via email: Summary of LACERA Efforts on Climate 7 2020.pdf.</i></p>
08-06-20	E. Goodwin, The Sutton Law Firm	<p>Requested copies of all Placement Agent Disclosure Forms and Statements of Economic Interests (FPPC Form 700 filed by individuals associated with the nine entities shown below from January 1, 2019 to present.</p> <p>Angelo Gordon AQR Capital Management Beach Point Capital Management</p>


DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>Brigade Capital Capula Investment Mgmt Davidson Kempner Capital Management Grosvenor Capital Management HBK Investments Napier Park Global Capital</p> <p><i>Responsive comment transmitted on August 14, 2020 shown in italics and bold text: I have attached the responsive Placement agent forms that LACERA has on file. After reviewing LACERA's records. I found no Form 700's for the nine entities included in your request.</i></p> <p><i>Transmitted 8 documents on August 14, 2020 via email.</i></p>
08-07-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on August 7, 2020, via email: Board of Retirement Meeting of August 5, 2020, Benefit Approval List.pdf.</i></p>
08-07-20	S. Ayers Tristar Group	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on August 7, 2020, via email: Board of Retirement Meeting of August 5, 2020, Benefit Approval List.pdf.</i></p>
08-07-20	J. Hammond, RELAC	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on August 7, 2020, via email: Board of Retirement Meeting of August 5, 2020, Benefit Approval List.pdf.</i></p>
08-07-20	Los Angeles Sheriffs Dept.	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on August 7, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated August 5, 2020.</i></p>
08-08-20	J. Kelly, RELAC Election Committee	<p>RELAC Election Committee requested confirmation of the data fields LACERA included in the voter list it constituted by extracting from its database, as of April 15, 2020, retired members.</p> <p><i>Responsive comment, sent on August 8, 2020, shown below in italics and bold text.</i></p> <p><i>As requested in your capacity as a RELAC officer, below are the retiree data fields from the LACERA database transmitted to the Executive Office for the LACERA election that commenced on August 5th and will run through August 31st. Please note that member phone numbers were not included as part of the eligible voter list. I am confirming with my Systems staff that any fields that did not contain information in our database were left blank on the retiree eligible list submitted to the Executive Office. I will resend a separate email confirming my findings on this issue.</i></p> <p><i>Follow-up response also sent on August 8, 2020, shown below in italics and bold text.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>I was able to confirm with my Systems staff that fields without any member information were left blank and transmitted to the Executive Office as part of the eligible voter list.</i>
08-13-20	E. Kansal, Individual	<p>Requested Q4 Private Equity and Real Estate reports.</p> <p><i>Responsive comment, sent on August 17, 2020, shown below in italics and bold text below.</i></p> <p><i>The Investments Division has restructured the performance reporting to the Board of Investments. The Q4 2019 PE report is not yet available. The Q1 2020 PE numbers will be part of the next performance book published for the September Board meeting. That public document can be seen on LACERA's website after the meeting Agenda documents are uploaded.</i></p>
08-14-20	M. Varma, S&P Global	<p>Requested update on search of Fiduciary Counsel Legal Services for the Los Angeles County Employees Retirement Association. If there is no update, is there an expected timeline on when the information will be available for this search?</p> <p><i>Responsive comment, sent on August 14, 2020, is shown below in italics and bold text.</i></p> <p><i>The Fiduciary Counsel Legal Services Request for Proposals is still in process. We expect that recommendations will be brought to the Board of Retirement and Board of Investments for their consideration in September or October 2020.</i></p>



August 24, 2020

TO: Operations Oversight Committee
Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

FROM: W. Louis Gittens 
Benefits Division

FOR: September 2, 2020, Operations Oversight Committee

SUBJECT: Update on LTD/Workers' Compensation Service Verification

Executive Summary

On July 1, 2020, LACERA's Board of Retirement heard a member's Administrative Appeal in connection with the process and time it took the Plan E member to receive credit for a period of time when the member was receiving Workers' Compensation.

Plan E Members who terminate with less than 10 years of service credit are generally ineligible to service retire. However, members may continue to receive service credit after leaving active service if they are placed on Long Term Disability (LTD) or are awarded certain types of Workers' Compensation.

In or about 2008, LACERA worked with Sedgwick, the third party administrator (TPA), to arrange for LACERA's system to receive automated feeds that allow us to keep member records up-to-date if the member is paid LTD benefits through the County. Prior to 2008, LACERA manually updated member records after receiving written confirmation from the TPA. Until now, LACERA has not been able to automate this process for members who receive Worker's Compensation benefits, which were historically paid by TPAs directly to members.

At the time the Board case was processed, in order for an impacted Plan E member on Workers' Compensation or on LTD with our former TPA to receive service credit for a period of absence, the following steps were required:

- The member must inform LACERA they were on LTD or Workers' Compensation (and therefore eligible to receive service credit);
- The member must prove eligibility by providing an Award Letter, which can be difficult to obtain; and

- LACERA must validate the Award Letter and manually add the service credit to the member's account.

These steps may cause a delay which could impact the member's retirement benefit, as illustrated in the recent Board case.

In the triggering case, the member separated from Los Angeles County in 1998 as a non-vested Plan E member with less than 10 years of service. The member contacted LACERA 16 years later on July 22, 2014, requesting to retire. It was at that time that LACERA notified him he was ineligible to retire due to his insufficient years of service credit. The member then revealed that he had been on Workers' Compensation since 1991. At that point, LACERA asked him to submit his Workers' Compensation Award Letter in order to confirm his eligibility. Unfortunately, LACERA provided the member with contact information for the incorrect TPA.

The member contacted LACERA three years later on September 21, 2017, stating that he attempted to obtain the requested records from the TPA on numerous occasions, but was unsuccessful. LACERA then intervened on the member's behalf and obtained the Award Letter one year later, in 2018. It was then that LACERA credited the member's account with 19 additional years of service credit, which allowed him to retire.

If LACERA was able to retire the member when he first requested to do so in 2014, he would have received an additional \$37,144.78.

Project Objective:

At the direction of the Board of Retirement, we have conducted an extensive review of this incident as well as our processes and procedures with a goal of re-engineering our processes to accomplish the following:

- 1) Ensure members receive all service credit they are due to receive in a timely basis that minimizes any impact on their ability to retire at the time of their choice;
- 2) Improve the process in a way that minimizes the involvement of the member to be consistent with a more service friendly approach.

The Executive Office tasked LACERA's Process Management Group (PMG) to complete the process review. PMG identified the following areas for improvement in our process:

- 1) LACERA needs to work with the County and their contracted TPA organizations administering their LTD and Workers' Compensation programs to share their information electronically. This will allow LACERA to create an automated data flow to keep members' accounts up to date on a real-time or near real-time basis (monthly). This will ensure that member's service credit is always reflective of their LTD status.

- 2) LACERA should review its training procedures and written Operating Instructions to ensure that all Member Service and Benefit staff members working with members understand the revised process and what steps they need to take to counsel members correctly. In the triggering case, LACERA staff members provided the member with contact information for the incorrect TPA (the County has had various TPAs over the years and the TPA in question was one of the previous contracted agencies).

Action Plan:

Based on this direction, PMG developed the following plan:

- A) PMG will review the facts of the triggering case as well as the current procedures, processes, and training in place for LACERA staff members. This will provide an overall sense of the current practices both in writing and on the floor;
- B) PMG will gather the data necessary to accurately identify the scope of impacted individuals. There are various types of Workers' Compensation and our law (CERL) only permits Plan E members to receive service credit for Temporary Total Disability and Permanent Disability;
- C) Coordinate LACERA's Systems Division with the County CEO's Risk Management Office;
- D) Identify milestones and a realistic timeline;
- E) Execution.

Since the Board meeting, PMG has completed most of step A above, including a review of the events surrounding this incident and our current processes, procedures, and data collected in regards to LTD. Our current process to support members who are receiving LTD benefits is working as intended. These members' records are updated on an ongoing basis.

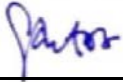
With the assistance of LACERA's CEO, Santos Kreimann, PMG established a contact with the County's Chief Executive Risk Management Office who agreed to partner with LACERA to bring this to fruition. LACERA stakeholders met with the County on August 3, 2020 to begin the discussions on a new process. PMG will complete step B identified above in advance of our next meeting with the County scheduled for September 8, 2020.

PMG will continue to keep the Committee up to date on the progress of this project.

Operations Oversight Committee
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We believe this process improvement initiative will dramatically improve our members' service experience and ensure that they receive all of their promised benefits.

Reviewed and Approved



Santos H. Kreimann
Chief Executive Officer, LACERA



August 17, 2020

TO: Operations Oversight Committee
Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

FROM: Derwin Brown 
Chief, Quality Assurance and Metrics

FOR: September 2, 2020, Operations Oversight Committee

SUBJECT: Project: MOU Retro-Salary Adjustment and Final Average Compensation

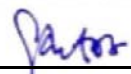
In October 2018, the Board of Supervisors ratified agreements with local union bargaining units, and the Board of Retirement determined that the negotiated compensation increases as stated in each Memorandum of Understanding (MOU) were pensionable.

Although the Auditor-Controller collects retirement contributions on the additional compensation, this data is not included with monthly transmission of the active employee files sent to LACERA but is reported on the eHR payroll. To ensure accurate final average compensation (FAC) for members, LACERA established an interdivisional team with Benefits, Systems and Quality Assurance.


In June 2020, this team began to identify all members to date, (44 in Phase 1; 44 in Phase 2), who were eligible to receive retro-payments as a result of the MOUs and to research, calculate, and adjust the FAC and pension income for retirees as needed.

This project is ongoing and has no set completion date as the County continues to negotiate with different bargaining units and to reach agreements (MOUs) on additional compensation.

Reviewed and Approved



Santos Kreimann
Chief Executive Officer, LACERA



Quality Assurance: MOU Retro Earnings Project

Presented by Derwin Brown

Project Background

- New Memorandums of Understanding (MOU) between the local Bargaining Units and County Board of Supervisors were ratified.
- Employees eligible for additional compensation were paid, with most receiving pay retroactively.
- Additional compensation is subject to retirement contributions, as determined by the Board of Retirement.

Laying the foundation - PMG

- Created 10 different standard notification letter templates:
 - Preliminary notification letter
 - Detailed notification letter explaining all changes
- Added alerts on Member Accounts
- Coordinated with APU and ASU to do automatic offsets of contributions owed from retro amounts payable
- Coordinated with Systems to automatically setup code 29 and 79 deductions for cases where the member owed more than the retro payable



Hand Off to QA Strike Force

Collaborated with APU to assess the project workload to see how we can fit it into APU's and QA's current work production.

- Phase I - Plan E, Safety, and 30 year cancellations
- Phase II – All remaining contributory members

MOU Salary Adjustments and Validations

- Advanced Payroll Unit (APU)
- Account Settlement Unit (ASU)
- Quality Assurance (QA) validations

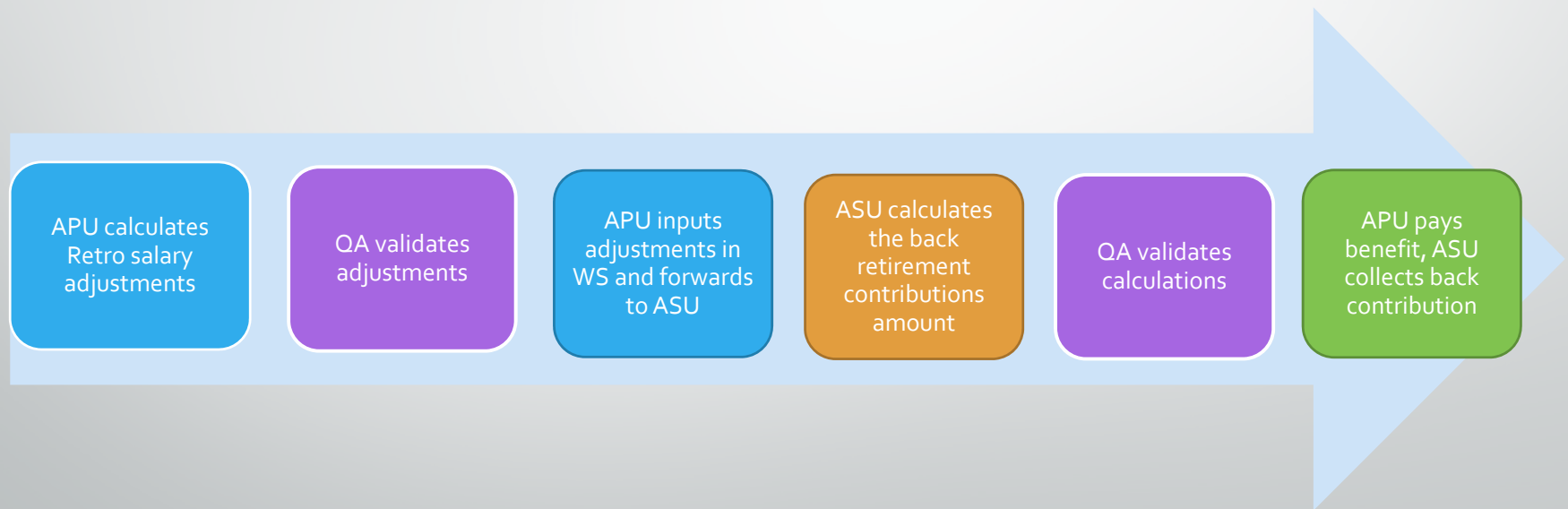
MOU Salary Adjustments Phase I (Plan E, B-Safety, 30 year cancel)

APU calculates
Retro salary
adjustments

QA validates
adjustments

APU inputs
adjustments in WS and
pays the retro benefit

MOU Salary Adjustments Phase II (All Contributory members)



MOU Salary Project Challenges

Entity	Challenges
Account Settlement Unit (ASU)	The approval of the MOU retro payments is based on negotiations which have no timeline for completion. Once the negotiations are complete, LACERA is notified. These requests can and have come at any time during the year, making it difficult to plan for and to allocate the resources needed to execute correct payments. Retro payments are mostly a manual process and, so, time intensive.
Advanced Payroll Unit (APU)	
Quality Assurance and Metrics	



MOU Salary Project Challenges

- Following up with HR departments for salary information
 - Phone calls
 - Emails
- Finding available resources

What's remaining?

- Superior Court Commissioners and Referees
- Firefighters
- Additional Bargaining Units as the County approves compensation through labor negotiations



Solution to Retro Processing

- Requested Auditor-Controller to “**auto-collect**” retirement contributions on retro payments made to active and inactive/retired members
- Benefits of “**auto-collect**”
 - Reduces manual, time intensive work
 - Provides expediency in making the member’s account whole
 - Creates manageable project workload



Questions?