IN PERSON & VIRTUAL BOARD MEETING

OCTOBER 9, 2024 AT 9:00 AM*

BOARD OF INVESTMENTS MEETING

*The Board meeting will be held after the Committee meeting scheduled prior.

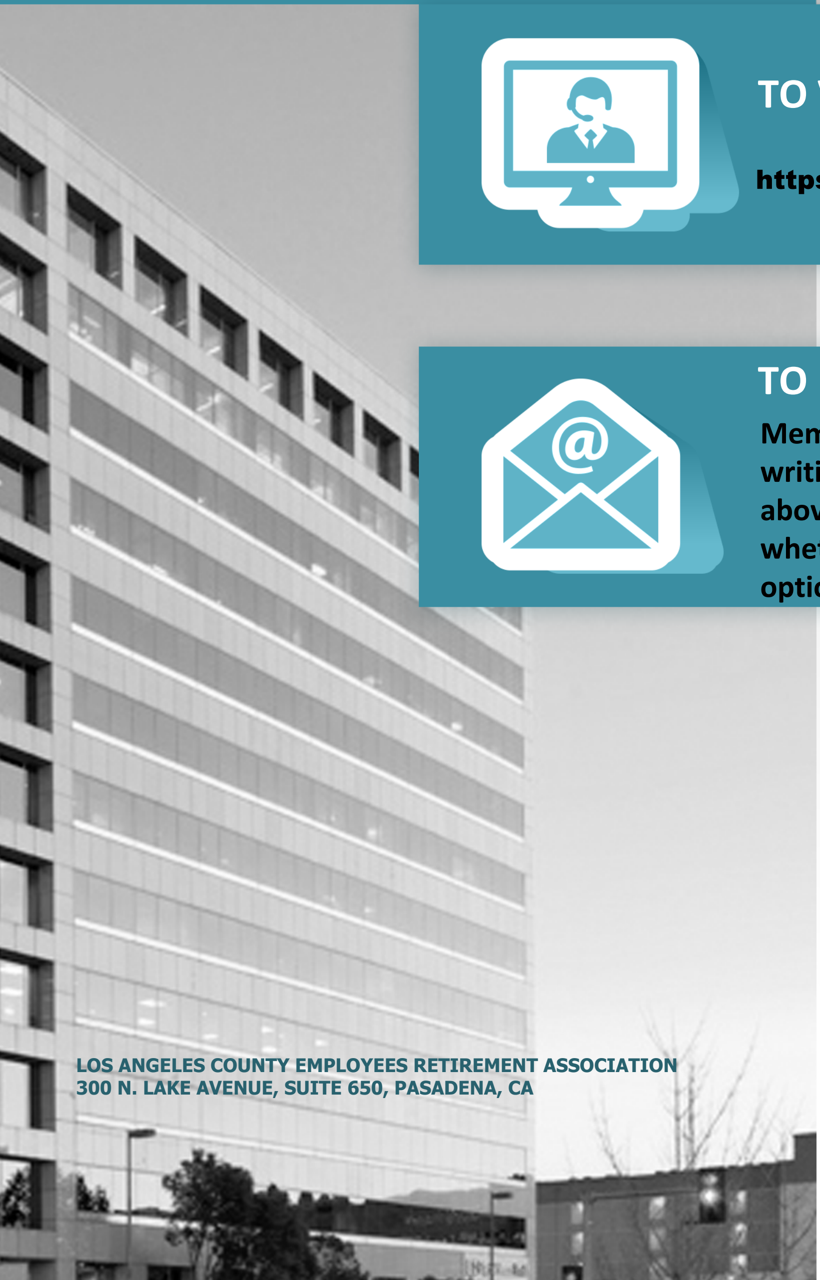
TO VIEW VIA WEB

https://lacera.com/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

Attention: If you have any questions, you may email PublicComment@lacera.com. If you would like to make a public comment during the board meeting, review the Public Comment instructions.



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

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, OCTOBER 9, 2024*

This meeting will be conducted by the Board of Investments both in person and by teleconference under California Government Code Section 54953(b), (f).

Any person may view the meeting in person at LACERA's offices or online at [https://LACERA.com/leadership/board-meetings.](https://LACERA.com/leadership/board-meetings)

Teleconference Locations for Trustees and the Public under California Government Code Section 54953(b).
6526 Ocean Crest Drive Rancho Palos Verdes, CA 90275

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

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at AB 2449 Teleconference Locations

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of September 10, 2024
B. Approval of the Minutes of the Regular Meeting of September 11, 2024

V. PUBLIC COMMENT

(Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit https://LACERA.com/leadership/board-meetings and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

If you select oral comment, we will contact you via email with information and instructions as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Board. Oral comment request will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.com.)

VI. EXECUTIVE UPDATE

A. Chief Investment Officer's Report

B. Member Spotlight

C. Chief Executive Officer's Report

VII. CONSENT ITEMS

A. **2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter**
Recommendation as submitted by Debbie Martin, Chair, Audit Committee: That the Board approve and adopt the 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter.
(Memo dated September 23, 2024)

B. **Ethics and Compliance Program Charter**
Recommendation as submitted by Debbie Martin, Chair, Audit Committee: That the Board approve the proposed Ethics and Compliance Program Charter. (Memo dated September 23, 2024)

VII. CONSENT ITEMS (Continued)

C. **Ethics and Compliance Program Foundational Work Plan**
Recommendation as submitted by Debbie Martin, Chair, Audit Committee: That the Board review and approve the proposed Ethics and Compliance Program Foundational Work Plan.
(Memo dated September 23, 2024)

VIII. NON-CONSENT ITEM

A. **Actuarial Funding Policy and Interest Crediting Policy Approval**
Recommendation as submitted by Luis A. Lugo, Deputy Chief Executive Officer, Laura Guglielmo, Assistant Executive Officer, JJ Popowich, Assistant Executive Officer, Steven P. Rice, Chief Counsel, Vache Mahseredjian, Principal Investment Officer, Ted Granger, Chief Financial Officer: That the Board a) Adopt the revised Actuarial Funding Policy effective for the fiscal year beginning July 1, 2024 and b) Adopt a separate Interest Crediting Policy for Reserve Accounts effective for the fiscal year beginning July 1, 2024.
(Memo dated September 26, 2024)

B. **Approval of LACERA and SEIU MOU Bargaining Units 850 and 851 Amendment and Tentative Agreement**
Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board direct management to join the Represented Staff Members in signing the Memorandums of Understanding (MOU) amendment incorporating the Tentative Agreements for LACERA Administrative, Technical, Clerical, and Blue-Collar Bargaining Unit (Unit 850) and LACERA Supervisory Bargaining Unit (Unit 851) and request administrative approval from the Los Angeles County Board of Supervisors. (Memo dated September 26, 2024)

C. **Non-Represented and Management Staff Salary Adjustments**
Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board approve salary adjustments for Non-Represented and Managerial Appraisal and Performance Plan (MAPP) Classifications at levels consistent as those granted to Represented Staff Members, and direct Management to request administrative approval from the Los Angeles County Board of Supervisors. (Memo dated September 26, 2024)

IX. REPORTS

A. **LACERA's Rehired Retiree Program Audit Fiscal Year Ended June 30, 2023, and 2024**
Debbie Martin, Audit Committee Chair
(For Information Only) (Memo dated September 20, 2024)

B. **2025 STAR COLA Program Cost**
Ted Granger, Chief Financial Officer
(For Information Only) (Memo dated September 23, 2024)

C. **Legal Projects**
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated September 30, 2024)

D. **Monthly Status Report on Legislation**
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated September 24, 2024)

E. **Monthly Trustee Travel & Education Report – August 2024**
Ted Granger, Chief Financial Officer
(For Information Only) (Memo dated September 20, 2024)

F. **September 2024 Fiduciary Counsel Contact and Billing Report**
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated September 23, 2024)
(Privileged and Confidential/Attorney-Client Communication/Attorney Work Product and Exempt from Disclosure under California Government Code Sections 7927.705, 54957.5(a))

X. ITEMS FOR STAFF REVIEW
(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agendized item at a future meeting.)

XI. ITEMS FOR FUTURE AGENDAS
(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

XII. GOOD OF THE ORDER
(For Information Purposes Only)

XIII. EXECUTIVE SESSION

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments (Pursuant to California Government Code Section 54956.81)

1. **Private Equity Investment Update - I**
   Derek Kong, Investment Officer
   Calvin Chang, Senior Investment Analyst
   (For Information Only) (Memo dated September 11, 2024)

2. **Private Equity Investment Update - II**
   Didier Acevedo, Investment Officer
   Calvin Chang, Senior Investment Analyst
   (For Information Only) (Memo dated September 12, 2024)

3. **Mill Point Capital Partners III, L.P.**
   Christopher J. Wagner, Principal Investment Officer
   Derek Kong, Investment Officer
   (For Information Only) (Memo dated September 10, 2024)

4. **InfraVia European Fund VI SCSp**
   Green Oak SCSp
   James Rice, Principal Investment Officer
   Pushpam Jain, Investment Officer
   Terra Elijah, Senior Investment Analyst
   Stephanie Xia, Senior Investment Analyst
   (For Information Only) (Memo dated September 25, 2024)

B. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

1. **Title: Chief Investment Officer**

XIV. ADJOURNMENT

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

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Trustees at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 8:00 a.m. to 5:00 p.m. Monday through Friday and will also be posted on lacera.com at the same time, Board Meetings | LACERA.

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 from 8:00 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF A SPECIAL MEETING OF THE BOARD OF INVESTMENTS

AND BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

HILTON HOTEL | 100 W GLENOAKS BLVD, GLENDALE, CA 91202

8:30 A.M., TUESDAY, SEPTEMBER 10, 2024

This meeting was conducted by the Board of Investments and Board of Retirement both in person and by teleconference under California Government Code Section 54953(b), (f).

Teleconference Locations for Trustees and the Public under California Government Code Section 54953(b).
Northeastern University - Ryder Hall 11 Leon St, Rm 285, Boston, MA 02115

TRUSTEES PRESENT

Patrick Jones, Chair (Teleconference under 54953(b))

David Ryu, Vice Chair (Joined the meeting at 8:54 a.m.)

Trevor Fay (Joined the meeting at 8:54 a.m.)

Jason Green (Joined the meeting at 9:46 a.m.)

Mike Gatto (Joined the meeting at 8:48 a.m.)

Elizabeth Ginsberg (Joined the meeting at 8:40 a.m.)

Debbie Martin

Nicole Mi

TRUSTEES ABSENT

Third Member, Seat Vacant

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Santos Kreimann, Chief Executive Officer

Jude Pérez, Deputy Chief Investment Officer

Luis Lugo, Deputy Chief Executive Officer

Steven P. Rice, Chief Counsel

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Scott Zdrazil, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer

Vache Mahseredjian, Principal, Investment Officer

Esmeralda V. del Bosque, Principal Investment Officer

Jim Rice, Principal Investment Officer

Dale Johnson, Senior Investment Officer

Chad Timko, Senior Investment Officer

Terri Herubin, Senior Investment Officer

Magdalia Armstrong, Senior Investment Analyst

Mel Tsao, Senior Investment Analyst

STAFF, ADVISORS, PARTICIPANTS (Continued)

Terra Elijah, Senior Investment Analyst

Pushpam Jain, Investment Officer

Adrian Gonzalez, Senior Investment Analyst

StepStone Group LP (Equity Consultants)
Jose Fernandez, Partner

StepStone Group LP (Real Estate Consultants)
Thomas Hester, Partner

Meketa Investment Group (General Investment Consultants)
Timothy Filla, Managing Principal
Aysun Kilic, Managing Principal
Leandro Festino, Managing Principal

Albourne (Illiquid Credit, Real Assets and Hedge Funds Consultants)
Steven Kennedy, Partner
James Walsh, Partner
Ashli Aslin, Senior Analyst – Real Assets and Infrastructure

Lazard
General John Abizaid, Senior Advisor

Trellix
Bryan Palma, Chief Executive Officer

Columbia University Center on Global Energy Policy
Jonathan Elkind, Senior Advisor, WestExec Advisors, and Senior Research Scholar

Macquarie Investment Group
William Demas, Senior Managing Director and Head of Americas

Ara Partners
Troy Thacker, Co-Founder

STAFF, ADVISORS, PARTICIPANTS (Continued)

Milliman
Nick Collier, Principal

State Street
Lisa Rossi, Senior Vice President

8:30 a.m. Call to Order

The meeting was called to order virtually by Chair Jones at 8:30 a.m. at the Hilton Hotel in Glendale, CA.

Pledge of Allegiance

Procedure for Teleconference Meeting Attendance Under AB 2449, California Government Code Section 54953(f)

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at AB 2449 Teleconference Locations

No requests were received for Just Cause or Emergency Circumstances.

Public Comment

There were no requests from the public to speak.

8:35 a.m. Welcome & Opening Remarks
Jonathan Grabel, Chief Investment Officer

Chair Jones and Mr. Grabel made introductory comments.

8:45 a.m. **Macro and Geopolitical Environment**
Magdalia Armstrong, Senior Investment Analyst
Jonathan Grabel, Chief Investment Officer
General John Abizaid, Senior Advisor, Lazard

This session provided an overview of the macro environment in the framework of current events and the geopolitical landscape and covered key insights from the unique perspective of General John Abizaid.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

10:30 a.m. **Break**

10:45 a.m. **Emerging Cyber Security Developments**
Mel Tsao, Senior Investment Analyst
Bryan Palma, Chief Executive Officer, Trellix

This session provided an overview of current cybersecurity trends, summarized the technology landscape and considered a hypothetical LACERA scenario.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

12:00 p.m. **Lunch**

1:00 p.m. **Investment Opportunities in the Energy Transition**
Scott Zdrazil, Principal Investment Officer
Dale Johnson, Senior Investment Officer
Terra Elijah, Senior Investment Analyst
Ashli Aslin, Senior Analyst – Real Assets and Infrastructure, Albourne

1:00 p.m. **Investment Opportunities in the Energy Transition (Continued)**

Jonathan Elkind, Senior Advisor, WestExec Advisors, and Senior Research Scholar, Columbia University Center on Global Energy Policy
William Demas, Senior Managing Director and Head of Americas, Macquarie Investment Group
Troy Thacker, Co-Founder, Ara Partners

The session provided background on LACERA's policies, investment guidelines, portfolio exposures, and strategies to date related to the energy transition. In addition, the speakers addressed the evolving global policy and market environment.

Lastly, LACERA's investment managers provided an overview of current investments and strategies.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

2:30 p.m. **Break**

2:45 p.m. **Portfolio Liquidity**
Pushpam Jain, Investment Officer
Adrian Gonzalez, Senior Investment Analyst
Vache Mahseredjian, Principal Investment Officer
Tim Filla, Managing Consultant, Meketa
Nick Collier, Principal, Milliman
Lisa Rossi, Senior Vice President, State Street

This session provided an overview of liquidity sources and their impact on LACERA. The panel highlighted how various asset classes exhibit different liquidity levels. Lastly, there was a panel discussion on LACERA's liquidity and its resilience in case of market decline.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

4:15 p.m. **Closing Remarks & Good of the Order**

Mr. Grabel provided a meeting discussion summary.

There being no further business to come before the Board, the meeting was adjourned at 3:40 p.m.

JASON GREEN, SECRETARY

PATRICK JONES, CHAIR

MINUTES OF A SPECIAL MEETING OF THE BOARD OF INVESTMENTS

A SPECIAL MEETING OF THE BOARD OF INVESTMENTS

AND BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

HILTON HOTEL | 100 W GLENOAKS BLVD, GLENDALE, CA 91202

8:30 A.M., WEDNESDAY, SEPTEMBER 11, 2024

This meeting was conducted by the Board of Investments and Board of Retirement both in person and by teleconference under California Government Code Section 54953(b), (f).

Teleconference Locations for Trustees and the Public under California Government Code Section 54953(b).
Northeastern University - Ryder Hall 11 Leon St, Rm 285, Boston, MA 02115

TRUSTEES PRESENT

Patrick Jones, Chair (Teleconference under 54953(b))

David Ryu, Vice Chair (Joined the meeting at 8:45 a.m.)

Trevor Fay

Jason Green (Joined the meeting at 9:02 a.m.)

Mike Gatto (Teleconference Due to Just Cause under Section 54953 (f))

Elizabeth Ginsberg

Debbie Martin

Nicole Mi

TRUSTEES ABSENT

Third Member, Seat Vacant

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Santos Kreimann, Chief Executive Officer

Jude Pérez, Deputy Chief Investment Officer

Luis Lugo, Deputy Chief Executive Officer

Steven P. Rice, Chief Counsel

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Scott Zdrazil, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer

Vache Mahseredjian, Principal, Investment Officer

Esmeralda V. del Bosque, Principal Investment Officer

Jim Rice, Principal Investment Officer

Dale Johnson, Senior Investment Officer

Chad Timko, Senior Investment Officer

Terri Herubin, Senior Investment Officer

Cindy Rivera, Investment Officer

Didier Acevedo, Investment Officer

Krista Powell, Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Quoc Nguyen, Investment Officer

Derek Kong, Investment Officer

Calvin Chang, Senior Investment Analyst

Mike Romero, Senior Investment Analyst

StepStone Group LP (Equity Consultants)
Jose Fernandez, Partner
Elizabeth Ferry, Head of Operational Due Diligence

StepStone Group LP (Real Estate Consultants)
Thomas Hester, Partner

Meketa Investment Group (General Investment Consultants)
Timothy Filla, Managing Principal

Albourne (Illiquid Credit, Real Assets and Hedge Funds Consultants)
Steven Kennedy, Partner
James Walsh, Partner

Hamilton Lane
Douglas Ford, Head of Operational Due Diligence

8:30 a.m. **Call to Order**

The meeting was called to order virtually by Chair Jones at 8:30 a.m. at the Hilton Hotel in Glendale, CA

Pledge of Allegiance

Procedure for Teleconference Meeting Attendance Under AB 2449, California Government Code Section 54953(f)

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at AB 2449 Teleconference Locations

A physical quorum was present at the noticed meeting location. There was one request received from Trustee Fay to attend by teleconference for Just Cause (A) Taking Care of a Child. Trustee Fay confirmed that there were no individuals 18 years of age or older present at the teleconference location.

Public Comment

There were no requests from the public to speak.

8:35 a.m. **Welcome & Opening Remarks**
Jonathan Grabel, Chief Investment Officer

Chair Jones and Mr. Grabel made introductory comments.

8:45 a.m. **Operational Due Diligence**
Calvin Chang, Senior Investment Analyst
Mike Romero, Senior Investment Analyst
Douglas Ford, Head of Operational Due Diligence, Hamilton Lane
Elizabeth Ferry, Head of Operational Due Diligence, StepStone

This session defined Operational Due Diligence (ODD), differentiate ODD from Investment Due Diligence (IDD) and discussed the importance of ODD. In addition, this session examined the Consultants' role in ODD regarding the process, monitoring tools, and case studies and, lastly, ODD benefits to Emerging Managers.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

10:15 a.m. **Break**

10:30 a.m. **Evolution of LACERA's Portfolio**
Cindy Rivera, Investment Officer
Didier Acevedo, Investment Officer
Krista Powell, Investment Officer
Quoc Nguyen, Investment Officer

The session discussed the proactive and intentional evolution of LACERA's Portfolio in anticipation of greater financial needs to meet the obligations of its beneficiaries. The session highlighted accomplishments to date and present continued efforts LACERA is taking to meet future needs.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board. The presentation materials were received and filed.

11:45 p.m. **Closing Remarks & Good of the Order**

Mr. Grabel provided a meeting discussion summary.

12:00 p.m. **Lunch**

AGENDA
A REGULAR MEETING OF THE BOARD OF INVESTMENTS
1:00 P.M., WEDNESDAY, SEPTEMBER 11, 2024

I. Call to Order

The meeting was called to order virtually by Chair Jones at 11:30 a.m. at the Hilton Hotel in Glendale, CA.

II. Approval of Minutes

A. Approval of the Minutes of the Regular Meeting of August 14, 2024

A motion was made by Trustee Fay, seconded by Trustee Martin, to approve the minutes of the Board of Investments meeting on August 14, 2024. The motion passed by following roll call vote:

Yes: Fay, Gatto, Ginsberg, Green, Jones, Martin, Mi, Ryu

III. Executive Update

A. Chief Investment Officer's Report
(For Information Only)

This item was received and filed

B. Member Spotlight
(For Information Only)

This item was received and filed

C. Chief Executive Officer's Report
(For Information Only)

This item was received and filed

IV. Consent Items

A. **Ratify Chief Negotiator – Irma Rodriguez Moisa**
Recommendation as submitted by Vivian Gray, Chair, Joint Organizational Governance Committee: That the Board ratify Irma Rodriguez Moisa to serve as LACERA's Chief Negotiator for negotiations with Service Employees International Union (SEIU) Local 721. (Memo dated August 21, 2024)

IV. Consent Items (Continued)

B. The PPI Executive Seminar and the Asia Pacific Roundtable in Hong Kong on October 20-25, 2024

Recommendation as submitted to approve attendance of Trustees at the PPI Executive Seminar and the Asia Pacific Roundtable in Hong Kong on October 20-25, 2024, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated August 18, 2024)

A motion was made by Trustee Fay, seconded by Trustee Ryu, to approve Consent items A and B. The motion passed by the following roll call vote:

Yes: Fay, Gatto, Ginsberg, Green, Jones, Martin, Mi, Ryu

V. Non-Consent Item

A. Investment-Related Procurement Policy

Recommendation as submitted by Jonathan Grabel, Chief Investment Officer, Jude Pérez, Deputy Chief Investment Officer, Esmeralda del Bosque, Principal Investment Officer, Derek Kong, Investment Officer and Quoc Nguyen, Investment Officer: That the Board approve the adoption of the revised Investment-Related Procurement Policy. (Memo dated September 4, 2024)

A motion was made by Trustee Ryu, seconded by Trustee Ginsberg, to approve the recommendation. The motion passed by the following roll call vote:

Yes: Fay, Gatto, Ginsberg, Green, Jones, Martin, Mi, Ryu

VI. Reports

A. Actuarial Funding Policy and Interest Crediting Policy

Luis A. Lugo, Deputy Chief Executive Officer
Laura Guglielmo, Assistant Executive Officer
JJ Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Vache Mahseredjian, Principal Investment Officer
Ted Granger, Chief Financial Officer
(Presentation) (Memo dated August 26, 2024)

VI. Reports (Continued)

Messrs. Lugo, Granger and Ms. Dunning of Nossaman and Mr. Collier of Milliman provided a presentation and answered questions from the Board. This item was received and filed.

B. **LACERA Total Fund Quarterly Performance Book**
Meketa Total Fund Quarterly Performance Book
Esmeralda del Bosque, Principal Investment Officer
Dale Johnson, Senior Investment Officer
John Kim, Investment Officer
Soniah Ginoyan, Senior Investment Analyst
Kathryn Ton, Senior Investment Analyst
(Presentation) (Memo dated August 26, 2024)

This item was received and filed.

C. **OPEB Trust Quarterly Performance Book**
Meketa OPEB Trust Quarterly Performance Book
Esmeralda del Bosque, Principal Investment Officer
John Kim, Investment Officer
Soniah Ginoyan, Senior Investment Analyst
Kathryn Ton, Senior Investment Analyst
(Presentation) (Memo dated August 26, 2024)

This item was received and filed.

D. **2025 Star COLA Program Cost**
Ted Granger, Chief Financial Officer
(For Information Only) (Memos dated August 26, 2024)

This item was received and filed.

E. **Legal Projects**
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated September 2, 2024)

This item was received and filed.

VI. Reports (Continued)

F. **Monthly Status Report on Legislation**
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated August 22, 2024

This item was received and filed.

G. **Monthly Trustee Travel & Education Reports – July 2024**
Quarterly Trustee Travel & Education Reports – 4th Quarter Fiscal Year 2024
Quarterly Staff Travel Report – 4th Quarter Fiscal Year 2024
Ted Granger, Chief Financial Officer
(For Information Only) (Memos dated August 23, 2024)

This item was received and filed.

H. **August 2024 Fiduciary Counsel Contact and Billing Report**
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated August 23, 2024)
(Privileged and Confidential/Attorney-Client Communication/ Attorney Work Product and Exempt from Disclosure under California Government Code Sections 7927.705, 54957.5(a))

This item was received and filed.

VII. Items for Staff Review

There was nothing to report.

VIII. Items for Future Agendas

There was nothing to report.

IX. Good of the Order

There was nothing to report.

X. Executive Session

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments (Pursuant to California Government Code Section 54956.81)

1. **Altor Climate Transition I (No. 1) AB, and Altor ACT Feeder LP (Co-Invest)**
   James Rice, Principal Investment Officer
   Jain Pushpam, Investment Officer
   Terra Elijah, Senior Investment Analyst
   Stephanie Xia, Senior Investment Analyst
   (For Information Only) (Memo dated August 26, 2024)

   The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, approved a commitment of €135 million ($147 million) to Altor Climate Transition I (No. 1) AB, an energy transition fund focusing in industrial, consumer, and business services segments primarily in Northern Europe, and a commitment of €65 million ($71 million) to a LACERA-dedicated co-invest vehicle, Altor ACT Feeder LP (Co-Invest).

2. **ARDIAN Infrastructure Fund VI S S.C.S., SICAV-RAIF ARDIAN Infra LA Co-Invest S.C.S.**
   James Rice, Principal Investment Officer
   Jain Pushpam, Investment Officer
   Terra Elijah, Senior Investment Analyst
   Stephanie Xia, Senior Investment Analyst
   (For Information Only) (Memo dated August 29, 2024)

   The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, approved a commitment of €200 million ($218 million) to ARDIAN Infrastructure Fund VI S.S.C.S., SICAV-RAIF, an infrastructure fund targeting energy, transport, and telecom investments primarily in Western Europe, and a commitment of €100 million ($109 million) to a LACERA-dedicated co-invest vehicle, ARDIAN Infra LA Co-Invest S.C.S.

X. Executive Session (Continued)

3. **One Item – I**
Dale Johnson, Senior Investment Officer
Magdalia Armstrong, Senior Investment Analyst
(For Information Only) (Memo dated August 23, 2024)

   The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, terminated CornerCap Investment Counsel, Inc. as a global equity emerging manager.

4. **Update on Emerging Market Debt Mandates**
Vache Mahseredjian, Principal Investment Officer
Chad Timko, Senior Investment Officer
(For Information Only) (Memo dated August 30, 2024)

   The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, initiated a full redemption from the emerging manager debt portfolios managed by Ashmore Investment Management and Aberdeen Asset Management.

B. Conference with Labor Negotiators (Pursuant to California Government Code Section 54957.6)

1. Agency Designated Representatives:
Chief Negotiator Irma Rodriguez Moisa, Carly Ntoya, Santos H. Kreimann, Luis Lugo, Laura Guglielmo, JJ Popowich, Annette Cleary, and Jasmine Bath

   Employee Organization: SEIU Local 721

   There is nothing to report.

C**.** Conference with Legal Counsel – Existing Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

1. **Number of Cases: 1**
Downtown Crenshaw Rising, et al. v. Deutsche Bank, et al,
United States District Court, Central District of California Case 2:24-cv-07266

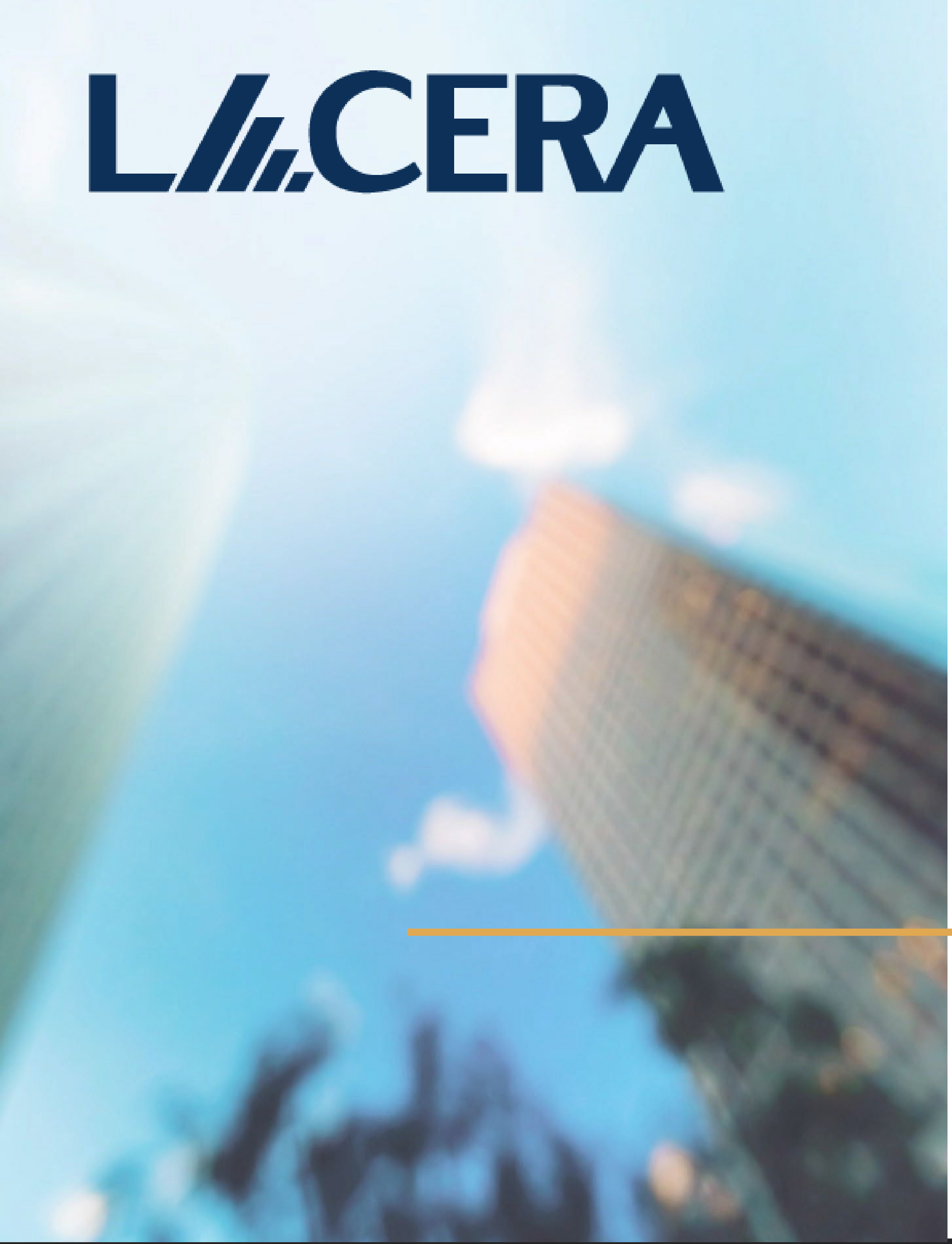
   There is nothing to report.

XI. Adjournment

There being no further business to come before the Board, the meeting was adjourned at 12:40 p.m.

____
JASON GREEN, SECRETARY

____
PATRICK JONES, CHAIR



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer

Board of Investments Meeting

October 9, 2024

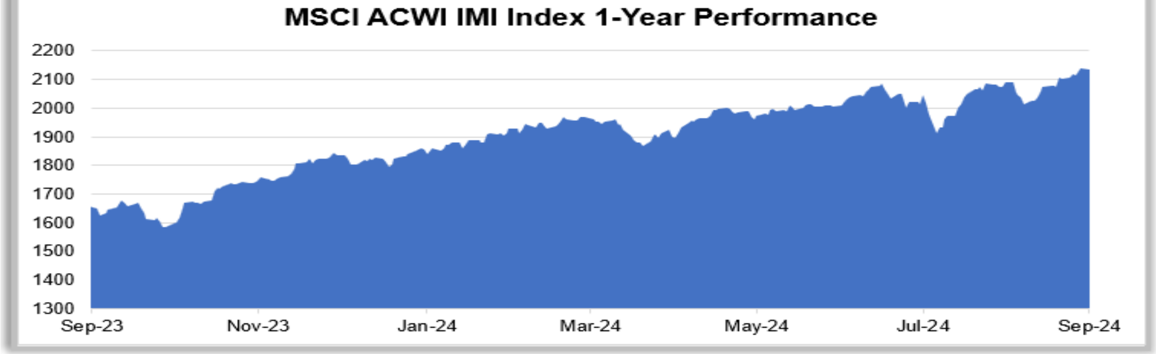
Table of Contents

01 Market Environment

Global Market Performance as of September 30, 2024

MSCI ACWI IMI Index (Global Equity Market)*

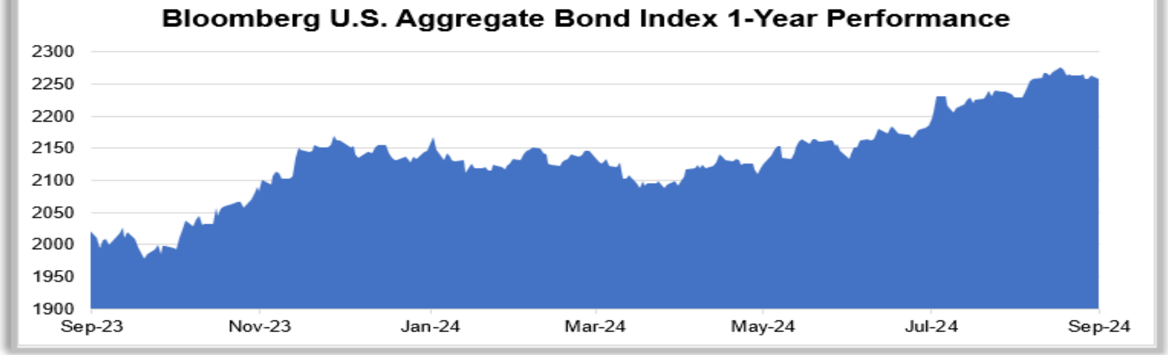
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
2.3	6.8	6.8	17.8	30.9	7.4	11.9	9.2



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

Bloomberg U.S. Aggregate Bond Index**

Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
1.3	5.2	5.2	4.4	11.5	-1.4	0.3	1.8

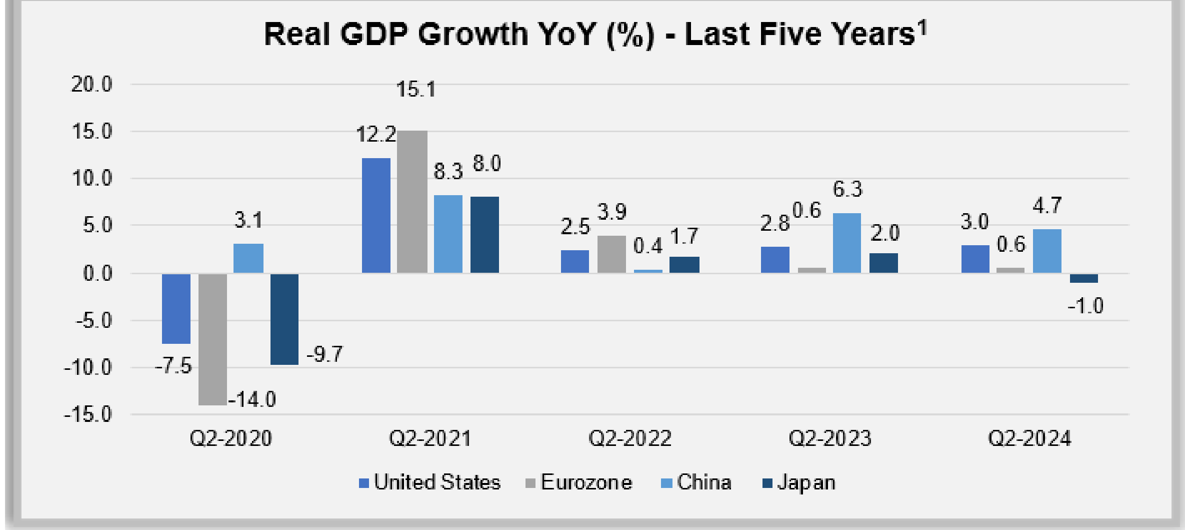


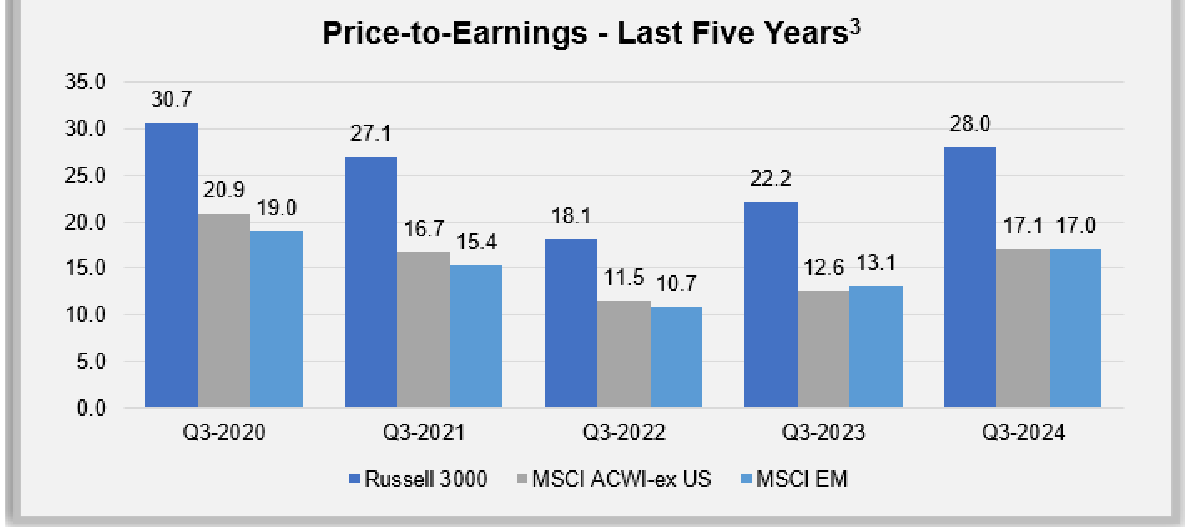
**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

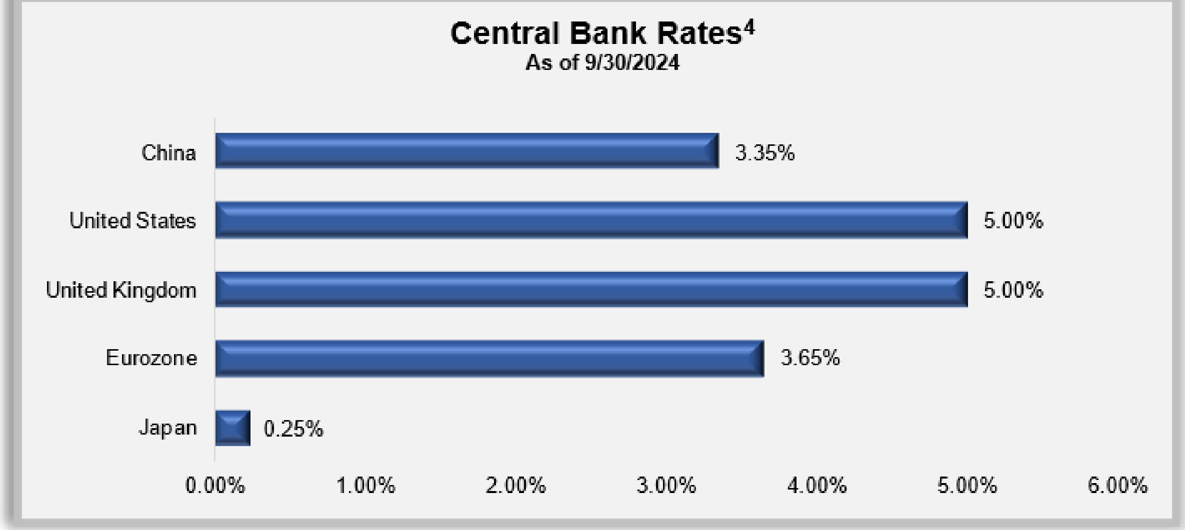
Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Reference Portfolio	60:40 Equity:Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	1.9	6.2	6.2	12.3	22.9	4.0	7.4	6.4
Equity	Global All Cap	MSCI ACWI IMI Total Return	2.3	6.8	6.8	17.8	30.9	7.4	11.9	9.2
	U.S. All Cap	Russell 3000 Total Return	2.1	6.2	6.2	20.6	35.1	10.3	15.2	12.8
	U.S. Large Cap	S&P 500 Total Return	2.1	5.9	5.9	22.1	36.2	11.9	16.0	13.4
	U.S. Small Cap	Russell 2000 Total Return	0.7	9.3	9.3	11.2	26.7	1.8	9.4	8.8
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	2.7	8.2	8.2	13.9	25.0	3.7	7.7	5.3
	Emerging Markets	MSCI Emerging Markets Total Return	6.7	8.7	8.7	16.9	26.0	0.4	5.7	4.0
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	3.0	7.3	7.3	31.7	57.1	4.2	11.1	11.9
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	1.3	5.2	5.2	4.4	11.5	-1.4	0.3	1.8
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	1.6	5.3	5.3	8.0	15.7	3.1	4.7	5.0
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	2.0	7.8	7.8	2.4	15.4	-8.3	-4.3	1.1
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.7	2.1	2.1	6.6	9.6	6.3	5.6	4.9
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	1.5	4.1	4.1	4.9	9.8	-0.6	2.6	2.5
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.4	1.4	1.4	4.2	5.6	3.6	2.4	1.7
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	4.9	0.7	0.7	5.9	1.0	3.7	7.8	0.0
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	3.0	4.7	4.7	6.4	7.4	9.6	11.3	5.6
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	2.4	13.4	13.4	13.7	26.4	7.0	5.3	4.6
Real Estate	U.S. REITs	MSCI U.S. REIT Index	2.7	16.1	16.1	15.8	34.3	5.0	5.5	7.8

Source: Bloomberg

Key Macro Indicators*



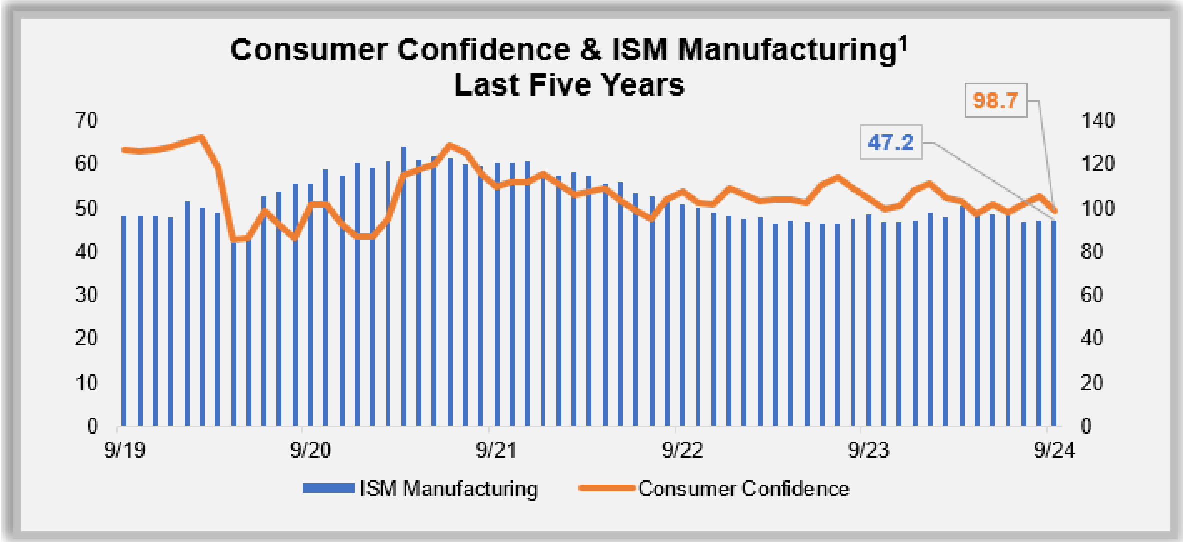


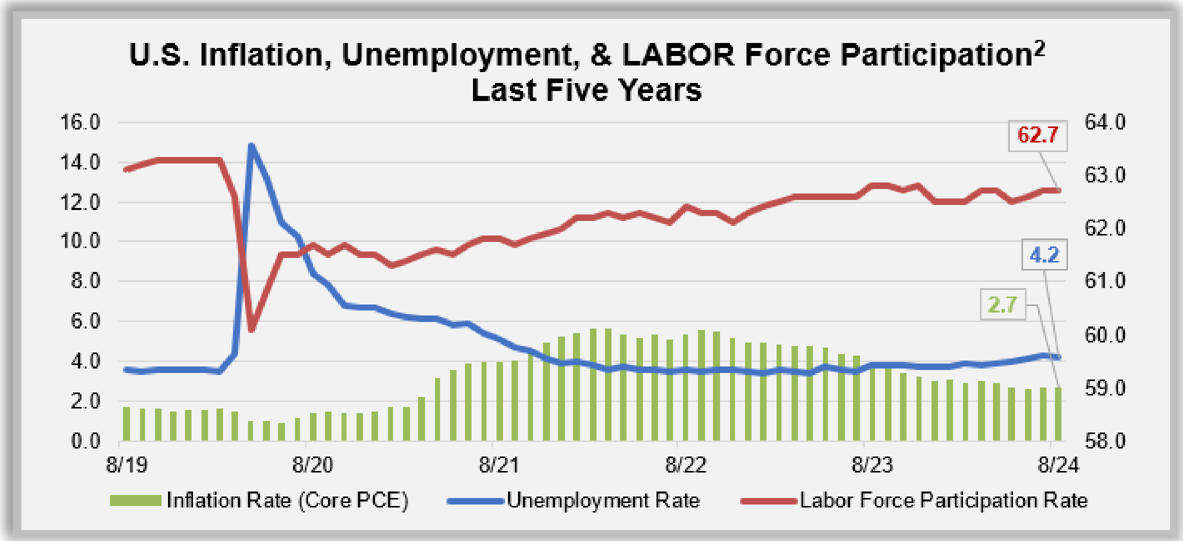


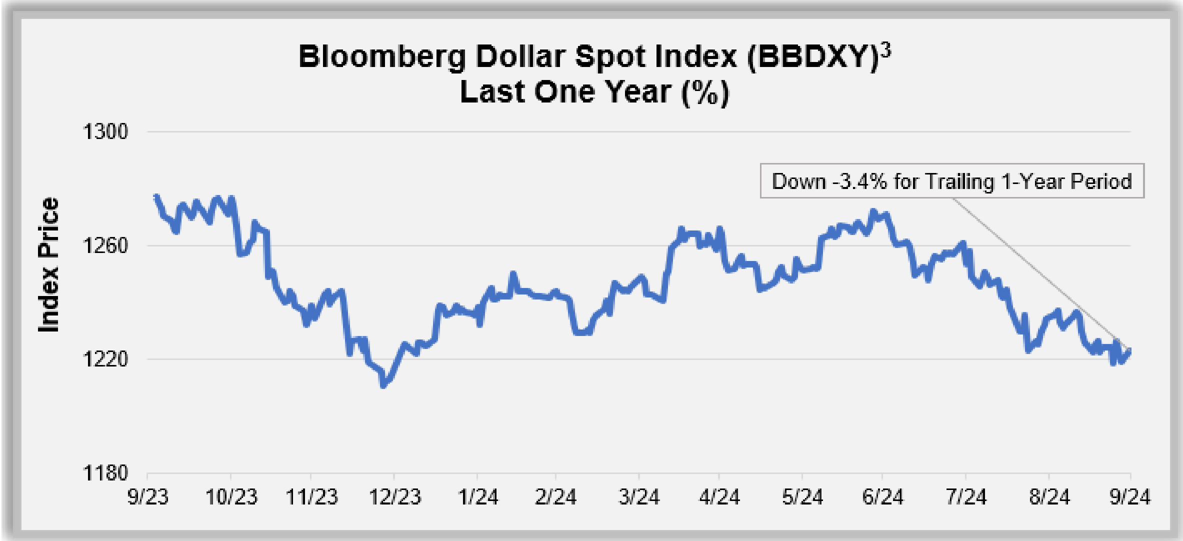
*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/24 and may not reflect the current market and economic environment.

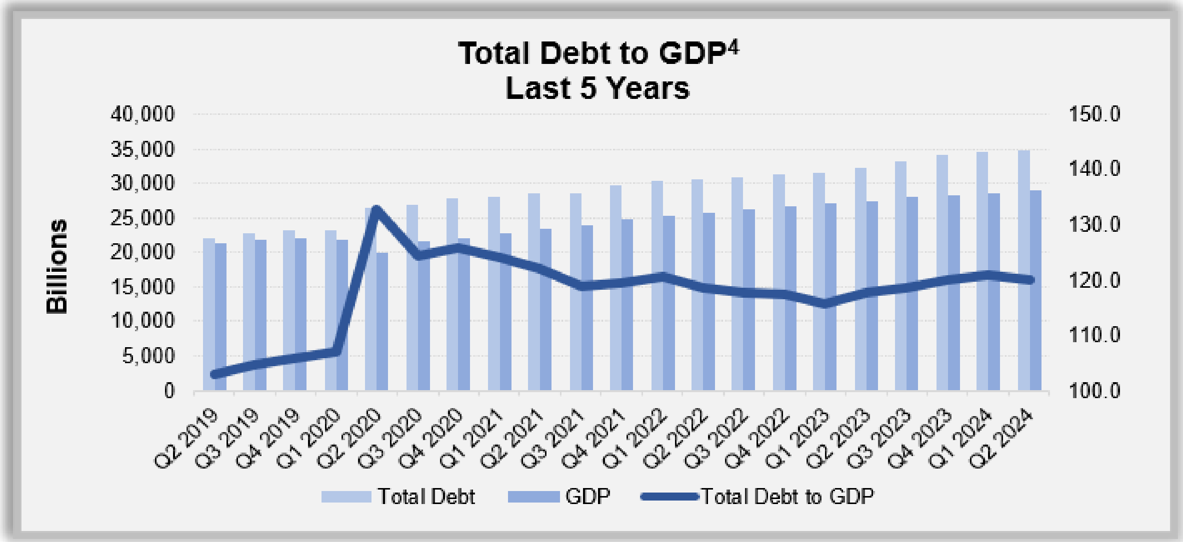
Sources: 1. Bloomberg 2. St. Louis Federal Reserve 3. FactSet 4. FactSet

Key Macro Indicators*









Sources: 1. Bloomberg 3. Bloomberg
2. Bloomberg 4. Office of Management and Budget; St. Louis Federal Reserve

*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/24 and may not reflect the current market and economic environment.

02 Portfolio Performance & Risk Updates

Market Themes and Notable Items to Watch

Recent Themes

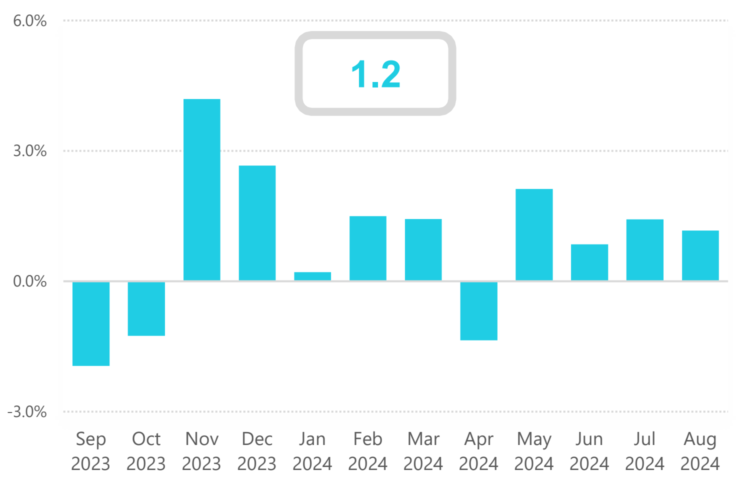
- The Federal Reserve met in September and decided to lower the target range for the federal funds rate by 0.5 percentage points to 4.75-5%
  - This decision was influenced by progress in reducing inflation and balancing economic risks
- Inflation showed further progress towards the Fed’s 2% target but remained “somewhat elevated” according to the Federal Reserve’s statement
- The U.S. 10-year Treasury yield ended September at 3.81% after being 3.88% at the end of both 2022 and 2023, 1.52% at the end of 2021, and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Index) increased 2.3% in September

What to Watch

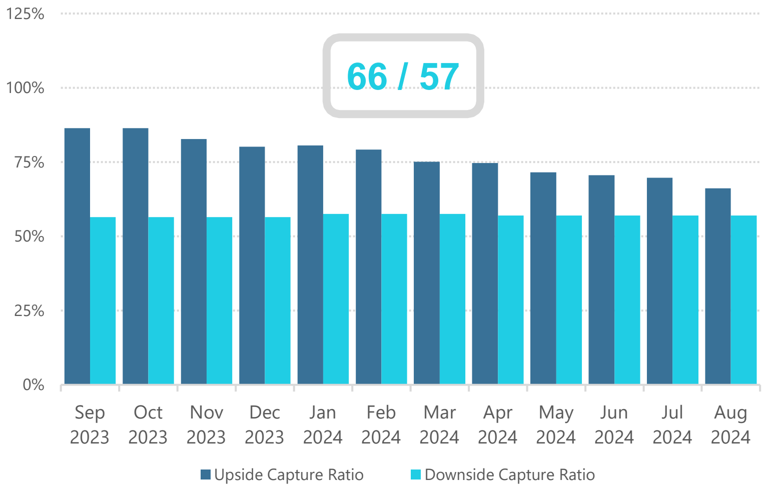
- Interest rates and central bank actions
- Economic data and trends
  - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Artificial intelligence including research developments, applications, and infrastructure investment
- Stewardship and ESG-related developments
  - Council of Institutional Investors approves best practice recommendation for companies with weighted voting rights to disclose breakdown of voting results to distinguish founder controlled votes

Total Fund Summary as of August 2024

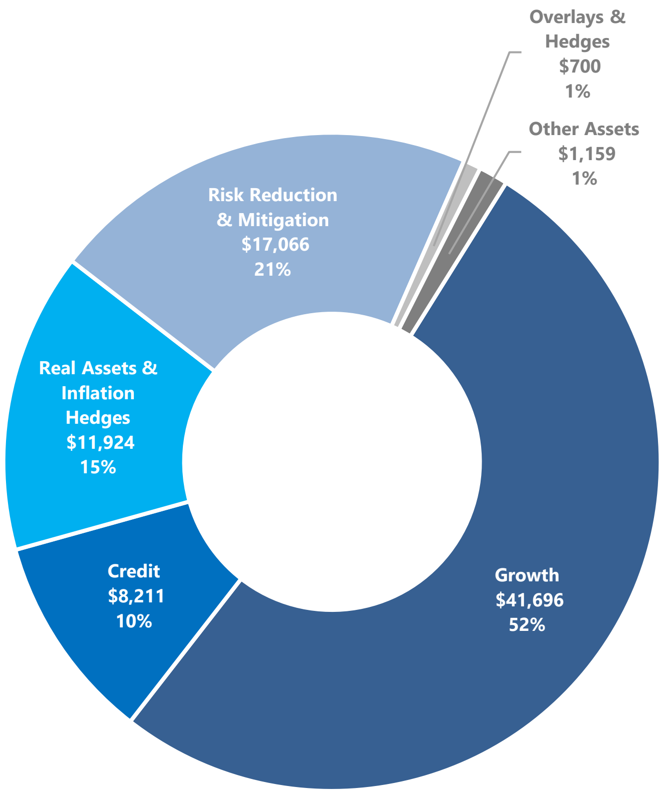
Monthly Return (net)



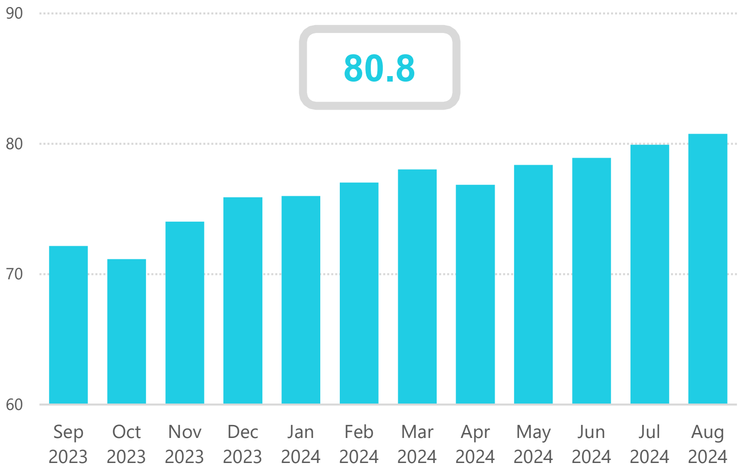
Upside / Downside Capture (%)[1]



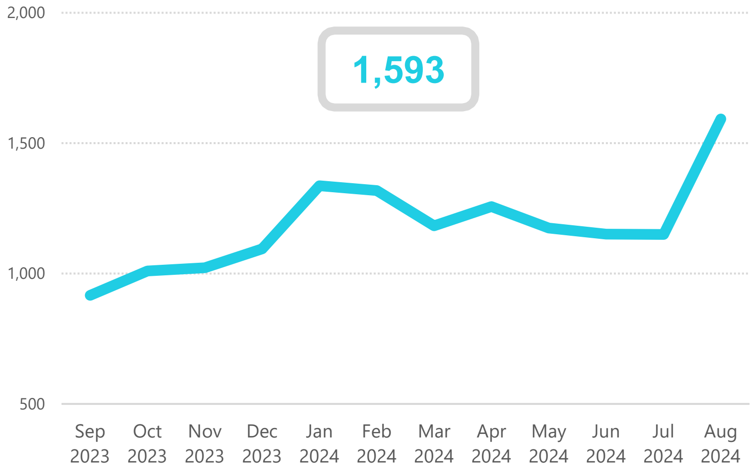
Asset Allocation ($ millions)[2]



Total Market Value ($ billions)



Cash ($ millions)

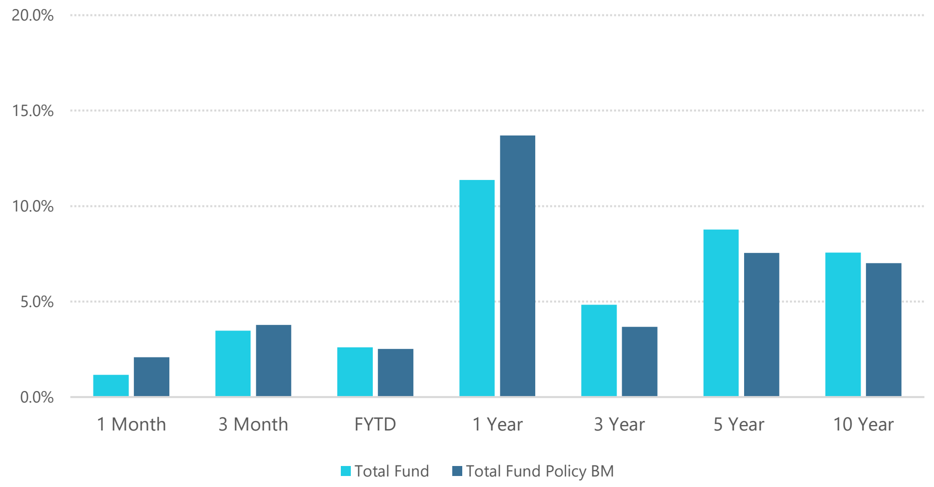


[1] Reference portfolio = 60% MSCI ACWI IMI / 40% Bloomberg US Aggregate Bond Index
[2] Other Assets include receivables due to deferred sales and rebalancing activity pending settlement.

Historical Net Performance as of August 2024

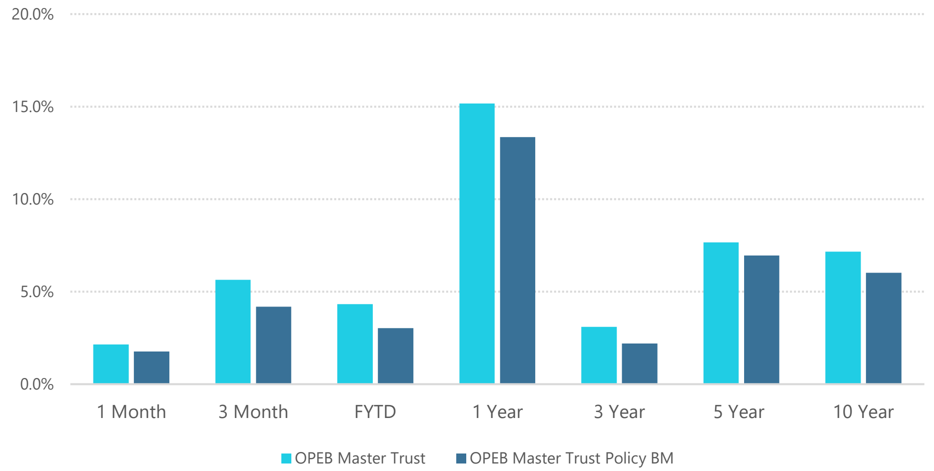
LACERA Pension Fund

	Market Value ($ mm)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	**80,756**	**100.0%**	**100.0%**	**1.2%**	**3.5%**	**2.6%**	**11.4%**	**4.8%**	**8.8%**	**7.6%**
Total Fund Policy BM				2.1%	3.8%	2.5%	13.7%	3.7%	7.5%	7.0%
7% Annual Hurdle Rate				0.6%	1.7%	1.1%	7.0%	7.0%	7.0%	7.0%
Growth	**41,696**	**51.6%**	**50.5%**	**1.7%**	**4.2%**	**3.1%**	**14.9%**	**5.9%**	**13.1%**	
Growth Policy BM				2.8%	5.2%	3.0%	21.5%	5.4%	12.1%	
Credit	**8,211**	**10.2%**	**12.0%**	**1.0%**	**3.6%**	**2.8%**	**15.9%**	**6.5%**	**6.9%**	
Credit Policy BM				1.2%	2.8%	1.7%	10.8%	3.4%	4.4%	
Real Assets & Inflation Hedges	**11,924**	**14.8%**	**16.0%**	**0.4%**	**1.4%**	**1.7%**	**1.8%**	**3.9%**	**5.0%**	
Real Assets & Inflation Hedges Policy BM				1.6%	-0.5%	0.8%	0.2%	2.9%	4.9%	
Risk Reduction & Mitigation	**17,066**	**21.1%**	**21.5%**	**1.2%**	**4.1%**	**3.1%**	**7.0%**	**-0.8%**	**1.1%**	
Risk Reduction & Mitigation Policy BM				1.2%	4.2%	3.1%	6.9%	-1.1%	0.6%	
Overlays & Hedges	**700**	**0.9%**								
Other Assets	**1,159**	**1.4%**								



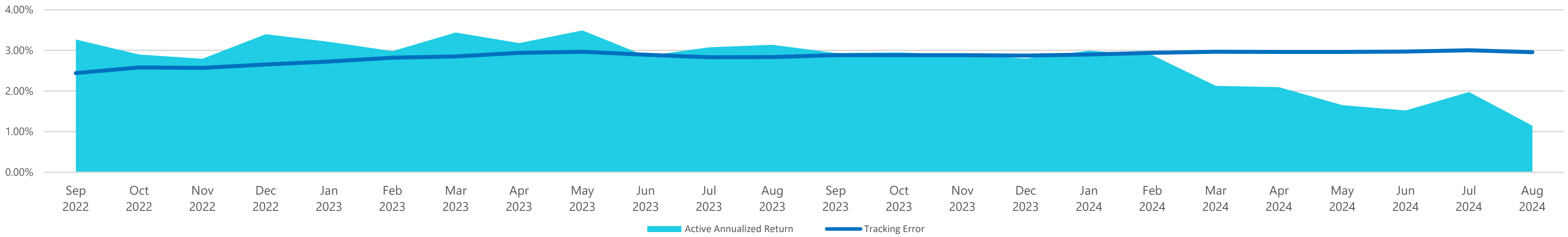
OPEB Trust

	Market Value ($ mm)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
OPEB Master Trust	**4,148**			**2.2%**	**5.6%**	**4.3%**	**15.2%**	**3.1%**	**7.7%**	**7.2%**
OPEB Master Trust Policy BM				1.8%	4.2%	3.0%	13.4%	2.2%	6.9%	6.0%
6% Annual Hurdle Rate				0.5%	1.5%	1.0%	6.0%	6.0%	6.0%	6.0%
OPEB Growth	**1,909**	**46.0%**	**45.0%**	**2.2%**	**6.2%**	**4.4%**	**22.9%**	**5.4%**	**12.0%**	
OPEB Growth Policy BM				2.5%	6.1%	4.1%	23.2%	5.0%	11.7%	
OPEB Credit	**689**	**16.6%**	**17.0%**	**1.4%**	**3.1%**	**2.8%**	**9.6%**	**3.4%**	**3.8%**	
OPEB Credit Policy BM				1.2%	2.5%	1.7%	10.5%	3.4%	4.1%	
OPEB Real Assets & Inflation Hedges	**682**	**16.5%**	**16.5%**	**3.8%**	**7.6%**	**6.3%**	**10.8%**	**0.1%**	**3.8%**	
OPEB RA & IH Policy BM				0.6%	-0.2%	0.3%	0.1%	-2.3%	2.3%	
OPEB Risk Reduction & Mitigation	**867**	**20.9%**	**21.5%**	**1.5%**	**5.3%**	**4.1%**	**6.7%**	**-1.3%**	**0.3%**	
OPEB RR & M Policy BM				1.5%	5.1%	4.0%	6.5%	-2.0%	-0.2%	
OPEB HL PM Cash	**0**	**0.0%**								



Active and Excess Return as of August 2024

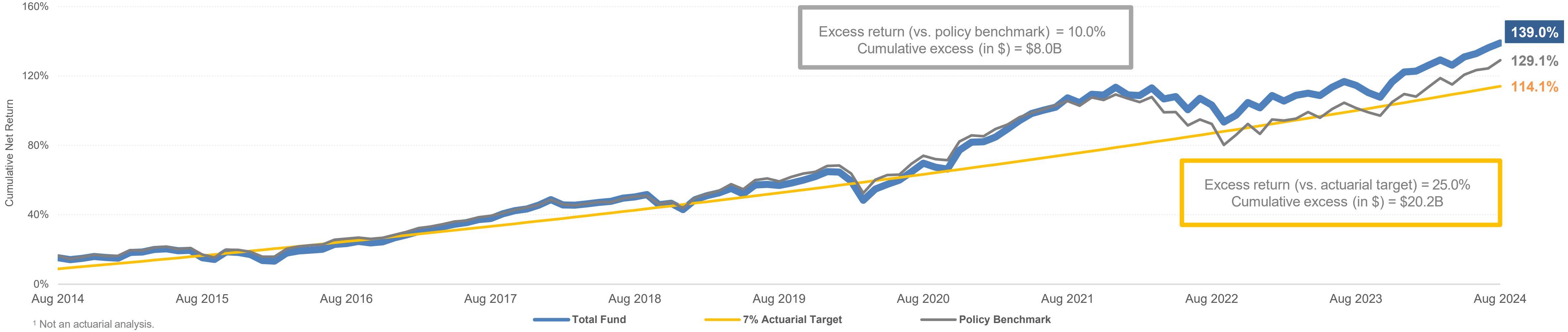
Active Return vs. Tracking Error[1,2,3]



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Aug 2024	4.8%	3.7%	1.1%	3.0%

[1] Rolling 36 months.
[2] Active return equals the difference in return between a portfolio and its benchmark.
[3] Tracking error (or active risk) measures the volatility of active returns.

Excess Return[1]



[1] Not an actuarial analysis.

Total Fund Forecast Volatility as of August 2024*

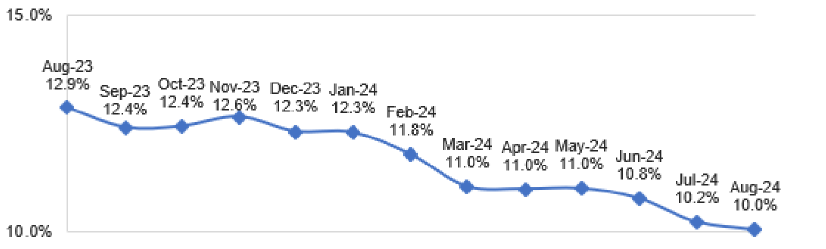
TOTAL FUND VOLATILITY

10.0%

BENCHMARK VOLATILITY

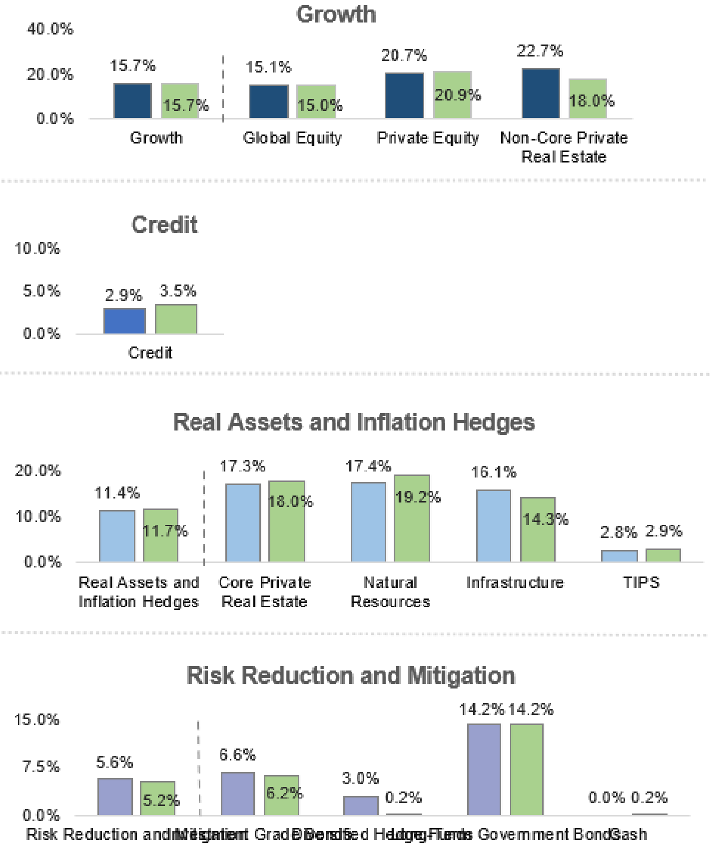
10.0%

Forecasted Total Fund Volatility Trend

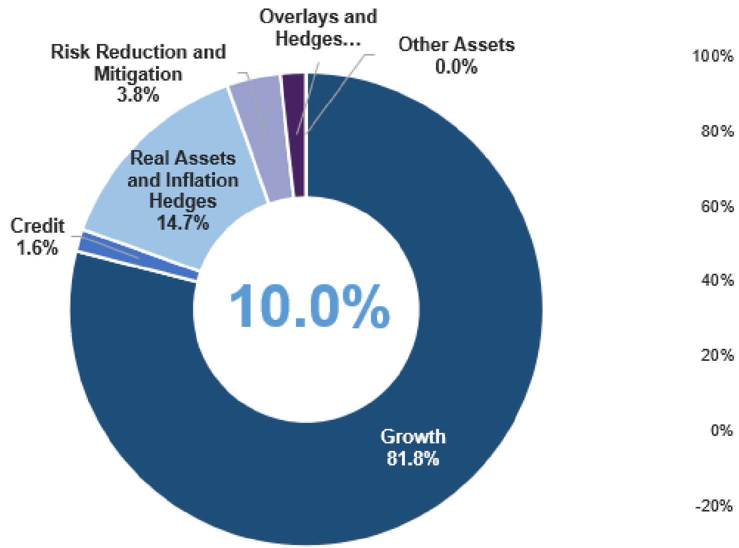


Subcategory Volatility

1 Subcategory volatility is on the left bar and benchmark risk is on the right bar.

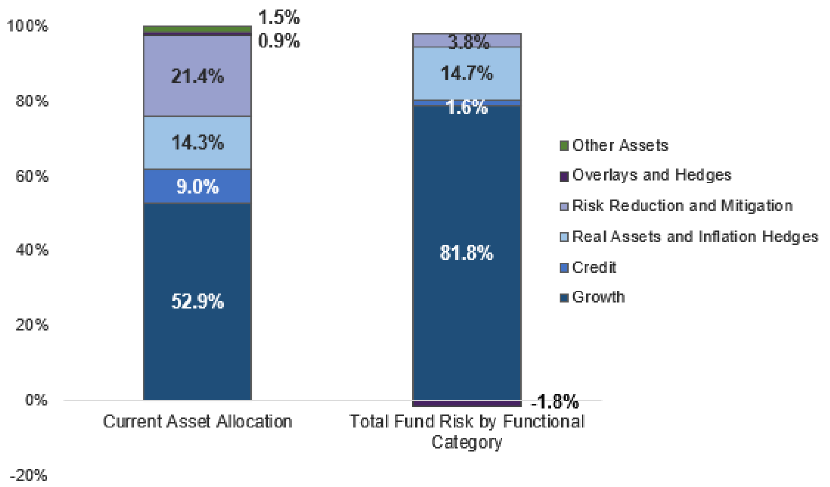


Functional Category Contributions to Total Fund Volatility



Total Fund Asset Allocation

Capital-based versus Risk-based



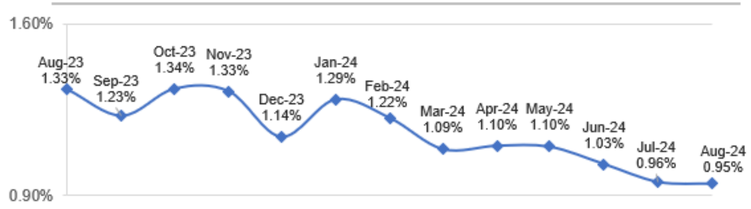
Source: MSCI BarraOne

* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

Total Fund Forecast Tracking Error as of August 2024*

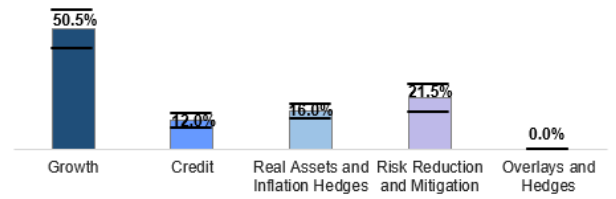
TOTAL FUND TRACKING ERROR	ALLOCATION RISK	SELECTION RISK
0.95%	0.13%	0.82%

Forecasted Tracking Error Trend

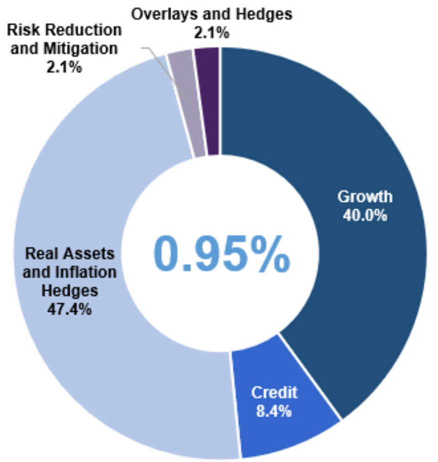


Policy Target Weight for each Functional Category

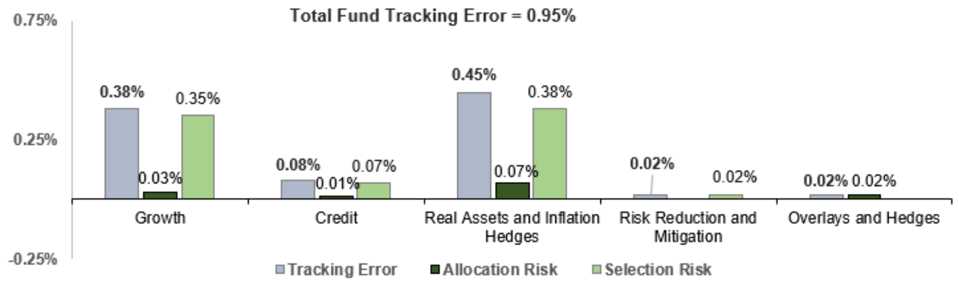
Maximum and Minimum Bands



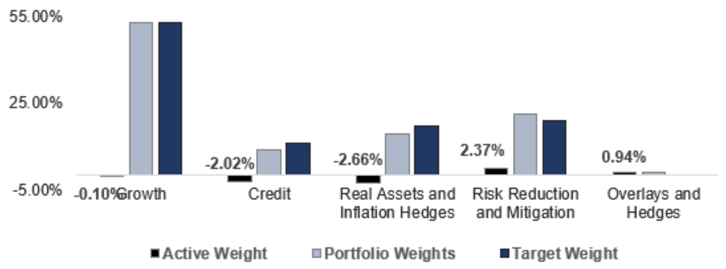
Functional Category Contributions to Tracking Error



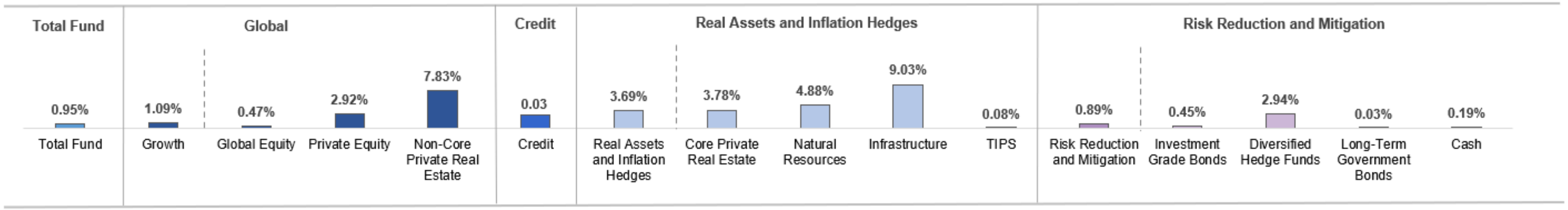
Tracking Error Attribution



Active Weights for each Functional Category



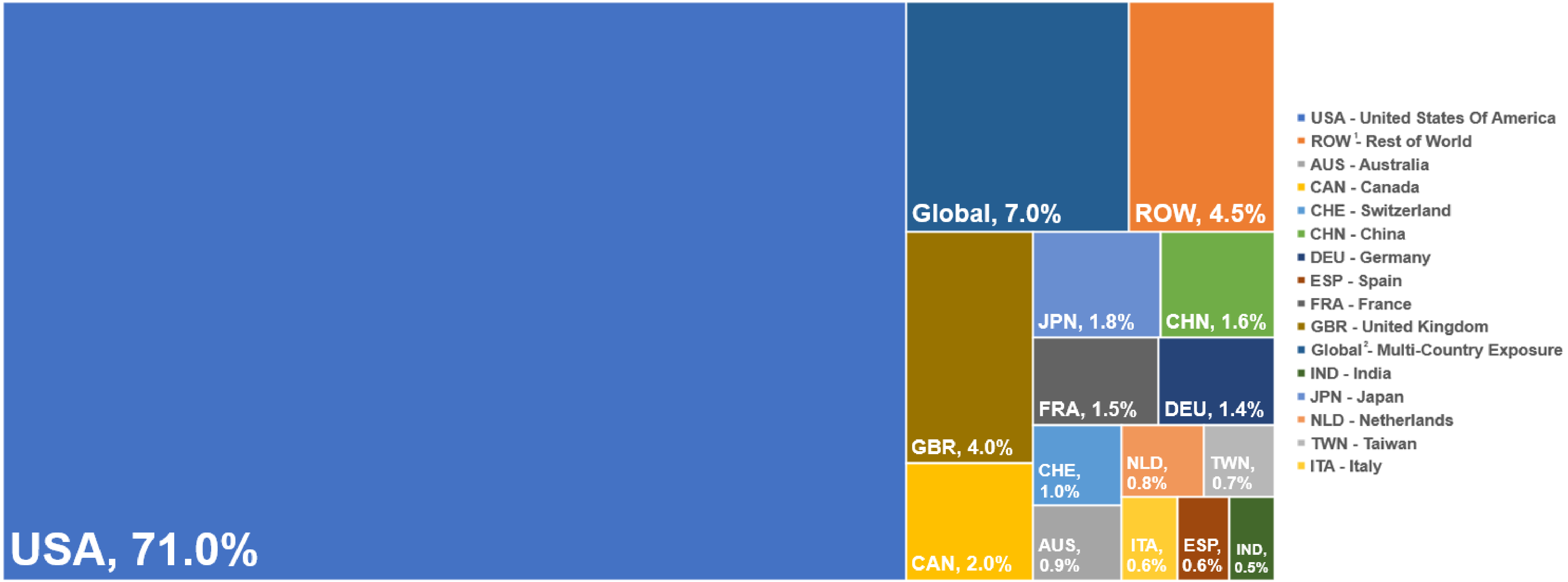
Subcategory Tracking Error



Source: MSCI BarraOne

* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

Geographic Exposures by AUM
Total Fund as of August 2024* Ex-Overlays and Hedges

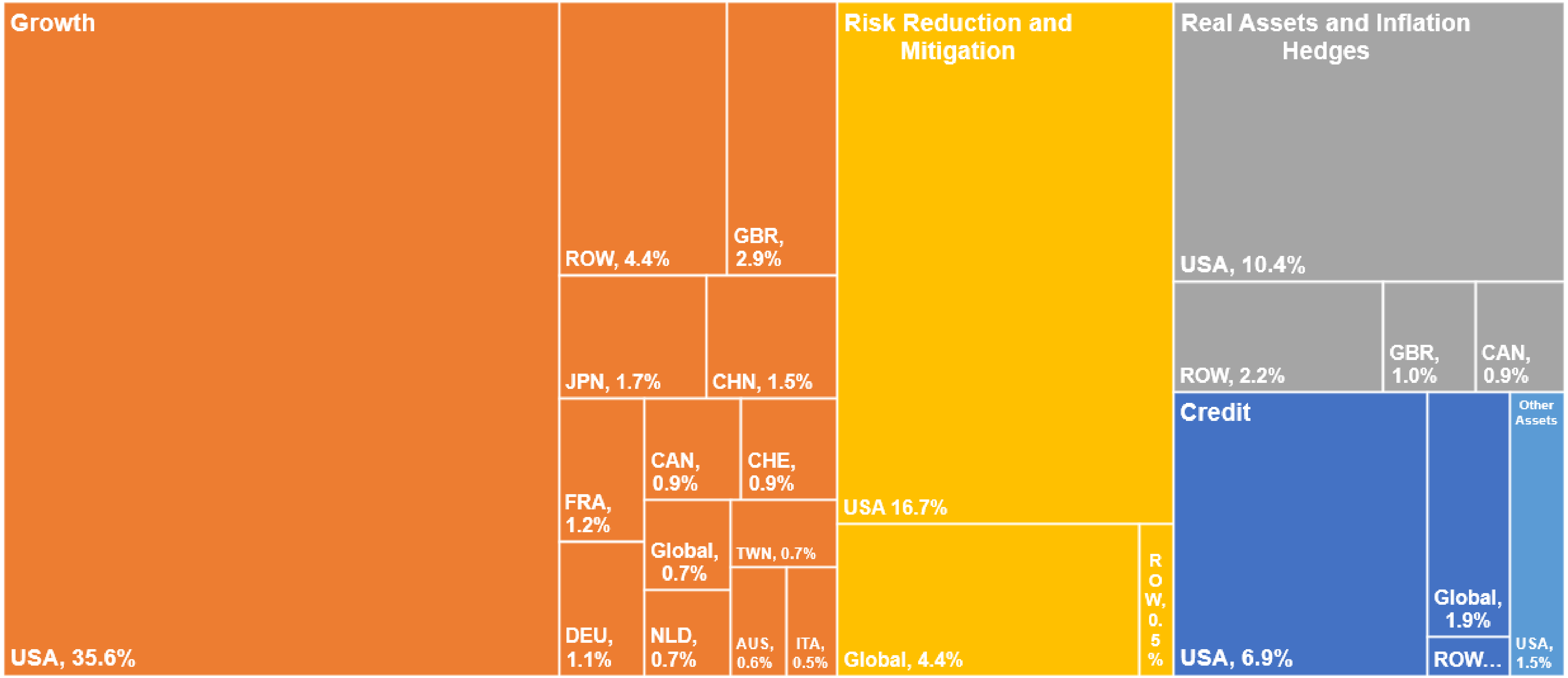


AUM = Assets under management.
Geographic exposure is based on the domicile country of a given security/asset.
* Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change.
Real Estate and Private Equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.
[1] "ROW - Rest of World" is sum of countries with weights below 0.5%.
[2] Global represents investments made in regions where specific country allocations are not available.

SOURCE: MSCI BarraOne

Geographic Exposures by AUM

Functional Categories as of August 2024* Ex-Overlays and Hedges

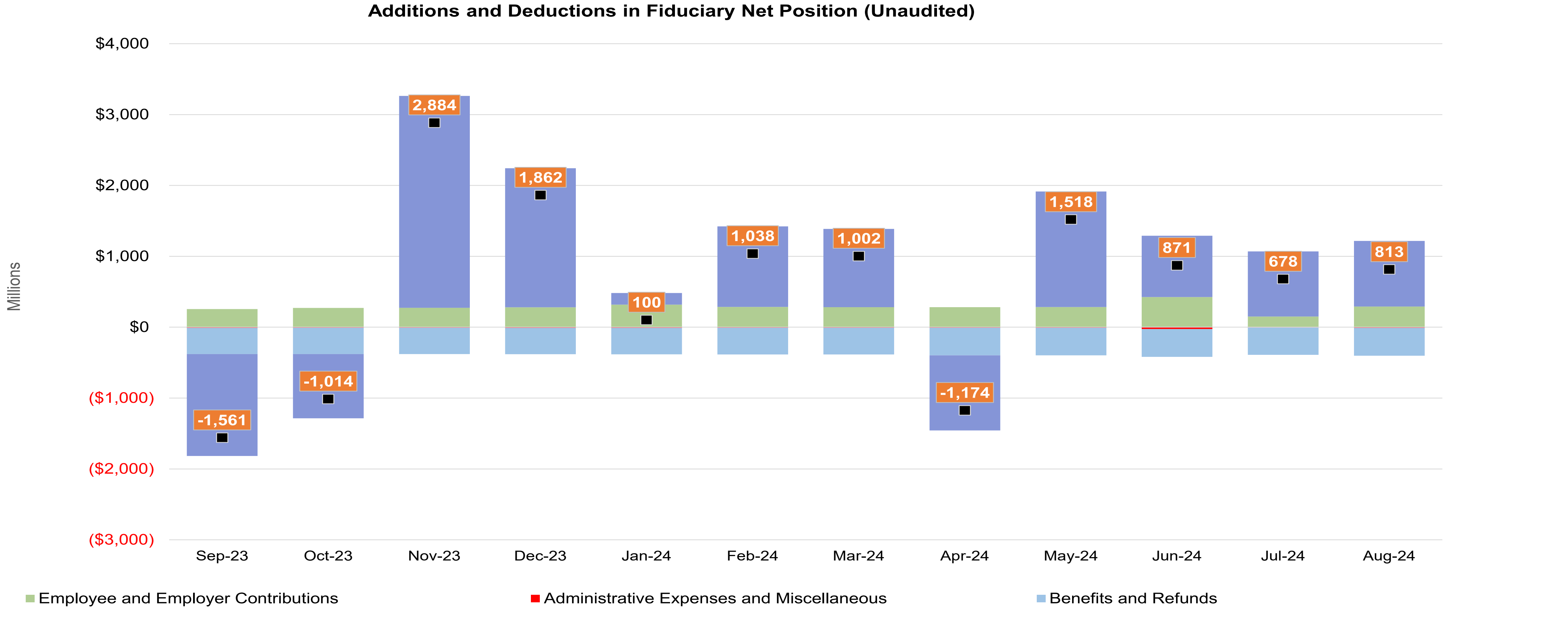


USA	United States of America
AUS	Australia
CAN	Canada
CHE	Switzerland
CHN	China
DEU	Germany
FRA	France
GBR	United Kingdom
Global[1]	Multi-Country Exposure
ITA	Italy
JPN	Japan
NLD	Netherlands
ROW[2]	Rest of World
TWN	Taiwan

AUM = Assets under management.
Geographic exposure is based on the domicile country of a given security/asset.
* Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change.
Real Estate and Private Equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.
[1] Global represents investments made in regions where specific country allocations are not available.
[2] "ROW - Rest of World" is sum of countries with weights below 0.5%.

SOURCE: MSCI BarraOne

Change In Fiduciary Net Position



*Includes unrealized & realized net investment income

Fiscal Year	Negative Months	Positive Months	Total Net Position Change $
FY-23	5	7	$3.3 billion
FY-24	4	8	$5.2 billion
FY-25	0	2	$1.5 billion

03 Portfolio Structural Updates

Portfolio Structural Updates

Rebalancing Activity

Total Fund

$682 million Cash	→	Risk Mitigation
$9 million Cash	→	Hedges & Overlays
$121 million Real Assets	→	Cash
$386 million Credit	→	Cash
$571 million Growth	→	Cash

OPEB Trust

$48 million Cash	→	Growth
$41 million Cash	→	Credit
$15 million Cash	→	Real Assets
$40 million Cash	→	Risk Mitigation

Hedges & Overlays

Monthly Activity

Program	August Return	August Gain/(Loss)	Inception[1] Gain/(Loss)
Currency Hedge[2]	-1.3%	($8.6 Million)	$1.6 Billion
Cash/Rebalance Overlay[3]	0.3%	$15.9 Million	$535.2 Million

[1] Currency and overlay program inception dates are 8/2010 & 7/2019, respectively.
[2] LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches.
[3] LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts.

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	Selection/ Review
Risk and Analytics System, and ESG Research Services Search	✓	✓	Q4
Real Assets Emerging Manager Program Separate Account Manager Search	✓	✓	TBD

04

Key Initiatives & Operational Updates

Notable Initiatives and Operational Updates

Key Initiative Updates

- The April 2024 approved Strategic Asset Allocation implementation has begun
- Adhering to the BOI-approved 2024 Work Plan and Strategic Initiatives

Operational Updates

- Annual LACERA T.I.D.E. data analysis has begun
- Annual Contract Compliance project has started

Team Searches and Vacancies

- Principal Investment Officer
- 2 – Senior Investment Officer
  - 1 in progress
- 3 – Financial Analyst-III
  - 2 in progress

Manager/Consultant Updates

Acadian – Global Equities – BrightSphere Investment Group Inc. (NYSE: BSIG) announced its transition to a sole asset manager with the divestiture of six of the company's other affiliates. It has appointed Kelly Young, CEO of Acadian Asset Management, its remaining affiliate, as President and CEO of the newly rebranded entity Acadian Asset Management, Inc. (AAMI), effective January 1, 2025. Ms. Young will also join the Board of Directors and continue managing Acadian's operations.

SSGA – Total Fund - Announced Ed Delk joined as Chief Compliance Officer in Q3 2024, reporting to Yvette Hollingsworth Clark. He was previously the Global Chief Compliance Officer at Cohen & Steers. James Ferrarelli joined as Chief Operating Officer in Q2 2024, reporting to CEO Yie-Hsin Hung. He was formerly the Chief Information Officer at Charles Schwab's Wealth and Asset Management division.

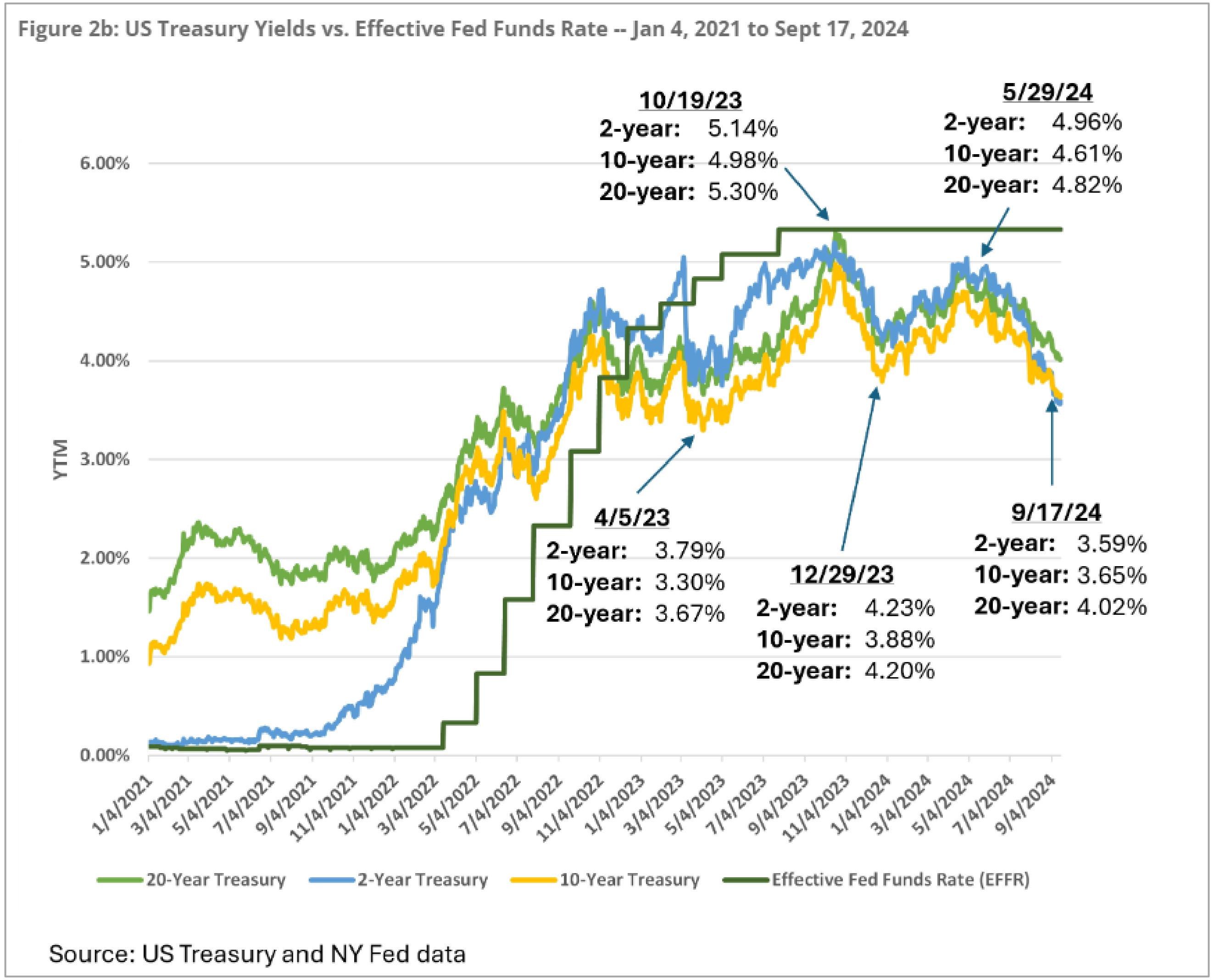
Macquarie – Real Assets – Macquarie's registered investment adviser Macquarie Investment Management Business Trust paid $79.8 million to settle charges for overvaluing approximately 4,900 largely illiquid collateralized mortgage obligations held in 20 advisory accounts, including 11 retail mutual funds, and for executing hundreds of cross trades between advisory clients that favored certain clients over others.

Hamilton Lane – OPEB Master Trust – In September, Ana Chapman, Managing Director, and Natalie Fitch, Principal, left Hamilton Lane. Katie Moore, Managing Director on the Fund Investment & Managed Solutions team, with 17 years of experience at Hamilton Lane, has taken over their roles.

05 Commentary

Staff Chart of the Month

U.S. Treasury Yields Began Declining in Anticipation of Fed Rate Cut



Source: Bondsavvy

06 Appendix

Quiet Period for Search Respondents

Real Assets Emerging Manager Program Discretionary Separate Account Manager

- ✓ ORG Portfolio Management
- ✓ Barings
- ✓ Belay Investment Group
- ✓ Hamilton Lane
- ✓ Cambridge Associates
- ✓ Seed Partners
- ✓ Stable Asset Management
- ✓ Wafra Inc.
- ✓ Artemis Real Estate Partners
- ✓ Aether Investment Partners
- ✓ Neuberger Berman Group
- ✓ The Townsend Group
- ✓ BGO Strategic Capital Partners
- ✓ BlackRock
- ✓ StepStone
- ✓ GCM Grosvenor

Risk and Analytics System, and ESG Research Services Search

- ✓ BlackRock Financial Management Inc.
- ✓ Barra, LLC
- ✓ Bloomberg Finance L.P.
- ✓ Clearwater Analytics
- ✓ eVestment Alliance, LLC
- ✓ FactSet Research Systems Inc.
- ✓ ISS STOXX GmbH
- ✓ MSCI ESG Research LLC
- ✓ Northfield Information Systems, Inc.
- ✓ Solovis, Inc.

Recognizing Our Members' Service and Accomplishments

LACERA has over 100,000 active members working across dozens of L.A. County Departments, many of whom proudly dedicate their entire careers to serving the community. Read about one of our long-serving members and his journey toward retirement.

Pre-Retirement Member

Tristan Biller

Union Journeyman Carpenter

Facilities Department, LAC USC Medical Center

Years of Service: 20+ years **Retirement Date: March 2025**

Notable Contributions and Service: Tristan has worked for the medical center's emergency department for over 20 years on a bio-hazmat team, choosing to stay at the level of journeyman carpenter so that he could continue to work with tools.

Proudest accomplishments: Pushing his skills to their limit and sculpting and welding actively outside of work.

MEMBER SPOTLIGHT

Retirement Plans: He is looking forward to retiring in March 2025 and continuing to sculpt and surf. He believes that these are not hobbies, but a way of life. Tristan is is focused on connecting with others through his art, and looking to gain exposure for his work.

LACERA

September 24, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann SHK
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT – OCTOBER 2024**

The following Chief Executive Officer's Report highlights key operational and administrative activities that have taken place during the past month.

2024 General Member Election Update

The 2024 Board of Retirement and Board of Investments election season for the Third Member of the Board of Retirement and the Third Member of the Board of Investments concluded on August 31, 2024. LACERA congratulates Aleen Langton on being elected to fill both the positions on the Board of Retirement and the Board of Investments. The final confirmation of the election results is pending Board of Supervisors approval. The Board of Supervisors is scheduled to ratify the results at its October 22, 2024 meeting.

We have included an election wrap up memo as an appendix to this report.

Management Offsite

The Executive Office has confirmed the date and location of our management offsite. The offsite will be held at the Huntington in San Marino, CA on November 19, 2024. The theme of the offsite is, Course Chartered: Navigating to Our Goal. The focus for the Management Offsite will be to share, collaborate, and engage attendees on our progress towards accomplishing the objectives outlined within LACERA's 2023-2028 Strategic Plan and identify opportunities for improvement.

Board Room Upgrade

LACERA's existing Board Room, located on the 8th floor of the headquarters building, has very limited seating capacity. The dais is crowded, especially during joint board and joint committee meetings, and there is insufficient space for the audience with nearly every meeting being at full capacity. This limits staff and the public's ability to attend meetings of the boards and committees. Expanding the existing space on the 8th floor is possible but not without disruption to the operation of the two boards for many months.

Recently the bank that occupied space on the ground floor across from our Member Service Center vacated its space early. Staff has conducted a preliminary assessment of the space, and we believe it may provide a viable solution to the problem identified above. The ground floor space would allow for greater accessibility for members and members of the public who may wish to attend meetings, especially those individuals with disabilities, while also allowing for greater safety.

Staff plans to utilize a space planning architectural consultant to assist us in developing a potential plan or plans, cost estimates and timelines, and we anticipate bringing our recommendations to the Joint Organizational Governance Committee and the Boards by December. Prior to developing such a proposal, staff plans to solicit Trustee feedback via survey about this potential project to determine preferences and requirements which will be incorporated in the resulting recommendation.

Status on County Litigation

In October 2021, at the direction of the Boards, LACERA filed a lawsuit in Los Angeles Superior Court against the County of Los Angeles and the County Board of Supervisors regarding LACERA's plenary authority as an independent fiduciary to set classifications and salaries for its personnel. LACERA is a separate public agency from the County and provides independent administration of the County pension system, including its assets and the payment of benefits. LACERA seeks a court order confirming LACERA's authority and implementing critical personnel actions approved by the LACERA Boards that the County has blocked from becoming effective. In December 2022, the Superior Court denied LACERA's petition.

LACERA filed an appeal with the Second District Court of Appeal, which was decided in LACERA's favor in June 2024.

The County filed a petition for review in the California Supreme Court, which remains pending. The Supreme Court has informed the parties that a decision on the petition for review will be made on or before October 31, 2024. If review is granted, additional briefing and oral argument will be required before a final decision is made. If review is denied, the Court of Appeal's opinion will stand.

Retiree Healthcare

Anthem Blue Cross Potential Provider Contract Ending

Staff recently received notification from our Anthem Blue Cross account management team informing LACERA that HCA Healthcare (HCA) has issued a notice to terminate its Contracting Hospital Agreement. According to the notification received, it is Anthem Blue Cross's intent to reach reasonable contractual language and reimbursement rates that are beneficial to both organizations.

Unfortunately, as of the time of this report, Anthem Blue Cross and HCA have been unable to reach an agreement and it appears that Anthem's commercial hospital contract with HCA may terminate effective October 1, 2024. HCA Healthcare is comprised of the below-referenced hospitals. The number alongside the facility noted below reflects the member impact for LACERA retirees' utilization from July 2023 through June 2024.

Good Samaritan Hospital – 0 members

Los Robles Regional Medical Center – 22 members

Regional Medical Center San Jose – 0 members

Riverside Community Hospital – 9 members

The below listed entities are also included in the termination:

Golden State Providers, a Medical Corp.

Bascom Surgery Center

Endoscopy Center of Silicon Valley

Los Gatos Surgical Center

Los Robles Surgical Center

Silicon Valley Surgery Center

Anthem mailed pre-termination letters to the non-exclusive admitting PPO physicians who maintain privileges/affiliations with the HCA hospitals. The letters inform their Anthem contracted providers about the pending termination and encourage them to seek alternate admitting privileges at other participating hospitals if necessary.

Anthem will also send letters to the impacted members who utilized any of the above facilities within the last 12 months if an agreement is not reached and the contract terminates.

Lifetime Maximum Benefit: Enhanced Coverage for Anthem I, II, and Prudent Buyer Plans

We are pleased to announce that the County of Los Angeles and the Los Angeles County Employees Retirement Association (LACERA) have collaborated to enhance the coverage of the Anthem I, II, and Prudent Buyer plans. Effective July 1, 2025, the Lifetime Maximum Benefit (LMB) for these plans will increase from $1 million to $1.5 million.

This significant improvement underscores our mutual commitment to providing comprehensive and robust health coverage for our retirees. For those who are nearing or have reached the previous LMB, this increase offers much-needed financial relief and ensures continued access to essential healthcare services.

LACERA's mission is to produce, protect, and provide the promised benefits to our members. By increasing the LMB, we are taking a proactive step to align with our mission, ensuring that our retirees receive the medical care they deserve.

The County of Los Angeles and LACERA are dedicated to regularly reviewing the annual experience study of these health plans. This ongoing evaluation will allow us to make necessary adjustments to the LMB, with the final goal of eliminating the cap altogether, thus ensuring that our health plans remain responsive to the needs of our retirees.

We believe that this enhancement will significantly benefit our retirees, providing them with greater peace of mind and financial security.

LACERA Hosts Successful "Staying Healthy Together" Fall Conference

On Tuesday, September 24, 2024, we proudly hosted the "Staying Healthy Together" Fall Conference at the Carson Event Center in Carson, CA. The event was a resounding success, with over 400 retirees in attendance, all eager to learn more about maintaining their health and well-being in retirement.

We extend our gratitude to our health plan carriers—Anthem, Kaiser Permanente, United Healthcare, Scan, Cigna, and CVS Caremark—for their generous sponsorship and active participation. Their presence and support were instrumental in making this event a valuable experience for all retirees.

We also want to express our sincere thanks to our LACERA staff and our healthcare consultant, Segal, for their exceptional project management support and assistance throughout the event. Their expertise and dedication ensured the smooth execution of the conference.

LACERA's mission is to empower our members to enjoy a healthy and secure retirement. This conference was a testament to that mission, providing retirees with the resources and information they need to stay healthy and active.

Thank you to everyone who attended and contributed to the success of the "Staying Healthy Together" Fall Conference. We look forward to continuing our efforts to support the health and well-being of our members.

SHK
CEO Report October 2024.doc

Attachments

LACERA

Appendix 1

DATE: September 23, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: JJ Popowich JJ
Assistant Executive Officer, Member Operations Group

SUBJECT: **General Active Member Elections 2024 Wrap Up Report**

The 2024 Board of Retirement and Board of Investments election season, for the Third Member of the Board of Retirement and the Third Member of the Board of Investments, concluded on August 31, 2024. Initial results were subsequently announced in mid-September and are reflected below by seat. The next step will be the Board of Supervisors' ratification of the election results, expected to be at the October 22, 2024, meeting.

Preliminary General Members Election:

- Board of Retirement: Third Member:
  - Aleen Langton

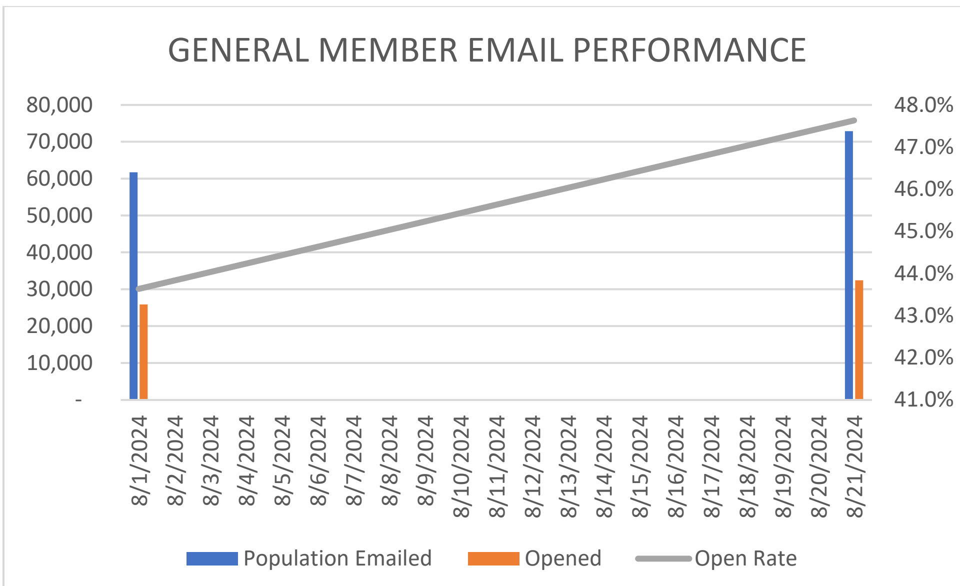
- Board of Investments: Third Member:
  - Aleen Langton

**Trustee Langton will begin serving on the Board of Investments effective immediately after the election results are certified by the Board of Supervisors, to serve out the remainder of the term for former Trustee Santos due to his retirement. She will begin serving on the Board of Retirement effective January 1, 2025.*

A Collaborative Effort

This election continued the productive and successful collaboration between the LACERA Elections team and the Executive Office of the Board of Supervisors. The team agreed early on to use every available avenue to reach eligible voters including mail, email, newsletters, and LACERA.com. As we have done in the past, the LACERA Election Team continued to provide engaging and motivating election notices and reminders for distribution by both the Executive Office's election vendor and LACERA's Communications team. The Executive Office of the Board of Supervisors also continued our agreement to send physical ballots to all eligible members with the option to return the completed election form, vote online, or vote by phone. The decision to send out physical ballots was beneficial, with 1,190 members choosing to vote by ballot (about 18% of the total ballots filed).

Our campaign this year started with a Call for Candidates postcard in May to 85,365 eligible voters, which was complimented by an email Call for Candidates sent by the election coordinator vendor. The Call for Candidates did result in a robust slate of candidates for both positions. Once the election began, LACERA continued our email campaign to remind voters that the election had started and to be sure to vote. In general, we averaged a 45.6% open rate, slightly down from the 52% open rate for last year's active and retired member election. The LACERA election team will be strategizing in the upcoming months on how to improve our open rate in future elections, as well as innovating other approaches to encouraging voter participation.



Please note: LACERA relies on members providing their email addresses voluntarily or through the My LACERA registration process. The increase in the number of emails sent from the beginning of the month vs. the end of the month of August is a result of changes in the registration status of members with My LACERA.

For the second election in a row there was a slight increase in voter turnout - 7% for 2023 vs. 7.8% for 2024.

The charts below provide an overview of turnout over the last five elections:

Active General Members

Year	Total Eligible	Turnout	Percentage of Votes
2017	84,278	6,323	7.5%
2018	85,497	6,301	7.4%
2020	87,184	9,006	10.3%
2021	86,163	5,773	6.7%
2023	83,584	5,882	7.0%
2024	85,527	6,650	7.8%

Retired Members

Year	Total Eligible	Turnout	Percentage of Votes
2011	46,689	14,801	31.7%
2014	50,778	13,866	27.3%
2017	53,709	13,630	25.4%
2020	58,544	11,325	19.3%
2023	62,782	15,670	25.0%
2024	N/A	N/A	N/A

The LACERA Election Team looks forward to continuing our collaborative efforts and finding new ways to reach members to increase voter turnout in future elections.

Variation in Eligibility Lists

Trustees may note that the County identified 85,520 eligible voters for this year's election, while LACERA identified 85,365 eligible voters. This is a 162-voter difference between our respective lists. This discrepancy was not noted until we looked at the post-election data for the purpose of this wrap up.

For active General member elections, the County relies on their own data, plus data LACERA provides for the members from an Outside Agency. This is done because for active General or Safety members the County has the most up to date contact information as they manage all member data until the member retires. Conversely, when Retired Member elections are held, the County partners with LACERA who has the most up to date information for retired members.

When LACERA conducts email or mail campaigns to either active or retired members, we always rely on the data residing in our system. Active members may provide personal email addresses to LACERA and set alternate mailing addresses for their LACERA correspondence.

When the discrepancy was noted, LACERA reviewed the discrepancy and believes the difference in eligibility lists results from the timing of sharing information with the County for active members:

1. LACERA receives data from the County twice a month and always one payroll period in arrears. This means that LACERA will not be aware of any new hires added in the two weeks prior to the "eligibility date" at the time the list is generated by LACERA. These members would be eligible to vote because they were hired before the “eligibility date cutoff,” but we haven't received their information yet.

2. LACERA allows a member to elect to retire until the end of business day prior to their retirement date. The County relies on LACERA issuing a Board letter notifying them of the member's retirement date. The County personnel office then has to enter the term date into their system. Depending on when the member elects to retire there could be delays on both ends. For example, there is a delay as the member is verified eligible for retirement and the Board agenda process takes place, which is the trigger for the notification to the County. There is also a delay on the County side for personnel to process the notice. This means there are likely members who are retired (because the retirement date has passed) but still showing active in the County system.

We will be exploring ways to better synchronize the generation of eligibility lists for future dates.

Reviewed and Approved:

Luis Lugo

Luis A. Lugo, Deputy Chief Executive Officer

CEO DASHBOARD

October 2, 2024

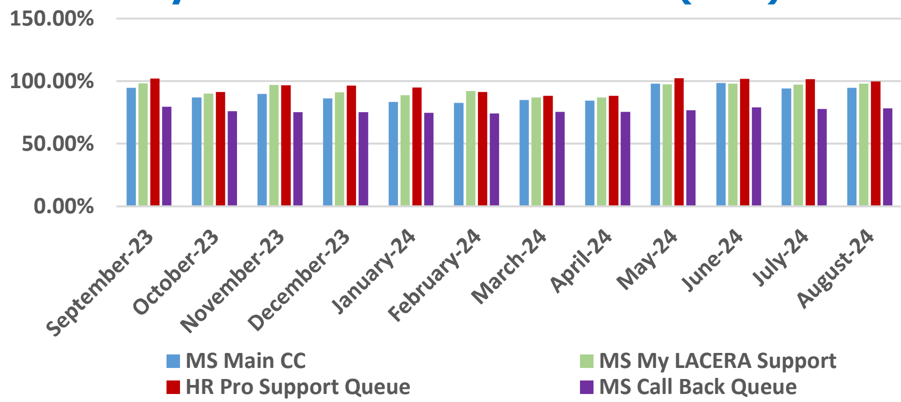
Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

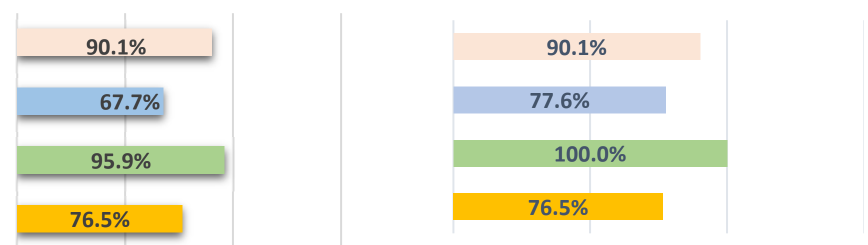
Events / Webinar Attendance		Events / Webinar		Webinar Satisfaction		Member Service Center Satisfaction		MS Main Queue Total Calls	
Current Mo.:	2,878	Current Mo.:	32	0%		96.90%		Current Mo.	8,286
				Resp. Rate	Change	Resp. Rate	Change		
Year-to-Date:	5,120	Year-to-Date:	58	0%	0%	26.5%	-1.36%	3 Month Avg.	8,311

Member Services

Member Service Call Center Queue Key Performance Indicators (KPI)

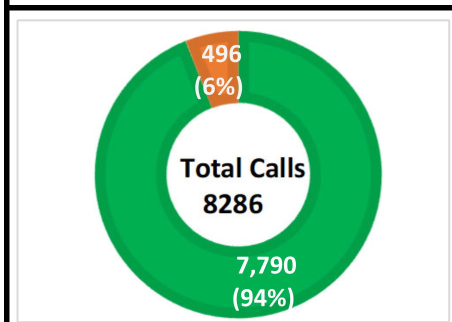


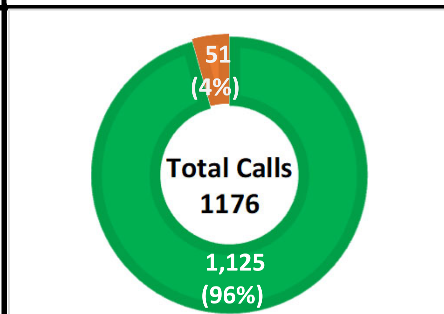
Key Performance Indicator (Components by Queue)

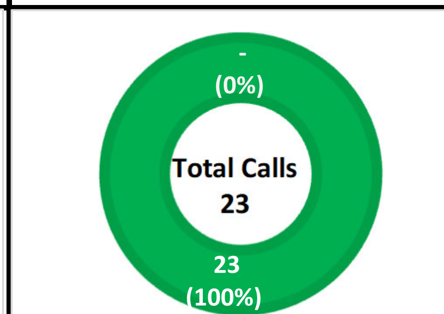


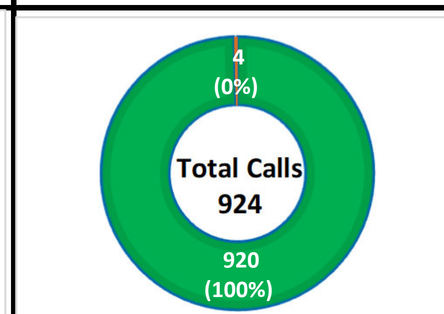
Agent Utilization (Goal:65%)	Grade of Service (Goal: 80% in 60 sec)
After Call Survey (Goal: 90%)	Call Monitoring (Goal: 95%)

MSCC MAIN QUEUE		MY LACERA SUPPORT		HR PRO SUPPORT		MS CALL BACK QUEUE	
Calls Answered / Calls Abandoned		Calls Answered / Calls Abandoned		Calls Answered / Calls Abandoned		Calls Answered / Calls Abandoned	









Queue KPI:	94.50%	Queue KPI:	98.00%	Queue KPI:	99.60%	Queue KPI:	78.28%
Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration
0:02:47	0:17:12	0:00:44	0:11:09	0:00:45	0:12:44	0:08:16	0:14:59

Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

Member Services

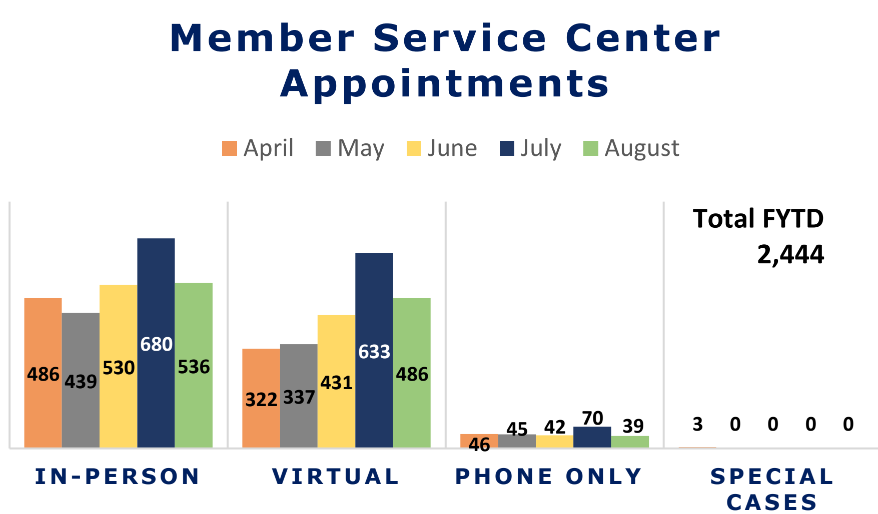
TOP REASONS MEMBERS CONTACT MEMBER SERVICES

Member Services Call Center	Member Service Center (Outreach)
1. Retirement Counseling	1. Retirement Counseling
2. My LACERA	2. Retiree Healthcare
3. Death	3. Workshops/Appointments

Contact Center Email/Secure Message Performance

Emails (welcome@lacera.com):	285	Secure Message (My LACERA)	888
Service Level: 24 Bus. Hours	On Target	Service Level: 24 Bus. Hours	On Target

Member Service Center (Outreach)

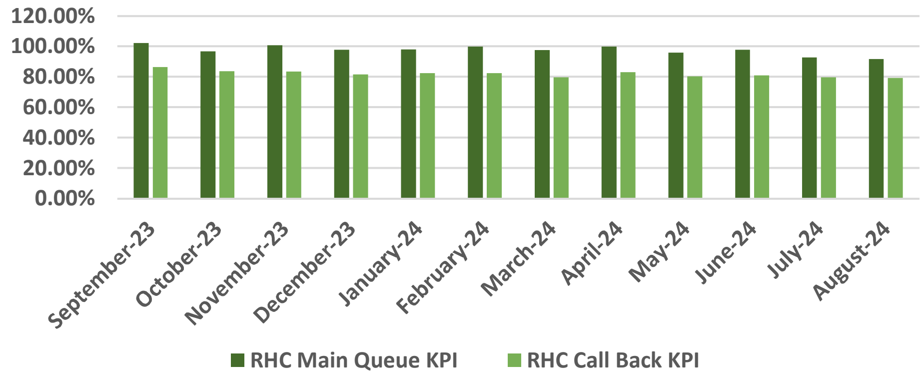


Striving for Excellence

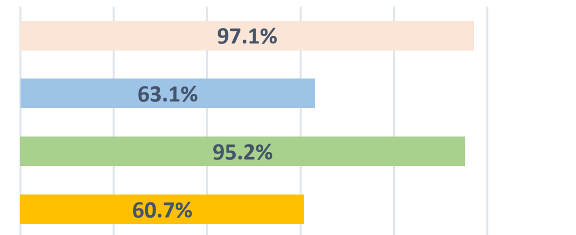
Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

Retiree Healthcare

RHC Call Center Queue Key Performance Indicator (KPI)

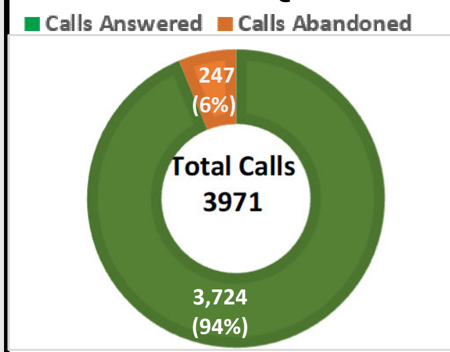


Key Performance Indicator (Components by Queue)
Main RHC Call Center Queue



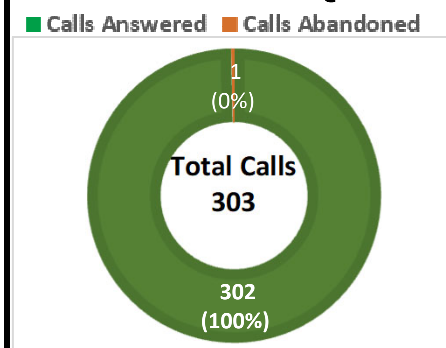
Agent Utilization (Goal:65%)	Grade of Service (Goal: 80% in 60 sec)
After Call Survey (Goal: 90%)	Call Monitoring (Goal: 95%)

RHC MAIN QUEUE



Queue KPI:	91.60%
Avg. Speed of Answer	Average Duration
0:03:34	0:13:06

RHC CALL BACK QUEUE



Queue KPI:	79.20%
Avg. Speed of Answer	Average Duration
0:11:24	0:10:26

TOP RHC CALL TOPICS

1. Medical/Dental Enrollments
2. Insurance Benefits
3. General Inquiries

RHC Email/Secure Message Performance

Emails (healthcare@lacera.com): 393
Service Level: 24 Bus. Hours On Target

Secure Message (My LACERA) 466
Service Level: 24 Bus. Hours On Target

Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

Disability

Applications

941

Pending: Applications in Process

- 72 — Received: New Applications
- 137 — Received Year-to-Date
- 47 — To Board - Initial (Presented to BOR)
- 95 — To Board - Initial Year-to-Date
- 14 — Closed (Incomplete/Withdrawn)
- 33 — Closed Year-to-Date

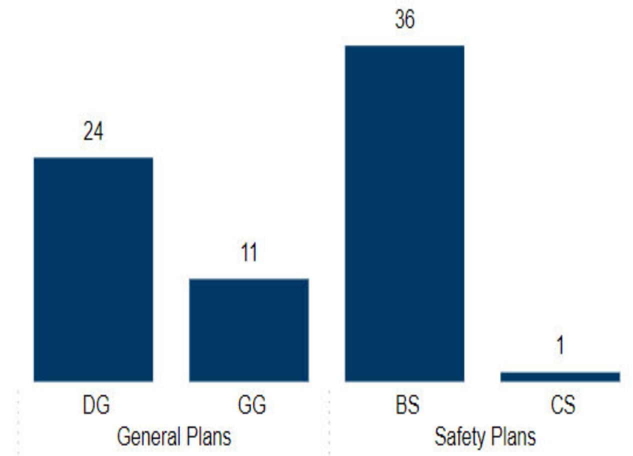
Appeals

82

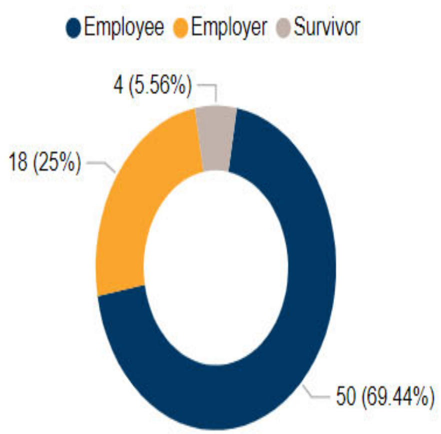
Pending: Appeals in Process

- 2 — Received: New Appeals
- 5 — Received Year-to-Date
- 1 — Admin Closed
- 2 — Admin Closed Year-to-Date
- 1 — Referee Recommendations
- 2 — Referee Recommendations Year-to-Date
- 0 — DLO Recommendations
- 0 — DLO Recommendations Year-to-Date

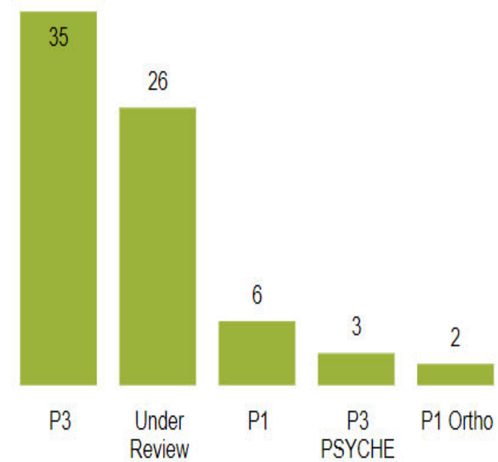
Applications Filed by Plan



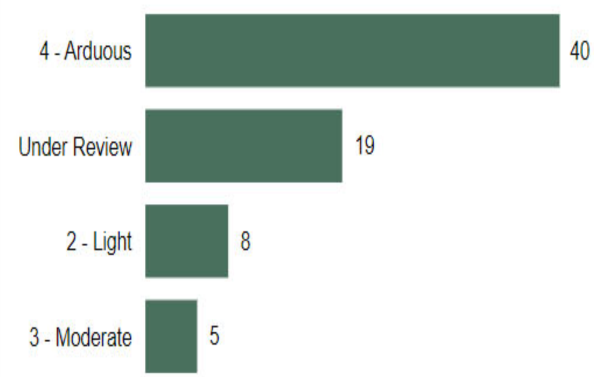
Applications Filed by Source

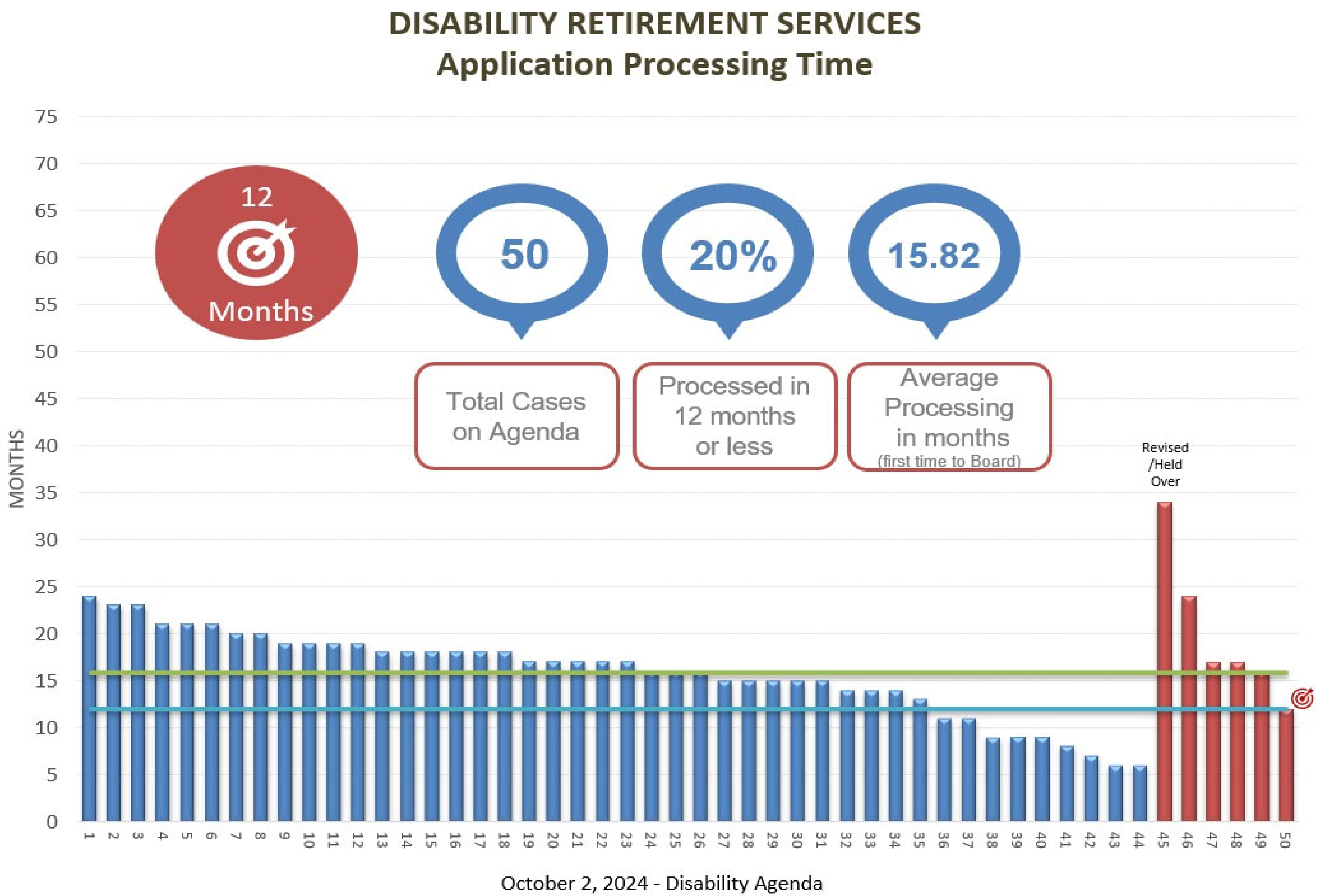


Applications Filed by Priority Level



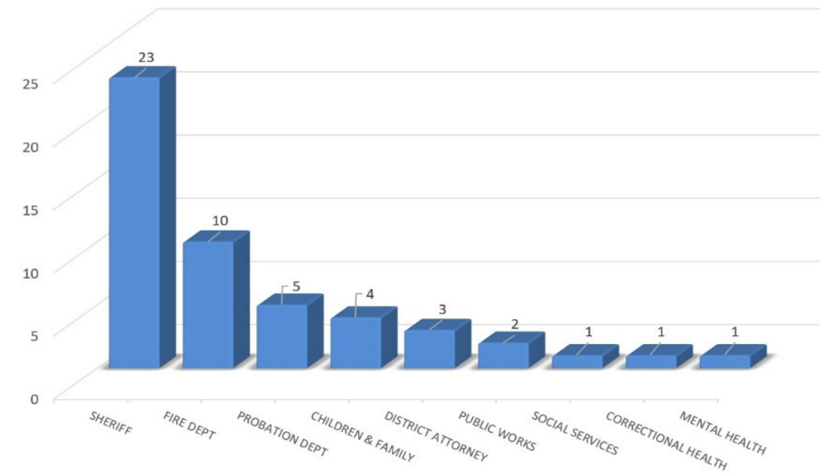
Applications Filed by Type



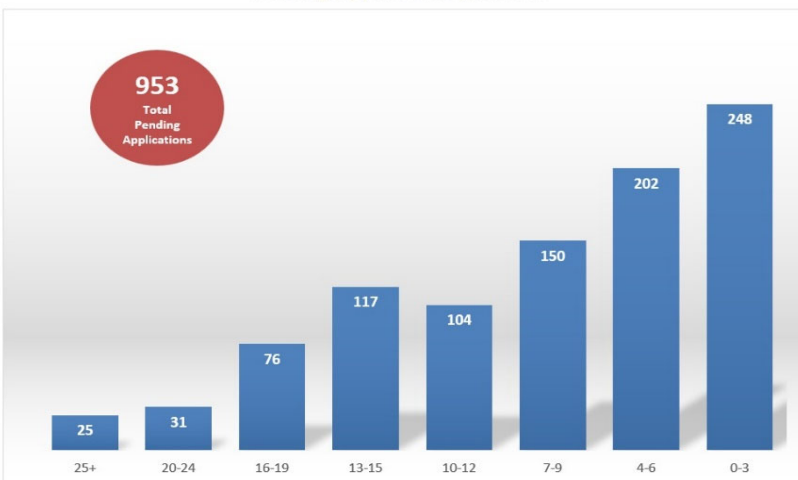

DISABILITY RETIREMENT SERVICES
Application Processing Time
12
Months
50
Total Cases on Agenda
20%
Processed in 12 months or less
15.82
Average Processing in months
(first time to Board)
Revised /Held Over
MONTHS
October 2, 2024 - Disability Agenda

Disability

DISABILITY RETIREMENT SERVICES
Total Applications by Department on October 2, 2024 Agenda



DISABILITY RETIREMENT SERVICES
Pending Applications/Months



As of September 17, 2024

*Cases on the October 2, 2024 agenda are not included

Applications By Department

Disability Retirement Services

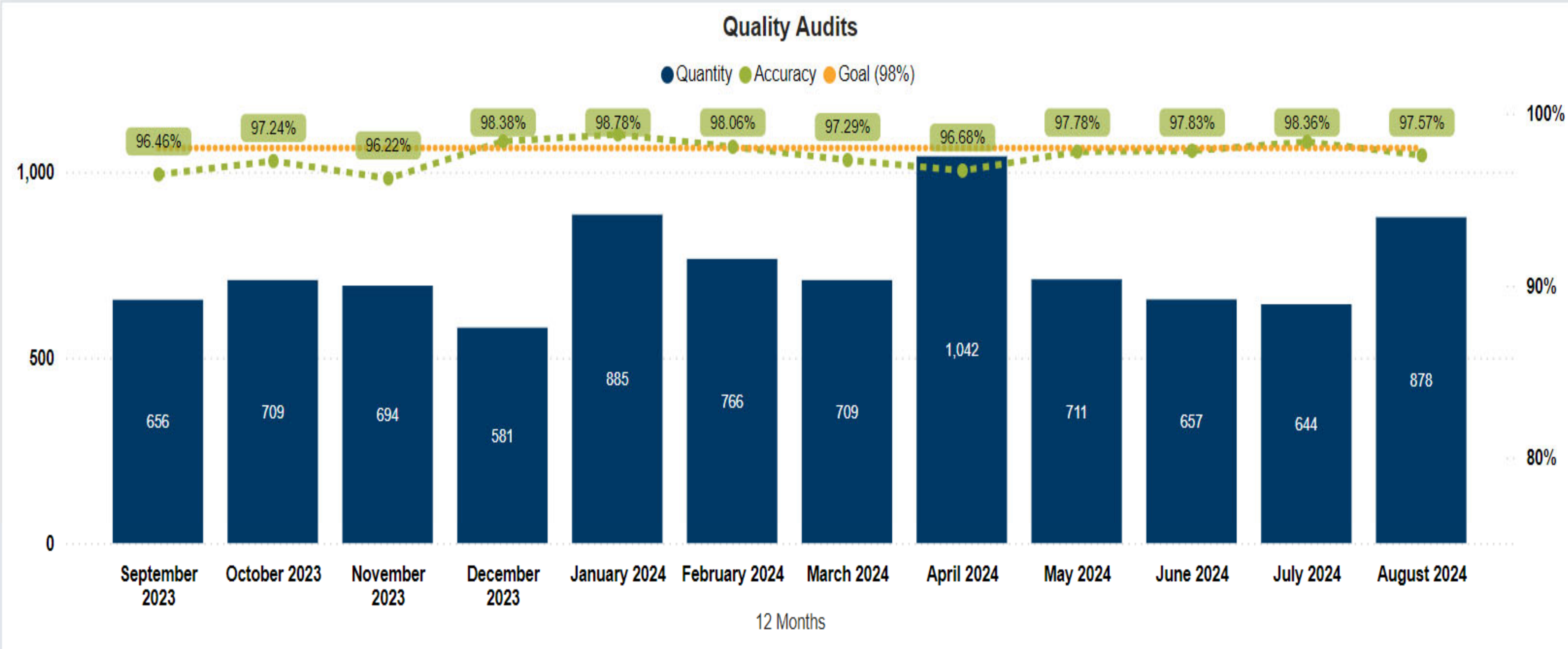
Applications by Department

Department	No. of Applications	% of Inventory
SHERIFF	444	46.59%
L A COUNTY FIRE DEPT	156	16.37%
PROBATION DEPARTMENT	136	14.27%
DEPT OF PUBLIC SOCIAL SERVICES	33	3.46%
PUBLIC HEALTH PROGRAM	22	2.31%
NORTHEAST CLUSTER (LAC+USC)	18	1.89%
MENTAL HEALTH	16	1.68%
CHILDREN & FAMILY SERVICES	13	1.36%
DISTRICT ATTORNEY	11	1.15%
HEALTH SERVICES ADMINISTRATION	11	1.15%
SUPERIOR COURT/COUNTY CLERK	10	1.05%
COASTAL CLUSTER-HARBOR/UCLA MC	9	0.94%
CORRECTIONAL HEALTH	9	0.94%
PUBLIC WORKS	9	0.94%
INTERNAL SERVICES	6	0.63%
PUBLIC DEFENDER	6	0.63%
AMBULATORY CARE NETWORK	5	0.52%
PARKS AND RECREATION	5	0.52%
RANCHO LOS AMIGOS HOSPITAL	5	0.52%
ASSESSOR	4	0.42%
MEDICAL EXAMINER	4	0.42%
SFV CLUSTER-OLIVE VIEW/UCLA MC	4	0.42%
COUNTY COUNSEL	3	0.31%
AUDITOR - CONTROLLER	2	0.21%
CHIEF EXECUTIVE OFFICE	2	0.21%
CHILD SUPPORT SERVICES	2	0.21%
PUBLIC LIBRARY	2	0.21%
ALTERNATE PUBLIC DEFENDER	1	0.10%
ANIMAL CONTROL	1	0.10%
JUVENILE COURT HEALTH SERVICES	1	0.10%
REGIONAL PLANNING	1	0.10%
REG-RECORDER/COUNTY CLERK	1	0.10%
TREASURER AND TAX COLLECTOR	1	0.10%
Grand Total	953	100.00%

Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

Quality Assurance



Monthly Recap

August 2024

	Samples	Accuracy
Data Entry	119	100.00%
Payment Contract	448	96.74%
Retirement Election	311	97.85%
Total	**878**	**97.57%**

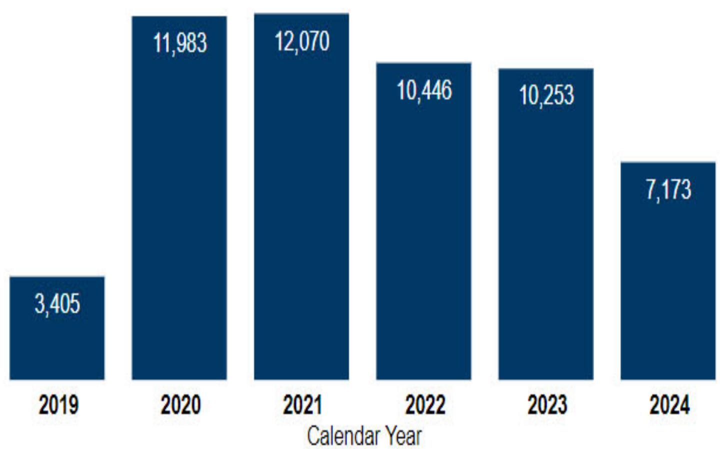
Prior audit values may update due to updated data.

Service Online For All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2024

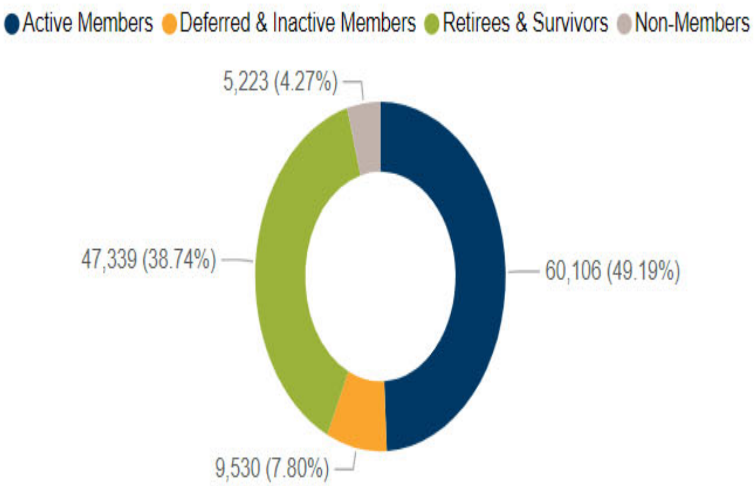
Serving Members Through LACERA.com and MyLACERA

Annual New MyLACERA Accounts*



Data labels may not appear for all values

Total Accounts by Member Type*



Total Member Accounts

116,975

% of Total Members

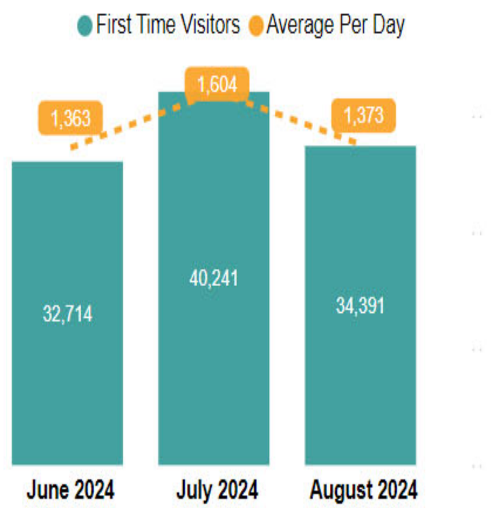
60%

Excludes Non-Members

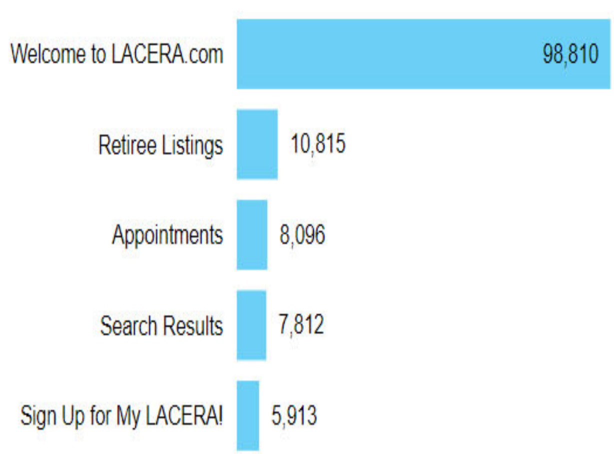
**Data as of September 15, 2024*

Non-Members include legal split payees and withdrawn members.

LACERA.com User Traffic



Top Five LACERA.com Page Views



Busiest Day

08/21/2024

Home Page Tile	Views	% of Change
Forms & Publications	226	22.83%
Careers	3,397	21.36%
Workshops	1,645	5.79%
Investments	2,078	-1.14%
Board Meetings and Agendas	2,063	-5.15%
Sign Up for My LACERA!	5,913	-11.26%

Member Snapshot

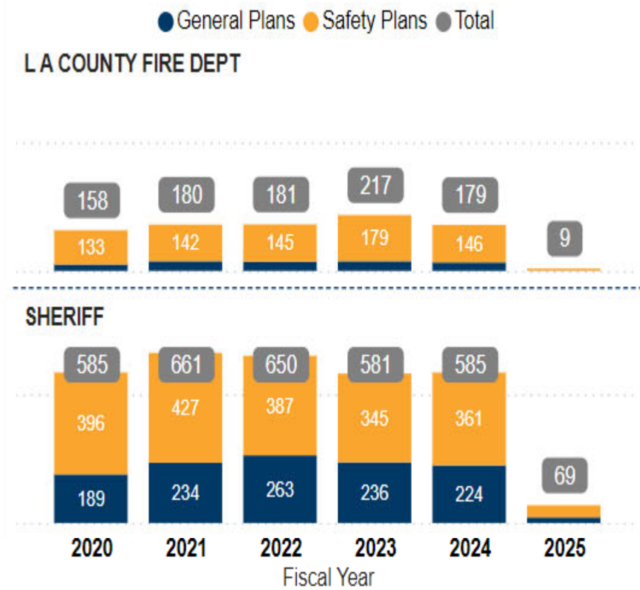
Metrics reported based on September 16, 2024

Membership Count

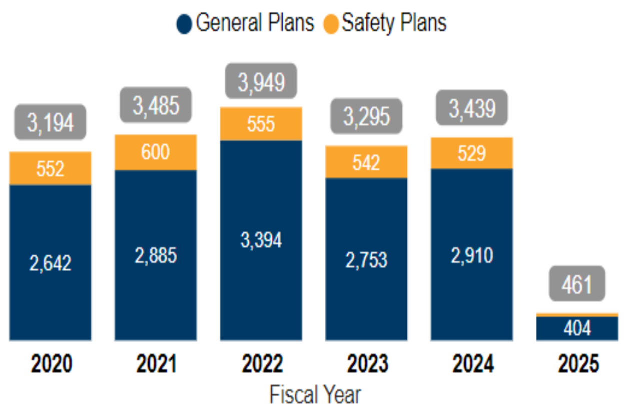
	Active		Inactive		Retired				Total
	Active Vested	Active Non-Vested	Inactive Vested	Inactive Non-Vested	Service Retirement	SCD-Disability Retirement	NSCD-Disability Retirement	Survivors	
General Plans	**65,520**	**21,176**	**7,891**	**12,039**	**48,568**	**3,096**	**600**	**8,296**	**167,186**
AG	37		9	31	11,057	859	142	4,170	**16,305**
BG	10		5	3	557	36	6	75	**692**
CG	12		5	7	349	36	6	67	**482**
DG	31,697	110	3,773	3,743	20,371	2,116	437	2,177	**64,424**
EG	11,924	6	2,382	351	15,886			1,771	**32,320**
GG	21,840	21,060	1,717	7,904	348	49	9	37	**52,964**
Safety Plans	**10,025**	**2,355**	**540**	**964**	**5,154**	**7,295**	**80**	**2,177**	**28,590**
AS			1	3	1,741	2,274	25	1,708	**5,752**
BS	6,890	63	403	357	3,397	4,997	55	464	**16,626**
CS	3,135	2,292	136	604	16	24		5	**6,212**
Total	**75,545**	**23,531**	**8,431**	**13,003**	**53,722**	**10,391**	**680**	**10,473**	**195,776**

Membership Count vesting status excludes reciprocal service credit.

Fire and Sheriff Retirements



Total Retirements by Type



Monthly Benefit Allowance Distribution

Members and Survivors

Gross Benefit Range	General Plans	Safety Plans	Total
$0 to $3,999	36,038	1,588	**37,626**
$4,000 to $7,999	16,833	4,434	**21,267**
$8,000 to $11,999	5,047	4,712	**9,759**
$12,000 to $15,999	1,443	2,883	**4,326**
$16,000 to $19,999	500	711	**1,211**
$20,000 to $23,999	159	205	**364**
$24,000 to $27,999	42	46	**88**
> $28,000	29	12	**41**
Total	**60,091**	**14,591**	**74,682**

Member Average Monthly Benefit

$5,372.63

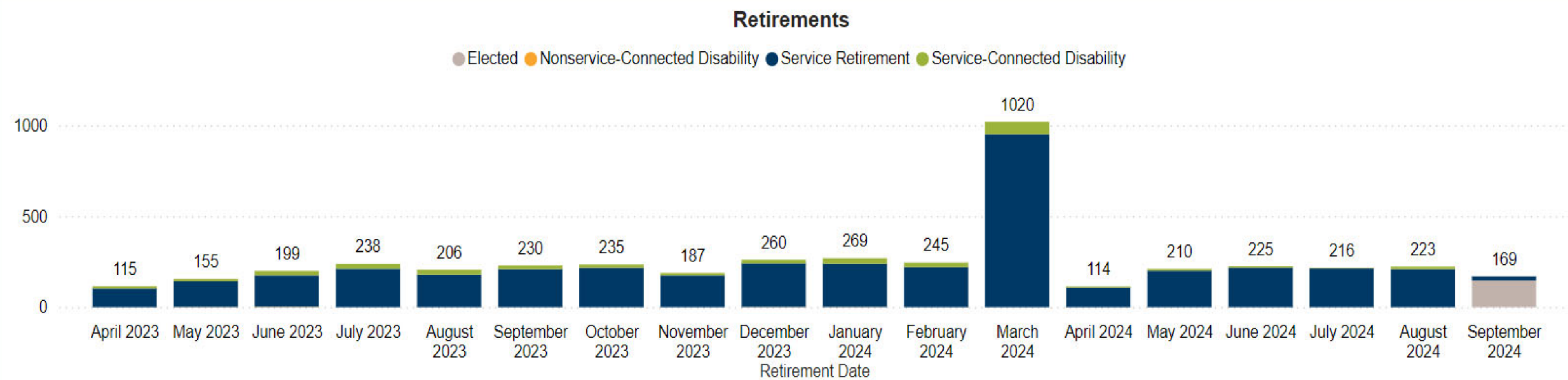
Survivor Average Monthly Benefit

$3,696.66

Data labels may not appear for all values

Only includes retirements as of reporting date. Excludes active deaths. Excludes Replacement Benefit Plan benefits.

Member Snapshot



Elected retirements are members placed on the BOR Agenda, but not yet retired as of reporting date

Retirements Metrics reported based on September 16, 2024

Monthly Retirements

Retirement Type	September 2024
Elected	147
Service Retirement	22
Total	**169**

Retired Members Payroll

(As of 8/31/2024)

Monthly Payroll	$394.44m
Payroll YTD	$0.8b
New Retired Payees Added	345
Seamless %	95.07%
New Seamless Payees Added	683
Seamless YTD	96.01%
By Check %	2.00%
By Direct Deposit %	98.00%

Healthcare Program

(Mo. Ending: 8/31/2024)

	Employer	Member
Medical	$117.2	$8.1
Dental	$8.7	$0.8
Part B	$16.7	$0.0
Total	**$142.6**	**$8.9**

Health Care Enrollments

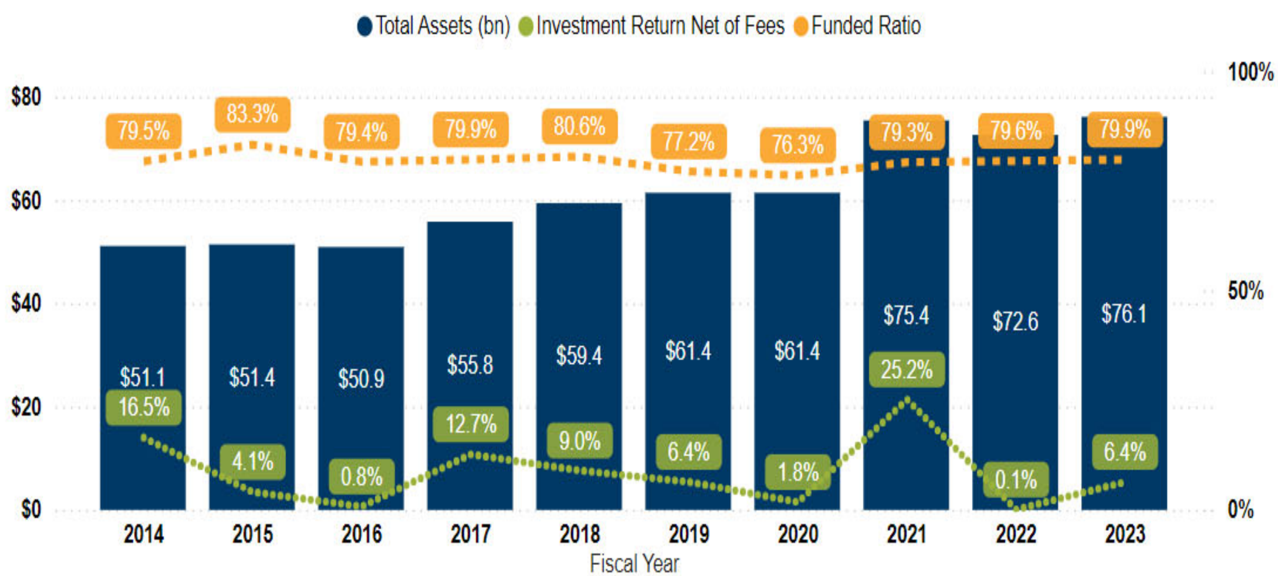
(Mo. Ending: 8/31/2024)

Medical	56,406
Dental	58,565
Part B	38,972
LTC	458
Total	**154,401**

Key Financial Data

(As of June 30, 2023)

Fiscal Year End Financial Update



Funding Metrics

11.01%
Employer NC

14.87%
UAAL

7.00%
Assumed Rate

$612m
Star Reserve

$73.9bn
Total Net Assets

Contributions

$2.3bn
Employer Annual Contribution

25.88%
Employer % of Payroll

$793.2m
Member Annual Contribution

8.37%
Member % of Payroll

Investment Returns

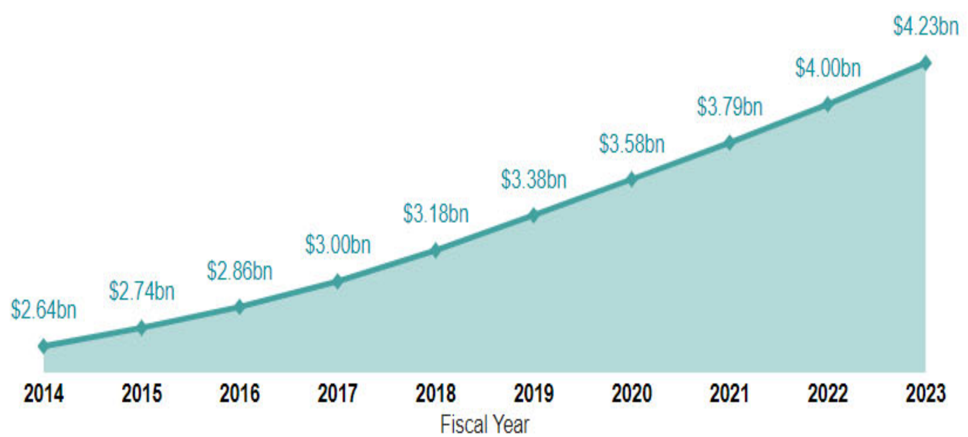
net of fees

6.4%
1-Year Return

10.1%
3-Year Return

8.1%
10-Year Return

Retiree Payroll by Year



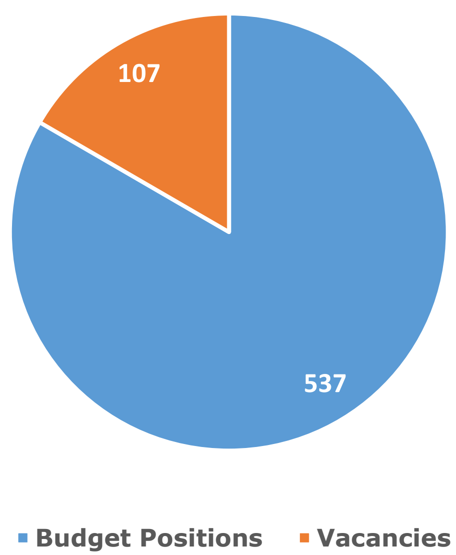
LACERA Pension Dollar

Human Resources

Metrics reported based on August 31, 2024

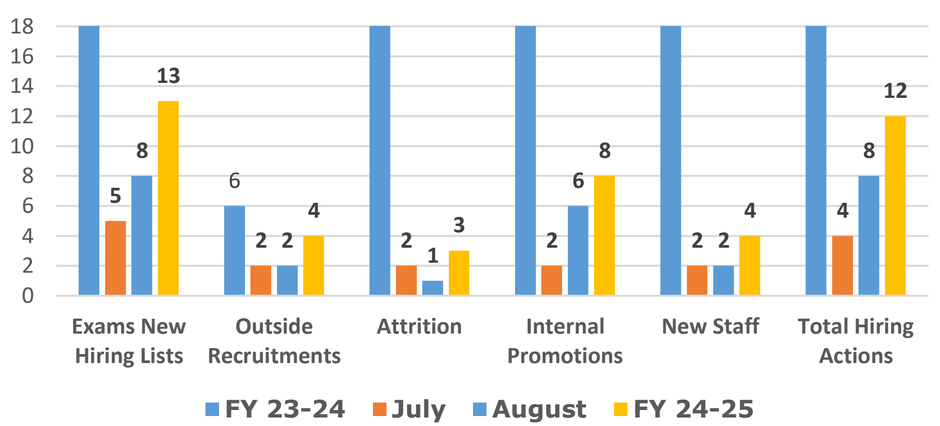
Recruiting for Our Future

Vacancy Rate 20%



Vacancies by Division

HR Key Performance Indicators through 8/31/24



Current Recruitments

Classification	Division
Administrative Assistant	Various
Asst. Chief Financial Officer	Financial Accounting
Disability Ret. Specialist	Disability Retirement
IT Specialist I	Systems
Senior Internal Auditor	Internal Audit
Legal Analyst	Legal
Legal Secretary	Legal
Sr. Administrative Assistant	Various
Staff Counsel	Legal

LACERA

QUIET PERIOD LIST FOR TRUSTEES AND STAFF
Last Update
09/24/2024

ADMINISTRATIVE/OPERATIONS

Solicitation Name	Issuing Division	Public Release Date	Solicitation Stage*	Bid Respondents*
RFP: Member Experience Communications Platform (MECP)	Systems	11/6/2023	Contract Development	• Genesys/TTEC
RFP: Offsite Records Storage, Shredding, and Scanning Services	Administrative Services	8/30/2024	Soliciting Process	• Certified Records Management • Corodata • GRM • Iron Mountain • Konica Minolta • Mercurius, Inc. • Secure Shred Company • SyTech Solutions • VRC Companies
RFP: Taxonomy & Knowledge Management Consultant	Executive Office	06/14/2024	Bid Review	• Enterprise Knowledge, LLC. • Taxonomy Strategies • Accenture
RFQ: Legal Matter Management	Legal	3/1/2023	Vendor Selection	• Clio • Rocket Matter • ProLaw • HighQ • ActionStep • CaseFox • Legal Tracker • FileVine • LawVu • Litify • Xakia
RFQ: eDiscovery	Legal / InfoSec	12/1/2023	Contract Development	• GlobalRelay

*Subject to change

LACERA

INVESTMENTS

Solicitation Name	Issuing Division	Public Release Date	Solicitation Stage*	Bid Respondents *
RFP: Actuarial Consulting and Actuarial Auditing Services	Investments / Internal Audit	11/15/2023	Contract Development	• Cavanaugh Macdonald Consulting
RFP: Hedge Funds, Credit, and Real Assets Consultant Search	Investments	12/29/2023	Contract Development	• Albourne • Meketa • Mercer • Wilshire
RFP: Risk and Analytics System, and ESG Research Services Search	Investments	3/29/2023	Bid Review	• BlackRock Financial Management Inc • Barra, LLC • Bloomberg Finance L.P. • Clearwater Analytics • eVestment Alliance, LLC • FactSet Research Systems Inc. • ISS STOXX GmbH • MSCI ESG Research LLC • Northfield Information Systems, Inc. • Solovis, Inc.
Real Assets Emerging Manager Program Discretionary Separate Account Manager	Investments	3/29/2023	Bid Review	• ORG Portfolio Management • Barings • Belay Investment Group • Hamilton Lane • Cambridge Associates • Seed Partners • Stable Asset Management • Wafra Inc. • Artemis Real Estate Partners • Aether Investment Partners

Solicitation Name	Issuing Division	Public Release Date	Solicitation Stage*	Bid Respondents *
				• Neuberger Berman Group • The Townsend Group • BGO Strategic Capital Partners • BlackRock • StepStone • GCM Grosvenor

*Subject to change

Date	Conference
October, 2024	
6-9	National Association of Corporate Directors (NACD) Directors Summit 2024 Gaylord National Harbor, Washington D.C.
11	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees San Jose, CA
14-18	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
20-22	Pacific Pension Institute (PPI) Executive Seminar Hong Kong
23-25	Pacific Pension Institute (PPI) Asia Pacific Roundtable Hong Kong
23-25	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
26-27	NCPERS (National Conference on Public Employee Retirement Systems) Program for Advanced Trustee Studies (PATS) Palm Springs, CA
26-27	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program Palm Springs, CA
27-30	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Palm Springs, CA
November, 2024	
3-6	CRCEA (California Retired County Employees Association) Fall Conference Walnut Creek, CA
10-13	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference San Diego, CA
12-14	Institutional Limited Partners Association (ILPA) General Partner Summit New York, NY
12-15	SACRS Fall Conference Monterey, CA
December, 2024	
6	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual

Date	Conference
January, 2025	
26-27	NCPERS (National Conference on Public Employee Retirement Systems) Pension Communications Summit Washington D.C.
27-29	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Washington D.C.
28-29	IFEBP (International Foundation of Employment Benefit Plans) Health Benefits Conference & Expo St. Pete Beach, FL
March, 2025	
2-5	CALAPRS (California Association of Public Retirement Systems) General Assembly 2025 Napa, CA
6-9	Pacific Pension Institute (PPI) Winter Roundtable Seattle, WA
10-12	Council of Institutional Investors (CII) Spring Conference and 40th Anniversary Celebration Washington D.C.
24-27	AHIP (America's Health Insurance Plans) Medicare, Medicaid, Duals and Commercial Markets Forum Baltimore, MD
26-27	PREA (Pension Real Estate Association) Spring Conference Dallas, TX
April, 2025	
28-29	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Fort Myers, FL
30-May 1	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Fort Myers FL
May, 2025	
13-16	SACRS Spring Conference Rancho Mirage, CA
17-18	NCPERS (National Conference on Public Employee Retirement Systems) Trustee Educational Seminar (TEDS) Denver, CO
17-18	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program Denver, CO

Date	Conference
May, 2025	
18-21	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference & Exhibition (ACE) Denver, CO
19-20	IFEBP (International Foundation of Employment Benefit Plans) Washington Legislative Update Washington D.C.
June, 2025	
17-19	AHIP (America's Health Insurance Plans) 2025 Seattle, WA
July, 2025	
23-25	Pacific Pension Institute (PPI) Summer Roundtable Salt Lake City, UT
September, 2025	
8-10	Council of Institutional Investors (CII) Fall Conference San Francisco, CA
October, 2025	
22-24	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
22-24	Pacific Pension Institute (PPI) Asia Pacific Roundtable Sydney, Australia

LACERA

September 23, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: 2024 Audit Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg (BOR/BOI), Trustee

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter

RECOMMENDATION

That the Board of Retirement and Board of Investments approve and adopt the 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter.

LEGAL AUTHORITY

The Board of Retirement and Board of Investments (Boards) have constitutionally mandated fiduciary duties of care, skill, prudence, and diligence in the administration of LACERA's retirement system.[1] Prudence and diligence require meaningful oversight. Accordingly, the Boards designate committees to support their fiduciary oversight duties.[2]

In November 2003, the LACERA Boards established the Audit Committee to assist the Boards in fulfilling their fiduciary oversight duties for internal audit activity, in addition to values, ethics, and organizational governance. The Audit Committee's responsibilities over organizational governance include the assessment of the adequacy of LACERA's System of Compliance, with an annual review of management's compliance with laws, regulations, policies and procedures.[3] Since 2003, the Committee's oversight responsibilities and authority have been documented in its Audit Committee Charter, last reviewed and updated in July 2021.

In support of LACERA's evolution toward a more mature organizational governance structure, we propose the Audit Committee become the Audit, Compliance, Risk, and Ethics (ACRE) Committee, and the Audit Committee Charter reflect the Committee's enhanced role in the oversight of LACERA's Ethics and Compliance and Enterprise Risk Management Programs.[4]

[1] Constitution of the State of California, Article XVI, Sec. 17.
[2] Board of Retirement Regulations (adopted pursuant to Government Code section 31525), Section II, No. 8; Bylaws Board of Investments, Sec. I, No. 4; Sec. II, No. 8.
[3] Audit Committee Charter (2021), Sections II and VII(E)(4).
[4] LACERA Board of Retirement's 2023-2028 Strategic Plan, Strategic Priority 4.

The proposed 2024 ACRE Charter (Attachment B) includes an expanded list of the Committee's oversight responsibilities for the Ethics and Compliance Program and updates to its oversight responsibilities for audit activities. The current 2021 Charter is also attached (Attachment C), although a redline is not provided because of the number of changes.

DISCUSSION

Audit Activities Updates

In January 2024, the IIA issued its revised Global Internal Audit Standards (Standards) (Global Internal Audit Standards (theiia.org)). Subsequently, the IIA released an updated Model Internal Audit Charter for General Use (2024 Model) (Attachment D) based on the revised Standards. The 2024 Model includes a new section, Board Oversight (pg.3), which outlines the oversight responsibilities the Committee has for Internal Audit. Many of these responsibilities were already included in the 2021 Audit Committee Charter but staff updated the wording to align with the 2024 Model Board Oversight and/or to align with current LACERA practices.

The four key changes to the proposed 2024 ACRE Committee Charter related to Audit Activity are:

Charter Section	Page	Description of Change	Reason for Change
VII. A.1.	5	Added "particularly the described "essential conditions" which establish the foundation for an effective internal audit function and are listed below."	Align with 2024 Model and 2024 Standards.
VII. A.1.d.	6	Added "Review and approve Internal Audit's Three-Year Roadmap, which provides a plan to continue to mature and improve Internal Audit.	Standard 9.2 of the revised Standards require the CAE to "develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders."

VII. A.2.b.	7	Added new bullet for Professional Service Providers that are selected for inclusion in Internal Audit's Audit Pool.	To clarify that Internal Audit will seek approval for the selection of Professional Service Providers to be included in Internal Audit's Audit Pool. Subsequently, if Audit Pool Provider is selected, their compensation will be approved in accordance with LACERA's Policy for Purchasing Goods and Services.
VII. A.2.c.	7	Added "outside of Internal Audit's Audit Pool."	To clarify that Internal Audit will seek approval for the selection and compensation of Professional Service Providers that are not part of Internal Audit's Audit Pool.

Ethics and Compliance Program Activity Enhancements

The ACRE Committee will oversee the Ethics and Compliance Program (Program), in conjunction with the Chief Executive Officer (CEO) and Boards, and will approve its Charter, framework, reporting structure, scope and objectives and make recommendations to the Boards and CEO. The ACRE Committee provides oversight of management's controls to maintain the highest ethical standards and to monitor compliance with laws, regulations, policies, and procedures.

The Committee has oversight duties with respect to the following Program activities (outlined in further detail in the proposed updated Audit Committee Charter as well as the Ethics and Compliance Program Charter), which are consistent with the United States Sentencing Guidelines for Organizations and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (2023): [5]

- Ethics and Compliance Personnel
- Ethics and Compliance Roadmap of Priorities, Work Plan, and Budget
- Ethics and Compliance Risk Assessments
- Monitoring and Evaluating Ethical Conduct and Compliance
- Policies and Procedures

[5] The DOJ Guidance memo was just recently updated by the U.S. Department of Justice on September 23, 2024. It follows the same basic structure as the 2023 memo. The Charter will be updated if needed based on a closer review. However, the scope of work in LACERA's proposed ACRE and Ethics and Compliance Program Charters is both broad enough to cover the changes in the 2024 memo, and specifically already addresses most of them. For example, the 2024 Guidance includes emphasis on AI and emerging risks, the importance on learning from the market and peers in gauging compliance practices, further encouragement of staff reporting of perceived violations, tailored training, practicing risk management, who determines what areas are high risk, on what basis, and criteria for elevating risk, and an expectation of program self-assessment.

- Vendor/Third-Party Ethics and Compliance Risk Management
- Privacy
- Training and Communications
- Reporting Channels and Commitment to Non-Retaliation
- Investigations, Recommendations for Mitigation or Remediation
- Measure of Organizational Culture of Ethics and Compliance
- Ethics and Compliance Program Assessment and Evaluation

Enterprise Risk Management Program Activity
There were no updates made to Committee's oversight responsibilities for the Enterprise Risk Management Activity. During Fiscal Year 2025, Internal Audit will begin work on developing an Enterprise Risk Management program and will update the Charter accordingly.

CONCLUSION

Under the ACRE Committee's oversight, all three functions (Internal Audit, Ethics & Compliance, and Enterprise Risk Management) will work in conjunction to support a system of continuous assessment and improvement to elevate LACERA's organizational governance.

Based on action taken at its September 19, 2024 meeting, the Audit Committee recommends that the Board of Retirement and Board of Investments approve and adopt the 2024 ACRE Committee Charter. The presentation provided to the Audit Committee is attached for additional information and reference (Attachment A).

Attachments
A: Audit Committee Presentation – The Audit Committee becomes the ACRE Committee
B: Proposed 2024 Audit, Compliance, Risk, and Ethics (ACRE) Charter
C: 2021 Audit Committee Charter
D: 2024 Model Internal Audit Charter for General Use

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Steven P. Rice
Carly Ntoya, Ph.D.
Leisha Collins
Christina Logan
Allison Barrett

Attachment A

Audit Committee Presentation –

The Audit Committee becomes the ACRE Committee

ATTACHMENT A

The Audit Committee becomes The ACRE Committee

AUDIT
COMPLIANCE
RISK
ETHICS

September 19, 2024

Agenda

1. The Why
2. The How – the Revised ACRE Charter
   - Internal Audit Activity Updates
   - Professional Service Provider Activity Updates
   - Ethics & Compliance Expanded
   - Enterprise Risk Management Activity
3. The What – Committee Approval of the New Charter

AUDIT
COMPLIANCE
RISK
ETHICS

The Why

Why is staff recommending this change:

- April 2021 Audit Committee Charter included fiduciary oversight over Organizational Governance
- Aligns with LACERA's 2023-2028 Strategic Plan
- Supported by Best Practice Guidance from KPMG, Deloitte, PwC
- Comports with Audit Committee Practices Report: Common Threads Across Audit Committees by Deloitte's Center for Board Effectiveness and the Center for Audit Quality
- Alignment with United States Sentencing Guidelines and U.S. Department of Justice Guidance with respect to the elements and oversight of an Ethics and Compliance Program

AUDIT
COMPLIANCE
RISK
ETHICS

The How

The Proposed 2024 ACRE Committee Charter

Internal Audit Activity

Updates to Charter's Internal Audit Activity reflect the Institute for Internal Auditors' (IIA) 2024 updated Standards.

Key changes:

- Oversee and monitor Internal Audit's conformance with Standards, particularly the described "essential conditions."

- Review and approve Internal Audit's Three-Year Roadmap.

AUDIT
COMPLIANCE
RISK
ETHICS

Professional Services Activity

Requesting a change regarding Internal Audit's process for hiring professional service providers.
See Charter sections VII. 2.b and 2.c

Professional Service Providers hired to perform non-financial statement audits, reviews, consulting

Approved by the ACRE Committee through the inclusion on the audit pool

Yes

ACRE **oversees** the compensation in accordance with LACERA's Policy for Purchasing Goods and Services

No

ACRE **approves** the appointment and compensation for these providers

Ethics & Compliance Activity

- Ethics and Compliance are Management Responsibilities
- The ACRE Charter incorporates elements of the Ethics and Compliance Program Charter and specifically the enhancement of the ACRE Committee's Ethics and Compliance oversight role of the Program.
- *The ACRE Committee will oversee the following Program Activities, in conjunction with the CEO and both Boards*:
  - Ethics and Compliance Personnel
  - Ethics and Compliance Roadmap of Priorities, Work Plan, and Budget
  - Ethics and Compliance Risk Assessments
  - Monitoring and Evaluating Ethical Conduct and Compliance
  - Policies and Procedures
  - Vendor/Third-Party Ethics and Compliance Risk Management
  - Privacy
  - Training and Communications
  - Reporting Channels and Commitment to Non-Retaliation
  - Investigations, Recommendations for Mitigation or Remediation
  - Measure of Organizational Culture of Ethics and Compliance
  - Ethics and Compliance Program Assessment and Evaluation

AUDIT
COMPLIANCE
RISK
ETHICS

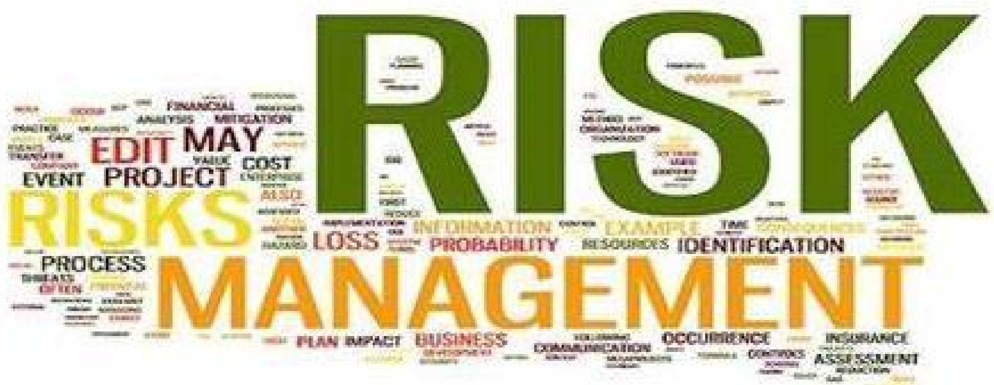
Enterprise Risk Management Activity

ERM Implementation Plan:

- Develop the ERM Program Charter and obtain ACRE Committee approval
  - Define the scope and objectives of the ERM Program
  - Include the organization's strategic goals, regulatory requirements and stakeholder expectations
  - Consider risk partners and responsibilities throughout the organization

- Define the proposed Risk Management Framework – COSO or ISO 31000

- Develop the formal risk management structure at LACERA



The What

The Audit Committee becomes AUDIT, COMPLIANCE, RISK, ETHICS

1. Adopts the ACRE Committee Charter
2. Approves the Ethics and Compliance Program Charter
3. Forwards both Charters to the Board of Retirement and Board of Investments for final approval.

AUDIT
COMPLIANCE
RISK
ETHICS

Thank you!

Steven Rice
Chief Counsel
srice@lacera.com

Richard Bendall
Chief Audit Executive
rbendall@lacera.com

Allison Barrett
Senior Staff Counsel
abarrett@lacera.com

Christina Logan
Principal Internal Auditor
clogan@lacera.com

Attachment B

Proposed 2024 Audit, Compliance, Risk, and Ethics (ACRE) Charter

ATTACHMENT B

LACERA
Los Angeles County Employees Retirement Association

AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE CHARTER

2024

AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE CHARTER

Table of Contents

AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE)
COMMITTEE CHARTER

I. CHARTER

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

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

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

In XX 2024, LACERA's Boards expanded the Audit Committee's responsibilities to include Compliance, Risk, and Ethics. Subsequently, the Audit Committee was renamed the Audit, Compliance, Risk, and Ethics (ACRE) Committee to encapsulate the Committee's enhanced role in the oversight of LACERA's Ethics and Compliance and Enterprise Risk Management Programs.

The purpose of the ACRE Committee is to provide structured, systematic oversight of LACERA's governance, risk management, ethics and compliance, and internal controls. The Committee assists the Boards in fulfilling their fiduciary oversight duties for LACERA's Audit Activity and Organizational Governance Activities, which include Ethics, Compliance and Enterprise Risk Management.

III. PRINCIPLES OF THE ACRE COMMITTEE

The ACRE Committee conducts itself in accordance with its fiduciary duty of prudence and loyalty to LACERA's members and their beneficiaries pursuant to Article XVI, Sec. 17 of the California Constitution, LACERA's Code of Ethical Conduct, LACERA's Mission, Vision, and Values, all applicable laws, regulations, policies, and procedures, and the principles and standards from The Institute of Internal Auditors' (IIA) Ethics and Professionalism domain of the Global Internal Audit Standards. This Charter is also based on the United States Sentencing Guidelines for Organizations and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (2023). The Committee expects the Boards, Management, staff, and LACERA's consultants and other vendors will also adhere to these requirements.

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

Independence & Objectivity – The Committee performs its responsibilities in an independent manner and in compliance with its fiduciary duty without exception. Committee Members will disclose any actual or perceived conflicts of interest to the ACRE Committee.

Confidentiality - Committee Members will not use or disclose confidential information. Committee Members are also prudent in the use and protection of other information acquired during the course of their duties, including public information because it relates to LACERA's risk and control environment.

Competency - Committee Members receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Committee Members are also provided regular education and training from the ACRE Consultant and staff on governance, audit (including understanding the annual financial statement reports), ethics and compliance, and enterprise risk management. Committee Members are obligated to diligently prepare for and actively participate in ACRE Committee meetings.

Professional Standards – The ACRE Committee ensures all related work will be handled with the highest professional standards consistent with auditing, ethical, compliance, and risk management standards of practice and industry guidelines.

IV. ACRE COMMITTEE AUTHORITY

The ACRE Committee has unrestricted access to the Boards, Management, and staff, and any relevant information necessary to discharge its duties, subject to certain legal limitations. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Committee, Chief Audit Executive (CAE), and/or Chief Ethics and Compliance Officer (CECO) will work with the Chief Legal Counsel and/or the Chief Executive Officer to resolve the matter.

V. ACRE COMMITTEE COMPOSITION, CONSULTANT, AND OFFICERS

The Committee consists of seven members: three elected annually from each Board, and the ex-officio member of both Boards, the Los Angeles County Treasurer and Tax Collector. If any elected Committee member leaves Board service or resigns from the ACRE Committee prior to the completion of their term, the Board of the departing member will elect a new committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the ACRE Committee Consultant ("Consultant") as an advisor. The Consultant serves as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Consultant also advises the Committee on ethics, compliance, and risk management issues. The Committee conducts an annual performance evaluation of the ACRE Committee Consultant.

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

VI. ACRE COMMITTEE MEETINGS

The Committee conducts regular meetings with the time frame between meetings not to exceed four months. At the first meeting of each calendar year, the Committee will establish a meeting schedule for the year and may set additional meetings as the Committee deems necessary.

All Committee Members are expected to attend each meeting, review all relevant materials in advance, and actively participate. The ACRE Committee Consultant will attend all meetings of the Committee, unless excused by the Committee.

All meetings of the ACRE Committee shall be noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Committee discussions. However, non-committee trustees may not make or second motions or vote. Additionally, closed sessions to discuss the CAE's or CECO's annual performance assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE or CECO shall be noticed for attendance by Committee members only.

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

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee has such other powers to notice and agendize meetings as provided in the Brown Act.

Except as otherwise provided herein, Robert's Rules of Order shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the Chair. The order of business shall be as determined by formal action of the Committee. Four members of the seven-member Committee constitute a quorum.

Minutes will be prepared recording the time and place of each meeting of the Committee, the names of all members present, all official acts of the Committee, and the votes given by members except when the action is unanimous. The minutes will be written and presented for approval at the next regular meeting. The approved minutes will be signed by the Chair and Secretary.

VII. RESPONSIBILITIES

The ACRE Committee provides oversight over the following:

A. Audit Activity

1. Internal Audit Activity
   Oversee and monitor Internal Audit's conformance with the IIA's Global Internal Audit Standards, particularly the described "essential conditions" which establish the foundation for an effective internal audit function and are listed below.

a. The Internal Audit Activity is independent of Management and reports functionally to the ACRE Committee and administratively to the Chief Executive Officer.

b. Ensure the CAE has unrestricted access to and communicates directly with the ACRE Committee.

c. Discuss, review, and approve Internal Audit's Charter, which includes Internal Audit's mandate and the scope and types of internal audit services, at least every three years. Discuss with the CAE and Executive Management if any significant changes to LACERA or the industry, or other topics would impact the Internal Audit Charter and should be addressed.

d. Review and approve Internal Audit's Three-Year Roadmap, which provides a plan to continue to mature and improve Internal Audit.

e. Ensure the CAE has established a Quality Assurance and Improvement Program (QAIP). Annually, review the results of the QAIP.

f. Approve Internal Audit's risk-based Audit Plan, including the budget for resources and funding, to ensure the scope of governance, risk and control processes are adequately evaluated. Make appropriate inquiries of the CAE and Executive Management to determine whether scope or resource limitations are inappropriate.

g. Monitor Internal Audit's activity relative to its Plan. Approve all major changes to the Audit Plan.

h. Review, accept, and/or provide Internal Audit with further direction on Internal Audit's engagement reports.

i. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified.

j. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the Chief Audit Executive (CAE). Collaborate with Executive Management to determine the qualifications and competencies LACERA expects in a CAE, as described in the IIA's Global Internal Audit Standards.

k. Oversee the CAE's performance management, perform the CAE's annual performance assessment with qualitative input from the CAE and Chief Executive Officer (CEO), and administer the CAE's annual salary adjustments. The Committee's discussion regarding the CAE annual performance assessment will be made in executive session under Government Code Section 54957(b).

2. Professional Service Provider Activity

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

b. Approve the appointments of other Professional Service Providers selected for inclusion in Internal Audit's Audit Pool to perform non-financial statement audits, reviews, or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impact the purpose or methods of the audit. Oversee the compensation of these providers in accordance with LACERA's Policy for Purchasing Goods and Services.
c. Approve the appointment and compensation of other Professional Service Providers, outside of Internal Audit's Audit Pool, hired to perform non-financial statement audits, reviews, or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impact the purpose or methods of the audit.
d. Review the Professional Service Providers, including the Financial Auditor's, results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
e. Resolve any significant disagreements regarding risks, findings and/or compensation between Management and Professional Service Providers.

3. Financial Reporting Process

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

a. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
b. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.
c. Review the annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
d. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
e. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards.*

B. Ethics and Compliance Program Activity

The ACRE Committee oversees LACERA's Ethics and Compliance Program (Program); approves its Program Charter at least every three years (or as provided in the Charter); and takes other actions and makes recommendations and reports to the Board of Retirement and Board of Investments and the CEO as provided in the Program Charter and as the Committee deems appropriate. The Committee provides oversight of Management's ethics and compliance controls to maintain the highest ethical standards and to monitor compliance with laws, regulations, policies, and procedures. The Boards and CEO have responsibilities in connection with the Program as stated in the Program Charter, and nothing in this Committee Charter will be interpreted to change or limit the Boards and CEO's responsibilities under the Program Charter.

The Ethics and Compliance Program is a Management function located within the Legal Office, where the CECO oversees the Ethics and Compliance Office and reports administratively to the Chief Counsel. The CECO reports directly to and the Program is functionally overseen by the CEO, the ACRE Committee, and the Boards.

1. *Ethics and Compliance Personnel*
   a. Provide input on and approval of the CECO's appointment, termination, and discipline by the CEO. Approve and make recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.

   b. Contribute to the CEO's annual performance evaluation of the CECO. Discussion regarding the CECO's annual performance assessment will be made in executive session under Government Code Section 54957(b).

2. *Ethics and Compliance Roadmap of Priorities, Work Plan, Budget, and Expenses*
   a. Review and approve the Ethics and Compliance Program Three-Year Roadmap of priorities and Program management.

   b. Review and approve the Program's annual work plan and quarterly work plan progress reports.

   c. Review and approve the Ethics and Compliance Office annual budget for resources and funding, for inclusion in LACERA's annual administrative Budget approved by the Boards.

   d. Review and approve additional unanticipated expenses necessary (beyond those budgeted) to support the Program in accordance with LACERA's Policy for Purchasing Goods and Services.

3. *Ethics and Compliance Risk Assessments*
   a. Review scheduled Program risk assessments of organization-wide operations and critical business processes, along with recommendations to upgrade current or establish new controls to mitigate identified ethics and compliance risks, control gaps, or other key risk indicators.

   b. Review interim assessment reports regarding mission critical ethics and compliance risks.

4. *Monitoring and Evaluating Ethical Conduct and Compliance*
   Review quarterly Program evaluation reports and recommendations regarding LACERA's operations, business practices, and key risk indicators to advance organization-wide ethics and compliance with laws, regulations, policies, procedures, LACERA's Code of Ethical Conduct, and Conflict of Interest Code.

5. *Policies and Procedures*

a. Review quarterly reports regarding Program policy and procedure review.

b. Review new or updated policies and procedures within the purview of the Committee, including but not limited to LACERA's Code of Ethical Conduct and Conflict of Interest Code.

6. *Vendor/Third-Party Ethics and Compliance Risk Management*
Review quarterly reports on vendor/third-party ethics and compliance risks and organizational response.

7. *Training and Communications*
   a. Oversee the Program's ethics and compliance communication and training plans and quarterly status reports, including the process for communicating LACERA's governing laws, regulations, policies, procedures, Code of Ethical Conduct, and Conflict of Interest Code throughout the organization.

   b. Undergo regular ethics and compliance training on LACERA's governing laws, regulations, policies, procedures, Code of Ethical Conduct, and Conflict of Interest Code.

8. *Reporting Channels and Commitment to Non-Retaliation*
Review quarterly reports regarding reported ethics and compliance concerns or violations raised through LACERA's internal and external reporting channels.

9. *Investigations, Recommendations for Mitigation or Remediation*
   a. Review written reports regarding detected or alleged ethics and compliance risks or violations, along with the results of investigations and recommendations for mitigation.

   b. Oversee the Program's system for prevention and detection of fraud, including quarterly review of a summary of LACERA's Ethics Hotline reports, with Committee recommendations to the Boards as indicated.

10. *Privacy*
Review the annual report on the status of LACERA's efforts to protect the privacy of LACERA member information and the confidentiality of other LACERA information.

11. *Organizational Culture of Ethics and Compliance*
Review reports of the periodic survey of LACERA's culture of ethics and compliance.

12. *Ethics and Compliance Program Assessment and Evaluation*
Annually review an annual report on the status and effectiveness of the Program, Management's Program-related controls, consulting or advisory engagements, any exceptions to control standards and their basis, and the Program's annual self-assessment.

13. *Foundational Program Work Pending Hiring of the CECO.*
   a. Pending hiring of the CECO, the CEO and Chief Counsel, working in conjunction with Human Resources, will develop a job description and salary recommendation for the CECO to be submitted to the Committee and Boards for approval.

b. The CEO and Chief Counsel will perform additional foundational work for the Program, including but not limited to research, education, internal communication, and baseline ethics and compliance assessments, and will report on such activities to the ACRE Committee and the Boards at each Committee meeting until the CECO is hired.

C. Enterprise Risk Management Program Activity

1. Obtain from the CAE an annual report on the implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.

2. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and/or the Boards.

D. Budgets

LACERA will provide appropriate funding, as determined by the Committee, for compensation to the Financial Auditor, ACRE Consultant(s), and to any professional Service Provider that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary and appropriate to carry out its duties.

E. Other Responsibilities

1. Report to the Boards as needed about the ACRE Committee's activities, issues, and related recommendations.

2. Provide an open channel of communication between all Professional Service Providers, including the Financial Auditor, Management, and the Boards.

3. Perform other activities related to this Charter as requested by the Boards.

4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the ACRE Committee on June 20, 2024, and approved by the Board of Retirement on July 3, 2024, and the Board of Investments on July 10, 2024. This Charter is thereby effective July 10, 2024 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Debbie Martin | Date
Chair, Audit, Compliance, Risk, and Ethics Committee

Patrick L. Jones | Date
Chair, Board of Investments

Shawn R. Kehoe | Date
Chair, Board of Retirement

Attachment C

2021 Audit Committee Charter

ATTACHMENT C

Los Angeles County Employees Retirement Association

Audit Committee Charter

April 2021

2021

AUDIT COMMITTEE CHARTER

Table of Contents

AUDIT COMMITTEE CHARTER

I. CHARTER

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

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

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

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

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

III. PRINCIPLES OF THE AUDIT COMMITTEE

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

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

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

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

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

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

IV. AUTHORITY

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

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

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the Los Angeles County Treasurer. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of his or her term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.
The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

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

VI. AUDIT COMMITTEE MEETINGS

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

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

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

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

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

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

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
   a. Review and provide input on Internal Audit's annual risk assessment.
   b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
   c. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.

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

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

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

4. Chief Audit Executive (CAE)

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

B. Professional Service Provider Activity

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

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

2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.

3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
4. Resolve any significant disagreements regarding risks, findings and/or compensation between management and Professional Service Providers

C. Financial Reporting Process

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

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.

2. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.

3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.

4. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.

2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.

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

E. Organizational Governance

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

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

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

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

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

b. As needed, review the observations and findings of any examinations by regulatory agencies.

c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.

d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Audit Committee and Internal Audit Budget

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

G. Other Responsibilities

1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.

2. Provide an open avenue of communication between Internal Audit, all Professional Service Providers, including the Financial Auditor, Management, and the Boards.

3. Perform other activities related to this Charter as requested by the Boards.

4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on April 23, 2021, and approved by the Board of Retirement on July 7, 2021, and the Board of Investments on July 14, 2021. This Charter is thereby effective July 14, 2021 and is hereby signed by the following persons who have authority and responsibilitiesunder this Charter.

Joseph Kelly — *July 19, 2021*

Joseph Kelly — **Date**
Chair, Audit Committee

Keith Knox — *July 19, 2021*

Keith Knox — **Date**
Chair, Board of Investments

Alan Bernstein — *July 19, 2021*

Alan Bernstein — **Date**
Chair, Board of Retirement

Attachment D

2024 Model Internal Audit Charter for General Use

Internal Audit Charter for [name of organization]

Purpose

The purpose of the internal audit function is to strengthen [name of organization]'s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances [name of organization]'s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

[name of organization]'s internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The [name of organization]'s internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report [periodically] to the board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

[USER NOTE: In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. See introduction for more information.]

Authority

The [name of organization]'s board grants the internal audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the board. Such authority allows for unrestricted access to the board.

The board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.

- Obtain assistance from the necessary personnel of [name of organization] and other specialized services from within or outside [name of organization] to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management (See "Mandate" section), thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the board and administratively (for example, day-to-day operations) to the [chief executive officer or equivalent/senior officer]. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.

- A significant acquisition or reorganization within the organization.

- Significant changes in the chief audit executive, board, and/or senior management.

- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.

- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

[Due to the Global Internal Audit Standards' "essential conditions," board responsibilities should be included in the internal audit charter. However, if an audit committee charter that outlines its responsibilities is already in place, it is not necessary to repeat the information in this charter.]

To establish, maintain, and ensure that [name of organization]'s internal audit function has sufficient authority to fulfill its duties, the board will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [periodically] with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter [periodically (typically annually)].
- Approve the risk-based internal audit plan.
- Approve the internal audit function's human resources administration and budgets.
- Approve the internal audit function's expenses.
- Collaborate with senior management to determine the qualifications and competencies the organization expects in a chief audit executive, as described in the Global Internal Audit Standards.
- Authorize the appointment and removal of the chief audit executive.
- Approve the remuneration of the chief audit executive.
- Review the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.

- Make appropriate inquiries of management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for [name of organization] or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any [name of organization] employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in [name of organization]'s business, risks, operations, programs, systems, and controls.
- Communicate with the board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board and senior management [periodically] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact [name of organization] and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to [name of organization]'s relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve

an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

Communication with the Board and Senior Management

The chief audit executive will report [periodically] to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond [name of organization]'s risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the board and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside [name of organization]; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of [name of organization]'s activities, assets, and personnel. [Note: if the internal audit function has an audit universe, it could be referenced here.] The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board and management on the adequacy and effectiveness of governance, risk management, and control processes for [name of organization].

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

[USER NOTE: the list of examples below should be customized to the scope of services agreed upon with the organization's board and senior management. See Guide to Customizing the Model Internal Audit Charter for more information.]

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of [name of organization]'s strategic objectives are appropriately identified and managed.
- The actions of [name of organization]'s officers, directors, management, employees, and contractors comply with [name of organization]'s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact [name of organization].
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the board at its meeting on _____________

Acknowledgments/Signatures

_________________________________ _________________

Chief Audit Executive Date

_________________________________ _________________

Board Chair Date

_________________________________ _________________

Chief Executive Officer Date

LACERA

September 23, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: 2024 Audit Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR) Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg (BOR/BOI), Trustee

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: Ethics and Compliance Program Charter

RECOMMENDATION

That the Board of Retirement and Board of Investments approve the proposed Ethics and Compliance Program Charter.

LEGAL AUTHORITY AND BACKGROUND

In addition to the Internal Audit Activity, the Audit Committee was established to assist the Boards in fulfilling their fiduciary oversight duties for ethical conduct, organizational governance, and compliance with laws, regulations, policies, and procedures. The Committee's current Charter includes these responsibilities (Audit Committee Charter, Sections II and VII(E)(4)), which find their legal support in the Boards' plenary authority and exclusive fiduciary responsibility under Article XVI, Section 17 of the California Constitution.

The proposed Ethics and Compliance Program Charter advances the Committee's fiduciarily-required ethics and compliance oversight duties. It also meets the standards set forth in The Institute of Internal Auditors' (IIA's) "Three Lines Model," which describes a dedicated ethics and compliance function within management as a second line within management (operations inhabits the first line and Internal Audit provides independent assurance as the third).

Additionally, the Program model presented in the proposed Ethics and Compliance Program Charter is consistent with best practices for risk mature organizations and

///

///

follows the United States Sentencing Guidelines for Organizations and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which establishes guidance for "effective" ethics and compliance programs.[1]

A centralized Ethics and Compliance Program (Program) compliant with legal authority and best practices as outlined above is included in the Board of Retirement's 2023-2028 Strategic Plan (Strategic Priority 4). Ethics and compliance are an inherent part of LACERA's constitutionally mandated fiduciary duties of care, skill, prudence, and diligence, and impact the entire organization and its mission to produce, protect, and provide the promised benefits to members and their beneficiaries.

Before being considered by the Audit Committee, the proposed Program Charter has been through an inclusive approval process under the Boards' governance documents, beginning with the Operations Oversight Committee (December 6, 2023), the Board of Retirement (January 3, 2024), the Joint Organizational Governance Committee (JOGC) (February 21, 2024), the joint Boards (April 3 and 10, 2024). During these meetings, the proposed Charter was extensively discussed, resulting in revisions as requested.

Following the JOGC's recommendation, both Boards referred the proposed Charter to the Audit Committee to review, approve, and return to the Boards for final approval. At its meeting on September 19, 2024, the Audit Committee voted to recommend the proposed Charter to the Boards.

To recognize the Committee's expanded role for organizational governance and risk management, the Committee is proposed to be renamed as the Audit, Compliance, Risk, and Ethics (ACRE) Committee. A revised Committee Charter reflecting the new name and the Committee's revised and updated responsibilities is a separate item on the October Board agendas.

DOCUMENTS

As provided to the Audit Committee, the supporting documents for the Boards' consideration of the proposed Ethics and Compliance Program Charter are:

Attachment A – Proposed Ethics and Compliance Program Charter.

Attachment B –Redlined Charter. The redline shows focused changes included in Attachment A from the version of the Charter considered by the Boards at their April 2024 meetings based on discussions with LACERA's ethics, compliance, and audit

---

[1] The DOJ Guidance memo was just recently updated by the U.S. Department of Justice on September 23, 2024. It follows the same basic structure as the 2023 memo. The Charter will be updated if needed based on a closer review. However, the scope of work in LACERA's proposed ACRE and Ethics and Compliance Program Charters is both broad enough to cover the changes in the 2024 memo, and specifically already addresses most of them. For example, the 2024 Guidance includes emphasis on AI and emerging risks, the importance on learning from the market and peers in gauging compliance practices, further encouragement of staff reporting of perceived violations, tailored training, practicing risk management, who determines what areas are high risk, on what basis, and criteria for elevating risk, and an expectation of program self-assessment.

consultants and the staff Ethics and Compliance Committee. The redlined version also incorporates elements that comport with the IIA's 2024 Model Audit Committee Charter. A supplemental staff memo describing the redlines is also provided within Attachment B.

Attachment C – Prior Presentation. The comprehensive presentation provided to the Boards at their April 2024 meetings is attached here as a reference. Staff will not give the presentation at the October meetings unless there are questions.

DISCUSSION

Currently, LACERA does not have a formal Ethics and Compliance Program, but rather, it has a Code of Ethical Conduct (2021), and various divisions have compliance functions specific to their individual operations. Additionally, the Audit Committee currently reviews on an annual basis the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are mission critical. (Audit Committee Charter, Section VII(E)(4).)

Expansion of the Audit Committee's oversight duties beyond annual review and centralization of the Program, as included in the proposed Program Charter, will integrate ethics and compliance into LACERA's operations, meeting the strategic priorities to: (1) advance a culture of ethical and compliant conduct; (2) enhance LACERA's system of risk mitigation with continuous assessment and improvement of controls; and (3) establish a process that supports Board and management oversight of LACERA's compliance with laws, regulations, policies, procedures, and its Code of Ethical Conduct.

The Ethics and Compliance Program will be an essential part of management, and the Chief Ethics and Compliance Officer (CECO) will functionally report to, and the Program will be overseen by the renamed ACRE Committee, the Boards, and the CEO, including all personnel actions with respect to the CECO. The Program will be separate from but complementary to Internal Audit, which is independent from management to provide assurance as to the adequacy of management's system of controls, including the Ethics and Compliance Program itself (which is subject to auditing by Internal Audit). The CECO will oversee an Ethics and Compliance Office and staff, located in the Legal Division. This operational positioning will support the Program in its early implementation stages and is a synergistic fit considering the legal nature of LACERA's operations.

The organizational chart for the proposed Program below, demonstrates solid-line, direct functional oversight of the CECO (and Program) by the ACRE Committee, the Boards, and

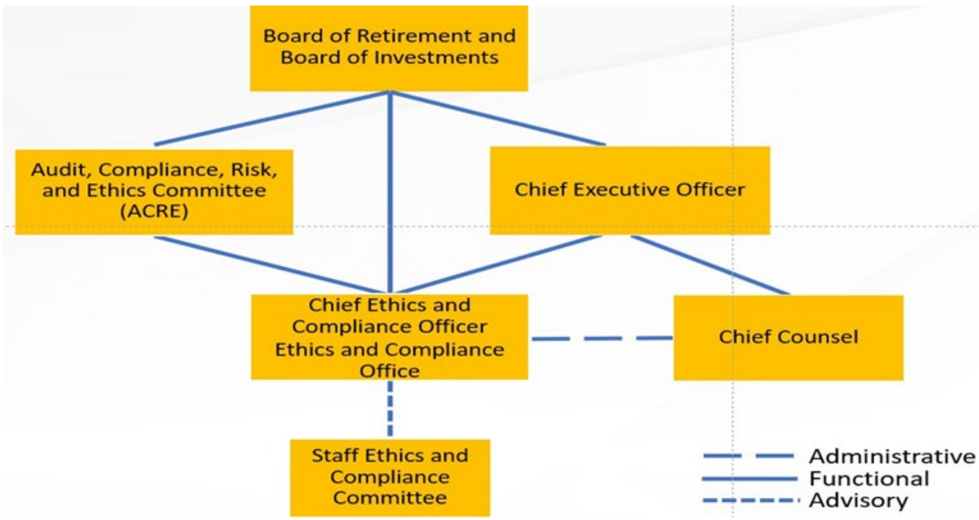
///

///

///

///

the CEO; and a dotted administrative line between the CECO and the Legal Office. To ensure Program independence, the CECO reports directly to the ACRE Committee, the Boards, and the CEO.



The CECO has access to the staff Ethics and Compliance Committee for advice and to assist in promoting the Program.

In addition to Roles and Reporting Structure, the Program Charter outlines the following objectives, which were modeled after the US Sentencing Guidelines for well-designed and adequately resourced programs. The Program independently and objectively performs the following functions:

- Establish and maintain the Ethics and Compliance Program as a sound, durable, and adequately resourced structure in LACERA.
- Conduct ethics and compliance risk assessments.
- Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices.
- Review and provide input on ethics and compliance-related policies and procedures.
- Promote third-party/vendor ethics and compliance risk management practices.
- Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession.
- Provide ethics and compliance training and communications.
- Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters.
- Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns.
- Measure and promote an organizational culture of ethics and compliance.
- Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance.

- Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.
- Work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

The ACRE Committee assists the Boards in fulfilling their fiduciary oversight duties for LACERA's Audit Activity and Organizational Governance Activities, which include Ethics, Compliance, and Enterprise Risk Management. The proposed Charter is the first step in implementation of LACERA's Ethics and Compliance Program.

CONCLUSION

The Audit Committee recommends that the Board of Retirement and Board of Investments approve the proposed Ethics and Compliance Program Charter.

Attachments

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Richard Bendall
Steven P. Rice
Carly Ntoya, Ph.D.
Leisha Collins
Christina Logan
Allison E. Barrett

ATTACHMENT A

Clean Copy

Ethics and Compliance Program Charter

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. "Ethics" means the application of sound judgment and the diligent practice of LACERA's Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. "Compliance" means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA's compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure within management for assessment, mitigation, and reporting of LACERA's ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA's operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA's ethics and compliance controls.

II. AUTHORITY

LACERA's Program is established under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595 of the County Employees Retirement Law of 1937 (CERL) in furtherance of the Boards' fiduciary duty of prudence and loyalty, which requires oversight of the organization's ethics and compliance function. The Program is consistent with LACERA's Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the Board of Retirement's "2023-2028 Strategic Plan" for LACERA and is supported by best practices in the public pension community.

The Program is consistent with The Institute of Internal Auditors' "Three Lines Model" publication (2020), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA's operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023), which is the most influential of applicable compliance program standards, and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.

- The ACRE Committee, the Board of Retirement and Board of Investments, and the Chief Executive Officer (CEO) oversee the Program, with reporting as provided in this Charter and in the ACRE Committee Charter.

- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee, both Boards, and the CEO.

    - Functionally, the CECO reports to the ACRE Committee, both Boards, and the CEO with respect to the activities of the Program as provided in this Charter and the ACRE Committee Charter to facilitate the ACRE Committee, Board, and CEO oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee and the Boards will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, termination, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; approve the Ethics and Compliance Office budget for inclusion in LACERA's annual administrative budget; and approve any additional unexpected expenses for necessary work within the scope of this Charter in accordance with LACERA's Policy for Purchasing Goods and Services.

    - Administratively, the Chief Ethics and Compliance Officer reports to the Chief Counsel, who will support the day-to-day operations of the Ethics and Compliance Office and serve as a resource and provide guidance to the CECO on ethics and compliance issues when requested by the CECO. The CECO has direct and independent access to the ACRE Committee, both Boards, and the CEO.

- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee and/or the Boards as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**
  The Program independently and objectively performs the following functions:

  A. Establish and maintain the Program as a sound and durable structure in LACERA;
  B. Conduct ethics and compliance risk assessments;
  C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
  D. Review and provide input on ethics and compliance-related policies and procedures;
  E. Promote third-party/vendor risk management practices;
  F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession;
  G. Provide ethics and compliance training and communications;
  H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
  I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
  J. Measure and promote an organizational culture of ethics and compliance;
  K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
  L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**
  The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- *Charters.* The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.

- *Best Practices and Education.* The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- *Independence and Objectivity.* The Program operates independently and objectively. Annually, the CECO will assure the CEO, the ACRE Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO, the ACRE Committee, and the Boards all actual or attempted interference with the Program and all conflicts of interest.

- *Collaboration.* The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

The CECO and Ethics and Compliance Office staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized to have full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within information technology systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All LACERA staff are required to cooperate with and assist the CECO and the Ethics and Compliance Office in connection with work in the scope of the Program's role and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act and other applicable laws, regulations, policies, and procedures.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee or the Boards.

A. *Ethics and Compliance Program Framework.* The Program will be adequately resourced and staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.

B. *Ethics and Compliance Risk Assessment.* The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, the ACRE Committee, and the Boards, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.

C. *Monitoring.* The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.

D. *Review of Policies and Procedures.* The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:

   1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
   2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
   3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
   4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.

E. Vendor/Third-Party Ethics and Compliance Risk Management. The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.

F. *Privacy.* The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.

G. *Training, Communications, and Incentives.* The Program will provide, and coordinate with other divisions as needed on, risk-based compliance training and communications to the ACRE Committee, the Boards, the CEO, and staff on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in the development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.

H. *Channels for Staff to Report Ethics and Compliance Concerns.* The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.

I. *Program Investigation, Response, and Commitment to Non-Retaliation*. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.

J. *Measure Organizational Culture of Ethics and Compliance*. The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.

K. *Reporting.* The Program will report to the ACRE Committee, the Boards, and CEO concerning the Program's status and operations, including information to facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to senior leaders as needed relating to ethics and compliance issues under their authority.

L. *Self-Assessment and Review of Program.* The Program will conduct an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators to provide quality assurance and improvement of the Program. The ACRE Committee and the Boards will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

Under the leadership of the CECO, the Program shall be accountable to the ACRE Committee, Boards, and the CEO for the following:

A. *Program Staff.* Select, train, develop, and retain competent Ethics and Compliance Office staff that collectively have the ability to meet the requirements of this Charter. Staff development procedures and changes in Program staff will be reported to the ACRE Committee and the Boards.

B. *LACERA Staff Input, Involvement, and Reporting.* Develop a process for staff input into the Program, which will be reported to the ACRE Committee and the Boards. The process will include an Ethics and Compliance Committee (ECC) consisting of a cross-section of LACERA senior leaders to serve an advisory function to the CECO. The ECC will meet monthly to discuss ethics and compliance issues, review policies and procedures, maintain a list of ethics and compliance training opportunities, and discuss Program implementation issues.

C. *Program Roadmap of Priorities.* Following initial Program implementation, the CECO will develop a Three-Year Roadmap of priorities and Program management for review and approval by the CEO, ACRE Committee, and Boards.

D. *Annual Work Plan.* Annually develop a written Program work plan, which is presented to the CEO and the ACRE Committee for review and approval and provide quarterly status reports thereafter. The approved work plans will also be provided to the Boards.

E. *Program Budget.* Annually obtain approval from the ACRE Committee of a budget for the Ethics and Compliance Office for inclusion in the administrative budget approved by the Boards.

F. *Risk Assessment.* Report to the ACRE Committee and the Boards the results of all ethics and compliance risk assessments and key risk indicators.

G. *Investigations.* Provide written reports to the ACRE Committee, Boards, and CEO of alleged ethics and compliance risks, concerns, and violations that are received, the results of any investigations, the recommended response, and the outcome.

H. *Policies and Procedures.* Provide written quarterly reports to the ACRE Committee of any policy and procedure review and to the Boards on review related to their areas of authority.

I. *Vendor/Third-Party Ethics and Compliance Risk Management.* Provide quarterly reports to the ACRE Committee on vendor/third-party ethics and compliance risks and organizational management and response and to the Boards related to their areas of authority.

J. *Annual Ethics and Compliance Report.* Provide a written annual report to the ACRE Committee and the Boards regarding the status of the Program, the approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.

K. *Annual Privacy Report.* Provide a written annual report to the ACRE Committee and the Boards, in collaboration with other interested divisions, regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.

L. *Organizational Culture of Ethics and Compliance Report.* Provide a written report of the periodic survey of LACERA's culture of ethics and compliance.

M. *Work Papers.* The Program will preserve its work papers and other documentation pursuant to a protocol approved by the ACRE Committee and the CEO.

N. *Self-Assessment and Program Review.* Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion. Key performance indicators will include the overall effectiveness of the Program in performing the activities described in Section VIII and LACERA's system of ethics and compliance controls, such as training programs, reporting channels, and ethics and compliance risk assessment, monitoring, detection, investigation and response.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

Every LACERA manager, supervisor, and staff member, temporary worker, and contractor has a significant role in implementing and supporting the Program and in promoting ethical and compliant conduct in the organization.

A. *Managers and Supervisors.* Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

   Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or violations; monitoring for retaliation; ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

B. *Staff Members.* Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

X. RESOURCES

A. Board of Retirement's "2023-2028 Strategic Plan"
B. Article XVI, Section 17 of the California Constitution

C. California Government Code Section 31595
D. The Institute of Internal Auditors' "Three Lines Model" publication (2020)
E. United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023)
F. U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023)

XI. CHARTER REVIEW

This Charter shall be annually reviewed by the ACRE Committee and the Boards until the Program is fully operational and the Ethics and Compliance Office is developed and staffed. Once those milestones are met, review shall be every three years by the ACRE Committee and the Boards, or more frequently as needed.

ATTACHMENT B

Redlined Copy

Ethics and Compliance Program Charter

Supplemental Memo

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. “Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. “Compliance” means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA’s compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure within management for assessment, mitigation, and reporting of LACERA’s ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA’s operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA’s ethics and compliance controls.

II. AUTHORITY

LACERA’s Program is established under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595 of the County Employees Retirement Law of 1937 (CERL) in furtherance of the Boards’ fiduciary duty of prudence and loyalty, which requires oversight of the organization’s ethics and compliance function. The Program is consistent with LACERA’s Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the Board of Retirement’s “2023-2028 Strategic Plan” for LACERA and is supported by best practices in the public pension community.

The Program is consistent with The Institute of Internal Auditors’ “Three Lines Model” publication (2020), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA’s operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023), which is the most influential of applicable compliance program standards, and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.

- The ACRE Committee, the Board of Retirement and Board of Investments, and the Chief Executive Officer (CEO) oversee the Program, with reporting as provided in this Charter and in the ACRE Committee Charter.

- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee, both Boards, and the CEO.

    - Functionally, the CECO reports to the ACRE Committee, both Boards, and the CEO with respect to the activities of the Program as provided in this Charter and the ACRE Committee Charter to facilitate the ACRE Committee, Board, and CEO oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee and the Boards will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, termination~~firing~~, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; ~~and~~ approve the Ethics and Compliance Office budget for inclusion in LACERA's annual administrative budget; and approve any additional unexpected expenses for necessary work within the scope of this Charter in accordance with LACERA's Policy for Purchasing Goods and Services.

    - Administratively, the Chief Ethics and Compliance Officer reports to the Chief Counsel, who will support the day-to-day operations of the Ethics and Compliance Office and serve as a resource and provide guidance to the CECO on ethics and compliance issues when requested by the CECO. The CECO has direct and independent access to the ACRE Committee, both Boards, and the CEO.

- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee and/or the Boards as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**
  The Program independently and objectively performs the following functions:

  A. Establish and maintain the Program as a sound and durable structure in LACERA;
  B. Conduct ethics and compliance risk assessments;
  C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
  D. Review and provide input on ethics and compliance-related policies and procedures;
  E. Promote third-party/vendor risk management practices;
  F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession;
  G. Provide ethics and compliance training and communications;
  H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
  I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
  J. Measure and promote an organizational culture of ethics and compliance;
  K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
  L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**
  The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- *Charters.* The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.

- *Best Practices and Education.* The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- *Independence and Objectivity.* The Program operates independently and objectively. Annually, the CECO will assure the CEO, the ACRE Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO, the ACRE Committee, and the Boards all actual or attempted interference with the Program and all conflicts of interest.

- *Collaboration.* The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

The CECO and Ethics and Compliance Office staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized to have full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within information technology systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All LACERA staff are required to cooperate with and assist the CECO and the Ethics and Compliance Office in connection with work in the scope of the Program's role and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act and other applicable laws, regulations, policies, and procedures.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee or the Boards.

A. *Ethics and Compliance Program Framework.* The Program will be adequately resourced and staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.

B. *Ethics and Compliance Risk Assessment.* The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, the ACRE Committee, and the Boards, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.

C. *Monitoring.* The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.

D. *Review of Policies and Procedures.* The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:

1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.

E. *Vendor/Third-Party Ethics and~~,~~ Compliance~~, and~~ Risk Management.* The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.

F. *Privacy.* The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.

G. *Training, Communications, and Incentives.* The Program will provide, and coordinate with other divisions as needed on, risk-based compliance training and communications to the ACRE Committee, the Boards, the CEO, and staff on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in the development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.

H. *Channels for Staff to Report Ethics and Compliance Concerns.* The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.

I. *Program Investigation, Response, and Commitment to Non-Retaliation*. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.

J. *Measure Organizational Culture of Ethics and Compliance*. The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.

K. *Reporting.* The Program will report to the ACRE Committee, the Boards, and CEO concerning the Program's status and operations, including information to facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to senior leaders as needed relating to ethics and compliance issues under their authority.

L. *Self-Assessment and Review of Program.* The Program will conduct an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators to provide quality assurance and improvement of the Program. The ACRE Committee and the Boards will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

Under the leadership of the CECO, the Program shall be accountable to the ACRE Committee, Boards, and the CEO for the following:

A. *Program Staff.* Select, train, develop, and retain competent Ethics and Compliance Office staff that collectively have the ability to meet the requirements of this Charter. Staff development procedures and changes in Program staff will be reported to the ACRE Committee and the Boards.

B. *LACERA Staff Input, Involvement, and Reporting.* Develop a process for staff input into the Program, which will be reported to the ACRE Committee and the Boards. The process will include an Ethics and Compliance Committee (ECC) consisting of a cross-section of LACERA senior leaders to serve an advisory function to the CECO. The ECC will meet monthly to discuss ethics and compliance issues, review policies and procedures, maintain a list of ethics and compliance training opportunities, and discuss Program implementation issues.

~~B.~~C. *Program Roadmap of Priorities.* Following initial Program implementation, the CECO will develop a Three-Year Roadmap of priorities and Program management for review and approval by the CEO, ACRE Committee, and Boards.

~~C.~~D. *Annual Work Plan.* Annually develop a written Program work plan, which is presented to the CEO and the ACRE Committee for review and approval and provide quarterly status reports thereafter. The approved work plans will also be provided to the Boards.

~~D.~~E. *Program Budget.* Annually obtain approval from the ACRE Committee of a budget for the Ethics and Compliance Office for inclusion in the administrative budget approved by the Boards.

~~E.~~F. *Risk Assessment.* Report to the ACRE Committee and the Boards the results of all ethics and compliance risk assessments and key risk indicators.

~~F.~~G. *Investigations.* Provide written reports to the ACRE Committee, Boards, and CEO of alleged ethics and compliance risks, concerns, and violations that are received, the results of any investigations, the recommended response, and the outcome.

~~G.~~H. *Policies and Procedures.* Provide written quarterly reports to the ACRE Committee of any policy and procedure review and to the Boards on review related to their areas of authority.

~~H.~~I. *Vendor/Third-Party Ethics and~~,~~ Compliance~~, and~~ Risk Management.* Provide quarterly reports to the ACRE Committee on vendor/third-party ethics and compliance risks and organizational management and response and to the Boards related to their areas of authority.

~~I.~~J. *Annual Ethics and Compliance Report.* Provide a written annual report to the ACRE Committee and the Boards regarding the status of the Program, the approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.

K. *Annual Privacy Report.* Provide a written annual report to the ACRE Committee and the Boards, in collaboration with other interested divisions, regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.

~~J.~~L. *Organizational Culture of Ethics and Compliance Report.* Provide a written report of the periodic survey of LACERA's culture of ethics and compliance.

~~K.~~M. *Work Papers.* The Program will preserve its work papers and other documentation pursuant to a protocol approved by the ACRE Committee and the CEO.

~~L.~~N. *Self-Assessment and Program Review.* Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion. Key performance indicators will include the overall effectiveness of the Program in performing the activities described in Section VIII and LACERA's system of ethics and compliance controls, such as training programs, reporting channels, and ethics and compliance risk assessment, monitoring, detection, investigation and response.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

Every LACERA manager, supervisor, and staff member, temporary worker, and contractor has a significant role in implementing and supporting the Program and in promoting ethical and compliant conduct in the organization.

A. *Managers and Supervisors.* Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or violations; monitoring for retaliation; ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

B. *Staff Members.* Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

X. RESOURCES

A. Board of Retirement's "2023-2028 Strategic Plan"
B. Article XVI, Section 17 of the California Constitution

C. California Government Code Section 31595
D. The Institute of Internal Auditors' "Three Lines Model" publication (2020)
E. United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023)
F. U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023)

XI. CHARTER REVIEW

This Charter shall be annually reviewed by the ACRE Committee and the Boards until the Program is fully operational and the Ethics and Compliance Office is developed and staffed. Once those milestones are met, review shall be every three years by the ACRE Committee and the Boards, or more frequently as needed.

LACERA

July 9, 2024

TO: 2024 Audit Committee:
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR), Vice Chair
Vivian Gray, (BOR), Secretary
Nancy Durazo, (BOR) Trustee
Jason Green, (BOI), Trustee
Nicole Mi, (BOI), Trustee
Elizabeth Ginsberg, (BOR/BOI)

FROM: Steven P. Rice, SPR
Chief Counsel

Allison E. Barrett, AEB
Senior Staff Counsel

FOR: June 20, 2024 Audit Committee Meeting

SUBJECT: Supplemental Memo regarding Ethics and Compliance Program Charter

This supplemental memo explains the redlines added to the proposed Ethics and Compliance Program Charter (Attachment B to the June 4, 2024 Audit Committee memo from the Board Chairs) after the joint Board actions at their April meetings forwarding the Charter to the Audit Committee for review and approval. The changes resulted from input from LACERA's ethics and compliance advisor and counsel, the Audit Committee consultant, and the staff Ethics and Compliance Committee. Some of the changes also track changes to the Internal Audit Charter resulting from recent changes in The Institute of Internal Auditors (IIA) standards.

1. *Section I, Statement of Purpose* (page 1). A change is made to emphasize that the Ethics and Compliance Program is a management responsibility.

2. *Section III, Roles and Reporting Structure* (page 2). Changes are made to clarify the ability of the Committee and Boards to provide funding for unexpected needs of the Ethics and Compliance Program, in accordance with LACERA's Policy for Purchasing Goods and Services. The change is similar to language used with respect to the Internal Audit Activity. It also follows from the Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which states that an effective Ethics and Compliance Program is "adequately resourced."

3. *Section VII(E), Scope of Program Activities* (page 5) and *Section VIII(I), Accountability of the Program – Vendor/Third-Party Ethics and Compliance Risk Management*, Accountability of the Program. This title of these sections is slightly changed to clarify that the Program's role is with respect to ethics and compliance risks. Other aspects of vendor/third-party management are handled by other

divisions, including Administrative Services and Information Security.

4. *Section VII(G), Scope of Program Activities – Training, Communications, and Incentives* (page 6). Reference is added to collaboration with other divisions in providing training. Human Resources is already mentioned, but other divisions will also be involved with Ethics and Compliance in providing training.

5. *Section VIII(C), Accountability of the Program – Program Roadmap of Priorities* (page 7). A new subsection is added providing that the CECO will prepare a Three-Year Roadmap of Priorities for approval by the Boards, Committee, and CEO, in addition to the annual work plan. This requirement will add a strategic dimension to Ethics and Compliance Program planning. IIA standards for Internal Audit have recently added a similar requirement for the audit activity. It is a best practice for Ethics and Compliance to also prepare a Roadmap for its work.

6. *Section VIII(F), Accountability of the Program – Risk Assessment* (page 8). Language is added to clarify that the risk assessment conduct by the Ethics and Compliance Program is of ethics and compliance risks.

7. *Section VIII(K), Accountability of the Program – Annual Privacy Report* (page 8). This section is revised to clarify that the Annual Privacy Report will be prepared in collaboration with other interested divisions because other parts of the organization are also engaged in efforts to secure the privacy and confidentiality of LACERA information.

8. *Section VIII(L), Accountability of the Program – Organizational Culture of Ethics and Compliance Report* (page 8). The Charter previously included review and measure of the organizational culture of ethics and compliance. This change adds a report of those efforts to the Program's Accountability requirements.

9. *Section VIII(N), Accountability of the Program – Self-Assessment and Program Review* (page 8). This change adds explanation as to some of the key performance indicators that will be considered in Program assessment.

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Richard Bendall
Christina Logan

ATTACHMENT C

Presentation

Ethics and Compliance as Strategic Priorities: LACERA Ethics and Compliance Program Framework

Board of Retirement Meeting
Board of Investments Meeting
April 3 and 10, 2024

Outline

1. The Strategic Plan and Management's Perspective
2. Ethics and Compliance are Strategic Concepts
   A. Ethics Comes First
   B. Compliance is a Requirement
   C. Authority supporting Need for an E&C Risk Management Process
3. LACERA's Proposed Ethics and Compliance Program
4. Outside Counsel Perspective
5. Internal Audit Perspective
6. Next Steps

Board of Retirement Strategic Plan

On July 6, 2023, the Board of Retirement approved its 2023-2028 Strategic Plan. The Plan includes as one of its five goals:

Strategic Priority 4: Compliance and Enterprise Risk Management
Adopt and implement compliance and enterprise risk frameworks aimed at mitigating risk and vulnerabilities

With respect to ethics and compliance, the Plan's objective is:

> **4.1 Develop an enterprise compliance plan and program to ensure adherence to established processes, procedures, policies, and governing rules and regulations**

Management supports the Program as an important and necessary step forward in LACERA's ethics and compliance risk management.

On January 3, 2024, the Board of Retirement reviewed the proposed Ethics and Compliance Program Charter, provided input, and referred it to the JOGC as the next step in achieving this priority of the Strategic Plan. On February 29, 2024, the JOGC provided input and voted to recommend that the Boards forward the Program to the Audit Committee for further development, subject to final approval by the Boards.

Ethics and Compliance are Strategic Concepts

> Ethics
> Compliance
> Authority for E&C Program

Ethics and Compliance are Strategic in Three Dimensions

Ethics and Compliance are:

Ways of Thinking and Acting that are essential to LACERA's fiduciary duties of prudence and loyalty and its Mission to produce, protect, and provide the promised benefits to our members

Risks to LACERA if not followed

Process to support the Boards and management in:

- Oversight of important aspects of LACERA's operations
- Providing encouragement and support to the entire organization with regard to ethics and compliance
- Risk mitigation

Ethics Comes First

"Ethics" means the application of sound judgment and the diligent practice of LACERA's Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to always **do the right thing**, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and its Mission to produce, protect, and provide the promised benefits to our members.

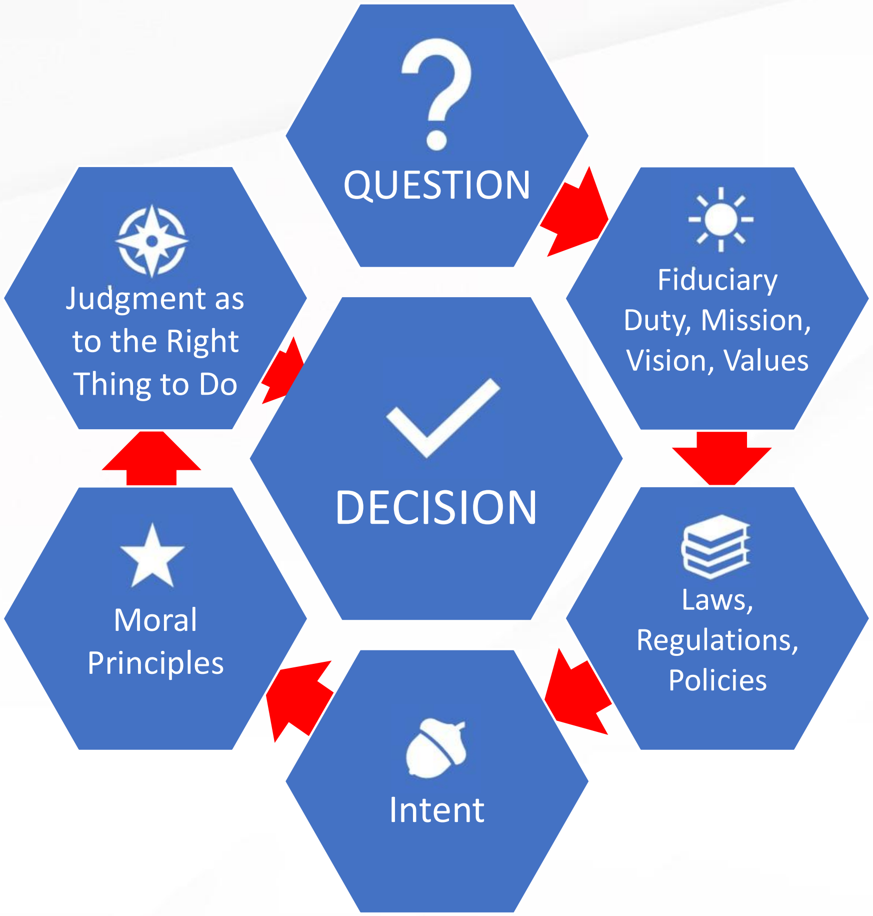
Ethics comes first because decisions must be based on what *should* be done under applicable standards, not just what *can* be done.

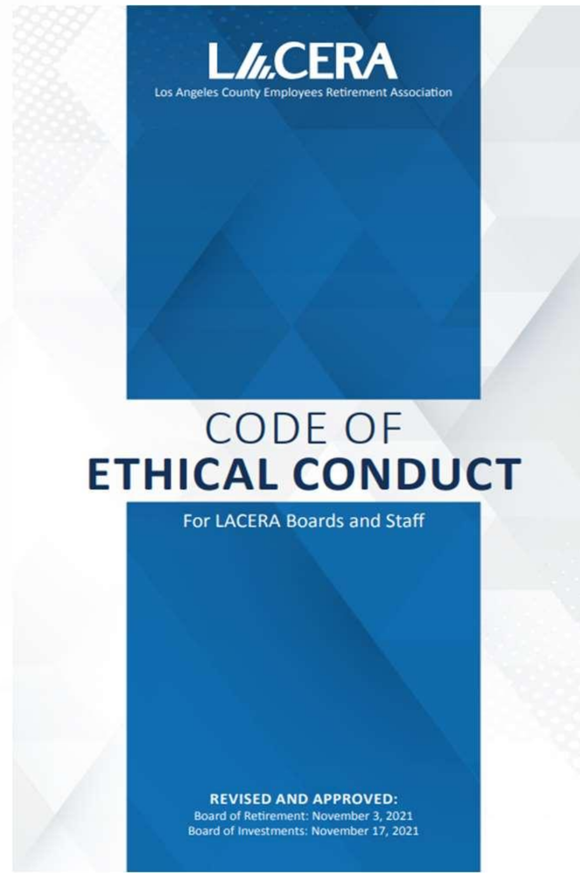
Ethics is the **compass** when navigating decisions.

Ethical Decision-Making

"Ethics is knowing the difference between what you have a right to do and what is right to do."

-U.S. Supreme Court Justice Potter Stewart





Ethics Risks

Misconduct/Violations of Laws, Regulations, Policies, and Procedures

Shading of Standards

- Just within the line of compliance, but not consistent with ethical standards and norms
- Such conduct:
  - Increases the perception of being unethical,
  - Increases the risk of claims of violations, and
  - Weakens the fabric of ethics in the organization, and
  - Increases the risk of misconduct or substandard conduct in the performance of LACERA's fiduciary duty to members and beneficiaries
- Examples of Being Compliant but Unethical
  - Taking an allowed advantage or benefit that is not necessary to achieve business objective as fiduciaries

Acting Contrary to Public Service and Fiduciary Duty to Members and Beneficiaries

Business Case for Ethics as a Priority

Research* supports that strong ethics programs result in:

- ✓ Improved staff experience because an ethical culture fosters feelings of trust, purpose, and teamwork:
  - Enhanced staff morale and engagement
  - Aid in staff retention/loyalty and recruitment
- ✓ Improved organizational performance following from the positive effect on staff:
  - Improved productivity and efficiency
  - Increased member service and satisfaction
  - More innovation and adaptability to new initiatives
  - Reputational gains with all stakeholders
- ✓ Reduced misconduct, claims, and lawsuits; protection for trustees/management; increased internal reporting that in turn reinforces the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Improved Board and management oversight of and response to ethical issues

*Harvard Business Review, Gartner, numerous industry organizations, and other sources

Compliance is a Requirement

"Compliance" means adhering to the laws, regulations, policies, and procedures that govern LACERA – following the rules.

Compliance Risks

- Misconduct/Violation of Applicable Legal and Policy Standards
- Inconsistent Adherence and Interpretation of Standards
- Absence of Board and Management Awareness of Noncompliance
- Lack of Understanding of Role of Ethics, Leading to Compliant but Unethical Conduct

Business Case for Compliance as a Priority

Research* supports that strong compliance structures lead to:

- ✓ Reduced misconduct, claims, and lawsuits; trustees/management protected when claims do arise; increased internal reporting reinforcing the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Greater Board and management knowledge and oversight of and response to compliance issues; proactive risk identification and mitigation, rather than reacting to problems after they have occurred, leading to improved organizational performance
- ✓ Improved staff experience from trust based on understanding and uniformity of standards and consistent treatment
- ✓ Additional benefits when compliance is linked to ethics as described on Slide 9

*Harvard Business Review, KPMG, Gartner, numerous industry organizations, and other sources

Authority for Ethics and Compliance Program – (1) Fiduciary Duty of Oversight under Constitution, CERL

The Boards have "plenary authority and fiduciary responsibility for investment of moneys and administration of the system," subject to:

- **DUTY OF LOYALTY** "(b) … solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries …."
- **DUTY OF PRUDENCE** "(c) … with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use ..." in the conduct of a public pension system.

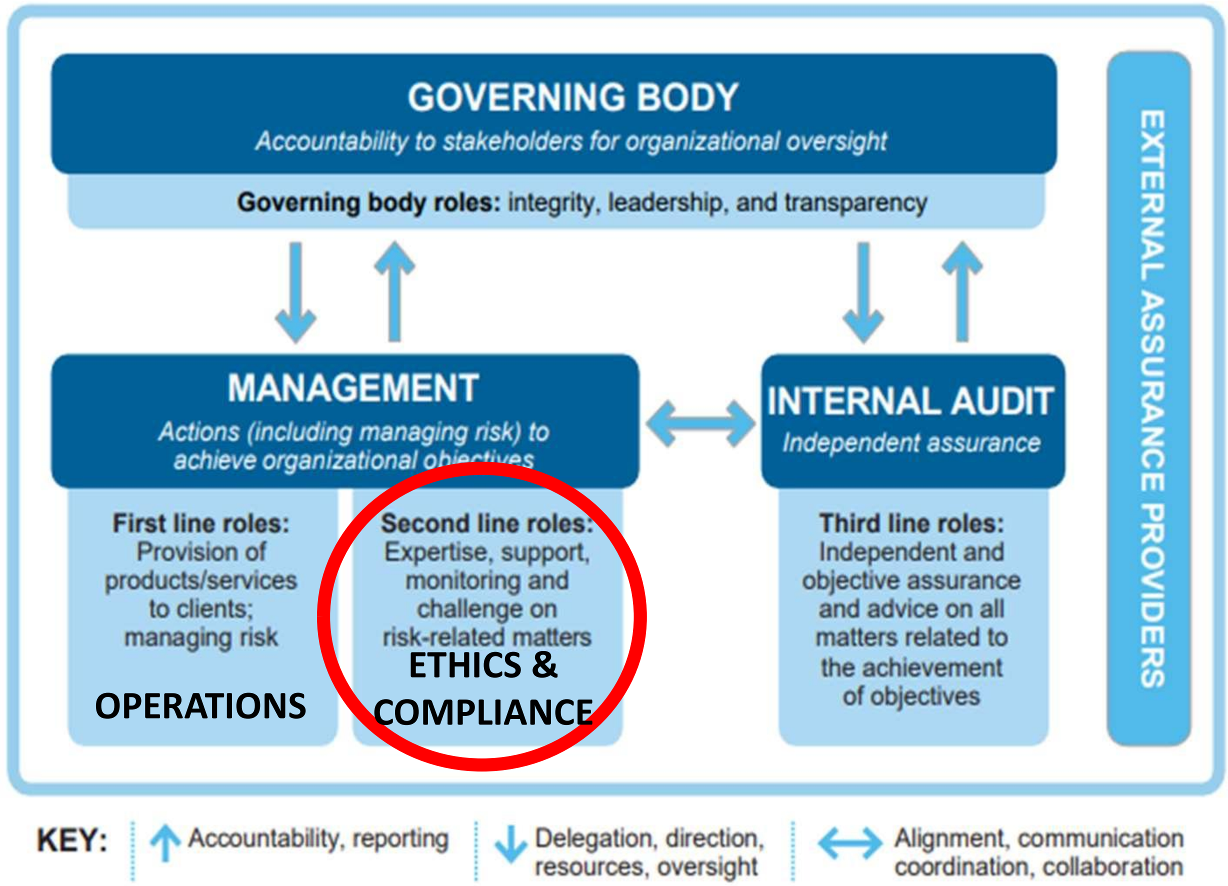
-- California Constitution, Art. XVI, Section 17; *see* CERL, Government Code §31595

Loyalty and Prudence require that the Boards have a process to oversee the ethical and compliant operation of LACERA and respond to ethics and compliance risks and issues. The fiduciary duty of oversight also applies to management and staff.

Authority for Ethics and Compliance Program – (2) The Institute of Internal Auditors' *Three Lines Model*

The Institute of Internal Auditors' *Three Lines Model*:

- Under this model, compliance is the second line under management and the Boards as a separate function to provide support in the management of risk associated with ethical conduct and compliance in LACERA's operations.
- The first line under management is delivery of services in LACERA's divisions ethically and in compliance with applicable requirements.
- The third line is Internal Audit, which provides independent assurance as to LACERA's controls in addressing risk and is complementary to the first and second lines.



Based on IIA's Three Lines Model (2020)

Authority for Ethics and Compliance Program – (3) Guidance under Federal Sentencing Guidelines

In 1991, Federal Sentencing Guidelines for Organizations were promulgated, creating the first broad-based incentive for organizations to establish ethics and compliance programs. The Guidelines promise reduced fines following criminal violations if an organization has an effective ethics and compliance program. The Department of Justice continues to issue guidance in this area, most recently in 2023. This guidance is recognized as a best practices roadmap:

Is the Program Well-Designed?
- Risk Assessment
- Policies and Procedures
- Training and Communication
- Reporting
- Investigation Process
- Third-Party Management

Is the Program Adequately Resourced?
- Commitment and Oversight by Boards and Management
- Autonomy and Resources
- Consequence Management

Does the Program Work in Practice?
- Continuous Improvement, Testing, and Review of Program
- Investigation of Misconduct
- Identification, Analysis, and Remediation of Misconduct

As the Department of Justice has stated, "Beyond compliance structures, policies, and procedures, it is important for a company to **create and foster a culture of ethics and compliance** with the law. The effectiveness of a compliance program requires a high-level commitment by company leadership to implement a culture of compliance from the top."

Authority for Ethics and Compliance Program – (4) Securities and Exchange Commission

In 2008, the SEC issued a report of its investigation of potential securities laws violations by The Retirement Systems of Alabama (RSA) relating to use of material, nonpublic information (MNPI). The report reminded pension funds of their responsibilities under federal laws and warned them that they assume a greater risk of violations if they do not have adequate compliance policies and procedures in place.

> “We issue this Report to remind investment managers, public and private, of their obligation to comply with the federal securities laws and the risks they undertake by operating without an adequate compliance program. **RSA's conduct could have been prevented with appropriate policies, procedures and training.**”

Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The Retirement Systems of Alabama, https://www.sec.gov/litigation/investreport/34-57446.htm.

Authority for Ethics and Compliance Program –
(5) Developing Practice among Peer Public Pensions Systems

An increasing number of LACERA's peer public pension systems have ethics and compliance programs, plans, and staff. For example:

37 Act Systems:

- CCCERA
- OCERS
- SDCERA

Other California Systems:

- CalPERS
- CalSTRS
- SDCERS

Other Systems:

- Florida State Board of Administration
- Iowa Public Employees' Retirement System
- MassPRIM
- Oregon Public Employees Retirement System
- State of Michigan Investment Board
- State of Wisconsin Investment Board
- Teacher Retirement System of Texas
- Tennessee Consolidated Retirement System
- Virginia Retirement System
- Washington State Investment Board

LACERA's Proposed Ethics and Compliance Program

Progress

The approved BOR Strategic Plan provides that the first step in addressing compliance is to form a working group across divisional lines to develop a compliance charter. The attached Charter was developed with review by the staff Ethics and Compliance Committee and other management and staff input.

August 2023
Engage Rebecca Walker, Kaplan & Walker LLP as ethics and compliance counsel and advisor

August – November 2023
Staff Policy Committee changed to Ethics and Compliance Committee to provide a cross-functional team approach to ethics and compliance education and development of the Program

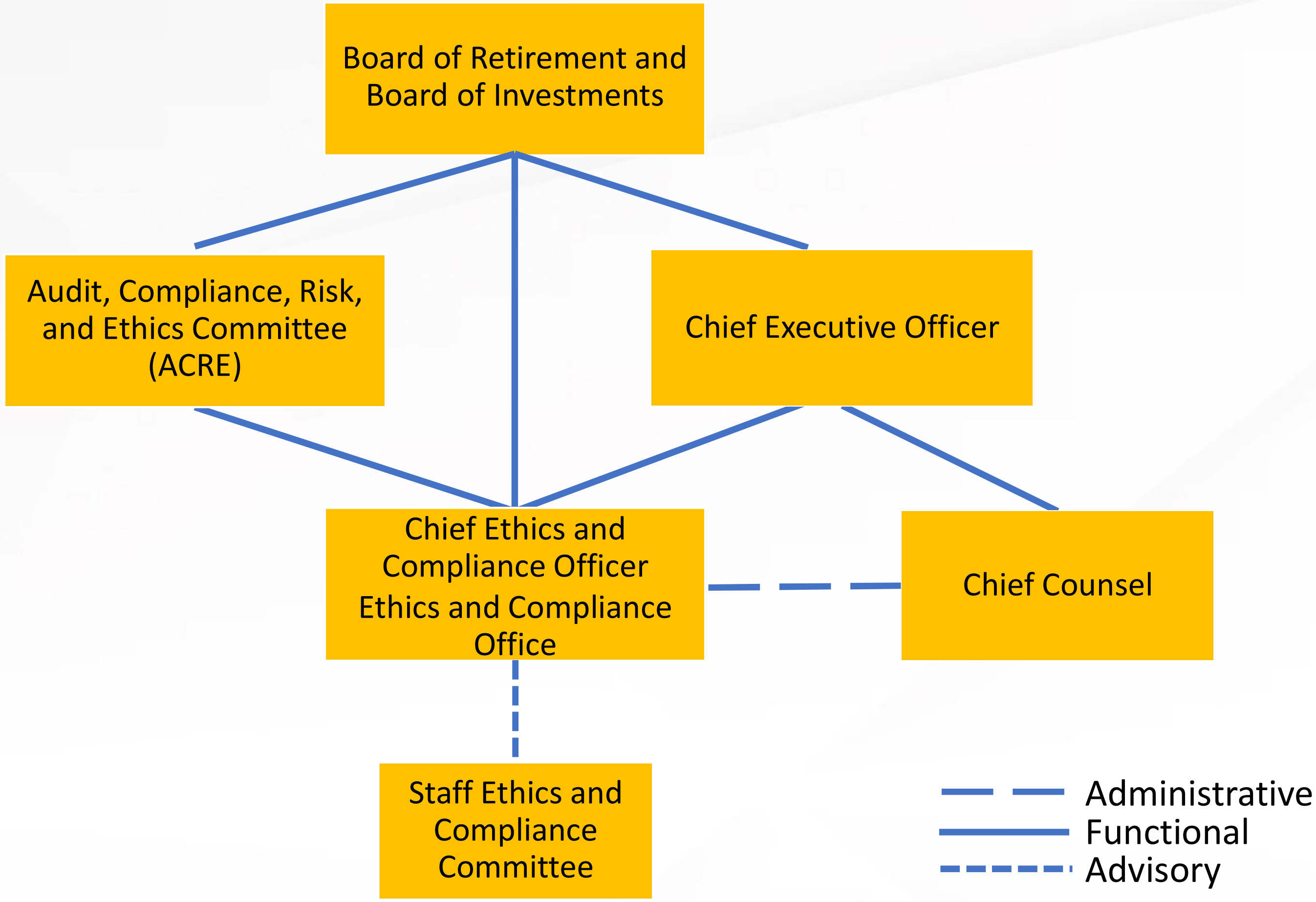
December 2023
Proposed Ethics and Compliance Program Charter presented to the OOC and advanced to the BOR

January 2024
Charter presented to the BOR for referral to the JOGC; BOR provided comments addressed in JOGC materials

February 2024
Charter presented to JOGC, which voted to recommend that it be referred by the Boards to the Audit Committee

April 2024
BOR and BOI Meetings

Proposed Ethics and Compliance Structure



Under the attached proposed Program Charter:

The Chief Ethics and Compliance Officer will have independent authority to report functionally to the Audit Committee (to be renamed the Audit, Compliance, Risk and Ethics (ACRE) Committee), the Boards, and the CEO. The Chief Ethics and Compliance Officer will report administratively to Chief Counsel.

The Chief Ethics and Compliance Officer will lead an Ethics and Compliance Office within the Legal Division and will rely on the staff Ethics and Compliance Committee for advice and to share and receive information to enhance staff engagement and culture.

Roles of ACRE Committee, Boards, CEO, and Chief Counsel

- ***ACRE Committee*** – The Committee:
  - Provides functional oversight of the Program
  - Receives reporting of information on ethics and compliance issues and concerns to enable the Committee to monitor the Program and respond
  - Provides input and approval on the hiring, firing, discipline, and annual performance evaluation of the Chief Ethics and Compliance Officer
- ***Boards*** – Provide functional oversight of the Program, receive reports and recommendations from the ACRE Committee and directly from the Chief Ethics and Compliance Officer, and respond to ethics and compliance issues; input and approval on Chief Ethics and Compliance Officer hiring, firing, discipline and annual performance evaluation
- ***CEO*** – Provides functional oversight of the Program, receives regular reporting on ethics and compliance issues, and responds to issues as indicated; reports are also made to senior leaders as needed; hiring, firing, and discipline and annual performance evaluation with ACRE Committee and Board input and approval
- ***Chief Counsel*** – Provides administrative oversight and support of the Chief Ethics and Compliance Officer and the E&C Program within the Legal Office

Roles of Managers, Supervisors, and Staff

- ***Managers and supervisors*** have a duty to communicate and model ethical standards and to follow all laws, regulations, policies, procedures, and business practices, including LACERA's Code of Ethical Conduct. They are to promote a culture of ethics and compliance by providing a space to report concerns without retaliation.
- ***Staff members***, including permanent staff, temporary workers, and contractors, are responsible to perform day-to-day work with the highest ethical standards and to follow all laws, regulations, policies, procedures, and business practices, including the Code of Ethical Conduct. Staff has a duty to report concerns.

Peer System Reporting Lines for E&C

General Counsel is also Chief Compliance Officer:

- SDCERS
- Teacher Retirement System of Texas
- State of Michigan Investment Board

Compliance Reports to General Counsel or in Legal Office:

- OCERS
- SDCERA (also has direct CEO involvement)
- CalPERS
- CalSTRS
- Iowa Public Employees' Retirement System
  - (compliance officers in Legal Division)
- State of Wisconsin Investment Board

Compliance Reports to Executive Director/CEO:

- CCCERA
- Florida State Board of Administration
- Oregon Public Employees Retirement System
  - (combined with Internal Audit and Risk)
- Virginia Retirement System

Compliance Overseen by Deputy Director/COO:

- MassPRIM (General Counsel oversees legal compliance)
- Tennessee Consolidated Retirement System
  - (counsel leads combined Legal, Compliance, and Internal Audit unit)
- Washington State Investment Board

LACERA's proposed Program is on this side of the spectrum because of its strong ACRE Committee, Board, and CEO functional oversight

Scope of Program Activities

- Program will provide a structure for ethics and compliance support for all of LACERA
- Based on LACERA's needs and best practices, the Chief Ethics and Compliance Officer will be responsible for the following activities:
  - Ethics and Compliance Program Framework
  - Ethics and Compliance Risk Assessment
  - Monitoring of Ethics and Compliance in LACERA's Operations and Business Practices
  - Review of Policies and Procedures
  - Vendor/Third Party Ethics, Compliance, and Risk
  - Privacy
  - Training, Communications, and Incentives relating to Ethics and Compliance Issues
  - Channels for Staff to Report Ethics and Compliance Concerns
  - Investigation, Response, Remedial Measures, and Commitment to Non-Retaliation
  - Measure Organizational Culture of Ethics and Compliance
  - Regular Reporting to the CEO, Senior Leaders, ACRE Committee, and Boards
  - Annual Self-Assessment and Review of Program, including Internal Audit and External Review

Program Responsibilities and Accountability

In addition to implementation of the E&C Program, the Chief E&C Officer will have the responsibility and accountability to regularly report to the ACRE Committee, Boards, CEO, and senior leaders regarding:

- Selection, training, and development of Ethics and Compliance Office staff
- Development of processes for LACERA staff input and involvement in the Program, including the staff Ethics and Compliance Committee
- Annually present E&C Program work plan for approval to the ACRE Committee, Boards, and CEO
- Annually provide a budget for the Program
- Provide quarterly reports to the ACRE Committee, Boards, and CEO on:
  - Investigations
  - Policies and procedure review
- Provide annual reports on:
  - The status of the Program and LACERA's overall ethics and compliance performance
  - Privacy of member information and other organizational information
  - Self-assessment and Program reviews

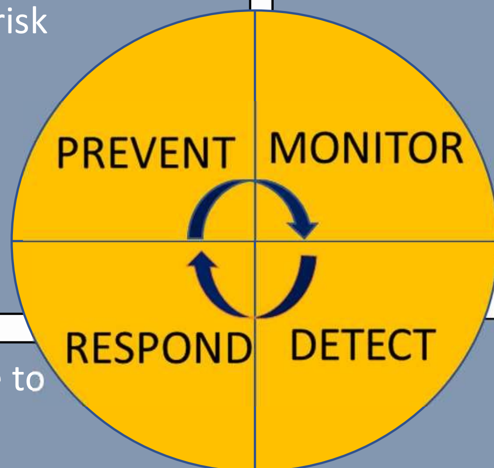
Outside Counsel Perspective

Rebecca Walker, Kaplan & Walker LLP

Ethics and Compliance Counsel and Advisor

Ethics and Compliance Program Structure

- Code, policies and procedures
- Training and communications
- Ethics and compliance risk assessment
- Board support
- Tone at the top
- Culture of compliance



- Monitor
- Review
- Assess

- Programmatic response to violations
- Assessment and recommendations in response to violations
- Collaborate

- Reporting Procedures
- Helpline
- Investigations
- Oversight

Level of Oversight Will Vary with Risk Ownership

Levels of Oversight by Ethics & Compliance ("EC")

Direct Ownership

- EC owns and defines policies & procedures
- EC establishes controls, which may be implemented centrally or regionally/locally
- EC defines and monitors metrics

Shared Ownership

- Risk owner defines policies and procedures in collaboration with EC
- Risk owner establishes controls, while EC tests design and effectiveness of the controls on a periodic basis
- EC agrees with risk owners on metrics to be reported on a defined cadence (monthly)
- EC provides significant support to risk owners

Moderate Oversight

- EC agrees with risk owners on metrics to be reported on a defined cadence (at least quarterly)
- EC provides moderate compliance oversight evaluation support to risk owners

Minimal Oversight

- Only significant issues/regulatory inquiries are escalated
- Limited metrics may be reported on a defined cadence (at least annually)

When EC assumes direct or shared ownership of compliance risks

1. Higher-level legal risks
2. No clear owner
3. EC has appropriate expertise
4. Need for objectivity
5. Need for centralized approach to controls

Internal Audit Perspective

Richard Bendall

Chief Audit Executive

Internal Audit Perspective on the Additive Value of a Formal Ethics and Compliance Function

1. Governance Risk and Control (GRC) Maturity
   - Moving the mark from Initial/Repeatable to Defined/Managed and ultimately to Optimized
   - Other specific enhancements to the control environment include:
     - ✓ Enhanced risk assessment
     - ✓ Improved control environment
     - ✓ Increased transparency and accountability
     - ✓ Early detection of issues
     - ✓ Regulatory alignment
     - ✓ Stakeholder confidence
     - ✓ Cost savings
     - ✓ Continuous improvement
     - ✓ Strategic alignment

2. Support for Audit Activities
   - A well-established ethics and compliance function provides valuable documentation and evidence that can support Internal Audit activities, helping to focus and streamline audit processes and enhance their effectiveness

Next Steps

Next Steps

At its February 29, 2024 meeting, JOGC recommended that the Boards forward the proposed Ethics and Compliance Program Charter to the Audit Committee for further development to be returned to the Boards for final approval.

April 2024
BOR and BOI Meetings
JOGC recommends that the Boards make referral to the Audit Committee for further development, and return final proposal to Boards

Revise Program Charter; update ACRE Committee Charter; prepare Chief Ethics and Compliance Officer job description; continue staff E&C Committee efforts

June 2024
Audit Committee Review

July 2024 Goal:
Program Approval by both Boards;
Implementation Begins

L//.CERA

September 23, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: 2024 Audit Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg (BOR/BOI), Trustee

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: Ethics and Compliance Program Foundational Work Plan

RECOMMENDATION

The Audit Committee recommends that the Board of Retirement and Board of Investments review and approve the proposed Ethics and Compliance Program Foundational Work Plan.

LEGAL AUTHORITY

At its September 19, 2024, meeting, the Audit Committee (Committee) voted to (1) approve the Ethics and Compliance Program Foundational Work Plan, and (2) forward the Work Plan to the Board of Retirement and Board of Investments. The proposed Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter, also approved by the Audit Committee (and on the October agendas for the Boards' final approval), provides in Section VII.B.13.b for foundational Program work to be performed by the CEO and Chief Counsel pending the hiring of the Chief Ethics and Compliance Officer (CECO) and for the status of such work to be regularly reported to the ACRE Committee and the Boards.

DISCUSSION

A formal Ethics and Compliance Program (Program) is one of the priorities of the Board of Retirement's 2023-2028 Strategic Plan and is supported by best practices in the public pension community. Once the Ethics and Compliance Program Charter and updated Audit, Compliance, Risk, and Ethics Committee Charter are approved by the Boards, it is recommended staff begin implementation of the proposed Ethics and Compliance Program Foundational Work Plan (Work Plan). This Work Plan has been reviewed and vetted by LACERA's Ethics and Compliance consultants. The Work Plan outlines foundational Ethics and Compliance Program activities that are important to launch the Program and manage LACERA's ethics and compliance risks in the interim between Charter approval and establishing and staffing the Ethics and Compliance Office in the Legal Division. The CEO and the Legal Division staff members currently leading the Ethics and Compliance Program strategic initiative will oversee the Work Plan, in ongoing consultation with the ACRE Committee, the Boards, other members of the Executive Office and management, and the staff Ethics and Compliance Committee.

The following chart provides an overview of the proposed Work Plan activities and target dates for completion, with descriptions of each activity outlined below. This foundational work will help position the Program and the CECO for success by preparing the organization and collecting background risk information with which the CECO may begin work.

Program Activity	**Target Completion Date**
Ethics and Compliance Education Plan	Ongoing
Policy Management Phase 1	December 2024
Baseline Ethics and Compliance Risk Assessment	January 2025
Baseline Ethics and Compliance Cultural Survey	January 2025
Chief Ethics and Compliance Officer and Deputy Job Descriptions and Salaries	January 2025
LACERA Code of Ethical Conduct Update	March 2025

Ethics and Compliance Education Plan

A central goal of the Program is to infuse ethics and compliance into LACERA's culture, such that ethics and compliance become as inherent as our mission to produce, protect, and provide the promised benefits and for all staff to understand the significance of the Program and how it will support day-to-day operations. Initial education efforts have already begun as the Ethics and Compliance Program strategic initiative team and the Ethics and Compliance Committee regularly communicate the meaning and value of ethics and compliance to staff. Following monthly meetings, the multi-divisional Ethics and Compliance Committee members are charged with reporting out to their respective divisions on Committee activities (including new or updated policies and updates on Program development). Program socialization will also include separate orientations tailored to particular roles and responsibilities (Trustees, Executive Office, Management, Supervisors, Front-Line Staff), an Ethics and Compliance Intranet landing page, and frequent updates at LACERA's monthly brown bag meetings which are directed by the Executive Office. Ethics and Compliance Committee staff are also pursuing education from third-party providers, such as the Society of Corporate Compliance and Ethics and the Practising Law Institute.

Policy Management

Policy management is a critical element of mitigating ethics and compliance risk.

Members of the Ethics and Compliance Committee have been diligently inventorying organizational policies and procedures to organize and render those documents searchable and accessible to all staff. A subcommittee is currently working with the Systems division Project Management Group to develop an in-house software solution (leveraging Microsoft SharePoint) to create *Compass: LACERA's Policy Library*. *Compass* will ensure every LACERA staff member is able to readily locate, apply, and adhere to policies and procedures as they perform their day-to-day operations in compliance with the law and regulations.

Baseline Ethics and Compliance Risk Assessment

Ethics and Compliance strategic team leaders will conduct a baseline query of division leaders about ethics and compliance risk profiles and operational gaps to assist in determining what additional controls may be needed, such as divisional training, ethics and compliance action plans, policies, and procedures. These initial assessments will include ethics and compliance risk questionnaires or surveys followed by interviews. The assessment process will also ensure management understands how the Program will serve as a valuable resource to support their individual operations.

Baseline Ethics and Compliance Culture Survey

This survey will establish a baseline for benchmarking the organization's understanding of, appetite for, and adherence to LACERA's ethics and compliance standards at a cultural level. The initial survey will measure elements such as: 1) staff's comprehension of the meaning, value, and necessity of ethics and compliance for the organization; 2) staff's perception of senior leadership's commitment to ethics and compliance; 3) staff's knowledge of reporting channels--how to access those channels and report suspected misconduct; 4) staff's confidence in LACERA's commitment to nonretaliation; and 5) staff's trust in organizational justice, i.e. that LACERA has a methodical and fair investigative process and treats misconduct consistently. The survey will also serve as an additional educational tool and communicate to staff the significance of the Program, their involvement in it and leadership's commitment to it.

CECO and Deputy Job Descriptions and Salaries

Job Descriptions for the Chief Ethics and Compliance Officer and the Deputy position are being drafted in conjunction with Human Resources. Evaluation of the appropriate salary level for both positions is also underway. The CECO recruitment plan is dependent on County approval of the position. Once the CECO is approved, recruited, and hired, they will oversee the recruitment process and hiring of additional Ethics and Compliance Office staff (e.g., the Deputy position).

LACERA's Code of Ethical Conduct Update

LACERA's Code of Ethical Conduct is a cornerstone of the organization's Ethics and Compliance Program, sets expectations, and serves as an ethical decision-making guide. The document will be updated to reflect the Ethics and Compliance Program, other applicable 2023-2028 strategic plan initiatives, LACERA's new vision, values, and guiding principles. The Code will continue to address and further define reporting roles and responsibilities, LACERA's investigative process for instances of misconduct, as well as ethics and compliance risks specific to LACERA's business operations. In addition to any substantive revisions, the format of the Code will be updated to improve accessibility via additional channels and made interactive where indicated. The Code update will be followed by organization-wide training, further educating staff on its significance, value, and their responsibility to always work in accordance with the Code. The Code was last reviewed and revised in November 2021 and has a three-year review cycle, so review is timely.

CONCLUSION

Ethics and compliance are an inherent part of LACERA's constitutionally mandated fiduciary duties of care, skill, prudence, and diligence, and impact the entire organization and its mission to produce, protect, and provide the promised benefits to members and their beneficiaries. Accordingly, upon approval of the Ethics and Compliance Program Charter, it is important to implement the foundational elements of the Program through the proposed Work Plan.

The Audit Committee recommends that the Boards review and approve the proposed Ethics and Compliance Program Foundational Work Plan.

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Steven P. Rice
Carly Ntoya, Ph.D.
Leisha Collins
Christina Logan
Allison Barrett

September 26, 2024

TO: Trustees – Board of Investments

FROM: Luis A. Lugo, Deputy Chief Executive Officer LL
Laura Guglielmo, Assistant Executive Officer LG
JJ Popowich, Assistant Executive Officer JJ
Steven P. Rice, Chief Counsel SPR
Vache Mahseredjian, Principal Investment Officer VM
Ted Granger, Chief Financial Officer TG

FOR: October 9, 2024 Board of Investments Meeting

SUBJECT: Actuarial Funding Policy and Interest Crediting Policy Approval

RECOMMENDATION

It is recommended that the Board of Investments:

a. Adopt the revised Actuarial Funding Policy effective for the fiscal year beginning July 1, 2024.

b. Adopt a separate Interest Crediting Policy for Reserve Accounts effective for the fiscal year beginning July 1, 2024.

SUMMARY

At the September 2024 Board of Investments meeting, drafts of two proposed policies were presented for review and comment: an updated Actuarial Funding Policy and a new Interest Crediting Policy. As no changes have been proposed, adoption of the policies is recommended.

The entire package from last month's presentation is attached.

Reviewed and Approved:

Santos H. Kreimann
Chief Executive Officer

Attachments

I. Board of Investments Memo dated August 26, 2024, and Attachments
(Re: Actuarial Funding Policy and Interest Crediting Policy)

c: Jonathan Grabel, LACERA
Richard Bendall, LACERA
Fesia Davenport, CEO, Los Angeles County

August 26, 2024

TO: Trustees – Board of Investments

FROM: Luis A. Lugo, Deputy Chief Executive Officer
Laura Guglielmo, Assistant Executive Officer
JJ Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Vache Mahseredjian, Principal Investment Officer
Ted Granger, Chief Financial Officer

FOR: September 11, 2024 Board of Investments Meeting

SUBJECT: Actuarial Funding Policy and Interest Crediting Policy

BOARD REVIEW AND FEEDBACK

Two new policies are presented to the Board of Investments for review and comment: a draft Actuarial Funding Policy and a draft Interest Crediting Policy (*Attachments II and III*, respectively). The Actuarial Funding Policy contains proposed updates and revisions, while a new Interest Crediting Policy is added for clarity and usefulness. Changes and edits made by Trustees will be included in the final versions, which will be presented at the next BOI meeting in October 2024, at which time the Board will have the opportunity to approve and formally adopt the policies.

EXECUTIVE SUMMARY

At the Board of Investments ("BOI") Offsite meeting in September 2023, LACERA's executive, investments, legal, and accounting divisions and consultants from Nossaman and Milliman, presented an overview of the 2013 Retirement Benefit Funding Policy ("2013 Funding Policy"). *Attachments V and VI* include the 2023 presentation slides and the 2013 Funding Policy, respectively.

The 2013 Funding Policy was due for a review as it had been over ten years since the last revision. In addition, the Board's 2008 Actuarial Audit Policy Directive ("2008 Audit Policy"), *Attachment VII*, was overdue for review and the provisions within this Policy needed to be incorporated into the Board's Funding Policy. This funding policy review initiative is included in the Investment Division's 2024 Strategic Initiatives and Work Plan, which was approved by the BOI in January, and was added to the Board of Retirement's Fiscal Durability strategic goal.

<u>Purpose</u>

The retirement system's governing body establishes a funding policy for guidance in making funding decisions. It fulfills the governing Board's fiduciary duty of providing benefit security for retirement system members while minimizing plan sponsor contributions. The policy also offers the consulting actuary some direction in preparing the annual retirement benefit actuarial valuations.

The funding policy is the list of priorities the BOI would like LACERA to achieve with respect to funding of retirement benefits. It also:

1. Describes the BOI's goals in funding the plan,
2. Identifies legal parameters governing the BOI and LACERA regarding actuarial matters and funding,
3. Establishes the framework to calculate contribution rates,
4. Guides and explains LACERA's annual valuation and triennial experience study, and
5. Assigns the allocation of realized gains and losses to the new Interest Crediting Policy.

<u>Process</u>

An internal cross-functional team (Team) was created that included external legal counsel and consulting actuaries. The Team's objectives were to ensure the Board's Funding Policy complies with current legal interpretations, discusses actuarial and audit practices, provides guidance to the Board, and meets LACERA's policy guidelines.

The previous Funding Policy was updated and retitled "Actuarial Funding Policy" (AFP), included as *Attachment II*, and formatted to comply with LACERA policy standards. A redlined version of the prior policy is not included due to changes in format, style and content. Some of the updates and clarifications include:

- Key principles to identify the Board's funding objectives.
- Funding goal that determines a funding target.
- Actuarial process including the annual valuation, triennial experience study, and actuarial reviews and audits.
- Policy definitions which help readers understand technical terminology.
- Actuarial funding procedures to define actuarial methods.
- Discretionary benefits discussion when earnings exceed the funding goal.

The Team consensus is that the interest crediting process warrants a separate policy and therefore it drafted the Interest Crediting Policy ("ICP") For Reserve Accounts, see *Attachment III*. The new ICP introduces a new term called "Available Earnings," sets the interest crediting rate for the Member Reserve account within the Policy, and establishes a requirement to fund the Contingency Reserve at 1% of the fair value of assets each crediting cycle. Other changes align the reserve account treatment within actuarial and accounting processes and provide support for internal accounting operations.

LACERA's internal Policy Committee reviewed these new policies which provide direction and guidance for the Board and will be updated on a regular basis. We will incorporate any Trustee feedback into the prospective policy documents.

LEGAL AUTHORITY

Under Article XVI, section 17(e) of the California Constitution, the BOI, as part of and consistent with its "plenary authority and fiduciary responsibility for investment of moneys and administration of the system," has the "sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system."

State statutes also govern the BOI's actuarial process, including, among other things, valuations, the setting of actuarial assumptions and amortization, determination of contribution rates taking into account normal cost and the unfunded liability, cost sharing requirements between members and participating employers, and delivery of recommended rates to the County and their approval by the County Board of Supervisors. Importantly, the Legislature recognizes the BOI's "plenary authority to recommend adjustments to county and district contributions as necessary to ensure the appropriate funding of the system" and to take appropriate steps to enforce its authority. (Cal. Gov't Code, §31454.7.)

In addition to provisions for funding the LACERA plan, Government Code Section 31591 of the County Employees Retirement Law of 1937 (CERL) provides that interest shall be "credited semiannually on June 30th and December 31st to contributions in the retirement fund which have been on deposit for six months immediately prior to that date." Government Code Sections 31592 and 31592.2 of CERL further provide that earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during such year "shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies," and that upon maintaining at least one percent of assets in a contingency reserve after such interest crediting, the earnings may be allocated as provided by CERL and other applicable law.

Fiduciary Considerations

Following from the legal authority described above, the Funding and Interest Crediting Policies are a prudent exercise of the BOI's plenary authority in order to establish and define the fiduciary framework and fulfill the BOI's ***Duty of Prudence*** in administering the plan and ***Duty of Loyalty*** to its members and their beneficiaries, owed under the California Constitution, consistent with the recommendation of the plan's actuary, so long as decisions are not arbitrary and capricious.

The guiding principles are reflected in the funding goals as set forth in the Funding Policy, including:

1. **Seek 100% funding ratio over time:** *BOI*[1] *should have a prudent means to fund the plan so that it has a reasonable and sound expectation that the plan will be able to timely pay members and beneficiaries the defined benefits promised them under the plan;*

2. **Maintain an "actuarially sound" plan:** *Board has a duty to ensure that the plan is actuarially funded so that the plan is able to pay promised benefits;*

3. **Constitutional duty to "minimize employer contributions":** *BOI has the constitutional, but not fiduciary, duty to "minimize employer contributions" by diversifying investments and maximizing risk-adjusted returns, consistent with the recommendations of the actuary and considering the future liabilities/stability of plan. Contribution rates should be as low as "practicable" under the circumstances, but not necessarily as low as "possible;"*

4. **Eliminate UAAL over reasonable period of time:** *The funding plan should seek to eliminate the UAAL over time, and minimize volatility in contribution rates while doing so;*

5. **Adjust in the event that experience no longer matches assumptions:** *The principles reflected in the Funding Plan take into account that the adjustment will be made based on experience.*

[1] BOI Trustees all have the same fiduciary responsibilities as one another to do so.

ACTUARIAL FUNDING POLICY HISTORY

In 1994, Los Angeles County and LACERA entered into a retirement system funding agreement ("1994 Agreement") which was created to sunset in fifteen years. As stipulated in the agreement, the County issued pension obligation bonds and transferred the proceeds to fully fund the LACERA retirement system at that time. The agreement was amended in 2002 to define concepts such as surplus funding, unfunded liabilities, amortization of unfunded liabilities, and a new reserve account.

The Board of Investments approved the LACERA Retirement Benefit Funding Policy in 2009, upon expiration of the 1994 Agreement. This first version of the Funding Policy included major components of a long-term funding policy such as: overfunding, underfunding, asset valuation, excess earnings, valuation cycle, valuation reserves, non-valuation reserves, and allocation of actuarial assets. The Board amended the Funding Policy in 2013 to conform to new standards mandated by PEPRA (California Public Employees' Pension Reform Act of 2013).

Actuarial Audit Policy Directive

The Board of Investments is responsible for hiring and retaining the consulting actuaries. In 1998, the Board of Investments approved the initial Actuarial Audit Policy Directive ("1998 Audit Policy"). The purpose was to document the Board of Investments' process for completing audits of actuarial valuations and reviews of experience studies. The Policy states that the Board of Investments will hire a second consulting actuary ("audit actuary"), in addition the primary consulting actuary, to perform audits and reviews of the primary consulting actuary's work.

In 2008, the Board of Investments accepted a recommendation from LACERA's Audit Committee to update the Actuarial Audit Policy. The primary change was to increase the frequency of the experience study reviews from every six years to every three years and continue the three-year cycle for valuation audits, so both review/audit processes would be aligned with the triennial actuarial cycle. The 2008 Audit Policy is the latest version.

The 2024 AFP supersedes the 2008 Audit Policy by including language to address the audit process in Section V. C. 2. "Actuarial Audit". Although the 2008 Audit Policy contained detailed procedural steps for performing the audit and review work, the scope of work language describing the audit process included in the actuarial audit agreement is more comprehensive than the former actuarial audit policy.

ACTUARIAL FUNDING POLICY UPDATE – 2024

Following the 2023 Board Offsite meeting, an internal cross-functional team (Team) was formed, consisting of members from executive, investments, legal, accounting, and representatives from external consultants including Nossaman and Milliman. The Team's purpose was to update the existing 2013 Funding Policy ensuring that the new version complies with legal requirements, actuarial standards, and provides a principles-based document that is clear and concise.

Funding Policy Updates

The 2013 Funding Policy is attached for reference. The Team did not include a redlined version as there were substantive changes to the Policy's format, and content. The 2024 AFP includes concepts, some of which were carried over from the prior policy and others that were developed in the new version. AFP changes and rationale are summarized below:

- Funding policy principles: key principles added to identify the Board's funding objectives. Incorporates a principles-based approach in this revised version.

- Funding goal: reiterates the Board's funded ratio target. These concepts are carried forward from the prior version and clarified.

- Policy definitions: expanded to define technical and actuarial terms which help readers understand terminology used in the document. The prior version contained a limited set of definitions.

- Valuation cycle: describes the annual actuarial valuation, triennial actuarial experience study, and actuarial review and audit processes. The language is examined and updated to include a reference to contribution timing.

- Actuarial funding procedures: includes various actuarial methods which are defined and applied to LACERA's actuarial process. These actuarial terms are expanded to better describe these concepts within the context of a funding policy.

- Discretionary benefits: discusses BOI options when funds exceed the amount needed to meet the funding goal. Language is clarified to identify actions that can be considered in this situation after legal requirements are met.

- Interest crediting: references the semi-annual process of allocating realized earnings to reserve accounts. Staff drafted a separate policy to address this process and document the approach which includes some changes from the prior method.

- Legal references: updated and included as hyperlinks throughout the document. Inserts links that will allow readers to more easily reference legal code sections when using the document electronically.

- Policy formatting: reformatted document to comply with LACERA policy standards by using a consistent structure and format.

- Policy revisions: updates are scheduled for every three years.

INTEREST CREDITING POLICY – 2024

During the review and deliberations of the AFP, the Team determined that the interest crediting process was related to the Board's actuarial funding policy but an independent internal process that was better documented in a separate Board policy. The interest crediting process existed in the 2013 Funding Policy although the description is abbreviated. Policy language in conjunction with internal practices and procedures were relied upon.

The Team determined that a separate ICP would provide additional transparency, guidance and documentation which can be easily referenced by the LACERA accounting team and the consulting actuary. The new policy document incorporates the following:

- Member Reserve Rate: sets the interest crediting rate for the Member Reserve account. An updated method pre-determines the interest crediting rate, set at one-half the assumed investment earnings rate. This improves internal benefit operations that apply the interest crediting rate and reduces uncertainty when realized earnings from investment markets fluctuate.

- Contingency Reserve: establishes a requirement to allocate Available Earnings to the Contingency Reserve at 1% of the fair value of assets each crediting cycle. The new method aligns actuarial and accounting process and helps reduce volatility in interest crediting for the Member Reserve account due to a waterfall style application of earnings.

- Undistributed Earnings Reserve: creates a new reserve account in the last priority position. The account will post any remaining earnings after all other priorities have been satisfied or offset deficiencies in realized earnings amounts.

- Reserves waterfall: updates the realized earnings allocation process by defining a new term, “Available Earnings”, clarifying reserve account priorities, and eliminating unused reserve accounts.

- Actuarial and accounting processes: establishes alignment in reserve account treatment between the annual actuarial valuation methods and the semi-annual interest crediting accounting process.

- Appendix: includes examples of interest crediting scenarios which can be referred to for crediting interest in specific situations when there are fluctuations in investment earnings from the pension plan investment portfolio.

- Internal procedures: steps that can be referenced by staff and updated in conjunction with the ICP.

- Standards and revisions: the document complies with LACERA policy standards by using a consistent structure and format and requires updates every three years.

Interest Crediting Procedures

In creating the ICP, updates were made to past practice. These procedural changes are consistent with the Team’s interpretation of legal concepts and actuarial standards, and better align the accounting and actuarial procedures.

1. <u>Available Earnings is a new term.</u> Procedures in the ICP are consistent with past practices. This new policy articulates that prior period balances in the Contingency Reserve and the Undistributed Earnings Reserve are combined with Realized Earnings for the current period, and then the interest crediting process can be applied to the first priority, the Member Reserve.

2. <u>Member Reserve Rate is set by Board Policy.</u> The interest rate for crediting the Member Reserve is one-half the assumed investment return for the six-month interest crediting cycle. If the Available Earnings dollar amounts fall short of the dollar amount needed to post interest credits to the Member Reserve, a negative balance investment will be shown in the Undistributed Earnings Reserve. However, under the methodology described in the ICP, the negative balances are addressed first, and presumably eliminated, with positive Realized Earnings in the next interest crediting cycle.

Per the prior policy, the Member Rate was determined by actual Realized Earnings for the period. Over the past 11 years (22 cycles), the Member Reserve received the full interest credit amount except in four periods[2] where the Realized Earnings did not meet the target amount.

3. Streamlines internal member operations. Setting the Member Reserve interest crediting rate within the Policy eliminates uncertainty and frequent changes to internal processes. For example, Benefits and Member Services teams apply the interest crediting rate to previous service purchase contracts entered into by members.

4. Contingency Reserve is set at 1% of the fair market value of assets. Establishing the Contingency Reserve at each interest crediting cycle aligns the accounting procedure with the actuarial practice. Similar to the Member Reserve, if the Available Earnings dollar amounts fall short of the dollar amount needed to post interest credits to the Contingency Reserve and establish the 1% minimum threshold, a negative balance investment will be shown in the Undistributed Earnings Reserve. However, under the methodology described in the ICP, the negative balances are addressed first, in the calculation of available earnings, and can be eliminated with sufficient positive Realized Earnings for that period.

5. Undistributed Earnings Reserve is a new reserve account. This account was established to receive allocations after all priorities have been met. In addition, this account will be used to post contra or negative balances when earnings are not sufficient to meeting the Member Reserve or Contingency Reserve requirements set forth in the new ICP. It is anticipated that negative balances will occur infrequently under the revised interest crediting process.

6. Reserve account priorities have been clarified. The accounting priorities to receive interest credits are aligned with actuarial practices as listed below. The Employer Reserve is the third priority and duplicate entries have been eliminated. With sufficient Realized earnings for the period, the Employer Reserve receives interest credits immediately following the Member Reserve and Contingency Reserve:
   i. Member Reserve
   ii. Contingency Reserve
   iii. Employer Reserve
   iv. Undistributed Earnings Reserve

7. Eliminated two reserve accounts that were not used. The Advanced Employer Contribution and County Contribution Credit Reserve were removed from the Policy. These reserve accounts, previously established by the 2009 Funding Policy, have been depleted and not used for over ten years.

Interest Crediting Examples

In addition to creating a separate Interest Crediting Policy, the Team developed interest crediting examples, *Attachment IV*. The examples illustrate the step-by-step process of

[2] The interest crediting rate applied to the Member Reserve was based on actual realized earnings of LACERA, which were less than one-half the assumed investment return, for the cycles ending 6/30/2023, 12/31/2018, 6/30/2016, and 12/31/2015.

applying interest credits in the three scenarios below. These examples can be used for assistance when necessary and are an appendix to the ICP.

- Scenario #1: Available Earnings less than amount needed for Member Reserve interest credit and Contingency Reserve allocation.
  - This situation results in a negative balance in the Undistributed Earnings Reserve which, with sufficient Realized Earnings, can be offset or eliminated in the next interest crediting cycle.

- Scenario #2: Available Earnings greater than amount needed for Member Reserve interest credit and Contingency Reserve allocation but not enough for full Employer Reserve credit.
  - This scenario results in providing full interest credits to the first two priorities, Member Reserve and Contingency Reserve. There is a remaining balance that is applied to provide the Employer Reserve with partial interest credits but not the full amount.

- Scenario #3: Available Earnings greater than amount needed for Member Reserve interest credit and Contingency Reserve, and full Employer Reserve credit.
  - In this example, interest credits are applied to the first three priorities, Member Reserve, Contingency Reserve, and Employer Reserve. The Undistributed Earnings Reserve is credited with the remaining Available Earnings balance.

IMPLEMENTATION

Following the Board's review and adoption of these policies, implementation would occur in the current fiscal year 2024-2025. The first interest crediting cycle under the new ICP would be for December 31, 2024. The fiscal year end June 30, 2025 annual financial statements will reflect the reserve accounts described in these policies.

IMPACT

The AFP and ICP are important governing documents for the Board. These tools provide written direction and are living documents that can be reviewed and updated. The recommended revisions provide additional clarity and transparency.

CONCLUSION

The Board of Investments is responsible for making decisions regarding the funding of LACERA's retirement benefits. The Actuarial Funding Policy (AFP) provides guidance and had not been updated in some time. We are requesting the Board's input to these draft policies. The policies will be updated to reflect Trustee feedback and then presented to the Board in October for approval. The Board will review them every three years in conjunction with the triennial experience study.

The presentation slides that accompany this agenda item are included as *Attachment I.* Ashley Dunning from Nossaman and Craig Glyde from Milliman will join the September 11, 2024 BOI meeting virtually while LACERA Staff and Nick Collier from Milliman will attend in person.

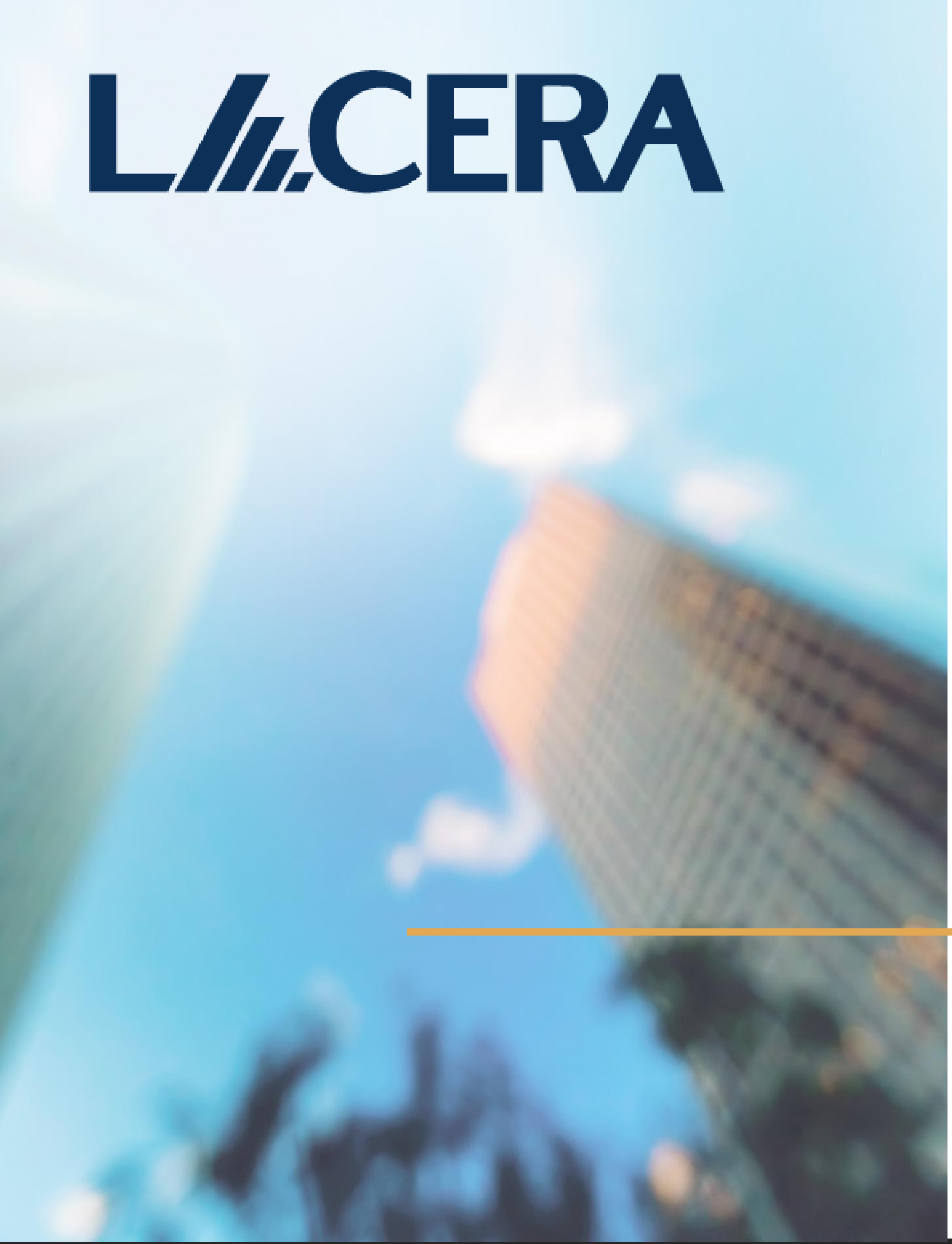
Reviewed and Approved:

Santos H. Kreimann
Chief Executive Officer

Attachments

I. Board of Investments Offsite – Presentation Slides for September 11, 2024
II. Draft – 2024 Actuarial Funding Policy (revised)
III. Draft – 2024 Interest Crediting Policy (separate policy)
IV. 2024 Interest Crediting Examples
V. Board of Investments Offsite – Presentation Slides, September 12, 2023
VI. 2013 Retirement Benefit Funding Policy
VII. 2008 Actuarial Audit Policy Directive

c: Jonathan Grabel, LACERA
Richard Bendall, LACERA
Fesia Davenport, CEO, Los Angeles County



Attachment I

Actuarial Funding Policy
Interest Crediting Policy

Board of Investments

September 11, 2024

Agenda

Board Review and Feedback

Process Overview

September 2024 Review

- Draft Policies presented at Board meeting
- Trustees provide feedback and input

October 2024 Approve

- Trustee edits and changes incorporated into Policy documents
- Policies presented for adoption

FY 2024/2025 Implement

- Actuarial Funding Policy effective for fiscal year
- Interest Crediting Policy applied with December 2024 cycle

Strategic Priority – Fiscal Durability

Strategic Objective

5.2 Review and Revise Funding Policy

Mission, Vision, and Values

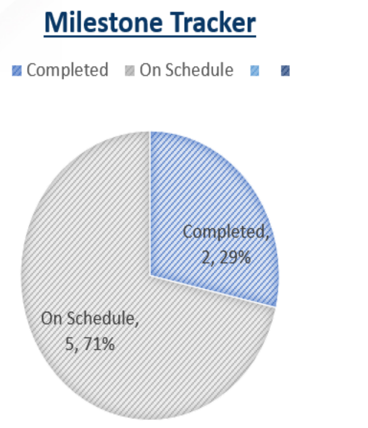
- The Board of Investments (BOI) Actuarial Funding Policy and Interest Crediting policy serve as foundational policies in meeting our mission to produce, protect, and provide the promised benefit to our members.
  - The newly revised Actuarial Funding Policy provides a principles-based framework in fulfilling the board's fiduciary duty of providing benefit security for retirement system members while minimizing plan sponsor contributions.
  - The Interest Crediting Policy defines the reserve accounts and provides a structured process and guidance for LACERA and actuarial consultants to follow.

WORKPLAN - Strategic Objective 5.2

Strategic Goal: Fiscal Durability
Strategic Objective: 5.2 – Update and revise LACERA Actuarial Funding Policy
Executive Sponsor: Luis Lugo; Vache Mahseredjian (Lead)

Legend
On Schedule ●
Delayed/Stopped ▲
Not Started ◆
Complete ★

#	Objective Milestones	Status	Start	Expected Completion
1	Create team to define objective goals and initiatives. Investment team in collaboration with FASD and Legal led jumpstart during 2023 BOI offsite	★	09/2023	01/01/2024
2	Review of existing policy and discussion of desirable elements	★	10/2023	12/01/2023
3	Schedule meetings among workgroup to develop draft of new policy	●	10/2023	03/21/2024
4	FASD and LACERA Actuary (Milliman) to draft separate interest crediting proc.	●	01/2024	04/30/2024
5	Seek approval of funding policy and interest crediting by LACERA ECC	●	06/2024	08/15/2024
6	Prepare cover memo and presentation for September BOI meeting	●	08/2024	09/2024
7	Recommend adoption of new policy at the September BOI Meeting	●	09/2024	09/2024



I ACT

Inclusivity Innovation Integrity Accountability Collaboration Transparency

Purpose of Funding Policy

Purpose of Funding Policy

Overview

A Funding Policy is the list of priorities with respect to funding of retirement benefits. It also:

1. **Describes the BOI's goals** in funding the plan
2. **Explains legal parameters** governing the BOI and LACERA with respect to actuarial matters and funding
3. **Establishes the framework** to calculate contribution rates
4. **Explains and guides** LACERA's annual valuation and triennial experience study
5. **Assigns** allocation of realized gains and losses to the new Interest Crediting Policy

Contrast to Valuation

- BOI annually considers and adopts a Valuation recommended by the Actuary
  - The Valuation explains how the system is funded
  - The Valuation also includes the contribution rates due from active members and participating employers
- A BOI *Funding Policy* may be adopted to provide a *principles-based* articulation of framework for funding LACERA benefits

Key Attributes

- Policy decisions are stated with applicable rationale
- Delegations are specified with oversight by the BOI
- Fiduciary framework for funding is articulated for the BOI to operate in compliance with the California Constitution, CERL, and other applicable laws

Purpose of Funding Policy

In Summary

A Funding Policy Does:

1. State policy decisions, including applicable rationale
2. State delegations with oversight by the BOI
3. State the fiduciary framework within which the BOI operates with respect to funding under the California Constitution, CERL, and other applicable law
   - Synthesize the statutory mandates applicable to BOI and LACERA
   - Articulate statutory mandates in digestible format

A Funding Policy Does Not:

1. Serve as a replacement for LACERA's annual actuarial valuation
2. Serve as a replacement for LACERA's triennial experience study
3. Establish contribution amounts owed by members/employers
4. Articulate all of the assumptions or methodologies utilized by LACERA's actuary

Purpose of Funding Policy

What an Actuary Looks for in Pension Plan Funding

Plan to reach 100% Funded Ratio

- Provides benefit security for members
- Ultimately should result in lower contributions for employers
- Looks good to bond rating agencies

Method to mitigate year-to-year volatility

- Maintain reasonably stable employer contribution rates

Cost method suitable to pension funding

- Allocate costs in a level manner

Reasonable period to pay off unfunded liability

- Balances funding progress and employer rate stability
- Equitable allocation of costs to generations of taxpayers (intergenerational equity)

Elements of Funding Policy

Core Elements

Funding Goal

- Funded Ratio equal to 100%
- Provide benefit security for members
- Maintain stable employer contributions that are as low as practicable
- Intergenerational equity

Actuarial Cost method

- Entry Age Normal cost method is typically used for public pension plans

Actuarial Asset method

- Avoid significant volatility in employer contribution rates

Amortization

- Amortization of Unfunded Actuarial Accrued Liability (UAAL): how to recognize a change in liability over time

Surplus Management

- If UAAL is fully paid off, what to do when the plan is over 100% funded

Actuarial Funding Policy

LACERA Funding Policy – History

1987

Pension Obligation Certificates
- Los Angeles County issued Pension Obligation Certificates (POCs) to reduce the retirement system liability
- LACERA used funding to purchase annuity contracts for small group of retirees

1993

Pension Bond Financing Resolution
- Board of Supervisors (BOS) adopted a Pension Obligation Bond (POB) financing resolution
- County decision to fully fund the retirement system

1994

Retirement System Funding Agreement
- BOS issued POBs to reduce LACERA's unfunded liability
- Los Angeles County and LACERA entered into an agreement with a 15-year term

2002

Retirement System Funding Agreement Amendment
- "Surplus funding" was introduced as LACERA's funded ratio exceeded 100% in late 1990s
- County's reduction of unfunded liabilities increased from 5-years to 30-years with rolling amortization

2009

Retirement Benefit Funding Policy
- Sunset of 1994 Agreement and 2002 Amendment
- Long-Term Funding Policy components included over/under funding, asset valuation, excess earnings, actuarial valuation cycle, and restricted reserves

2013

Retirement Benefit Funding Policy Amendment
- Conform to new standards mandated by PEPRA (California's Public Employees' Pension Reform Act of 2013)
- Prohibits reducing employer contributions below normal cost, unless plan's funded status exceeds 120%

2024

Revised Actuarial Funding Policy and Interest Crediting Policy
- Board of Investments (BOI) to consider and possibly adopt revised Actuarial Funding Policy and separate Interest Crediting Policy

LACERA Funding Policy – Principles

Benefit Security and Risk Mitigation

The primary principle guiding actuarial funding of LACERA is ensuring that the plan can timely pay vested retirement and death benefits to the system's members and beneficiaries and mitigate risk in that regard. This does not require that the plan remain 100% funded at all times, so long as LACERA has sound policies reasonably aimed at getting there

Generational Equity

Actuarial funding also aims for contributions of employers and active members collectively to accumulate the present value of benefits for members by the time they retire.

Sound and Transparent Process

The JOGC Charter and BOI's Powers Reserved and Powers Delegated governance documents identify the BOI's reserved authority and delegated responsibilities with respect to actuarial funding. The Funding Policy provides additional transparency and explicit instructions, permitting the BOI to monitor delegated aspects of the actuarial funding process.

Contribution Stability

Actuarial funding should be designed such that employer contributions will make up for any differences in actual assets from the funding target within a defined and reasonable period of time while seeking to mitigate year-to-year volatility in contribution rates.

Compliance with Legal Duties

The California Constitution, CERL, PEPRA, and applicable case law provide the BOI with legal authority, fiduciary responsibility, and certain statutory parameters regarding the actuarial funding of the pension fund. Those duties must be exercised in an actuarially sound manner.

LACERA Funding Policy – Structural Considerations

Funding Policy Development

- The revised Funding Policy incorporates a principles-based framework highlighting structural considerations discussed during 2023 BOI Offsite.

Framework Articulation	Principles-based articulation of framework for funding of LACERA retirement benefits
Legal Parameters	Framework to explain legal parameters governing LACERA's funding of benefits, setting of contribution rates, and crediting of earnings to reserves
Regular Processes	Framework to reflect and guide annual actuarial valuation process and triennial experience study, as well as to direct allocation of earnings to reserves
Impact of Changes	May consider impact of changes to Investment Policy Statement (IPS), or of investment market conditions, on plan funding, including short and long-term liquidity needs
Future Revisions	Should be revised periodically to implement funding policy best practices and to ensure legal, actuarial, and operational compliance.

Funding Policy Comparison

Current 2013 Policy		New 2024 Policy	
Covers the core elements of a general funding policy	01	01	Adopts a principles-based framework in achieving BOI's funding objectives
Lacked articulation of legal parameters governing LACERA's funding of benefits	02	02	Provides greater legal and process-related guidance to funding and actuarial matters
Explains LACERA's annual valuation and triennial experience study	03	03	Clearly defines actuarial funding procedures
Policy last updated over a decade ago	04	04	Establishes periodic policy review (3 years)

Actuarial Funding Policy

Legal Authority

- California Constitution, Art. XVI, §17(e) provides that the BOI and trustees have sole fiduciary power and authority to employ actuarial services to “assure the competency of the assets” of the fund
- CERL and PEPRA contain financial provisions on actuarial valuations, assumption setting and amortization, contribution rate setting taking into account the normal cost and the UAAL, and delivery of rates to the County, including plenary fiduciary authority to set “contributions as necessary to ensure the appropriate funding of the system”
- Approval of a Funding Policy is prudent exercise of authority to establish guiding framework for exercise of the BOI’s actuarial responsibility

Policy Principles and Highlights

- **Benefit Security and Risk Mitigation**
  - The primary principle guiding actuarial funding of LACERA is ensuring that the plan can timely pay Statutory Benefits to the system’s members and beneficiaries and mitigate risk in that regard.
- **Employer Contribution Rate Stability**
  - Actuarial funding should be designed such that employer contributions will make up for any differences in actual assets from the Funding Goal within a defined and reasonable period of time while seeking to mitigate year-to-year volatility in employer contribution rates when prudent. Employer contribution rates should be minimized to the extent practicable while maintaining the actuarial soundness, diversified portfolio, and appropriate funding of LACERA, in accordance with Section 31454.7 of CERL and other applicable law.
- **Intergenerational Equity**
  - To the extent practicable, actuarial funding should aim for intergenerational equity where each generation of taxpayers incurs the cost of benefits for the employees who provide services to those taxpayers.
- **Sound and Transparent Process**
  - The BOI has authority and fiduciary responsibility with respect to actuarial funding. The Funding Policy provides additional transparency and guidance for the BOI in overseeing the actuarial funding process.

Funding Policy

High-Level Policy Changes

Updates/Changes	Purpose
Funding Policy Principles	Key principles added to identify the Board's funding objectives.
Funding Goal	Reiterates the Board's funded ratio target.
Policy Definitions	Expanded to define technical and actuarial terms which help readers understand terminology used in the document.
Valuation Cycle	Describes the annual actuarial valuation, triennial actuarial experience study and actuarial review and audit processes.
Actuarial Funding Procedures	Includes various actuarial methods which are defined and applied to LACERA's actuarial process.
Discretionary Benefits	Discusses BOI options when earnings exceed the funding goal.
Interest Crediting	References the semi-annual process of allocating realized earnings to reserve accounts, detailed in a new BOI policy.
Legal References	Updated and included hyperlinks throughout the document.
Standards and Revisions	Complies with LACERA policy standards by using a consistent structure and format and requires updates every three years.

Interest Crediting Policy

Interest Crediting Policy

Policy Highlights

- New Policy: Establishes a BOI policy separate from the Actuarial Funding Policy.
- Member Reserve: Sets account interest crediting rate at one-half the assumed investment return for the six-month interest crediting cycle.
- Contingency Reserve: Re-establishes the reserve balance at 1% of fair market value of assets for each crediting cycle.
- Available Earnings: New term which includes prior period balances in the Contingency Reserve and Undistributed Earnings Reserve, in addition to current period Realized Earnings.

- Undistributed Earnings Reserve: New reserve account to post any remaining earnings after all priorities have been satisfied or offset any earnings deficiencies.
- Employer interest crediting:
  - Employer Reserve set as Priority 3, following Member and Contingency Reserves.
  - Eliminates unused reserve accounts.
- Aligns legal, accounting and actuarial procedures:
  - Contingency Reserve treated the same.
  - Includes Appendix with Interest Crediting Examples.
- Accounting Process: Outlines accounting process and provides guidance and detail.

Interest Crediting Policy

Legal Authority

- Fiduciary duty of prudence and loyalty to members and their beneficiaries owed by BOI and trustees under California Constitution, Art. XVI, §17
- CERL Section 31591 requiring semiannual crediting of interest on contributions
- CERL Section 31592 and 31592.2 providing for a contingency reserve of one percent of assets
- Other financial provisions addressing LACERA's accounting and use of earnings

Policy Elements	Purpose
New BOI Policy Document	Separates detailed actuarial and accounting procedures from the Funding Policy.
Member Reserve Rate	Sets the interest crediting rate for the Member Reserve account.
Contingency Reserve	Establishes a requirement to fund the Contingency Reserve at 1% of fair value of assets each crediting cycle.
Undistributed Earnings Reserve	Creates a new reserve account to post remaining earnings after priorities have been satisfied or offset deficiencies in realized earnings.
Reserves Waterfall	Updates realized earnings allocation process by defining a new term "Available Earnings" and clarifying the reserve account priorities. Removes unused accounts.
Actuarial and Accounting Process	Establishes alignment in reserve account treatment between the actuarial valuation methods and the interest crediting accounting process.
Appendix	Includes examples of interest crediting scenarios for reference.
Standards and Revisions	Complies with LACERA policy standards by using a consistent structure and format and requires updates every three years.

Interest Crediting Waterfall

Earnings allocation to Reserve Accounts in Priority order

Old Method

Reserves Waterfall

- Contingency
- Priority 1: Member
- Priority 2: Employer (Advance Contributions)
- Priority 3: Employer
- Priority 4: County Contribution Credit
- Priority 5: Employer
- Priority 6: Contingency
- Priority 7: Employer
- Priority 8: Excess Earnings

New Method

Reserves Waterfall

- **Available Earnings** (prior period Reserve balances and Realized Earnings)
- **Priority 1: Member** (1/2 investment return assumption)
- **Priority 2: Contingency** (1% of fair market value of assets)
- **Priority 3: Employer** (1/2 investment return assumption)
- **Priority 4: Undistributed Earnings** (remaining earnings or deficits)

Next Steps

STEP

1

Obtain feedback from Board of Investments

Update policies, as necessary

STEP

2

Request Board of Investment approval

October 2024 meeting

STEP

3

A. Revised Actuarial Funding Policy becomes effective July 1, 2024

B. Apply Interest Crediting Policy changes on December 31, 2024

Appendix

The scenarios on the following pages contain the same information as the Appendix to the Interest Crediting Policy but are presented in a slightly different format.

Interest Crediting: Scenario 1

Available Earnings less than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation

Pension Plan Reserves as of June 30, XXXX	
Member Reserve	$30,000,000,000
Contingency Reserve	$800,000,000
Employer Reserve	$35,000,000,000
Undistributed Earnings Reserve	$200,000,000
STAR Reserve	$610,000,000
Total Reserves at Book Value	$66,610,000,000

As of December 31, XXXX	
Fair Value of Assets	$82,000,000,000
Cumulative Unrealized Investment Portfolio Appreciation	$16,000,000,000
Realized Earnings for the Period	$0
1.0% Fair Value of Assets (FVA)	$820,000,000

Available Earnings as of December 31, XXXX $1,000,000,000

(= Realized Earnings for the Period + Contingency Reserve + Undistributed Earnings Reserve)

Interest Crediting / Allocation as of December 31, XXXX

	Pension Plan Reserves Before Crediting / Allocation	Credit / Allocated Amount	Effective Interest Credit / Allocation	Available Earnings Remaining After Credit / Allocation	Pension Plan Reserves as of December 31, XXXX
Member Reserve	$30,000,000,000	$1,050,000,000	3.5%	($50,000,000)	$31,050,000,000
Contingency Reserve	$0	$820,000,000	1.0% FVA	($870,000,000)	$820,000,000
Employer Reserve	$35,000,000,000	$0	0.0%	($870,000,000)	$35,000,000,000
Undistributed Earnings Reserve	$0	($870,000,000)		$0	($870,000,000)
STAR Reserve	$610,000,000			$0	$610,000,000
Total Reserves at Book Value	$65,610,000,000	$1,000,000,000			$66,610,000,000

Interest Crediting: Scenario 2

Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve but not enough for full Employer Reserve Credit

Pension Plan Reserves as of June 30, XXXX	
Member Reserve	$30,000,000,000
Contingency Reserve	$800,000,000
Employer Reserve	$35,000,000,000
Undistributed Earnings Reserve	$200,000,000
STAR Reserve	$610,000,000
Total Reserves at Book Value	$66,610,000,000

As of December 31, XXXX	
Fair Value of Assets	$82,000,000,000
Cumulative Unrealized Investment Portfolio Appreciation	$16,000,000,000
Realized Earnings for the Period	$1,220,000,000
1.0% Fair Value of Assets (FVA)	$820,000,000

Available Earnings as of December 31, XXXX $2,220,000,000

(= Realized Earnings for the Period + Contingency Reserve + Undistributed Earnings Reserve)

Interest Crediting / Allocation as of December 31, XXXX

	Pension Plan Reserves Before Crediting / Allocation	Credit / Allocated Amount	Effective Interest Credit / Allocation	Available Earnings Remaining After Credit / Allocation	Pension Plan Reserves as of December 31, XXXX
Member Reserve	$30,000,000,000	$1,050,000,000	3.5%	$1,170,000,000	$31,050,000,000
Contingency Reserve	$0	$820,000,000	1.0% FVA	$350,000,000	$820,000,000
Employer Reserve	$35,000,000,000	$350,000,000	1.0%	$0	$35,350,000,000
Undistributed Earnings Reserve	$0	$0		$0	$0
STAR Reserve	$610,000,000			$0	$610,000,000
Total Reserves at Book Value	$65,610,000,000	$2,220,000,000			$67,830,000,000

Interest Crediting: Scenario 3

Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation + full Employer Reserve Credit

Pension Plan Reserves as of June 30, XXXX	
Member Reserve	$30,000,000,000
Contingency Reserve	$800,000,000
Employer Reserve	$35,000,000,000
Undistributed Earnings Reserve	$200,000,000
STAR Reserve	$610,000,000
Total Reserves at Book Value	$66,610,000,000

As of December 31, XXXX	
Fair Value of Assets	$82,000,000,000
Cumulative Unrealized Investment Portfolio Appreciation	$16,000,000,000
Realized Earnings for the Period	$2,200,000,000
1.0% Fair Value of Assets (FVA)	$820,000,000

Available Earnings as of December 31, XXXX $3,200,000,000

(= Realized Earnings for the Period + Contingency Reserve + Undistributed Earnings Reserve)

Interest Crediting / Allocation as of December 31, XXXX

	Pension Plan Reserves Before Crediting / Allocation	Credit / Allocated Amount	Effective Interest Credit / Allocation	Available Earnings Remaining After Credit / Allocation	Pension Plan Reserves as of December 31, XXXX
Member Reserve	$30,000,000,000	$1,050,000,000	3.5%	$2,150,000,000	$31,050,000,000
Contingency Reserve	$0	$820,000,000	1.0% FVA	$1,330,000,000	$820,000,000
Employer Reserve	$35,000,000,000	$1,225,000,000	3.5%	$105,000,000	$36,225,000,000
Undistributed Earnings Reserve	$0	$105,000,000		$0	$105,000,000
STAR Reserve	$610,000,000			$0	$610,000,000
Total Reserves at Book Value	$65,610,000,000	$3,200,000,000			$68,810,000,000

Attachment II

ACTUARIAL FUNDING POLICY

BOARD OF INVESTMENTS
PENDING ADOPTION: SEPTEMBER 2024

LACERA

Actuarial Funding Policy

Authorizing Manager: Jon Grabel, Chief Investments Officer

Original Issue Date: December 9, 2009

Effective Date: July 1, 2024 **Last Updated: August 12, 2024**

Mandatory Review: Every 3 Years

Approval Level: Board of Investments

I. Purpose

The policy provides guidance to the Board of Investments (BOI) in making decisions about the funding of LACERA's retirement benefits. The policy also gives direction to LACERA's consulting actuary in their work.

II. Scope

The policy is applicable to the Board of Investments and is limited to the funding of LACERA's retirement benefits.

III. Legal Authority

The BOI governs LACERA in accordance with the California Constitution, County Employees Retirement Law (CERL), California Public Employees' Pension Reform Act of 2013 (PEPRA), Internal Revenue Code requirements, and applicable case law.

IV. Definitions

For the purpose of this Policy, the terms below have the following definitions:

Actuarial Accrued Liability (AAL) – The portion of the present value of projected benefits that is attributed to past service determined by the actuarial funding method.

Actuarial Cost Method – A process used to allocate present value of projected benefits among past and future periods of service.

Actuarial Standards of Practice – Guidance provided to actuaries on the techniques, applications, procedures, and methods that reflect appropriate actuarial practices in the United States.

Actuarial Surplus – The positive difference, if any, between the Valuation Assets and the Actuarial Accrued Liability

Actuarial Value of Assets (AVA) – The Fair Value of Assets less or plus the net deferred investment gains or losses not yet recognized by the Asset Smoothing Method.

IV. Definitions (Continued)

Asset Smoothing Method – A process used to spread the recognition of actuarial investment gains or losses (relative to the assumed return) over a period of time for the purposes of determining the Actuarial Value of Assets.

California Actuarial Advisory Panel – Group of eight appointed actuaries who provide public agencies with impartial and independent information on pensions, other post-employment benefits, and best practices, and report those recommendations to the Legislature.

California Public Employees' Pension Reform Act of 2013 (PEPRA or CalPEPRA) – This law affects retirement benefits and member contribution rates for most employees hired January 1, 2013, and later. Additional provisions put limitations on employer contribution rates.

County Employees Retirement Law of 1937 (CERL) – Body of law enacted to govern retirement benefits for certain public employees.

Conference of Consulting Actuaries Public Plans Community – Group charged with advancing the sound actuarial and governance practice in the public sector retirement and employee benefits arenas.

Employer Normal Cost Rate – The portion of the Normal Cost Rate not funded by member contributions.

Entry Age Actuarial Cost Method – An Actuarial Cost Method designed to fund a member's total plan benefit over the course of their career. This method is designed to produce stable employer and member contributions in amounts that increase at the same rate as the members' payroll (i.e., level percentage of payroll).

Fair Value of Assets (FVA) – The Fiduciary Net Position Restricted for Pension Benefits as defined by the Government Accounting Standards Board.

Legacy Plan Members – Members who are not in a PEPRA Plan.

Negative Amortization – When the annual contribution to pay down the UAAL is less than the annual increase in UAAL due to interest. In other words, negative amortization means the amount owed is expected to increase during the year.

Non-Valuation Reserves – The non-valuation reserves that are set aside for obligations or contingencies and are excluded from the assets used in the funding valuation. These reserves include the STAR Reserve, the Contingency Reserve, and the County Contribution Credit Reserve.

Normal Cost – The portion of the present value of projected benefits that is attributed to current service by the actuarial funding method.

Normal Cost Rate – The Normal Cost expressed as a percentage of salary.

PEPRA – California Public Employees' Pension Reform Act of 2013. This law affects retirement benefits and member contribution rates for most employees hired January 1, 2013 and later.

IV. Definitions (Continued)

PEPRA Plan Members – Members whose retirement benefit provisions are covered by PEPRA. For LACERA, this is General Plan G and Safety Plan C.

Realized Earnings – Earnings that have been received. This excludes changes in asset values due to appreciation/depreciation.

Statutory Benefits – LACERA benefits provided under CERL and PEPRA. For purposes of this Funding Policy, Statutory Benefits do not include Other Post-Employment Benefits such as retiree healthcare benefits.

Unfunded Actuarial Accrued Liability (UAAL) – The portion of the Actuarial Accrued Liability that is not currently covered by Valuation Assets. It is calculated by subtracting the Valuation Assets from the Actuarial Accrued Liability.

Valuation Assets – The value of assets used in the actuarial valuation to determine employer contribution rate requirements. It is equal to the Actuarial Value of Assets reduced by the value of any Non-Valuation Reserves.

V. Policy

A. Funding Policy Principles

1. **Mission:** LACERA's mission is to produce, protect, and provide the promised benefits to its members. The Board of Retirement (BOR) is responsible for the administration of the retirement system. The Board of Investments (BOI) is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the pension and benefits trusts.

2. **Legal Authority:** The BOR and BOI govern LACERA in accordance with the California Constitution, County Employees Retirement Law (CERL), California Public Employees' Pension Reform Act of 2013 (PEPRA), Internal Revenue Code requirements, and applicable case law. Such laws provide the boards with authority to pay Statutory Benefits and fund these benefits in an actuarially sound manner, consistent with their fiduciary responsibilities of prudence and loyalty to members and beneficiaries under Article XVI, Section 17 of the California Constitution.

3. **Key Principles:** To assist the system in performing its tasks, LACERA engages the services of outside investment, actuarial, legal, and other professionals. Investment consultants are primarily guided by LACERA's Investment Policy. The Actuarial Funding Policy ("Funding Policy") provides guidance on LACERA's funding objectives.
   a. **Benefit Security and Risk Mitigation** – The primary principle guiding actuarial funding of LACERA is ensuring that the plan can timely pay Statutory Benefits to the system's members and beneficiaries and mitigate risk in that regard.

V. Policy (Continued)

b. **Employer Contribution Rate Stability** – Actuarial funding should be designed such that employer contributions will make up for any differences in actual assets from the Funding Goal within a defined and reasonable period of time while seeking to mitigate year-to-year volatility in employer contribution rates when prudent. Employer contribution rates should be minimized to the extent practicable while maintaining the actuarial soundness, diversified portfolio, and appropriate funding of LACERA, in accordance with Section 31454.7 of CERL and other applicable law.

c. **Intergenerational Equity** – To the extent practicable, actuarial funding should aim for intergenerational equity where each generation of taxpayers incurs the cost of benefits for the employees who provide services to those taxpayers.

d. **Sound and Transparent Process** – The BOI has authority and fiduciary responsibility with respect to actuarial funding. The Funding Policy provides additional transparency and guidance for the BOI in overseeing the actuarial funding process.

4. **Contribution Rate Guidance:** Actuarial funding aims for contributions of employers and active members to collectively accumulate to be equal to the present value of benefits for members by the time they retire. The assets and the liabilities for both prior and future accrued benefits will be constantly changing based on experience, benefit changes, assumption changes, and other outside factors impacting LACERA benefits. Therefore, the Funding Policy will guide the BOI in determining employer and member contribution rates which aim to achieve the Funding Goal and satisfy the Funding Policy principles. Key terms used in this policy are defined in Section IV.

B. Funding Goal

1. **100% Funded Ratio:** LACERA's Funding Goal is to attain long-term full funding of LACERA's retirement benefits, such that the Funded Ratio is equal to 100% or greater (Valuation Assets at least equal to the Actuarial Accrued Liability). The Funding Goal is designed to assure the competency of LACERA assets to timely pay promised benefits in accordance with Article XVI, section 17 of the California Constitution, CERL, PEPRA and other applicable law.

2. **Progress:** Progress to the Funding Goal should be done through a reasonable and equitable allocation of the cost of benefits over time, while satisfying the key principles of the Funding Policy.

V. Policy (Continued)

C. Valuation Cycle

1. **Schedule:** LACERA engages the services of an actuary to conduct an annual valuation of plan liabilities and assets to measure the funding progress of the plan. Every third year the actuary conducts an investigation of experience to measure the effectiveness of the plan assumptions and valuation methodology and make recommendations to the BOI as needed. While the CERL provides for the valuations to be conducted not less than every three years, the Funding Policy requires a valuation and a recommendation of employer contribution rates and PEPRA member rates on an annual basis.

   Contribution rates for Legacy Plan Members will be recommended as required due to changes in the underlying assumptions and methodology used to calculate the member rates. The BOI shall set employer and member contribution rates based upon the investigation, valuation, and recommendations of the actuary, in accordance with CERL, PEPRA and other applicable law.

2. **Actuarial Audit:** Professional guidance indicates an actuarial audit should be performed at least once every five years. LACERA engages an independent actuarial firm to perform an actuarial audit every three years following the investigation of experience.

3. **Contribution Timing:** The contribution rates determined in each June 30th actuarial valuation are effective for the following fiscal year 12 months after the actuarial valuation date and in accordance with CERL.

D. Actuarial Funding Procedures

1. **Follows Guidance:** The actuarial funding procedures have been designed to comply with the Actuarial Standards of Practice and relevant guidance from the Conference of Consulting Actuaries Public Plans Community and the Government Finance Officers Association. Consideration should be given to guidance provided by the California Actuarial Advisory Panel (Government Code Section 7507.2).

2. **Actuarially Determined:** Annual funding is actuarially determined and is comprised of a payment of the Normal Cost, which is shared by the employers and members, and a payment on the Unfunded Actuarial Accrued Liability (UAAL), which is made by the employers. The Normal Cost Rate and the UAAL contribution rate are determined by the following three components of this policy:
   a. **Actuarial Cost Method:** The process used to allocate the total present value of future benefits to each year (Normal Cost), and all past years (Actuarial Accrued Liability);

V. Policy (Continued)

b. **Asset Smoothing Method:** The process used that spreads the recognition of actuarial investment gains or losses (relative to the assumed return) over a period of time for the purposes of determining the Actuarial Value of Assets used in the determination of the employer contribution rate; and

c. **Contribution Method:** The process to fund the Normal Cost and systematically pay off the Unfunded Actuarial Accrued Liability.

3. **Actuarial Cost Method:** The cost of financing benefits is allocated over a member's working lifetime, with the goal that sufficient assets are accumulated to fund benefits by the time the benefits first become payable. The actuarial cost method should allocate the cost of paying for the promised benefits evenly over time, expressed as a percentage of payroll. An example of this would be the entry age actuarial cost method. Determining the cost as a percentage of payroll rather than level dollar promotes intergenerational equity as it reflects changing values over time due to inflation. The allocation of benefit financing to prior and future years is based on the Actuarial Cost Method, with the allocation for prior years being equal to the Actuarial Accrued Liability (AAL) and the allocation to the current year being equal to the Normal Cost. Note that the Actuarial Cost Method is an allocation of when to fund the benefits, not necessarily when they are being earned.

E. **Asset Smoothing Method:** The Asset Smoothing Method should aim to reduce the effect of short-term market volatility by gradually recognizing actuarial investment gains and losses over a period of time while still tracking the overall movement of the Fair Value of Assets. The Asset Smoothing Method should be unbiased relative to market; that is, the same smoothing period should be used to recognize gains and losses. To reduce volatility, gains and losses from different periods may be offset.

F. **Contribution Method:** The employer contribution rate shall be the sum of the Employer Normal Cost Rate (the Normal Cost Rate for the upcoming year less the expected member contribution rate) plus a contribution to pay off / recognize the Unfunded Actuarial Accrued Liability (UAAL) / Actuarial Surplus. The contribution for the Employer Normal Cost Rate varies by plan, and the contribution rate for the UAAL is dependent on the Funded Ratio (the ratio of the Valuation Assets to the Actuarial Accrued Liability).

a. **Employer Contribution Rate when Funded Ratio Less than 100%**

i. The Employer Normal Cost Rate for the year, plus

ii. An amortization payment / credit on the increase / decrease in the UAAL due to the current years' experience and other changes (current UAAL layer), plus

iii. The sum of the amortization payments / credits for each remaining UAAL layer created in years prior to the valuation date, expressed as a percentage of pay.

V. Policy (Continued)

b. Additional Conditions:

i. In no case shall the total amount contributed by the employer be less than the Employer Normal Cost Rate for the year plus a 30-year amortization of the total UAAL (for compliance with Section 31453.5 of CERL).

ii. Each year's amortization payment / credit should be over a period such that the amount being amortized is projected to decrease (i.e., no Negative Amortization) in each future year.

iii. If an increase in the UAAL is due to a change in plan provisions, a shorter amortization period used should be considered that is consistent with the expected lifetime of those expected to benefit. For example, if the change only impacts the retired population, a period of no longer than 10 years should be used.

c. Employer Contribution Rate when Funded Ratio is Greater than 100% but Less than 120%

i. The Employer Normal Cost Rate. There is no amortization payment / credit, in conformance with California Government Code Section 7522.52 of PEPRA.

d. Employer Contribution Rate when Funded Ratio is Greater than 120%

i. The Employer Normal Cost Rate for the year, less;

ii. An amortization of the Actuarial Surplus, but only if all conditions in California Government Code Section 7522.52(b) are met. The Actuarial Surplus is defined as the Valuation Assets in excess of the Actuarial Accrued Liability on the valuation date, and the surplus amount is amortized over 30 years. This is an open amortization period, so it is reset to 30 years each year if the Funded Ratio remains over 120%.

G. Discretionary Benefits: The BOI may consider additional actions to fund discretionary benefits as permitted under the CERL by using funds in excess of the amount needed to meet the Funding Goal. "Excess Earnings" as defined in the CERL may be appropriated upon reaching the Funding Goal, however, the BOI may consider adjustment to the employer's contributions only upon satisfying California Government Code Section 7522.52(b).

H. Interest Crediting: LACERA maintains a separate interest crediting policy to allocate Realized Earnings to the various reserve accounts.

V. References

These references are intended to help explain this policy and are not an all-inclusive list of policies, procedures, laws, and requirements. The following information complements and supplements this document:

V. References (Continued)

Related Policies:
- Interest Crediting Policy for Reserve Accounts

Related Procedures: Not Applicable

Related Forms/Templates: Not Applicable

Other Related Information: Not Applicable

VI. Version History

Policy Approval Date: Pending Approval

Update/Review Summary: Previous policy version(s) superseded by this policy:
- Retirement Benefit Funding Policy, February 13, 2013

Original Issue Date: Adopted by the Board of Investments on December 9, 2009

VII. Policy Review/Approval

The Board of Investments will review and update this Policy every three years, at a minimum, typically when the triennial investigation of experience study report is completed.

Attachment III

INTEREST CREDITING POLICY FOR RESERVE ACCOUNTS

BOARD OF INVESTMENTS POLICY

***PENDING* ADOPTION: SEPTEMBER 2024**

Interest Crediting Policy for Reserve Accounts

Authorizing Manager: Ted Granger, Chief Financial Officer

Original Issue Date: N/A, included in former Retirement Benefit Actuarial Funding Policy, as amended, February 13, 2013

Effective Date: July 1, 2024 **Last Updated: August 12, 2024**

Mandatory Review: Every 3 Years

Approval Level: Board of Investments

I. Purpose

The purpose of this policy is to:

1. Define the reserve accounts maintained by LACERA;
2. Describe the methodology to credit interest to the reserve accounts of LACERA; and
3. Outline a process for allocating any "undistributed earnings" of LACERA.

II. Scope

This policy guides LACERA's Financial and Accounting Services Division (FASD) in allocating Available Earnings to reserve accounts and is performed semi-annually.

III. Legal Authority

LACERA is a public retirement plan duly created and operating under the County Employees Retirement Law of 1937, set forth at California Government Code Section 31450 et seq. Pursuant to Section 31591 of the County Employees Retirement Law of 1937 (CERL), regular interest shall be credited semi-annually on June 30 and December 31 to all eligible member contributions in the retirement fund, which have been on deposit for six months immediately prior to such date at an interest rate determined by the Board of Investments. CERL includes other provisions guiding the allocation of earnings, all of which must be exercised pursuant to the fiduciary duties of prudence and loyalty owed by the Board of Investments and its trustees to members and their beneficiaries under Article XVI, Section 17 of the California Constitution.

IV. Definitions

For this Policy, the terms below shall have the following definitions:

Actuarial Accrued Liability (AAL): The portion of the present value of projected benefits that is attributed to past service determined by the actuarial funding method.

Actuarial Value of Assets (AVA): The Fair Value of Assets plus or minus the net deferred investment gains or losses not yet recognized by the Asset Smoothing Method.

Asset Smoothing Method: A process used to spread the recognition of actuarial investment gains or losses (relative to the assumed return) over a period of time for the purposes of determining the Actuarial Value of Assets.

Assumed Rate of Investment Return: The investment rate of return assumption adopted by the Board of Investments with the Funding Valuation that established the employer and employee contribution rates for the fiscal year that includes the Interest Crediting Date.

Available Earnings: Realized Earnings for the six-month period ending on the Interest Crediting Date plus prior period ending balances in the Contingency Reserve and Undistributed Earnings Reserve. Available Earnings may be negative.

Book Value of Assets (BVA): The Fair Value of Assets (FVA) minus any Unrealized Earnings. It is the original cost of the asset plus all earnings on the asset other than unrealized appreciation/depreciation and is equal to the sum of Valuation Reserves plus Non-Valuation Reserves.

County: Los Angeles County

County Employees Retirement Law of 1937 (CERL): Body of law enacted to govern retirement benefits for certain public employees. The CERL governs retirement systems (including LACERA) for county and district employees in those counties adopting its provisions pursuant to Section 31500.

Employer: Participating employers in LACERA include Los Angeles County, Los Angeles County Superior Court, South Coast Air Quality Management District (SCAQMD), Los Angeles County Office of Education (LACOE), Little Lake Cemetery District (LLCD), Local Agency Formation Commission for the County of Los Angeles (LAFCO).

Fair Value of Assets (FVA): The Fiduciary Net Position Restricted for Pension Benefits as defined by the Government Accounting Standards Board.

Funding Valuation: An actuarial valuation that provides a comprehensive assessment of the financial and funding status of a pension plan and calculates employer and member contribution rates. The report is prepared by an external actuary who is independent of the retirement plan.

Interest Crediting Rate: This is the target interest rate to be credited to the Employer Reserve on each Interest Crediting Date. Pursuant to Section 31591 of the CERL the Board of Investments determines the semiannual interest rate to be credited on each Interest Crediting Date. By this Interest Crediting Policy for Reserve Accounts, the Board of Investments sets the semiannual Interest Crediting Rate equal to one-half of the Assumed Rate of Investment Return.

The target rate of interest will only be credited to the Employer Reserve if there are sufficient Available Earnings after first crediting both the Member Reserve and the Contingency Reserve as provided in this Policy, and therefore the amount credited to the Employer Reserve may be less than this rate if Available Earnings are insufficient to credit the entire amount.

Interest Crediting Date(s): Interest crediting shall be performed twice per year, as of June 30 and December 31.

Member Crediting Rate: This is the interest rate to be credited to member accounts on each Interest Crediting Date. Pursuant to Section 31591 of the CERL, the Board of Investments determines the semiannual interest rate to be credited to Member Reserves on each Interest Crediting Date. By this Interest Crediting Policy for Reserve Accounts, the Board of Investments sets the semiannual Member Crediting Rate equal to one-half of the Assumed Rate of Investment Return for that semiannual interest crediting period. This rate will be credited to the Member Reserve from Available Earnings. If Available Earnings are insufficient to credit this amount, the Undistributed Earnings Reserve will be debited by the amount of the shortfall (Section V.B below), such that the Member Crediting Rate will always be credited in full to the Member Reserve on each Interest Crediting Date regardless of the amount of Available Earnings.

Non-Valuation Reserves: Reserves that are set aside for obligations or contingencies and are excluded from Valuation Assets and the calculation of contribution rates in the Funding Valuation.

Realized Earnings: Earnings that have been received. This excludes changes in asset values due to appreciation/depreciation.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA).

Unrealized Earnings: The accumulated appreciation or depreciation in value of assets held in the investment portfolio that has not yet been realized by the sale of those assets.

Valuation Assets: The value of assets used in the Funding Valuation to determine employer contribution rate requirements. It is equal to the Actuarial Value of Assets reduced by the value of any Non-Valuation Reserves.

Valuation Reserves: Reserves that will be included in the determination of Valuation Assets and the calculation of contribution rates in the Funding Valuation.

V. Policy Statement

A. Reserve Accounts ("Reserves")

LACERA maintains the following reserve accounts for the purpose of allocating income and disbursements of the trust fund assets. Reserve accounts are classified as either Valuation Reserves or Non-Valuation Reserves. The sum of Valuation Reserves plus Non-Valuation Reserves is equal to the Book Value of Assets. Non-Valuation Reserves are not included in the Valuation Assets used in the Funding Valuation. These reserve balances are accounting balances and may not equal the Actuarial Value of Assets.

1. Valuation Reserves

a. **Member Reserve:** This reserve represents the total accumulated contributions, with interest, of members. Additions include member contributions and related earnings. Deductions include payments to retirees and refunds to members.

b. **Employer Reserve:** This reserve includes the total accumulated contributions, with interest, of the employer. Additions include contributions from employers and related earnings. Deductions include payments to retired members and survivors.

c. **Undistributed Earnings Reserve.** The accumulation of Available Earnings not yet allocated to any other Valuation or Non-Valuation Reserve. This reserve is used for semi-annual interest crediting, to eliminate the Unfunded Actuarial Accrued Liability by allocating excess amounts to the Employer Reserve, and for other uses at the joint discretion of the Board of Investments and Board of Retirement as permitted under CERL, and subject to the LACERA Actuarial Funding Policy. Specifically, this reserve should be used to eliminate the Unfunded Actuarial Accrued Liability prior to any other discretionary uses, by reallocating an amount to the Employer Reserve. The balance of this reserve may be negative.

2. Non-Valuation Reserves

a. **Contingency Reserve:** This is a statutorily defined reserve pursuant to Sections 31592 and 31592.2 of the CERL. The Contingency Reserve is set at 1.0% of the Fair Value of Assets as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies and other purposes permitted under CERL.

b. **STAR Reserve:** Reserves accumulated for the payment of cost-of-living benefits pursuant to Section 31874.3 of the CERL. Supplemental Targeted Adjustment for Retirees (STAR) benefits provide supplemental cost-of-living payments to retired members to restore purchasing power at a specified percentage level. The STAR Reserve does not receive interest credits.

B. Crediting of Interest / Allocation of Available Earnings Process

The first step in the interest crediting process at each Interest Crediting Date is to determine Available Earnings. Available Earnings are equal to Realized Earnings for the six-month period ending on the Interest Crediting Date plus prior period ending balances in the Contingency Reserve and Undistributed Earnings Reserve. As a result of the prior period Contingency Reserve and Undistributed Earnings Reserve being included in Available Earnings, those reserve balances are reset to zero ($0) at this step. Throughout this process, Available Earnings will be reduced by the amount of interest credited, or allocated, to each reserve.

Interest is credited / allocated to individual reserve accounts in the priority order outlined below.

1. **Member Reserve**

   Credit individual member contributions and accumulated interest that have been on deposit for at least six months prior to the Interest Crediting Date with interest at the Member Crediting Rate. The Member Crediting Rate is equal to one half of the applicable Assumed Rate of Investment Return for that interest crediting period. This rate will always be credited in full to the Member Reserve on each Interest Crediting Date regardless of the amount of Available Earnings. Reduce Available Earnings by the total amount of interest credited to member accounts.

2. **Contingency Reserve**

   Allocate an amount so that this reserve is equal to 1% of the Fair Value of Assets as of the Interest Crediting Date. This amount will always be allocated to the Contingency Reserve regardless of the amount of Available Earnings. If Available Earnings are insufficient to allocate this amount, the Undistributed Earnings Reserve will be debited by the amount of the shortfall (Section V.B.4 below). Reduce Available Earnings by the total amount allocated to this reserve.

3. **Employer Reserve**

   If there are Available Earnings remaining after the allocation to the Contingency Reserve, then credit interest at the Interest Crediting Rate to the Employer Reserve balance as of the prior Interest Crediting Date only to the extent there is sufficient remaining Available Earnings to credit this amount. If this amount of interest is greater than the remaining Available Earnings, credit the entire amount of remaining Available Earnings, but not less than zero. The interest rate credited to this Employer Reserve will be no less than 0% and no more than one-half of the Assumed Rate of Investment Return. The actual interest rate credited will depend on the amount of remaining Available Earnings after the allocation to the Contingency Reserve. Reduce Available Earnings by the amount of interest credited to this reserve.

4. **Undistributed Earnings Reserve**

   If there are positive Available Earnings remaining after the allocation to the Employer Reserve, allocate any remaining Available Earnings to this reserve.

   If there are zero ($0) Available Earnings remaining after the allocation to the Employer Reserve, then no allocation shall be made to this reserve.

If there are negative Available Earnings remaining after the allocation to the Member Reserve and the Contingency Reserve, no interest shall be credited to the Employer Reserve and the amount of those negative Available Earnings shall be allocated to this reserve.

VI. References

These references are intended to help explain this policy and are not an all-inclusive list of policies, procedures, laws, and requirements. The following information complements and supplements this document:

Related Policies:

- Actuarial Funding Policy, Effective: July 1, 2024

Related Procedures:

- Interest Crediting Internal Accounting Procedures, June 12, 2024

Related Forms/Templates: Not Applicable

Other Related Information: Not Applicable

VII. Version History

Policy Approval Date: Pending Approval

Policy Update/Review Summary: Previous policy version(s) superseded by this policy:

- Retirement Benefit Funding Policy, December 9, 2009
- Retirement Benefit Funding Policy, February 13, 2013

VIII. Policy Review/Approval

The Board of Investments will review and update this Policy every three years, typically when the triennial actuarial experience study report is completed.

APPENDIX

LACERA

Interest Crediting Examples

		Scenario #1	Scenario #2	Scenario #3
		Available Earnings less than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation	Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation but not enough for full Employer Reserve Credit	Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation + full Employer Reserve Credit
	Pension Plan Reserves as of June 30, XXXX			
(1)	Member Reserve	$30,000,000,000	$30,000,000,000	$30,000,000,000
(2)	Contingency Reserve	$800,000,000	$800,000,000	$800,000,000
(3)	Employer Reserve	$35,000,000,000	$35,000,000,000	$35,000,000,000
(4)	Undistributed Earnings Reserve	$200,000,000	$200,000,000	$200,000,000
(5)	STAR Reserve	$610,000,000	$610,000,000	$610,000,000
(6)	Total Reserves at Book Value	$66,610,000,000	$66,610,000,000	$66,610,000,000
	December 31, XXXX			
(7)	Fair Value of Assets as of December 31, XXXX	$82,000,000,000	$82,000,000,000	$82,000,000,000
(8)	Unrealized Investment Portfolio Appreciation as of December 31, XXXX	$16,000,000,000	$16,000,000,000	$16,000,000,000
(9)	Realized Earnings for the Period	$0	$1,220,000,000	$2,200,000,000
(10)	1.0% Fair Value of Assets as of December 31, XXXX	$820,000,000	$820,000,000	$820,000,000
	Step 1 - Determine Available Earnings as of December 31, XXXX			
(11)	Realized Earnings for the Period [= (9)]	$0	$1,220,000,000	$2,200,000,000
(12)	Contingency Reserve as of June 30, XXXX [= (2)]	$800,000,000	$800,000,000	$800,000,000
(13)	Undistributed Earnings Reserve as of June 30, XXXX [= (4)	$200,000,000	$200,000,000	$200,000,000
(14)	Available Earnings	$1,000,000,000	$2,220,000,000	$3,200,000,000
	Step 2 - Reset Pension Plan Reserves as of June 30, XXXX after determination of December 31, XXXX Available Earnings			
(15)	Member Reserve [= (1)]	$30,000,000,000	$30,000,000,000	$30,000,000,000
(16)	Contingency Reserve [a] [= (2) - (12)]	$0	$0	$0
(17)	Employer Reserve [= (3)]	$35,000,000,000	$35,000,000,000	$35,000,000,000
(18)	Undistributed Earnings Reserve [a] [= (4) - (13)]	$0	$0	$0
(19)	STAR Reserve [= (5)]	$610,000,000	$610,000,000	$610,000,000
(20)	Total Reserves at Book Value	$65,610,000,000	$65,610,000,000	$65,610,000,000
	Step 3 - Pension Plan Reserves Interest Crediting & Allocations as of December 31, XXXX			
(21)	Member Reserve credit (always equal to one-half of investment return assumption [b])	$1,050,000,000	$1,050,000,000	$1,050,000,000
(22)	Contingency Reserve allocation (always reset to 1% of Fair Value of Assets) [= (10)]	$820,000,000	$820,000,000	$820,000,000
(23)	Employer Reserve credit	$0 [c]	$350,000,000 [e]	$1,225,000,000 [f]
(24)	Undistributed Earnings Reserve allocation [d] [= (14) - (21) - (22) - (23)]	($870,000,000)	$0	$105,000,000
(25)	STAR Reserve credit	$0	$0	$0
(26)	Total Interest Crediting & Allocations	$1,000,000,000	$2,220,000,000	$3,200,000,000
	Step 4 - Determine Pension Plan Reserves as of December 31, XXXX			
(27)	Member Reserve [= (1) + (21)]	$31,050,000,000	$31,050,000,000	$31,050,000,000
(28)	Contingency Reserve [= (22)]	$820,000,000	$820,000,000	$820,000,000
(29)	Employer Reserve [= (3) + 23)]	$35,000,000,000	$35,350,000,000	$36,225,000,000
(30)	Undistributed Earnings Reserve [= (24)]	($870,000,000)	$0	$105,000,000
(31)	STAR Reserve [= (5)]	$610,000,000	$610,000,000	$610,000,000
(32)	Total Reserves at Book Value	$66,610,000,000	$67,830,000,000	$68,810,000,000

a *Contingency Reserve and Undistributed Earnings Reserve are reset to $0 at the beginning of each cycle when these amounts are included in Available Earnings for that cycle.*

b *The investment return assumption referred to here is the assumption adopted by the Board of Investments with the Funding Valuation that established the employer and employee contribution rates for the fiscal year that includes the Interest Crediting Date. For the purpose of these examples one-half of the investment return assumption is 3.50%.*

c *The effective interest rate credited to the Employer Reserve is 0% because Available Earnings are less than the amount needed to provide interest crediting to the Member Reserve and to establish the Contingency Reserve equal to 1% of the Fair Value of Assets.*

d *The Undistributed Earnings Reserve is allocated with the excess (or shorfall) of Available Earnings over the amounts credited (or allocated) to the Member Reserve, Contingency Reserve and Employer Reserve.*

e *Available Earnings are greater than the amount needed to provide interest crediting to the Member Reserve and to establish the Contingency Reserve equal to 1% of the Fair Value of Assets, but are insufficient to provide interest crediting equal to one-half of the investment return assumption. As such, the full amount of remaining Available Earnings is credited to the Employer Reserve. The effective interest rate credited to the Employer Reserve in this example is 1% ($350,000,000 / $35,000,000,000).*

f *Available Earnings are greater than the amount needed to provide interest crediting to the Member Reserve, to establish the Contingency Reserve equal to 1% of the Fair Value of Assets, and to provide interest crediting equal to one-half of the investment return assumption. As such, the Employer Reserve receives an interest credit of 3.5% ($1,225,000,000 / $35,000,000,000).*

These example scenarios ignore contributions & benefit payments from reserves (for simplification). All amounts are for illustration only.

	Interest Crediting Examples	Scenario #1	Scenario #2	Scenario #3
		Available Earnings less than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation	Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation but not enough for full Employer Reserve Credit	Available Earnings greater than amount needed for Member Reserve Interest Credit + Contingency Reserve Allocation + full Employer Reserve Credit
	Pension Plan Reserves as of June 30, XXXX			
(1)	Member Reserve	$30,000,000,000	$30,000,000,000	$30,000,000,000
(2)	Contingency Reserve	$800,000,000	$800,000,000	$800,000,000
(3)	Employer Reserve	$35,000,000,000	$35,000,000,000	$35,000,000,000
(4)	Undistributed Earnings Reserve	$200,000,000	$200,000,000	$200,000,000
(5)	STAR Reserve	$610,000,000	$610,000,000	$610,000,000
(6)	Total Reserves at Book Value	$66,610,000,000	$66,610,000,000	$66,610,000,000
	December 31, XXXX			
(7)	Fair Value of Assets as of December 31, XXXX	$82,000,000,000	$82,000,000,000	$82,000,000,000
(8)	Unrealized Investment Portfolio Appreciation as of December 31, XXXX	$16,000,000,000	$16,000,000,000	$16,000,000,000
(9)	Realized Earnings for the Period	$0	$1,220,000,000	$2,200,000,000
(10)	1.0% Fair Value of Assets as of December 31, XXXX	$820,000,000	$820,000,000	$820,000,000
	Step 1 - Determine Available Earnings as of December 31, XXXX			
(11)	Realized Earnings for the Period [= (9)]	$0	$1,220,000,000	$2,200,000,000
(12)	Contingency Reserve as of June 30, XXXX [= (2)]	$800,000,000	$800,000,000	$800,000,000
(13)	Undistributed Earnings Reserve as of June 30, XXXX [= (4)]	$200,000,000	$200,000,000	$200,000,000
(14)	Available Earnings	$1,000,000,000	$2,220,000,000	$3,200,000,000
	Step 2 - Reset Pension Plan Reserves as of June 30, XXXX after determination of December 31, XXXX Available Earnings			
(15)	Member Reserve [= (1)]	$30,000,000,000	$30,000,000,000	$30,000,000,000
(16)	Contingency Reserve [a] [= (2) - (12)]	$0	$0	$0
(17)	Employer Reserve [= (3)]	$35,000,000,000	$35,000,000,000	$35,000,000,000
(18)	Undistributed Earnings Reserve [a] [= (4) - (13)]	$0	$0	$0
(19)	STAR Reserve [= (5)]	$610,000,000	$610,000,000	$610,000,000
(20)	Total Reserves at Book Value	$65,610,000,000	$65,610,000,000	$65,610,000,000
	Step 3 - Pension Plan Reserves Interest Crediting & Allocations as of December 31, XXXX			
(21)	Member Reserve credit (always equal to one-half of investment return assumption [b])	$1,050,000,000	$1,050,000,000	$1,050,000,000
(22)	Contingency Reserve allocation (always reset to 1% of Fair Value of Assets) [= (10)]	$820,000,000	$820,000,000	$820,000,000
(23)	Employer Reserve credit	$0 [c]	$350,000,000 [e]	$1,225,000,000 [f]
(24)	Undistributed Earnings Reserve allocation [d] [= (14) - (21) - (22) - (23)]	($870,000,000)	$0	$105,000,000
(25)	STAR Reserve credit	$0	$0	$0
(26)	Total Interest Crediting & Allocations	$1,000,000,000	$2,220,000,000	$3,200,000,000
	Step 4 - Determine Pension Plan Reserves as of December 31, XXXX			
(27)	Member Reserve [= (1) + (21)]	$31,050,000,000	$31,050,000,000	$31,050,000,000
(28)	Contingency Reserve [= (22)]	$820,000,000	$820,000,000	$820,000,000
(29)	Employer Reserve [= (3) + 23)]	$35,000,000,000	$35,350,000,000	$36,225,000,000
(30)	Undistributed Earnings Reserve [= (24)]	($870,000,000)	$0	$105,000,000
(31)	STAR Reserve [= (5)]	$610,000,000	$610,000,000	$610,000,000
(32)	Total Reserves at Book Value	$66,610,000,000	$67,830,000,000	$68,810,000,000

a Contingency Reserve and Undistributed Earnings Reserve are reset to $0 at the beginning of each cycle when these amounts are included in Available Earnings for that cycle.

b The investment return assumption referred to here is the assumption adopted by the Board of Investments with the Funding Valuation that established the employer and employee contribution rates for the fiscal year that includes the Interest Crediting Date. For the purpose of these examples one-half of the investment return assumption is 3.50%.

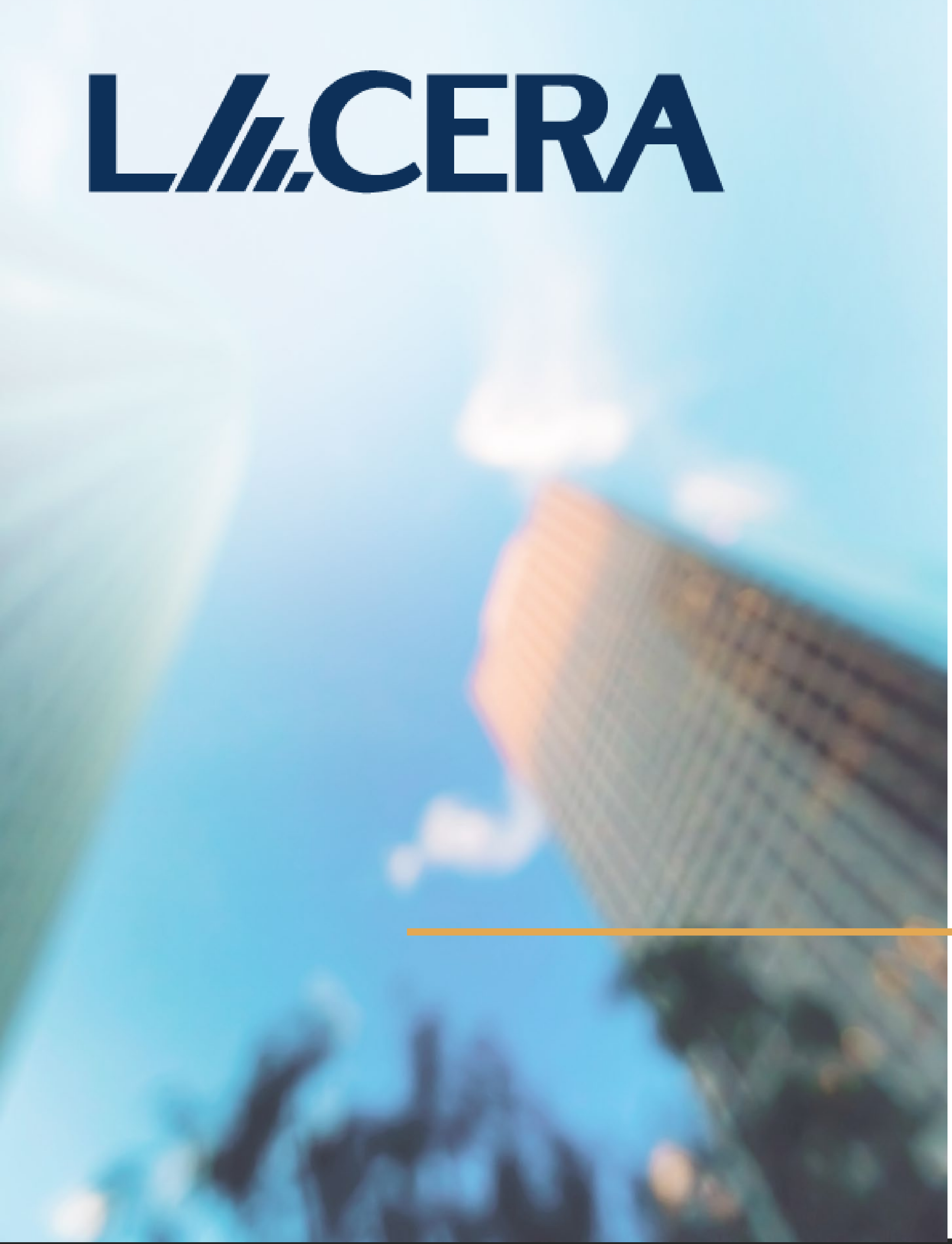
c The effective interest rate credited to the Employer Reserve is 0% because Available Earnings are less than the amount needed to provide interest crediting to the Member Reserve and to establish the Contingency Reserve equal to 1% of the Fair Value of Assets.

d The Undistributed Earnings Reserve is allocated with the excess (or shorfall) of Available Earnings over the amounts credited (or allocated) to the Member Reserve, Contingency Reserve and Employer Reserve.

e Available Earnings are greater than the amount needed to provide interest crediting to the Member Reserve and to establish the Contingency Reserve equal to 1% of the Fair Value of Assets, but are insufficient to provide interest crediting equal to one-half of the investment return assumption. As such, the full amount of remaining Available Earnings is credited to the Employer Reserve. The effective interest rate credited to the Employer Reserve in this example is 1% ($350,000,000 / $35,000,000,000).

f Available Earnings are greater than the amount needed to provide interest crediting to the Member Reserve, to establish the Contingency Reserve equal to 1% of the Fair Value of Assets, and to provide interest crediting equal to one-half of the investment return assumption. As such, the Employer Reserve receives an interest credit of 3.5% ($1,225,000,000 / $35,000,000,000).

These example scenarios ignore contributions & benefit payments from reserves (for simplification). All amounts are for illustration only.



Attachment V

Actuarial Funding Policy Review

BOI Member Training
Based on 2023 Board of Investments Offsite

September 12, 2023

ACTUARIAL FUNDING POLICY REVIEW

Tuesday, September 12, 2023 – 2:45pm – 4:00pm*

LACERA

Today's Discussion

Session Outline

1. Panel Discussion: *Ashley K. Dunning, Nossaman / Nick Collier, Milliman*
    - Purpose of a Funding Policy
    - Key elements of a Funding Policy
    - LACERA's Actuarial Funding Policy
    - Conclusion and Next Steps

Objectives

- What is the purpose of a funding policy? Why is it important? What is the legal framework?
- What are the necessary elements to incorporate into a funding policy? How do we make sure that our resources (current assets plus future contributions) match our liabilities (expected benefit payments)?
- What core elements has LACERA historically chosen to integrate into its funding policy?
- What are key principles for the BOI to consider in updating LACERA's Actuarial Funding Policy?

*Subject to change

Speaker Biographies

- **NOSSAMAN, LLP**
  - *Ashley K. Dunning – LACERA Fiduciary Counsel*

    Partner & Co-Chair, Pensions, Benefits & Investments Group
    - Primary Fiduciary and Board Governance advisor to more than 25 public retirement plans nationally
    - Lead counsel for pension plans in three California Supreme Court and six court of appeal published decisions upholding Board actions
    - History of industry service, including roles with the National Association of Public Pension Attorneys (Chair of Fiduciary & Governance Section, President, Board member); State Association of County Retirement Systems (Program Committee); and National Council on Teacher Retirement (Corporate Advisory Committee)
    - Named a Top 100 Lawyer by Daily Journal in 2023, 2022, and 2020
    - JD, UC College of the Law, San Francisco, Order of the Coif
    - BA, Yale University, Distinction in History, *cum laude*

Speaker Biographies

- **MILLIMAN**
  - *Nick Collier, ASA, EA, MAAA – Principal and Consulting Actuary*
    - 30 years of experience working almost exclusively with public sector retirement systems
    - Clients include Los Angeles County Employees Retirement Association, California State Teachers' Retirement System, Texas County & District Retirement System, San Mateo County Employees' Retirement Association and the Government of Guam Retirement Fund
    - Presenter at State Association of County Retirement Systems (SACRS) and California Association of Public Retirement Systems (CALAPRS)
    - Served on the California Actuarial Advisory Panel
    - BA, Mathematics and Economics, Claremont McKenna College

Purpose of Funding Policy

Purpose of Funding Policy

Overview

A Funding Policy is the list of priorities with respect to funding of retirement benefits. It also:

1. **Describes the BOI's goals** in funding the plan
2. **Explains legal parameters** governing the BOI and LACERA with respect to actuarial matters and funding
3. **Establishes the framework** to calculate contribution rates
4. **Explains and guides** LACERA's annual valuation and triennial experience study
5. **Explains the allocation** of realized gains and losses

Contrast to Valuation

- BOI annually considers and adopts a Valuation recommended by the Actuary
  - The Valuation explains how the system is funded
  - The Valuation also includes the contribution rates due from active members and participating employers
- A BOI *Funding Policy* may be adopted to provide a *principles-based* articulation of framework for funding LACERA benefits

Key Attributes

- Policy decisions are stated with applicable rationale
- Delegations are stated with oversight by the BOI
- Fiduciary framework within which the BOI operates with respect to funding under the California Constitution, CERL, and other applicable laws are articulated

Purpose of Funding Policy

What an Actuary Looks for in Pension Plan Funding

Plan to reach 100% Funded Ratio

- Provides benefit security for members
- Ultimately should result in lower contributions for employers
- Looks good to bond rating agencies

Method to mitigate year-to-year volatility

- Maintain reasonably stable employer contribution rates

Cost method suitable to pension funding

- Allocate costs in a level manner

Reasonable period to pay off unfunded liability

- Balances funding progress and employer rate stability
- Equitable allocation of costs to generations of taxpayers (intergenerational equity)

Purpose of Funding Policy

In Summary

A Funding Policy Does:

1. State policy decisions, including applicable rationale
2. State delegations with oversight by the BOI
3. State the fiduciary framework within which the BOI operates with respect to funding under the California Constitution, CERL, and other applicable law
    - Synthesize the statutory mandates applicable to BOI and LACERA
    - Articulate statutory mandates in digestible format

A Funding Policy Does Not:

1. Serve as a replacement for LACERA’s annual actuarial valuation
2. Serve as a replacement for LACERA’s triennial experience study
3. Establish contribution amounts owed by members/employers
4. Articulate all of the assumptions or methodologies utilized by LACERA’s actuary

Elements of Funding Policy

Elements of Funding Policy

Core Elements

Funding Goal

- Funded Ratio equal to 100%
- Provide benefit security for members
- Maintain stable employer contributions that are as low as practicable
- Intergenerational equity

Actuarial Cost method

- Entry Age Normal cost method is typically used for public pension plans

Actuarial Asset method

- Avoid significant volatility in employer contribution rates

Amortization

- Amortization of Unfunded Actuarial Accrued Liability (UAAL): how to recognize a change in liability over time

Surplus Management

- If UAAL is fully paid off, what to do when the plan is over 100% funded

Elements of Funding Policy

Fiduciary Considerations

Funding Policy establishes fiduciary framework through which BOI is able to fulfill its ***Duty of Prudence*** in administering the plan and ***Duty of Loyalty*** to its members and their beneficiaries, consistent with the recommendation of plan's actuary, and so long as decisions are not arbitrary and capricious, as reflected in the funding goals as set forth in the Funding Policy, including:

1. **Seek 100% funding ratio over time:** *BOI should have a prudent means to fund the plan so that it has a reasonable and sound expectation that plan will be able to timely pay members and beneficiaries the deferred compensation promised them under the plan*
2. **Maintain an "actuarially sound" plan:** *Board has duty to ensure that the plan is actuarially funded so that plan is able to pay promised benefits*
3. **Constitutional duty to "minimize employer contributions":** *BOI has the constitutional, but not fiduciary, duty to "minimize employer contributions" by diversifying investments and maximizing risk-adjusted returns, consistent with the recommendations of actuary and considering the future liabilities/stability of plan. Contribution rates should be as low as "practicable" under the circumstances, but not necessarily as low as "possible"*
4. **Eliminate UAAL over reasonable period of time:** *The funding plan should seek to eliminate the UAAL over time, and minimize volatility in contribution rates while doing so*
5. **Adjust in the event that experience no longer matches assumptions:** *The principles reflected in the Funding Plan take into account the adjustment will be made based on experience*

Note: California law confers "plenary authority" upon the BOI to establish contribution rates and to enforce them as needed to properly fund LACERA. BOI Trustees all have the same fiduciary responsibilities as one another to do so.

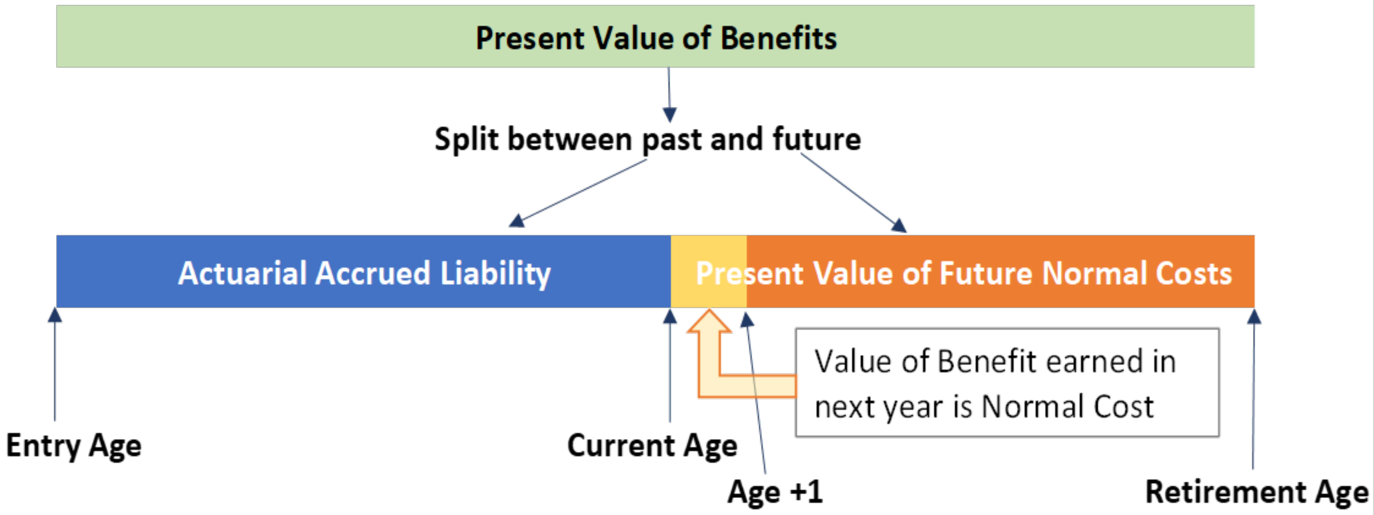
Elements of Funding Policy

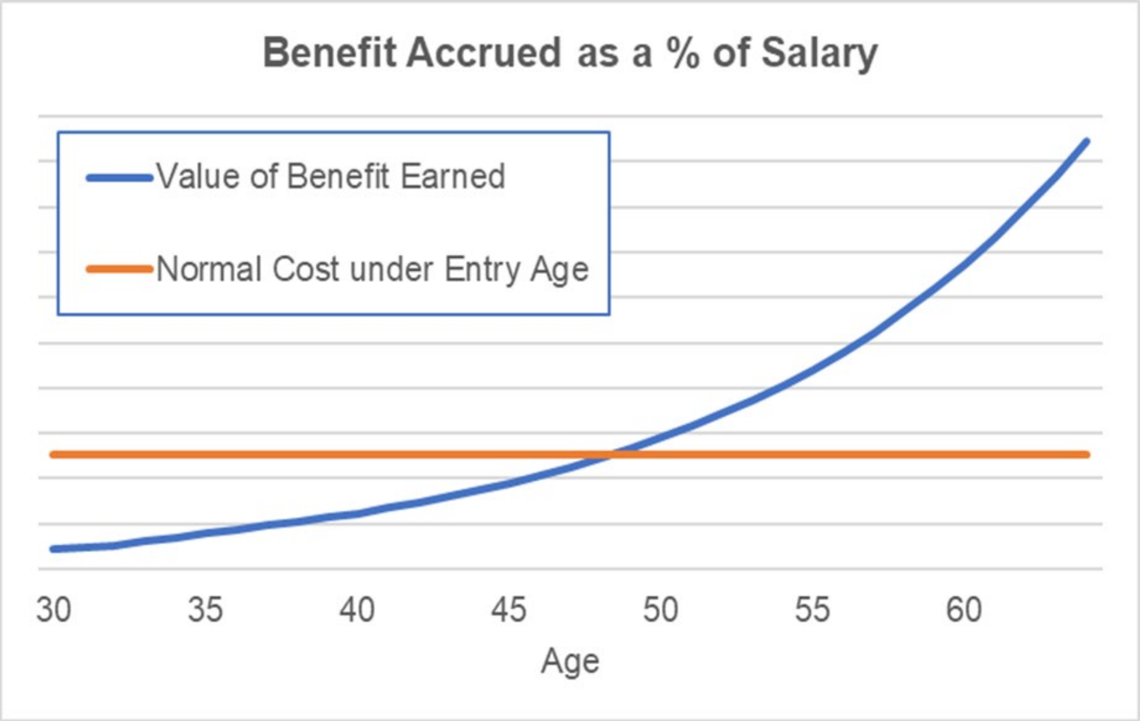
Actuarial Cost Method

Funding Policy specifies Entry Age cost method

- Used by 90% of public sector plans
- Produces a level Normal Cost Rate for an individual as a percent of pay
- Required for GASB* 67/68 valuations

Cost method is used to allocate the Present Value of Benefits of an individual into past and future





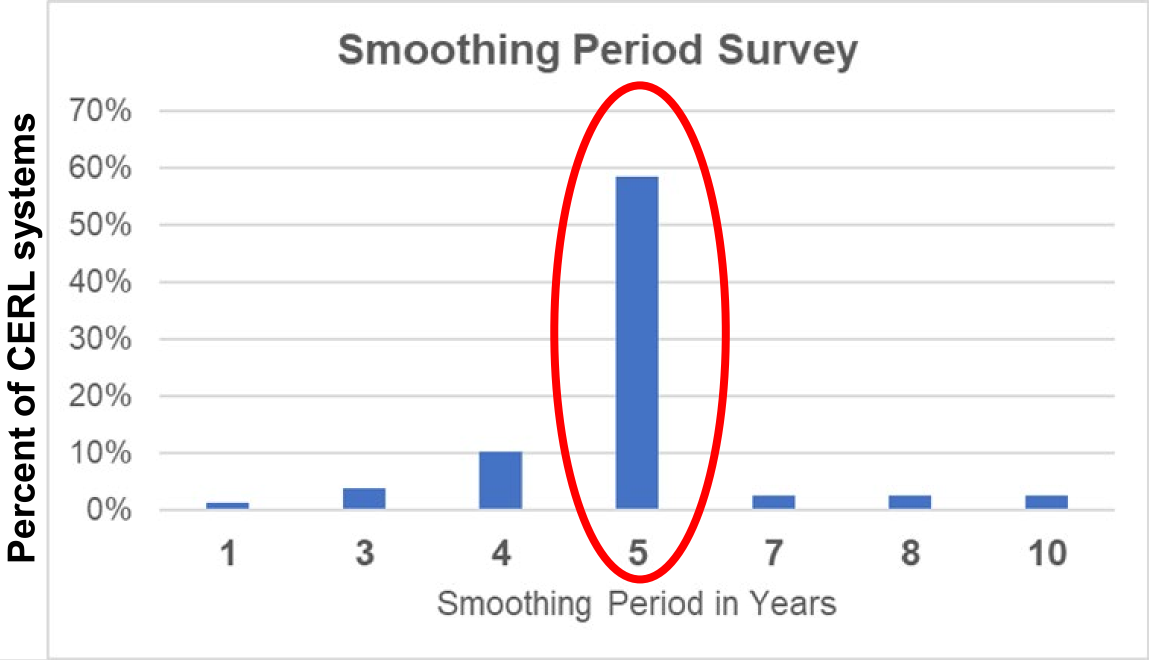
**The Government Accounting Standards Board (GASB) is a private non-governmental organization that creates accounting reporting standards, or generally accepted accounting principles (GAAP), for state and local governments in the U.S.*

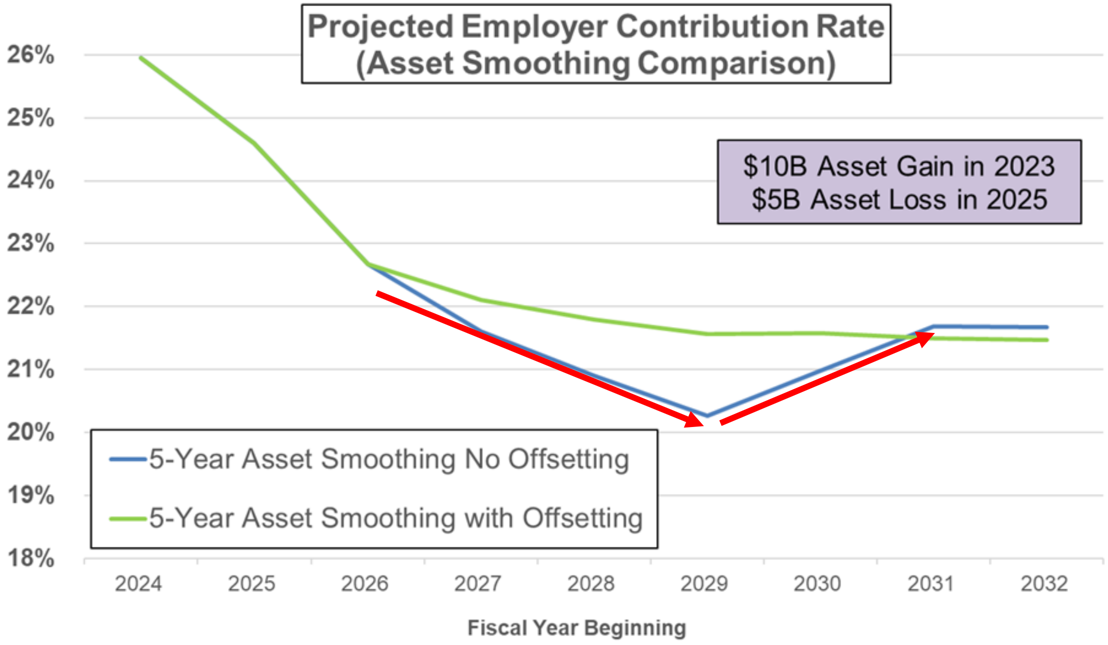
Elements of Funding Policy

Actuarial Asset Method

Goal: smooth out year-to-year changes in employer contribution rates
Asset gains and losses (relative to assumed return):

- *5-year asset smoothing* is the most common among both CERL systems and other public retirement systems
- *Offsetting of gains and losses* is applied, which is expected to reduce the likelihood and magnitude of spikes or dips in employer contribution rates in most cases



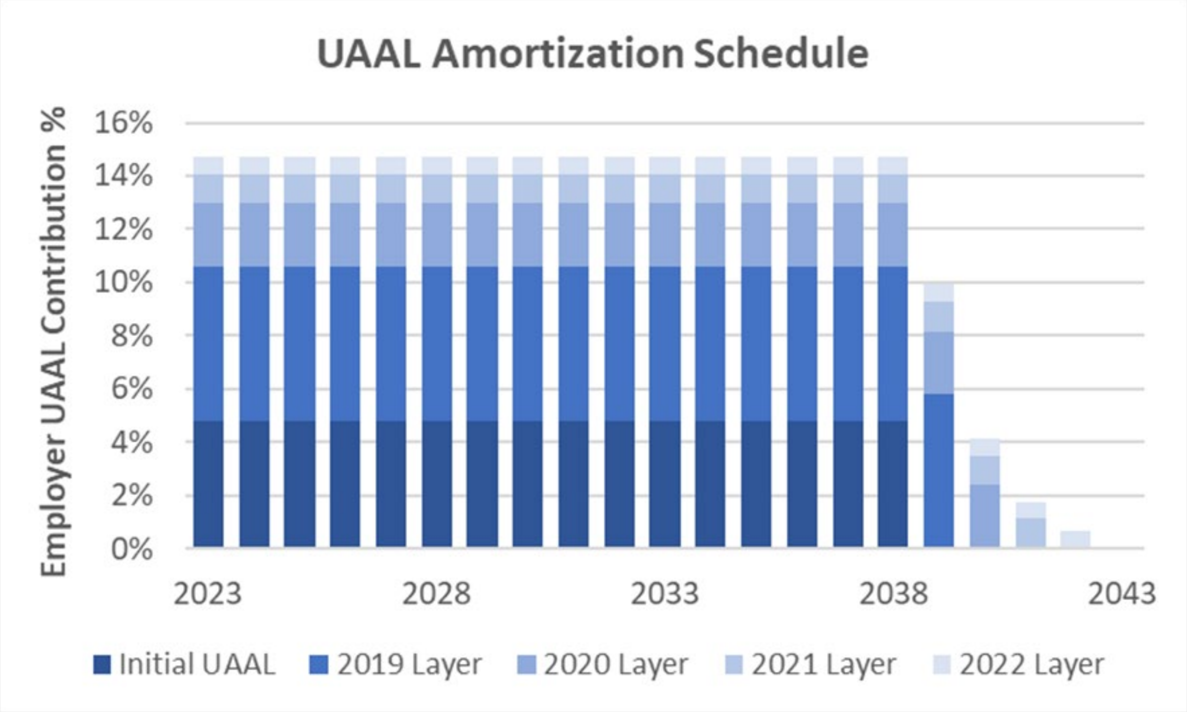


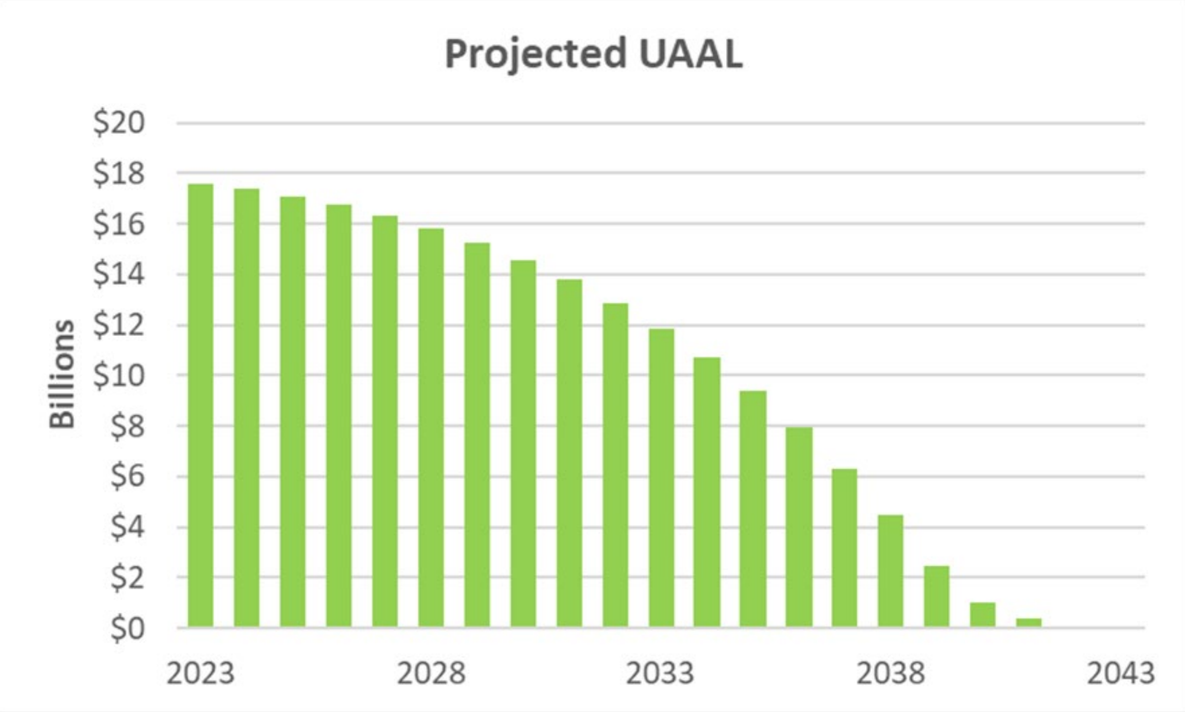
Elements of Funding Policy

Amortization Method to pay off UAAL

If an UAAL exists, LACERA's Funding Policy requires a contribution rate equal to:

- The Normal Cost Rate for the year
- A "minimum 30-year amortization" payment on the change in UAAL (i.e. one UAAL layer)
- The sum of the amortization payments for all previous UAAL layers expressed as a % of pay



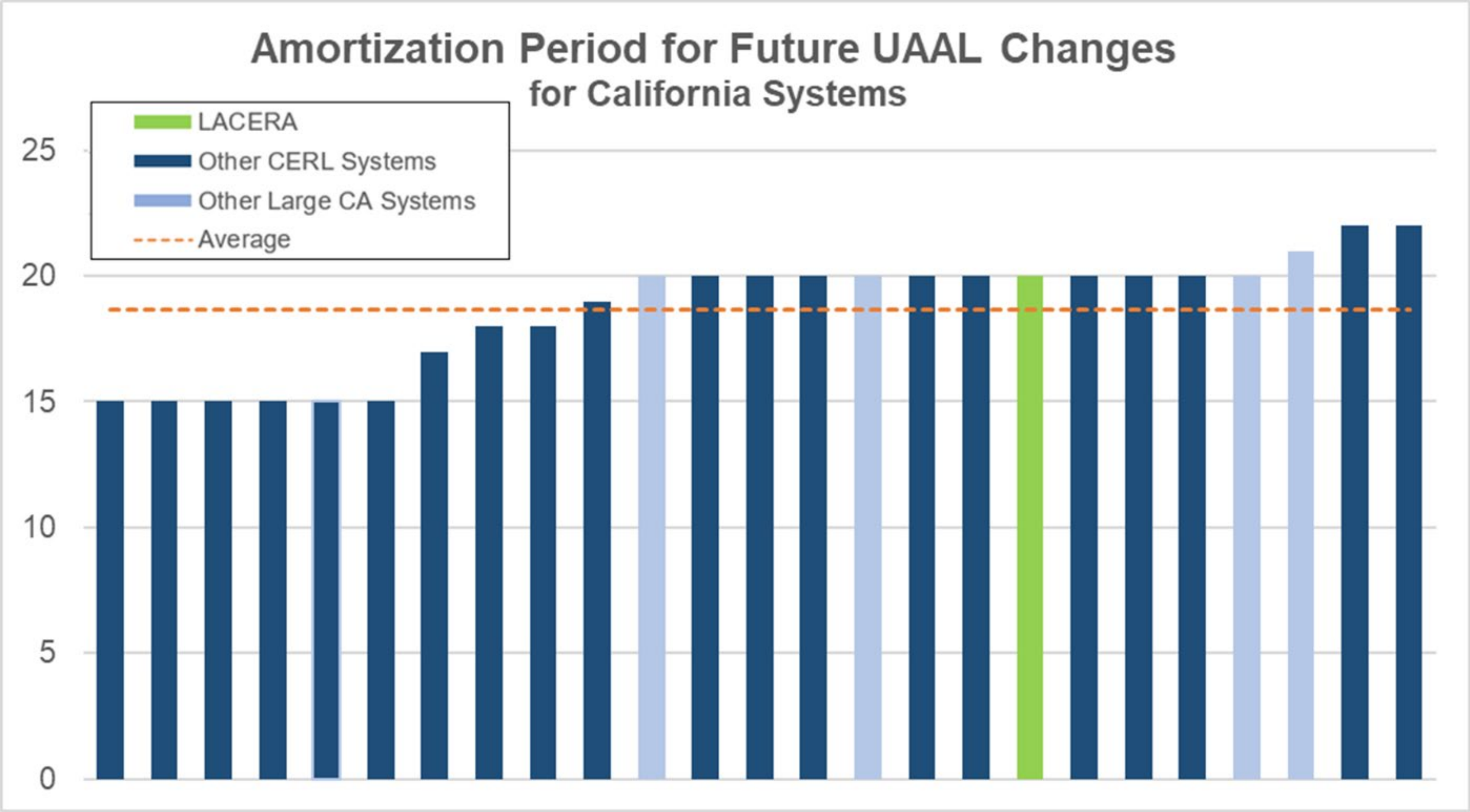


Elements of Funding Policy

Peer System Comparison – Core Actuarial Elements

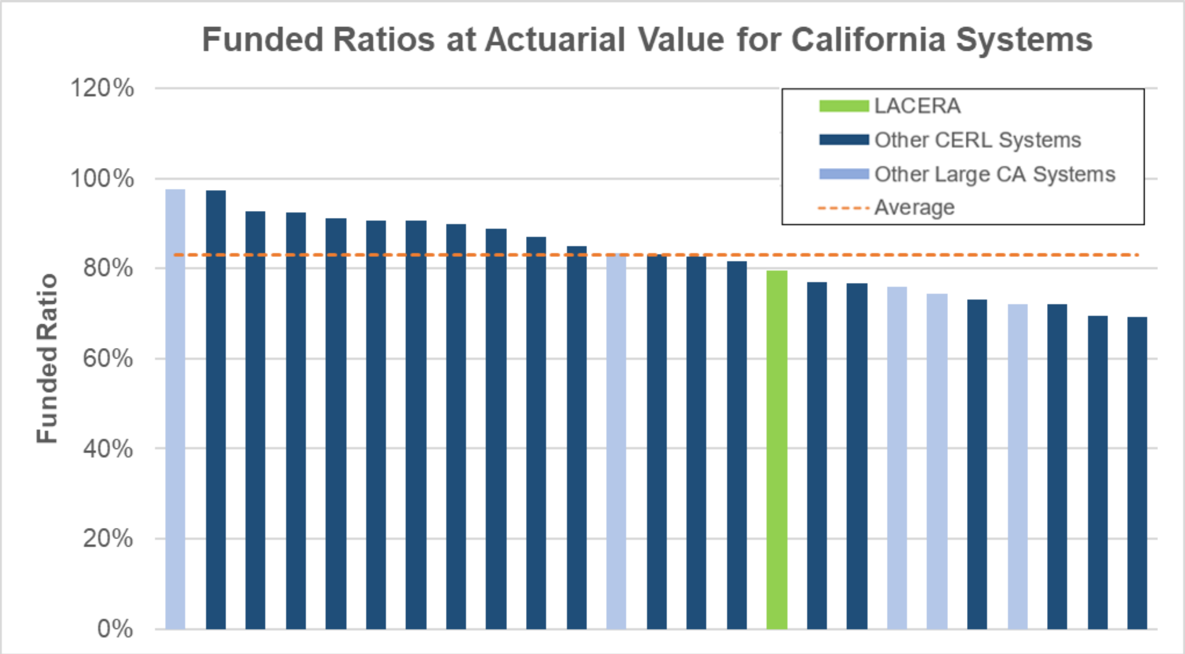
Key elements for LACERA are within range of other California systems

- All use Entry Age actuarial cost method
- Most use 5-year asset smoothing
- Most are level percentage of pay, layered, with periods from 15 to 20 years



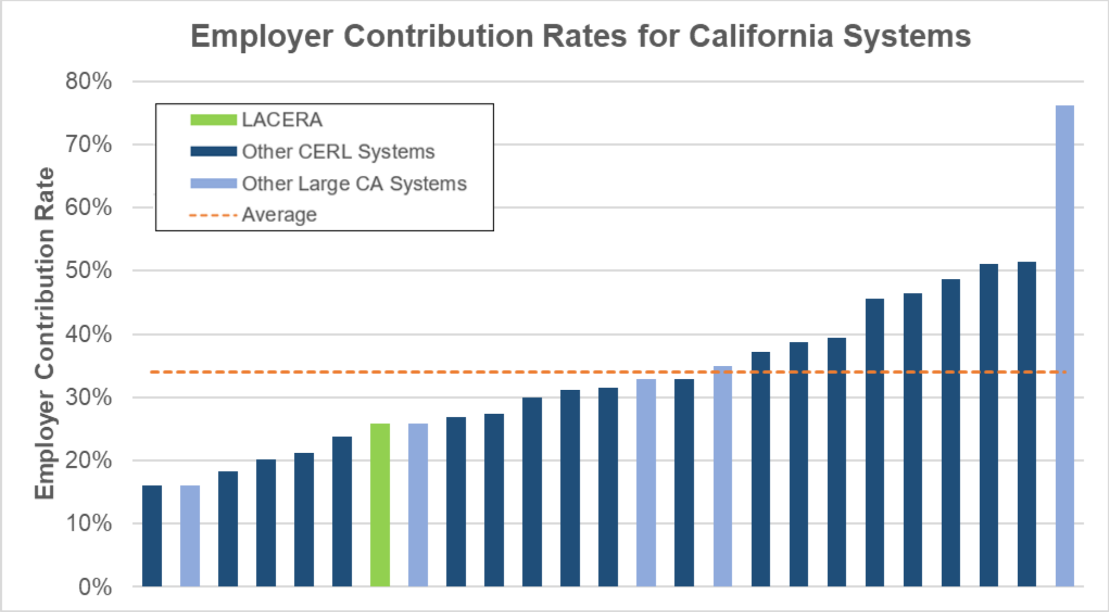
How Well has Funding Policy Achieved Its Goals

Peer System Comparison – Funding Metrics



LACERA's Funded Ratio is just below average compared to other California systems

Employer contribution rate is currently (and for the last decade plus) considerably lower than average compared to other California systems



LACERA Funding Policy

LACERA Funding Policy – History

1987

Pension Obligation Certificates

- Los Angeles County issued Pension Obligation Certificates (POCs) to reduce the retirement system liability
- LACERA used funding to purchase annuity contracts for small group of retirees

1993

Pension Bond Financing Resolution

- Board of Supervisors (BOS) adopted a Pension Obligation Bond (POB) financing resolution
- County decision to fully fund the retirement system

1994

Retirement System Funding Agreement

- BOS issued POBs to reduce LACERA's unfunded liability
- Los Angeles County and LACERA entered into an agreement with a 15-year term

2002

Retirement System Funding Agreement Amendment

- "Surplus funding" was introduced as LACERA's funded ratio exceeded 100% in late 1990s
- County's reduction of unfunded liabilities increased from 5-years to 30-years with rolling amortization

2009

Retirement Benefit Funding Policy

- Sunset of 1994 Agreement and 2002 Amendment
- Long-Term Funding Policy components included over/under funding, asset valuation, excess earnings, actuarial valuation cycle, and restricted reserves

2013

Retirement Benefit Funding Policy Amendment

- Conform to new standards mandated by PEPRA (California Public Employees' Pension Reform Act of 2013)
- Prohibits reducing employer contributions below normal cost, unless plan's funded status exceeds 120%

LACERA Funding Policy – Implementation

Per CERL Section 31591, realized earnings are allocated through reserve accounts in a waterfall priority

Interest Crediting Policy

Priority 1: Member Reserves
- Interest posted to member accounts
- Contribution balances may receive up to 3.5%

Priorities 2-8: Employer & Contingency Reserves (CERL secs. 31592 & 31592.2)

Realized Earnings Analysis
- Performed as of June 30 and December 31

Reserves Waterfall

- Contingency — Allocate prior period balance
- Priority 1: Member
- Priority 2: Employer (Advance Contributions)
- Priority 3: Employer
- Priority 4: County Contribution Credit
- Priority 5: Employer
  - Priorities 1–5: Realized Earnings: allocate 3.5% interest credit. Based on Reserve balance for the 6-month period
- Priority 6: Contingency — Allocate 1% of market value of assets
- Priority 7: Employer — Realized Earnings: allocate 3.5% interest credit. Based on Reserve balance for the 6-month period
- Priority 8: Excess Earnings — Funded Ratio exceeds 120%. Allocate Excess Earnings in accordance with PEPRA

LACERA Funding Policy – Implementation (continued)

Annually

LACERA engages an Actuary every year to:

- Perform a **Valuation** of plan liabilities and assets to measure funding progress (funded ratio)
- Review actuarial *assumptions* and *methods*, change if required
- Recommend adjustments to-
  - *Employer Contribution Rates*
  - *PEPRA Plan Contribution Rates*

Note: Triennial valuation is required under CERL and conducting both an annual actuarial valuation and triennial experience study is consistent with LACERA's peers.

Triennially

LACERA engages an actuary every three years to:

- Conduct an **Investigation of Experience** to measure the effectiveness of plan *assumptions* and valuation *methodologies*
- Provide a series of educational meetings
- Review actuarial *assumptions* and *methods* and adjust if necessary
- Perform **Valuation** with updated *assumptions* and *methods*, and recommend adjustments to-
  - *Employer Contribution Rates*
  - *Legacy Plan Contribution Rates*
- A second Actuary reviews triennial reports

LACERA Funding Policy – Structure

General Funding Policy Core Elements

Funding Goal

A Funded Ratio goal is meant to provide benefit security for members

Actuarial Methods

The actuarial **cost** method typically used by public pension plans is the Entry Age Cost Method. Actuarial **asset** methods include Smoothing and No-Smoothing approaches

Contribution Rate

A funding goal includes achieving and maintaining relatively stable employer contribution rates that are as low as practicable

UAAL or Surplus

Amortization of UAAL recognizes a change in liability over time; typically, over a 15- to 20-year range. If UAAL is paid off, the surplus must be managed

LACERA Funding Policy Elements

100% Funded Ratio

LACERA's funding goal is a Funded Ratio equal to 100%

Cost and Asset Methods

LACERA uses the typical actuarial cost method of Entry Age and an asset method that smooths the value of fund assets over the typical period of 5 years

Relatively Stable

LACERA works to establish a contribution rate that is relatively stable over the long term and minimizes the size and volatility of employer contributions. A history of LACERA's Employer Contribution Rate is in the Appendix

Proactively Managed

LACERA calculates contribution rates as *level percentage of pay* while some systems use *level dollar amount*; over a 20-year period. If the UAAL is paid off and the plan is over 120% funded, LACERA manages the surplus in accordance with PEPRA

LACERA Funding Policy – Principles

Benefit Security and Risk Mitigation

The primary principle guiding actuarial funding of LACERA is ensuring that the plan can timely pay vested retirement and death benefits to the system's members and beneficiaries and mitigate risk in that regard. This does not require that the plan remain 100% funded at all times, so long as LACERA has sound policies reasonably aimed at getting there

Generational Equity

Actuarial funding also aims for contributions of employers and active members collectively to accumulate the present value of benefits for members by the time they retire.

Sound and Transparent Process

The JOGC Charter and BOI's Powers Reserved and Powers Delegated governance documents identify the BOI's reserved authority and delegated responsibilities with respect to actuarial funding. The Funding Policy provides additional transparency and explicit instructions, permitting the BOI to monitor delegated aspects of the actuarial funding process.

Contribution Stability

Actuarial funding should be designed such that employer contributions will make up for any differences in actual assets from the funding target within a defined and reasonable period of time while seeking to mitigate year-to-year volatility in contribution rates.

Compliance with Legal Duties

The California Constitution, CERL, PEPRA, and applicable case law provide the BOI with legal authority, fiduciary responsibility, and certain statutory parameters regarding the actuarial funding of the pension fund. Those duties must be exercised in an actuarially sound manner.

LACERA Funding Policy – Structural Considerations

Policy Update Opportunities

- Though LACERA's Actuarial Funding Policy covers the core elements of a general funding policy, there is opportunity to enhance LACERA's existing policy
- Initial reviews show the policy can be updated to a principles-based framework with greater legal- and process-related guidance
- The inter-relationship of LACERA's documents would need to be addressed if changes in one document impact the others
- Periodic, preferably triennial, policy reviews is recommended

Framework Articulation: Principles-based articulation of framework for funding of LACERA retirement benefits

Legal Parameters: Framework to explain legal parameters governing LACERA's funding of benefits, setting of contribution rates, and crediting of earnings to reserves

Regular Processes: Framework to reflect and guide annual actuarial valuation process and triennial experience study, as well as to direct allocation of earnings to reserves

Impact of Changes: May consider impact of changes to Investment Policy Statement (IPS), or of investment market conditions, on plan funding, including short and long-term liquidity needs

Future Revisions: Should be revised periodically to implement funding policy best practices and to ensure legal, actuarial, and operational compliance.

Next Steps

Overview of a Funding Policy from various perspectives:

- Accounting
- Actuarial
- Investments
- Legal

Explore Board feedback and prepare a draft Funding Policy

Discuss and reflect changes

Updated Funding Policy

Appendix

Funding Policy Guidance: GFOA

- Government Finance Officers Association (GFOA) recommends that every state and local government that offers defined benefit pensions and/or OPEB formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner. Such a retirement benefits funding policy would need to incorporate the following principles and objectives:
  - Every government employer that offers defined benefit pensions or OPEB should obtain no less than biennially a reasonable actuarially determined contribution (ADC) to serve as the basis for its contributions to those respective plans;
  - The ADC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service;
  - Every government employer that offers defined benefit pensions or OPEB should make a commitment to fund the full amount of the ADC each period;
  - Every government employer that offers defined benefit pensions or OPEB should demonstrate accountability and transparency by communicating all of the information necessary for assessing the government's progress toward meeting its pension funding objectives.

GFOA Guidance – Core Elements

- Actuarial cost method – entry age cost method is “especially well suited”
- Asset smoothing
  - Same period used for gains and losses; smoothed over fixed periods (typically 5 years)
- Amortization of Unfunded Actuarial Accrued Liability (UAAL)
  - Layered amortization with fixed closed periods selected so as to balance the goals of demographic matching (equitable allocation of cost among generations) and volatility management (funding at a level percentage of payroll)
  - Period should never exceed 25 years, but ideally fall in the 15-20 year range
- Surplus management (if UAAL is fully paid off)
  - Ensure that assumptions are up-to-date and reasonable
  - Evaluate possible risk reduction strategies
  - Consider limitations on contribution reductions

Pension Funding Task Force: Funding Policy Importance

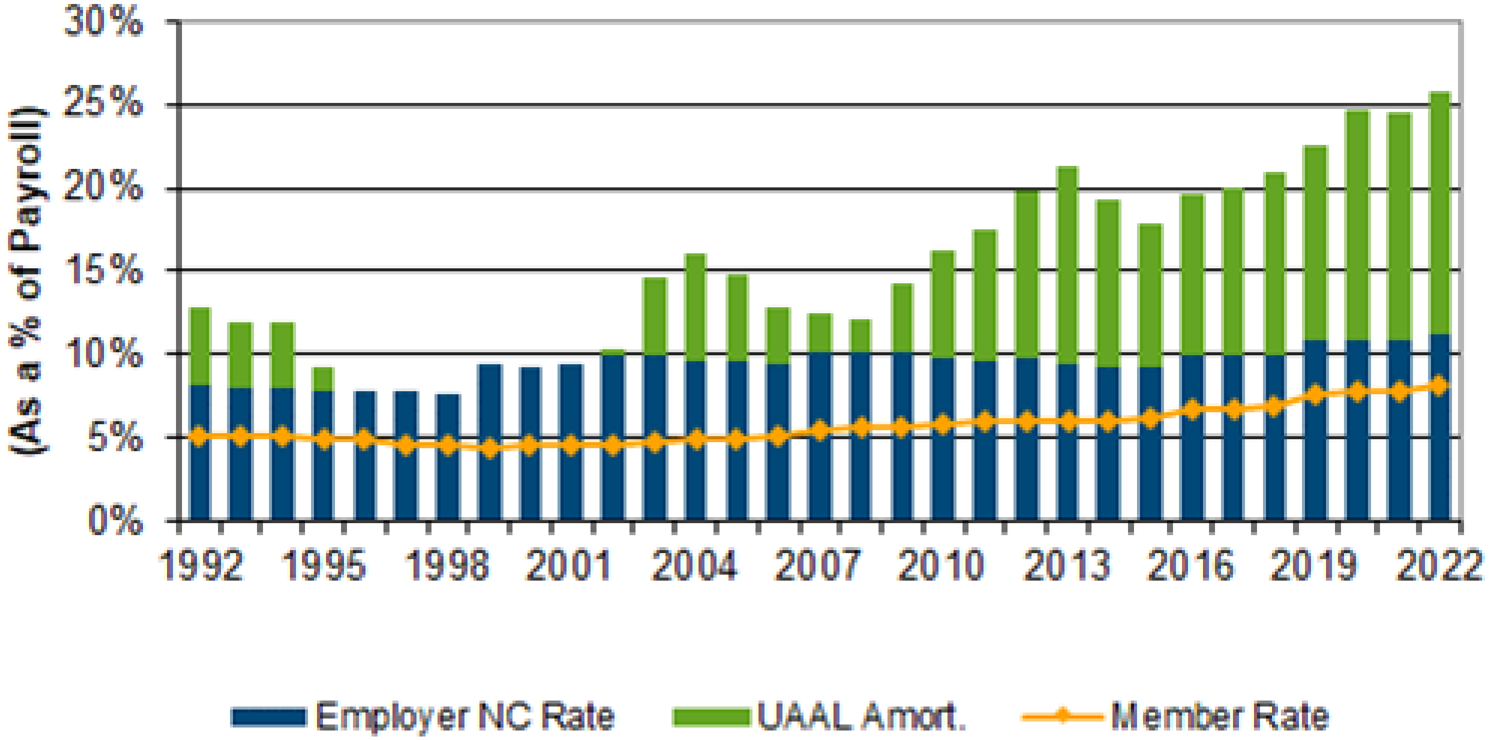
- National organizations representing the nation's governors, state legislatures, local officials and public finance professionals formed a Pension Funding Task Force and released "Pension Funding: A Guide For Elected Officials" in March 2013, which states that a clear pension funding policy is important because it:
  - Lays out a plan to fund pensions
  - Provides guidance in making annual budget decisions
  - Demonstrates prudent financial management practices
  - Reassures bond rating agencies
  - Shows employees and the public how pensions will be funded

Pension Funding Task Force: Funding Policy Objectives

- Five general policy objectives:
  - Have a pension funding policy that is based on an actuarially determined contribution
  - Build funding discipline into the policy to ensure that promised benefits can be paid
  - Maintain intergenerational equity so that the cost of employee benefits is paid by the generation of taxpayers who receives services
  - Make employer costs a consistent percentage of payroll
  - Require clear reporting to show how and when pension plans will be fully funded

LACERA Historical Data

LACERA Employer Contribution Rate History



Source: Milliman's 2022 Actuarial Valuation of Retirement Benefits Report, page 46.

LACERA Historical Data

LACERA Investment Performance / Funded Ratio

LACERA - Pension Fund		
Fiscal Year Ended	Investment Performance (Gross of Fees)	Funded Ratio
6/30/1983	44.9%	N/A [1]
6/30/1984	-2.8%	N/A
6/30/1985	31.3%	N/A
6/30/1986	24.9%	N/A
6/30/1987	12.6%	N/A
6/30/1988	1.8%	83.0%
6/30/1989	13.9%	82.3%
6/30/1990	11.5%	87.7%
6/30/1991	7.0%	81.5%
6/30/1992	12.7%	87.7%
6/30/1993	13.4%	82.4%
6/30/1994	4.3%	99.8%
6/30/1995	15.0%	100.7%
6/30/1996	16.6%	102.6%
6/30/1997	17.5%	101.3%
6/30/1998	15.0%	99.5%
6/30/1999	12.1%	103.3%
6/30/2000	15.3%	102.9%
6/30/2001	-5.2%	100.0%
6/30/2002	-5.6%	99.4%

LACERA - Pension Fund		
Fiscal Year Ended	Investment Performance (Gross of Fees)	Funded Ratio
6/30/2003	3.3%	87.2%
6/30/2004	16.4%	82.8%
6/30/2005	11.0%	85.8%
6/30/2006	13.4%	90.5%
6/30/2007	19.1%	93.8%
6/30/2008	-1.4%	94.5%
6/30/2009	-18.2%	88.9%
6/30/2010	11.8%	83.3%
6/30/2011	20.4%	80.6%
6/30/2012	0.3%	76.8%
6/30/2013	12.1%	75.0%
6/30/2014	16.8%	79.5%
6/30/2015	4.3%	83.3%
6/30/2016	1.1%	79.4%
6/30/2017	12.7% [2]	79.9%
6/30/2018	9.0%	80.6%
6/30/2019	6.4%	77.2%
6/30/2020	1.8%	76.3%
6/30/2021	25.2%	79.3%
6/30/2022	0.1%	79.6%
6/30/2023	6.4%	TBD

Notes:

(1) Data not available.

(2) Net of Fees, beginning in FYE 2017.

Data Sources:

Investment Office (Performance)

Actuarial Valuation Reports (Funded Ratio)

Glossary

- **Accrued Liability / Actuarial Accrued Liability (AAL):** That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
- **Actuarial Asset Smoothing:** A method used to determine the Actuarial Values of Assets that reduces the effect of short-term market volatility while still tracking the overall movement of the market value of assets.
- **Actuarial Assumptions**: Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets. The Actuarial Assumptions fall in to two main categories: Demographic and Economic Assumptions.
- **Actuarial Methods**: Procedures used to determine the Actuarial Value of Assets; how the liabilities (value of promised benefit payments) are allocated to accrued and future; how the Unfunded Actuarial Accrued Liability is systematically paid down (amortization method); and other relevant items.
- **Actuarial Standards of Practice:** The Actuarial Standards Board sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

Glossary (continued)

- **Actuarial Valuation**: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
- **Actuarial Value of Assets**: The value of cash, investments and other property belonging to a pension plan after reflection of Actuarial Asset Smoothing, as used by the actuary for the purpose of an Actuarial Valuation.
- **Alpha**: Actual investment return, if any, above the benchmark return.
- **Amortization Payment**: That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
- **Capital Market Assumptions (or Expectations):** Capital Market Assumptions are numerical expectations about the future performance of available asset classes that incorporate theories, observations and experience. Each asset class has an expected return, variance and correlation between other asset classes.
- **COLA**: LACERA retirement and survivor allowances are adjusted annually by the cost-of-living adjustment (COLA). The adjustment is based on changes in the cost of living over the previous 12-month period as of December 31.
- **COLA Bank**: Also referred to as the COLA Accumulation. The COLA Bank is the accumulation of annual CPI increases that exceed the COLA Cap. In years where the CPI increase is less than the COLA Cap, a withdrawal from the COLA Bank takes place to increase the actual COLA granted, up to the COLA Cap.

Glossary (continued)

- **COLA Cap (Maximum)**: LACERA retirees and beneficiaries cannot receive an annual COLA increase above the COLA Cap. For Plan A, the amount is 3%; for other plans the maximum is 2%.
- **CPI**: Consumer Price Index. Used to measure local and national price inflation.
- **Demographic Assumptions**: Assumptions as to the occurrence of future events specific to member experience, such as: mortality, withdrawal, disability, retirement, and changes in compensation in excess of General Wage Growth.
- **Discount**: The discount is the reduction that is applied to future cash flows (primarily benefit payments and contributions) to determine the present value as of the valuation date of those cash flows. For LACERA, the discount rate is equal to the investment return assumption.
- **Economic Assumptions:** Assumptions as to the occurrence of future events specific to economic factors, such as: investment returns, compensation increases related to inflation and productivity, and inflation.
- **Employer Contribution Rate**: Annual employer contribution calculated under LACERA's funding policy as a percent of payroll. The rate is a sum of contributions to fund the Normal Costs (net of member contributions) and the UAAL.
- **Employer Normal Cost Rate**: The Normal Cost Rate net of member contributions.
- **GASB**: Governmental Accounting Standards Board. Organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP)

Glossary (continued)

- **Inflation**: See Price Inflation.
- **Investigation of Experience**: Periodic review of Actuarial Assumptions to review recent experience and future forecasts. For LACERA, this is completed every three years
- **Layered Amortization Period**: Payment of each year's change in the Unfunded Actuarial Accrued Liability (UAAL) is amortized over separate closed periods. For LACERA, the original UAAL as of June 30, 2009 is being amortized over a closed 30-year period. Subsequent changes in the UAAL were amortized over new closed 30-year periods. Effective with the June 30, 2019 valuation all existing layers with more than 22 years remaining as of June 30, 2020 were re- amortized over closed 22-year periods. All new UAAL layers thereafter are amortized over closed 20-year periods beginning with the date the contribution is first expected to be made. All amortization payments are based on a level percent of pay.
- **Legacy**: Legacy plans are those plans that existed prior to the implementation of PEPRA. For LACERA, these are the following defined benefit plans: General Plans A, B, C & D and Safety Plans A & B.
- **Median Expected Return**: The numerical value that there is a 50% probability the actual return will exceed (and 50% probability it will fall short of) this value over a long-term time horizon on annualized geometric basis.
- **Merit Salary Increases:** Salary increases in excess of the General Wage Growth that are expected as a member moves through their career related to merit, promotion and longevity.

Glossary (continued)

- **Mortality Projection Scale:** A scale that is used to project future changes in mortality rates. A scale that project declines in future mortality rates is expecting increased life expectancies for future retirees.
- **Normal Cost Rate:** The value of benefits earned as a percent of pay calculated as a level percent of payroll from entry age
- **Payroll Growth:** The annual increase in the pensionable payroll used in the calculation of the UAAL amortization rate.
- **PEPRA**: The California Public Employees' Pension Reform Act (PEPRA) of 2013 specifies benefit provisions for LACERA General Plan G and Safety Plan C. It also governs certain provisions of other LACERA plans and places additional restrictions on employer contribution rates to be paid.
- **Price Inflation:** A sustained increase in the general level of prices for goods and services.
- **Price-to-Earnings (P/E) Ratio:** The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share. P/E ratios are used by investors and analysts to determine the relative value of a company's shares in an apples-to-apples comparison.
- **Projected Benefits**: Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Glossary (continued)

- **Real Rate of Return:** The portion of the expected investment return that is in excess of national Price Inflation.
- **Real Wage Growth:** The portion of General Wage Growth that is not related to local Price Inflation.
- **STAR Reserve**: Reserves accumulated for the payment of cost-of-living benefits as defined in California Government Code Section 31874.3. Supplemental Targeted Adjustment for Retirees (STAR) Benefits Supplemental cost-of-living payments to retired members to restore purchasing power at a specified percentage level, as described in California Government Code Section 31874.3.
- **Unfunded Actuarial Accrued Liability (UAAL)**: The excess, if any, of the Actuarial Accrued Liability over the Valuation Assets.
- **Valuation Assets:** Assets considered in the calculation of the UAAL contribution rate. Valuation assets are equal to Actuarial Value of Assets but net of certain non-valuation reserves (for the 2022 valuation, the non-valuation reserves are the Contingency Reserve and the STAR Reserve
- **Valuation Date:** The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
- **Wage Growth**: See General Wage Growth.

Los Angeles County Employees' Retirement Association

Retirement Benefit Funding Policy

Amended by the Board of Investments
February 13, 2013

I. Funding Goal

The Funding Goal establishes the funding status the Board of Investments would like LACERA to achieve. The main goal is to provide benefit security for its members as well as to achieve and maintain stable employer contributions that are as low as possible.

Under the Entry Age Actuarial Cost Method, the cost of financing benefits is allocated over a member's working lifetime, with the goal that sufficient assets are accumulated to fund benefits by the time the benefits first become payable. LACERA allocates the cost of paying for the promised benefits evenly over time expressed as a percentage of payroll. Determining the cost as a percentage of payroll rather than level dollars provides intergenerational equity between taxpayers that reflects changes in inflation over time. The allocation of benefit financing to prior and future years is based on the cost method, with prior years' allocation equal to the Actuarial Accrued Liability (AAL) and the future years' allocation equal to Present Value of Future Normal Costs. Note that the actuarial cost method is an allocation of when to fund the benefits, not when they are being earned.

The Funded Ratio is the measurement of the Valuation Reserves to the AAL. When the assets available for funding (Valuation Reserves) equal the AAL, then LACERA is considered fully funded with a Funded Ratio of 100%. Assets in excess of those needed to reach 100% funding are considered excess funds for funding purposes. A Funded Ratio equal to 100% is the **Funding Goal.**

II. What Does the Funding Goal Mean for Setting Contribution Rates?

1. Funding Policy

The assets and the liabilities for both prior and future accrued benefits will be constantly changing based on experience, benefit changes, assumption changes, and other outside factors impacting LACERA benefits. Therefore, the Funding Policy will guide the Board as to what actions are expected to be taken in determining contribution rates to achieve the Funding Goal.

This policy is intended to provide guidance as to when adjustments to LACERA's contributions and funding for discretionary benefits should be considered by the Board of Investments. The Funding Policy is meant to assist in establishing a contribution rate which is relatively stable over the long term while LACERA provides its members superior retirement benefit security and minimizes both the size and volatility of the employer contributions.

When the Ratio of the Valuation Reserves to the Actuarial Accrued Liabilities is:

A. **Less than 100%** - the Funding Policy requires a contribution rate equal to:

   1) The Normal Cost Rate for the year, plus

   2) A minimum 30 year amortization payment on the increase in UAAL due to the current year's experience and changes (current Yearly UAAL layer) plus

   3) The sum of the amortization payments for each remaining Yearly UAAL layer created in years prior to the valuation date, expressed as a percentage of pay.

   4) In no case shall the total amount contributed by the employer be less than the Normal Cost Rate for the year, plus a 30-year amortization of the total UAAL.

B. **Greater than 100% and less than 120%** - the contribution rate is the Normal Cost Rate. This conforms with California Government Code Section 7522.52 of the California Public Employees' Pension Reform act of 2013.

C. **Greater than 120%** - the contribution rate is the Normal Cost Rate reduced by an amount equal to the amortization of the surplus, where the surplus is defined as the Valuation Reserves in excess of the Actuarial Accrued Liability on the valuation date. The surplus amount is amortized using a 30 year amortization period provided all conditions in California Government Code Section 7522.52(b) are met.

2. Guidelines and Terminology

A. The Funded Ratio is calculated by dividing the Valuation Reserves by the AAL. It may be determined separately between the Active and Inactive members by first allocating Valuation Reserves to the Inactive AAL and then all remaining Valuation Reserves to the Active AAL.

B. The Yearly UAAL layer is the difference between the expected increase in the UAAL due to the passage of time and the actual change in the UAAL due to the experience since the last annual actuarial valuation. The expectation is that each year's UAAL will be amortized and funded separately so that its ultimate payment is visible in the funding decisions.

C. Once LACERA's Funded Ratio reaches 100% or more, then all prior Yearly UAAL layer amounts will be considered fully amortized and will no longer be considered in the determination of contribution rates.

D. If, at some time after LACERA's Funded Ratio reaches 100%, but then the Funded Ratio, once again, drops below 100%, a new UAAL layer amount will be established in the first year equal to the new UAAL amount.

E. Valuation Reserves are the actuarial value of the fund. The following three reserves are not part of the Valuation Reserves:

   1) Contingency Reserve - The '37 Act requires the Contingency Reserve be set at a minimum of 1.0% of assets for future earnings deficiencies.

   2) County Contribution Credit Reserve - Funds set aside to be used by the County for current and future County contributions.

   3) Advanced Employer Contribution Reserve – Employer contributions paid in advance by the County.

F. The market value of total assets is used in calculating the actuarial value of the fund. Under the actuarial asset method, the market value returns are smoothed over a 5 year period to reduce contribution rate volatility.

III. Annual Implementation

1. Interest Crediting Policy for Reserves

In accordance with Section 31591 of the CERL, LACERA maintains various Reserve accounts for purposes of allocating the realized income and disbursements of the trust fund assets. As such, the balances are accounting balances and may not equal the Actuarial Value of Assets. For Reserve Accounting purposes, interest credits are allocated in the same priorities as listed for the allocation of actuarial assets but are based only on Realized Earnings for the period. Realized Earnings includes the net realized income plus any prior balance in the Contingency Reserve. The allocation of Realized Earnings is performed twice a year as of June 30 and December 31.

2. Allocation of Actuarial Assets

For funding purposes and for setting contributions rates, Recognized Earnings for a Plan Year is the recognized investment income as determined by the Actuarial Asset Method and includes both unrealized income and net realized income together with the prior balance in the Contingency Reserve. The allocation of Recognized Earnings is only performed once a year as of the Valuation Date in the following order of priority:

Priority 1: Allocate to the Member Reserve so the Actuarial Asset allocation to that Reserve equals the accounting value for that Reserve on the Valuation Date.

Priority 2: Allocate to the Advanced Employer Contributions Reserve so the Actuarial Asset allocation to that Reserve equals the accounting value for that Reserve on the Valuation Date.

Priority 3: Allocate to the Employer Reserve so the Actuarial Asset allocation to that reserve equals the accounting value for that Reserve on the Valuation Date.

Priority 4: Allocate to the County Contribution Credit Reserve so the Actuarial Asset allocation to that reserve equals the accounting value for that Reserve on the Valuation Date. Note: This Reserve is not a Valuation Reserve.

Priority 5: Allocate to the Employer Reserve so the total amounts allocated equal one year's interest at the assumed interest rate used in the actuarial valuation as of the preceding Valuation Date to the extent there are positive Recognized Earnings to allocate.

Priority 6: Allocate to the Contingency Reserve an amount equal to 1% of the Market Value of Assets as of the Valuation Date to the extent there are positive Recognized Earnings to allocate.

Priority 7: Allocate to the Employer Reserve an amount, if necessary, when combined with other Valuation Reserves, to provide 100% funding of the AAL as of the Valuation Date to reach the Funding Goal. In the event there are negative Recognized Earnings, allocate the entire amount.

Priority 8: The Board may consider additional actions as permitted under the County Employee Retirement Law (CERL) using funds in excess of the amount needed to meet the Funding Goal for funding discretionary benefits. "Excess Earnings" as defined in the County Employees Retirement Law (CERL) may be appropriated upon reaching the Funding Goal, however, the Board may consider adjustment to the employer's contributions only upon satisfying California Government Code Section 7522.52(b).

Increases to the Employer Reserve and the Advanced Employer Contributions Reserve amounts will be allocated first to cover the expected Normal Cost payment for the valuation year and then proportionally to each Yearly UAAL amount. All UAAL layers are assumed to be fully amortized once the plan equals or exceeds a 100% Funded Ratio.

If the Funding Goal has been met and previously unallocated Excess Earning are used for discretionary benefits under Priority 6, the actuarial assumed earnings rate will need to be assessed as part of the next scheduled investigation study regarding the projected net earnings available to fund future benefits.

3. **Valuation Cycle**

Annually, LACERA shall engage the services of an actuary to conduct a valuation of plan liabilities and assets to measure the funding progress of the plan. Every third year the actuary shall conduct an investigation of experience to measure the effectiveness of the plan assumptions and valuation methodology and make recommendations to the Board as needed. While the plan document provides for the valuations to be conducted not less than every three years, the funding policy will require an annual valuation and a recommendation of employer rates on an annual basis. Employee rates will be recommended as required due to changes in the underlying assumptions and methodology used to calculate the employee rates.

Notes:

2009: For the purposes of conducting the June, 30, 2009 actuarial valuation, the Board determined the STAR Reserve, as referenced in policy section II.2.(e), shall be a Valuation Reserve. As such, the actuary will include the STAR Reserve as part of the actuarial assets available for funding retirement benefits. Excerpt from Board of Investment minutes, December 9, 2009:

> A motion was made by Mr. Saladino, seconded by Chair Pryor to adopt the funding policy actuarial valuation effective June 30, 2009 as proposed in the Proposed Policy dated November 18, 2009, except to (i) include the STAR COLA Reserve in the valuation assets for the fiscal year ending June 30, 2009, and (ii) reevaluate the STAR COLA Reserve issue for the fiscal year ending June 30, 2010. The motion carried with Messrs. Hudson, Saladino, Scheider, Unger and Chair Pryor voting yes and Ms. Sandoval and Messrs. Barger and Russin voting no. Absent: Santos.

2010: For the purposes of conducting the June, 30, 2010 actuarial valuation, the Board determined the STAR Reserve, as referenced in policy section II.2.(e), shall be a Valuation Reserve. As such, the actuary will include the STAR Reserve as part of the actuarial assets available for funding retirement benefits. Excerpt from Board of Investment minutes, November 10, 2010:

> A motion was made by Mr. Saladino, seconded by Chair Santos that the non-vested portion of the STAR COLA Reserve be included as a valuation asset for one year and that the Board of Investments revisit the issue prior to next year's asset valuation. The motion carried with Messrs. Pryor, Russin, Saladino, Valenzuela, and Chair Santos voting yes and Ms. Sandoval and Messrs. Barger and Schneider voting no. Absent: Unger.

2011: For the purposes of conducting the June 30, 2011 actuarial valuation, the Board determined the STAR Reserve, as referenced in policy section II.2(e), shall be a

Valuation Reserve. As such the actuary will include the STAR Reserve as part of the actuarial assets available for funding retirement benefits. Excerpt from Board of Investment minutes, October 12, 2011:

> A motion was made by Mr. Pryor, seconded by Mr. Santos to include the STAR COLA Reserve as a valuation asset for fiscal year 2011 and direct staff to provide information at the next Board meeting, on modifying the Funding Policy with respect to the STAR COLA Reserve and on securing an indemnification from the County with respect to that Reserve for fiscal year 2012 and beyond, to allow the Reserve to be included as a valuation asset. The motion carried with Messrs. Valenzuela, Pryor, Kelly, Santos and Unger voting yes and Messrs, Schneider, Russin, Ms. Sandoval and Chair Barger voting no.

2012: The Board amended the Funding Policy to (a) bring the Policy in compliance with the California Public Employees' Pension Reform Act of 2013 standard on employer rate relief and (2) add the STAR Reserve as a valuation asset by removing the STAR Reserve reference in Policy section II.2(e). As such the actuary will include the STAR Reserve as part of the actuarial assets available for funding retirement benefits. Excerpt from Board of Investment minutes, February 13, 2013:

> A motion was made by
>
> The motion carried with Ms. Widner, Messrs. Green, Pryor, Saladino, Unger, and Chair Santos voting yes and Ms. Sandoval and Messrs. Barger and Schneider voting no.

2008 Actuarial Audit – Policy Directive

Audit of the Triennial Investigation of Experience
(Experience Study Review)

Timing and Reporting
Audit actuary shall conduct a review of the investigation of experience or experience study report when the consulting actuary performs said study, as scheduled to occur every three years. An experience study review was completed for fiscal year end June 30, 2007 and will be conducted on a triennial basis going forward. The completed review will be delivered to the Audit Committee (Committee) and/or Board of Investments (Board) not less than 30 days prior to the date by which the Board must submit to the Los Angeles County Board of Supervisors (the "Board of Supervisors") the recommendations required under Government Code Section 31453.

Audit Process
The audit actuary shall perform an actuarial peer review audit for every investigation of experience which will include reconciling aggregate counts of actual occurrences by decrement type with LACERA's consulting actuary and an independent reproduction of the cost impact of the changes recommended by LACERA's consulting actuary. Audit actuary shall consult with LACERA's consulting actuary and staff during the course of the review. Such review shall include but not be limited to:

1. Evaluation of the available data for the performance of such investigation, the degree to which such data is sufficient to support the conclusions of the investigation, and the use and appropriateness of any assumptions made regarding such data.

2. Evaluation of recommended economic and non-economic assumptions as presented in LACERA's consulting actuary's investigation of experience report.

3. Reconciliation of the aggregate counts of actual occurrences by decrement type with LACERA's consulting actuary and provide an independent reproduction of the cost impact of any changes that are recommended by LACERA's consulting actuary.

4. Evaluation of the investigation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the audit actuary and LACERA's consulting actuary.

5. Completion of the audit concurrently with the consulting actuary's performance of the investigation of experience. To the extent possible, it is LACERA's intent that investigation audit results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and assumptions be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed investigation.

Audit of the Triennial Valuation
(Valuation Audit)

Timing and Reporting
Audit actuary shall conduct a valuation audit of the triennial actuarial valuation including parallel valuations (independent reproduction of the detailed valuation results) on a three-year cycle that coincides with the completion of each investigation of experience. A triennial valuation audit was completed for fiscal year end June 30, 2007 and will be conducted on a triennial basis going forward. The completed valuation audit will be delivered to the Audit Committee (Committee) and/or Board of Investments (Board) not less than 30 days prior to the date by which the Board must submit to the Los Angeles County Board of Supervisors (the "Board of Supervisors") the recommendations required under Government Code Section 31453.

Audit Process
Audit actuary shall consult with LACERA's consulting actuary and staff in the course of the audit. Such audit shall include but not be limited to:

1. Evaluation of the available data for the performance of such valuation, the degree of which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.

2. Completion of a parallel valuation using the assumptions, methodologies, and funding methods used by LACERA's consulting actuary in their performance of the valuation. Audit actuary shall re-perform all work and not rely on the work of LACERA's consulting actuary.

3. Evaluation of the parallel valuation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the audit actuary and LACERA's consulting actuary.

4. Completion of the audit concurrently with the consulting actuary's performance of the actuarial valuation. To the extent possible, it is LACERA's intent that parallel valuation results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed valuation.

Additional Actuarial Audits Performed in Any Year
(Special Projects/Special Valuation Audits)

From time to time, LACERA may assign actuarial-related special projects and/or special audits to the audit actuary.

Special Projects
LACERA shall identify the need to engage audit actuary to perform a special audit, review or specified analysis. Audit actuary will work with LACERA management to determine the special project details including the objectives, scope, timing and deliverables. Audit actuary shall consult with LACERA's consulting actuary and staff during the course of the project.

Special Valuation Audits
Audit actuary shall conduct a special valuation audit of LACERA's actuarial valuation in any year when there are (i) material changes in benefits, (ii) material changes to consulting actuary's valuation assumptions as reasonably determined by LACERA, and (iii) any changes deemed significant by LACERA's Board or management. LACERA shall notify audit actuary as soon as practically possible of any material changes to the consulting actuary's valuation information system and/or other events that trigger the need for an additional actuarial audit. Audit actuary will work with LACERA management to determine the special project details including the objectives, scope, timing and deliverables. Audit actuary shall consult with LACERA's consulting actuary and staff during the course of the audit.

Reporting
For each special project or special valuation audit, audit actuary will prepare a draft report of findings for review and comment by LACERA staff prior to issuing a final project report. Audit actuary shall prepare a final report of its findings for each special project and, if requested by LACERA, present such findings and final report to LACERA's Audit Committee and/or Board of Investments.

Noted and Approved:

GREGG RADEMACHER
Chief Executive Officer

03-11-08
Date

File: Actuarial Audit Policy Directive (2008) V2

September 26, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann SHK
Chief Executive Officer, LACERA

FOR: October 2, 2024, Board of Retirement Meeting
October 9, 2024, Board of Investments Meeting

SUBJECT: **APPROVAL OF LACERA AND SEIU MOU BARGAINING UNITS 850 AND 851 – AMENDMENT AND TENTATIVE AGREEMENT**

RECOMMENDATION

Direct Management to join the Represented Staff Members in signing the Memorandums of Understanding (MOU) amendment incorporating the Tentative Agreements for LACERA Administrative, Technical, Clerical, and Blue-Collar Bargaining Unit (Unit 850) and LACERA Supervisory Bargaining Unit (Unit 851), and request administrative approval from the Los Angeles County Board of Supervisors. Upon LACERA Boards approval the MOU amendments will be effective January 1, 2025 through December 31, 2025.

INTRODUCTION

On August 24, 2024, LACERA's Labor Negotiation Team commenced discussions with LACERA Staff Members represented by Service Employees International Union (SEIU) Local 721. Tentative terms of Agreements were successfully negotiated August 25, 2024. Copies of the final proposed MOU changes are attached.

On September 25, 2024, the Represented Staff Members held a Ratification Election in which they accepted the terms of the Tentative Agreements. Upon your approval, the Tentative Agreements will be placed in Unit 850 and 851's MOUs to be signed by Representatives of both Negotiation Teams and presented to the Los Angeles County Board of Supervisors for inclusion into the County Ordinance.

BACKGROUND

In May 2000, at the request of the County's Chief Administrative Office (currently known as the Chief Executive Office), the Los Angeles County Employees Relations Commission removed LACERA-Unique Classifications from County Bargaining Units. This action was taken based upon a determination that the County should not be negotiating labor contracts for LACERA Staff Members. New Bargaining Units were formed to cover LACERA Represented Staff Members with the Board of Retirement and Board of Investments assuming the responsibility for bargaining with their Staff Members.

In December 2000, a LACERA Negotiation Team began bargaining with the Staff Members represented by SEIU Local 660. The labor negotiations successfully reached a Tentative Agreement and the Staff Members held a Ratification Election in which they accepted the tentative terms of the Agreements. On June 13, 2001, LACERA Boards approved the MOUs covering the period of October 1, 2000, through December 31, 2004. On July 17, 2001, the Board of Supervisors administratively approved the MOUs into the County Ordinance.

In October 2004, November 2006, September 2008, April 2011, May 2013, and August 2016, and December 2019, LACERA's Labor Negotiation Teams entered into Negotiations with the Staff Members represented by SEIU Local 721 (formerly Local 660) to reach Successor Agreements.

Each of these Labor Negotiations successfully produced Tentative Agreements by which Staff Members held ratification elections accepting the terms of the Successor Agreements. LACERA Boards have approved the successor MOU Agreements following the initial June 13, 2001 Agreement which have been in effect through the present time.

The current Labor Negotiations commenced as a result of the need for a successor MOU for one whose term was ending December 31, 2024. The parties agreed to amend the current agreement instead of negotiating a full successor agreement.

TERMS OF TENTATIVE AGREEMENT

The following are the significant terms from the Amendments and Tentative Agreements that were reached on August 21, 2024, between Management and the Staff Members represented by SEIU Local 721 in Bargaining Units 850 and 851:

1. Upon LACERA Boards’ approval, the MOU contract term will be extended through December 31, 2025.

2. Effective October 1, 2024 Staff Members in LACERA's Bargaining Units 850 and 851 shall receive an across the board increase of three percent (3%).

Language modifications were made to Special Pay Practices to update classification titles; and to Work Schedule and Transfer provisions to add language.

Implementation Process

Upon your approval, LACERA's Human Resources and Legal Offices will prepare and submit the necessary documentation to the Board of Supervisors for their administrative approval of the MOUs into the County Ordinance.

Recognition

Staff would like to recognize the SEIU Local 721 Negotiators, Aram Agdaian, Renee Anderson and Brandon Price, for their professionalism and dedication in reaching an agreement. Staff would also like to recognize LACERAs' Chief Negotiator, Irma Rodriguez Moisa, whose guidance and knowledge were vital to a successful negotiation. And further thank the following Staff Members, from both sides of the negotiation table, who worked together to find common ground and reach agreement on the labor contracts:

Management Representatives:

Carly Ntoya	Luis Lugo	John Popowich
Annette Cleary	Laura Guglielmo	Jasmine Bath

Employee Labor Representatives:

Lindsey Knight	La Tonya Robinson	Antonio Ramos
Anthony Batiste		

RECOMMENDATION

It is recommended that your Boards:

Direct Management to join the Represented Staff Members in signing the MOU amendments incorporating the Tentative Agreements for LACERA Administrative Technical, Clerical, and Blue Collar Bargaining Unit (Unit 850) and LACERA Supervisory Bargaining Unit (Unit 851), and request administrative approval from the Los Angeles County Board of Supervisors.

Upon both LACERA Boards approval, the MOUs will be effective January 1, 2025, through December 31, 2025.

Notwithstanding the foregoing, in the event the Board of Supervisors fails to take all actions necessary to timely implement the successor MOUs, it is understood that LACERA and SEIU may mutually agree to implement appropriate provisions of the MOUs which do not require specific action by the Board of Supervisors.

Attachments: MOU 850 Changes
MOU 851 Changes
Represented Cost to Fund Worksheet

MOU 850 CHANGES

Changes are reflected in **bold font**.

Article 5 - Term, Section 5.1

5.1. The term of this MOU shall commence on the date when the terms and conditions for its effectiveness, as set forth in Article 4 Implementation, are fully met, but in no event shall said MOU become effective prior to **12:01 a.m. on January 1, 2025. This MOU shall expire and otherwise be fully terminated at 12:00 midnight on December 31, 2025**

Article 7 - Salary, Sections 7.1

General percentage increases

7.1 All employees covered under this Memorandum of Understanding shall receive the following salary increase during the term of this agreement upon Union ratification and Board approval:

a) Effective January 1, 2022, an across the board increase of 4%.

b) Effective January 1, 2023, an across the board increase of 3%.

c) Effective January 1, 2024, an across the board increase of 3%.

d) Effective October 1, 2024, an across the board increase of three percent (3%).

Article 9 – Special Pay Practices, Section 9.4

9.4 Any permanent, full-time employee in one of the following classifications who possess a valid Certified Public Accountant license issued by the State of California shall be entitled to compensation at a rate two schedules higher than that established for the class:

Tite	Item No.
Accountant **I, LACERA**	0415
Accountant II, LACERA	**0473**
Investment Accountant, LACERA	**0476**

Article 15 – Work Schedule, Section 15.3

15.3 Employees shall be scheduled to work on regular work shifts having regular starting and ending times. Except for emergencies (see Section 15.5), employees' work schedules, or work shifts shall not be changed without written notice to the employee at least ten (10) working days prior to the date the change is to be effective. Alternate work schedules shall not be changed without written notice to the employee at least ten (10) working days prior to the date the change is to be effective. **The ten (10) working day notice can be waived by mutual agreement.**

Article 20 – Transfers, Section 20.3

20.3 In the event of involuntary transfers within LACERA, the employee will be notified in writing, fifteen (15) days prior to said involuntary transfer. **The fifteen (15) day notice can be waived by mutual agreement.**

MOU 851 CHANGES

Changes are reflected in **bold font**.

Article 5 - Term, Section 5.1

5.1. The term of this MOU shall commence on the date when the terms and conditions for its effectiveness, as set forth in Article 4 Implementation, are fully met, but in no event shall said MOU become effective prior to **12:01 a.m. on January 1, 2025. This MOU shall expire and otherwise be fully terminated at 12:00 midnight on December 31, 2025**

Article 7 - Salary, Sections 7.1

General percentage increases

7.1 All employees covered under this Memorandum of Understanding shall receive the following salary increase during the term of this agreement upon Union ratification and Board approval:

a) Effective January 1, 2022, an across the board increase of 4%.

b) Effective January 1, 2023, an across the board increase of 3%.

c) Effective January 1, 2024, an across the board increase of 3%.

d) Effective October 1, 2024, an across the board increase of three percent (3%).

Article 9 – Special Pay Practices, Section 9.4

9.4 Any permanent, full-time employee in one of the following classifications who possess a valid Certified Public Accountant license issued by the State of California shall be entitled to compensation at a rate two schedules higher than that established for the class:

Tite	Item No.
Senior Accountant, LACERA	0416
Accounting Officer I, LACERA	0417
Accounting Officer II, LACERA	0418
Senior Investment Accountant, LACERA	**0477**

Article 15 – Work Schedule, Section 15.3

15.3 Employees shall be scheduled to work on regular work shifts having regular starting and ending times. Except for emergencies (see Section 15.5), employees' work schedules, or work shifts shall not be changed without written notice to the employee at least ten (10) working days prior to the date the change is to be effective. Alternate work schedules shall not be changed without written notice to the employee at least ten (10) working days prior to the date the change is to be effective. **The ten (10) working day notice can be waived by mutual agreement.**

Article 20 – Transfers, Section 20.3

20.3 In the event of involuntary transfers within LACERA, the employee will be notified in writing, fifteen (15) days prior to said involuntary transfer. **The fifteen (15) day notice can be waived by mutual agreement.**

Attachment

Represented Cost to Fund
Proposed Salary Increases

The total implementation cost to fund the 3% salary increase is approximately $1,400,000

Represented	**FY 24-25 Annual**	**Annual Cost Plus 3%**	**Full Year Difference**	**FY 24-25 9 months**	**FY 25-26 6 months**
Gross Salaries	$ 23,695,796.00	$ 24,406,669.88	$ 710,873.88	$ 533,155.41	$ 355,436.94
Employee Benefits	$ 13,285,914.00	$ 13,684,491.42	$ 398,577.42	$ 298,933.07	$ 199,288.71
Total S&EB	$ 36,981,710.00	$ 38,091,161.30	$ 1,109,451.30	$ 832,088.48	$ 554,725.65
			Implementation Cost		**$ 1,386,814.13**

September 26, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann SHK
Chief Executive Officer, LACERA

FOR: October 2, 2024, Board of Retirement Meeting
October 9, 2024, Board of Investments Meeting

SUBJECT: **NON-REPRESENTED AND MANAGEMENT STAFF SALARY ADJUSTMENTS**

RECOMMENDATION

Approve Salary Adjustments for Non-Represented and Managerial Appraisal and Performance Plan (MAPP) Classifications at levels consistent as those granted to Represented Staff Members, and direct Management to request administrative approval from the Los Angeles County Board of Supervisors. This salary adjustment recommendation excludes LACERA's Chief Executive Officer classification which salary is determined independently by the LACERA Boards.

BACKGROUND

Your Boards, having been asked to approve Salary Adjustments through December 31, 2025 for LACERA Represented Staff Members, are asked to turn your attention to salary matters concerning LACERA's Non-Represented Staff Members and MAPP Participants. Subject to your Boards approval of the Amendments and Tentative Agreements of the Memorandum of Understandings (MOU), LACERA and Service Employees International Union (SEIU) Local 721 have agreed that LACERA Represented Employees will receive a three percent (3%) across the board salary increase effective October 1, 2024.

Historically LACERA has positioned its Non-Represented and MAPP Salaries closely to the negotiated adjustments for the Represented Staff Members. Subject to the Boards approval of the Tentative Agreements and MOU amendments, staff recommends implementing a three percent (3%) across the board salary increase:

- Effective October 1, 2024, for Non-Represented staff member, and

- Effective January 1, 2025, for MAPP staff members.

Different effective dates are recommended due to the MAPP merit increases that are anticipated on October 1, 2024.

The Salary Adjustments is recommended to bring parity between the LACERA Represented and Non-Represented/MAPP Salary Increases and to maintain appropriate salary differentials between the Represented and Non-Represented/MAPP Staff Members. This salary adjustment recommendation excludes LACERA's Chief Executive Officer classification whose salary is determined independently by LACERA Boards.

Staff also believes these salary increases will assist in supporting LACERA's ability to attract, motivate and retain a highly engaged and skilled workforce to fulfill our Mission to "Produce, Protect, and provide the Promised Benefit."

Implementation Process

Upon your approval, LACERA Human Resources and Legal Offices will prepare and submit the necessary documentation to the Board of Supervisors for its administrative approval into the County Ordinance.

RECOMMENDATION

It is recommended that your Boards:

Grant approval of General Salary Increases for Non-Represented and Managerial Appraisal and Performance Plan (MAPP) Classifications at the same level as those granted to Represented Staff Members effective October 1, 2024 and January 1, 2025 respectively, and direct Management to request administrative approval from the Los Angeles County Board of Supervisors.

Attachment: Non-Represented Cost to Fund Worksheet

ATTACHMENT

Non-Represented and MAPP
Cost to Fund
Proposed Salary Increases

The total implementation cost to fund the 3% salary increase is approximately $2,000,000.

Non-Represented Non-MAPP	**FY 24-25 Annual**	**Annual Cost Plus 3%**	**Full Year Difference**	**FY 24-25 9 months**	**FY 25-26 6 months**
Gross Salaries	$ 17,245,660.00	$ 17,763,029.80	$ 517,369.80	$ 388,027.35	$ 258,684.90
Employee Benefits	$ 7,577,774.00	$ 7,805,107.22	$ 227,333.22	$ 170,499.92	$ 113,666.61
Total S&EB	$ 24,823,434.00	$ 25,568,137.02	$ 744,703.02	$ 558,527.27	$ 372,351.51
			Implementation Cost		**$ 930,878.77**

MAPP	**FY 24-25 Annual**	**Annual Cost Plus 3%**	**Full Year Difference**	**FY 24-25 6 months**	**FY 25-26 6 months**
Gross Salaries	$ 21,872,649.00	$ 22,528,828.47	$ 656,179.47	$ 328,089.73	$ 328,089.73
Employee Benefits	$ 10,089,925.00	$ 10,392,622.75	$ 302,697.75	$ 151,348.88	$ 151,348.88
Total S&EB	$ 31,962,574.00	$ 32,921,451.22	$ 958,877.22	$ 479,438.61	$ 479,438.61
			Implementation Cost		**$ 958,877.22**

LACERA

September 20, 2024

FOR INFORMATION ONLY

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: 2024 Audit Committee
Debbie Martin, (BOI Trustee), Chair
Wayne Moore, (BOR Trustee), Vice Chair
Vivian Gray, (BOR Trustee), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio
Jason Green, BOI Trustee
Nicole Mi, BOI Trustee

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: **LACERA's Rehired Retiree Program Audit Fiscal Year Ended June 30, 2023, and 2024**

Internal Audit presented their report on the subject audit to the Audit Committee at the September 19, 2024, meeting. Internal Audit performs this audit on an annual basis to determine LACERA's compliance with the Rehired Retiree Program and reported to the Committee that this year the program was in full compliance.

The Committee elected to (1) Accept and File the report, and
(2) Forward the report to both Boards, without further instruction.

The audit report is attached for your information.

Attachment
AC:rb

LACERA

July 9, 2024

TO: 2024 Audit Committee
Debbie Martin, (BOI Trustee), Chair
Wayne Moore, (BOR Trustee), Vice Chair
Vivian Gray, (BOR Trustee), Secretary
Nancy Durazo, BOR Trustee
Elizabeth Ginsberg, Ex-Officio
Jason Green, BOI Trustee
Nicole Mi, BOI Trustee

Audit Committee Consultant
Larry Jensen

FROM: George Lunde GL
Senior Internal Auditor

FOR: September 19, 2024 Audit Committee Meeting

SUBJECT: **LACERA's Rehired Retiree Program Audit Fiscal Year Ended June 30, 2023, and 2024**

RECOMMENDATION

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

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

LACERA's Rehired Retiree Program Audit Fiscal Year Ended June 30, 2023, and 2024
(Report Issued: June 3, 2024)

Attachment

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

LACERA INTERNAL AUDIT DIVISION

LACERA's Rehired Retiree Program
Fiscal Years Ended June 30, 2023, and 2024

June 3, 2024

AUDIT PERFORMED BY:

George Lunde
Senior Internal Auditor

AUDIT REPORT

Audit Name:	LACERA's Rehired Retiree Program
Division:	Human Resources
Audit Rating*:	Satisfactory
Prior Audit Rating*:	Unsatisfactory
Prior Report Date:	July 31, 2023

BACKGROUND

The State of California's County Employees Retirement Law of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that LACERA has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Section 31680.6 of CERL and Section 7522.56, rehired retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits. Retirees may not return to service under a "contract directly" with the agency; retirees may be employed by a third-party vendor under a bona fide independent contract with LACERA and provide service under that third party contract provided there are no indicia that the arrangement is intended to circumvent the CERL and PEPRA provisions relating to rehired retirees.

LACERA management and Board of Retirement (BOR) have been proactive in addressing the recommendations of prior audits, most notably culminating in the approval by the BOR at the July 2023 meeting of the revised "Post Retirement Employment Policy" (2023 Board Policy). Implementation of the revised policy was effective in helping to address our prior audit findings.

We noted that in the past there was an issue of rehired retirees working for an extended duration which appeared to be non-compliant with PEPRA's somewhat vague guidelines. However, the BOR has chosen proactively to establish policy providing rules for continuing work past two years. It requires BOR approval of such work extensions for a rehired retiree. For this audit the rules applied to three rehired retirees, and who were duly approved to continue their work for current fiscal year. See following table by LACERA divisions which have special circumstances requiring employment of retirees.

Number of Years / Number of Retirees				
Division /Years	2 yrs	3 yrs	5 yrs	12+ yrs
RHC				1
Legal		1		
Systems	1		1	

AUDIT OBJECTIVE & SCOPE

The objective of the audit was to assess LACERA's compliance to Policy, Procedure, and Guidelines for rehiring retired annuitants including the following:

- CERL's 960-hour limit
- IRS' "bona fide" break in service requirement
- PEPRA's 180-day break in service requirement
- PEPRA's requirement of "limited duration"

* See Appendix 1 for Audit Rating

The scope for this review included all rehired retirees for fiscal years 2023 and 2024 and all relevant data and records for the rehired retirees. We elected to audit the two years together as the controls implemented through the BOR approval on July 6, 2023, of the revised Post Retirement Employment Policy were in effect for the 2024 Fiscal Year. As a result, our audit primarily focused on testing the controls around rehired retirees employed during Fiscal Year 2024.

The audit was performed in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

AUDIT RATING & SUMMARY OF FINDINGS

In our opinion, the current effectiveness of the key controls applicable to the audit scope are satisfactory. Prior audit findings regarding deficiencies with authorization and approval process documentation have been resolved. Along with the implementation of the revised Policy, we observed that LACERA management and staff have implemented effective controls around tracking and monitoring of rehired retiree hours worked. Further, LACERA has implemented very effective communications with the rehired retirees (both for the LACERA rehired retirees and those working for the County).

960 Hour Limit Test Results		
LACERA Rehired Retiree	Total Hours FYE 6/30/23	Total Hours YTD @ 5/15/24
#1	754	538
#2	902	744
#3	960	315
#4	92	31

Based on the results of our audit testing, the system of internal controls around the hiring of retirees appears to be working effectively. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with LACERA policies.

We would like to thank Human Resources staff and management for their cooperation with this audit.

REVIEWED AND APPROVED

Richard P. Bendall
Chief Audit Executive

Date: June 3, 2024

REPORT DISTRIBUTION

2024 Audit Committee	Santos H. Kreimann, CEO	Steven Rice, Chief Legal Counsel
2024 Plante Moran Audit Team	Luis Lugo, DCEO	Carly Ntoya, Director of Human Resources
Larry Jensen Audit Committee Consultant	Laura Guglielmo, AEO	J.J. Popowich, AEO

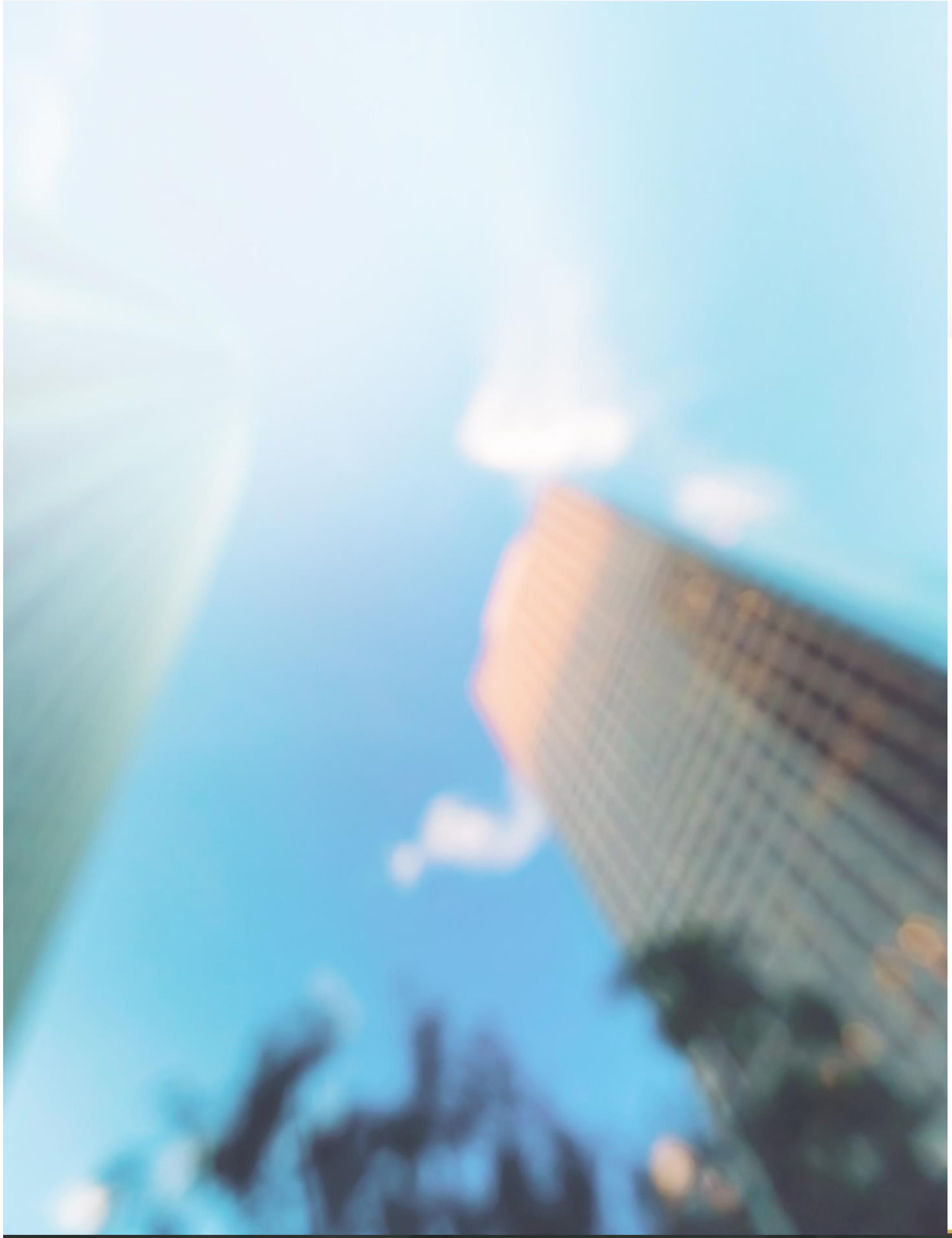
APPENDIX 1
AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory
The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should beimplemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement
The control environment has opportunities for improvement with significant issues,individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory
The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen thecontrol environment.



LACERA’s Rehired Retiree Program Audit Fiscal Years Ended June 30, 2023, and 2024

Issued Date: June 3, 2024

Presenter by:

George Lunde, Senior Auditor

Summary of Engagement

Responsible Division:	Human Resources
Type of Engagement:	Assurance
Audit Rating:	Satisfactory
Prior Audit Rating:	Unsatisfactory

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA.

Consulting: Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Background, Scope, Objective

Background: We perform this audit annually as failure to adhere to the regulations and requirements not only violates state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law.

Scope: The scope for this review included all rehired retirees for fiscal years 2023 and 2024, and all relevant data and records for the rehired retirees.

Objective:

Determine compliance with:

- CERL's 960-hour work limit requirement
- IRS' "bona fide" break-in-service requirement
- PEPRA's 180-day break in service requirement
- PEPRA requirement of "limited duration"

Summary of Findings

In our opinion, the current effectiveness of the key controls applicable to the Audit Scope are satisfactory. Prior audit findings regarding deficiencies with authorization and approval process documentation have been resolved. The LACERA revised “Post Retirement Employment Policy” is in effect.

Based on test results the control environment is acceptable. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with LACERA policies.

Thank You

September 23, 2024

TO: Each Trustee,
Board of Retirement

FROM: Ted Granger TG
Chief Financial Officer

FOR: October 2, 2024 Board of Retirement Meeting

SUBJECT: **2025 STAR COLA PROGRAM AWARD**

RECOMMENDATION

(1) That the Board of Retirement decide whether or not to award a STAR COLA for Program Year 2025, and

(2) If a benefit is approved, determine whether the STAR COLA benefits will be on an ad-hoc basis at a cost of $154,000 for a one-year addition to retirement allowances, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective for calendar year 2025, or

(3) If a benefit is approved, determine whether the STAR COLA benefits will be on a permanent basis at a cost of $1,595,000 for a lifetime addition to retirement allowances, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2025.

EXECUTIVE SUMMARY

September 2024

The Board of Retirement completed part one of a two-part process required for the Supplemental Targeted Adjustment for Retirees (STAR) cost-of-living adjustment (COLA) (STAR COLA Program or STAR Program). At its regularly scheduled meeting on September 4, 2024, the Board of Retirement made public the cost of awarding 2025 STAR Program benefits on an ad-hoc basis and on a permanent basis as determined by LACERA's consulting actuary, Milliman. At that time, the Board of Retirement instructed staff to place this item on the October 2024 Board of Retirement meeting agenda so the Board can determine whether to award a 2025 STAR COLA and if awarded, whether the 2025 STAR COLA will be applied on an ad-hoc or permanent basis.

The annual cost of the ad-hoc benefit is $154,000 for a one-year period, while the permanent benefit cost is $1,595,000 for a lifetime benefit. There are two eligible groups of an estimated 426 retirees and survivors[1], where their COLA Accumulation accounts exceed the 20% threshold. One group of 339 eligible members who retired on or before March 31, 1991, may receive a 1.5% STAR Program award, and the second group of 87 eligible members who retired April 1, 1991 to March 31, 1992, can be awarded 0.3%.

The staff memo, and all Board materials from the September 2024 Board of Retirement meeting are attached as *Appendix I*. Below, we summarized and edited information from last month's memo, "2025 STAR COLA Program Cost," dated August 26, 2024.

October 2024

At the October 2, 2024 regular meeting of the Board of Retirement, staff is recommending that the Board complete the second and final step in this process: determine whether or not to award a STAR COLA for Program Year 2025; and if awarded, determine whether STAR COLA benefits will be on an ad-hoc or permanent basis. Should the Board decide to award the 2025 STAR COLA, benefits will become effective with the January 2025 retirement benefits payment.

Overview

LACERA members in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1992 (and survivors of members who retired during that period) are eligible effective January 1, 2025 for a retirement benefit increase under the STAR COLA Program. COLA Accumulation accounts (also referred to as the COLA Bank accounts) exceed the 20% threshold by 1.5% for members who retired on or before March 31, 1991 and 0.3% for members who retired April 1, 1991 to March 31, 1992. The COLA Bank balances of 21.5% and 20.3% are in excess of the 20% required allowing the Board of Retirement to authorize STAR COLA Program benefits. This means the value of their original pension benefit decreased below 80% of its original purchasing power over time due to cumulative actual inflation exceeding cumulative statutory COLA and permanently awarded STAR COLA amounts.

Members participating in PEPRA Plans General G and Safety C, and Legacy Plan A (General and Safety) are not currently eligible for STAR COLA Program benefits; those members in non-contributory Plan E are not eligible for STAR COLA Program benefits.

These additional retiree benefits are paid by LACERA from the STAR Reserve account held by LACERA with a current balance of $608.6 million as of June 30, 2024. The STAR Reserve is not included in valuation assets by the actuary and maintains sufficient balances to fund the 2025 STAR Program benefits. The Actuarial Accrued Liability (AAL) will increase by less than 0.01% with the adoption of the 2025 STAR COLA. These potential cost

[1] Estimated number of members impacted based on the June 30, 2023 Valuation and valuation assumptions. Actual number of members receiving the STAR COLA award will be determined at the time the award is made on January 1, 2025.

increases represent less than 0.50% of LACERA's Future Annual Costs as defined in California Government Code Section 7507. [2]

The Board of Retirement most recently awarded a STAR COLA for Program Years 2024 and 2023 and made those awards on a permanent basis. Before STAR COLA Program Year 2023, the Board of Retirement last awarded the STAR COLA for Program Year 2009. For Program Years 2010 to 2022, COLA Accumulation accounts increased in some years but had not exceeded the 20% threshold amount, so STAR COLA benefits were not available for retirees during that period.

Actuary's Report

The Government Code requires that LACERA's consulting actuary, Milliman, provide an analysis which includes the cost of funding the STAR COLA Program award and its impact on Future Annual Costs. Milliman's report, which is included in *Appendix I*, provides a detailed analysis of the STAR COLA and should be referred to in conjunction with this memo. LACERA staff memos are intended to provide a summary of the STAR COLA Program.

LEGAL ANALYSIS

Government Code Section 31874.3 allows LACERA to provide ad-hoc or permanent STAR Program benefits that, according to the terms of the Program, protect the purchasing power of retirement benefits. The Board of Retirement is not required to approve STAR benefits, even when the required loss of purchasing power has occurred; the decision is at the discretion of the Board.

Pursuant to Government Code Section 7507, a local agency such as LACERA's Board of Retirement, when considering changes in retirement benefits, such as providing ad-hoc or permanent STAR Program benefits, and before such changes are authorized, must engage an enrolled actuary to provide a statement of actuarial impact upon Future Annual Costs, including any additional accrued liability. Section 7507 also requires that a decision to provide either ad-hoc or permanent STAR Program benefits in 2024 can be made only if the Future Annual Costs of the benefit, as determined by an enrolled actuary, is disclosed at a public meeting at least two weeks prior to the adoption of the benefit increase. Further, Government Code Section 31874.3(c) provides that, before the Board of Retirement approves permanent STAR benefits, the cost of the benefits must be determined by a qualified actuary and the Board shall, with the actuary's advice, provide for full funding of the benefits. The required actuarial cost analysis is presented in this memo and in the prior staff memo dated August 26, 2024, attached as *Appendix I*. In compliance with the Government Code, on September 4, 2024, your Board made public at its regularly

---

[2] Under Section 7507(a)(2), "Future Annual Costs" "includes, but is not limited to, annual dollar changes, or the total dollar changes involved when available, as well as normal cost and any change in accrued liability." In this case, the statute references the impact on Future Annual Costs resulting from a STAR COLA award.

scheduled meeting the cost of ad-hoc benefits and the cost of making permanent the 2025 STAR Program benefits at an 80% benefit level.

Public Notice Requirement

Government Code Sections 7507 and 31874.3 require the Board of Retirement to secure the services of an enrolled actuary to provide a statement of the actuarial impact upon the future annual plan costs. Section 7507 also requires that the actuarial cost information be presented at a public meeting at least two weeks prior to authorizing a benefit increase. The Board of Retirement made public the costs of awarding additional benefits through the STAR COLA Program for 2025 at their meeting on September 4, 2024.

This “2025 STAR COLA Program Award” memo, included on the Board of Retirement’s agenda for the October 2, 2024, regular meeting, is a recommendation that the Board of Retirement consider the STAR COLA additional retirement allowances, twenty-eight days after the actuarial cost information disclosure on September 4, 2025, which satisfies the minimum time requirement to authorize a benefit increase.

LACERA’s consulting actuary, Milliman, calculated the cost information in their letter dated August 26, 2024, included in *Appendix I*, to satisfy this requirement. On page 2, Milliman states that these potential cost increases represent less than 0.01% of the Future Annual Costs as defined in California Government Code Section 7507.

CONCLUSION

STAR Program benefits are paid on a calendar year basis. The Board of Retirement most recently awarded the STAR COLA on a permanent basis for the last two years, Program Years 2024 and 2023. For the prior Program Years 2010-2022, LACERA retirees were not eligible for STAR COLA Program benefits.

Recent CPI increases have caused some COLA Accumulation accounts to exceed the 20% threshold by 1.5% for some members and 0.3% for others, depending upon the eligible members’ retirement date. These members have experienced a decline in purchasing power of their monthly retirement allowance which permits the Board of Retirement to authorize a STAR COLA award beginning with the January 2025 benefits payment. The Board of Retirement has the option of granting the STAR benefit on a year-to-year basis using the ad-hoc methodology or by choosing the permanent option which makes the additional the benefit a perpetual part of the members’ retirement benefit.

It is therefore recommended that the Board of Retirement decide whether or not to award a STAR COLA for Program Year 2025. If awarded, determine whether the STAR COLA benefits will be on an ad-hoc basis at a cost of $154,000 for a one-year addition to retirement allowances, as determined by LACERA’s consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level for calendar year 2025. Or, if awarded, determine whether the STAR COLA benefits will be on a permanent basis at a cost of $1,595,000 for a lifetime addition to retirement allowances, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2025.

Attachments
Appendix I: Board of Retirement memo dated August 26, 2024
(Re: 2025 STAR COLA Program Cost)

REVIEWED AND APPROVED:

______________________________ 09/23/2024
Santos H. Kreimann Date
Chief Executive Officer

2024 STAR COLA Program.Award.BOR Memo_OCT.24_final.doc

c: Board of Investments, LACERA
Luis A. Lugo Laura Guglielmo JJ Popowich
Jonathan Grabel Steven P. Rice

Appendix I

August 26, 2024

TO: Each Trustee,
Board of Retirement

FROM: Ted Granger TG
Chief Financial Officer

FOR: September 4, 2024 Board of Retirement Meeting

SUBJECT: **2025 STAR COLA PROGRAM COST**

RECOMMENDATION

(1) That the Board of Retirement make public at its meeting on September 4, 2024, the cost of approving an award under the ad-hoc and permanent STAR COLA Program in 2025 at an 80% benefit level. If a benefit is approved, the projected cost for the ad-hoc STAR COLA award is $154,000, while the cost for awarding a permanent STAR COLA is $1,595,000 as determined by LACERA's consulting actuary, Milliman; and

(2) Direct staff to place this item on the Board of Retirement's October agenda to decide at that time whether or not to award a STAR COLA for Program Year 2025, and if awarded, determine whether the STAR COLA benefits will be ad-hoc or permanent.

EXECUTIVE SUMMARY

Overview

LACERA members in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1992 (and survivors of members who retired during that period) are eligible effective January 1, 2025 for a retirement benefit increase under the Supplemental Targeted Adjustment for Retirees Cost-Of-Living Adjustment Program (STAR COLA Program or STAR Program). For this eligible group of an estimated 426 retirees and survivors[1], their COLA Accumulation accounts (also referred to as the COLA Bank accounts) exceed the 20% threshold required if the Board of Retirement is to authorize STAR COLA Program benefits. This means the value of their original pension benefit decreased below 80% of its original purchasing power over time due to actual inflation exceeding the statutory COLA.

The Board of Retirement may adopt STAR Program benefits on an ad-hoc or permanent basis to become effective January 1, 2025. Members participating in PEPRA Plans General G and Safety C, Legacy Plans Safety A and General Plans B, C, and D who retired on or

[1] Estimated number of members impacted based on the June 30, 2023 Valuation and valuation assumptions. Actual number of members receiving the STAR COLA award will be determined at the time the award is made on January 1, 2025.

after April1, 1992, are not currently eligible for STAR COLA Program benefits; members in non-contributory Plan E are not eligible for STAR COLA Program benefits.

These additional retiree benefits are paid from LACERA's STAR Reserve account. The STAR Reserve is not included in valuation assets by the actuary and maintains sufficient balances to fund the 2025 STAR Program benefits at the amounts set forth below. These potential cost increases represent less than 0.50% of the Future Annual Costs as defined in California Government Code Section 7507.

The Board of Retirement most recently awarded STAR COLA benefits for Program Years 2024 and 2023, making those awards on a permanent basis. Between Program Year 2009 and 2022, COLA Accumulation accounts increased in some years but did not exceed the 20% threshold amount, so STAR COLA benefits were not available for retirees during that period.

In February 2024, the Board of Retirement approved the annual statutory 2024 COLA (April 1st COLA). Subsequently, staff reviewed the COLA Accumulation account balances and determined that for Program Year 2025, there is STAR Program award eligibility for qualifying retirees, subject to Board approval.

Milliman's Report

The Government Code requires that LACERA's consulting actuary, Milliman, provide an analysis which includes the cost of funding the STAR COLA Program award. Milliman's report, which is included as *Attachment I*, provides a detailed analysis of the STAR COLA and should be considered in conjunction with this memo. This memo, prepared by LACERA staff, is meant to provide an overview of the STAR COLA Program history and a recommendation for Board of Retirement action.

LEGAL ANALYSIS

As discussed in detail later in this memo, Government Code Section 31874.3 allows LACERA to provide ad-hoc or permanent STAR Program benefits that, according to the terms of the Program, protect the purchasing power of retirement benefits. The Board of Retirement is not required to approve STAR benefits, even when the required loss of purchasing power has occurred; the decision is at the discretion of the Board.

Pursuant to Government Code Section 7507, a local agency such as LACERA's Board of Retirement, when considering changes in retirement benefits, such as providing ad-hoc or permanent STAR Program benefits, and before such changes are authorized, must engage an enrolled actuary to provide a statement of actuarial impact upon future annual costs and any additional accrued liability. Section 7507 also requires that a decision to provide either ad-hoc or permanent STAR Program benefits in 2025 can be made only if the future annual cost of the benefit, as determined by an enrolled actuary, is disclosed at a public meeting at least two weeks prior to the adoption of the benefit increase. Further, Government Code Section 31874.3(c) provides that, before the Board of Retirement approves permanent

STAR benefits, the cost of the benefits must be determined by a qualified actuary and the Board shall, with the actuary's advice, provide for full funding of the benefits. The required actuarial cost analysis under Sections 7507 and 31874.3 was prepared by Milliman and documented in their letter, provided as *Attachment I*. The cost analysis results are summarized in this memo.

DISCUSSION

COLA

Sections 31870 and 31870.1 of the Government Code provide for a maximum annual COLA to be applied to retirement allowances, optional death allowances, or annual death allowances payable to or on account of any member. COLA maximum increases are 3.0% for Plan A retirees and survivors; 2.0% for Legacy Plans B, C, and D and PEPRA Plans C and G; and up to 2.0% for certain Plan E retirees and survivors[2]. These Government Code sections also provide for an accumulation of the annual percentage difference between the consumer price index (CPI) for the Los Angeles-Long Beach-Anaheim area and the maximum cost-of-living increase allowed for each retirement Plan. The accumulated percentage carryover is known as the COLA Accumulation or COLA Bank.

COLA Accumulation

The CPI percentage change from January through December for the prior calendar year is compared to the maximum allowable cost-of-living percentage increase payable to retired LACERA members under Sections 31870 and 31870.1. In years where the change in CPI is greater than the maximum COLA increase, the difference between these two percentages is accumulated annually for each retiree based upon retirement date. In years where the change in CPI is less than the maximum COLA increase, the actual COLA awarded may be increased above the CPI amount, up to the maximum COLA increase, with a corresponding reduction in the COLA Bank account. The accumulation of differences from each year reflects how much purchasing power has been lost from a retiree's original retirement benefit. By law, the Board of Retirement may provide STAR COLA Program increases once the COLA Bank accounts have exceeded a 20% balance. *Attachment III* illustrates how additions and deductions are made to the COLA Accumulation balances.

STAR COLA Program

The Board of Retirement initiated the STAR COLA Program in 1990 to restore members' purchasing power that had been eroded by inflation in excess of the protection provided by the statutory COLA. Retirees and survivors in Legacy Plans A, B, C, D and PEPRA Plans C and G are eligible for STAR COLA Program benefits should their COLA Accumulation accounts exceed a 20% balance. Non-contributory members in Plan E are not eligible for STAR COLA Program benefits.

---

[2] Effective June 4, 2002, Plan E members and their survivors were eligible for COLA. The portion of the COLA percentage received by each Plan E member is a ratio of the member's service credit earned on and after June 4, 2002 to total service credit.

STAR COLA Program Awards

Beginning in 1990 and through 2000, the STAR Program existed as an ad-hoc benefit designed to provide contributory plan members protection against rising inflation beyond the protection provided by the statutory COLA, and successfully restored LACERA retiree purchasing power to the then maximum allowable 75% level.

On September 4, 2000, the California Governor signed into law a provision, Government Code Section 31874.3, allowing the Board of Retirement to raise the purchasing power protection to a maximum of 80% and allowed the ability to make permanent the STAR COLA Program benefits using excess earnings[3]. This change provided the Board of Retirement with the flexibility to continue the STAR Program as an ad-hoc benefit or the opportunity to make permanent the STAR COLA benefits using excess earnings. Now and in future years, the Board of Retirement will be required to adopt ad-hoc benefits on an annual basis if the Board wishes to continue the benefits without making them a permanent addition to a retired member's retirement allowance, while the permanent approach for a given Program Year will require no further Board action.

Purchasing Power Example Calculation

The retirement benefit has decreased below 80% of its original purchasing power when the COLA Accumulation accounts exceed the 20% threshold. For example, a 21.5% COLA Accumulation balance means that the member has 78.5% of the purchasing power compared to when the member retired (e.g., 100.0% - 21.5% = 78.5%). When the member's purchasing power falls below 80.0%, the Board can award a STAR COLA to restore the purchasing power to an 80.0% level (e.g., 78.5% + 1.5% = 80.0%).

STAR COLA History

On October 9, 2008, the Board of Retirement made permanent the 2009 STAR COLA benefits at an 80% level as authorized in CERL and had already made STAR Program benefits permanent for prior years.

Actual increases in the CPI for STAR Program Years 2010 through 2022 resulted in COLA Accumulation accounts remaining below the 20% threshold for providing STAR Program benefits. As such, no STAR COLA benefits were provided from 2010 through 2022. During these years, the Board of Retirement approved annual statutory COLAs below or at the retirement plan maximums, providing some protection against diminished purchasing power.

In 2017-2019 and 2021-2023, CPI increases have exceeded the maximum allowable statutory COLA, causing increases in the COLA Accumulation accounts. However, the ending COLA Accumulation account balances remained at less than 20% until Program Years 2023, 2024, and 2025.

---

[3] Excess Earnings are actual cash earnings from the investment portfolio earned during the previous year that remain unspent after paying for costs to administer the system, costs to invest the portfolio, paying interest to the member and employer accounts, and satisfying the 1% contingency reserve requirement in Government Code Sections 31592 and 31592.2.

The chart below summarizes the STAR COLA history. Please note that not all retirees in all plans received a STAR COLA award each year; STAR COLA is only awarded to retirees where the COLA Accumulation account exceeds a 20% balance. Since its inception, the Board of Retirement has granted and funded STAR COLA Program awards as they became available.

STAR COLA Awards				
Program Year	**Eligibility for STAR**	**BOR Award**	**Permanent**	**Maximum Level**
1990-2000	Yes	Yes	Yes*	75%
2001-2004	Yes	Yes	Yes	80%
2005	No	N/A	N/A	80%
2006-2009	Yes	Yes	Yes	80%
2010-2022	No	N/A	N/A	80%
2023	Yes	Yes	Yes	80%
2024	Yes	Yes	Yes	80%
2025	Yes	TBD	TBD	80%

* Beginning in 2001, all prior STAR COLA awards became permanent prospectively.

Program Year 2025

The 2023 CPI increase exceeded the maximum allowable COLA, causing some retiree COLA Accumulation account balances to exceed 20% after the April 2024 statutory COLA award. This results in a potential STAR COLA for STAR Program Year 2025. Attachment II identifies the Accumulation balances for retiree groups who have experienced diminished purchasing power making them eligible for the STAR COLA award. Only members in General Plans B, C, and D and Safety Plan B who retired between April 1, 1977 to March 31, 1992 are eligible for STAR Program benefits this year. Currently, no other retired members or survivors are eligible as their COLA Accumulation account balances do not exceed 20%.

Since the Board previously granted STAR Program benefits on a permanent basis, all retirees and their eligible survivors currently receiving STAR COLA awards for Program Year 2024 and prior years continue receiving those benefits without further action by the Board.

STAR COLA Method: Ad-Hoc or Permanent

Government Code provisions allow the Board of Retirement to award additional benefits to address the inflation experienced by retirees using one of the following approaches:

<u>Ad-Hoc STAR COLA</u>

Provide an ad-hoc 2025 STAR Program benefit for those contributory plan members whose purchasing power has fallen below 80% due to inflation, thus providing a temporary benefit for the 2025 calendar year. Ad-hoc benefits are awarded on a calendar year basis. Staff will prepare a memo and the Board of Retirement must approve these benefits annually if these benefits are to be paid in future years. Ad-hoc STAR Program benefits are not included in the calculation of future statutory COLA awards.

Permanent STAR COLA

Make permanent the 2025 STAR Program for those contributory plan members whose purchasing power has fallen below 80% due to inflation. While this protects those retirees and survivors who have already lost 20% of their purchasing power, it also ensures that the STAR COLA benefit is part of the member's retirement allowance and is payable for life. The permanent STAR Program benefit becomes part of the base allowance upon which future annual statutory COLA increases are calculated. Permanent benefits do not require Board of Retirement approval in subsequent years.

2025 STAR COLA Program Cost Analysis

LACERA's consulting actuary, Milliman, provided their letter dated August 26, 2024, which is included as *Attachment I*. Milliman's letter provides actuarial cost and funding information for LACERA's STAR COLA Program and should be read in conjunction with this memo. Attachments to Milliman's letter include costs for the 2025 Program Year and projections in anticipation of *future* STAR COLA awards that have not yet occurred. The table below provides the cost for Program Year 2025 as calculated by Milliman using both the ad-hoc and the permanent benefit approaches.

STAR COLA Program Cost

	2025 Annual Cost	**Lifetime Cost**
Ad-hoc Benefit: STAR Program at 80%	$154,000	
Permanent Benefit: STAR Program at 80%		$1,595,000

Should the Board of Retirement decide to approve the permanent STAR COLA Program award, it will provide a greater cost-of-living benefit to members. The permanent STAR Program is more valuable to the affected members than the ad-hoc STAR Program since the permanent approach provides an everlasting benefit (as long as member or survivor is alive) and is also included in the base allowance used to calculate the statutory annual COLA benefit in future years.

Meaning of "Permanent STAR Program"

California Government Code Section 31874.3(c) allows the Board of Retirement to make permanent the STAR COLA benefit for the eligible retirees and survivors. In other words, awarding the STAR Program benefit on a permanent basis means increasing the member's benefit continuously and reducing the accumulation account for amounts that exceeds the 20% threshold. The value of the permanent STAR COLA to be provided, as calculated by the actuary, cannot exceed the value of excess earnings accumulated in the STAR Reserve because the benefits must be prefunded under the statute. The current value of the STAR Reserve is sufficient to pay for either the ad-hoc or permanent 2025 STAR COLA Program. If the Board of Retirement adopts the permanent 2025 STAR COLA, all of the current estimated 426 retirees and survivors eligible to participate in the 2025 STAR Program will have their 2025 STAR Program benefit added to their base allowance and their COLA Accumulation balance will be reduced to 20%. The Board of Retirement made permanent STAR Program benefits for 2001 through 2004, 2006 through 2009, 2023 and 2024. In those Program Years, STAR benefits were permanently added to the participant's base allowance and the respective COLA Accumulations were set to 20%. No members were eligible for a STAR benefit in 2005 and 2010 through 2022.

Future increases in the CPI that exceed COLA plan maximums and cause the member's COLA Accumulation to exceed 20% will require Board action to make permanent such future increases and be contingent upon the availability of the STAR Program Reserve to fund the benefit increase. At this time, the Board of Retirement may only make permanent the current level of benefits payable to eligible 2025 STAR Program participants. Staff will present potential *future* STAR Program awards to the Board of Retirement which will require Board action in *future* years.

Funding the 2025 Program

The STAR Program's funding is derived from excess earnings as determined by LACERA's Board of Investments. During the period 1994 through 1998, the Retirement System Funding Agreement required the Board of Investments to allocate all excess earnings using a 75%-25% allocation formula between the Employer Reserve and the STAR Reserve, respectively. Under this agreement the STAR Program received funding and has a balance of approximately $608.6 million for the fiscal year ended June 30, 2024. The STAR Program Reserve balance is sufficient to fund the $1.595 million needed to make permanent the 2025 STAR Program at the 80% benefit level for all future periods. Should the Board award a permanent STAR COLA, this amount will be transferred to the Employer Reserve to pay 2025 STAR COLA Program benefits leaving a balance of approximately $607 million in the STAR Reserve.

If the Board approves an ad-hoc STAR Program award at a cost of $0.154 million, the STAR Reserve balance is sufficient to fund this benefit for calendar year 2025.

STAR Reserve History

Beginning in 1990 when the Funding Policy first established the STAR Reserve, excess earnings were used to increase the STAR Reserve balance, while over time STAR COLA awards caused decreases in the STAR Reserve. The Funding Policy prescribes the semi-annual interest credit process where realized earnings are measured for the six-month period, and interest credits are applied to the Employee and Employer Reserves. Per the Funding Policy, the STAR Reserve is not eligible to receive an interest credit allocation.

Pension fund reserves is an accounting concept that shows how the fund's net position can be divided among various categories including employees, employers, and other classifications designated for specific use. LACERA assets, including balances in the STAR Reserve and the Employer and Employee Reserves, are part of LACERA's investment portfolio which produces investment income. The STAR Reserve balance was $154 million in 1990, increased to $1.023 billion in 1999 due to excess earning contributions, and from that time, has been reduced by STAR COLA benefits to a balance of $608.6 million as of June 30, 2024.

Public Notice Requirement

Government Code Sections 7507 and 31874.3 require the Board of Retirement to secure the services of an enrolled actuary to provide a statement of the actuarial impact upon the future annual plan costs. Section 7507 also requires that the actuarial cost information be presented at a public meeting at least two weeks prior to authorizing a benefit increase. The letter from LACERA's consulting actuary, Milliman, has been prepared and included as *Attachment I* to satisfy this requirement. On page 2, Milliman's letter states that these potential cost increases represent less than 0.50% of the Future Annual Costs as defined in California Government Code Section 7507.

Conclusion

The CPI increase in 2023 has caused COLA Accumulation accounts for some members to exceed the 20% threshold. These members have experienced a decline in purchasing power of their monthly retirement allowance which permits the Board of Retirement to authorize a STAR COLA award beginning January 1, 2025 for eligible retirees. The Board of Retirement has the option of granting the STAR benefit on a year-to-year basis using the ad-hoc methodology or by choosing the permanent option which makes the additional benefit a perpetual part of the members' retirement benefit.

It is therefore recommended, that the Board of Retirement make public at its meeting on September 4, 2024 the cost of the ad-hoc and permanent STAR COLA Program in 2025 at an 80% benefit level. The projected cost for the ad-hoc STAR COLA Program is $154,000, while the cost for the 2025 permanent STAR COLA Program is $1,595,000 as determined by Milliman, LACERA's consulting actuary. In addition, the Board of Retirement should direct staff to place this item on the Board of Retirement's October agenda to decide at that time whether or not to award a STAR COLA for Program Year 2025, and if awarded, determine whether the STAR COLA benefits will be ad-hoc or permanent.

Attachments

I. Milliman's STAR COLA for 2025 letter dated August 26, 2024
II. STAR COLA Accumulation Chart as of January 1, 2025
III. STAR COLA Program – Calculation Illustration

REVIEWED AND APPROVED:

08/26/2024

___________________________ ________________

Santos H. Kreimann — Date
Chief Executive Officer

SK:TG
2025 STAR COLA.BOR Memo_8.26.24_final.doc

c: Board of Investments, LACERA

Luis A. Lugo	Laura Guglielmo	JJ Popowich
Jonathan Grabel	Steven P. Rice	

Attachment I

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940

milliman.com

August 26, 2024

Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Re: STAR COLA for 2025

Dear Trustees of the Board:

As requested, we have valued the Supplemental Target Adjustment for Retirees (STAR) COLA program as of January 1, 2025. As of April 2024, Accumulation Accounts are greater than 20% (the threshold for providing STAR benefits) for retirees in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1992. These retirees are therefore eligible for a STAR COLA in 2025, upon Board of Retirement (Board) approval.

The values shown in the following table assume that the Board approves the STAR COLA for 2025 only, on an ad-hoc or a permanent basis, and do not reflect any additional STAR benefits that may be granted in the future. The STAR COLA will be an amount sufficient to restore retirement benefits to 80% of their original purchasing power for those retirees whose benefits currently have less than 80% of their original purchasing power. (80% of the original purchasing power is determined as an Accumulation Account value equaling 20%.)

STAR COLA (effective January 1, 2025)	2025 Payment / Transfer from STAR Reserve
Ad-Hoc Increase Payment	$ 154,000
Permanent Increase Transfer	$ 1,595,000

The ad-hoc STAR COLA, as defined in Subsection 31874.3(b), is a temporary benefit provided for one year only and is not part of the member’s retirement allowance. Future statutory COLA increases would not apply to this benefit because it is not part of the member’s retirement allowance. To continue the ad-hoc STAR COLA payments for any future year the Board must approve it on an annual basis.

Making the STAR COLA permanent under Subsection 31874.3(c) means that it becomes a permanent component of the member’s retirement allowance and cannot be revoked in the future. Once a STAR COLA has been made permanent, it continues for the life of the member (and the beneficiary, if applicable). As any permanent STAR COLA increases become part of the member’s retirement allowance, these payments are eligible for future statutory COLA increases.

Under Subsection 31874.3(c), the Board can only make a STAR COLA increase permanent up to the amount determined at the time the action is approved. Therefore, the projected future STAR COLA increases effective January 1, 2025 and later, as shown in the exhibit at the end of this letter, are for informational purposes only and cannot be made permanent at this time.

The adoption of the 2025 STAR COLA will not cause a change in either the employer contribution rate, funded ratio, or the Unfunded Actuarial Accrued Liability (UAAL) provided that the specified amount is transferred from the STAR Reserve to the Employer Reserve, consistent with whether the Board of Retirement adopts the ad-hoc or permanent STAR COLA approach. The Actuarial Accrued Liability (AAL) will increase by less than 0.01% because of the adoption of the 2025 STAR COLA. We believe these potential cost increases are less than 0.50% of the Future Annual Costs defined in California Government Code Section 7507.

In the attachment to this letter, we have provided 10-year projections of estimated STAR COLA increases and transfers under the ad-hoc and permanent increase options. These attachments also show the estimated number of retirees and survivors projected to be eligible for a STAR COLA benefit in each future year.

STAR COLA and the Accumulation Account

Under the STAR COLA, each retiree and beneficiary in Legacy Plans A, B, C, and-D and PEPRA Plans C and G whose benefit has lost more than 20% of its value is eligible to receive, upon Board approval, an increased benefit payment effective January 1 of the following year. Retirees and beneficiaries in Legacy Plan E are not eligible for the STAR COLA.

The loss of value is measured by the Accumulation Account which is calculated each year by LACERA staff by adjusting the prior year's Accumulation Account by the difference between the actual COLA granted and the prior year's inflation as measured by the Los Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers.

For December 2022 to December 2023, the increase in CPI was 3.5%. Since the increase in CPI is greater than the maximum statutory COLA of 3.0% for Plan A and 2.0% for all other plans, all retirees had an increase in their Accumulation Account in 2024. The following table shows the groups of STAR COLA eligible retirees that have an Accumulation Account balance greater than 20% after application of the 2023 CPI increase and payment of the 2024 statutory COLA, as well as the STAR COLA they are eligible for if it is approved by the Board. There are no retirees of Legacy Plans A or PEPRA Plans C and G that are eligible for a STAR COLA at this time.

Retirement Dates (Legacy Plans B, C, and D)	Accumulation Account	2025 STAR COLA
On or before March 31, 1991	21.5%	1.5%
April 1, 1991 to March 31, 1992	20.3%	0.3%

As an example of how the STAR COLA works, consider a General Plan D member who retired in March of 1991. As of April 2023 this member had an Accumulation Account of 22.9%. This member received a STAR COLA of 2.9% in January of 2024 which reduced their Accumulation Account to 20.0% (because the 2024 STAR COLA was adopted as a permanent addition by the Board of Retirement). In addition, they received the statutory 2.0% COLA in April of 2024. Since the statutory COLA given was less than the CPI of 3.5%, the difference of 1.5% is added to their Accumulation Account, resulting in a new value of 21.5% as of April 2024. Since this member's benefit has lost more than 20% of its original value (i.e., the Accumulation Account is greater than 20.0%), they are eligible for a STAR COLA benefit in 2025. Accordingly, if a STAR COLA is adopted effective January 1, 2025, this member will receive a STAR COLA increase equal to 1.5% of their current retirement allowance.

The member's Accumulation Account will remain at 21.5% unless a permanent STAR COLA is approved, in which case it is adjusted back to 20.0% to reflect the permanent increase in the member's retirement allowance.

Funding

If the permanent STAR COLA is approved under Subsection 31874.3(c), it is required to be prefunded to provide for the increase in future benefit payments. The present value of the 2025 permanent STAR COLA increase is $1,595,000. Therefore, under the permanent increase scenario, this amount would be transferred from the STAR Reserve to the Employer Reserve. After adoption of the 2024 STAR COLA as a permanent increase to members' retirement allowances, the STAR Reserve is approximately $608.6 million; therefore, the current STAR Reserve has a sufficient balance to facilitate this transfer.

The ad-hoc 2025 STAR COLA increase is estimated to cost $154,000. If this option is approved, we anticipate this amount will be paid from the STAR Reserve.

Since the STAR Reserve is not included in the Valuation Assets, the adoption of the 2025 STAR COLA will not cause a change in either the employer contribution rate or the funded ratio, provided that the specified amount is transferred from the STAR Reserve to the Employer Reserve, consistent with whether the Board of Retirement adopts the ad-hoc or permanent STAR COLA approach.

Projections

We have also attached projections for future STAR COLA increases assuming continued application of the program. These projections are for informational purposes only. For these projections, we have assumed the continued approval of the STAR COLA program by the Board each year at the 80% level, under the following two scenarios:

- 2.75% annual increases in the CPI (the valuation assumption) for 2024 and all future years, and
- 3.5% annual increase in the CPI in 2024, followed by annual CPI increases of 2.75%. This scenario reflects that actual inflation has materially exceeded the assumption in the through July 31, 2024 (on an annualized basis). The 3.5% is equal to the prior year's

inflation and provides an estimate of the potential impact of higher-than-assumed inflation on future STAR COLA benefits, although the actual 2024 inflation is likely to be different.

The attachments show both the expected annual benefits under the ad-hoc approach and the estimated transfer amounts to fund the STAR COLA each year under the permanent approach. The projected benefit payments paid to members each year under the permanent approach is not shown but would be slightly higher than the ad-hoc increases, due to the future statutory COLA increases being applied to the STAR COLA payment under the permanent approach. The transfer amounts are expected to be made from the STAR Reserve to the Employer Reserve as of the December 31 prior to the calendar year of the STAR COLA increase. These attachments also show the estimated number of retirees and survivors projected to be eligible for a STAR COLA benefit in each future year. The projected number of eligible retirees and survivors is the same under the ad-hoc or permanent approach.

Data, assumptions, and methods

The COLA Accumulation Accounts are as of April 1, 2024 and any 2025 STAR COLA increases are assumed to be effective as of January 1, 2025. We have assumed that no interest will be credited to the STAR Reserve consistent with LACERA's interest crediting procedures.

Certification

Except as noted elsewhere in this report, all data, methods and assumptions are the same as described and used in the June 30, 2023 actuarial valuation report. In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

Actuarial computations presented in this report are for purposes of estimating expected benefit payments and funding amounts under the LACERA STAR COLA program. These calculations have been made on a basis consistent with our understanding of that program. Determinations for purposes other than described may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. These results were developed using models intended for actuarial valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The calculations included in this report are subject to the same risk factors as discussed in the June 30, 2023 actuarial valuation and in the Risk Assessment report based on the June 30, 2023 actuarial valuation. Please refer to those reports for a detailed descriptions of the primary risks to LACERA.

Milliman's work is prepared solely for the internal business use of LACERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) LACERA may provide a copy of Milliman's work, in its entirety, to LACERA's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit LACERA.
(b) LACERA may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal, investment, or accounting counsel.

The signing actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

If you have any further questions regarding this report, please let us know.

Sincerely,

Nick Collier

Nick Collier, ASA, EA, MAAA
Consulting Actuary

Craig Glyde

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

NC/CG/va

Attachments
cc: Ted Granger
Claro Lanting
Ervin Wu

LACERA
10-year projection of STAR COLA Benefits

STAR COLA approved each year
to restore benefit to 80% of original value
(Actual 2024 CPI increase is 2.75%)

Calendar Year	CPI	Count of Eligible Retirees & Survivors	Ad-hoc Increase	Permanent Increase Transfers
2024	2.75%			
2025	2.75%	426	$ 154,000	$ 1,595,000
2026	2.75%	2,170	494,000	3,645,000
2027	2.75%	2,083	1,036,000	5,787,000
2028	2.75%	1,996	1,567,000	5,668,000
2029	2.75%	2,551	2,257,000	7,206,000
2030	2.75%	2,438	2,955,000	7,290,000
2031	2.75%	3,196	3,784,000	8,510,000
2032	2.75%	3,045	4,714,000	9,438,000
2033	2.75%	2,894	5,598,000	9,132,000
2034	2.75%	3,239	6,496,000	9,337,000

1. Estimate based on June 30, 2023 valuation
2. Actual results will vary

LACERA
10-year projection of STAR COLA Benefits
STAR COLA approved each year to restore benefit to 80% of original value
(Actual 2024 CPI increase is 3.50%)

Calendar Year	CPI	Count of Eligible Retirees & Survivors	Ad-hoc Increase	Permanent Increase Transfers
2024	3.50%			
2025	2.75%	426	$ 154,000	$ 1,595,000
2026	2.75%	2,170	1,048,000	9,373,000
2027	2.75%	2,083	1,587,000	5,721,000
2028	2.75%	2,666	2,291,000	7,294,000
2029	2.75%	2,551	3,004,000	7,392,000
2030	2.75%	3,344	3,854,000	8,656,000
2031	2.75%	3,196	4,811,000	9,627,000
2032	2.75%	3,045	5,725,000	9,331,000
2033	2.75%	3,412	6,656,000	9,564,000
2034	2.75%	3,239	7,658,000	10,249,000

1. Estimate based on June 30, 2023 valuation

2. Actual results will vary

STAR COLA Accumulation Chart Percentages as of January 1, 2025					
Retirement Date			General Plans B, C, D and Safety Plan B		
			COLA % Accumulation April 1, 2024	STAR Benefit Adjustment 2025	COLA % Accumulation January 1, 2025
Before 4/1/77			-	-	-
4/1/1977	-	3/31/1978	21.5	(1.5)	20.0
4/1/1978	-	3/31/1979	21.5	(1.5)	20.0
4/1/1979	-	3/31/1980	21.5	(1.5)	20.0
4/1/1980	-	3/31/1981	21.5	(1.5)	20.0
4/1/1981	-	3/31/1982	21.5	(1.5)	20.0
4/1/1982	-	3/31/1983	21.5	(1.5)	20.0
4/1/1983	-	3/31/1984	21.5	(1.5)	20.0
4/1/1984	-	3/31/1985	21.5	(1.5)	20.0
4/1/1985	-	3/31/1986	21.5	(1.5)	20.0
4/1/1986	-	3/31/1987	21.5	(1.5)	20.0
4/1/1987	-	3/31/1988	21.5	(1.5)	20.0
4/1/1988	-	3/31/1989	21.5	(1.5)	20.0
4/1/1989	-	3/31/1990	21.5	(1.5)	20.0
4/1/1990	-	3/31/1991	21.5	(1.5)	20.0
4/1/1991	-	3/31/1992	20.3	(0.3)	20.0
4/1/1992	-	3/31/1993	19.7	*	19.7
4/1/1993	-	3/31/1994	19.7	*	19.7
4/1/1994	-	3/31/1995	19.7	*	19.7
4/1/1995	-	3/31/1996	19.7	*	19.7
4/1/1996	-	3/31/1997	19.7	*	19.7
4/1/1997	-	3/31/1998	19.7	*	19.7
4/1/1998	-	3/31/1999	19.7	*	19.7
4/1/1999	-	3/31/2000	19.7	*	19.7
4/1/2000	-	3/31/2001	19.4	*	19.4
4/1/2001	-	3/31/2002	17.7	*	17.7
4/1/2002	-	3/31/2003	17.6	*	17.6
4/1/2003	-	3/31/2004	15.9	*	15.9
4/1/2004	-	3/31/2005	15.9	*	15.9
4/1/2005	-	3/31/2006	13.5	*	13.5
4/1/2006	-	3/31/2007	12.3	*	12.3
4/1/2007	-	3/31/2008	12.3	*	12.3
4/1/2008	-	3/31/2009	12.3	*	12.3
4/1/2009	-	3/31/2010	12.3	*	12.3
4/1/2010	-	3/31/2011	12.3	*	12.3
4/1/2011	-	3/31/2012	12.3	*	12.3
4/1/2012	-	3/31/2013	12.3	*	12.3
4/1/2013	-	3/31/2014	12.3	*	12.3
4/1/2014	-	3/31/2015	12.3	*	12.3
4/1/2015	-	3/31/2016	12.3	*	12.3
4/1/2016	-	3/31/2017	12.3	*	12.3
4/1/2017	-	3/31/2018	12.3	*	12.3
4/1/2018	-	3/31/2019	10.7	*	10.7
4/1/2019	-	3/31/2020	9.5	*	9.5
4/1/2020	-	3/31/2021	9.0	*	9.0
4/1/2021	-	3/31/2022	9.0	*	9.0
4/1/2022	-	3/31/2023	4.4	*	4.4
4/1/2023	-	3/31/2024	1.5	*	1.5

* Not eligible for STAR COLA increase in 2025

Note: Plan E members are not eligible for the STAR COLA Program benefits

STAR COLA Program
Calculation Illustration

The illustration below is intended to show an example of how the annual CPI increase impacts the COLA Bank account resulting in the ability to award a STAR COLA.

Section 1: Includes the 2023 COLA Bank balance before any changes are made in 2024. For this scenario, the CPI change is 3.5% while the Plan D maximum allowable COLA is 2.0%. The COLA award is applied with rounding (to the nearest 0.5%) at 3.5% for the 2024 April 1st COLA, while the Plan D COLA statutory maximum limits the final COLA amount to 2.0%.

Section 2: The published CPI is used to determine the amount that is applied to the COLA Bank account, not the COLA Award rounding amount. However, the CPI change, and COLA Award rounding are the same in this cycle. For this example, the COLA Bank receives a +1.5% increase by deducting the maximum -2.0% COLA award from the original CPI change of 3.5%.

Section 3: The COLA Bank account is reviewed and updated for the 2024 changes. The beginning balance of the COLA Bank is 22.9% and is first reduced by -2.9% for the 2024 STAR COLA awarded permanently last year in January 2024. In April 2024, after deducting the annual maximum -2.0% COLA award from the original CPI change of +3.5%, the remaining +1.5% amount of the CPI change increases the COLA Bank, resulting in a 21.5% COLA Bank balance available for the 2025 STAR COLA award. When the COLA Bank account exceeds 20%, a STAR COLA award can be considered by the Board of Retirement.

***Section 4*:** The COLA Bank balance of 21.5% is reviewed and the excess above the 20% balance is determined to be 1.5%. In this example, the 1.5% calculated is the possible STAR COLA award. Should the Board of Retirement approve the STAR COLA award, the COLA Bank account balance is reduced by 1.5% to 20% (if the STAR COLA is awarded on a permanent basis). If the Board award the STAR COLA on an ad-hoc basis, the COLA Bank account balance is not reduced and remains at a 21.5%. In future years, any additional amounts added to the Accumulation account which cause it to exceed the 20% level or are added onto the 21.5% balance, make this COLA Bank account eligible for another STAR COLA award.

***Section 5*:** Shows the impact on the COLA Bank balance if the STAR COLA award is granted by the Board of Retirement on an ad-hoc basis. In this example, COLA Bank account will remain at 21.5%. For the next STAR Program year, this COLA Bank account will be eligible for a STAR COLA award and any additional amounts, due to increases in the CPI above the retirement plan maximums, will be added to the COLA Bank balance.

COLA Accumulation (Bank) Account
STAR COLA Award

SECTION 1	**COLA Bank End Balance 2023**	**2024 COLA Award Rounding**	**2024 COLA Award Plan Maximum**
Plan D	22.9%	3.5%	2.0%

SECTION 2	**2023 CPI Change**	**2024 COLA Award Plan Maximum**	**2024 COLA Bank Increase**
CPI Review	3.5%	-2.0%	+1.5%

SECTION 3	**COLA Bank Begin Balance 2024**	**2024 STAR COLA Award January 2024**	**COLA Bank Increase April 2024**
2024 COLA Bank Changes	22.9%	-2.9%	+1.5%

SECTION 4 ***Option 1***	**COLA Bank Begin Balance 2025**	**2025 STAR COLA Award (Ad-Hoc)**	**COLA Bank End Balance***
	21.5%	**0.0%**	21.5%

SECTION 5 ***Option 2***	**COLA Bank Begin Balance 2025**	**2025 STAR COLA Award (Permanent)**	**COLA Bank End Balance****
	21.5%	**-1.5%**	20.0%

*This reduction in the COLA Bank balance will occur if the STAR COLA is awarded on an ad-hoc basis.
** No reduction in the COLA Bank balance will occur if the STAR COLA is awarded on a permanent basis.

2025 STAR COLA Program

September 4, 2024

Board of Retirement Meeting

Discussion Topics

Key Concepts

- **STAR COLA Award Method:**
  - **Ad-Hoc**
  - **Permanent**

- **STAR COLA Example**
  - **General Plan D Member Award**

- **STAR Program Funding**
  - **History**
  - **2025 Funding**

STAR COLA

Retirement Payments

Cost of Living

COLA Accumulation

STAR COLA

The Supplemental Targeted Adjustment for Retirees (STAR) is a cost-of-living adjustment (COLA) program designed to ease the effects of inflation for retirees and eligible survivors whose allowance has lost more than 20 percent of its purchasing power since retirement. The STAR COLA program is available for contributory plan retirees and their beneficiaries only; Plan E retirees are not eligible.

01 STAR COLA Method

Ad-Hoc or Permanent

STAR COLA Method

Government Code[1] provisions allow the Board of Retirement to award additional benefits to address the inflation experienced by retirees using one of the following approaches:

Ad-Hoc STAR COLA

- **Temporary benefit for the current calendar year**
- **Not included in the calculation of future statutory April 1st COLA awards**
- **COLA Accumulation account balance not reduced, remains at current level and future amounts are added**
- **Subject to Board of Retirement approval each year in future years**
- **Benefits paid from STAR COLA Reserve**

Permanent STAR COLA

- **Permanent benefit for the calendar year and future years**
- **STAR Benefit increases base allowance and is included in the calculation of future statutory April 1st COLA awards**
- **COLA Accumulation account balance is reduced to 20% level**
- **Board of Retirement does <u>not</u> need to approve these benefits in future years**
- **Benefits funded by one-time transfer from STAR Reserve and paid from Employer Reserves**

[1] Per Government Code Sections 31874.3 and 7507.

02 STAR COLA Example

Plan D Member Award

STAR COLA Example

STEP 1

General Plan D Member
Retired in June 1989

STEP 2

April 1, 2023 Accumulation Account
Balance of 22.9%

STEP 3

January 1, 2024 STAR Benefit Adjustment (Permanent)
Accumulation Balance reduced from 22.9% to 20.0%

STAR COLA Example

STEP 4

April 1, 2024, Statutory COLA for Plan D Members

CPI was 3.5% and Statutory COLA was 2.0%

STEP 5

Accumulation Account increased by 1.5%

Difference between CPI of 3.5% and Statutory COLA of 2.0%

STEP 6

Accumulation Account balance

22.9% (APR 2023) – 2.9% (2024 STAR COLA) + 1.5% (April 2024) = 21.5%

STAR COLA Example

STEP **7**

Accumulation Account Balance: 21.5% > 20.0%

Eligible for STAR COLA benefit in 2025

STEP **8**

STAR COLA Award (upon BOR Approval)

Increase benefit 1.5%, effective January 1, 2025

Ad-Hoc Award – Paid for 2025 Only, Permanent Award – Paid for Lifetime

STEP **9**

Accumulation Account Balance

Ad-Hoc Award – Remain at 21.5%, Permanent Award – Reduce to 20.0%

03 STAR Program Funding

History and 2025 Funding

STAR Program Funding

History

Excess Earnings

- **1994 County issued Pension Obligation Bonds**
- **LACERA's funded ratio exceeded 100% in subsequent years**
- **1994 Retirement System Funding Policy required the Board of Investments to allocate all excess earnings:**
  - **75% to Employer Reserves (County Contribution Credit Reserve)**
  - **25% to STAR Reserve**

STAR Reserve

- **Highest balance in 1999 due to excess earnings contributions: $1.023 billion**
- **STAR benefits paid from STAR COLA Reserve for the 1990-2009 and 2023-2024 Program Years**
- **Current balance as of June 30, 2024: $608.6 million**

2025 STAR COLA Awards

- **Ad-Hoc STAR Program cost: $0.154 million**
- **Permanent STAR Program cost: $1.595 million**

STAR Program Funding

2025 Funding

STAR Reserve

- STAR COLA Program cost paid from STAR Reserve
  - Permanent award: amount transferred from STAR Reserve to the Employer Reserves
  - Ad-Hoc award: benefits paid from STAR Reserve

- STAR Reserve:
  - Balance not included in Valuation Assets
  - STAR COLA benefits not yet approved are not included in liabilities[1]

- STAR COLA Award:
  - Reduces STAR Reserve Balance
  - No change to unfunded liability

STAR Reserve Balance (Dollars in Millions)	
2023 Ending Balance	$ 611.5
2024 STAR Award (Permanent)	$ (2.9)
2024 Ending Balance	$ 608.6
2025 STAR Award (Permanent)[2]	$ 1.595
2025 STAR Award (Ad-hoc)[2]	$ 0.154

[1] The valuation liabilities do not account for STAR COLAs that may be granted in the future. STAR COLA benefits previously approved by the BOR are included in liabilities, offset by STAR Reserve asset transfers.

[2] Per Government Code Section 7507, costs must be calculated by an actuary and disclosed to the public prior to a decision to adopt the benefit increase.

Thank You!

2025 STAR COLA

Questions?

FOR INFORMATION ONLY

September 30, 2024

TO: Trustees,
Board of Investments

FROM: Christine Roseland CR
Senior Staff Counsel

FOR: October 2024 Board of Investments Meeting

SUBJECT: **Legal Projects**

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of September 30, 2024.

Attachment

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
Esmeralda Del Bosque
Vache Mahseredjian
Jude Perez
Jim Rice
Christopher Wagner
Scott Zdrazil
Steven Rice
John Harrington
Michael Brogan
Avi Herescu
Susan Wang
Lisa Garcia

LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of September 30, 2024*

	Project/ Investment	Description	Amount	Board Approval Or Report Out Date	Completion Status	% Complete	Notes
AUDIT	Cavanaugh Macdonald Consulting	Consulting Agreement for Actuarial Auditing Services	$506,000	May 8, 2024	Completed	100%	Completed.
CREDIT & HEDGE FUNDS	Albourne America LLC	First Amendment to Investment Consulting Services Agreement	$4,987,500	June 12, 2024	In Progress	75%	Legal negotiations in process.
CREDIT & HEDGE FUNDS	Aberdeen Asset Management	Termination of Investment Management Agreement	N/A	September 11, 2024	Completed	100%	Completed.
CREDIT & HEDGE FUNDS	Ashmore Investment Management	Termination of Investment Management Agreement	N/A	September 11, 2024	Completed	100%	Completed.
EQUITIES	CornerCap Investment Counsel, Inc	Termination of Investment Management Agreement	N/A	September 11, 2024	Completed	100%	Completed.
REAL ASSETS	Altor Climate Transition I (No. 1) AB	Subscription	$147,000,000	September 11, 2024	Completed	100%	Completed.
REAL ASSETS	Altor ACT Feeder LP (Co-Invest)	Co-Investment	$71,000,000	September 11, 2024	Completed	100%	Completed.
REAL ASSETS	ARDIAN Infrastructure Fund VI S S.C.S., SICAV-RAIF	Subscription	$218,000,000	September 11, 2024	Completed	100%	Completed.
REAL ASSETS	ARDIAN Infra LA Co-Invest S.C.S.	Co-Investment	$109,000,000	September 11, 2024	Completed	100%	Completed.
PORTFOLIO ANALYTICS	State Street Bank and Trust Co.	Global Custody and Commercial Banking Services Agreement for LACERA's Pension Plan and OPEB Master Trust	$72,000,000,000	August 10, 2022	In Progress	95%	Legal negotiations in process.

*= This list does not include Real Estate separate account transactions, consents and amendments and other investment related legal work that arise during the life of an investment unless it is a BOI approved item or is otherwise reported out.

LACERA

FOR INFORMATION ONLY

September 24, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring. Bills from 2023 that were enacted or are dead are no longer being monitored. Bills on which LACERA has adopted a position are highlighted in yellow.

Reviewed and Approved:

Luis Lugo, Deputy Chief Executive Officer

Attachments
LACERA Legislative Report Index
LACERA Legislative Report

cc: Santos H. Kreimann
Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Jon Grabel
Scott Zdrazil
Anthony Roda, Williams & Jensen
Naomi Padron, MKP Government Relations

LACERA Legislative Report
2023-24 Legislative Session
Status as of September 23, 2024

CATEGORY	BILL	AUTHOR	TITLE	BOR POSITION	PAGE
BALLOT_INITIATIVES	6		Taxpayer Protection and Government Accountability Act	Watch	31
BROWN_ACT	AB 817	Blanca Pacheco (D)	Open Meetings: Teleconferencing: Subsidiary Body		2
BROWN_ACT	AB 2302	Dawn Addis (D)	Open Meetings: Local Agencies: Teleconferences		9
BROWN_ACT	AB 2350	Josh Hoover (R)	Open Meetings: School Boards: Emergencies: Notification		11
BROWN_ACT	AB 2715	Tasha Boerner (D)	Ralph M. Brown Act: Closed Sessions		20
BROWN_ACT	SB 537	Josh Becker (D)	City or County of Los Angeles: Memorial		24
HEALTHCARE	HR 957	Abigail A. Spanberger (D)	Internal Revenue Code Retirement Plan Exclusion	Watch	33
PUBLIC_EMPLOYMENT	AB 2335	Tina McKinnor (D)	Public Employment: Compensation and Classification		10
PUBLIC_EMPLOYMENT	AB 2421	Evan Low (D)	Employer-Employee Relations: Confidential Communication		13
PUBLIC_EMPLOYMENT	AB 2455	Jesse Gabriel (D)	Whistleblower Protection: State and Local Government		14
PUBLIC_EMPLOYMENT	AB 2489	Christopher Ward (D)	Local Agencies: Contracts for Special Services		16
PUBLIC_EMPLOYMENT	AB 2557	Liz Ortega (D)	Local Agencies: Contracts for Special Services		17
PUBLIC_EMPLOYMENT	AB 2561	Tina McKinnor (D)	Local Public Employees: Vacant Positions		18
PUBLIC_EMPLOYMENT	SB 1379	Bill Dodd (D)	Public Employees' Retirement Law: Reinstatement		29
PUBLIC_INVESTMENT	SB 252	Lena A. Gonzalez (D)	Public Retirement Systems: Fossil Fuels: Divestment		23
PUBLIC_RECORDS_ACT	AB 2153	Josh Lowenthal (D)	California Public Records Act: Public Agency Employees		5
PUBLIC_RECORDS_ACT	SB 1034	Kelly Seyarto (R)	California Public Records Act: State of Emergency		26
PUBLIC_RECORDS_ACT	SB 1441	Ben Allen (D)	Examination of Petitions: Time Limitations		30
PUBLIC_RETIREMENT	AB 148	Budget	State Employment: State Bargaining Units: Agreements		1
PUBLIC_RETIREMENT	AB 1246	Stephanie Nguyen (D)	Public Employees' Retirement		3
PUBLIC_RETIREMENT	AB 1997	Tina McKinnor (D)	Teachers' Retirement Law		4
PUBLIC_RETIREMENT	AB 2183	Reginald B. Jones-Sawyer (D)	Public Employees' Retirement Benefits: Compensation		6
PUBLIC_RETIREMENT	AB 2284	Timothy S. Grayson (D)	County Employees' Retirement: Compensation	Oppose;Watch	7
PUBLIC_RETIREMENT	AB 2301	Stephanie Nguyen (D)	Sacramento Area Sewer District Pension Protection Act		8
PUBLIC_RETIREMENT	AB 2362	Tom Lackey (R)	County Fire Service Retirement Law: Report		12
PUBLIC_RETIREMENT	AB 2474	Tom Lackey (R)	Retirement: County Employees Retirement Law of 1937	Sponsor;Support	15
PUBLIC_RETIREMENT	AB 2631	Mike Fong (D)	Local Agencies: Ethics Training		19
PUBLIC_RETIREMENT	AB 2770	Public Employment and Retirement	Public Employees Retirement	Support	21
PUBLIC_RETIREMENT	AB 3025	Avelino Valencia (D)	County Employees' Retirement: Disallowed Compensation	Neutral	22
PUBLIC_RETIREMENT	HR 5241	Gregory F. Murphy (R)	Governmental Pension Plans	Watch	35
PUBLIC_RETIREMENT	SB 962	Steve Padilla (D)	San Diego Unified Port District: Public Employee		25
PUBLIC_RETIREMENT	SB 1240	Marie Alvarado-Gil (D)	Public Employees Retirement System: Contracting		28
RETIREMENT_PERSONNEL	SB 1189	Monique Limon (D)	County Employees Retirement Law of 1937		27
SOCIAL_SECURITY	HR 82	Garret Graves (R)	Pension Offset and Windfall Elimination Repeal	Support	32
SOCIAL_SECURITY	HR 4260	Richard E. Neal (D)	Equitable Social Security Formula	Support	34
SOCIAL_SECURITY	HR 5342	Jodey Cook Arrington (R)	Windfall Elimination Provision Replacement	Support	36
SOCIAL_SECURITY	S 597	Sherrod Brown (D)	Government Pension Offset Repeal	Support	37

1.

California Assembly Bill 148 (2023-2024)

CA A 148 | Budget | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Budget & Fiscal Review Committee

State Employment: State Bargaining Units: Agreements

Provides that existing law provides that a provision of a memorandum of understanding reached between the State employer and a recognized employee organization representing State civil service employees that requires the expenditure of funds does not become effective unless approved by the Legislature in the annual Budget Act. Approves provisions of agreements entered into by the State employer and State Bargaining Units 1, 3, 4, 5, 11, 12, 13, 14, 15, 17, 19, 20, and 21. Appropriates funds.

Code:

An act ~~relating to the Budget Act of 2023.~~ to amend Sections 7522.34, 19829.9851, 19829.9852, 19829.9853, 19878.5, and 22944.5 of, and to add Sections 19829.9854, 20677.61, 20677.92, 20677.93, 20677.94, and 22871.10 to, the Government Code, relating to public employment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

Status:

Sep 13, 2023: Re-referred to SENATE Committee on BUDGET AND FISCAL REVIEW.

+ Show full status history

PUBLIC_RETIREMENT

Commentary:

Comment:

Apr 23, 2024 - 12:01 P.M. (PDT)
Amends PEPRA section 7522.34 as it relates to state employees.

2.

California Assembly Bill 817 (2023-2024)

CA A 817 | Blanca Pacheco (D-064) | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Local Government Committee

Open Meetings: Teleconferencing: Subsidiary Body

Authorizes a subsidiary body to use certain alternative teleconferencing provisions. Requires at least one staff member of the local agency to be present at a designated primary physical meeting location during the meeting. Requires the local agency to post the agenda at the primary physical meeting location. Requires the members of the subsidiary body to visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform.

Code:

```
An act to add and repeal Section 54953.05 of the Government Code, relating to local government.
```

Status:

June 5, 2024: In SENATE Committee on LOCAL GOVERNMENT: Reconsideration granted.
June 5, 2024: In SENATE Committee on LOCAL GOVERNMENT: Failed passage.

+ Show full status history

BROWN_ACT

No tags, commentary, or attachment applied

3.

California Assembly Bill 1246 (2023-2024)

CA A 1246 | Stephanie Nguyen (D-010) | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Public Employees' Retirement

Relates to the Public Employees' Retirement Law and the Public Employees' Retirement System. Permits, commencing on the specified date, a member who elected to receive a specified optional settlement at retirement, if the member's former spouse was named as beneficiary and a legal judgment awards only a portion of the interest in the retirement system to the retired member, to elect to add their new spouse as the beneficiary of the member's interest, subject to meeting certain conditions.

Code:

```
An act to amend Sections 21462 and 21481 of the Government Code, relating to retirement.
```

Status:

Sep 22, 2024: Chaptered by Secretary of State. Chapter No. 2024-350

Sep 22, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

4.

California Assembly Bill 1997 (2023-2024)

CA A 1997 | Tina McKinnor (D-061) | To Governor | Fiscal Committee (Yes) | Urgency Clause (No) | To Governor

Teachers' Retirement Law

Relates to the State Teachers' Retirement System. Requires the Teachers' Retirement Board to determine a date when State Teachers' Retirement System (STRS) has the capacity to implement the specified changes and to post the date on the STRS internet website no later than the specified date. Relates to the Teachers' Retirement Fund. Appropriates funds.

Code:

```
An act to amend and repeal Section 22119.2 of, to amend, repeal, and add Sections 22104.8,
22115, 22119.3, 22119.5, 22121, 22170, 22317.5, 22701, and 22905 of, and to add Sections
22156.07, 22156.08, and 22324.5 to, the Education Code, relating to retirement, and making an
appropriation therefor.
```

Status:

Sep 10, 2024: *****To GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

5.

California Assembly Bill 2153 (2023-2024)

CA A 2153 | Josh Lowenthal (D-069) | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Judiciary Committee

California Public Records Act: Public Agency Employees

Requires each agency, upon receipt of a request for a copy of, or the inspection of, any personnel, medical, or similar records of a public agency employee or any record that would disclose a public agency employee's personal identity in connection with the performance of that employee's work duties, to promptly and prior to the release of the records, provide written notice of the request to that public agency employee.

Code:

```
An act to amend Section 7922.535 of the Government Code, relating to public records.
```

Status:

Feb 20, 2024: To ASSEMBLY Committee on JUDICIARY.

+ Show full status history

PUBLIC_RECORDS_ACT

No tags, commentary, or attachment applied

6.

California Assembly Bill 2183 (2023-2024)

CA A 2183 | Reginald B. Jones-Sawyer (D-057) | Failed - Adjourned | Fiscal Committee (No) | Urgency Clause (No) | ASSEMBLY

Public Employees' Retirement Benefits: Compensation

Makes a nonsubstantive change to a provision of the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Code:

```
An act to amend Section 7522.32 of the Government Code, relating to public employees' retirement.
```

Status:

Feb 7, 2024: INTRODUCED.

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

7.

California Assembly Bill 2284 (2023-2024)

CA A 2284 | Timothy S. Grayson (D-015) | To Governor | Fiscal Committee (No) | Urgency Clause (No) | To Governor

County Employees' Retirement: Compensation

Relates to the County Employees Retirement Law and the California Public Employees' Pension Reform Act. Authorizes a retirement system to define grade to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit or other logical work-related group or class. Specifies that these provisions shall not become operative in a county until the board of supervisors makes the provisions applicable.

Code:

```
An act to amend Section 31461 of the Government Code, relating to retirement.
```

Status:

Sep 5, 2024: *****To GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Oppose

IBLC_Recommendation: Oppose

BOR_Position: Oppose

Watch

Commentary:

Comment:

Sep 18, 2024 - 3:04 P.M. (PDT)

On 9/4/2024, the BOR changed its position from "Oppose" to "Watch."

8.

California Assembly Bill 2301 (2023-2024)

CA A 2301 | Stephanie Nguyen (D-010) and 6 Co-sponsors | Enacted | Fiscal Committee (No) | Urgency Clause (Yes) | Chaptered

Effective Dates: 07/02/2024

Sacramento Area Sewer District Pension Protection Act

Enacts the Sacramento Area Sewer District Pension Protection Act of 2024. Provides that the sewer district would assume the rights, obligations, and status previously occupied by the County of Sacramento with regard to the portion of the county safety plan, which is that portion of the county's defined benefit plan attributed to retirement system members and beneficiaries of the Sacramento Area Sewer District to, among other things, the replacement benefits program.

Code:

An act to add Article 4.6 (commencing with Section 31574) to Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code, relating to public employee retirement, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor July 02, 2024. Filed with Secretary of State July 02, 2024.]

Status:

July 2, 2024: Chaptered by Secretary of State. Chapter No. 2024-064
July 2, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

9.

California Assembly Bill 2302 (2023-2024)

CA A 2302 | Dawn Addis (D-030) | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered

Open Meetings: Local Agencies: Teleconferences

Relates to existing law which imposes prescribed restrictions on remote participation by a member of a legislative body of a local agency under alternative teleconferencing provisions. Revises the limits, instead prohibiting such participation for more than a specified number of meetings per year, based on how frequently the legislative body regularly meets.

Code:

```
An act to amend Section 54953 of the Government Code, relating to local government.
```

Status:

Sep 22, 2024: Chaptered by Secretary of State. Chapter No. 2024-389
Sep 22, 2024: Signed by GOVERNOR.
+ Show full status history

BROWN_ACT

No tags, commentary, or attachment applied

10.

California Assembly Bill 2335 (2023-2024)

CA A 2335 | Tina McKinnor (D-061) | Vetoed | Fiscal Committee (Yes) | Urgency Clause (No) | Vetoed

Public Employment: Compensation and Classification

Expands the purpose of the State Civil Service Act to include that the compensation relationship between State civil positions with comparable duties and responsibilities is maintained.

Code:

```
An act to amend Sections 18500, 19797, 19826, and 19827.2 of the Government Code, relating to
public employment.
```

Status:

Sep 14, 2024: Vetoed by GOVERNOR.

+ Show full status history

Hearing Dates:

10/30/2024 Assembly Governor's Vetoes - # 6

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

11.

California Assembly Bill 2350 (2023-2024)

CA A 2350 | Josh Hoover (R-007) | To Governor | Fiscal Committee (Yes) | Urgency Clause (No) | To Governor

Open Meetings: School Boards: Emergencies: Notification

Provides that existing law authorizes a legislative body to hold an emergency meeting without complying with specified 24-hour notice and posting requirements. Authorizes a school board holding an emergency meeting to fulfill the premeeting notification requirement by email instead of by telephone. Provides that if the internet and telephone services are not functioning, the bill would similarly waive the premeeting notification requirement and require the post meeting notification.

Code:

```
An act to amend Section 54956.5 of the Government Code, relating to open meetings.
```

Status:

Aug 23, 2024: *****To GOVERNOR.

+ Show full status history

BROWN_ACT

No tags, commentary, or attachment applied

12.

California Assembly Bill 2362 (2023-2024)

CA A 2362 | Tom Lackey (R-034) | Failed - Adjourned | Fiscal Committee (No) | Urgency Clause (No) | Assembly Public Employment and Retirement...

County Fire Service Retirement Law: Report

Requires the County Foresters, Firewardens, and County Fire Protection District Firemen's Retirement Board to report to the board of supervisors on or before February 1 each year.

Code:

```
An act to amend Section 32266 of the Government Code, relating to public retirement.
```

Status:

Feb 26, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

13.

California Assembly Bill 2421 (2023-2024)

CA A 2421 | Evan Low (D-026) | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Appropriations Committee

Employer-Employee Relations: Confidential Communication

Prohibits local public agency employer, a State employer, a judicial employer, a public school employer, a higher education employer, or certain districts from questioning any employee or employee representative regarding communications made in confidence between an employee and a representative. Provides that such communications would not be confidential if the representative was a witness or party to any of the events forming the basis of a potential administrative disciplinary or criminal investigation.

Code:

An act to amend Sections 3506.5, 3519, 3524.71, 3543.5, and 3571 of the Government Code, and to amend ~~Section 28858~~ Sections 28858, 98169, 99563.7, and 102406 of the Public Utilities Code, relating to employer-employee relations.

Status:

Aug 15, 2024: In SENATE Committee on APPROPRIATIONS: Held in committee.

+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

14.

California Assembly Bill 2455 (2023-2024)

CA A 2455 | Jesse Gabriel (D-046) | To Governor | Fiscal Committee (Yes) | Urgency Clause (No) | To Governor

Whistleblower Protection: State and Local Government

Authorizes a city, county, or city and county auditor or controller to maintain a whistleblower hotline to receive calls from persons who have information regarding improper governmental activity. Authorizes a city or county auditor or controller, or designee, to conduct an investigative audit of the matter upon receiving specific information that an employee or local government has engaged in a fraud, waste, or abuse or improper governmental activity. Relates to the California Whistleblower Protection Act.

Code:

```
An act to amend Sections 8547.2, 8547.5, 8547.7, and 53087.6 of the Government Code, relating
to whistleblower protection.
```

Status:

Sep 13, 2024: *****To GOVERNOR.

+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

15.

California Assembly Bill 2474 (2023-2024)

CA A 2474 | Tom Lackey (R-034) | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

Retirement: County Employees Retirement Law of 1937

Relates to the County Employees Retirement Law of 1937. Authorizes the Board of Retirement for the County of Los Angeles to have the monthly warrant, check, or electronic fund transfer for the retirement allowance or benefit be delivered to a prepaid account in accordance with certain procedures. Defines account of the retired member or survivor of a deceased retired member to include an account held in a living trust or an income-only trust.

Code:

An act to amend Section 31452.6 of, to add Section 31680.9 to, and to add and repeal Sections 31452.61 and 31590.2 of, the Government Code, relating to retirement.

[Approved by Governor July 15, 2024. Filed with Secretary of State July 15, 2024.]

Status:

July 15, 2024: Chaptered by Secretary of State. Chapter No. 2024-108

July 15, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Support

Sponsor

IBLC_Recommendation: Support

Sponsor

BOR_Position: Sponsor

Support

16.

California Assembly Bill 2489 (2023-2024)

CA A 2489 | Christopher Ward (D-078) | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Appropriations Committee

Local Agencies: Contracts for Special Services

Requires a county board of supervisors or a representative, at least a specified number of months before beginning a procurement process to contract with persons for special services that are currently, or were previously, performed by employees of the county represented by an employee organization, to notify, in writing, the exclusive employee representative of the workforce affected. Provides that this notice requirement does not apply in the event of an emergency.

Code:

```
An act to amend Sections 31000, 31000.4, 37103, and 53060 of the Government Code, relating to local government.
```

Status:

May 16, 2024: In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

May 16, 2024: In ASSEMBLY. Joint Rule 62(a) suspended.

+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

17.

California Assembly Bill 2557 (2023-2024)

CA A 2557 | Liz Ortega (D-020) | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Appropriations Committee

Local Agencies: Contracts for Special Services

Requires each board of supervisors that solicits for and enters into a specified contract for special services to post that contract and any related documents on its website. Requires each contract to include the objectives, desirables, and goals of the contract. Requires, before beginning a procurement process to contract for functions, duties, responsibilities, or services, the board to give reasonable written notice to the exclusive employee representative of the workforce affected by the contract.

Code:

```
An act to add Sections 31000.01, 31000.4.5, 37103.1, and 53060.01 to the Government Code, relating to local agencies.
```

Status:

Aug 15, 2024: In SENATE Committee on APPROPRIATIONS: Held in committee.

+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

18.

California Assembly Bill 2561 (2023-2024)

CA A 2561 | Tina McKinnor (D-061) | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Local Public Employees: Vacant Positions

Provides that the Meyers-Milias-Brown Act requires the governing body of a public agency to meet and confer regarding conditions of employment with representatives of recognized employee organizations. Requires a public agency to present the status of vacancies and recruitment and retention efforts at a public hearing at least once per fiscal year. Entitles the organization to present at the hearing. Requires the agency, upon request of the organization, to include specified information during the hearing.

Code:

```
An act to add Section 3502.3 to the Government Code, relating to public employment.
```

Status:

Sep 22, 2024: Chaptered by Secretary of State. Chapter No. 2024-409
Sep 22, 2024: Signed by GOVERNOR.
+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

19.

California Assembly Bill 2631 (2023-2024)

CA A 2631 | Mike Fong (D-049) | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

Local Agencies: Ethics Training

Requires the Fair Political Practices Commission, in consultation with the Attorney General, to create, maintain, and make available to local agency officials an ethics training course.

Code:

```
An act to amend Section 53235 of the Government Code, relating to local government.

[Approved by Governor August 26, 2024. Filed with Secretary of State August 26, 2024.]
```

Status:

Aug 26, 2024: Chaptered by Secretary of State. Chapter No. 2024-201
Aug 26, 2024: Signed by GOVERNOR.
+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

20.

California Assembly Bill 2715 (2023-2024)

CA A 2715 | Tasha Boerner (D-077) | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

Ralph M. Brown Act: Closed Sessions

Provides that existing law authorizes a legislative body to hold a closed session with specified individuals on, among other things, matters posing a threat to the security of essential public services. Authorizes a legislative body to hold a closed session with other law enforcement or security personnel and to hold a closed session on a threat to critical infrastructure controls or critical infrastructure information relating to cybersecurity.

Code:

```
An act to amend Section 54957 of the Government Code, relating to local government.

[Approved by Governor September 14, 2024. Filed with Secretary of State September 14, 2024.]
```

Status:

Sep 14, 2024: Chaptered by Secretary of State. Chapter No. 2024-243
Sep 14, 2024: Signed by GOVERNOR.

+ Show full status history

BROWN_ACT

No tags, commentary, or attachment applied

21.

California Assembly Bill 2770 (2023-2024)

CA A 2770 | Public Employment and Retirement | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

Public Employees Retirement

Relates to the Teachers Retirement System. Provides that existing law authorizes a member to request to purchase additional service credit and to redeposit accumulated retirement contributions returned to the member. Provides that existing law requires additional regular interest to be added to the contributions if the member is not employed to perform creditable service subject to coverage by the Defined Benefit Program on the date of the request to purchase additional credit. Revises interest calculation.

Code:

```
An act to amend Sections 22801, 23200, 23201, 23202, 24600, and 26004 of the Education Code,
and to amend Sections 31628, 31720.91, 31783.5, 75521, 75553, 75570, and 75571.5 of the
Government Code, relating to public employees' retirement.

[Approved by Governor July 15, 2024. Filed with Secretary of State July 15, 2024.]
```

Status:

July 15, 2024: Chaptered by Secretary of State. Chapter No. 2024-117
July 15, 2024: Signed by GOVERNOR.
+ Show full status history

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

22.

California Assembly Bill 3025 (2023-2024)

CA A 3025 | Avelino Valencia (D-068) and 2 Co-sponsors | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered

County Employees' Retirement: Disallowed Compensation

Requires a retirement system established under the County Employees Retirement Law of 1937, upon determining that the compensation reported for a member is disallowed compensation, to require the employer to discontinue reporting the disallowed compensation. Requires, for an active member, the retirement system to credit all employer contributions made on the disallowed compensation against future contributions to the benefit of the employer that reported the disallowed compensation.

Code:

```
An act to add Section 31541.2 to the Government Code, relating to county employees' retirement.
```

Status:

Sep 22, 2024: Chaptered by Secretary of State. Chapter No. 2024-427
Sep 22, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Neutral

IBLC_Recommendation: Neutral

BOR_Position: Neutral

23.

California Senate Bill 252 (2023-2024)

CA S 252 | Lena A. Gonzalez (D-033) and 3 Co-sponsors | Failed - Adjourned | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Public Employment and Retirement...

Public Retirement Systems: Fossil Fuels: Divestment

Prohibits the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company. Requires the boards to liquidate investments in a fossil fuel company on or before specified date. Suspends, temporarily, the liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets.

Code:

An act to amend Section 16642 of, and to add Section 7513.76 to, the Government Code, relating to public retirement systems.

Status:

June 19, 2024: In ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Not heard.

+ Show full status history

PUBLIC_INVESTMENT

No tags, commentary, or attachment applied

24.

California Senate Bill 537 (2023-2024)

CA S 537 | Josh Becker (D-013) and 18 Co-sponsors | To Governor | Fiscal Committee (Yes) | Urgency Clause (No) | To Governor

City or County of Los Angeles: Memorial

Authorizes a nonprofit organization representing Mexican Americans or Mexican immigrants to enter into negotiations to plan, construct, and maintain a memorial to Mexican Americans and Mexican immigrants who were forcibly deported from the United States during the Great Depression. Requires the memorial to be located at an appropriate public place in the City or County of Los Angeles. Requires the nonprofit to enter into negotiations with the Department of General Services and the agency with jurisdiction.

Code:

```
An act to add Sections 14638 and 14638.1 to the Government Code, relating to memorials.
```

Status:

Sep 10, 2024: *****To GOVERNOR.

+ Show full status history

BROWN_ACT

Commentary:

Comment:

Jul 28, 2024 - 5:45 P.M. (PDT)
Gutted and amended to relate to memorials.

25.

California Senate Bill 962 (2023-2024)

CA S 962 | Steve Padilla (D-018) | Enacted | Fiscal Committee (No) | Urgency Clause (Yes) | Chaptered

Effective Dates: 07/15/2024

San Diego Unified Port District: Public Employee

Provides that the California Public Employees' Pension Reform Act permits a public employer to adopt a new defined benefit formula that is not consistent with PEPRA, if that formula is determined and certified by the chief actuary and the board of that employer's retirement system to not have a greater risk or greater cost to the sponsoring employer than the defined benefit formula required by PEPRA. Approves a specified defined benefit formula applicable to employees of the San Diego Unified Port District.

Code:

```
An act relating to the public employee pension benefits, and declaring the urgency thereof, to
take effect immediately.

[Approved by Governor July 15, 2024. Filed with Secretary of State July 15, 2024.]
```

Status:

July 15, 2024: Chaptered by Secretary of State. Chapter No. 2024-126
July 15, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

26.

California Senate Bill 1034 (2023-2024)

CA S 1034 | Kelly Seyarto (R-032) | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

California Public Records Act: State of Emergency

Revises the unusual circumstances under which the time limit may be extended to include the need to search for, collect, and appropriately examine records during a state of emergency, as defined, proclaimed by the Governor in the jurisdiction where the agency is located when the state of emergency currently affects, due to the state of emergency, the agency's ability to timely respond to requests due to staffing shortages or closure of facilities where the requested records are located, except as specified.

Code:

```
    An act to amend Section 7922.535 of the Government Code, relating to public records.

     [Approved by Governor July 18, 2024. Filed with Secretary of State July 18, 2024.]
```

Status:

July 18, 2024: Chaptered by Secretary of State. Chapter No. 2024-161
July 18, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RECORDS_ACT

No tags, commentary, or attachment applied

27.

California Senate Bill 1189 (2023-2024)

CA S 1189 | Monique Limon (D-019) | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered

Effective Dates: 01/01/2025

County Employees Retirement Law of 1937

Provides that the County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to their employees. Provides that CERL authorizes the board of retirement to appoint a retirement administrator, chief financial officer, chief operations officer, chief investment officer, and general counsel. Authorizes the board to appoint a chief technology officer.

Code:

```
An act to amend Section 31522.10 of the Government Code, relating to retirement.

[Approved by Governor July 15, 2024. Filed with Secretary of State July 15, 2024.]
```

Status:

July 15, 2024: Chaptered by Secretary of State. Chapter No. 2023-131
July 15, 2024: Signed by GOVERNOR.
+ Show full status history

RETIREMENT_PERSONNEL

No tags, commentary, or attachment applied

28.

California Senate Bill 1240 (2023-2024)

CA S 1240 | Marie Alvarado-Gil (D-004) | To Governor | Fiscal Committee (Yes) | Urgency Clause (Yes) | To Governor

Public Employees Retirement System: Contracting

Relates to the Public Employees' Retirement System. Authorizes a successor agency for the El Dorado County Fire Protection District and the Diamond Springs-El Dorado Fire Protection District to provide employees the defined benefit plan or formula that those employees received from their respective employer prior to the annexation.

Code:

```
An act to add Section 20508.3 to the Government Code, relating to public employees' retirement,
                and declaring the urgency thereof, to take effect immediately.
```

Status:

Aug 27, 2024: *****To GOVERNOR.

+ Show full status history

PUBLIC_RETIREMENT

No tags, commentary, or attachment applied

29.

California Senate Bill 1379 (2023-2024)

CA S 1379 | Bill Dodd (D-003) | To Governor | Fiscal Committee (Yes) | Urgency Clause (Yes) | To Governor

Public Employees' Retirement Law: Reinstatement

Provides that under the Public Employees' Retirement System and the California Public Employees' Pension Reform Act, a retired member is subject to a specified hour limit of employment within a year for specified employers without reinstating in the system. Creates an exception from the limit for hours worked by a retired person in an appointment by the Solano County Sheriff's Office to perform functions performed by a deputy sheriff, evidence technician or communications operator, under certain conditions.

Code:

```
An act to amend, repeal, and add Sections 7522.56 and 21224 of the Government Code, relating to
      public retirement, and declaring the urgency thereof, to take effect immediately.
```

Status:

Aug 23, 2024: *****To GOVERNOR.

+ Show full status history

PUBLIC_EMPLOYMENT

No tags, commentary, or attachment applied

30.

California Senate Bill 1441 (2023-2024)

CA S 1441 | Ben Allen (D-024) | Enacted | Fiscal Committee (Yes) | Urgency Clause (No) | Chaptered

Examination of Petitions: Time Limitations

Provides that Existing law, the California Public Records Act, requires state and local agencies to make their records available for public inspection. Provides that certain election petitions are not public records and are not open to inspection except by certain persons. Requires the examination to conclude no later than 60 days after it commenced. Authorizes the return of any money deposited in excess of the cost of the examination and provide that money not required to be refunded.

Code:

```
An act to amend Section 7924.110 of the Government Code, relating to petitions.
```

Status:

Sep 22, 2024: Chaptered by Secretary of State. Chapter No. 2024-479

Sep 22, 2024: Signed by GOVERNOR.

+ Show full status history

PUBLIC_RECORDS_ACT

No tags, commentary, or attachment applied

31.

California Proposition Removed (2024)

CA 2024 6 | State ID: 1935. (21-0042A1) | Removed from Ballot: 02/02/2023 | Qualification: 02/02/2023 | Election: 11/05/2024

Taxpayer Protection and Government Accountability Act

Requires, for new or increased state taxes currently enacted by two-thirds vote of Legislature, a statewide election and majority voter approval. Limits voters' ability to pass voter-proposed local special taxes by raising vote requirement to two-thirds. Eliminates voters' ability to advise how to spend revenues from proposed general tax on same ballot as the proposed tax. Expands definition of taxes.

BALLOT_INITIATIVES

Tags:

Staff_Recommendation: Watch

IBLC_Recommendation: Oppose

BOR_Position: Watch

Commentary:

Comment:

Jul 28, 2024 - 5:55 P.M. (PDT)
The California Supreme Court ordered that the ballot initiative not be certified for the November General Election. Voters will not be voting on the ballot initiative.

32.

United States House Bill 82 (2023-2024)

US H 82 | Garret Graves (R-LA 06) and 326 Co-sponsors | Pending | House Ways and Means Committee

Pension Offset and Windfall Elimination Repeal

Amends title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

Status:

Jan 9, 2023: To HOUSE Committee on WAYS AND MEANS.
Jan 9, 2023: INTRODUCED.
+ Show full status history

Related:

US H 4583 |
US S 597 |
US S 2280

SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

33.

United States House Bill 957 (2023-2024)

US H 957 | Abigail A. Spanberger (D-VA 07) and 22 Co-sponsors | Pending | House Ways and Means Committee

Internal Revenue Code Retirement Plan Exclusion

Amends the Internal Revenue Code of 1986 to increase the amount excluded from gross income by reason of distributions from governmental retirement plans for health and long-term care insurance for public safety officers.

Status:

Feb 9, 2023: To HOUSE Committee on WAYS AND MEANS.
Feb 9, 2023: INTRODUCED.
+ Show full status history

HEALTHCARE

Tags:

Staff_Recommendation: Watch

IBLC_Recommendation: Watch

BOR_Position: Watch

34.

United States House Bill 4260 (2023-2024)

US H 4260 | Richard E. Neal (D-MA 01) and 106 Co-sponsors | Pending | House Ways and Means Committee

Equitable Social Security Formula

Amends specified title of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

Status:

June 21, 2023: To HOUSE Committee on WAYS AND MEANS.
June 21, 2023: INTRODUCED.
+ Show full status history

SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

35.

United States House Bill 5241 (2023-2024)

US H 5241 | Gregory F. Murphy (R-NC 03) and 6 Co-sponsors | Pending | House Ways and Means Committee

Governmental Pension Plans

Amends the Internal Revenue Code of 1986 to provide that governmental pension plans may include certain firefighters, emergency medical technicians, and paramedics.

Status:

Aug 18, 2023: To HOUSE Committee on WAYS AND MEANS.
Aug 18, 2023: To HOUSE Committee on EDUCATION AND THE WORKFORCE.
Aug 18, 2023: INTRODUCED.
+ Show full status history

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Oppose

IBLC_Recommendation: Oppose

BOR_Position: Watch

36.

United States House Bill 5342 (2023-2024)

US H 5342 | Jodey Cook Arrington (R-TX 19) and 36 Co-sponsors | Pending | House Ways and Means Committee

Windfall Elimination Provision Replacement

Amends title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment.

Status:

Sep 5, 2023: To HOUSE Committee on WAYS AND MEANS.
Sep 5, 2023: INTRODUCED.
+ Show full status history

SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

37.

United States Senate Bill 597 (2023-2024)

US S 597 | Sherrod Brown (D-OH) and 61 Co-sponsors | Pending | Senate Finance Committee

Government Pension Offset Repeal

Amends title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

Status:

Mar 1, 2023: To SENATE Committee on FINANCE.
Mar 1, 2023: In SENATE. Read second time.
Mar 1, 2023: INTRODUCED.

+ Show full status history

Related:

US H 82 |
US H 4583 |
US S 2280

SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

LACERA

FOR INFORMATION ONLY

September 20, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Ted Granger TG
Chief Financial Officer

FOR: October 2, 2024 Board of Retirement Meeting
October 9, 2024 Board of Investments Meeting

SUBJECT: **MONTHLY TRUSTEE TRAVEL & EDUCATION REPORT – AUGUST 2024**

Attached for your review is the monthly Trustee Travel & Education Report. This report includes all events (i.e., attended and canceled) from the beginning of the fiscal year through August 2024.

Trustees attend monthly Board and Committee meetings at LACERA's office which are considered administrative meetings per the Trustee Travel Policy. In order to streamline report volume and information, these regular meetings are excluded from the monthly travel reports but are included in the quarterly travel expenditure reports.

Staff travel and education expenditure reports are provided to the Chief Executive Officer monthly and to the Boards quarterly.

REVIEWED AND APPROVED:

Santos H. Kreimann
Chief Executive Officer

TG/EW/SC/SE/gj

Attachments

c: L. Lugo
J. Popowich
L. Guglielmo
J. Grabel
S. Rice
R. Contreras

TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2024 - 2025
AUGUST 2024

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Nancy Durazo				
V	-	Edu - Southern New Hampshire University: Principles of Finance & Public Fiscal Management Weekly Course - VIRTUAL	07/01/2024 - 08/25/2024	Attended
Mike Gatto				
A	1	Edu - 2024 SACRS UC Berkeley Public Pension Investment Management Program - Berkeley CA	07/14/2024 - 07/17/2024	Attended
B	-	Edu - 2024 The Investment Diversity Exchange (TIDE) Spark - Laguna Niguel CA	07/10/2024 - 07/11/2024	Attended
Elizabeth Ginsberg				
B	-	Edu - Pathways for Women Conference 2024 - Anaheim CA	08/26/2024 - 08/27/2024	Attended
Vivian Gray				
A	1	Edu - 2024 Koried Global Summit: What Matters Now in 2024: Trends and Insights for Tomorrow - Coral Gables FL	07/17/2024 - 07/19/2024	Attended
Patrick Jones				
B	-	Edu - 2024 The Investment Diversity Exchange (TIDE) Spark - Laguna Niguel CA	07/10/2024 - 07/11/2024	Attended
Debbie Martin				
A	1	Edu - Harvard Business School Executive Education Program: Audit Committees in a New Era of Governance - Boston MA	07/17/2024 - 07/19/2024	Attended
Nicole Mi				
A	1	Edu - Harvard Business School Executive Education Program: Audit Committees in a New Era of Governance - Boston MA	07/17/2024 - 07/19/2024	Attended
B	-	Edu - 2024 The Investment Diversity Exchange (TIDE) Spark - Laguna Niguel CA	07/10/2024 - 07/11/2024	Attended
	-	Edu - Pathways for Women Conference 2024 - Anaheim CA	08/26/2024 - 08/27/2024	Attended

Category Legend:

A - Pre-Approved/Board Approved Educational Conferences
B - 1) Board Approved Administrative Meetings and 2) Pre-Approved Educational Conferences in CA where total cost is no more than $3,000 provided that a Trustee may not incur over $15,000 for all expenses of attending all such Educational Conferences and Administrative Meetings in a fiscal year per Trustee Travel Policy; Section III.A
C - Second of two conferences and/or meetings counted as one conference per Trustee Education Policy Section IV.C.2 and Trustee Travel Policy Section IV.
V - Virtual Event
X - Canceled events for which expenses have been incurred.

LACERA

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

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

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

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

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

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