

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
POLICY ON ENGAGEMENT FOR PUBLIC POLICY ISSUES RELATING TO PLAN  
ADMINISTRATION AND RETIREMENT AND HEALTH CARE BENEFITS**

**I. INTRODUCTION**

The Board of Retirement (Board) values engagement with matters of public policy as a tool to positively impact the administration of the system and retirement and health benefits for LACERA's members and beneficiaries. The Board believes that it should be actively aware of and proactively attempt to affect the environment in which the fund operates when in the interest of plan administration and members and beneficiaries. The Board establishes this Policy on Engagement for Public Policy Issues Relating to Plan Administration and Retirement and Health Care Benefits (Policy) for itself, staff, and consultants to assist in developing and implementing strategies for engagement that will further the achievement of the Board's goals and priorities, and serve the interests of system administration and members and beneficiaries, by influencing public policy and attitudes.

This Policy summarizes the Board's perspectives that will impact the effectiveness of LACERA's engagement program and facilitate consistent promotion of positions. This Policy reflects a statement of values, intent, and process endorsed by the Board; nothing in this Policy binds the Board or limits discussion in determining the Board's position on specific public policy issues and proposals because application will be made on a case-by-case basis.

This Policy is intended to cover all types of engagement the Board may choose to employ to address public policy issues. Because legislative matters are an important aspect of engagement, this Policy will be interpreted consistently with the LACERA Legislative Policy.

**II. LEGAL AUTHORITY**

Engagement is a means through which the Board can further its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations and case authority. The Board's fiduciary duty has two components:

- A. *Duty of Loyalty.*** Under the duty of loyalty, Board members have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. (Article XVI, Section 17(a).) Board members shall discharge their

duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. (CERL Section 31595(a).) A retirement board's duty to participants and their beneficiaries shall take precedence over any other duty. (Article XVI, Section 17(b).)

- B. *Duty of Prudence.*** Under the duty of prudence, Board members shall discharge their duties with respect to the system 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 an enterprise of a like character and with like aims. (Article XVI, Section 17(c); CERL Section 31595(b).)

Engagement under this Policy will be consistent with the fiduciary duties of loyalty and prudence when the Board determines that action will assist in the effective administration of the fund and is in the interest of members and their beneficiaries.

### **III. DEFINITIONS**

This Policy is framed in terms of engagement to support and oppose proposals or influence attitudes and outcomes. Key terms are defined as follows:

- A. "*Engagement*"** means the full range of tools that may be lawfully employed by the Board to influence attitudes and outcomes in furtherance of Board objectives, including but not limited to: support or opposition to proposed legislation or regulations; sponsorship of legislation or regulations; initiation or defense of litigation; participation as amicus curiae in litigation between other parties; presence and visibility with the legislative, executive, and judicial branches of state and federal governments; expression of views in the media, including but not limited to traditional and social media; retention and use of consultants; communication with members, member organizations, the plan sponsor, and other stakeholders; contractual provisions and requirements of vendors; participation in interest and advocacy groups; and coordination with public retirement systems and other persons and entities sharing LACERA's values.
- B. "*Support*" and "*Oppose*"** mean the full range of positions that may be lawfully taken to further Board objectives, including but not limited to: protect existing rights and interests concerning administration of the plan and benefits; preserve favorable existing law and policy and cause positive changes where needed to clarify or correct ambiguity in existing rights and interests; create new law and policy protective of existing rights and interests; prevent adverse impact upon

existing rights and interests; and publicly express LACERA's views with respect to existing rights and interests and proposals for change.

#### **IV. GUIDELINES**

**A. *Support*** proposals and action that enhance the administration of the system and protection for the benefit rights of members and their beneficiaries, including but not limited to those that:

1. Safeguard the retirement fund and the Other-Post Employment Benefits (OPEB) program.
2. Give the Board increased flexibility in its administration of the system or reduce administrative costs.
3. Correct ambiguities, errors, or deficiencies in the Plan to ensure clarity of benefits and plan administration.
4. Reduce waste and prevent fraud in or abuse of the LACERA plans and programs.
5. Promote transparency and accountability for the system and entities that conduct business with the system.
6. Enhance ethics and integrity in system governance.
7. Enhance or protect the fiduciary authority of the Board.
8. Foster positive communication to stakeholders and the broader community concerning the retirement system and the benefits administered by the system.
9. Further secure flexible retirement options for employees, including employees in the public and private sectors.
10. Provide for strong health care and prescription drug rights, benefits, and access for retirees.

**B. *Oppose*** proposals that impede or infringe upon system administration and protection of benefit rights, including but not limited to those that:

1. Deprive members of vested benefits and that do not provide an equivalent, compensating benefit for that deprivation.

2. Endanger the tax-exempt status of the retirement fund or the deferred treatment of income tax on employer and employee contributions and related earnings.
3. Create unreasonable cost, complexity, or uncertainty in the administration of the System.
4. Reduce or limit the Board's administrative and fiduciary authority or flexibility to administer the system.
5. Encourage a negative impression of the retirement system and the benefits provided by the system.
6. Impair the security and flexibility of retirement options for employees, including employees in the public and private sectors.
7. Limit health care and prescription drug rights, benefits, and access for retirees.

## **V. POLICY AND PROCESS**

**A. *Strategic Planning.*** LACERA's annual Strategic Plan will consider and include goals with respect to engagement on public policy issues relating to the administration of the system and retirement and health benefits for LACERA's members and beneficiaries consistent with the Guidelines.

**B. *Monitoring, Information, and Proposals for Engagement.*** Staff, LACERA's consultants, and LACERA's state and federal legislative advocates are responsible to proactively monitor public policy issues that may impact or relate to the issues described in Section IV. Staff, working with the consultants and legislative advocates, will provide information on a monthly basis to the Insurance, Benefits & Legislative Committee (Committee) concerning such issues, including, where appropriate, proposals for engagement. LACERA's contracts with consultants and legislative advocates will include services necessary to comply with this Policy in the Scope of Work.

**C. *Process for Action on Proposals for Engagement.***

Proposals for engagement may be presented by Board members, staff, LACERA's consultants, and LACERA's legislative advocates for action through the applicable process, as follows:

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- 1. Committee Process.** Except as provided in Section V.C. 2 and 3, proposals for engagement will first be presented to the Committee for consideration and formulation of a recommendation to the Board. Thereafter, each Committee recommendation will be approved or rejected by the Board on a case-by-case basis. With respect to each recommendation, the Board will discuss and determine that the proposed action will assist in the effective administration of the fund and is in the interest of members and their beneficiaries.
- 2. Board-Only Process.** If staff reasonably believes there is not enough time, based on the original notice date of a potential issue that may support engagement and applicable deadlines in order for LACERA to be heard on an issue that may significantly impact LACERA's interests as described in Section IV. Guidelines, to follow the Committee process described in Section V.C.1, staff may, with the approval of the Board Chair, the Committee Chair, and the Chief Executive Officer (CEO), present a proposal for engagement directly to the Board for action on a case-by-case basis following the same standard for Board discussion and determination as set forth in Section V.C.1.
- 3. Staff Delegation Process.** If staff reasonably believes there is not enough time, based on the original notice date of a potential issue that may support engagement and applicable deadlines in order for LACERA to be heard on an issue that may significantly impact LACERA's interests as described in Section IV, to follow the Committee process described in Section V.C.1 or the Board-only process described in Section V.C.2, staff may, with the approval of the Board Chair, the Committee Chair, and the Chief Executive Officer (CEO), take action on a proposal for engagement, provided that the Board shall be notified of the action immediately in accordance with the Ralph M. Brown Act.

**D. Review and Reporting.** Staff will present semi-annual reports to the Committee each year as to the status of all approved engagements.

Adopted: Board of Retirement, June \_\_, 2017