

AGENDA

MEETING OF JOINT GOVERNANCE REVIEW COMMITTEE
OF THE BOARD OF RETIREMENT AND THE BOARD OF INVESTMENTS,
BOARD OF RETIREMENT GOVERNANCE REVIEW COMMITTEE,
BOARD OF INVESTMENTS GOVERNANCE REVIEW COMMITTEE,

and

BOARD OF RETIREMENT* and BOARD OF INVESTMENTS*
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M.,* WEDNESDAY, SEPTEMBER 5, 2018

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

*Although the meeting is scheduled for 9:00 a.m., the meeting will start at the conclusion of the Board of Retirement meeting scheduled for the same time.

I. CALL TO ORDER

II. ELECTION OF OFFICERS

Election of Chair and Vice Chair for:

- A. Board of Retirement Governance Review Committee
- B. Board of Investments Governance Review Committee
- C. Joint Governance Review Committee

(Memo dated August 30, 2018)

III. PUBLIC COMMENT

September 5, 2018

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IV. NON-CONSENT ITEMS

- A. Discussion of Purpose and Goals of Governance Review Committees.
(Memo dated August 30, 2018)
- B. Discussion of Concerns regarding the Former Joint Organizational Governance Committee and Proposed Solutions.
(Memo dated August 30, 2018)
- C. Discussion of Need for Consultant and Selection Process.
(Memo dated August 30, 2018)
- D. Discussion of 2018 Meeting Schedule and Timetable for Report and Recommendation. (Memo dated August 30, 2018)

V. ADJOURNMENT

**The Board of Retirement and Board of Investments have each adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five (5) or more members of the Board of Retirement or the Board of Investments (including members appointed to the Committees) are in attendance, the meeting shall constitute a joint meeting of the Committees and the Board or Boards for which a quorum is present. Members of the Board of Retirement and Board of Investments who are not members of the Committees may attend and participate in a meeting of the Committees but may not make or second a motion or vote on any matter discussed at the meeting. The only action the Committees may take at the meeting is approval of a recommendation to take further action at subsequent meetings of the Board of Retirement and/or Board of Investments.*

Documents subject to public disclosure that relate to an agenda item for an open session of the Committees that are distributed to members of the Committees 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 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.

August 30, 2018

TO: Joint Governance Review Committee
 Board of Retirement *Board of Investments*
 Governance Review Committee *Governance Review Committee*
 Marvin Adams Joseph Kelly
 Alan Bernstein Wayne Moore
 Les Robbins David Muir
 Thomas Walsh Herman Santos
 Gina Zapanta-Murphy, Alternate Ronald Okum, Alternate

FROM: Steven P. Rice *SPR*
 Chief Counsel

FOR: September 5, 2018 Meeting of Joint Governance Review Committee,
 Board of Retirement Governance Review Committee and Board of
 Investments Governance Review Committee

SUBJECT: Elections of Chairs and Vice Chairs

On August 8, 2018, the Board of Investments (BOI) voted to form a committee to review the concerns with the former Joint Organizational Governance Committee (JOGC), evaluate possible solutions, and report back to the full BOI. On August 9, 2018, the Board of Retirement (BOR) voted to form a similar committee to review and evaluate JOGC concerns and solutions and report back to the full BOR.

While each committee is a separate creation of its board, the intention expressed during both meetings was that, if a committee was formed by both boards, the committees would work together as well as separately. Accordingly, each committee should elect a Chair and Vice Chair to preside over separate meetings, if any, and the committees together should elect a joint Chair and Vice Chair to provide leadership for joint meetings.

Pursuant to the separate Board charters, the Chairs and Vice Chairs of the existing standing committees are appointed by the Board Chairs. That process could be followed here with respect to each of the separate committees. However, in any event, the committee members from both boards should together elect a Chair and Vice Chair for the joint committee.

c: Robert Hill Bernie Buenaflor
 James Brekk Jon Gabel
 John Popowich

August 30, 2018

TO: Joint Governance Review Committee
 Board of Retirement *Board of Investments*
 Governance Review Committee *Governance Review Committee*
 Marvin Adams Joseph Kelly
 Alan Bernstein Wayne Moore
 Les Robbins David Muir
 Thomas Walsh Herman Santos
 Gina Zapanta-Murphy, Alternate Ronald Okum, Alternate

FROM: Steven P. Rice *SPR*
 Chief Counsel

FOR: September 5, 2018 Meeting of Joint Governance Review Committee,
 Board of Retirement Governance Review Committee and Board of
 Investments Governance Review Committee

SUBJECT: Purpose and Goals of Governance Review Committees

Before conducting any business, it will be helpful for the committees to have a clear statement and agreement as to their purpose and goals.

Based on the discussions at the August 8 and August 9, 2018 meetings at which the committees were formed, the purpose and goals of the committees have three elements:

1. Identify and discuss concerns with the former Joint Organizational Governance Committee (JOGC) structure;
2. Identify, discuss, and evaluate potential solutions to the concerns; and
3. Develop a report with recommendations to be taken to the boards regarding joint board governance.

No particular outcome is presumed. The committees have flexibility to consider the full range of options, including, for example and without limitation, a re-created JOGC, a modified JOGC, no joint governance committee with reliance instead upon joint board meetings or the existing Policy on Joint Meetings, or some new approach to joint governance. It may also develop that the separate board committees disagree as to the best approach, although the primary goal is to reach a consensus on a single report and recommendation.

c: Robert Hill John Popowich Jon Gabel
 James Brekk Bernie Buenaflor

August 30, 2018

TO: Joint Governance Review Committee
 Board of Retirement *Board of Investments*
 Governance Review Committee *Governance Review Committee*
 Marvin Adams Joseph Kelly
 Alan Bernstein Wayne Moore
 Les Robbins David Muir
 Thomas Walsh Herman Santos
 Gina Zapanta-Murphy, Alternate Ronald Okum, Alternate

FROM: Steven P. Rice *SPR*
 Chief Counsel

FOR: September 5, 2018 Meeting of Joint Governance Review Committee,
 Board of Retirement Governance Review Committee and Board of
 Investments Governance Review Committee

SUBJECT: Concerns regarding the Former Joint Organizational Governance
 Committee and Proposed Solutions

This memo will provide information to assist the committees in beginning their discussion of the former Joint Organizational Governance Committee (JOGC) and proposed solutions.

History and Background of the JOGC

The JOGC was formed by votes of both boards at a joint meeting on August 10, 2017. The JOGC was recommended to the boards at that time by an Ad Hoc Joint Organizational Governance Evaluation Committee, with three members from each board, which met for several months to consider the issue. The ad hoc committee was formed based on repeated concerns expressed by members of both boards concerning the handling of joint issues. The ad hoc committee and staff worked with an outside consultant, Funston Advisory Services, to consider joint governance, develop the parameters for the JOGC, and prepare a Charter. The JOGC Charter was also approved by the boards at the August 10, 2017 joint meeting.

A copy of the memo presented to the boards in August 2017 is attached as Exhibit A. The JOGC's Charter is also included within Exhibit A.

Under the Charter, the purpose of the JOGC was to:

- serve and facilitate the work of both Boards when the two boards['] duties intersect;
- improve the combined oversight of both Boards;
- facilitate effective two-way communications and act as liaison between the Boards;
- ensure that both Boards are comfortable that their perspectives are properly represented;
- make recommendations, not decisions; and
- assist the Boards in resolving potential disputes effectively and at the earliest possible stage.

(JOGC Charter, Section 3, page 3.)

The areas of work within the JOGC's scope were:

- Litigation and Claims Impacting Both Boards
- Legislation Impacting Both Boards
- Staff Compensation
- Staff Classification
- Chief Executive Officer Review
- Budget
- Education and Travel
- Organizational Philosophy
- Miscellaneous Matters Impacting Both Boards

(JOGC Charter, Section 4, page 3.) The Charter also contained additional detail as to the JOGC's responsibilities for specific issues within each of the above categories.

The JOGC held three meetings:

August 28, 2017 – To consider closed session items relating to potential litigation and the Chief Executive Officer's performance evaluation;

October 12, 2017 – To consider various joint board policy issues, including the Fiduciary Counsel Policy and the Policy Concerning Employment of LACERA Board Members; and

December 13, 2017 – To consider an RFP for CEO Executive Search Services as part of its assigned role to oversee the CEO recruitment process, a Sexual Harassment Prevention Training Policy for Board Members, broadcasting and archiving of board and committee meetings, Chief Investment Officer and Chief Counsel reporting structures, board

room upgrades, and one closed session item regarding anticipated litigation.

At the January 30 and February 1, 2018 board offsite meetings, the Chairs of both boards presented a proposal to disband the JOGC and return its responsibilities to the boards. After extensive discussion, the proposal passed. A copy of the memo presented to boards at the 2018 offsite in support of the proposal is attached as Exhibit B (without the JOGC Charter, which is already attached above). Following the decision, items under consideration by the JOGC when it disbanded were returned to the boards.

A copy of a memo presented at the March 5, 2018 Board of Investments meeting and the March 15, 2018 Board of Retirement meeting showing the status of matters previously overseen by the JOGC is attached as Exhibit C.

The present Governance Review Committees were formed by action taken by the Board of Investments on August 8, 2018 and by the Board of Retirement on August 9, 2018. The discussion and decisions at those meetings were prompted by a request by Mr. Kelly to reconstitute the JOGC, revise the JOGC Charter, and engage Funston Advisory Services as a consultant to perform an evaluation of the JOGC. A copy of Mr. Kelly's memo to the Board of Investments in support of his proposal is attached as Exhibit D; his memo to the Board of Retirement was similar.

Concerns Regarding the JOGC

Without intending to foreclose other concerns, the primary concerns regarding the JOGC that will need to be evaluated include:

- The JOGC added a layer of bureaucracy which made the boards less nimble because of the need for JOGC review of an issue before going to the boards, which was compounded by difficulties in scheduling JOGC meetings.
- The JOGC created additional work for the board members who served on it.
- Most of the board members also attended the JOGC meetings, so it became the equivalent of another board meeting but without the ability to take action because the JOGC could only make recommendations.
- The JOGC imposed additional burdens on staff to support and prepare for another committee meeting.
- The JOGC lengthened the work cycle on certain projects (such as the budget, for example) because of the need for JOGC review before an item could be taken to the boards.

- The responsibilities of the JOGC could be handled in other, more efficient ways, such as ad hoc committees and joint board meetings. In addition, the JOGC does not eliminate the need to have ad hoc committees as the method to address certain issues.
- The boards have an existing Policy on Joint Meetings that can be invoked by the Chairs and any individual member when there is a need for the boards to convene together to discuss matters of mutual concern.

Benefits of the JOGC

Without intending to foreclose other advantages, the primary benefits of the JOGC to those who support it include:

- The JOGC provided a needed vehicle and forum to discuss and develop recommendations on common issues. Important joint board issues arise frequently, and it is necessary and appropriate to have a formal vehicle in place to address them.
- The JOGC's history shows that it was successful in making substantial progress in facilitating completion and implementation of joint board projects regarding policies, closed session items, and other matters.
- The JOGC's membership selection process was clear and inclusive.
- The JOGC was transparent to board members and the public because it was subject to the Brown Act, whereas ad hoc committees are not.
- The JOGC operated under well-defined processes and powers, as stated in the JOGC Charter. Ad hoc committees do not have defined, consistently applied procedures, and therefore they dilute the boards' authority over final actions.
- Implementation of ad hoc committees as a replacement for the JOGC on certain issues has resulted in less communication to trustees regarding the basis for decisions.
- Ad hoc committees have caused operational inefficiencies and an increasing number of joint board meetings.

Solutions to the Concerns Regarding the JOGC

If the committees determine that reestablishment of a formal joint governance committee is a good idea, potential solutions to the concerns with the structure and operation of the original JOGC include, without limitation:

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- Narrow the scope of the issues within the JOGC's jurisdiction, taking into account the significance of individual issues and the impact of JOGC involvement on staff processes.
- Revise the criteria for selection of JOGC members to help ensure inclusiveness.
- Reduce the size of the JOGC to minimize impact on board members.
- Create specific rules for the use of ad hoc committees, including size, composition of membership, authority, communication, and reporting, so that there is clear understanding of when and how ad hoc committees will be utilized.

Conclusion

Staff understands that the committees will identify additional concerns, benefits, and potential solutions beyond those presented here. Staff will support the committees in conducting their work on joint governance issues, including providing additional background information, discussion, and preparation of a report and recommendation for the committees to forward to the boards.

c: Robert Hill Bernie Buenaflor
 James Brekk Jon Grabel
 John Popowich

EXHIBIT A

**August 1, 2017 Board Memo re
Formation of JOGC**



August 1, 2017

TO: Each Member
Board of Retirement
Board of Investments

FROM: Ad hoc Joint Organizational Governance Evaluation Committee
Board of Retirement Board of Investments
Shawn Kehoe, Committee Chair David Green, Committee Vice Chair
Alan Bernstein Herman Santos
Vivian Gray Ronald Okum

FOR: Joint meeting of the Board of Retirement and Board of Investments
on August 10, 2017

SUBJECT: **Joint Organizational Governance Committee Charter**

RECOMMENDATION

The Ad hoc Joint Organizational Governance Evaluation Committee recommends:

1. The Board of Retirement and the Board of Investments adopt the Joint Organizational Governance Committee Charter, and
2. The Board of Retirement and the Board of Investments each elect a member to the Joint Organizational Governance Committee.

EXECUTIVE SUMMARY

LACERA is fortunate to have two Board level leadership teams overseeing the organization. The Board of Retirement is responsible for the overall management of the retirement association, its benefit programs, and the LACERA administered Retiree Healthcare Benefits Program. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies, exercising authority and control over the investment management, the actuarial valuation funding process used to set retirement benefit contribution rates, as well as investing and managing the Other Postemployment Benefits Program trust assets.

This dual Board structure also includes statutorily shared responsibilities for personnel and budget matters, and structurally shared responsibilities for matters concerning both Boards, such as Board member education and travel programs, legislation, and certain litigation and disputes.

To facilitate the Boards addressing their shared responsibilities and other matters of mutual interest, it is recommended the Boards consider using a joint standing committee comprised of members from both Boards to evaluate, manage, and make recommendations for each Board's action. This new standing committee would be advisory to each Board and assume the responsibilities currently addressed by the Education and Travel Committee and the CEO Performance Committee.

Attached for each Board's consideration is a draft committee charter to create a new standing committee titled the "Joint Organizational Governance Committee" and a recommendation for each Board to elect a committee member.

DISCUSSION

The Board of Retirement and the Board of Investments chairs each appointed an ad hoc committee to work together to explore creating a new joint standing committee comprised of members from both boards to evaluate the best manner to facilitate the work of both Boards when the two Boards' duties intersect.

These ad hoc committees, working together as the Ad hoc Joint Organizational Governance Evaluation Committee, have completed their work and jointly present a draft Joint Organizational Governance Committee Charter for each Board's consideration.

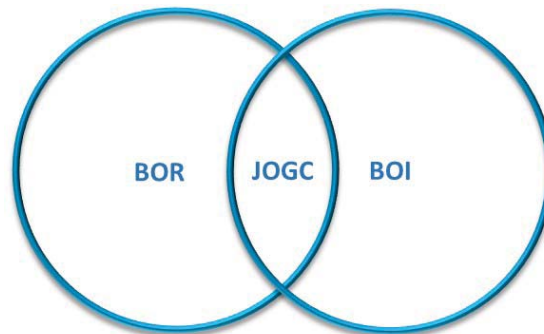
Adopting the proposed charter will create a LACERA standing committee that is subject to Brown Act regulations with the responsibility to review and make recommendations to each Board on business items of common interest and responsibility.

The scope of the Joint Organizational Governance Committee is proposed to include:

1. Reducing Disputes Between Boards
2. Litigation and Claims Impacting Both Boards
3. Legislation Impacting Both Boards
4. Staff Compensation
5. Staff Classification
6. Chief Executive Officer Review

7. Budget
8. Education and Travel
9. Organizational Philosophy
10. Miscellaneous Matters Impacting Both Boards

The Joint Organizational Governance Committee (JOGC) will only make recommendations to each Board on matters that intersect and affect both the Board of Retirement (BOR) and the Board of Investments (BOI); final action can only be taken by the Boards themselves. The following figure visually highlights the Committee's role to facilitate the work of both Boards when the Boards' duties intersect.



The Joint Organizational Governance Committee will include four members from each Board, for a total of eight committee members with no designated alternates. A Committee quorum will exist when a majority of the eight members is present. Committee membership will include the Chair and Vice Chair from each Board, a member appointed by each Board Chair, and a member elected by each Board. It is recommended the Boards each elect a committee member upon adopting the Joint Organizational Governance Committee Charter. Future Joint Organizational Governance Committee member elections will be held at the beginning of the calendar year when the Boards elect their officers and Audit Committee members.

It is expected the Committee will meet five times per year with meeting dates alternating between scheduled Board of Retirement and Board of Investments meetings, and as needed.

LEGAL AUTHORITY

The California Government Codes 31525 and 31526 provide the Board of Retirement and the Board of Investments the authority to define its own regulations for the election of officers, their terms, meetings, and all other matters relating to the administrative

procedures of the Board as approved by the Board of Supervisors. The Board of Retirement regulations and the Board of Investments Bylaws provide the respective Board Chairs the delegated authority to appoint committees as deemed necessary to carry out the business of the Board. The Board of Supervisors adopted the current Board of Retirement regulations on May 5, 2015. The Board of Investments Bylaws are being reviewed, amended, and retitled to regulations and will be presented to the Board of Investments and the Board of Supervisors for approval in 2017. The proposed Joint Organizational Governance Committee Charter is harmonious with existing Board regulations, bylaws, and charters. Because the Committee will include members of both Boards and make recommendations regarding matters relating to both Boards, it must be formed by action of both Boards.

Therefore, the Ad hoc Joint Organizational Governance Evaluation Committee recommends:

1. The Board of Retirement and the Board of Investments adopt the Joint Organizational Governance Committee Charter, and
2. The Board of Retirement and the Board of Investments each elect a member to the Joint Organizational Governance Committee.

GR:nm

Draft Committee Charter to the Boards August 2017v3.docx

Attachment



**LOS ANGELES COUNTY
EMPLOYEES RETIREMENT
ASSOCIATION**

Joint Organizational Governance Committee Charter

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LACERA
DRAFT Joint Organizational Governance Committee Charter

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LACERA
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1 Overview of the LACERA Board of Retirement and the Board of Investments

In 1937, Los Angeles County (County) established a pension trust fund (Fund) to provide defined retirement and death benefits to eligible County employees to be governed by the County Employees Retirement Law of 1937. In 1938, the Los Angeles County Employees Retirement Association (LACERA) was formed to administer the Fund. Since 1971, LACERA has also administered the Retiree Healthcare Benefits Program for the County and outside districts, through contractual agreements with the County.

LACERA is an independent governmental entity. LACERA is the largest county retirement system in America. LACERA is funded by the County, participating employers, employees, and investment earnings.

LACERA is governed by two Boards. Both Boards include a mix of trustees which are appointed and elected members and an ex-officio member, the sitting County Treasurer and Tax Collector. The Board of Retirement (BOR) is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The Board of Investments (BOI) is responsible for determining LACERA's investment objectives, strategies, and policies, as well as exercising authority and control over the investment management of the Fund. The BOI also invests and manages the Other Postemployment Benefits Program (OPEB) trust assets for participating employers.

LACERA is a public pension system created in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL Section 31520 provides that "Except as otherwise delegated to the board of investment and except for the statutory duties of the county treasurer, the management of the retirement system is vested in the board of retirement." CERL Section 31520.2(b) provides that "The board of investments shall be responsible for all investments of the retirement system." The BOR and BOI have joint authority over certain shared responsibilities, including: the appointment and evaluation of the Chief Executive Officer (CEO) (CERL Section 31522.2); classification and compensation of personnel (CERL Sections 31522.1, 31522.4); adoption of LACERA's administrative budget (CERL 31580.2(a)); other matters as specified in CERL, including but not limited to CERL Section 31459.1 defining the term "Board" used in CERL; and as described in this Charter.

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2 Purpose of this Document

The purpose of this document is to describe:

- the purpose, scope, responsibilities, meetings, and structure of the Joint Organizational Governance Committee (JOGC);
- the specific terms of reference for the JOGC;
- the committee’s membership and leadership; and
- meeting frequency and dates.

3 Purpose of the JOGC

The purpose of the JOGC is to:

- serve and facilitate the work of both Boards when the two boards duties intersect;
- improve the combined oversight of both Boards;
- facilitate effective two-way communications and act as liaison between the Boards;
- ensure that both Boards are comfortable that their perspectives are properly represented;
- make recommendations, not decisions; and
- assist the Boards in resolving potential disputes effectively and at the earliest possible stage.

4 Scope

The scope of the JOGC includes:

- Reducing Disputes Between Boards
- Litigation and Claims Impacting Both Boards
- Legislation Impacting Both Boards
- Staff Compensation
- Staff Classification
- Chief Executive Officer Review
- Budget
- Education and Travel
- Organizational Philosophy
- Miscellaneous Matters Impacting Both Boards

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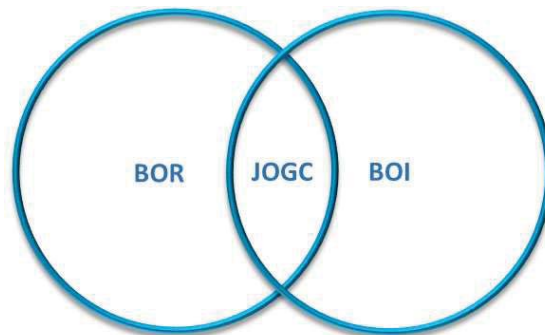
5 Powers Reserved for the BOR and BOI

The BOR reserves for itself all powers related to retirement benefit, disability and healthcare policy, legislation, litigation, operations, and administration, except as defined in its Board Charter and as described in this Charter.

The BOI reserves for itself all powers related to investment policy, legislation, litigation, operations, and administration, except as defined in its Board Charter and as described in this Charter.

6 Authority

The JOGC will only make recommendations to each Board on matters that intersect and affect both the BOR and BOI as described in Section 7, Responsibilities of this Charter. The following figure visually highlights the JOGC role to facilitate the work of both Boards when the Boards' duties intersect.



7 Responsibilities

7.1 Dispute Resolution

Make recommendations about Dispute Resolution between:

- The Board of Retirement and the Board of Investments
- Board members of different Boards
- The Board and staff when appropriate

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7.2 Litigation and Claims

Oversee and make recommendations about Litigation and Claims related to performance of LACERA as an organization and the Boards' separate or joint fiduciary duties with respect to general operations, LACERA personnel, and other matters of mutual interest and concern.

Litigation and Claims related to retirement, disability, and healthcare benefits is reserved to the Board of Retirement; litigation and claims related to investments is reserved to the Board of Investments; and litigation and claims related to contracts is reserved to the separate Board that approved the contract.

7.3 Legislation

Make recommendations about Legislation affecting LACERA's Governance that impacts both Boards.

Legislation related to retirement, disability, and healthcare benefits is reserved to the Board of Retirement; legislation related to investments is reserved to the Board of Investments.

7.4 Staff Compensation

Make recommendations related to all types of compensation and compensation policy for:

- Union represented employees, including overseeing the collective bargaining agreements
- Non-represented employees
- Management employees

Administration of the Chief Audit Executive's compensation is reserved to the Audit Committee.

7.5 Staff Classification

Make recommendations to create all new staff classifications.

7.6 Chief Executive Officer

- Should a vacancy occur, conduct the initial search for the CEO and produce a short-list of recommended candidates to each Board (supported by a search consultant)
- Oversee the CEO evaluation and provide timely feedback based on input from all Board members
- Recommend CEO compensation
- Oversee CEO succession planning
- Any other issues related to oversight of the CEO not rising to the level of a joint meeting

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7.7 Budget

Oversee the Administrative and Retiree Healthcare budgets according to the following process:

- Staff develop preliminary budget plan in February
- The budget's preliminary budget plan is presented to JOGC in March
- Draft budget package is presented to JOGC in April for release to the Boards
- Budget hearings are held in May
- Proposed budget package is presented to each Board for approval at the Board's June meeting
- The JOGC will provide on-going oversight of the budget-to-actual results during the fiscal year

7.8 Education and Travel

Oversee and make recommendations with respect to the:

- Education and Travel Policy according to its terms
- Other training issues relevant to both Boards as needed

7.9 Organizational Philosophy

Make recommendations regarding LACERA:

- Mission statement
- Values
- Vision
- General engagement

7.10 Miscellaneous Matters

Miscellaneous matters that may need to be brought before the JOGC will be determined on a case by case basis by the respective Board Chairs and the Chair of the JOGC in consultation with the CEO. Additionally, miscellaneous matters may be brought before the JOGC by any JOGC member.

8 Membership, Quorum, and Rules

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There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap.

A quorum exists when a majority of the members are present, without regard to the Board from which individual members were appointed.

The JOGC is subject to the Ralph M. Brown Act (Brown Act), and its meetings will be noticed, agendaized, and conducted in accordance with the Brown Act. The JOGC may meet in closed session as provided in the Brown Act.

Robert's Rules of Order will also apply in the JOGC's meetings. A motion may be made or seconded by any member. A motion passes if a majority of the members present, without regard to the Board from which they were appointed, vote in favor of the motion.

9 Leadership

The Chair and Vice Chair of the JOGC will be elected by members of the JOGC at the first meeting of each year.

10 Meeting Frequency and Dates

10.1 Frequency

The regular meeting schedule will be established at the first meeting of each year. Generally, the meeting schedule will be March, April, June, September, and December. Special meetings may be called as needed in accordance with the Ralph M. Brown Act.

10.2 Dates

Meetings will alternate between scheduled BOR and BOI meetings, and as needed.

11 Elimination of Certain Committees

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With the establishment of the JOGC, the following committees will be eliminated:

- CEO Performance Committee
- Education and Travel Committee

12 Charter Review

The BOR and BOI shall review and update this Charter at least once every three years.

This Charter was adopted by the Board of Retirement on _____, 2017 and by the Board of Investments on _____, 2017.

EXHIBIT B

January 24, 2018 Board Memo re
Disbanding JOGC

January 24, 2018

TO: Each Member,
Board of Retirement

Each Member,
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

Harvey L. Leiderman, Reed Smith LLP
Fiduciary Counsel

FOR: January 30, 2018 and February 1, 2018
Board of Retirement and Board of Investments Offsite Meetings

SUBJECT: Dissolution of Joint Organizational Governance Committee

RECOMMENDATION

The Chairs of the Board of Retirement (BOR) and Board of Investments (BOI) (Boards) recommend that the Boards dissolve the Joint Organizational Governance Committee (JOGC), terminate its Charter and the Boards' prior delegation of duties to the JOGC, and rescind their September 11, 2017 action directing that the JOGC conduct the Chief Executive Officer (CEO) recruitment. The former responsibilities of the JOGC will return to the Boards and their duly created committees for actions appropriate on a case-by-case basis, in accordance with applicable law and LACERA policy.

LEGAL AUTHORITY

The Boards have "plenary authority" over the administration of the system under Article XVI, Section 17 of the California Constitution. Under the Constitution and Section 31595 of the California Government Code, such authority shall be exercised "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." The Boards shall act "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."

The Boards' authority and responsibility include the ability to adopt such governance policies, procedures, and processes, as the Boards deem appropriate in their discretion.

Approval by the Boards of the recommendation to dissolve the JOGC as set forth in this memo is consistent with, although not required by, the Boards' authority and responsibility. The Boards may appropriately and lawfully exercise their authority and responsibility by taking reasonable action with respect to the dissolution, maintenance, or modification of the JOGC.

BACKGROUND

A. The Legal Responsibilities of the Boards.

Under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450, et seq., LACERA has two Boards – a Board of Retirement and a Board of Investments.

Section 31520 of CERL provides, "Except as otherwise delegated to the board of investment and except for the statutory duties of the county treasurer, the management of the retirement system is vested in the board of retirement." Section 31520.2(b) provides, "The board of investments shall be responsible for all investments of the retirement system." The BOR and BOI have joint authority over certain shared responsibilities, including: the appointment and evaluation of the CEO (Section 31522.2); classification and compensation of personnel (Sections 31522.1, 31522.4); adoption of LACERA's administrative budget (Section 31580.2(a)); and other matters as specified in CERL, including but not limited to Section 31459.1 defining the term "Board" as used in CERL.

Because certain of the Boards' responsibilities overlap under CERL as described above and because there are other matters of mutual interest that arise from time to time relating to the administration of the system, the Boards need to work together on issues. CERL does not address how the Boards should collaborate.

B. Historical Process for Collaboration and Joint Action by the Boards Before the JOGC Was Formed.

For many years before the JOGC, the Boards collaborated in four main ways. First, the Board established the Audit Committee, the Travel Policy Committee, and the CEO Performance Committee as standing joint committees. Second, sometimes, each Board separately debated and separately acted on the same subject matter, thereby resulting in joint action. Third, on other occasions, joint meetings of the Boards would take place. Fourth, in some circumstances, the Board Chairs appointed joint ad hoc committees to address issues of mutual interest.

While these four approaches generally worked well, Board members from time to time expressed concern that there was not a formal and consistent process.

In response to these concerns, in September 2016, staff presented, and both Boards adopted, a Policy on Joint Meetings. The Policy on Joint Meetings defined issues of joint concern and established a formal procedure by which the Chairs or individual Board members could call a joint meeting. A copy of the Policy on Joint Meetings is attached as Exhibit A. The policy remains in effect. Staff believes this policy continues to provide a sound procedure for the use of joint meetings.

C. Creation of the JOGC.

In early 2017, the Board Chairs at the time discussed the idea of forming a JOGC as a means of developing consensus and making recommendations to the Boards on joint issues. The Chairs formed an Ad Hoc Joint Organizational Governance Evaluation Committee of representatives from both Boards to discuss the feasibility of the JOGC and prepare a Charter for presentation to the Boards. The Ad Hoc Evaluation Committee held several meetings in April, May, and June 2017. The Committee worked with Funston Advisory Services as a consultant to prepare the JOGC Charter.

At a joint meeting of both Boards on August 10, 2017, the Ad Hoc Evaluation Committee presented its recommendation that the Boards adopt the JOGC Charter. Both Boards voted to adopt the Charter. A copy of the JOGC Charter is attached as Exhibit B.

Under the Charter, the JOGC has eight members: the Chair and Vice Chair of each Board; one member appointed by the Chair of each Board; and one member elected by each Board. (Charter, Section 8, page 7.) The JOGC generally meets five times per year, with special meetings as needed. (Charter, Section 10.1, page 8.) The JOGC is responsible to address the following subject matters:

- Litigation and Claims that raise Unusual and Material Risks to the organization. (Charter, Section 7.1, pages 4-5.)
- Legislation on issues that affect both Boards. (Charter, Section 7.2, page 5.)
- Staff compensation. (Charter, Section 7.3 pages 5-6.)
- New staff classifications. (Charter, Section 7.4, page 6.)

- Chief Executive Officer oversight, including search, evaluation, compensation, and succession planning. (Charter, Section 7.5, page 6.) The JOGC replaced the previous CEO Performance Committee. (Charter, Section 11, page 8.)
- Budget oversight. (Charter, Section 7.6, page 6.)
- Education and travel, replacing the previous Travel Policy Committee. (Charter, Section 7.7, page 6; Section 11, page 8.)
- Organizational philosophy. (Charter, Section 7.8, pages 6-7.)
- Miscellaneous matters that affect both Boards, including dispute resolution between the Boards and their members. (Charter, Section 7.9, page 7.)

D. Implementation of the JOGC.

After its formation, the JOGC held meetings on August 28, 2017, October 12, 2017, and December 13, 2017.

In these meetings, the JOGC developed the Fiduciary Counsel Policy, the Policy Concerning Employment of LACERA Board Members, and the Sexual Harassment Prevention Training Policy for LACERA Board Members. All three of these policies were adopted by the Boards.

The JOGC also discussed certain other issues, including the Chief Investment Officer and Chief Counsel reporting structures, broadcasting of Board meetings, and boardroom technology and branding. No formal actions or recommendations have been made on these issues.

In addition, on September 11, 2017, the Boards voted to direct the JOGC to conduct the CEO search process. In exercise of that authority, the JOGC approved the Request for Proposal (RFP) for Executive Search Services for the CEO recruitment. The RFP is expected to be completed, and a recruiter selected, in February 2018.

E. Review and Evaluation of the JOGC.

Following the Board elections in January 2018, the new Chairs reviewed and discussed the JOGC and how it fits into LACERA's governance and goals. Based on their evaluation, the Chairs decided to make a recommendation to the Boards to dissolve the

JOGC. The reasons for the Chairs' recommendation are stated in the next section of this memo. In developing their recommendation, the Chairs conferred with LACERA executive and legal staff and outside fiduciary counsel.

DISCUSSION

A. Reasons for the Chairs' Recommendation to Dissolve the JOGC.

The Chairs have indicated they believe the JOGC should be dissolved for the following reasons:

1. The JOGC adds a layer of bureaucracy and delay to the operation of the Boards that makes LACERA less nimble by requiring that issues go through the committee before reaching the Boards for decision. Scheduling JOGC meetings has also proven problematic. Dissolution of the JOGC will make the Boards more efficient.
2. The JOGC creates additional work for the eight Board members on the committee, including the Board Chairs and Vice Chairs, which diverts their attention from providing leadership to the Boards themselves.
3. The JOGC imposes additional burden on staff to support and prepare for additional committee meetings. For example, by requiring that the annual administrative budget go through the JOGC instead of directly to the Boards, administrative staff has found that the JOGC adds another month of work to the already lengthy and comprehensive budget preparation process.
4. Based on attendance at JOGC meetings to date, many Board members who are not on the committee nevertheless attend JOGC meetings so that they can participate in the discussion.
5. The important responsibilities of the JOGC can be filled through other existing and more efficient processes. For example:
 - a. The CEO search process could easily be handled by an ad hoc search committee, instead of the JOGC. An ad hoc committee would not be subject to the Brown Act, and would actually be a better mechanism for handling the critical timing and confidentiality of an executive search process and to conduct initial screening interviews. Ultimately, the Boards

themselves will vote on the hiring in a manner compliant with the Brown Act.

- b. The annual CEO evaluation can be handled through a joint Board meeting.
 - c. The budget process has historically worked well without the JOGC. The addition of the JOGC adds time and complexity. Historically, LACERA has always scheduled budget hearings open to both Boards. To the extent discussion among the Boards is required (which has not been a need in the past), a joint meeting can be held.
 - d. The Education and Travel Policy can be handled by reestablishing the Travel Policy Committee, or perhaps better by simply taking proposed policy changes directly to the Boards to avoid the problem of obtaining a quorum for a joint committee.
 - e. Unusual litigation of joint interest to the Boards can be handled through ad hoc committees. This process has worked effectively to manage major litigation during the past few years.
 - f. Legislation concerning both Boards, which rarely arises, can be addressed through an ad hoc committee.
6. The Boards have an existing Policy on Joint Meetings that can be invoked by the Chairs and any individual Board member when there is a need for the Boards to discuss an issue together.

The Chairs recognize the good intentions behind the JOGC, which were motivated by a desire to enhance communication and decision-making on joint Board issues. The Boards have now tried the JOGC for several meetings. For the reasons set forth above, the Chairs believe that the JOGC is not the best mechanism to govern joint issues. Other tools, such as ad hoc committees and joint Board meetings, already exist and can be used when necessary. The Chairs do not perceive any “cons” to dissolving the JOGC. The Chairs understand that they will have to have good communication with each other to discuss pending issues and manage those that are of joint concern in an efficient and effective way tailored to specific matters that arise.

///

B. Staff's View.

LACERA staff, including the executive and legal teams, as well as all other parts of the organization, are prepared to support whatever governance model the Boards adopt. Staff functioned within the JOGC model, although it did add additional work and some inefficiencies. Staff supported the JOGC model when it was adopted by the Boards in 2017. However, staff would also be able to effectively support the Boards and LACERA without the JOGC, as staff did before the JOGC was formed. Staff has been sensitized to the need to proactively anticipate issues of joint Board interest and recommend appropriate processes to the Boards when required.

Joint meetings and ad hoc committees are the main vehicles open to address issues of mutual interest. The Boards have a sound Policy on Joint Meetings that was recently adopted in September 2016. Ad hoc committees are permitted under the Board of Retirement Regulations, the Board of Investments Bylaws, and the Brown Act. Joint issues may also be taken separately to the two Boards, accompanied by proper advance communication between the Chairs and staff.

In the final analysis, taking all relevant considerations into account, the Interim Chief Executive Officer, Chief Counsel, and outside fiduciary counsel, Harvey Leiderman, support the Chairs' current recommendation. The Boards' staff and fiduciary counsel do not believe that dissolution of the JOGC will hamper the ability of the Boards to perform their fiduciary responsibilities and effectively administer LACERA. The choice between "JOGC" and "no JOGC" is a question of discretion for the Boards in determining the governance process that best fits the Boards' needs and duties. There is no right or wrong choice from a governance or fiduciary perspective, so long as the chosen structure permits the Boards to prudently administer the system in a timely manner.

CONCLUSION

For the foregoing reasons, and based on the information provided above, the Board Chairs recommend that the Boards dissolve the JOGC, terminate its Charter and the Boards' prior delegation of duties to the JOGC, and rescind their September 11, 2017 action directing that the JOGC conduct the CEO recruitment. The former responsibilities of the JOGC will return to the Boards and their duly created committees for actions appropriate on a case-by-case basis, in accordance with applicable law and LACERA policy.

Attachments

Each Member, Board of Retirement and Board of Investments
Re: Dissolution of Joint Organizational Governance Committee
January 24, 2018
Page 8

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

Exhibit A

Policy on Joint Meetings

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
POLICY ON JOINT MEETINGS**

I. INTRODUCTION

This policy sets forth the procedures that the Board of Retirement and Board of Investments (collectively, Boards) will follow in holding joint meetings. The policy is intended to facilitate consideration of issues that require discussion and action by both Boards under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq.,¹ or where joint discussion is otherwise in the interest of administering the retirement system.

II. DEFINITIONS

For purposes of this policy, the following definitions apply:

- A. "Budget Issues"** means matters relating to adoption of and changes to the budget for the expenses of administering the retirement system in exercise of the power jointly given the Boards by Section 31580.2.
- B. "Personnel and Compensation Issues"** means matters relating to consideration, discussion, and adoption by the Boards of positions, compensation, revisions to the terms of the salary ordinance for LACERA employees, and other matters in exercise of the power jointly given the Boards under Sections 31522.1, 31522.2, and 31522.4, including, when necessary, adoption of a recommendation to the Los Angeles County Board of Supervisors with regard to such matters. The term includes employment litigation or claims concerning employees listed in Section 31522.2 and 31522.4 and the Chief Audit Executive; it does not include employment litigation or claims concerning employees within Section 31522.1, which will be administered by the Board of Retirement.
- C. "Other Joint Governance Issues"** means matters relating to formation of joint committees, recommendations from joint committees, joint policies, and all other matters which require joint action of the Boards under CERL or other governing law or which the Boards agree require Board action.
- D. "Issue" and "Issues"** means, individually and collectively, Budget Issues, Personnel and Compensation Issues, and Other Joint Governance Issues.

III. PROCEDURES

A. Methods of Requesting a Joint Meeting.

1. The Board Chairs and the Chief Executive Officer may confer concerning Issues to determine whether they should be brought, in the first instance,

¹ Except where indicated, all statutory references in this policy are to provisions of CERL.

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
POLICY ON JOINT MEETINGS**

to the Boards in separate meetings or to both Boards in a joint meeting, and if separately, in what order among the two Boards.

2. During consideration of an Issue first brought to the Boards separately, a Member of either Board may make a motion that action of the Member's Board be deferred pending a joint meeting of the two Boards on the Issue.
3. An individual Member of either Board may at any time request a joint meeting be held on an Issue. Such a request may be directed to the Member's Board Chair and the CEO for consideration under Section III.A.1 or may be made by motion to the Member's full Board.

B. Meeting Process.

1. If the Board Chairs agree under Section III.A.1 or if a motion for a joint meeting under Section III.A.2 or III.A.3 receives a majority vote of the Members of a Board who are present, a joint meeting of the Boards on the Issue will be held to consider the Issue. A joint meeting will be held even if one Board has already taken action on the Issue.
2. All joint meetings will be noticed and held in compliance with the Ralph M. Brown Act, Cal. Gov't Code §§ 54950 et seq., and Robert's Rules of Order.
3. All joint meetings will be scheduled for a date at which a quorum of Members of both Boards can reasonably be expected to be present. Joint meetings will alternate between regularly scheduled meeting dates of the two Boards, except when circumstances reasonably require that a different date be selected. The Board, and its Members, receiving a joint meeting request from the other Board will reasonably cooperate in participating in the joint meeting.
4. The Board Chairs and the CEO will confer to determine the agenda for joint meetings. The Board Chairs and the CEO will confer on who will preside over a joint meeting and other procedural matters relevant to the joint meeting.

C. Discussion and Action.

1. At a joint meeting, the Boards will jointly discuss the Issue for which the joint meeting has been noticed. The Boards will separately take action, if any, on the Issue during the meeting. Each Board Chair will preside over the making of a motion, action, and other procedural issues relevant to that Chair's Board.


Adopted: Board of Investments, September 14, 2016
Board of Retirement, September 15, 2016

EXHIBIT C

**February 23, 2018 Board Memo re
Status of JOGC Projects**

February 23, 2018

TO: Each Member
Board of Investments
Board of Retirement

FROM: Robert R. Hill 
Interim Chief Executive Officer

FOR: March 5, 2018 Board of Investments Meeting
March 15, 2018 Board of Retirement Meeting

SUBJECT: **Status and Plan for Joint Organizational Governance Committee Items**

Below is a list of items that were before the Joint Organizational Governance Committee when it was dissolved, and the plan for their resolution:

	Item	Status and Plan
1	Conduct CEO Search	The Board Chairs appointed an ad hoc committee of the Chairs and Vice Chairs of both Boards to manage the selection process; frequent updates will be provided to the Boards by the Interim CEO.
2	CIO Reporting Structure	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
3	Chief Counsel Reporting Structure	This item will be presented to both Boards for discussion and action at a future date.
4	Travel Policy Review	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
5	Broadcasting of Board Meetings	This item will be presented to both Boards for discussion and action at a joint Board meeting at a future date.
6	Revision of Boards' Sexual Harassment Policy	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
7	Boardroom Technology	Staff will engage both Boards as appropriate.

c: James Brekk Bernie Buenaflor Steven P. Rice
John Popowich Jon Gabel Johanna Fontenot

EXHIBIT D

**July 31, 2018 Board Memo from
Mr. Kelly re Reestablishment of JOGC**



JOSEPH KELLY
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and lacountypropertytax.com

July 31, 2018

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
JANICE HAHN
Fourth District
KATHRYN BARGER
Fifth District

The Board of Investments
The Los Angeles County Employee Retirement Association
300 North Lake Avenue
Pasadena, CA 91101

Attention: Ms. Linda El-Farra, Secretary

Dear Ms. El-Farra:

In accordance with Board regulations that permit Board members to request items be placed on the agenda in writing no later than noon of the fifth working day prior to any scheduled Board meeting, I respectfully request placement of the following item on the Board of Investment's Agenda for Wednesday, August 8.

IT IS RECOMMENDED THAT THE BOARD OF INVESTMENTS:

1. Reconstitute the Joint Organizational Governance Committee (JOGC) as a standing joint committee of both the Board of Retirement (BOR) and Board of Investments (BOI) and reassign to the JOGC all matters currently being considered by Ad Hoc Committees, with the exception of the Ad Hoc Committee overseeing the recruitment of the Retirement Administrator/Chief Executive Officer which will remain responsible for this recruitment at this time;
2. Revise the JOGC Charter, Section 8 Membership, Quorum, and Rules, as follows. (The revision is red-lined.)

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap. **In selecting their appointments, the Chairs will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired employees, and who serve in an ex-officio capacity. The Chairs will also consider continuity of service**

when selecting Committee members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit Committee goals.¹

3. Elect a JOGC Member.
4. Request the Interim Chief Executive Officer (CEO) engage Funston Consultants, the consultants who assisted the BOR and the BOI Ad Hoc Committee that recommended the formation of the JOGC, to undertake an evaluation of the JOGC's effectiveness in the fall 2019. Funston should allow for input by all trustees in the evaluation processes. When completed, the evaluation should be placed on a BOR and BOI agenda for discussion.

BACKGROUND

The formation of the JOGC several years ago was one of the most, if not the most, significant governance decisions the Boards have made. The approach the Boards took in evaluating their governance options was methodical, prudent, strategic and inclusive of professional consultant advice. In forming the JOGC, the Board did not delegate its authority for final actions on matters. The JOGC was to develop recommendations that would come before each Board for consideration. The membership of the JOGC was reasonable in number (eight trustees) and its make-up allowed for consideration of our different perspectives and experiences. The JOGC was also subject to the Ralph M. Brown Act. As a result, its deliberations and decisions were transparent to our members. Our commitment to the JOGC was a commitment to govern in an efficient, organized and transparent manner.

In our first meeting of this calendar year, the newly elected Chairs recommended dissolution of the JOGC. Each Board passed the recommended dissolution by a vote of five for and four against. Since the dissolution, the Chairs have formed three distinct Ad Hoc Committees in a row, each charged with a matter of importance. Today, we find ourselves managed through an "Ad Hoc-racy" that has questioned the Board's authority for final actions; limited representation of our diverse experiences in decision-making; compromised our ability to meet our members' expectation of transparency in our deliberations and decisions; and caused confusion and increased operational inefficiencies.

To be clear, in presenting these recommendations to you, I acknowledge that Ad Hoc Committees are permitted under the law, and their use in organizations is often appropriate. However, when compared against the benefits that accrue to the Board, to

LACERA and to LACERA's members by governing through the JOGC, the JOGC is a more effective, inclusive, efficient and transparent governance model.

¹ This language is sourced for the most part from the Board of Retirement's Standing Committee Charters, v. 11, approved by the Board of Retirement on April 13, 2017.

JUSTIFICATION FOR RECOMMENED ACTIONS

The recommended actions are justified by the following:

1. The need for the Board to re-assert its authority over final actions.

Through its Charter, approved unanimously by each Board, the JOGC was to be advisory to each Board. The Charter assigned the JOGC with the responsibility to review and make recommendations to each Board. The Charter purposely did not delegate final decision making to the JOGC. "Final action can only be taken by the Boards themselves" the Charter states.

Compare the authority of the Board under the JOGC with what we have seen with Ad Hoc Committee No. 2. After six meetings and two reports to the Board, both filed as information only on our Board agenda, Ad Hoc Committee No. 2 did not present recommendations to the Board for the Board's deliberation and decision. Ad Hoc Committee No. 2 decided the matter itself.

2. The need to affirm the importance of a committee's membership relative to the committee's objective(s).

This Board has a documented record of acknowledging the importance of a committee's membership to the committee's objective. In this Board's *Standing Committee Charters*, the Board acknowledged this important point when the Board wrote: *The BOR Chair will consider continuity of service when selecting Committee members so that development of expertise and familiarity with the subject matter is encouraged, and to benefit Committee goals.* In the same document, the Board also acknowledged the value different types of trustees bring to deliberations and decisions when the Board wrote: *"In selecting their appointments, the Chairs will endeavor to include an overall mix of ex-officio, appointed, elected, active, and retired members."*

The JOGC included appointed and elected members. By revising the JOGC Charter in the manner recommended, we ensure that the factors of continuity of service and diversity of representation are considered in JOGC appointments. As well, the elected member allows each of us an opportunity to participate in a democratic process related to membership.

By its definition, ad hoc signifies a solution designed for a specific problem or challenge. Ad Hoc Committees do not develop a solution that can be applied to another problem elsewhere. However, these matters assigned to the three Ad Hoc Committees have common threads among them. I believe that a group of eight trustees, some members of which are selected with continuity of service and diversity of representation in mind, is better suited to see the inter-connectedness of these matters and consider the inter-connectedness in their development of recommendations for consideration by the full Board.

3. The need to be more transparent in our deliberations and decisions.

The JOGC is a standing committee subject to the Ralph M. Brown Act, thereby ensuring the transparency of its deliberations and decisions and providing the Boards, LACERA and LACERA members with a mechanism to hold the JOGC and the Boards accountable for their deliberations and decisions.

Ad Hoc Committees are not subject to the Ralph M. Brown Act. Because of this there is no requirement that the Ad Hoc Committee post meeting agendas, allow for public comment, nor release meeting minutes. Each Ad Hoc Committee the Chairs formed in this "Ad hoc-racy" is charged with consideration of a very material matter. When faced with transparency or continued haziness, I believe the matters themselves require that we affirm transparency and give thanks that the haziness has cleared.

4. The implementation of the Ad Hoc Committee structure has been confusing and has resulted in operational inefficiencies.

The Chairs have revised the number of members on one Ad Hoc Committee to eight, but recently established another Ad Hoc Committee with six members. There was no explanation provided for the difference. The Chairs released meeting minutes for one Ad Hoc Committee, but not another. Further, the minutes it did release did not contain any indication that the minutes were reviewed or approved. These very recent actions were likely initiated in response to the lack of formal communication of Committee deliberations and decisions, a fact that appears to have frustrated trustees.

The Ad Hoc Committee structure has also resulted in an ever increasing number of meetings, including a significant number of Joint Board meetings. The Chairs scheduled Joint Board Meetings in four out of the five most recent months. Earlier this year, this Board's Chair and Vice Chair cited "too many meetings" as a justification for disbanding the JOGC; yet disbanding the JOGC has actually increased the number of Joint Board meetings.

Sincerely,



JOSEPH KELLY
Treasurer and Tax Collector

August 30, 2018

TO: Joint Governance Review Committee
 Board of Retirement *Board of Investments*
 Governance Review Committee *Governance Review Committee*
 Marvin Adams Joseph Kelly
 Alan Bernstein Wayne Moore
 Les Robbins David Muir
 Thomas Walsh Herman Santos
 Gina Zapanta-Murphy, Alternate Ronald Okum, Alternate

FROM: Steven P. Rice *SPR*
 Chief Counsel

FOR: September 5, 2018 Meeting of Joint Governance Review Committee,
 Board of Retirement Governance Review Committee and Board of
 Investments Governance Review Committee

SUBJECT: Need for Consultant and Selection Process

The committees may wish to consider whether there is a need to engage a consultant to assist in evaluating joint board governance and proposed solutions, and formulating a report and recommendation to the boards. The original Joint Organizational Governance Committee (JOGC) was developed with the assistance of a consultant, Funston Advisory Services. Other consultants provide similar services. Any consultant selection must be taken to the boards for approval.

The committees may also conclude that the knowledge and experience of the committee members, in conjunction with LACERA staff and fiduciary counsel, is sufficient to address the issues.

If the committees want to further consider selection of a consultant, staff requests that direction be provided, including scope of work and expectations, minimum qualifications, selection process, and work schedule.

c: Robert Hill Bernie Buenaflor
 James Brekk Jon Grabel
 John Popowich

