

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, JANUARY 6, 2021 - 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:

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 December 2, 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. REPORTS

- A. LACERA Operations Briefing
JJ Popowich, Assistant Executive Officer
- B. LACERA Paperless Initiative
Allan Cochran, Member Services Division Manager
- C. Fiscal Year 2019-20 Financial Review
Ted Granger, Interim Chief Financial Officer

IV. ITEMS FOR STAFF REVIEW

V. GOOD OF THE ORDER

(For information purposes only)

VI. 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, DECEMBER 2, 2020, 10:39 A.M. – 11:23 A.M.

This meeting was conducted by the Operations Oversight Committee by teleconference under the Governor's Executive Order No. N-29-20.

COMMITTEE MEMBERS

PRESENT: Thomas Walsh, Chair
Herman B. Santos, Vice Chair (*arrived at 10:41 a.m.*)
Shawn R. Kehoe
Wayne Moore (*arrived at 10:48 a.m.*)
Vivian H. Gray, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

JP Harris
Keith Knox (*left at 11:00 a.m.*)
Ronald Okum
William Pryor
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Louis Gittens, Process Management Group

Ashley Dunning
Nossaman

Jenni Krengel
Reed Smith

The meeting was called to order by Chair Walsh at 10:39 a.m. As Mr. Moore had not yet joined the meeting, the Chair announced that Ms. Gray, as the alternate, would temporarily be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

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

Mr. Santos made a motion, Ms. Gray seconded, to approve the minutes of the regular meeting of November 4, 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, progress on the "100-Day Management Report," and an update on other projects.

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

B. LACERA Agency Transmittals
Louis Gittens, Process Management group

Mr. Gittens discussed the review of the Agency Check Payment Process, including check printing vendor and agency related problems. The Process Management Group (PMG) has determined that the current process does not ensure the safe and efficient delivery of physical checks to non-members and partner agencies, and that it would be prudent to implement a new and more secure electronic delivery method. Therefore, the PMG has developed a transition plan to accomplish this task, which was presented to the Committee.

IV. ITEMS FOR STAFF REVIEW

There was nothing to report.

V. GOOD OF THE ORDER

(For information purposes only)

VI. EXECUTIVE SESSION

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

Number of Cases: Unknown regarding Reciprocal Disability and
Disability Reversal Issues

The Committee met with legal counsel to discuss anticipated litigation. The Committee acted on a recommendation to the Board of Retirement, which will be reported out following the Board's action. There is nothing to report at this time from today's meeting.

VII. ADJOURNMENT


The meeting adjourned at 11:23 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.**

FOR INFORMATION ONLY

December 30, 2020

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

FROM: JJ Popowich, Assistant Executive Officer 

FOR: January 6, 2021 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, including the status of our Strategic Plan Goals and Operations Improvement initiatives. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive Operations Oversight Committee (OOC) presentation. The report is broken down into three main sections: Update on Current Strategic Plan Goals, Update on Other Projects, and updates on our progress meeting the goals and recommendations called for under the CEO's "100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments."

Update on Our Focus on Strategic Plan Goals and Operations Improvement

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

- **Case Management Capabilities:** The mid-year budget amendment was adopted by the Boards in early December. There are no new updates on this project to report. . The Case Management project addresses several similar current Strategic Plan goals (Disability Retirement Services – Case Management system, Disability Litigation's Administrative Hearing Process, Legal's Writ Management Process, and Benefits and Member Services' Job Ticket system). Since the OOC presentation in October 2019, staff have been reviewing technical requirements and evaluating integration methods. A preliminary set of business requirements was developed and the team will be reconvening soon to further refine the business requirements and advance other tasks related to this project.

- **LACERA.com Redesign:** Communications and subject matter experts throughout LACERA have nearly completed their review of all of the revised content that we have created for the new site. They have spent the last several months completely updating the content to make sure it is completely up-to-date and explained in a manner that is clear and easily understood by our members.

The team completed their first test project to upload the content for the “About” section of the website. Based on this test run, the team has developed an updated project plan and now plans to launch the new website in June of 2021.

- **Retirement Estimate Redesign Project:** The new Retirement Application and Summary is on hold pending the re-opening of the Member Services Center (MSC). Once the MSC has been re-opened, we will review our project timeline and set a date to begin beta testing the new form.

Phase II of this project will be to develop the on-line election process. We will set a deadline for the completion of Phase II as we near the end of Phase I.

- **PEPRA Implementation:** This workgroup continues reviewing all the progress made to date on the implementation of the Public Employees’ Pension Reform Act of 2013 and subsequent updates to the act passed since then. The Workgroup’s main focus is on efforts by the Auditor-Controller’s office to address the issue with the County payroll codes. As you may recall, for LACERA to readily assess what portion of an employee’s total compensation is pensionable or not, the payroll code 099 must be made more transparent so it is easier to identify the pay codes that are embedded in this code.

In October we reported the Auditor-Controller completed their programming of the County’s payroll system so that it would provide the non-pensionable portion of the payroll code 099. This programming allows LACERA to systematically remove non-pensionable amounts from the reported actual earnings. Initial testing was completed by Systems and turned over to Quality Assurance (QA) for additional testing of the Systems programming. QA has completed their first round of testing and provided feedback to Systems for additional programming. QA completed their testing in early December and are working with Systems and the Process Management Group (PMG) to provide the Executive Office and the Legal Office with an overview of their findings and a request for clarification on the outstanding questions. As we reported last month, we do not know the impact on the timeline to release the update into production.

Also as reported last month we do expect this will impact our annual March Madness season. It has been seven years since PEPRA was passed and we are seeing a steady increase in PEPRA member requests for retirement estimates and elections. Each of these must be processed manually, which can take anywhere from four hours to more than a day to complete as each pay roll period must be reviewed and adjusted to ensure only pensionable pay items are included in the Final Average Compensation (FAC). This could mean some delays paying members if we see a significant number of PEPRA retirement elections. The Member Operations Group continues to monitor the situation and take whatever proactive steps we can to mitigate any impacts on our members.

There are no new updates on the Workgroup focusing on the redesign of the Annual Benefit Statement (ABS). Our current statement only supports legacy plan members and is not supported for PEPRA members. Considerable progress was already made on the redesign efforts by the Communications team. We are working to get a better timeline when we can bring an RFP to the Operations Oversight Committee.

Update Progress on the “100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments”

This section will discuss some of the efforts in place to move forward on the recommendations in the 100-Day report. It may not address all progress, but will focus on certain goals being worked on at the time.

- **Business Metrics:** The 100-Day report points out the need to move LACERA towards a metrics and data driven management process. It is the recognition that we need to be able to collect and review data and metrics in order to make informed business decisions designed to improve our operations and deliver on our promises to our members. As reported previously, once we have some of the remaining refinements for version 1.0 of our Benefits Metrics program we will schedule a briefing for the Operations Oversight Committee. We estimate this will occur in the second quarter of this Fiscal Year.

Update on Other Projects

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

- **Business Continuity:** LACERA's Business Continuity Team (BCT) leads the update and completion process for the Business Continuity Plan (BCP). Over the past year a concerted effort has been put forth to assure that LACERA has an established BCP in place in the event of a crisis. The team has continued to work with Systems and our business continuity consultant as we finalize for a joint table top exercise in January. Details of the scenario are not available until the day of the exercise but it will be a simulated event up until the point a decision is made to activate the Disaster Recovery plan and the coordination with Systems on launching that step.

The team continues to evaluate and discuss our plans beyond this joint table top exercise. Currently, we are considering engaging a consultant on an on-going basis to help us design, implement, and evaluate future table top exercises and tests, as well as to keep LACERA abreast of the most current best practices in this area.

- **Retroactive Salary Projects:** There are no new updates for this project.
- **Member Demographic Information:** There is no new update on this project at this time. Our Systems Division continues to work with the Auditor Controller to secure that data in future data feeds. This process is expected to take 2-3 months and will include the Auditor-Controller making changes to the data they send LACERA and LACERA's Systems modifying our internal systems to store the data once we receive it. We will keep the Committee updated on our progress.
- **Telecommuting Policy:** A Workgroup consisting of the Executive Office, Human Resources, and Systems is in the final stages of completing a draft policy for the CEO to review.

Attachments:

Public Records Request Update
Report of Felony Forfeiture Cases Processed

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-16-20	M. Toroy, Fundmap	<p>Requested information from investment pools, relating to performance of all the hedge funds/absolute return funds LACERA is investing in as of November 17, 2020.</p> <p>Transmitted 2 documents.</p> <p>Sent, on November 20, 2020, via email:</p> <p>Hedge Fund Q1 2020.pdf and Total Fund Performance Book 2Q2020.pdf</p>
11-17-20	M. Guynn, LACERA Member	<p>Questions and comments t regarding the impending sale of the Baldwin Hills Crenshaw Plaza that would like to receive answers</p> <p>Transmitted via email, on November 19, 2020, responsive comment shown below.</p> <p>LACERA has reviewed your record requests made on November 17th, 2020 and noted in my previous correspondence. After reviewing the requests, they are vague and lack enough specificity to fully understand what documents you seek. In addition, the requests are missing the last names of many of the individuals mentioned.</p> <p>I am willing to assist you to make focused and effective requests that reasonably describe identifiable LACERA records, if any. Please contact me if I can be of assistance.</p>
11-19-20	H. Gillers, Wall Street Journal	<p>Requested reports and memos for item XI-A that were distributed as part of the board book for the November 5, 2020 Board of Investments meeting.</p> <p>Sent on November 19, 2020, via email the Link shown below that has responsive information.</p> <p>https://www.zoomgov.com/rec/share/2JNSf6DI3zIITJ3C802BC6wCO43caaa80yQaa_EzRm9GFABwMQeY0NmzJlXXUCG</p>
11-24-20	S. George, Individual	<p>Inquiry as to what Board of Retirement and Board of Investment seats will be open for election in 2022.</p> <p>Transmitted, on December 1, 2020, responsive comment shown below.</p> <p>Board of Investments: Seat 4 – Safety member</p> <p>Board of Retirement: Seat 4 – Safety Member Alternate Safety Member</p>
11-24-20	D. Kushner, Individual	<p>Per monthly request:</p> <p>Sent, on November 24, 2020, via USPS First Class Mail: 8 DVDs re LACERA Board Meetings and Open Session Committee Meetings.</p>
11-30-20	P. Agarwal, Individual	<p>Requested most recent list of investments for "Los Angeles County Employees Retirement Association" that includes the amount owned.</p> <p>Transmitted 1 document.</p> <p>Sent, on December 3, 2020 via email: Total Fund Performance Book 2Q2020.pdf.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-30-20	D. Gregory, Public Plan IQ	<p>Requested Meketa Fund Evaluation Report for OPEB Master Trust for the Following Quarter Ends: December 31, 2017 March 31, 2018 June 30, 2018</p> <p><i>Transmitted, on December 4, 2020 the following responsive comment:</i> <i>Meketa started reporting on OPEB during the 4th quarter of 2018. LACERA has no responsive reports to your request.</i></p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent, on December 4, 2020, via email available responsive documents:</i> <i>OPEB TF – 1Q18 pdf; Report; OPEB TF – 2Q18 Report; OPEB TF – 2Q18 Report; and OPEB TV – 4Q17 Report.</i></p>
12-09-12	J. Mitchell, Buyouts Insider	<p>Inquired re obtaining a recording of December 9, 2020 LACERA Board of Investments meeting,</p> <p><i>Transmitted, on December 10, 2020 responsive comment providing link.</i></p> <p>https://lacera1-my.sharepoint.com/:v:/g/personal/jharrington_lacera_com/EcZQXGBgA_NPhHSsqcol1rEB6rtMEwCEWnV285xJUWzVkw?e=p9VZ06</p> <p><i>Transmitted, on December 11, 2020 responsive comment shown below.</i></p> <p><i>LACERA has one responsive document that is exempt from disclosure under California Government Code Section 6254.26(a)(1).</i></p>
12-09-12	V. Ramirez, DHS LA County	<p>Inquiry if Ms. Linda Wade has filed for disability.</p> <p><i>Transmitted, on December 14, 2020, responsive comment that Ms. Wade has not filed for disability.</i></p>
12-12-20	D. Johnson, Individual	<p>Does LACERA own the building 1440 East Gunhill road in the Bronx?</p> <p><i>Transmitted, on December 14, 2020, the responsive comment shown below.</i></p> <p><i>After a diligent review of LACERA records, we have no responsive documents to your request.</i></p>

FOR INFORMATION ONLY

December 28, 2020

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

FROM: Allan Cochran
Member Services Division Manager

FOR: January 6, 2021 Operations Oversight Committee Meeting

SUBJECT: LACERA Paperless Initiative

Executive Summary

LACERA is committed to providing service and communicating with our members within the channels they feel comfortable and in efficient and safe methods. Some members prefer to communicate over the phone, some in person, some by mail, and some electronically. These channels are choices that we respect. Regardless of the channel the member chooses, our goal is to be accurate, efficient, and safe.

In addition, the recent COVID-19 pandemic has demonstrated the inherent risks to some channels of communication. During this pandemic, we have experienced delays in mailing physical documents to members, survivors, and beneficiaries and have found operating an in-house mail operation places staff members at greater risk during a pandemic. In order to mitigate both issues, and to support a greater choice for our members, we recognize we must continue to innovate and adapt. To increase options for our members and reduce the amount of physical mail we generate, the Member Operations Group, working in conjunction with Systems, Internal Audit, Legal, and the Executive Office has launched a Paperless Initiative project. This project is two-fold:

- One area involves paperless correspondence by allowing members to opt out of receiving most correspondence by mail. Instead, members will agree to access correspondence via our My LACERA secure member portal.

- The second aspect pertains to paperless payments where we can begin to offer additional paperless payment options to members who are unable to elect direct deposit.

This memo will discuss these two initiatives.

Paperless Correspondence

LACERA sends out volumes of letters and paper correspondence to members, survivors, and payees each month. Some of this correspondence is processed by our vendor who prints and mails the Automatic Deposit Receipts (ADR) and our Annual Benefit Statements (ABS). However, the remainder of our correspondence is generated and mailed internally and can range from standard notifications like those sent when a member has a missing period of service, to service credit purchase contracts and other customized correspondence.

During the pandemic it has been extremely challenging to mail the internally generated documents to our members and survivors. Mailing documents requires staff members to be physically in the office. However, due to the safety precautions we must take, we have had to operate on a reduced onsite staffing model. This has led, on average, to about a one to two week delay in mailing documents to members. Additionally, at least twice during the pandemic LACERA had to close the DPC due to potential exposure incidents. These closures lasted anywhere from a day to a week in duration.

In recent years, we have also experienced some challenges with our printing and mailing vendor and the post office. This has contributed to instances of delays in member's receiving their ADR and checks. A recent RFP to search for a new printing and mailing vendor failed to garner sufficient responses.

These unfortunate delays create both a risk and an inconvenience for our members and survivors who rely on LACERA to provide timely responses to their requests.

It is also not lost on us that with the advance in technology making secure online access to financial documents common, and with the weakening confidence in the timeliness and security of our postal system, members and survivors are increasingly asking for an alternative to receiving this information (some of it confidential) by mail. These requests are increasing as more and more members prefer the ease and safety of receiving communications electronically.

With this in mind, we have been reviewing alternatives to mailing documents to members. We are reviewing all of our common correspondence to determine which letters and documents can be converted to electronic delivery as the default option for members who have a My LACERA account (with an option to request mailed delivery by the member) and a list of those that must still be mailed as the required option (as well as provided electronically). The determining factor will be based on legal and risk based requirements.

For example, we have provided an initial list of documents we will require to be mailed. This list may change over time.

Electronic Delivery Encouraged	Mailed Delivery Required (Electronic Delivery Also Provided)
Under Review	Retirement Board Letters
	Disability Decision Letters
	Address Change Confirmations (mailed to current and new addresses)
	Termination Letters (Mailed when a member leaves County service)
	Documents Required to be Mailed via Certified Mail

This list is a living document. We will continue to constantly review and modify the list as we learn from experience and new data becomes available.

Managing the Transition

We have a multi-pronged approach to making this transition. The approach we have discussed takes into account that this will be a transition for our members, and some will adapt to electronic delivery quickly, while others may be reluctant or unable to adapt to this method. In keeping with our “preferred channel” method of providing service we will encourage electronic delivery, while continuing to accommodate those members who continue to prefer receiving documents via mail.

Automatic Deposit Receipt (ADR) Campaign

One mailed document most requested to be received electronically are the Automatic Deposit Receipts (ADR). Each month payees (retirees, surviving spouses and surviving beneficiaries) are mailed an ADR. The ADR reports gross monthly income, deductions, and the monthly net payment – all important and personal information for our payees. Every month more than 68,000 ADRs are mailed to payees at an annual cost of more than \$27,000.00 per month. In addition to mailing ADRs, we currently upload each of these documents to a member’s My LACERA Document Center.

The Member Operations Group and Systems have identified ADR mailings as a logical choice to launch a paperless a campaign. These documents are already electronically available to members in the Document Center on My LACERA.

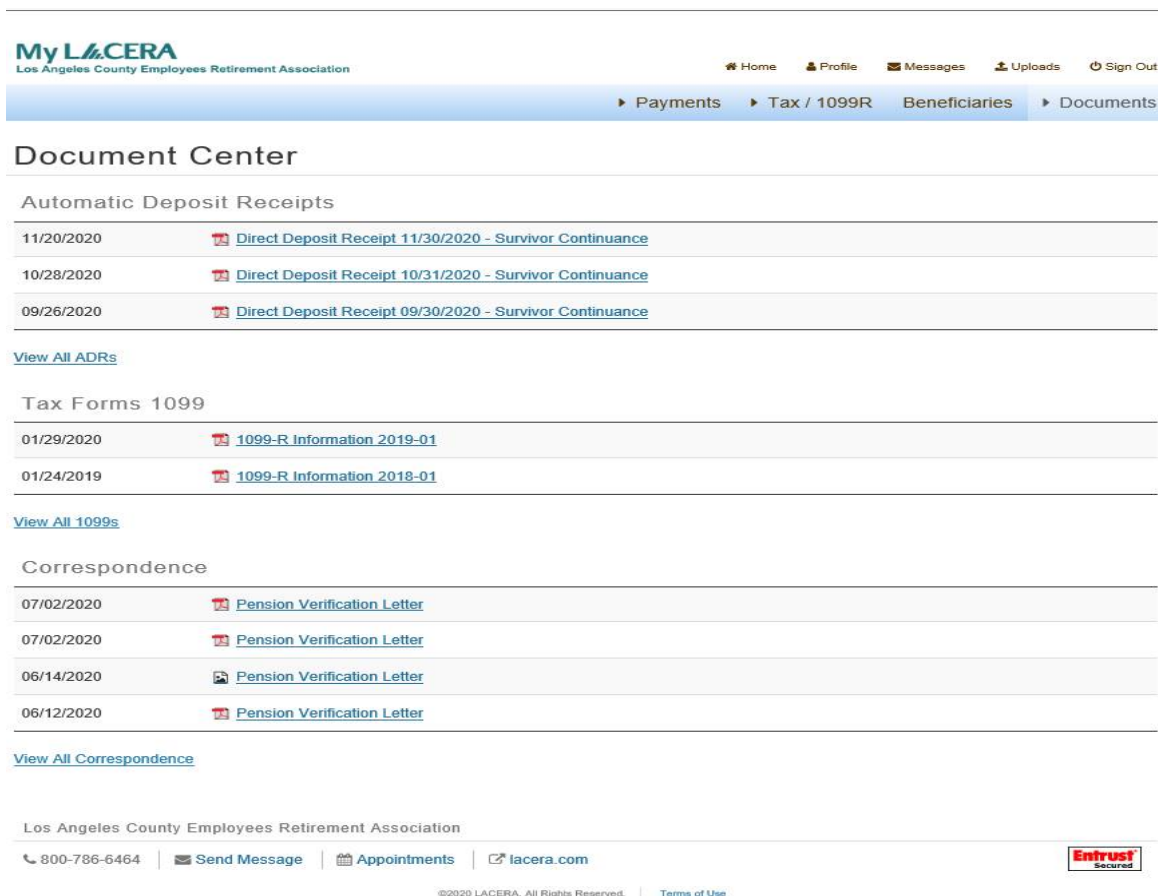
How does this work? Through a planned campaign developed by Communications, we will let members know that the new option already exists. Members registered to access My LACERA already can access documents online. Those not already registered, but interested, will be asked to register for My LACERA either through self-registration by

visiting LACERA.com and walking through the registration steps online or by calling the Member Services Call Center where a Retirement Specialist will assist members with registering for My LACERA. Once registered successfully, the member will receive an email to confirm their email address is valid and informing them, they may begin accessing My LACERA. For additional security, LACERA also employs a third-party application to identify invalid email addresses.

Each month registered members are sent an email notifying them their monthly ADR is available for viewing and printing. Members may then log into My LACERA and select “Documents”.



“Document Center” will be selected from a drop-down menu in “Documents” and a list of documents uploaded to My LACERA will appear.



Our member will click on the recently uploaded ADR, which is available 24 hours a day for viewing and for printing.

The impact is our member immediately receives vital, confidential information that can be viewed and printed at any time. Our member does not need to store or save this document, as documents uploaded to My LACERA are never removed.

LACERA released the ADR opt out process in December and will follow with a Communications campaign to let members know about the option. We also introduced the ability of active members to opt out of their Annual Benefit Statement and all members may now opt out of receiving our quarterly newsletters by mail.

It is anticipated in early January 2021, a My LACERA upgrade will be released which will allow members to opt out of ADRs, Annual Benefit Statements and Newsletter via My LACERA.

Risk Based Controls to Prevent Overpayment of Benefits

LACERA employs a number of internal controls to help us make sure our members are alive and well and receiving their benefits. One of these controls has been to monitor the return of undeliverable ADRs to alert LACERA whether a payee remains alive and well. Our process has been to send a series of letters when return mail is received to alert members we are receiving returned ADRs. Member Services proactively calls members after the return of the 2nd ADR to attempt to contact our member. If unsuccessful in contacting our member to update their mailing address, then upon the return of the 3rd ADR a hold is placed on our member's account until we can verify the well-being of the member and ensure whether or not the member is receiving their LACERA benefit.

When transitioning members to electronic delivery we will mimic the physical return mail process and monitor the undelivered email notifications as well as the login frequency of members to My LACERA. When electing the electronic delivery method, members will be asked to agree to login to My LACERA on a frequent basis and will be advised that should we see a period of inactivity we will reach out to verify their well-being via a variety of methods. They will also be notified that if we cannot verify their well-being in a reasonable amount of time, we will temporarily suspend their benefits until we can verify their status.

We also have other mitigating controls which include employing a third party vendor to notify us on a monthly basis of any reported deaths as well as other periodic audits and tools to mitigate the risk of unreported deaths and overpayment of benefits.

Internally Generated Correspondence and Documents

Given the challenges we currently face due to the pandemic and the overarching need to provide timely and safe service to our members we will be making a concentrated effort to encourage members to receive internally generated correspondence and documents

electronically. Beginning in late January or early February, we will select specific categories of documents from those documents we have chosen as candidates for electronic delivery, and transition them through the following process:

- 1) Adjust LACERA.com to indicate that LACERA will provide the requested document electronically through the My LACERA Document Center. The notice will encourage members who are not yet registered for My LACERA to sign up now. It will also provide instructions to members on how to contact LACERA to request we mail the documents to them. Additionally, the instructions will advise members on how to return the documents to us; documents that require a signature can be printed, signed, scanned and uploaded to LACERA, or mailed back to LACERA physically.

NOTE: In the future the team will be exploring and providing updates on the ability to sign documents electronically or make online elections through My LACERA for documents like contracts, claim forms, and retirement elections.

- 2) LACERA will revise all confirmation letters sent to members when they make a request to explain the documents will be delivered electronically and how a member can respond.
- 3) When a document becomes available members will receive an email alerting them a document has been uploaded and is ready for viewing in the My LACERA Document Center.
- 4) Each document sent to the member will also include instructions for how that document can be completed and returned to LACERA.
- 5) If a member makes a request through the Member Services Call Center or during a Member Service Center one-on-one, the Specialist will review the delivery options with the member and assist them with registering for My LACERA if they are not yet registered. Members can opt to receive the document via mail at this point as well.

EDUCATIONAL CAMPAIGN

Communications is leading the Member Operations Group and Systems effort by working to develop a yearlong education campaign to notify members of the opt out options. The campaign will have a dual focus. Communications is focusing on members without a My LACERA account, to promote the benefits of registering with My LACERA, and there will also be a targeted campaign for members who are registered on My LACERA.

For those who have not yet registered for My LACERA, Communications will be introducing an online video on LACERA.com to illustrate the purpose and benefits of registering for My LACERA, which includes the option to opt out of some mailings. Emails

and mail inserts promoting registration is underway as are articles in the Postscript and Spotlight quarterly newsletters.

The Member Services and Retiree Health Care Call Center Specialists will continue to encourage My LACERA registration which will be enhanced with additional scripting from the Communications Division. This effort will include talking points for our Specialists during counseling sessions, an increased effort to promote My LACERA, and an increased effort to encourage members to provide their email contacts so we can increase our ability to reach members electronically.

While targeting members who have registered with My LACERA, Communications has a yearlong campaign ahead to encourage registered members to consider the opt out to paperless feature by pointing out the potential benefits of going paperless. Additionally, there will be weaved throughout the year, time sensitive opt out campaigns to create a sense of urgency to have members opt out of mailed correspondence as more correspondence is approved to be added to the opt out option. As with those who have not yet registered, Emails, mail inserts and articles in our quarterly newsletters will be released as the paperless initiative benefits grow.

The Systems and Communications Divisions are working together to acquire statistics to measure the education campaign effectiveness and will consult with the project participants to adjust the communication plan if needed to ensure success. They are also undertaking a review of LACERA's forms to see that we are collecting information such as email addresses and cell phone numbers to support the success of the paperless initiative.

PAPERLESS PAYMENTS

Ninety-seven percent of LACERA payees are enrolled in and receive their monthly benefit payments by direct deposit (Automated Clearing House-ACH) while three percent of our monthly payees still receive physical checks. All 70,473 payees are mailed either a check or an ADR. While most LACERA payees (including retirees and survivors) have enrolled in direct deposit, there are a significant number who have chosen not to, or are unable to elect this option and/or have chosen to continue receiving paper checks. In recent years, we have encountered multiple challenges with paper checks that range from natural disasters, errors with the vendor, and issues with the U.S. mail. There were also issues that affected our international population because of COVID-19.

Whereas we are able to begin the paperless correspondence initiative described above, addressing paperless payments will require additional planning and innovation.

Electronic funds transfer (also known as ACH or direct deposit) remains the preferred method of payment as it is reliable and secure and is the only option, we offer new

retirees. However, this is not a viable option for all our payees and in rare cases; we still allow payment by check.

In order to provide a more secure alternative to those currently receiving a check we are exploring the use of a prepaid payment card. We are working with Financial Accounting Services Division (FASD) to determine which financial institutions offer the best benefit to our members and our organization.

Of the three percent of payees that have not enrolled in direct deposit there are two groups of payees: domestically and internationally residing payees. For domestically residing payees that either cannot or choose not to enroll in direct deposit we are exploring a prepaid payment card that will be sent to these payees and recharged with funds each month. This manner of payment is currently done with the State of California to pay Unemployment Insurance and Worker Compensation payments and pension benefits issued to internationally residing members by the California State Teachers Retirement System (CalSTRS).

We also have just over 200 internationally residing payees and twenty-nine of these payees are mailed a check. Mailing checks to internationally residing members has presented issues of timeliness. The COVID pandemic has highlighted the need for a more reliable manner of payment to our international payees. At times during the pandemic, countries would not accept mail from the US Postal Service. In other instances, due to health conditions in countries in which members reside, the countries would not allow the delivery of the checks. For international payees who did not establish a US banking relationship for direct deposit before relocating abroad, we are exploring a secondary option to transfer retiree benefits directly to international banks, possibly by wire.

As we collect more information about options available for domestic and international payee paperless payments, we are working with the Executive Office to determine our best course of action and will provide your Board with full details in the future.

In the future, we will explore paperless payment solutions also for:

- 1) One time payees such as withdrawing members and beneficiaries receiving one time payments.
- 2) Non-member payees receiving spousal and child support

CONCLUSION

The COVID-19 pandemic has created unique challenges in being able to provide timely and safe service to our members through traditional channels such as mailing correspondence and documents to our members. Online access to documents has been a common offering by financial institutions for many years. Increasingly, members have

Re: LACERA Paperless Initiative


December 28, 2020

Page 9

been asking for these options for some time and we believe now is the time for LACERA to take advantage of advances in technology to offer these services to our members.

The Paperless Initiative will significantly improve service to our members. It will allow members to access correspondence directly through their My LACERA portal accounts. As a result, members will receive important documents in a timely manner and can access it at any time. It will reduce security risks as well as mailing costs to LACERA. It also alleviates ongoing concerns during COVID-19. While we recognize all these benefits, we also recognize that not all members are comfortable with technology and prefer to continue receiving paper correspondence. For these members we will provide them the continuing option to receive documents by mail.

Reviewed and approved:



c: Santos H. Kreimann
Steven Rice
JJ Popowich
Bernie Buenaflor
Carlos Barrios
Cynthia Martinez
Kathy Delino
Richard Bendall
W. Louis Gittens



December 22, 2020

TO: Each Trustee
Operations Oversight Committee

FROM: Ted Granger 
Interim Chief Financial Officer

FOR: January 6, 2021 Operations Oversight Committee Meeting

SUBJECT: FISCAL YEAR 2019-20 FINANCIAL REVIEW

Attached for your information are LACERA's annual financial statement highlights for fiscal year ended June 30, 2020. Some of the key financial results include the following:

- Net Position Restricted for Benefits (fund balance) ended the fiscal year slightly above the prior year from \$58.3 billion to \$58.5 Billion.
- Increase in Net Position of \$0.2 billion (net income) despite slight increases in pension benefits paid to retired members and other administrative expenses.
- Total pension fund returned 1.8% net of fees, compared to the actuarial expected return assumption of 7.00%.
- Pension plan funded ratio decreased from 80.6% to 77.2%.
- In accordance with GASB Statement No. 67 reporting requirements, Net Pension Liability was \$18.0 billion for the fiscal year ended June 30, 2020. The Pension Plan's Fiduciary Net Position was 76.4% of the Total Pension Liability, which represents the accounting calculation equivalent of the funded ratio.

Should you have any questions regarding this update, I can be reached at (626) 564-6000, extension 3524.

REVIEWED AND APPROVED:



Santos H. Kreimann
Chief Executive Officer

Annual Financial Review of Fiscal Year 2019 - 2020

Operations Oversight Committee January 6, 2021

Ted Granger, Interim Chief Financial Officer

Michael Huang, Accounting Officer II

Ervin Wu, Interim Accounting Officer II

- CAFR – Comprehensive Annual Financial Report
- PAFR – Popular Annual Financial Report
- Financial Highlights and Reporting
- Pandemic Concerns
- New Information:
 - GASB 84, OPEB Custodial Fund
- Looking Ahead

A person wearing a white button-down shirt is shown from the chest down, pointing their right index finger towards the right side of the frame. The background is a blurred office setting. A white rectangular box with a blue horizontal bar above it is overlaid on the lower right portion of the image, containing the word 'Agenda' in a large, bold, black sans-serif font.

Agenda

CAFR and PAFR Preparation

- **T** – Transactions are recorded during the year
- **E** – Each team member contributes to the preparation
- **A** – Auditors review the financial statements and disclosures
- **M** – Management prepares a discussion and analysis
- **W** – Work with Communications to publish reports
- **O** – Oversight provided by Executive and BOR/BOI
- **R** – Recording transactions for the new fiscal year
- **K** – Keep updated with latest GASB/GAAP/AICPA standards

CAFR Theme

- *Strong Performance in a Challenging Year:*

For more than 80 years, LACERA has been proudly fulfilling our mission to produce, protect, and provide the promised benefits of L.A. County employees and retirees. Our long-term approach to investing enables us to adapt to fluctuating circumstances and adverse events while maintaining our commitment to members and advancing toward our goals.

Adversity > Adaptation > Advancement >

Strong Performance in a Challenging Year

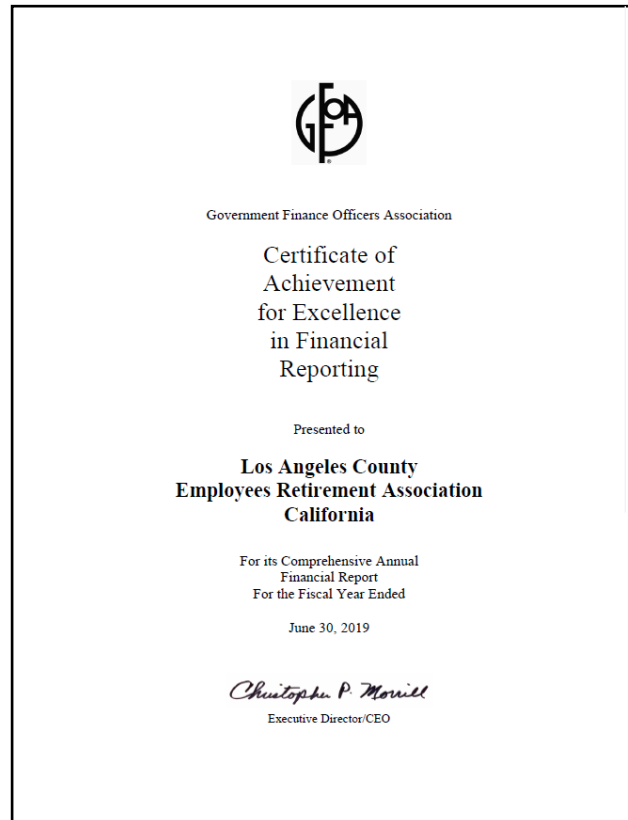
2020
ANNUAL FINANCIAL REPORT

Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2020 and 2019
Pension and OPEB Trust Funds of the County of Los Angeles, CA

Awards

Government Finance Officers Association

- GFOA
 - CAFR = 30 years
 - PAFR = 22 years



Public Pension Coordinating Council

- PPCC
 - Public Pension Funding and Administration = 18 years



- **Net Position Restricted for Benefits = \$58.5 billion**
 - Fund Balance
- **Total Additions = \$3.9 billion**
 - Income
- **Total Deductions = \$3.7 billion**
 - Expenses
- **Total Fund Return = 1.8% (net of fees)**
 - Investment Earnings
- **Funded Ratio = 77.2% (as of the June 30, 2019 Valuation)**
 - Ratio of Assets/Liabilities

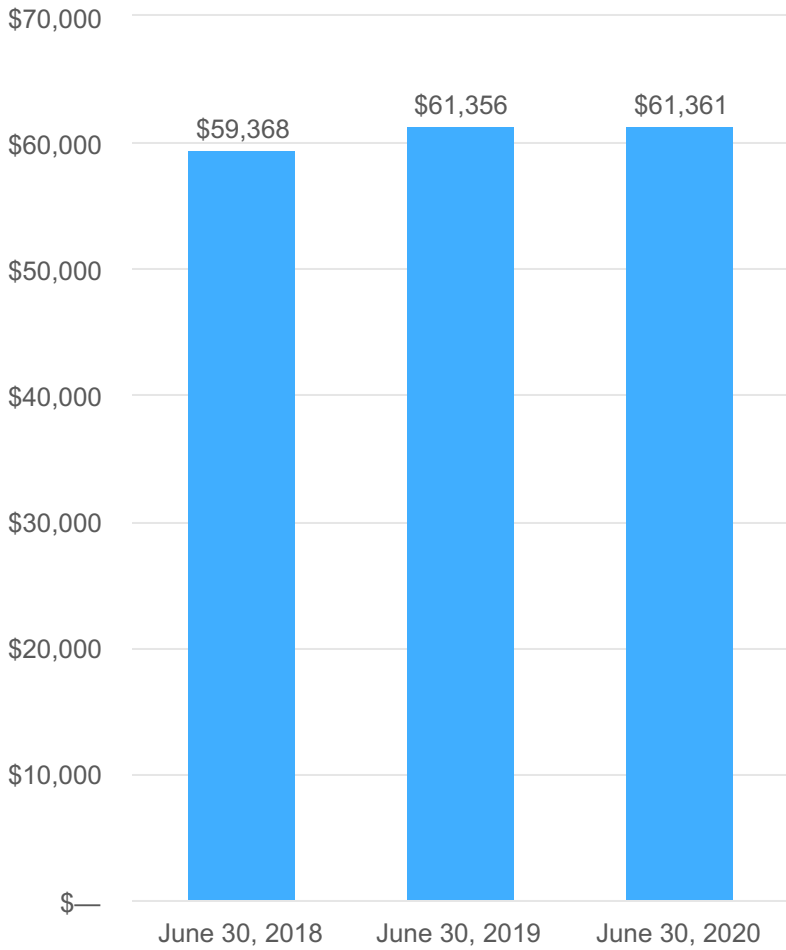
Financial Highlights

Fiduciary Net Position Restricted for Benefits



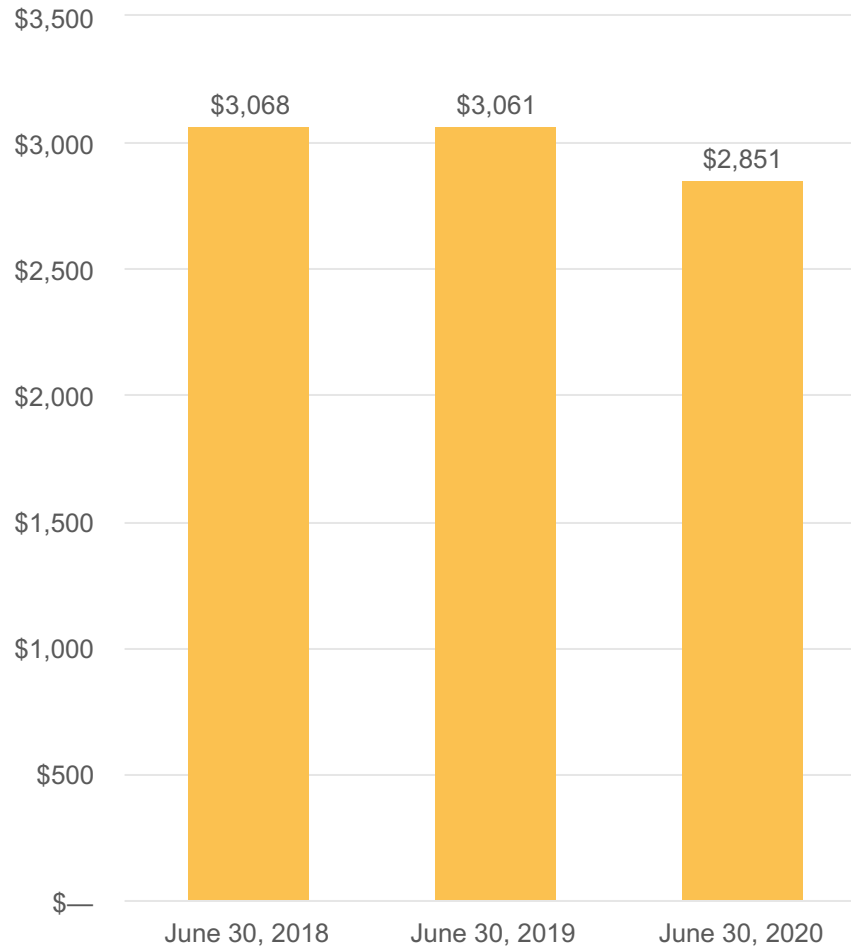
Fiduciary Net Position Restricted for Benefits (Cont.)

Pension Plan Total Assets (In Millions)



■ Total Assets

Pension Plan Total Liabilities (In Millions)



■ Total Liabilities

Pension Plan Total Net Position (in millions)



■ Total Net Position

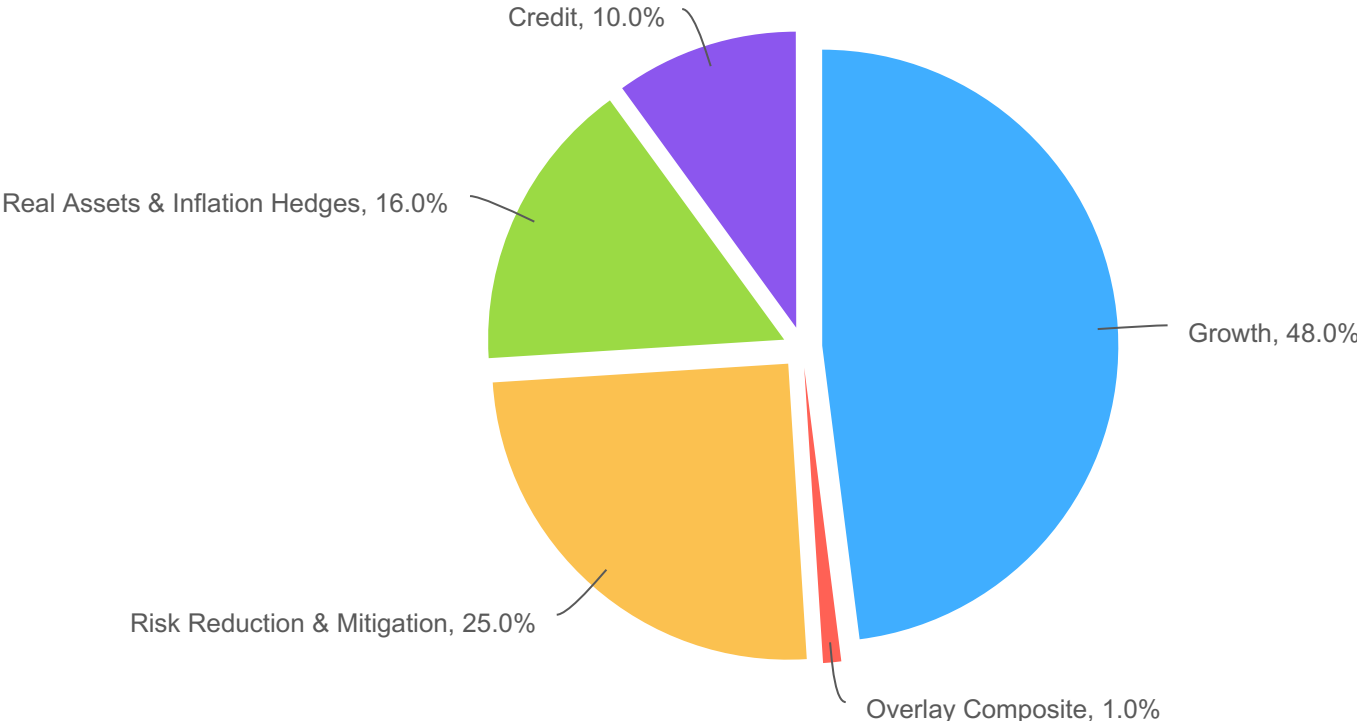
Additions and Deductions to Fiduciary Net Position

Pension Plan

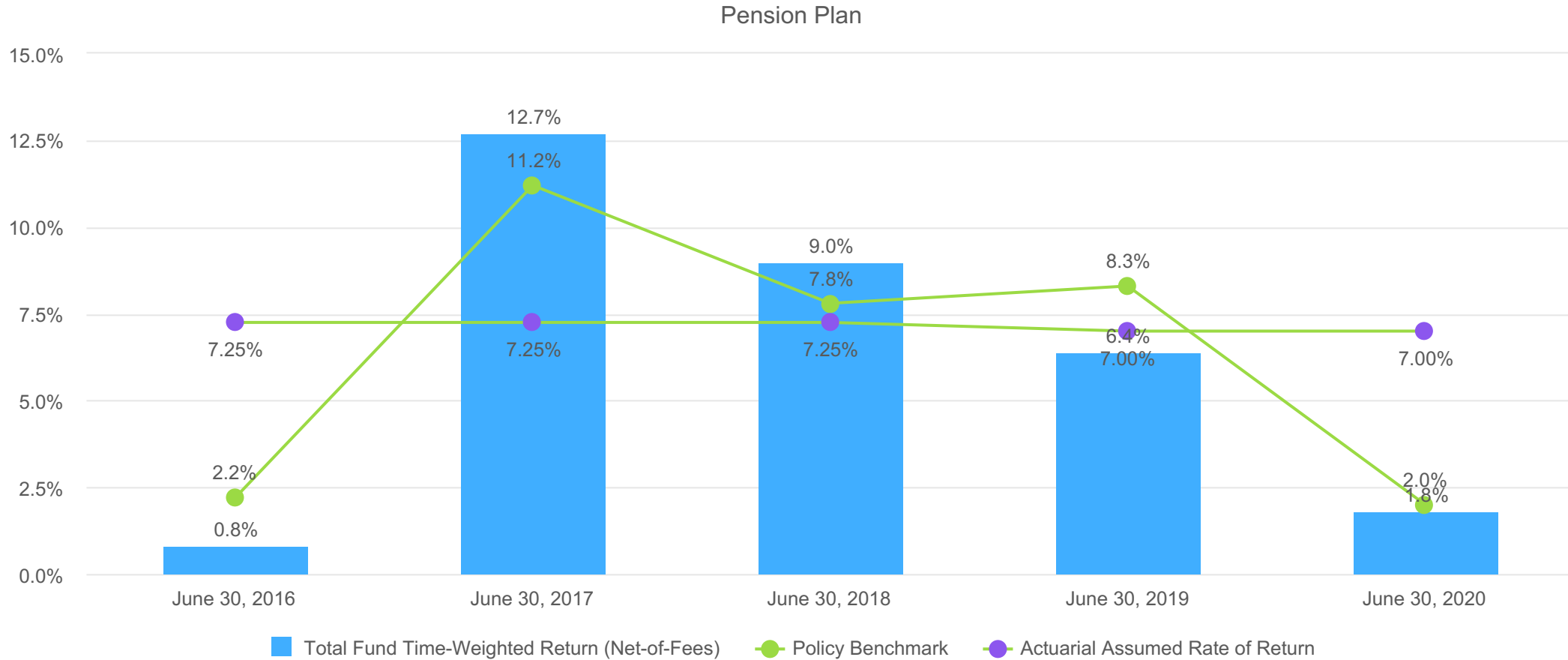
(Dollars in Millions)	2020	2019	2018
Contributions	\$2,459	\$2,304	\$2,116
Net Invest Income	1,448	3,181	4,722
Total Additions	\$3,907	\$5,485	\$6,838
Benefits & Refunds	(\$3,606)	(\$3,407)	(\$3,203)
Admin & Misc Expenses	(86)	(83)	(79)
Total Deductions	(\$3,692)	(\$3,490)	(\$3,282)
Net Increase/ (Decrease)	\$215	\$1,995	\$3,556
Beginning Net Position	58,295	56,300	52,744
Ending Net Position	\$58,510	\$58,295	\$56,300

Pension Plan Actual Asset Allocation

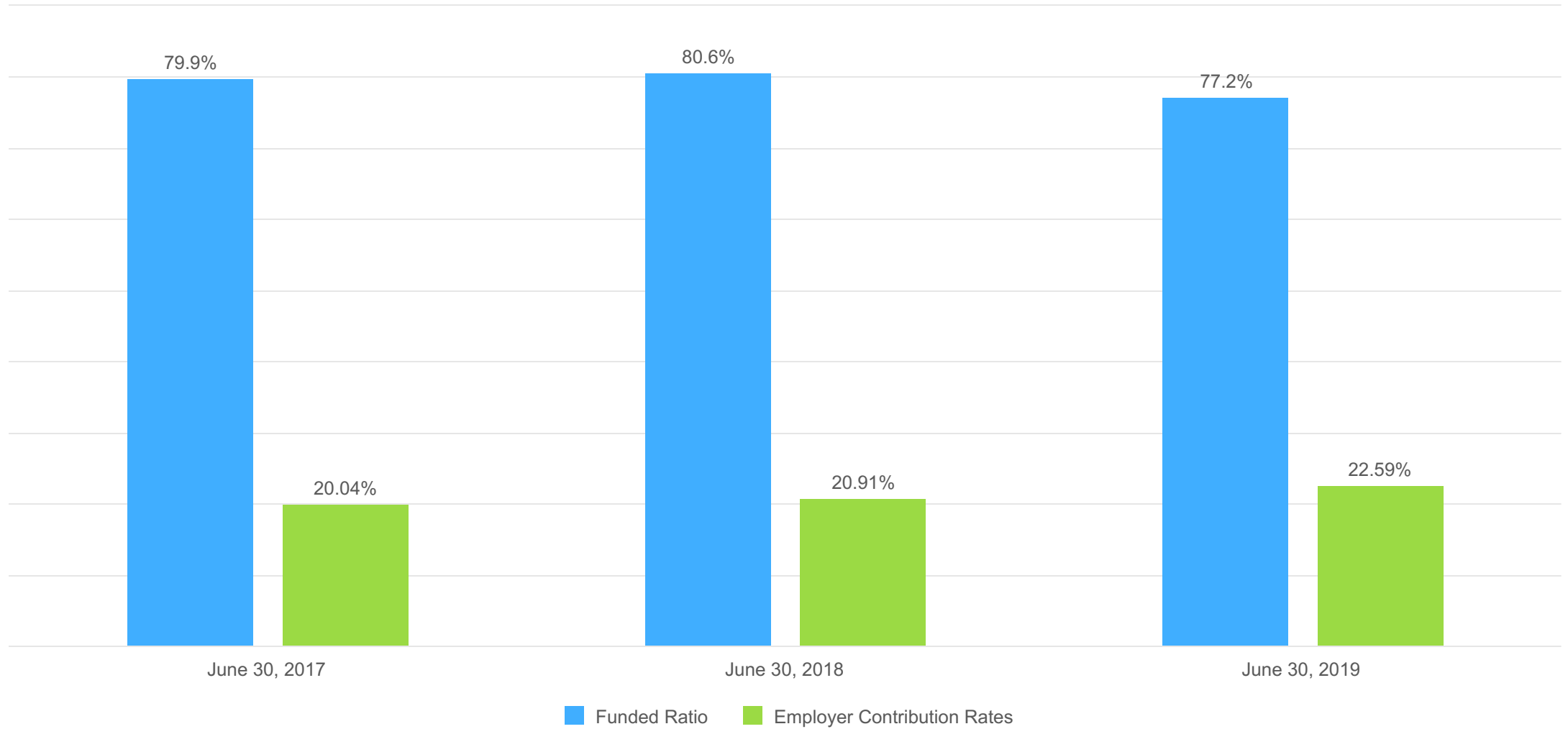
Functional asset allocation strategy shown as of June 30, 2020



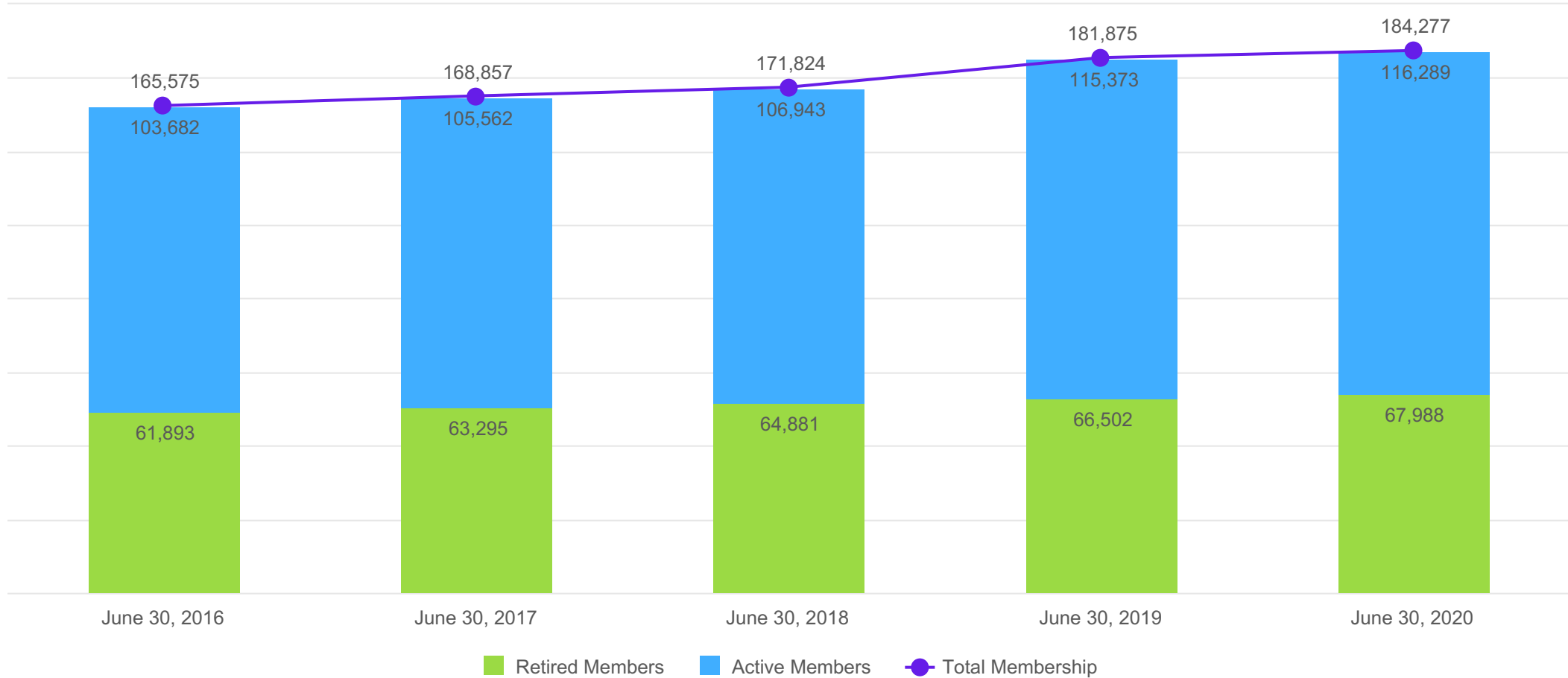
Total Investment Return



Actuarial Valuations

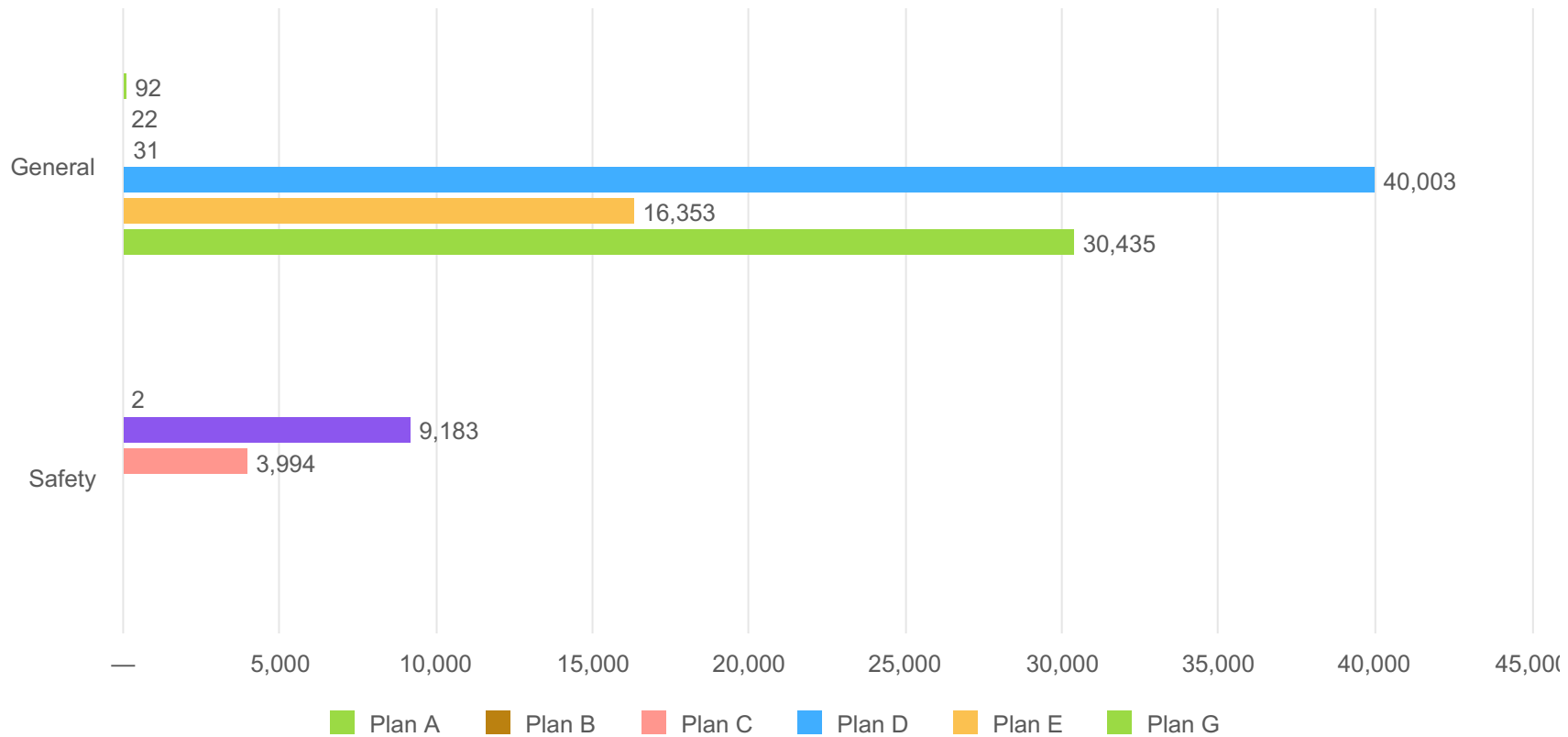


Membership



Plan Membership

As of June 30, 2020



	General
Plan A	92
Plan B	22
Plan C	31
Plan D	40,003
Plan E	16,353
Plan G	30,435

	Safety
Plan A	2
Plan B	9,183
Plan C	3,994

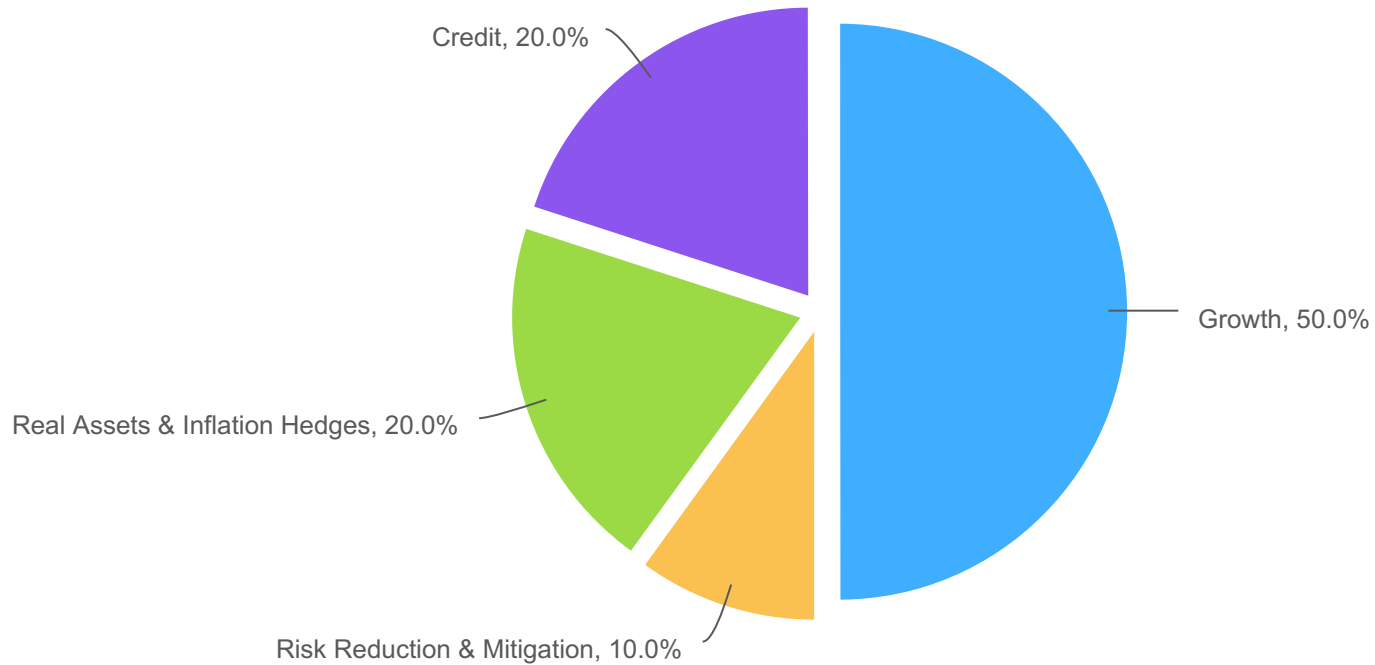
OPEB Trust

Fair Value by Agency

(Dollars in Thousands)	2020	2019
Los Angeles County	\$1,441,398	\$1,189,406
LACERA	5,638	4,598
Superior Court	45,592	44,473
Total Balance	\$1,492,628	\$1,238,477

OPEB Trust Actual Asset Allocation

Functional asset allocation strategy
shown as of June 30, 2020



- New Note Disclosure in CAFR, Note R
- Safety protocols implemented
- Canceled all non-essential business travel
- Received Plan sponsor contributions
- Monitored investment returns
- Provided benefits without interruption
- Operations:
 - Remote work environment
 - Member and vendor payments

Pandemic Concerns

- GASB Statement No. 84, Fiduciary Activities
 - Early implementation
 - Comparative basis
 - New terminology
 - Requires an Income Statement and Balance Sheet
 - Required disclosures

GASB 84, OPEB Custodial Fund

- Upcoming GASB pronouncements
 - GASB Statement No. 87, Leases
 - Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
 - Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.
 - UPDATE: Now effective for LACERA's fiscal year ending June 30, 2022 CAFR.

Looking Ahead



**Thank
You**