

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101

WEDNESDAY, FEBRUARY 5, 2020 - 9:00 A.M.**

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

COMMITTEE MEMBERS:

Thomas Walsh, Chair
Herman B. Santos, Vice Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

- I. APPROVAL OF THE MINUTES
 - A. Approval of the minutes of the special meeting of January 9, 2020
- II. PUBLIC COMMENT
- III. REPORTS
 - A. LACERA Operations Briefing
JJ Popowich, Assistant Executive Officer
 - B. California Consumer Privacy Act
Jill P. Rawal, Staff Counsel
- IV. ITEMS FOR STAFF REVIEW
- V. GOOD OF THE ORDER
(For information purposes only)
- VI. ADJOURNMENT

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

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

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.

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MINUTES OF THE MEETING OF THE
OPERATIONS OVERSIGHT COMMITTEE
and
BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

GATEWAY PLAZA - 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

THURSDAY, JANUARY 9, 2020, 11:52 A.M. – 11:54 A.M.

COMMITTEE MEMBERS

PRESENT: Shawn R. Kehoe, Chair
Thomas Walsh, Vice Chair
Keith Knox
Les Robbins
Vivian H. Gray, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

JP Harris
Wayne Moore
Ronald Okum
Herman B. Santos

STAFF, ADVISORS, PARTICIPANTS

JJ Popowich, Assistant Executive Officer

The meeting was called to order by Chair Kehoe at 11:52 a.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of December 4, 2019

Mr. Walsh made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of December 4, 2019. The motion passed with Mr. Knox abstaining.

(Mr. Robbins arrived after the vote had been taken on the minutes.)

II. PUBLIC COMMENT

III. REPORTS

A. LACERA Operations Briefing
JJ Popowich

Mr. Popowich presented the monthly briefing on LACERA's operations, including the status of the Strategic Plan Goals and Operations Improvement initiatives.

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

B. Knowledge/Matter Management System – Progress Update
David E. Simpson, CFA, Investment Officer
John Harrington, Staff Counsel

This report was presented for information only.

IV. ITEMS FOR STAFF REVIEW

There was nothing to report.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 11:54 a.m.

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FOR INFORMATION ONLY

January 30, 2020

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

FROM: JJ Popowich, Assistant Executive Officer



FOR: February 5, 2020 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff activities, updates on goals, and discuss opportunities and/or concerns, including the status of our Strategic Plan Goals and Operations Improvement initiatives. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive Operations Oversight Committee (OOC) presentation.

Update on Our Focus on Strategic Plan Goals and Operations Improvement

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

- **Case Management Capabilities:** The Case Management project addresses several similar current Strategic Plan goals (Disability Retirement Services – Case Management system, Disability Litigation’s Administrative Hearing Process, Legal’s Writ Management Process, and Benefit and Member Services’ Job Ticket system). Since the OOC presentation in October 2019, there has been no changes to the status of this project. However, the team will be reconvening to begin discussions on business requirements again shortly.

- **LACERA.com Redesign:** Communications and subject matter experts throughout LACERA continue to review all of the content on the site. During the latter part of January, the team began preliminary focus group testing of the navigation and layout of the website. This testing will provide us with valuable user input to the design at an early stage so we can make any adjustments needed. The early feedback from members is the overall structure, data organization makes sense, and they are able to determine where the information they were asked to find would exist. Communications will gather the data and work with Systems to make any required changes to the structure.

Due to the volume of data that the subject matter experts are reviewing, which includes a complete review of all Plan Books, the team has adjusted their project timeline. The new target date for launch is the end of May, but no later than June 1, 2020.

- **Retirement Estimate Redesign Project:** The new Retirement Application and Summary continues to be fine-tuned. Last month we reported that we created an interactive version for beta testing in the Member Service Center. That version continues to be modified before we can use it for testing purposes, and staff members are making the needed adjustments. The team reviewed their beta testing plans and determined that we needed to complete the accompanying Pre-Retirement Guide book. The Pre-Retirement Guide is in the final review stages. Based on this decision, we will be revising the project plan and have an updated due date in the next Operations Briefing Report.

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

- **PEPRA Implementation:** This workgroup continues reviewing all the progress made to date on the implementation of the Public Employees' Pension Reform Act of 2013 and subsequent updates to the act passed since then. The team completed implementation of the Felony Forfeiture Appeal process, which was a major milestone for this project. The Workgroup continues to work with the Auditor-Controller's office to address the issue with the County payroll codes. As you may recall, for LACERA to readily assess what portion of an employee's total compensation is pensionable or not, the payroll code 099 must be made more transparent so it is easier to identify the pay codes that are embedded in this code. The Auditor-Controller is focused on helping LACERA address this problem, and it was reported this week that significant progress has been made on addressing this issue. I hope to have more information to report in the March briefing.

The Workgroup continues to focus on another part of this goal, which intersects with another Strategic Plan goal, the redesign of the Annual Benefits Statement (ABS). Our current statement only supports legacy plan members and is not supported for PEPRA members. Considerable progress was already made on the redesign efforts by the Communications team. We are working to get a better timeline when we can bring an RFP to the Operations Oversight Committee

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

- **Business Continuity:** Our consultant, Assurance Software, Inc., completed the meetings with Division Managers and key personnel and together each division has developed revised business continuity plans. Assurance has populated their cloud-based software with these initial plans and completed a compilation and initial gap analysis of the business continuity plans. The consultant and the team determined that the next best steps would be to:
 1. Update the current Disaster Recovery documentation and import that plan into the software.
 2. Conduct an organization review of overall business priorities as recommended by Assurance to improve organizational alignment in expectations.
 3. Review and revise each division's business continuity plan once organizational alignment has been achieved.
 4. Use the resulting business continuity plans for a tabletop exercise.

No additional updates are available at this time.

- **Pre-1990 Microfiche Project:** The project team, headed by Vanessa Gonzalez and Stephanie Kawai, has completed about two-thirds of the work that needs to be done and is ahead of schedule. The goal for this phase was to tag all of the imaged microfiche used to verify a member's work history to a member's account. This allows staff members working on member requests to process their requests quicker. In addition, the team has been categorizing cases for follow up in Phase II of the project (pending approval). Phase II, which will be presented for consideration later, involves a review of all 12,000 cases to make sure any anomalies in the member records are discovered and addressed. We have begun preliminary discussions on how to approach Phase II. The team is producing and continues to perform exceptionally well.

- **Retroactive Salary Projects:** In October we notified the Committee that Benefits was working on several retroactive earnings projects: The Judges Project, Referee-Commissioner Project, LAFD, Public Defender, and Parks and Recreation MOU (signing date: May 21, 2019) Project, and the \$500 MOU Bonus Project.

Benefits has been focusing on the Judges Project first. These retroactive salary adjustments are the result of the Mallano v. Chiang court decision; the Superior Court has completed recalculating judge's salaries from FY 2008-09 through 2016-17. LACERA has nearly completed this project. Of the 88 members in this project, 87 have been notified of the changes to their retirement benefits. A majority of these members will receive an increase in their benefit. The remaining case is complex and staff members are working on resolving it as soon as possible.

As we reported last month, we also sent out notices in January to members in the Los Angeles County Fire Department to let them know that we will be processing any retroactive salary adjustments made by the Department once the Department has completed updating the member's records. The Fire Department has estimated they will complete all of the updates to these members' accounts by March 31st. The team determined it is preferable to wait until all adjustments have been made to a member's account before we begin determining the impact. In addition to being more efficient, since we will only have to calculate the impact of the adjustments one time, it will also help to avoid having to send multiple letters to members about the adjustments.

Finally, staff members have also begun processing retroactive adjustments for retired members who received a \$500 or \$1000 bonus payment as part of the last round of MOU agreements. Staff completed 29 cases this month (which includes recalculation of benefits, notification and initiation of the collection of retroactive contributions owed as part of the additional earnings). This leaves approximately 88 cases left to process. Additionally, as a result of the review of these accounts, there are 9 salary adjustments for Plan E members and 32 deferred members who will owe back contributions.

- **Telecommuting Policy:** A Workgroup consisting of the Executive Office, Human Resources, and Systems has been established to look at allowing telecommuting. The Workgroup surveyed the Division Managers to determine what positions should be considered for telecommuting and what data/system access would be needed to support the need. We are still in the process of analyzing the results and will be formulating a plan to move forward. We will continue to keep the Boards updated on the progress of this goal.

Attachments:

Public Records Request Update

Report of Felony Forfeiture Cases Processed

DATE RECEIVED	REQUESTER	DOCS REQUESTED
12-13-19	C. Andrews, FundMap	<p>Questions regarding December 11, 2019 BOI meeting:</p> <ul style="list-style-type: none"> • Did the board approve the minimum qualifications for a separate account manager to handle a \$200m program of EM hedge funds? • Did the board approve an allocation of capital to Wynnchurch Capital Partners V – If so, how much was the commitment made? • What information was provided regarding MBK Partners Fund V? <p><i>Transmitted, on December 19, 2019, responsive comment shown below in italics and bold text.</i></p> <ul style="list-style-type: none"> • <i>On Oct. 8, the Credit and Risk Mitigation committee voted to advance a modified hedge fund emerging manager program recommendation to the Board for approval. The Committee also asked for additional analysis to be presented to the Board comparing the costs of running an internal emerging manager program and hiring a third party manager to do it.</i> • <i>The Trustees approved a commitment of up to \$75mm to Wynnchurch V, L.P.</i> • <i>The Trustees were provided notice of a re-up commitment of \$150mm to MBK Partners V, L.P.</i>
12-16-19	C. Banares, Secondary Link	<p>Requested information regarding Alternative Investments.</p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent, on December 19, 2019, via email:</i> <i>2019 Second Quarter Hedge Fund Performance.pdf; LACERA 2018 – 4Q18 PMR.pdf; Quarterly Performance Book (6-30-19).pdf, and 2019.12.12 Portfolio Update Attach.pdf.</i></p>
01-06-20	E. Kansal, Individual	<p>Requested latest Private Equity Report for 2019.</p> <p><i>Transmitted, on January 6, 2019, responsive comment shown below in italics and bold text.</i></p> <p><i>Information will be reported at the January 8, 2020, BOI meeting. I will send it after the documents are reported.</i></p>
01-06-20	J. Mitchell, Buyouts Insider	<p>Requested clarity on commitment to Access Foundation Partners Group II.</p> <p><i>Transmitted 1 document on January 8, 2020.</i></p> <p><i>Sent via email:</i> <i>2019 Commitments.pdf.</i></p> <p><i>Follow-up question from Requester on January 8, 2020: Has the Access Foundation Partners Group commitment been approved by the board? Does it need to be?</i></p> <p><i>Transmitted, on January 10, 2020, responsive comment shown below in italics and bold text.</i></p> <p><i>The CEO has authority to make secondary purchases under the BOI police</i> http://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/inves</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p><u>t_policy_stmt.pdf</u>. <i>the Access Foundation Partners Group commitment was a secondary purchase reported to the Board, but not approved prior to the commitment.</i></p>
01-06-20	O. Taylor, Proxy Insight	<p>Requested proxy voting records of the Los Angeles County Employees Retirement Association (LACERA) for the period of July 1, 2019 to December 31, 2019</p> <p><i>Transmitted 1 document. on January 7, 2020</i></p> <p><i>Sent, on January 7, 2020, via email: Proxy Vote Summary 070119 123119.xlsx.</i></p>
01-13-20	C. Andrews, FundMap	<p>Questions re January 8, 2020 BOR meeting.</p> <ul style="list-style-type: none"> • Did the board approve an allocation to Montefiore Investment V – If so, what was the size of the commitment made? • Was a syndicated bank loan manager selected at the meeting? It would be great to know who of the 37 respondents were considered finalists by LACERA. <p><i>Transmitted, on January 14, 2020, the following responsive comment shown below in italics and bold text.</i></p> <ul style="list-style-type: none"> • The Trustees approved a commitment of up to \$50mm to Montefiore V. • Credit Suisse Asset Management was selected for the bank loan search. All of the respondent to the RFP are listed at the end of the CIO Report in the Board package.
01-14-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document on January 14, 2020.</i></p> <p><i>Sent via email: Board of Retirement Meeting of January 9, 2020, Benefit Approval List.pdf.</i></p>
01-14-20	S. Ayers, Tristar	<p>Per monthly request:</p> <p><i>Transmitted 1 document on January 14, 2020.</i></p> <p><i>Sent via email: Board of Retirement Meeting of January 9, 2020, Benefit Approval List.pdf.</i></p>
01-14-20	J. Hammond, RELAC	<p>Per monthly request:</p> <p><i>Transmitted 1 document on January 14, 2020.</i></p> <p><i>Sent via email: Board of Retirement Meeting of January 9, 2020, Benefit Approval List.pdf.</i></p>
01-14-20	LA Sherriffs Dept.	<p>Per monthly request:</p> <p><i>Transmitted 2 documents on December 4, 2019.</i></p> <p><i>Sent via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated January 9, 2020.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
01-14-20	T. Usher, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document on January 14, 2020.</i></p> <p><i>Sent via email: MonthlyAgenda.csv for January 2020.</i></p>
01-17-20	J. Leitner, Pageant Media	<p>Requested access to all proposals received for the Syndicated Bank Loan Investment Management Services mandate requested by LACERA when it issued its RFP last April.</p> <p><i>Transmitted via email, on January 22, 2020, notice to Managers requesting RFP information regarding Syndicated Bank Loan Investment. Final response will be sent upon LACERA's receipt of requested RFP information from all Managers. Notice sent to Requester via email, on January 23, 2020, requesting additional 10 days to provide Managers time to prepare their responsive documents.</i></p>

**FOR INFORMATION ONLY**

January 27, 2020

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

FROM: Jill P. Rawal, Staff Counsel 

FOR: February 5, 2020 Operations and Oversight Committee Meeting

SUBJECT: **CALIFORNIA CONSUMER PRIVACY ACT**

INTRODUCTION

The California Consumer Protection Act (CCPA)¹ creates new consumer rights relating to the access to, deletion of, and sharing of personal information that businesses collect. Although signed into law in June of 2018, due to the complexities of implementation for businesses, as well the complex regulatory framework needed for enforcement, the CCPA did not become effective until January 1, 2020. Additionally, the Attorney General cannot bring an enforcement action until July 1, 2020.²

The law applies to any business that has more than \$25 million in revenue, or buys or sells the personal information of 50,000 or more consumers, or derives 50 percent or more of its annual revenue from selling consumers' personal information, and that does any amount of business in the State of California. LACERA, as a governmental agency, is exempt from the CCPA.

OVERVIEW OF THE CCPA

The CCPA introduced some of the broadest consumer data protection laws in the United States. New consumer protections added under the CCPA include:

1. The right to know what personal information is collected, used, shared, or sold; both as to the categories and specific pieces of personal information.

¹ Cal. Civ. Code Section 1798.100, *et. seq.*

² Enforcement of the CCPA cannot begin until six months after the finalization of the regulations. As of the date of this memo, July 1, 2020 is the target date for enforcement, but should the regulations not be finalized in early 2020, the enforcement date may be later than July 1, 2020. Until such time as the regulations are finalized, certain implementation specifics as set forth in this memo may be subject to change.

2. The right to delete certain personal information held by businesses and by extension, a business's service provider.
3. The right to opt-out of sale of personal information. Consumers are able to direct a business that sells personal information to stop selling that information.³
4. The right to non-discrimination in terms of price or service when a consumer exercises a privacy right under CCPA.

The CCPA will require businesses to focus on user data and provide transparency in how they are collecting, sharing and using such data. Specifically, key obligations imposed on businesses include:

1. Businesses subject to the CCPA must provide notice to consumers at or before data collection.
2. Businesses must create procedures to respond to requests from consumers to opt-out, access, and/or, delete personal information. Websites must post a prominent out-out link.
3. Businesses must respond to requests from consumers to opt-out, access, and/or, delete within specific timeframes.
4. Businesses must verify the identity of consumers who make requests to know and to delete, whether or not the consumer maintains a password-protected account with the business.
5. All access requests must be reported in a user-friendly format.
6. Businesses must disclose financial incentives offered in exchange for the retention or sale of a consumer's personal information and explain how they calculate the value of the personal information. Businesses must also explain how the incentive is permitted under the CCPA.
7. Businesses must maintain records of requests and how they responded for 24 months in order to demonstrate their compliance.
8. In addition, businesses that collect, buy, or sell the personal information of more than 4 million consumers have additional record-keeping and training obligations.

The CCPA also established a regulatory framework for enforcement. Penalties for violations of the CCPA can be up to \$2,500 per unintentional violation, and \$7,500 per

³ Children under the age of 16 must provide opt in consent, with a parent or guardian consenting for children under 13.

intentional violation. It also established a right to bring a civil cause of action, but that is limited to data breaches, and does not apply to any other provisions of the CCPA. Penalties for a civil cause of action range from \$150 to \$750 per data breach incident.

APPLICATION

Legal staff routinely monitors pending and newly filed legislation as part of its ongoing compliance functions. When the CCPA was first introduced in 2018, Legal staff spent considerable time analyzing the legislation to determine the applicability to LACERA. Specifically, we analyzed the CCPA from three potential areas of impact:

A) Is LACERA as an organization subject to the CCPA?

When first introduced, there was no specific governmental exception; however, the law was specific in its application to for-profit businesses, and therefore, was not applicable to LACERA. In the time since the first draft regulations and public comment period in October of 2019, the law was rewritten to include a specific exemption for governmental agencies. Thus, no operational changes are mandated at this time.

B) Are any of our vendors/contractors subject to the CCPA?

Another aspect of our examination was to determine whether any of our vendors are subject to CCPA, and if so what impact might that have on our contracting process. All vendor/contractor contracts currently have a standard clause stating that the vendor/contractor must comply with all applicable state and federal laws. As data security and privacy laws are an ever-evolving area of law, there are many laws, both state and federal, that form a complex web of data privacy and security infrastructure. For example, certain federal privacy laws, such as the Gramm-Leach Bliley Act (GLBA), the Health Insurance Portability and Accountability Act (HIPAA), and the Fair Credit Reporting Act (FRCA), would preempt the CCPA as a state law. By not signaling out any one particular privacy law, our contracts put the onus on the vendor/contractor to ensure they are in compliance with any such applicable laws. Thus, at this time, we did not deem it necessary to amend existing contract terms.

C) Even if LACERA is not subject to the CCPA, what impact might this have on ongoing privacy and security efforts?

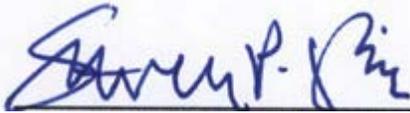
When evaluating such legislation, Legal staff looks not only to what is mandated, but what lessons may be learned in best practices in data privacy and security. Since the CCPA deals primarily with data collection and the selling of personal data, there are little, if any, parallels to be drawn with LACERA's data use. Nonetheless, LACERA's Website Privacy Statement, has long included a

statement that we will not sell, share, rent, or otherwise distribute any of member information.

As the regulations unfold and the CCPA is finalized, Legal staff will continue to monitor the law and update the Website Policy Statement and/or any other operational procedures in light of any other best practices that may come to fruition.

No Board action is required. This memo is provided to the Board as an update on this newly implemented legislation.

Reviewed and Approved:

A handwritten signature in blue ink, appearing to read "Steven P. Rice", is written over a light blue horizontal line.

Steven P. Rice
Chief Counsel

c: Santos H. Kreimann
JJ Popowich