

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, MARCH 3, 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:

Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of February 3, 2021

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. Overview of the Quality Assurance and Metrics Division Internal Operating Principles
Bernie Buenaflor, Chief, Quality Assurance & Metrics Division
- C. Overview of the Technical Training Program of the Quality Assurance and Metrics Division (QA)
Bernie Buenaflor, Chief, Quality Assurance & Metrics Division
- D. Los Angeles County Superior Court Funding of OPEB Trust-Update
Ted Granger, Interim Chief Financial Officer
- E. Business Continuity Tabletop Exercise Results
James Beasley, Supervising Administrative Assistant
Roberta Van Nortrick, Training Coordinator-Project Manager

IV. ITEMS FOR STAFF REVIEW

V. GOOD OF THE ORDER

(For information purposes only)

VI. EXECUTIVE SESSION

- A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: LACERA Chief Executive Officer Santos H. Kreimann, Systems Division Interim Manager Kathy Delino, Chief Information Security Officer Bob Schlotfeld, and Other LACERA Staff.

No. of Topics: 2
Cybersecurity and Disaster Recovery Plan

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, FEBRUARY 3, 2021, 11:15 A.M. – 1:05 P.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: Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Alan Bernstein
JP Harris
Keith Knox (*left at 11:45 a.m.*)

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Allan Cochran, Member Services Division Manager
Kathy Delino, Interim Systems Division Manager
Ted Granger, Interim Chief Financial Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Erika Heru, Communications

Michael Huang, Financial and Accounting Services

Cynthia Martinez, Chief of Communications

Bob Schlotfeld, Chief Information Security Officer

Ervin Wu, Financial and Accounting Services

The meeting was called to order by Chair Kehoe at 11:15 a.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of December 2, 2020

B. Approval of the minutes of the regular meeting of January 6, 2021

Mr. Okum made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meetings of December 2, 2020 and January 6, 2021. 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

III. REPORTS (Continued)

B. LACERA Paperless Initiative
Allan Cochran, Member Services Division Manager

The LACERA Paperless Initiative was launched to increase communication options for our members and reduce the amount of physical mail we generate, significantly improving service to our members. Mr. Cochran discussed paperless correspondence and payments, managing the transition, and an educational campaign for members.

C. Fiscal Year 2019-20 Financial Review
Ted Granger, Interim Chief Financial Officer

Ted Granger, Michael Huang, and Ervin Wu presented LACERA's financial statement highlights for the fiscal year ending June 30, 2020, which included:

- Net Position Restricted for Benefits ended the fiscal year at \$58.5 billion
- Total pension fund returned 1.8% net of fees, compared to actuarial expected return assumption of 7.0%
- Pension plan funded ratio decreased from 80.6% to 77.2%
- Net Pension Liability in accordance with GASB 67 was \$18.0 billion

D. Lacera.com Redesign Update
Cynthia Martinez, Chief of Communications

Ms. Martinez discussed the lacera.com redesign, including architecture, prototype testing, content management system, content migration process, internal review and testing, and the launch campaign to introduce the new site to members. Ms. Erika Heru displayed a sample of the new LACERA home page and About LACERA page.

IV. ITEMS FOR STAFF REVIEW

Staff will bring an FYI report to the OOC and Milliman will report back to the Board regarding specifics of the funding and population of the Superior Court's OPEB liability. This will be part of their Experience Study presentation in March.

V. GOOD OF THE ORDER

(For information purposes only)

VI. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: LACERA Chief Executive Officer Santos H. Kreimann, Assistant Executive Officer JJ Popowich, Systems Division Interim Manager Kathy Delino, Chief Information Security Officer Robert Schlotfeldt, Benefits Protection Unit Supervisor Sylvia Botros, and Other LACERA Staff.

VII. ADJOURNMENT


The meeting adjourned at 1:05 p.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

February 23, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: JJ Popowich, Assistant Executive Officer 

FOR: March 3, 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 2020. Our Systems staff have been evaluating several existing software packages that could help us more rapidly develop a case management solution. During the week of February 22nd staff from multiple divisions received the first demonstration of one of these software packages. This team will provide feedback on what they viewed, which will help the development team determine what package may work best for LACERA's use.

- **LACERA.com Redesign:** There are no new updates for this project, except that work continues as we make progress for our planned July 2021 launch.
- **Retirement Estimate Redesign Project:** The new Retirement Application and Summary is on hold pending the re-opening of the Member Service 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 (AC) 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.

Quality Assurance, the Benefits Process Management Group (PMG), and Systems have completed their testing of the files provided to LACERA after the AC completed their programming of the County's payroll system in order to provide the non-pensionable portion of the 099 payroll code. These changes were requested by LACERA to allow us to systematically remove non-pensionable payroll items from the reported actual earnings. The team has prepared a report for the Executive Office to review the results of their testing and findings. The memo is currently under review and it is expected the team will meet with the Executive Office sometime in March to determine our next steps.

The delay in being able to systematically identify these embedded payroll codes impacts our ability to efficiently process retirement estimates and elections for this March Madness season. Rather than being able to process these estimates and elections through our pension system, each of these must be processed manually. Manual processing can take anywhere from four hours to more than a day to complete as each payroll 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:** We continue to make progress on the development of a metrics and data driven management process for the Member Operations Group. Staff members who process member requests follow a process designed to capture the amount of time spent on each work object. This data, along with the number of work objects received and processed, will provide valuable insight into our operations and help us make informed business decisions, forecast resource requirements more accurately, and target efforts to improve our operations.

The cross functional team designing and implementing these metrics continue to work on resolving some data collection issues that have delayed full implementation of version 1.0. At the same time, our management team is working with staff members to ensure adherence to the procedures they must follow in order to acquire accurate data. As previously reported, we are hopeful that these data collection issues will be resolved 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:** As discussed in the CEO Report, we conducted our first Business Continuity Tabletop Exercise in conjunction with a Disaster Recovery Exercise. We have a report for the Committee at this meeting.
- **Member Demographic Information:** In 2020, Trustee Moore requested LACERA work to develop demographic information to improve our understanding of the

makeup of LACERA's membership. An evaluation of the data we already acquire indicates that we collect most of the common demographic information that most organizations accumulate, with the exception of ethnicity. Since the County already collects this data, we reached out to the Auditor-Controller (AC) to add this data point to the information we already receive. The AC recently reported they expect to begin providing this data within the next month and then will provide LACERA a quarterly update on the data to capture new members. Once we get the file we will take a short time to upload it into our member database. It is important to note that ethnicity is always a voluntary data point and some choose not to provide that data.

- **Retroactive Salary Projects:** Our Benefits team is processing the last of the adjustments for Commissioners impacted by the *Mallano v. Chang* case. We have completed all of the Plan E member cases. Last month we reported we had 70 cases remaining. Our Benefits Division has processed 42 cases in February. Of the remaining 28 cases, 11 are still pending processing, 12 cases are for deceased members and awaiting beneficiary action, and 5 cases are more complicated dissolution cases that are being processed. The team is in the process of notifying members of the changes as a result of this case.
- **Membership Category Reporting Project:** We report the total number of members and break down that number into specific categories across several platforms such as the CEO Dashboard Report, the Comprehensive Annual Financial Report (CAFR), among others. Recently, a trustee pointed out that the categorization of members varied across platforms and recommended we standardize the categories we use so they are consistent. These various categorizations evolved over time due to the different reasons the reports were generated and depended on the point of view of those developing the reports. Standardizing the categories is a positive step to eliminate any confusion and, as a result, we have initiated a project to define a single schema for categorizing members and reporting those numbers across all platforms. We expect to debut the new categorizations by May 2021.
- **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. The County is also updating their Telecommuting Policy and LACERA will evaluate and compare our draft to the County's once it has been released.

Attachments:

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

DATE RECEIVED	REQUESTER	DOCS REQUESTED
12-21-20	D. Wells, Law offices of Gregory W. Smith	<p>Requested 14 categories of records, including operations of LACERA and hiring of employees and vendors.</p> <p>Request 11 - All video recordings and audio recordings of the April 9th, 2020 Board of Retirement meeting; the June 3rd, 2020 Board of Retirement meeting; and the June 25th, 2020 Audit Committee meeting.</p> <p><i>On December 21st, 2020, sent the <u>links to video and audio</u> of the June 3rd, 2020 Board of Retirement meeting, and the June 25th, 2020 Audit Committee meeting.</i></p> <p><i>On December 28th, 31st, 2020, and on January 11th, 2021, sent a <u>DVD of the April 9, 2020 Board of Retirement meeting</u> via FedEx Standard Overnight Delivery.</i></p> <hr/> <p>Request 10 - Requested information regarding Udemy contract.</p> <p><i>On January 15th, 2021, sent one (1) set of responsive documents.</i></p> <hr/> <p>Request 9 - Requested information regarding Eagle Leadership contract.</p> <p><i>On January 22nd, 2021, sent one (1) set of responsive documents.</i></p> <hr/> <p>Request 8 - Requested information regarding KH Consulting contract.</p> <p><i>On February 1st, 2021, sent one (1) set of responsive documents.</i></p> <hr/> <p>Request 7 - Requested information regarding TransQuest contract.</p> <p><i>On February 2nd, 2021, sent one (1) set of responsive documents.</i></p> <hr/> <p>Request 1 - Requested Systems related communications by CEO Santos R. Kreimann.</p> <p><i>On February 8th, 2021, sent one (1) set of responsive documents.</i></p> <hr/> <p>Request 3 - Requested documents regarding hiring of Celso Templo.</p> <p><i>On February 8th, 2021, sent 11 sets of responsive documents.</i></p> <hr/> <p>Time extension to the production of documents.</p> <p>Requests 2, 4-6, and 12-14 remain outstanding.</p> <p><i>On February 16th, 2021, sent responsive letter regarding extension of time and summary of production status via email.</i></p>
01-12-21	D. Gregory, Public Plan IQ	<p>Requested DVD recordings for the open sessions of the Board of Investments and Committee Meetings held in November-December 2020.</p> <p><i>On January 21st, 2021, sent a link to the Zoom meeting recordings via email.</i></p>
01-13-21	T. Hettinger, LP Analyst Consulting Firm	<p>Requested information regarding private asset portfolio returns.</p> <p><i>On January 20th, 2021, sent the Private Equity Holdings report via email in one (1) document.</i></p> <p><i>Document file name: PIR 06.30.20.pdf</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
01-14-21	A. Glean, PEI Media	Requested a list of any fund commitments approved at January 13 th Board of Investments meeting. <i>On January 19th, 2021, sent responsive comments listing four (4) fund commitments approved at January 13th, 2021 Board of Investments meeting via email.</i>
01-20-21	J. Mitchell, Buyout Insider	Requested information regarding co-investments. <i>On January 20th, 2021, sent responsive comments via email and the following link to Board of Investments report out items:</i> http://www.lacera.com/about_lacera/boi/meetings/2021-01-13_boi_reportout.pdf
01-20-21	C. Devereaux, Cobalt GP	Requested Private Equity reports. <i>On January 20th, 2021, sent returns and holdings with responsive comments via email with two (2) documents.</i> <i>Documents file names: Total Fund Performance Book 2Q2020.pdf; and, PIR 06.30.20.pdf</i>
02-04-21	J. Peterson, IPE	Requested information regarding the real estate separate accounts. <i>On February 9th, 2021, sent responsive comments via email and provided Board memo regarding termination of Invesco the portfolio transfer in one (1) document.</i> <i>Document file name: Cover Memo IRE Termination Plus Attachments 1-3 8.27.20 (1).pdf</i>
02-04-21	O. Taylor, Insightia	Requested a list of the latest LACERA holdings and related information. <i>On February 9th, 2021, sent the February 4th, 2021 LACERA Holdings Report via email:</i> <i>Document file name: LACERA Holdings 2_4_2021.pdf</i>
02-09-21	E. Wilson, S&P Global	Requested information regarding LACERA's search for a fiduciary manager. <i>On February 9th, 2021, sent responsive comments via email regarding Board approval and that no further action would occur.</i>

INFORMATION ONLY

February 22, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: Bernie Buenaflor 
Chief, Quality Assurance and Metrics Division

FOR: March 3, 2021, Operations Oversight Committee Meeting

**SUBJECT: OVERVIEW OF THE QUALITY ASSURANCE AND METRICS DIVISION
INTERNAL OPERATING PRINCIPLES**

The Quality Assurance and Metrics Division (QA) will introduce QA's new Internal Operating Principles at the March, 2021, meeting of the Operations Oversight Committee. While the QA Division has been operating continuously since April 2002, recent changes in leadership have afforded the Division an opportunity to align its efforts with the evolving strategic direction of LACERA's Member Operations Group (MOG), which are those Divisions that provide retirement benefit services to LACERA's members.

The new QA Internal Operating Principles highlight recent developments in:

- Auditing, including updated methodologies and audit scope
- Training, including initiatives in multimedia training, Advanced CERL Education (ACE), Account Certification Training (ACT), Refresher/Ad Hoc Training, and Training for QA Staff
- Metrics development and utilization

The information shared during this discussion reflects the close collaboration of QA and its partners throughout LACERA, including but not limited to Benefits, Member Services, Systems, Internal Audit, the Legal Office and the Executive Office.

While there is concurrence that this document reflects the best operating principles for QA at this time, there is also recognition that QA and the MOG are continuously evolving. Therefore, even as we adopt this document in the present, we are working toward developing a future structure that affords QA even greater independence and objectivity, while promoting the synergy between the Process Management Group, and the Training and Metrics functions currently administered by QA.

Memo to Operations Oversight Committee
Re: Overview of QA Internal Operating Principles
February 22, 2021

Page 2

We will come back to the Board by the mid-year adjustment point with a project plan that lays out how we will accomplish this transition and with a request for appropriate resources.

We look forward to the opportunity to engage the Trustees of the Operations Oversight Committee as we chart the Division's path forward.

Reviewed and Approved

A handwritten signature in black ink, appearing to read "JJ Popowich". The signature is written in a cursive style with a horizontal line underneath it.

JJ Popowich
Assistant Executive Officer, LACERA



Quality Assurance and Metrics

QA Internal Operating Principles

I. Mission

LACERA's Mission is to Produce, Protect and Provide the Promised Benefits. LACERA's Quality Assurance and Metrics Division (QA) is established by the Executive Office to support the accurate, efficient and timely delivery of benefits to LACERA's members. QA's responsibilities are defined by the Executive Office and are aligned with LACERA's strategic planning.

QA supports LACERA's mission by providing independent and objective quality assurance services to LACERA's Member Operations Group (MOG), which are those Divisions that provide retirement benefit services to LACERA's members. QA's services include:

- A.** Conducting Independent Transactional Testing (Quality Audit) of MOG Staff work,
- B.** Providing Technical Benefit Program Training to MOG Staff, including Professional QA Staff,
- C.** Developing and Maintaining a system of Production Metrics for MOG, and
- D.** Participating in Special Projects associated with any of the above services.

II. Objectives

A. Quality Audit

The quality audit is a systematic and independent examination of transactions, along with their underlying processes and procedures, to determine whether these activities comply with LACERA governance, approved business rules, and policies. These audits are conducted using audit criteria that are independently developed by QA management after consultation with the audited divisions, and approved by the Executive Office to preserve the independence of the QA function.

The quality audit may be conducted on a pre-completion (before the transaction is completed) or post-completion (after the transaction is

completed) basis. In either case, the volume, timing and characteristics of test selections are determined based on risk levels established by QA. However, QA shall not perform supervisory reviews² because it compromises independence as well as the development of a strong and self-sufficient MOG, not expressly or implicitly dependent upon QA.

The scope of Quality Audits includes:

- 1) Work performed by the Staff Person(s) processing the audited transaction,
- 2) Any Account Certification¹ work performed on the subject member's benefit account,
- 3) Any other aspect of the subject member's account that is examined by the Quality Auditor during the course of testing,
- 4) Any Supervisory Review² work performed in connection with the audited transaction, and
- 5) Any Quality Audit³ performed in connection with the audited transaction prior to the subject Quality Audit.

Quality Audit observations and related recommendations are reported in Review Notes provided to the audited Staff and their Management as mutually agreed between QA and the Audited Division's Management. There are two forms of audit observations that can be included in Review Notes:

FOOTNOTES:

1. Account Certification refers to a planned objective to train MOG Staff Members in Benefits to complete a comprehensive account diagnostic of a member's account, correct any anomalies, and take action to ensure the account is accurate and complete. The resulting account will then be certified up to that point, allowing LACERA's System Developers to rely on that data for automation and allowing MOG Staff Members to rely on that data as being true and accurate up to that date and time.
2. Supervisory Review: Any transactional testing performed by MOG Staff other than QA. This is normally the Supervisor or Lead assigned to oversee a MOG Staff Person's work.
3. Quality Audit: Any transactional testing performed by a QA Auditor.

- 1) **QA Action Items:** conditions resulting from the audited work that adversely impact the accuracy or effectiveness of the audited transaction and require immediate corrective action. QA will monitor the status of Action Items until they are satisfactorily addressed or are rejected by someone at least two supervisory levels above the individual performing the audited work.

OR

- 2) **QA Referral:** conditions not resulting from the audited work but which warrant follow up to ensure the integrity of the member's account and its related transactions. QA monitors QA referrals until the appropriate MOG Supervisor accepts responsibility for the required follow up or provides in writing an explanation for their disagreement.

B. Training

QA is dedicated to the development and delivery of high quality training using best practices and the latest technology available to LACERA. QA has four training programs:

- 1) CORE Benefit,
- 2) Refresher and Ad Hoc Training,
- 3) Advanced CERL Education (ACE),and
- 4) QA Staff Training.

CORE Benefit Training:

The objective of the CORE Benefit Program is to provide the MOG Staff with foundational knowledge and skill for benefit-related processing. This is done through classroom lectures, simulated production periods, "live" work object production periods, cumulative testing, and constant evaluation.

Refresher and Ad Hoc Training:

The objective of the Refresher and Ad Hoc Training Program is to provide veteran staff with a refresher of designated courses to help facilitate their division's unit rotations and provide specialized custom training based on specific requests and/or divisional needs.

Advanced CERL Education (ACE):

The ACE Program is one of LACERA's Strategic Plan initiatives. It is an in-house training program specifically for permanent LACERA employees. The program is designed to be more rigorous than the Core Benefits New-hire program. The objective of the ACE program is to provide MOG staff members with a consistent baseline of desirable technical skills to perform the most complex level of Benefits Program work, including Account Certifications.

QA Staff Training:

QA's succession planning is facilitated by a structured training and career development program that establishes structured training, as well as standards of experience and credentials needed to perform the various functions in QA in the positions and levels established in QA. The program consists of technical training provided by QA and appropriate professional organizations in combination with general career development courses coordinated by LACERA's Human Resources.

C. Metrics

QA is responsible for the development and maintenance of a centralized system of MOG production metrics that support MOG:

- 1) Resource Planning and Budgeting,
- 2) Process Improvement,
- 3) Workload Management, and
- 4) Workforce Management.

The metrics system seeks to maximize:

- 1) Efficiency,
- 2) Reliability and accuracy, and
- 3) Usability.

QA coordinates these efforts with other MOG Divisions as well as the Systems Division.

D. Special Projects

The objective of QA special projects is to support the quality objectives of LACERA's MOG by employing QA Staff's skill sets and tools without compromising QA's independence and objectivity. Examples of special projects include, but are not limited to:

- 1) Data clean-up projects to ensure the integrity of member data,
- 2) Consulting for the proper implementation of legislation, such as PEPRA,
- 3) System programming tests,
- 4) Worksheet and Template quality reviews and validation,
- 5) System actuarial tables and contribution rates tests, and
- 6) PEPRA earnings/pay codes pensionability analysis.

III. Standards for the Professional Practice of Quality Auditing

Quality Assurance and Metrics will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Chief of Quality Assurance will report periodically to the Executive Office regarding Quality Assurance's conformance to the audit Code of Ethics and Standards. Quality Assurance will be audited by Internal Audit to measure the effectiveness of the implementation of the audit standards and practices.

Additionally, Quality Assurance will obtain guidance through professional training with The Institute of Internal Auditors and The American Society for Quality and networking with other audit professionals who implement the standards and other practices related to quality auditing. This includes quarterly meetings with Internal Audit and participating in Internal Audit panels at SACRS and APPFA.

IV. Organization

The Chief of Quality Assurance and Metrics reports functionally and administratively to the Assistant Executive Officer overseeing Member Operations Group. The reporting structure provides for Quality Assurance's independence and objectivity as required by professional standards.

V. Authority

QA is authorized to have sufficient access to operational and production data in LACERA's IT systems, databases and other records and documentation to carry out its quality audits. QA will safeguard such data and technology to ensure its appropriate use and confidentiality.

VI. Independence and Objectivity

Generally, QA will remain free from undue influence from elements within LACERA or external to it that may compromise QA's independence and objectivity in conducting its quality audits. This does not preclude QA from collaborating with its partners within LACERA, such as management in fellow MOG Divisions, the Executive Office and/or Internal Audit, to ensure that QA's activities:

- A.** Support LACERA's strategic goals and direction,
- B.** Support LACERA's values, and
- C.** Address appropriate risks.

In accordance with LACERA's Ethics Policy, Quality Assurance will diligently monitor its potential conflicts of interest in performing its Mission, Objectives, and Responsibility under this document. This includes, but is not limited to, monitoring and mitigating potential conflicts of interest involving related parties and inadequately segregated duties and activities. Quality Assurance will have no direct operational responsibility or authority over any of the activities audited.

Quality Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Quality Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others when forming judgments.

To ensure independence and meaningful results, QA will consult with each audited division, and then independently develop its audit standards. QA will not perform supervisory reviews as it would compromise independence of Quality Assurance work for QA to have a stake in production results. MOG may be consulted on the development of pre-completion or post-completion auditing standards and the setting of weightings for process elements in QA scoring. However, the final standards and weighting will be developed by QA and approved by the Executive Office. To the extent QA provides scoring, both weighted and unweighted results will be included in every audit report. The weighting factors in weighted results will be clearly disclosed and explained.

VII. Accountability

The Chief of Quality Assurance shall be accountable to the Executive Office to:

- A.** Select, train, develop, and retain a competent Quality Assurance staff that collectively has the abilities, knowledge, skills, experience, and professional certifications to meet the requirements of this document.
- B.** Develop a flexible audit plan using an appropriate risk-based methodology including any risk or control concerns identified by Management or the Executive Office.
- C.** Issue reports to Management, Executive Office, and the Operations Oversight Committee on a monthly and annual basis respectively. The written report will include recommendations for improvement and Management timetable for implementing recommendations.
- D.** Establish and maintain a mechanism for following up on Action Items to ensure implementation and effectiveness of those which Management accepts. Follow up may include, but is not limited to:
 - 1) Additional quality audit work,
 - 2) The constructive resolution of disputes in accordance with mutually accepted protocols, and
 - 3) Participation in workgroups for the improvement of processes, business rules, and staff performance.
- E.** Continually improve training programs through professional training, working with a consultant, and analyzing training data from evaluation forms and focus group reports, as part of the continual improvement cycle.

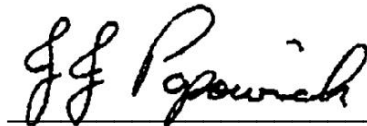
VIII. Internal Audit Review

During the course of QA activities, QA will be mindful of its impact on LACERA's internal controls and operations and may report to Internal Audit any observations that have a bearing on those controls and risks. QA's activities are subject to examination from Internal Audit to evaluate compliance to its governing Standards and Practices and the effectiveness of its operation.

IX. Approval

These Quality Assurance Internal Operating Principles have been reviewed and adopted by the Executive Office on February 22, 2021. These Quality Assurance Internal Operating Principles are thereby effective this day and are hereby signed by the following persons who have authority and responsibilities under this document.


Approved and Adopted by:



Executive Office

2/22/2021

Date



Chief, Quality Assurance

2/22/2021

Date



INFORMATION ONLY

February 18, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: Bernie Buenaflor 
Chief, Quality Assurance & Metrics Division

FOR: March 3, 2021, Operations Oversight Committee Meeting

SUBJECT: **OVERVIEW OF THE TECHNICAL TRAINING PROGRAM OF THE QUALITY ASSURANCE & METRICS DIVISION (QA)**

At the March 3, 2021, meeting of the Operations Oversight Committee, the Quality Assurance and Metrics Division (QA) will share an informational overview of QA's training programs and insights into the Division's training vision and strategic direction.

Key topics to be highlighted include:

- The four technical training programs administered by Quality Assurance for LACERA staff,
- The current structure of the training programs, and
- QA's strategic goals to promote an eLearning environment.

QA seeks to align its four training programs to QA's major strategic initiatives by adapting to new technology and furthering the self-service capabilities available to our members and LACERA's Staff.

Background

Technical training has been one of QA's services since the Division's inception in April, 2002. QA facilitated its first Refresher training program in 2003 and its first Core Benefits Training program for new Retirement Benefit Specialists (RBS) of the Benefit Services Division in June 2004. Over a 16 year span, the CORE Benefits Training program has evolved from a 6-month training program to a 12-month training program for new and veteran Retirement Benefit Specialists of the two largest divisions of the Member Operations Group, Benefit Services and Member Services.

Memo to Operations Oversight Committee
Re: Overview of QA Technical Training Programs
February 17, 2021

Page 2

Training Programs

The technical training programs administered by QA are designed to provide staff in the Member Operations Groups with the foundational technical knowledge and skills for benefit-related processing and member counseling. The four training programs are:

- CORE Benefit Training
 - Administered for new hires to LACERA to provide foundational knowledge and skill for benefit-related processes
- Refresher and Ad Hoc Training
 - Delivered to veteran staff using standardized and customized courses
- Advanced CERL Education (ACE)
 - In-house training program for permanent LACERA employees to instill desirable technical skills to process the most complex cases
- QA Staff Training
 - Structured training and career development program for QA staff

These programs utilize a variety of multi-media training strategies:

- Instructor-led lectures
- Comprehensive pre and post-training testing and surveys
- Live production periods
- Constant Evaluation

Conclusion

Bernie Buenaflor and Mary Arenas from QA will facilitate the presentation and be available at the meeting to address any questions.

Reviewed and Approved



JJ Popowich
Assistant Executive Officer, LACERA

Quality Assurance: Technical Training Programs



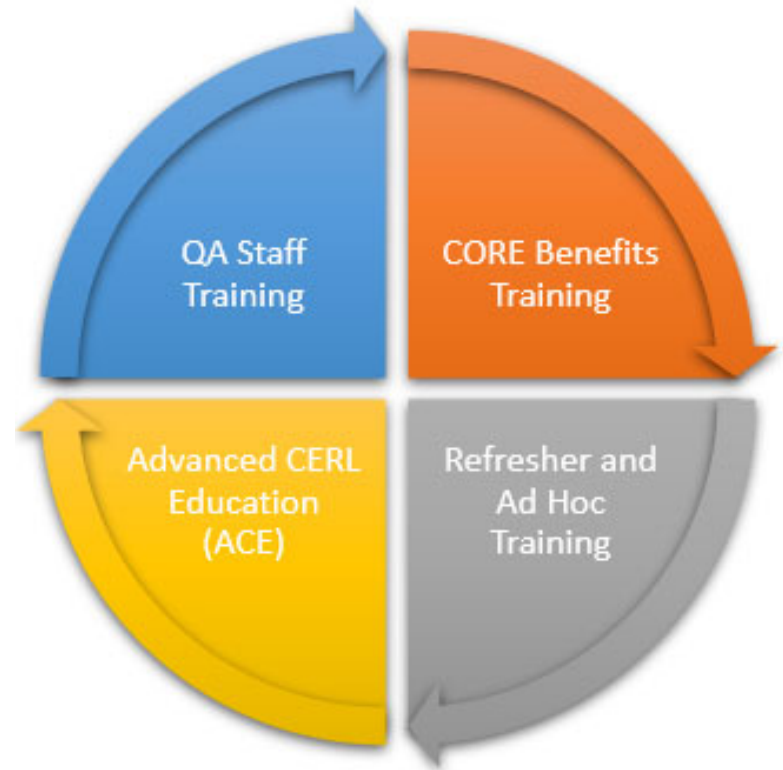
Presenters: Bernie Buenaflor, Chief, Quality Assurance
Mary Arenas, Quality Auditor II

What is Quality Assurance's Training Mission?

- Empower members and staff through innovative technology
 - Self-Service Strategy
- Quality Assurance's Training Programs
 - Technical
 - Fundamental knowledge and skills
- QA's Customers
 - Member Operations Group
 - Benefit Services
 - Member Services

Discussion Topics

- Technical Training Programs
 - CORE Benefits Training
 - Refresher and Ad Hoc Training
 - Advanced CERL Education (ACE)
 - QA Staff Training
- Training Delivery Methods
 - Multi-Media Training
 - Self-Service Strategy
 - Live Production



CORE Benefits Training

- Develop fundamental knowledge and skills for benefit-related processing
 - 12-month training program = 4 Phases
 - Eighteen (18) Processes
 - Multi-Media Training
 - Classroom lectures
 - Cumulative testing
 - Case simulations
 - Constant Evaluation by Cross-functional Oversight Panel
 - Online Videos
- Alternating periods of classroom training and live production

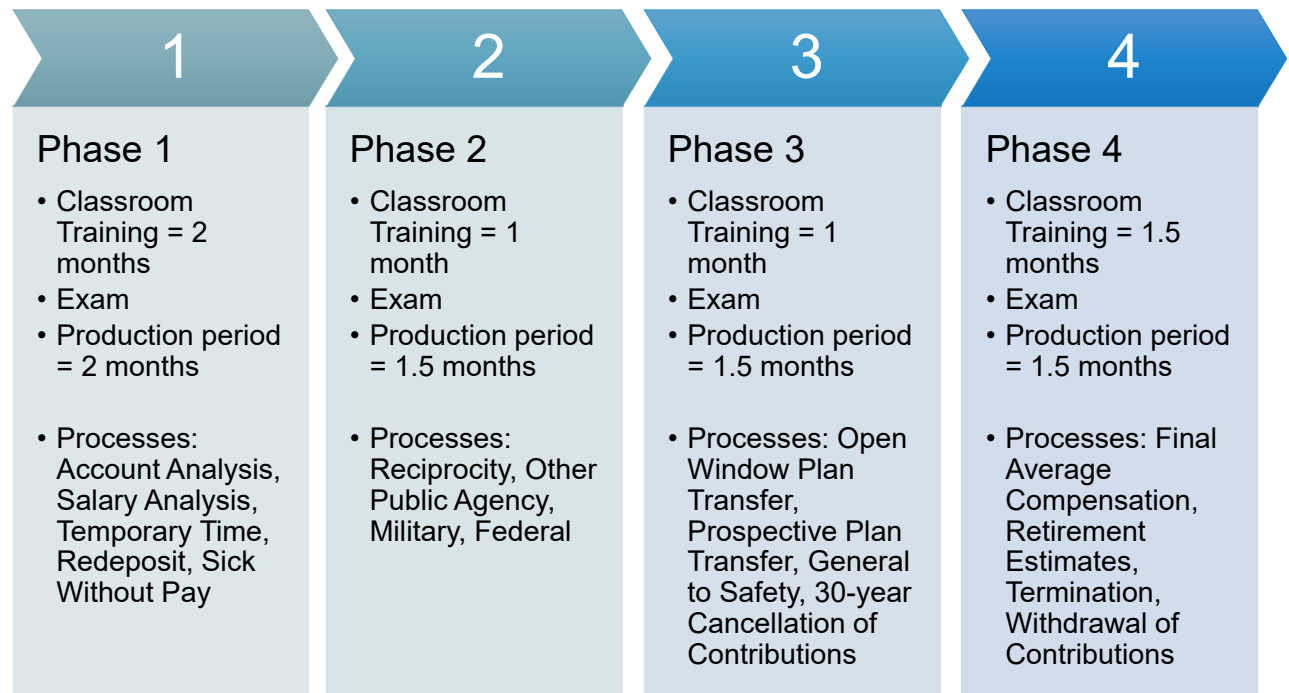


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CORE Benefits Program Schedule

- 12-month training program = 4 Phases

- Instructor-led Classroom Training
- Exam
- Live Production period



Training Class of 2020

10/1/2019 – 9/30/2020

Phase 1 – Classroom Training: 10/1/19 – 10/31/19; 11/15/19 – 12/18/19; Live Production: 11/1/2019 – 11/14/2019; 12/20/2019 – 1/31/2020

Exam = 95.2%

Production Results = 901

Accuracy = 95.88%



Phase 2 - Classroom Training: 2/3/2020 – 3/9/2020; Live Production: 3/11/2020 – 4/17/2020

Exam = 96.3%

Production Results = 291

Accuracy = 98.35%



Phase 3 - Classroom Training: 4/20/2020 – 5/20/2020; Live Production: 5/22/2020 – 7/2/2020

Exam = 95.3%

Production Results = 862

Accuracy = 96.56%



Phase 4 - Classroom Training: 7/6/2020 – 7/24/2020, 7/7/2020 – 7/26/2020 Live Production: 7/27/2020 – 8/6/2020; 8/28/2020 – 9/30/2020

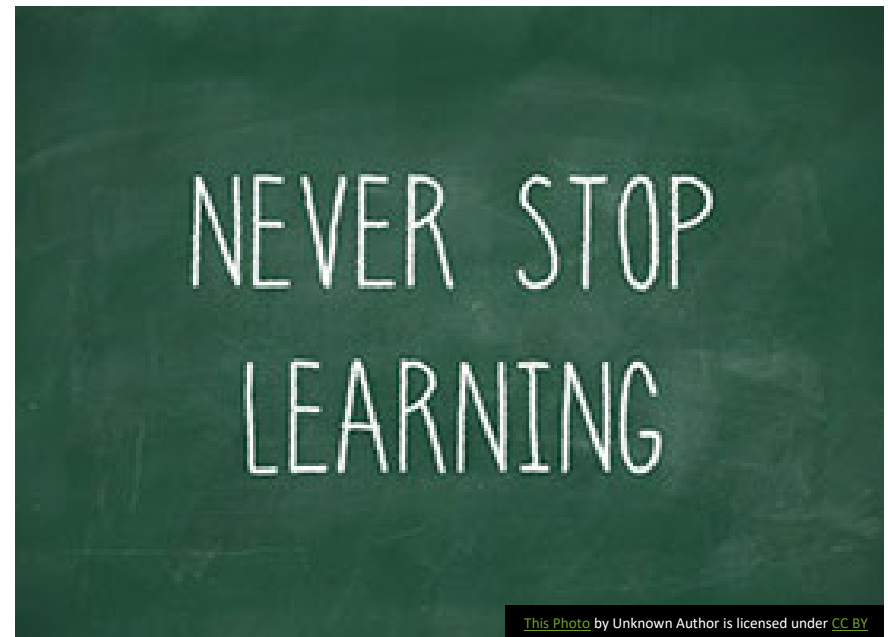
Exam = 96.7%

Production Results = 816

Accuracy = 95.90%

Refresher and Ad Hoc Training

- Designated courses for veteran staff
 - Supports annual rotation
 - Targeted custom technical training
- Target specific areas of need
 - Audit data reports
 - Pre and Post Training Surveys
 - Pre and Post Training Testing
- Trainings are designed for:
 - Flexibility
 - Accountability
 - Maximize positive impact on production



Advanced CERL Education (ACE)

- LACERA's Strategic Plan Initiative
 - In-house advanced training program for permanent LACERA employees
- Account Certification Technical Training
 - One-Stop Analysis, Documentation, Rectification, and Certification
- Provide desirable technical skills for the most complex cases



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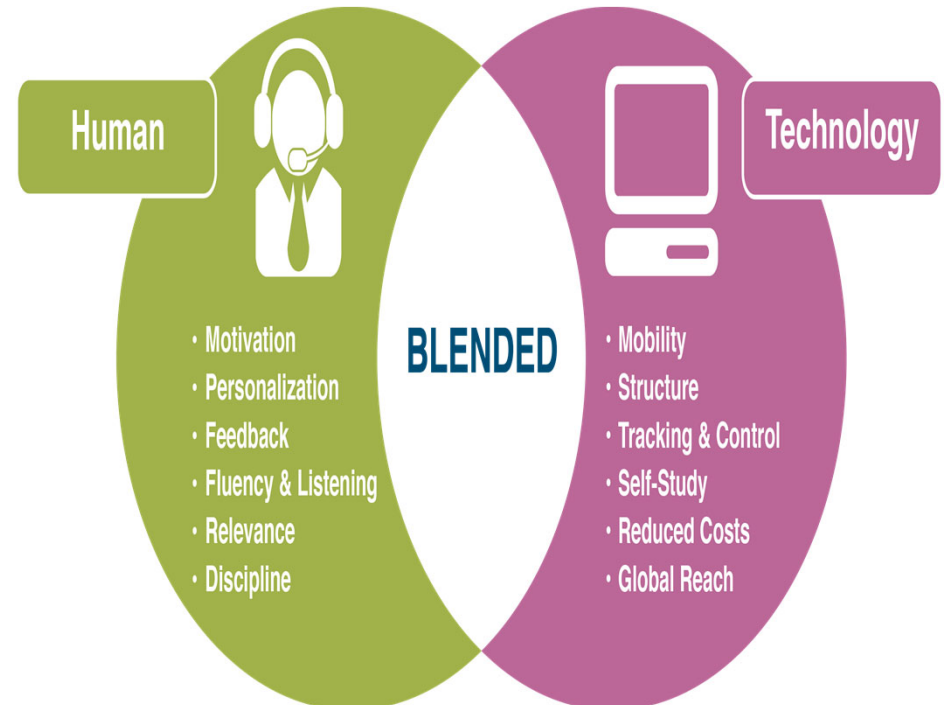
QA Staff Training

- Structured Training and Career Development program
- Standards of experience and credentials
- Trainings
 - Technical Training provided by QA
 - Professional organizations
 - ATD – Train-the-trainer
 - IIA – Tools for New Auditors
 - ASQ – Root Cause Analysis
 - UDEMY courses
 - LACERA Human Resources



Training Delivery Methods

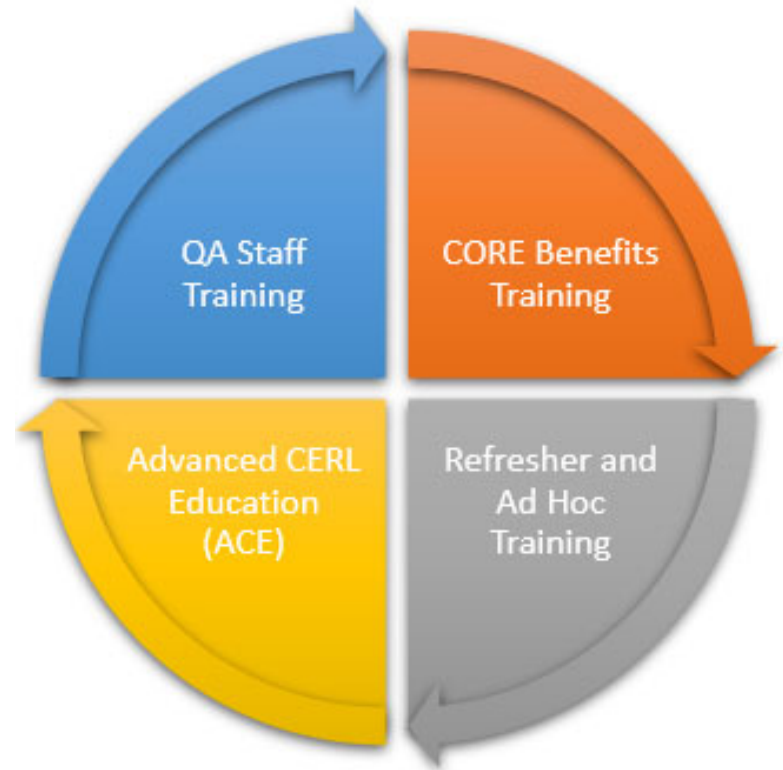
- Multi-Media Training
 - Recorded Videos – UDEMY
 - Self-Service Strategy
 - Instructor-led lectures
 - GoToMeeting and Teams
 - Case Simulations
 - Resource Repository
 - Knowledge Base (Kbase)
 - Wiki
 - Benefits Index
 - Member Services OI
 - Live Production Period



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Review

- Technical Training Programs
 - CORE Benefits Training
 - Refresher and Ad Hoc Training
 - Advanced CERL Education (ACE)
 - QA Staff Training
- Training Delivery Methods
 - Multi-Media
 - Self-Service Strategy
 - Live Production






Questions?

**FOR INFORMATION ONLY**

February 16, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: Ted Granger 
Interim Chief Financial Officer

FOR: March 3, 2021 Operations Oversight Committee Meeting

SUBJECT: **LOS ANGELES COUNTY SUPERIOR COURT FUNDING OF
OPEB TRUST – UPDATE**

Attached for your information is a memo from Milliman, LACERA's Other Post-Employment Benefits (OPEB) consulting actuaries which includes information regarding the Los Angeles County Superior Court's (Superior Court) funding of the Court's OPEB Trust and the Retiree Healthcare Benefits Program (RHCBP). At the last Board of Retirement Operations Oversight Committee (OOC), a Trustee inquired regarding the Court's OPEB Trust funding metrics. As a result of this inquiry, the OOC Chair requested an update from Milliman.

Please note that the 2020 OPEB Valuation report is currently in progress and is expected to be completed in the summer this year and presented to the Board of Retirement. In the attached memo, Milliman included information for the fiscal year ending June 30, 2020 and information from the most recent funding valuations prepared as of July 1, 2018 and July 1, 2019.

If there are any comments or questions regarding this update, please send me a message to tgranger@lacera.com.

Attachment

Reviewed and Approved:



Santos H. Kreimann
Chief Executive Officer

c: Christine Padilla, Los Angeles County Superior Court
Board of Investments, LACERA
JJ Popowich, LACERA
Cassandra Smith, LACERA



950 W. Bannock Street
Suite 430
Boise, ID 83702
USA

Tel +1 208 342 3485

milliman.com

MEMO

FOR INFORMATION ONLY

February 19, 2021

To: Each Member, Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

Cc: Christine Padilla, Director
Los Angeles County Superior Court, Financial Services Administration

From: Robert Schmidt, Principal and Consulting Actuary
Janet Jennings, Consulting Actuary

For: March 3, 2021 Board of Retirement Operations Oversight Committee Meeting

Re: **LOS ANGELES COUNTY SUPERIOR COURT FUNDING OF OTHER POST-EMPLOYMENT BENEFITS**

BACKGROUND

Mr. Kehoe, Operations Oversight Committee Chair, requested that Milliman provide information regarding the Los Angeles County Superior Court (Superior Court) OPEB funding metrics. This memo will discuss the following:

- Superior Court Contributions for Current “Pay-as-you-go” Benefits
- Agent Structure of Assets
- Superior Court OPEB Trust Funding Policy
- Superior Court Contributions
- Superior Court Projections
- Superior Court Funded Status and ADC as a Percent of Payroll
- Conclusion

CONTRIBUTIONS FOR CURRENT “PAY-AS-YOU-GO” BENEFITS

The Superior Court contributes monthly to the Other Post-Employment Benefits (OPEB) Custodial Fund for current “Pay-as-you-go” (pay-go) medical, dental/vision, and death OPEB benefits. This amount is the Superior Court’s portion of the premiums and the \$8 per contract per month administration fee for LACERA’s Retiree Healthcare

Program. Retired members also contribute their portion of the premiums. The OPEB Custodial Fund as presented in LACERA’s financial statements, reports the monthly financial activity of the participating employers’ funding of pay-go costs. Based on LACERA’s Statement of Changes in Plan Fiduciary Net Position by Employer (OPEB Custodial Fund), the Superior Court contributed \$25.8 million for the year ended June 30, 2020.

AGENT STRUCTURE OF ASSETS

The three agents that are prefunding into the OPEB Trust are the County, Superior Court, and LACERA. In 2016, the Superior Court established an OPEB Trust to prefund future OPEB liabilities. OPEB Trust fund assets of the County, LACERA and the Superior Court are co-mingled for investment management purposes. Beginning with the July 1, 2018 OPEB funding valuation, the OPEB program switched from a cost sharing reporting structure to an agent structure. Separate accounts are maintained for the contribution obligations of each agent. This agent structure ensures the assets and liabilities are isolated for each agent. With the agent structure, Superior Court OPEB Trust contributions will only be designated to Superior Court assets. The Superior Court assets can only be used for Superior Court members and administration. The same holds true for the other two agents – the County and LACERA.

SUPERIOR COURT OPEB TRUST FUNDING POLICY

Based on a February 11, 2020 email from Christine Padilla, the Superior Court’s informal funding policy is to use excess funding at the end of each year to fund the OPEB Trust. An October 28, 2020 email from Chris Stewart confirmed that there have been no changes to this informal funding policy.

SUPERIOR COURT CONTRIBUTIONS

The table below shows the recent years of contributions that the Superior Court has made to the OPEB Trust and to fund pay-go benefits compared with the Actuarially Determined Contribution (ADC). The ADC is not a minimum funding standard but rather a guideline for funding. There was a redemption in the year ending June 30, 2018 whereby Superior Court used the OPEB Trust assets to fund pay-go benefit payments. This is why the June 30, 2018 OPEB Trust contribution was negative.

Year Ending	Superior Court OPEB Trust Contributions	Superior Court OPEB Pay-go Contributions	Superior Court Total OPEB Contributions	Superior Court ADC
June 30, 2016	\$7.9 million	Not Available	Not Available	\$83.9 million
June 30, 2017	26.6 million	\$19.9 million	\$46.5 million	78.8 million
June 30, 2018	-1.7 million	23.5 million	21.8 million	78.8 million
June 30, 2019	4.2 million	24.1 million	28.3 million	64.9 million
June 30, 2020	1.0 million	25.8 million	26.8 million	63.3 million

SUPERIOR COURT PROJECTIONS

As part of the GASB 75 disclosure report which is used for financial statement reporting, we projected the Superior Court liability and ADC based on the 7/1/2018 funding valuation. In this projection, we estimated future OPEB Trust contributions to be the total OPEB Trust contributions for the four years ending June 30, 2019 divided by the total ADC for the four years ending June 30, 2019. This calculation produced a future OPEB Trust contribution of 12.1% of ADC. On this basis, we projected that the total contribution for the Superior Court (pay-go plus Trust contributions) would equal the ADC by the fiscal year ending June 30, 2044.

SUPERIOR COURT FUNDED STATUS AND ADC AS A PERCENT OF PAYROLL

As seen in the tables below, the Superior Court is making progress in their funded ratio even though it is slower than LACERA and the County. There are only two years since July 1, 2018 when the OPEB funding valuations began on an agent basis. The ADC as a percent of payroll decreased in July 1, 2019 from July 1, 2018 because the payroll increased and the ADC decreased. We will include this calculation in the upcoming July 1, 2020 valuation report so we can continue to measure the Superior Court's progress.

Superior Court OPEB Item	July 1, 2018 Funding Valuation	July 1, 2019 Funding Valuation
Actuarially Accrued Liability	\$912.8 million	\$906.3 million
Assets	38.2 million	44.5 million
Funded Ratio	4.2%	4.9%
ADC	64.9 million	63.3 million
Payroll	322.8 million	333.4 million
ADC as a percent of Payroll	20.11%	18.99%

For comparison, the County and LACERA funded ratios for 2018 and 2019 are shown below.

Funded Ratio	July 1, 2018 Funding Valuation	July 1, 2019 Funding Valuation
LA County	4.5%	6.0%
LACERA	5.6%	7.4%



CONCLUSION

1. The agent employers have separate asset pools so funding decisions made by the Superior Court do not affect the other agent employers.
2. Even though the Superior Court has an informal funding policy, they are funding their pay-as-you-go obligations, in addition to making progress towards ultimately funding the ADC through the OPEB Trust.

**FOR INFORMATION ONLY**

February 17, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: James Beasley 
Supervising Administrative Assistant II
Roberta Van Nortrick 
Training Coordinator, Project Manager

FOR: March 3, 2021 Operations Oversight Committee Meeting

SUBJECT: BUSINESS CONTINUITY TABLETOP EXERCISE RESULTS

BACKGROUND

Since its inception nearly 20 years ago, LACERA's Business Continuity Plan (BCP) has been the guide for the organization's business recovery efforts in the event of a business disruption. Over the last year, the Business Continuity Team (BCT), with the assistance of our business continuity provider, Castellan, formerly Assurance, has created a plan and is implementing it step by step to redesign and update the BCP. The goal of this project is to provide additional detail to the BCP, while also applying current industry best practices. A specific emphasis was placed on the crisis response procedures and the resumption of critical business processes. The goal for this project is to ensure that LACERA is prepared when the business operations are interrupted due to a disaster. The purpose of the BCP is to ensure that LACERA performs mission-essential business processes and with particular emphasis on fulfilling its obligation to generate Member benefit payments each month.

The project plan is to be completed in multiple phases, with each phase outlining the actions to be completed in the redesign and update of LACERA's BCP. These phases included identifying organizational risks, critical business processes, and critical applications. Each of LACERA's Division Managers reviewed the BCP for their specific

division and provided updates and critical process details to the BCT, who in turn applied that data to the BCP. The BCT then updated and facilitated the development of LACERA's BCP and Crisis Response Plans.

Once those critical processes were identified, documented, and updated in the BCP, we scheduled a test of the Plan, known as a Tabletop Exercise, with our current provider Castellán. It is conducted as a discussion-based training session where Staff can meet in a safe, stress-free, and non-confrontational environment to discuss their responses to a particular crisis. The Tabletop Exercise is designed to evaluate the effectiveness of the Business Continuity Plan, including implementation of established procedures and policies directing staff how to act and react in a crisis, training Staff on their roles and responsibilities, identifying deficiencies in the Plan that need to be addressed, and creating action items to strengthen the areas of weakness in the Plan.

LACERA'S 2021 TABLETOP EXERCISE

On January 11, 2021, LACERA held the Business Continuity Tabletop Exercise with LACERA's Management Team and was led by a Castellán Principal Facilitator with 30-years' experience in Business Continuity. The main goals of the Tabletop Exercise were to:

- provide LACERA an opportunity to respond to an Active Shooter event;
- offer opportunity to LACERA's Incident Response Team (LIRT) to utilize their incident response plans;
- gain understanding of the roles and responsibilities in a workplace violence related incident;
- utilize the tools and resources LACERA has to respond to and recover from an Active Shooter event;
- exercise LIRT's decision-making process;
- capture decisions and action items as a guide for real-life incidents, and
- promote general knowledge about the nature and effects of workplace violence.

The Tabletop Exercise tested the effectiveness of the BCP by responding to a specific incident introduced by the Facilitator. This incident was created to dovetail into the Systems Division's Disaster Recovery Exercise that would launch on the same date. Although the Tabletop and the Disaster Recovery were two separate exercises, with different priorities, they were tested concurrently to simulate a realistic, business-disrupting event.

In preparation for the Tabletop Exercise, the Facilitator developed the specific scenario and worked with a member of the BCT to assure that it was applicable to LACERA. The details of the Tabletop scenario were not provided to members of the LIRT prior to the exercise, making it as realistic as possible. The exercise was designed to identify any missing or weak pieces in the crisis planning process, and then the BCT would focus on strengthening those parts of the BCP to provide better information and guidance for actual events.

The Scenario

The scenario used in the Tabletop Exercise involved an active shooter onsite at LACERA who was a disgruntled, terminated LACERA Staff Member. This scenario involved hostages held by the active shooter, ended with the release of hostages, and culminated with a bomb blast in the LACERA offices.

As the Facilitator unveiled the scenario in specific phases, the LIRT responded by discussing the logistics necessary to manage onsite Staff Members, communicate with the local emergency responders, and manage the media during the crisis. Additionally, the LIRT discussed the best method for communicating the details to Staff and all critical Stakeholders, including the Board Chairs. The Facilitator presented each phase of the scenario and the LIRT discussed how they would respond to the events as they unfolded. After working through each phase, the Facilitator paused the conversation to recap and pose several questions designed to stimulate the discussion by the LIRT and assure that they were considering key points.

During each phase and the following discussions, a scribe was making notes of those areas where improvements or fine-tuning should be made to the BCP as directed by the Facilitator. The Facilitator provided these observations and recommendations to LACERA in an After-Action Report.

The Results

The Facilitator from Castellan provided a Post Exercise Evaluation and Executive Briefing. This report included evaluations in the areas of crisis management discipline techniques and were scored by the Facilitator. These scores were based on the performance of the LIRT as a cohesive team, on their response to the crisis, and the implementation of the BCP.

The areas that were evaluated by the Facilitator with Castellan were:

Area Evaluated	Score
Activation of LACERA’s Incident Response Team (LIRT)	100%
Understanding the problem and establishing problem ownership lines of engagement	90%
Communications - Media	90%
Communications - Internal	80%
Communications - Stakeholders (Trustees & Members)	90%
Assessment of the root cause	100%
Recovery location diversity	100%
Action Plan development	80%
Management of the incident	80%
Crisis change control	90%

The Facilitator provided an assessment of LACERA’s effectiveness and capabilities in handling a crisis based on his observations and the data and information provided by the LIRT during the exercise. Overall, the LIRT performed well above the Facilitator’s “normal expectations” in that they engaged with the Active Shooter Exercise well and effectively worked as a cohesive team to address the issues presented by the Facilitator. The LIRT received an overall score of 90 percent out of 100 percent, which is “Excellent” on their rating scale. The average score for a Tabletop Exercise in organizations in similar circumstances as LACERA is typically between 70 to 85 percent.

The following are some of the Facilitator’s observations during the Tabletop Exercise:

1. The LIRT established clear lines of engagement and effectively controlled the “pace” at which debates over options and command decisions were made. The focus was on how the problem could be contained, and then how to mitigate the impact to LACERA. Once containment was achieved, the LIRT took adequate time to obtain input and weigh in from all team members.
2. There was discussion in detail by the LIRT around the message LACERA would send to its Staff, Members, Trustees, Stakeholders, and the Public during a scenario such as an Active Shooter. As the best approach, the LIRT recognized the importance of communicating facts only, and the channels to be used to ensure that the message did not get miscommunicated or misunderstood. Included in the discussion was the use of lacera.com and the LACERA Emergency Notification System to send the message(s). It was understood that both the emergency

responders and LACERA's external public relations partners could provide communications guidance.

3. LACERA has an established protocol for who approves the message (Crisis Communication Lead) and who delivers the message (dependent on target audience) and how the message is delivered (i.e., Emergency Notification System, phone, website, media outlets, etc.).
4. While LACERA recognized that it cannot silence its staff or vendors, it will provide a "message of the day" to deliver should either of them be approached by external sources or through their use of social media.
5. When dealing with mainstream media news, LACERA will strive to control the message, the timing, and the person delivering the message, based on guidance from Police and its public relations partners. The LIRT acknowledged the importance of timing (e.g., to beat the street on Primetime news) and kill the opportunity for the media to craft their "own message" understanding as well that sometimes silence is the best option, especially as a crisis is developing.

Action items that were provided as a result of the exercise included:

- adding more detail to the Crisis Communication Plan;
- updating and establishing LACERA's Social Media Use Policy;
- updating contact information for specific vendors related to the Communication Plan;
- including Gateway's Office of the Building's Crisis Management Plan; and
- identifying a secondary offsite location for the LIRT Command Center, and where staff can stay who are not able to drive home.

The Tabletop Exercise to test LACERA's Business Continuity Plan was successful. All participants in the exercise were actively engaged and worked collaboratively to take action on BCP strategies. The objectives of the tabletop exercise were successfully met, with team members reiterating awareness of individual roles and responsibilities, identifying areas of improvement in the Crisis Response Plan, and validating high-level recovery strategies.

Next Steps

All action items have been added to the Business Continuity Project Plan and the Business Continuity Team has begun working with the Executive Office on making the

necessary updates to the Plan. The team will also be working with the Executive Office to incorporate observations made by the CEO and Executive Leadership team during the exercise.

The next Tabletop Exercise is projected for October in conjunction with the Systems Division's next Disaster Recovery test.

Reviewed and Approved

A handwritten signature in black ink, appearing to read 'JJ Popowich', written over a horizontal line.

JJ Popowich
Assistant Executive Officer



Business Continuity Tabletop Exercise Results

LACERA & Castellan

LACERA's Business Continuity Plan (BCP) Project Plan

- ▶ Goals:
 - ▶ Provide more detail to BCP
 - ▶ Apply industry best practices
 - ▶ Place emphasis on crisis response procedures
 - ▶ Ensure organization is prepared to respond during a crisis
 - ▶ Prepare for mission-essential business recovery
 - ▶ Fulfill obligation to generate Member monthly benefits



Business Continuity Plan (BCP) Redesign and Update Project Plan

- ▶ Multiple Phases
 - ▶ Phase 1 - Business Impact Analysis (BIA) conducted with each Division
 - ▶ Identify organizational risks
 - ▶ Identify critical business processes
 - ▶ Identify critical applications
 - ▶ Phase 2 - Division Managers provide updates and details for critical processes and the BCP is updated
 - ▶ Phase 3 - Conduct Tabletop Exercise to test the BCP
 - ▶ Update BCP with findings
 - ▶ Maintain BCP





Phase 3 - BCP Tabletop Exercise January 11, 2021

- ▶ Discussion-based training session
- ▶ Conducted with the LACERA Incident Response Team (LIRT)
- ▶ Evaluates the effectiveness of the Business Continuity Plan
- ▶ Trains staff on their roles and responsibilities in a crisis
- ▶ Identifies deficiencies in the BCP to be addressed
- ▶ Creates action items to strengthen BCP

Goals of BCP Tabletop Exercise

- ▶ Provide LACERA opportunity to practice responding to crisis
- ▶ Offer LIRT opportunity to utilize incident response plans
- ▶ Gain understanding of roles and responsibilities in a crisis
- ▶ Utilize tools and resources to respond to and recover from a crisis
- ▶ Exercise LIRT's decision-making process in a crisis
- ▶ Capture decisions and action items as a guide for real-life incidents



Tabletop Exercise Scenario

- ▶ Active shooter onsite at LACERA who is disgruntled terminated employee
- ▶ Hostages taken by the active shooter
- ▶ Hostages were released after 48 hours
- ▶ Once shooter in custody a bomb was set off inside the LACERA offices
- ▶ Explosion took out several floors including the Systems Division
- ▶ A disaster was declared indicating that the Systems Disaster Recovery Plan would be activated and immediately implemented by the Systems Disaster Recovery Team

Tabletop Exercise Process



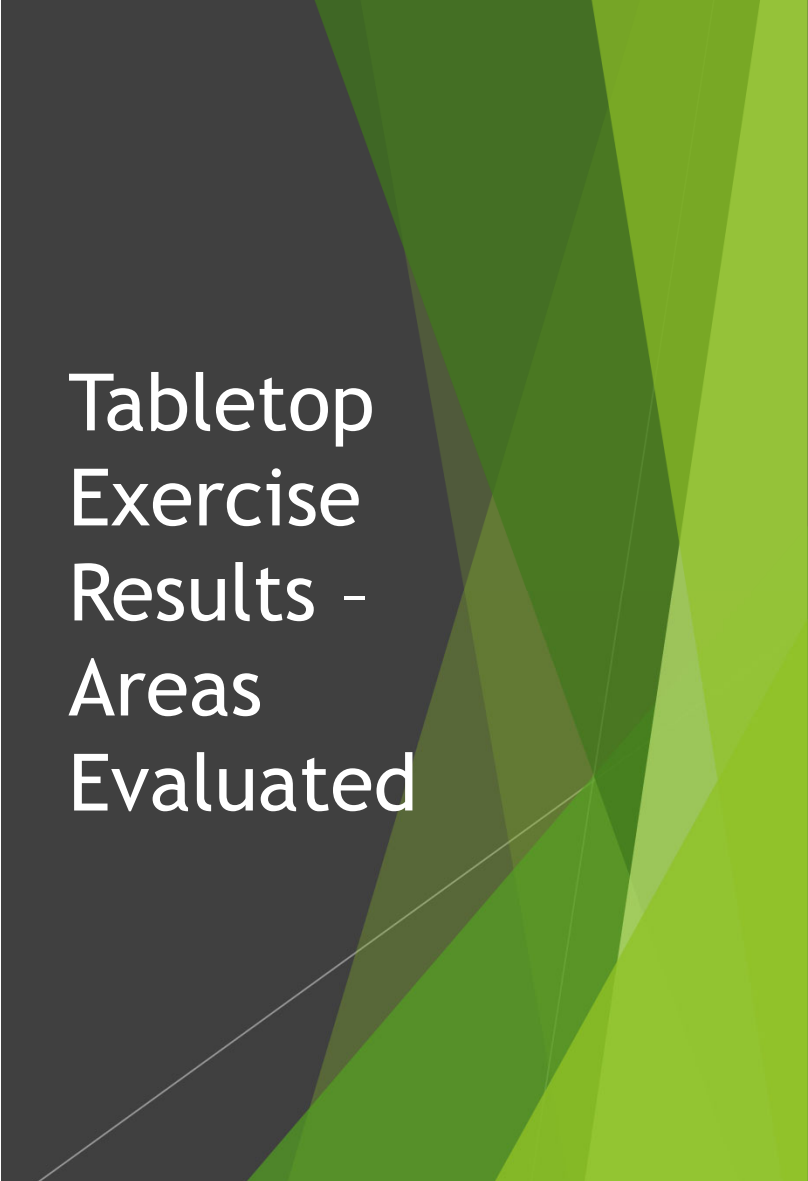
- ▶ Facilitator reveals the scenario
- ▶ LIRT responds with discussion about logistics for handling the crisis
 - ▶ Manage onsite Staff
 - ▶ Communicate with local Responders
 - ▶ Manage the media
- ▶ Facilitator presents each new phase of the scenario
- ▶ Facilitator pauses conversation to recap and question
- ▶ Scribe notes any areas identified by Facilitator for improvements
- ▶ Facilitator provides After Action Report
- ▶ Revisions made to BCP based on report

Tabletop Exercise Results - LACERA Incident Response Team(LIRT)

- ▶ Based on...
 - ▶ performance as a cohesive team
 - ▶ response to the crisis
 - ▶ implementation of the Business Continuity Plan



Area Evaluated	%
Activation of LIRT	100%
Understanding problem, establishing ownership and engagement	90%
Communications - Media	90%
Communications - Internal	80%
Communications - Stakeholders (Trustees & Members)	90%
Assessment of root cause	100%
Recovery location diversity	100%
Action Plan development	80%
Management of the incident	80%
Crisis change control	90%



The graphic features a dark grey background on the left and a vibrant green geometric pattern on the right. The text is centered in the dark grey area.

Tabletop Exercise Results - Areas Evaluated

Tabletop Exercise Results - LACERA Incident Response Team(LIRT)

LACERA outperformed other organizations in similarly situated organizations!

Above Average Score:

90% out of 100%

Tabletop Exercise Results - Observations

- ▶ Established clear lines of engagement at controlled pace
- ▶ Detailed discussion regarding message to communicate to Staff, Members, Trustees, and the Public
- ▶ Established protocol in place for who approves the message to be communicated, who delivers the message, and the means to communicate it
- ▶ Discussed how to deal with mainstream media news with guidance from Police and LACERA's public relations partners



Tabletop Exercise Results - Action Items



- ▶ Add more detail to the Crisis Communication Plan
- ▶ Establish LACERA's Social Media Policy
- ▶ Update contact information for specific vendors
- ▶ Include Gateway Plaza's Crisis Management Plan
- ▶ Identify a secondary offsite location for Staff in this scenario as needed
- ▶ Identify a secondary offsite location for the LIRT Command Center

Tabletop Exercise Results

- ▶ Exercise was very successful
- ▶ LIRT was actively engaged and worked collaboratively
- ▶ Objectives of Tabletop Exercise were successfully met
- ▶ LIRT identified areas of improvement in the Crisis Response Plan
- ▶ High-level recovery strategies were validated

Business Continuity Plan Next Steps

- ▶ Action items added to Business Continuity Plan Project Plan
- ▶ Next Tabletop Exercise projected for October 2021



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

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



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