

AGENDA

A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT

AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, JUNE 13, 2018

*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. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of May 9, 2018
 - B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of May 9, 2018
- IV. PUBLIC COMMENT
- V. CONSENT
 - A. Recommendation as submitted by Johanna Fontenot, Senior Staff Counsel: That the Boards adopt the Chief Investment Officer Reporting and Performance Evaluation Policy. (Memo dated June 4, 2018)
 - B. Recommendation as submitted by Johanna Fontenot, Senior Staff Counsel: That the Boards approve the revised Sexual Harassment Prevention Training Policy for Board Members. (Memo dated June 1, 2018)

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V. CONSENT (Continued)

- C. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Boards approve the revised Fiduciary Counsel Policy.
(Memo dated June 4, 2018)

VI. NON-CONSENT

- A. Presentation regarding LACERA's Chief Executive Officer Search as submitted by Michael Kennedy, Senior Client Partner, and Josh Tanenbaum, Senior Associate, of Korn Ferry.
(Memo dated June 6, 2018)

VII. REPORTS

- A. For Information Only as submitted by the Ad Hoc Investigation Committee, regarding the report on investigation.
(Memo dated June 4, 2018)

VIII. REPORT ON STAFF ACTION ITEMS

IX. GOOD OF THE ORDER

X. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Anticipated Litigation Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

Number of Potential Cases: One

XI. ADJOURNMENT

June 13, 2018

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Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement 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 Retirement Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

MINUTES OF THE BOARD OF RETIREMENT FROM
A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT
AND THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
9:00 A.M., WEDNESDAY, MAY 9, 2018

PRESENT: Vivian H. Gray, Chair

Herman B. Santos, Vice Chair

Alan Bernstein

Keith Knox (Chief Deputy to Joseph Kelly)

Thomas Walsh

Gina Zapanta-Murphy

Shawn Kehoe

ABSENT: Joseph Kelly, Secretary

Marvin Adams, Secretary

JP Harris

William Pryor

Les Robbins

STAFF ADVISORS AND PARTICIPANTS

Rob Hill, Interim Chief Executive Officer

Steven P. Rice, Chief Counsel

May 9, 2018

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BOARD OF INVESTMENTS

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Keith Knox (Chief Deputy to Joseph Kelly)

Wayne Moore

David Muir

Ronald Okum

Gina Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Joseph Kelly, Secretary

I. CALL TO ORDER

The meeting was called to order by Mr. Green at 9:15 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Santos led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of April 4, 2018

Mr. Bernstein made a motion, Mr. Santos seconded, to approve the special minutes of the special meeting of April 4, 2018. The motion passed unanimously.

- B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of April 4, 2018

No action was taken on this item by the Board of Retirement.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Anticipated Litigation Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

Number of Potential Cases: One

The Board met in Executive Session pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9, and there was nothing to report.

VI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 10:50 a.m.

May 9, 2018

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Green Folder Information (Information distributed in each Board Member's Green Folder at the beginning of the meeting)

1. Memo from Board Member (Prohibited from Disclosure Under Brown Act, Government Code Sections 54957.5 and 54963; Exempt Under Public Records Act, Government Code Section 6254(k).)

MARVIN ADAMS, SECRETARY

VIVIAN H. GRAY, CHAIR

MINUTES OF THE BOARD OF INVESTMENTS FROM
A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT
AND THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
9:00 A.M., WEDNESDAY, MAY 9, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Keith Knox (Chief Deputy to Joseph Kelly)

Wayne Moore

David Muir

Ronald Okum

Gina Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Joseph Kelly, Secretary

STAFF ADVISORS AND PARTICIPANTS

Rob Hill, Interim Chief Executive Officer

Steven P. Rice, Chief Counsel

May 9, 2018

Page 2

BOARD OF RETIREMENT

PRESENT: Vivian H. Gray, Chair

Herman B. Santos, Vice Chair

Alan Bernstein

Keith Knox (Chief Deputy to Joseph Kelly)

Thomas Walsh

Gina Zapanta-Murphy

Shawn Kehoe

ABSENT: Joseph Kelly, Secretary

Marvin Adams, Secretary

JP Harris

William Pryor

Les Robbins

I. CALL TO ORDER

The meeting was called to order by Mr. Green at 9:15 a.m., in the Board Room of Gateway Plaza. Without objection, Mr. Green announced that the regular Board of Investments meeting would take place after the joint Board meeting.

II. PLEDGE OF ALLEGIANCE

Mr. Santos led the Board Members and staff in reciting the Pledge of Allegiance.

May 9, 2018

Page 3

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of April 4, 2018

No action was taken on this item by the Board of Investments.

- B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of April 4, 2018

Mr. Schneider made a motion, Mr. Muir seconded, to approve the special minutes of the special meeting of April 4, 2018. The motion passed with Mr. Green abstaining.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Anticipated Litigation Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

Number of Potential Cases: One

The Board met in Executive Session pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9, and there was nothing to report.

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1. Memo from Board Member (Prohibited from Disclosure Under Brown Act, Government Code Sections 54957.5 and 54963; Exempt Under Public Records Act, Government Code Section 6254(k).)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR



June 4, 2018

TO: Each Member,
Board of Retirement

Each Member,
Board of Investments

FROM: Johanna M. Fontenot *JMF*

FOR: June 13, 2018 Joint Board Meeting

SUBJECT: **APPROVAL OF CHIEF INVESTMENT OFFICER REPORTING AND
PERFORMANCE EVALUATION POLICY**

On April 4, 2018, the Board of Retirement and the Board of Investments (the Boards) voted to adopt a written policy formalizing the reporting structure for the Chief Investment Officer (CIO) position. Therefore, the Legal Office recommends that the Boards adopt the attached Chief Investment Officer Reporting and Performance Evaluation Policy.

Reviewed and Approved:

Steven P. Rice
Chief Counsel

Attachment

c: Robert Hill
James Brekk
Jon Grabel

CHIEF INVESTMENT OFFICER REPORTING AND PERFORMANCE EVALUATION POLICY

I. PURPOSE

The purpose of this Policy is to formalize the Chief Investment Officer (CIO) reporting and performance evaluation.

II. AUTHORITY

Chief Executive Officer (CEO) is appointed by LACERA's Board of Retirement and Board of Investments (BOI) (the Boards) to act as retirement administrator pursuant to Government Code Section 31522.2. The Boards have delegated their appointing authority for other staff under Government Code Sections 31522.1 and 31522.4 to the CEO, except for the Chief, Internal Audit position as stated in the County of Los Angeles Salary Ordinance (Salary Ordinance).

III. CIO REPORTING AND EVALUATION

On April 4, 2018, the Boards voted to formalize a process for the CEO to seek BOI input for the hiring, firing, evaluation and compensation of the CIO subject to preparation and approval of this CIO Reporting and Performance Evaluation Policy. In accordance with the Boards' April 4, 2018 action, the organizational structure of the CIO will have the following features:

- A. The CIO will continue to report to the CEO for administrative and functional purposes. The CEO will make final decisions as to the appointment, discipline, dismissal, performance evaluation, and compensation of the CIO.
- B. The CEO will seek BOI input regarding the appointment, discipline, dismissal, and removal of the CIO. The BOI's input concerning the appointment, discipline, dismissal, and removal of the CIO will be made in closed session under Government Code Section 54957(b).
- C. The CEO will seek the qualitative input of the BOI before completing the CIO's annual performance evaluation. The BOI's discussion regarding the CIO's performance evaluation will be made in closed session under Government Code Section 54957(b).
- D. The CEO will administer the CIO's annual salary adjustment using the Boards approved compensation structure as reflected in LACERA's section of the Los Angeles County Code.
- E. BOI delegates specific investment authority and responsibility directly to the CIO. The CIO is authorized to interact with and communicate directly with the BOI in all investment related matters.

- F. The CIO directs the implementation of investment policies and strategies within the goals established by the BOI. The CIO directs, plans, and supervises the activities of the Investments staff, through the chain of command as established pursuant to the Investment Division's organizational structure. All staff have the rights and obligations provided in the Salary Ordinance, to the extent applicable to their individual classification. Staff subject to civil service have the rights and obligations provided by the Civil Service Rules. Staff holding a job classification covered under collective bargaining shall also have rights and obligations provided under the operative Memorandum of Understanding.

- G. The CEO appoints all professional, technical and clerical staff and prescribes their duties, except for the Chief, Internal Audit. In the case of Investments staff, the CIO will select and recommend candidates for such positions to the CEO for formal appointment.

Adopted: Board of Investments, June ____, 2018
Board of Retirement, June ____, 2018



June 1, 2018

TO: Each Member,
Board of Retirement

Each Member,
Board of Investments

FROM: Johanna M. Fontenot *JMT*

FOR: June 13, 2018 Joint Board Meeting

SUBJECT: **SEXUAL HARASSMENT PREVENTION TRAINING POLICY
FOR BOARD MEMBERS**

The Board of Retirement and the Board of Investments approved the Sexual Harassment Prevention Training Policy for Board Members (the "Policy") on January 10 and 11, 2018. The Policy provides that Board members should receive at least two hours of prevention training and education within the first six months of taking office, and every two years thereafter.

Following adoption of the Policy, a couple of issues were raised by Board members. The first question is whether all Board members should receive training within the first six months of adoption of the Policy, and not just new members. This would place most Board members on the same schedule of receiving training within six months of adoption of the Policy and every two years thereafter. The second question was whether individual Board members' compliance should be placed on the LACERA's Internet site. This is required in the Government Code Section 31522.8 as to the Education Policy, but is not required in the law that requires local agency officials to receive sexual harassment prevention training. (A clean copy of the Policy and a copy with proposed redlined changes addressing both of these issues are attached.)

Reviewed and Approved:

Steven P. Rice
Chief Counsel

Attachment

c: Robert Hill
James Brekk

POLICY ON SEXUAL HARASSMENT PREVENTION TRAINING FOR BOARD MEMBERS

1. PURPOSE

The purpose of this policy is to require Board of Retirement and Board of Investments (Board) Members to receive at least two hours of sexual harassment prevention training and education within the first six months of taking office of adoption of this Policy, or within six months of taking office for new members, and every two years thereafter.

2. TRAINING

The training must include information and practical guidance regarding the federal and state statutory provisions concerning the prohibition against, and the prevention and correction of, sexual harassment and the remedies available to the victims of such harassment in the employment context; and practical examples aimed at instructing Board Members in the prevention of sexual harassment, discrimination and retaliation.

Training must be provided by persons with knowledge and expertise in the prevention of sexual harassment, discrimination and retaliation. Training providers are required to give participants written documentation of proof of their participation.

Training may be completed by in-person seminars or sets of self-study materials with test taken at home or online. In addition, Board Members who have already taken sexual harassment training in compliance with their employer's training requirements satisfy this policy's requirements. Such Member's should provide either a copy of compliance given to them by their employer or provide a statement of compliance to LACERA on a form to be provided confirming their training.

3. RECORDS

Human Resources Division (HR) will offer courses on sexual harassment prevention training to Board Members. Board Members may also attend such classes offered by law firms or other organizations. Records of attendance will be maintained by HR and Board Member compliance will be placed on the LACERA website.

4. SCOPE

This policy applies to all members of the Board of Retirement and Board of Investments as of and after the date this policy is adopted.

Adopted by the Board of Retirement: January __, 2018

Adopted by the Board of Investments: January __, 2018

POLICY ON SEXUAL HARASSMENT PREVENTION TRAINING FOR BOARD MEMBERS

1. PURPOSE

The purpose of this policy is to require Board of Retirement and Board of Investments (Board) Members to receive at least two hours of sexual harassment prevention training and education within the first six months of taking office and every two years thereafter.

2. TRAINING

The training must include information and practical guidance regarding the federal and state statutory provisions concerning the prohibition against, and the prevention and correction of, sexual harassment and the remedies available to the victims of such harassment in the employment context; and practical examples aimed at instructing Board Members in the prevention of sexual harassment, discrimination and retaliation.

Training must be provided by persons with knowledge and expertise in the prevention of sexual harassment, discrimination and retaliation. Training providers are required to give participants written documentation of proof of their participation.

Training may be completed by in-person seminars or sets of self-study materials with test taken at home or online. In addition, Board Members who have already taken sexual harassment training in compliance with their employer's training requirements satisfy this policy's requirements. Such Member's should provide either a copy of compliance given to them by their employer or provide a statement of compliance to LACERA on a form to be provided confirming their training.

3. RECORDS

Human Resources Division (HR) will offer courses on sexual harassment prevention training to Board Members. Board Members may also attend such classes offered by law firms or other organizations. Records of attendance will be maintained by HR.

4. SCOPE

This policy applies to all members of the Board of Retirement and Board of Investments as of and after the date this policy is adopted.

Adopted by the Board of Retirement: January 11, 2018
Adopted by the Board of Investments: January 10, 2018

June 4, 2018

TO: Each Member
Board of Retirement

Each Member
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: June 13, 2018 Joint Board of Retirement and Board of Investments Meeting

SUBJECT: Revision of Fiduciary Counsel Policy

RECOMMENDATION

That the Board of Retirement and Board of Investments (Boards) approve the revised Fiduciary Counsel Policy.

LEGAL AUTHORITY

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Boards may adopt such policies as they deem prudent in their discretion. Further, under Government Code Section 31529.6, the Boards have the authority to contract with attorneys in private practice for legal services and advice; this authority includes the retention of fiduciary counsel on such terms as the Boards deem prudent. Additional information concerning the Boards' authority with respect to fiduciary counsel, including the payment of reasonable compensation as an administrative expense of the system, is set forth in the Legal Authority section of the policy (Section 2).

DISCUSSION

In November 2017, the Board adopted a Fiduciary Counsel Policy. Since that time the Joint Organizational Governance Committee (JOGC), which was referenced in the policy and assigned responsibility for evaluation of fiduciary counsel, has been disbanded. In addition, trustees on both Boards have expressed concern about whether it is necessary for outside fiduciary counsel to attend every Board of Retirement Administrative meeting, Board of Investments meeting, and Audit Committee meeting, as provided in the original policy.

Each Member, Board of Retirement and Board of Investments
Re: Revised Fiduciary Counsel Policy
June 4, 2018
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To address these issues, attached are redlined and clean copies of a revised Fiduciary Counsel Policy.

The revised policy eliminates the requirement that fiduciary counsel attend all meetings as described above. Instead, the revised policy provides that fiduciary counsel will only attend meetings upon request of a Board Chair, Committee Chair, the Chief Executive Officer, or Chief Counsel, where such attendance will be relevant and helpful. The revised policy also provides that consideration shall be given to the cost of attendance as well as cost-effective and efficient alternatives, such as a telephonic consultation prior to the meeting, appearance by telephone or video at a meeting, or a written opinion. (Section 3.2.1.)

The revised policy also deletes all reference to the JOGC and instead simply provides that the Boards will annually evaluate fiduciary counsel. (Section 3.6.)

CONCLUSION

Based on the foregoing discussion, staff recommends that the Boards approve the revised Fiduciary Counsel Policy.

Attachments

c: Robert Hill
James Brekk
John Popowich
Bernie Buenaflor
Harvey Leiderman
Richard Bendall
Fern Billingsy
Frank Boyd
Johanna Fontenot
Michael Herrera
Christine Roseland

FIDUCIARY COUNSEL POLICY

1. PURPOSE

This policy confirms the role of outside fiduciary counsel and parameters for use of fiduciary counsel by LACERA and its Board of Retirement and Board of Investments (each, a Board), Board Committees, individual Board Members, and LACERA staff.

2. LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Boards have “sole and exclusive responsibility to administer” LACERA. Under Government Code Section 31529.6, the Boards “may contract with attorneys in private practice for legal services and advice. The boards shall pay reasonable compensation for the legal services and advice. The compensation shall be considered a cost of administration of the system.” Under this authority, the Boards may engage outside fiduciary counsel to provide assistance in the exercise of fiduciary duties by LACERA and the Boards. The Boards, collectively and as individual Board Members, must satisfy their fiduciary duties in all matters they consider, all decisions they make, and all aspects of their conduct on behalf of LACERA.

3. POLICY STATEMENT

3.1 *Retention.* The Boards acting jointly shall retain one or more outside fiduciary counsel to represent the interests of LACERA and provide advice to the Boards and LACERA staff in connection with fiduciary issues under the terms of this policy.

3.2 *Scope of Services.* The services provided by outside fiduciary counsel shall include:

3.2.1 *Meeting Attendance.* An outside fiduciary counsel, selected ~~by the Chair of each respective Board, the Joint Organizational Governance Committee (JOGC), or the Audit Committee~~ from the list of Board approved and retained counsel, shall, ~~unless excused upon request by a Board the respective Chair, Committee Chair, the Chief Executive Officer, or Chief Counsel~~, attend ~~each any~~ Board of Retirement ~~Administrative meeting~~, ~~each~~ Board of Investments ~~meeting~~, and ~~each meeting of the JOGC and Audit Committee meeting~~ to provide advice concerning fiduciary issues when such attendance appears relevant and helpful to an issue before a Board or Committee. In considering whether fiduciary counsel's attendance at a meeting will be requested, consideration shall be given to the cost of attendance as well as cost-effective and efficient alternatives to attendance, such as a telephonic consultation prior to the meeting, appearance by telephone or video at a meeting, or a

~~written opinion. Attendance of outside fiduciary counsel is not required at Board of Retirement Disability meetings or at meetings of other Board Committees unless requested by the Chair of the respective Board or Committee.~~

3.2.2 Advice to the Board Chairs and Other Board Members Outside Noticed Meetings.

Outside fiduciary counsel shall provide such advice concerning fiduciary issues as may be requested by the Chairs and officers of the Boards or any Committee in the setting of Board and Committee agendas and in fulfilling their duties and responsibilities. Outside fiduciary counsel shall also, without limitation, provide advice in connection with fiduciary issues to any individual Board Member who requests it. Board Members are encouraged to seek counsel from LACERA's Chief Counsel or from outside fiduciary counsel on any fiduciary issues that may arise; however, without limiting the right of individual Board Members to contact outside fiduciary counsel, individual Board Members should be mindful of costs and issues of the attorney-client privilege and confidentiality (as outlined in Sections 3.3 and 3.4 of this policy) in determining whether to seek advice from outside fiduciary counsel on a given issue. Board Members are encouraged to discuss any questions regarding privilege and confidentiality with outside fiduciary counsel before beginning a substantive discussion or requesting specific advice.

3.2.3 Consultation with Staff.

LACERA's Chief Executive Officer (CEO) and Chief Counsel, or their designees, may seek advice on fiduciary issues from outside fiduciary counsel. The Chairs shall be copied on staff's written communications, and promptly advised of staff's oral communications, with fiduciary counsel. Chief Counsel, in coordination with the CEO, shall provide the Board Chairs with a privileged monthly written report of staff written and verbal contacts, which shall also be copied to all Board Members.

3.2.4 Other Projects.

Outside fiduciary counsel shall be available to perform any other work concerning fiduciary issues as may be requested from time to time by the Boards.

3.3 *Privilege and the Confidentiality of Communications.*

LACERA is the client for which outside fiduciary counsel provides services. The Boards jointly are the highest authorities within LACERA overseeing outside fiduciary counsel. The confidentiality of communications between LACERA, acting by and through the Boards, and outside fiduciary counsel

is subject to the attorney-client privilege under applicable California law, including the California Bar's Rules of Professional Conduct for attorneys. The Boards jointly control the attorney-client privilege, which may not be waived except by joint action of both Boards. Communications with and information disclosed to or by fiduciary counsel during proceedings of one Board or Committee are subject to disclosure to all Boards and Committees, subject to the requirements of the Brown Act with respect to disclosures in closed session. Communications between any individual member of the Board or LACERA staff and outside fiduciary counsel are subject to disclosure to the Boards and other Board Members. Outside fiduciary counsel does not have an attorney-client relationship with individual Board Members or with LACERA staff.

Communications between Board Members and LACERA staff, on the one hand, and outside fiduciary counsel, on the other hand, about the business of LACERA, should be maintained as confidential as to third parties, unless and until the Boards jointly determine otherwise. In order to avoid waiver of the attorney-client privilege, individual Board Members and LACERA staff shall not disclose communications with outside fiduciary counsel to persons outside LACERA without the authority of both Boards, or their designated representatives.

- 3.4 Professional Responsibilities.** In representing LACERA, outside fiduciary counsel shall have such duties and responsibilities as are set forth in the California Rules of Professional Conduct.
- 3.5 Oversight.** LACERA's relationship with outside fiduciary counsel shall be managed by the Board Chairs, subject to the Scope of Services described above, with the Boards jointly having ultimate oversight. In the event advice is required from outside fiduciary counsel on a matter concerning a Board Chair, the Vice Chair of each respective Board shall manage such work. In the event a matter concerns both a Board Chair and Vice Chair, fiduciary counsel shall be overseen on such matter as determined by a majority vote of a quorum of the Board or Boards, with the Board Chairs and Vice Chairs excluded from the quorum count and vote.
- 3.6 Evaluation.** The Boards shall evaluate outside fiduciary counsel annually. ~~The JOGC shall oversee the evaluation process.~~ Counsel may provide a self-evaluation in the process.

4. DEFINITION OF "FIDUCIARY ISSUES"

For purposes of this policy, "fiduciary issues" is defined to include all issues as to which the Boards, ~~the JOGC,~~ the Audit Committee, other Board Committees, individual Board

Members, and LACERA staff may seek advice from independent counsel in the performance of their fiduciary duties, including but not limited to:

- 4.1 Fiduciary duties under the California Constitution, the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, and other applicable law.
- 4.2 Ethical issues, under LACERA's Code of Ethical Conduct, the Political Reform Act, California Government Code Section 1090 and other provisions of the California Government Code, Fair Political Practices Commission (FPPC) Regulations, FPPC and California Attorney General Opinions, and other applicable laws and LACERA policy relating to conflicts of interest and ethics of Board Members, LACERA staff, and/or LACERA vendors.
- 4.3 Board governance.
- 4.4 LACERA's organizational structure.
- 4.5 Disputes by and between Board Members.
- 4.6 Negotiation and drafting of contracts.
- 4.7 Actuarial and financial matters.
- 4.8 Employment-related matters.
- 4.9 Benefit-related matters, including service retirement, disability retirement, retiree healthcare benefits, and other benefit issues.
- 4.10 Investment-related matters.
- 4.11 Investigations.

5. SCOPE

This policy applies broadly to all matters that may be addressed by the Boards, Board Committees, individual Board Members, or LACERA staff with outside fiduciary counsel concerning fiduciary issues. This policy does not limit the ability of one or both of the Boards, in the exercise of their plenary authority to administer the retirement system, to engage separate outside fiduciary counsel to represent their interests as a Board or Boards in the event of a conflict of interest or in connection with special projects relating to fiduciary issues.

Adopted by the Board of Retirement: ~~November-June~~__, 201~~8~~7

Adopted by the Board of Investments: ~~November-June~~__, 201~~8~~7

FIDUCIARY COUNSEL POLICY

1. PURPOSE

This policy confirms the role of outside fiduciary counsel and parameters for use of fiduciary counsel by LACERA and its Board of Retirement and Board of Investments (each, a Board), Board Committees, individual Board Members, and LACERA staff.

2. LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Boards have “sole and exclusive responsibility to administer” LACERA. Under Government Code Section 31529.6, the Boards “may contract with attorneys in private practice for legal services and advice. The boards shall pay reasonable compensation for the legal services and advice. The compensation shall be considered a cost of administration of the system.” Under this authority, the Boards may engage outside fiduciary counsel to provide assistance in the exercise of fiduciary duties by LACERA and the Boards. The Boards, collectively and as individual Board Members, must satisfy their fiduciary duties in all matters they consider, all decisions they make, and all aspects of their conduct on behalf of LACERA.

3. POLICY STATEMENT

3.1 *Retention.* The Boards acting jointly shall retain one or more outside fiduciary counsel to represent the interests of LACERA and provide advice to the Boards and LACERA staff in connection with fiduciary issues under the terms of this policy.

3.2 *Scope of Services.* The services provided by outside fiduciary counsel shall include:

3.2.1 *Meeting Attendance.* An outside fiduciary counsel, selected from the list of Board approved and retained counsel, shall, upon request by a Board Chair, Committee Chair, the Chief Executive Officer, or Chief Counsel, attend any Board of Retirement, Board of Investments, and Committee meeting to provide advice concerning fiduciary issues when such attendance appears relevant and helpful to an issue before a Board or Committee. In considering whether fiduciary counsel’s attendance at a meeting will be requested, consideration shall be given to the cost of attendance as well as cost-effective and efficient alternatives to attendance, such as a telephonic consultation prior to the meeting, appearance by telephone or video at a meeting, or a written opinion.

///

3.2.2 Advice to the Board Chairs and Other Board Members Outside Noticed Meetings.

Outside fiduciary counsel shall provide such advice concerning fiduciary issues as may be requested by the Chairs and officers of the Boards or any Committee in the setting of Board and Committee agendas and in fulfilling their duties and responsibilities. Outside fiduciary counsel shall also, without limitation, provide advice in connection with fiduciary issues to any individual Board Member who requests it. Board Members are encouraged to seek counsel from LACERA's Chief Counsel or from outside fiduciary counsel on any fiduciary issues that may arise; however, without limiting the right of individual Board Members to contact outside fiduciary counsel, individual Board Members should be mindful of costs and issues of the attorney-client privilege and confidentiality (as outlined in Sections 3.3 and 3.4 of this policy) in determining whether to seek advice from outside fiduciary counsel on a given issue. Board Members are encouraged to discuss any questions regarding privilege and confidentiality with outside fiduciary counsel before beginning a substantive discussion or requesting specific advice.

3.2.3 Consultation with Staff. LACERA's Chief Executive Officer (CEO) and Chief Counsel, or their designees, may seek advice on fiduciary issues from outside fiduciary counsel. The Chairs shall be copied on staff's written communications, and promptly advised of staff's oral communications, with fiduciary counsel. Chief Counsel, in coordination with the CEO, shall provide the Board Chairs with a privileged monthly written report of staff written and verbal contacts, which shall also be copied to all Board Members.

3.2.4 Other Projects. Outside fiduciary counsel shall be available to perform any other work concerning fiduciary issues as may be requested from time to time by the Boards.

3.3 *Privilege and the Confidentiality of Communications.* LACERA is the client for which outside fiduciary counsel provides services. The Boards jointly are the highest authorities within LACERA overseeing outside fiduciary counsel. The confidentiality of communications between LACERA, acting by and through the Boards, and outside fiduciary counsel is subject to the attorney-client privilege under applicable California law, including the California Bar's Rules of Professional Conduct for attorneys. The Boards jointly control the attorney-client privilege, which may not be waived except by joint action of both Boards. Communications with and information disclosed to or by fiduciary counsel during proceedings of one

Board or Committee are subject to disclosure to all Boards and Committees, subject to the requirements of the Brown Act with respect to disclosures in closed session. Communications between any individual member of the Board or LACERA staff and outside fiduciary counsel are subject to disclosure to the Boards and other Board Members. Outside fiduciary counsel does not have an attorney-client relationship with individual Board Members or with LACERA staff.

Communications between Board Members and LACERA staff, on the one hand, and outside fiduciary counsel, on the other hand, about the business of LACERA, should be maintained as confidential as to third parties, unless and until the Boards jointly determine otherwise. In order to avoid waiver of the attorney-client privilege, individual Board Members and LACERA staff shall not disclose communications with outside fiduciary counsel to persons outside LACERA without the authority of both Boards, or their designated representatives.

3.4 Professional Responsibilities. In representing LACERA, outside fiduciary counsel shall have such duties and responsibilities as are set forth in the California Rules of Professional Conduct.

3.5 Oversight. LACERA's relationship with outside fiduciary counsel shall be managed by the Board Chairs, subject to the Scope of Services described above, with the Boards jointly having ultimate oversight. In the event advice is required from outside fiduciary counsel on a matter concerning a Board Chair, the Vice Chair of each respective Board shall manage such work. In the event a matter concerns both a Board Chair and Vice Chair, fiduciary counsel shall be overseen on such matter as determined by a majority vote of a quorum of the Board or Boards, with the Board Chairs and Vice Chairs excluded from the quorum count and vote.

3.6 Evaluation. The Boards shall evaluate outside fiduciary counsel annually. Counsel may provide a self-evaluation in the process.

4. DEFINITION OF "FIDUCIARY ISSUES"

For purposes of this policy, "fiduciary issues" is defined to include all issues as to which the Boards, the Audit Committee, other Board Committees, individual Board Members, and LACERA staff may seek advice from independent counsel in the performance of their fiduciary duties, including but not limited to:

4.1 Fiduciary duties under the California Constitution, the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, and other applicable law.

- 4.2 Ethical issues, under LACERA's Code of Ethical Conduct, the Political Reform Act, California Government Code Section 1090 and other provisions of the California Government Code, Fair Political Practices Commission (FPPC) Regulations, FPPC and California Attorney General Opinions, and other applicable laws and LACERA policy relating to conflicts of interest and ethics of Board Members, LACERA staff, and/or LACERA vendors.
- 4.3 Board governance.
- 4.4 LACERA's organizational structure.
- 4.5 Disputes by and between Board Members.
- 4.6 Negotiation and drafting of contracts.
- 4.7 Actuarial and financial matters.
- 4.8 Employment-related matters.
- 4.9 Benefit-related matters, including service retirement, disability retirement, retiree healthcare benefits, and other benefit issues.
- 4.10 Investment-related matters.
- 4.11 Investigations.

5. SCOPE

This policy applies broadly to all matters that may be addressed by the Boards, Board Committees, individual Board Members, or LACERA staff with outside fiduciary counsel concerning fiduciary issues. This policy does not limit the ability of one or both of the Boards, in the exercise of their plenary authority to administer the retirement system, to engage separate outside fiduciary counsel to represent their interests as a Board or Boards in the event of a conflict of interest or in connection with special projects relating to fiduciary issues.

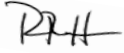
Adopted by the Board of Retirement: June __, 2018

Adopted by the Board of Investments: June __, 2018



June 6, 2018

TO: Each Member
Board of Investments
Board of Retirement

FROM: Robert R. Hill 
Interim Chief Executive Officer

FOR: June 13, 2018 Joint Board of Investments and Board of Retirement Meeting

SUBJECT: **CEO UPDATE - KORN FERRY**

Mr. Kennedy and Mr. Tanenbaum from Korn Ferry have been diligently working on the CEO search. They will be presenting an update to the Boards that will include their search strategy, key metrics on their outreach, and market feedback.

Following you will find the presentation that will be presented at the June 13, 2018 joint Board of Investments and Board of Retirement Meeting.

ATTACHMENT

Los Angeles County Employees Retirement Association **Chief Executive Officer**

June 2018

 LA CERA

Search Strategy

Public Pension
Plans

Hospital Systems &
Other Benefit
Systems

Educational &
Nonprofit
Institutions

Other



Key Focuses of National Search

Diversity candidates | Non-traditional candidates | Local candidates



SEARCH UPDATE

Key Metrics:

- Total Outreach: 185
- Total Number of Initial Discussions: 67
- Total Formal Korn Ferry Interviews: 16
- Total Number of Active Candidates for Consideration: 8
 - Total Number of Diversity Candidates: 3
 - Total Number of Pension Candidates: 6
 - Total Number of Non-Pension Candidates: 2
 - Total Number of Local Candidates: 3



Market Feedback

Reception to the Role:

- Exciting opportunity to manage a substantially sized organization with a broader mandate than typical pension plans (investments, benefits, health care, and insurance)
- A meaningful opportunity to drive critical strategic initiatives
- For those in smaller organizations, this role represents an opportunity to take on more managerial responsibility and assets
- For those from state plans, this role represents the opportunity to move away from state-level politics, and in some cases, a better funded organization

Reception to LACERA

- Positive reputation in the marketplace – admired in a variety of respects
- On two occasions, specific board members were cited as a reason for interest
- On two occasions the Chief Investment Officer was referenced as a reason for interest

Principal Area of Pushback

- Location



Tentative Timeline

June 13	Joint BOR / BOI Meeting – Search Update
July 30 / July 31	First Round Interviews
August (TBD)	Second Round Interviews



About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group and Futurestep divisions. Visit kornferry.com for more information.



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FOR INFORMATION ONLY

June 4, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Ad Hoc Investigation Committee
Vivian H. Gray, Chair, Board of Retirement
Herman B. Santos, Vice Chair, Board of Retirement
Shawn R. Kehoe, Vice Chair, Board of Investments
David L. Muir, Member, Board of Investments

FOR: June 13, 2018 Joint Board of Retirement and Board of Investments Meeting

SUBJECT: Report of Ad Hoc Investigation Committee

An Ad Hoc Committee was formed by the Board Chairs following the joint closed session on April 4, 2018 to investigate concerns that confidential closed session information may have been disclosed to one or more unauthorized persons under the Brown Act.

The Committee held six meetings. The Committee was aided in its investigation by LACERA staff and outside fiduciary counsel. The Committee collected information and documents provided by trustees and other persons, and received legal advice from counsel. The Committee discussed the available information at length.

The Committee concluded that there was insufficient evidence to establish that closed session information was disclosed improperly.

Accordingly, the Committee unanimously decided to close its investigation and to recommend that staff work with outside counsel to provide Brown Act training to the Boards at upcoming meetings.

c: James Brekk
Steven P. Rice
Harvey Leiderman



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**