

AGENDA

A REGULAR MEETING OF THE BOARD OF RETIREMENT LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, MARCH 15, 2018

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

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of February 7, 2018
 - B. Approval of the Minutes of the Regular Meeting of February 15, 2018
- IV. OTHER COMMUNICATIONS
 - A. For Information
 - 1. Awards
 - 2. January 2018 All Stars
 - 3. Interim Chief Executive Officer's Report
(Memo dated February 26, 2018)
- V. PUBLIC COMMENT
- VI. CONSENT AGENDA
 - A. Ratification of Service Retirement and Survivor Benefit Application Approvals.

VI. CONSENT AGENDA (Continued)

- B. Request for an administrative hearing before a referee.
(Memo dated March 1, 2018)
- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice **Beverly Jacobs'** appeal for a service-connected disability retirement.
(Memo dated March 2, 2018)
- D. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice **Maria R. Martinez'** appeal for a service-connected disability retirement.
(Memo dated March 2, 2018)
- E. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice **Michael G. Reddy's** appeal for an earlier effective date.
(Memo dated March 2, 2018)
- F. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board authorize staff to:
 - 1) Execute Retiree Health Care Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles, (2) the South Coast Air Quality Management District, and (3) the Los Angeles County Office of Education; and
 - 2) Negotiate and execute a similar agreement with Little Lake Cemetery District without the need for further action by the Board.
(Memo dated February 28, 2018)
- G. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt the revised Legislative Policy.
(Memo dated February 27, 2018)
- H. Recommendation as submitted by Marvin Adams, Chair, Operations Oversight Committee: That the Board approve the Policy on Policies, Procedures, and Charters. (Memo dated February 28, 2018)

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VI. CONSENT AGENDA (Continued)

- I. Recommendation as submitted by Marvin Adams, Chair, Operations Oversight Committee: That the Board approve the LACERA Incident Response Team Charter. (Memo dated March 5, 2018)

VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

VIII. NON-CONSENT AGENDA

- A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve changing the time of the regular April 4, 2018 Board of Retirement disability meeting to 10:00 a.m., or following the end of the joint Board meeting to be held that morning but not later than 11:00 a.m. (Memo dated March 2, 2018)
- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt an “Oppose” position on Assembly Bill 2085, which provides a definition for surviving spouse. (Memo dated March 6, 2018)

IX. REPORTS

- A. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding an Update on AB 2076 – Effective Date of Disability Retirement. (Memo dated March 6, 2018)
- B. For Information Only as submitted by Robert R. Hill, Interim Chief Executive Officer, regarding the Status and Plan for Joint Organizational Governance Committee Items. (Memo dated February 23, 2018)
- C. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the February 2018 Fiduciary Counsel Contact and Billing Report. (Memo dated February 28, 2018) (Privileged and Confidential) (Attorney-Client Communication/Attorney Work Product)
- D. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated February 23, 2018)

X. REPORT ON STAFF ACTION ITEMS

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XI. GOOD OF THE ORDER
(For information purposes only)

XII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability

B. Referee Reports

C. Staff Recommendations

1. Recommendation as submitted by Eugenia W. Der, Senior Staff Counsel, Disability Litigation: That the Board find **Diana Lopez** permanently incapacitated for service-connected reasons and grant her a service-connected disability retirement.
(Letter dated February 21, 2018)

XIII. EXECUTIVE SESSION

A. Conference Legal Counsel - Existing Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

1. Mary Perez v. Board of Retirement
Case No. BS 165760 (L.A. Super. Ct.)
For Information Only
2. CalFire Local 2881 v. CalPERS, et al.,
Case No. S239958 (Cal. Sup. Ct.)
For Information Only
3. United States of America v. Gary Ordog
Case No. CV 17-1664-FMO (U.S. Dist. Ct., C.D. Cal.)

XIV. ADJOURNMENT

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Retirement Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

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

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, FEBRUARY 7, 2018

PRESENT: Vivian H. Gray, Chair
Herman Santos, Vice Chair
Marvin Adams, Secretary
Alan Bernstein
JP Harris (Alternate Retired)
Shawn R. Kehoe
Joseph Kelly
William Pryor (Alternate Member)
Les Robbins
Thomas Walsh
Gina Zapanta-Murphy

STAFF ADVISORS AND PARTICIPANTS

Robert R. Hill, Interim Chief Executive Officer
James Brekk, Interim Deputy Chief Executive Officer
Dr. Vito Campese, Medical Advisor
Steven P. Rice, Chief Counsel
Francis J. Boyd, Senior Staff Counsel
Legal Division

STAFF ADVISORS AND PARTICIPANTS (Continued)

Ricki Contreras, Division Manager
Disability Retirement Services

Tamara Caldwell, Specialist Supervisor
Disability Retirement Services

Jon Grabel, Chief Investments Officer

Vivian Schultz, Attorney at Law

Cristal Rodriguez, Disability Program Manager
Santa Barbara County Employees Retirement Association

I. CALL TO ORDER

The meeting was called to order by Ms. Gray at 9:01 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of January 11, 2018

Mr. Santos made a motion, Mr. Walsh seconded, to approve the minutes of the regular meeting of January 11, 2018. The motion passed with Mr. Kehoe abstaining.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. CONSENT AGENDA

Mr. Pryor made a motion, Mr. Adams seconded, to approve the following agenda items. The motion passed unanimously.

- A. Ratification of Service Retirement and Survivor Benefit Application Approvals.
- B. Request for an administrative hearing before a referee.
(Memo dated January 22, 2018)
- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice **Cesar Chavez's** appeal for a service-connected disability retirement.
(Memo dated January 17, 2018)

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement

Service-Connected Disability Applications

On a motion by Mr. Kehoe, seconded by Mr. Kelly, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

<u>APPLICATION NO.</u>	<u>NAME</u>
743C	FATIMA L. MACIAS-ESPLANA
744C	TODD E. TAYLOR
745C*	DANIEL K. DEBO
746C	KEVIN S. COYLE

* Granted SCD – Employer Cannot Accommodate

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement (Continued)

Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
747C	DEREK K. SILL
748C*	SUSAN L. CANDIFF
749C*	GERARD J. PATTERSON
750C	MICHAEL T. ROSSON
751C	JEFFREY A. COCHRAN
752C	FRANK A. CHAVARRIA
753C*	RAY C. HUANG
754C	MICHAEL P. WOLFE
755C	RICHARD R. DUDGEON
756C**	JAMES R. NORVILLE, II
757C	GABRIELLA O. ALVAREZ
758C	SHELLEY L. JONES
759C	RICHARD E. COHEN
760C	PATRICIA S. ROMERO
762C	LAUREN R. BROWN
763C	JEFFREY J. YORK
764C*	TAMMI L. SQUIRES

* Granted SCD – Employer Cannot Accommodate

** Granted SCD - Retroactive

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR
(Continued)

Safety Fire, Lifeguards
Service-Connected Disability Applications

On a motion by Mr. Santos seconded by Mr. Adams, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

<u>APPLICATION NO.</u>	<u>NAME</u>
1930A	BRIAN P. NICHOLSON
1931A	DENNIS E. MORALES
1932A	ROBERT K. HEMSLEY
1933A	MARK W. VALANCE
1934A	CHARLES A. CLIFT
1935A	GREGORY M. LOPEZ
1936A	GREG A. RIGAUD
1937A	DANA A. PROVOST
1938A	TROY R. FLATH
1939A	ROBERT J. RYAN
1940A	STEPHEN M. RAMEY
1941A	LAWRENCE R. COLLINS
1942A	ARTHUR J. ELLIS

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Fire, Lifeguards (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
1943A	PHILIP A. COCKER
1944A	GUY L. ASKINS
1945A	ALBERT BUSTILLOS
1946A	TIMOTHY D. ROBERTSON
1947A	ANDREW E. GRZYWA
1948A	GLENN A. GOULET
1949A	STEVEN P. ARNOLD

General Members
Service-Connected Disability Applications

On a motion by Mr. Santos seconded by Mr. Adams, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

<u>APPLICATION NO.</u>	<u>NAME</u>
2790B*	VICTORIA M. OGinni
2791B	KEVIN R. GIBSON
2792B	MICHAEL C. CABRERA
2793B**	MARIA G. AGUILAR

* Granted SCD – Employer Cannot Accommodate

** Granted SCD – Salary Supplemental

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

General Members (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
2794B*	LIV C. ENGELS
2795B**	SARAH L. SIMS
2796B***	JORGE L. ESCOBEDO, JR.

VII. REPORTS

- A. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated January 18, 2018)

This item was received and filed.

VIII. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

IX. GOOD OF THE ORDER
(For information purposes only)

Mr. Kehoe announced that that he has been recognized by the National Association Corporate Directors as a Board Leadership Fellow.

The Board shared their positive feedback as it relates to the Board Offsite.

Mr. Grabel shared and provided the Board an update on the recent changes in the market.

* Granted SCD – Retroactive

** Granted SCD – Retroactively since the Employer Cannot Accommodate

*** Granted SCD – Employer Cannot Accommodate

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability

Chair Gray requested that the Board handle those cases that were pulled off the Consent Calendar first.

APPLICATION NO. & NAME

BOARD ACTION

6980A – DIANE SANTIAGO

(This case was held in Open Session.)

Mr. Kehoe made a motion, Mr. Adams seconded, to grant a non-service connected disability pursuant to Government Code Section 31720.

Ms. Gray made a substitute motion, Mr. Santos seconded, to return to staff for additional information. The motion passed unanimously.

6997A – JULIE P. MALONZO

This item was pulled by staff for further development.

6998A – JUN CHANG

Mr. Bernstein made a motion, Mr. Santos seconded, to grant a non-service connected disability pursuant to Government Code Section 31720.

Ms. Gray made a substitute motion, Mr. Adams seconded, to return to staff for additional information. The motion passed with Mr. Bernstein voting no and Mr. Santos abstaining.

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Applications for Disability (Continued)

APPLICATION NO. & NAME

BOARD ACTION

6999A – ROBERT M. TOMLINSON (DEC'D)

Mr. Adams made motion, Mr. Kehoe seconded, to deny a service connected disability survivor benefit pursuant to Government Code Section 31722. The motion passed unanimously.

6656A – CHIU HONG YEE*

Mr. Bernstein made a motion, Mr. Pryor seconded, to grant a service connected disability retirement pursuant to Government Code Section 31720 since the employer cannot accommodate. The motion passed unanimously.

2797B – G4102DRSM

Mr. Robbins made a motion, Mr. Adams seconded to grant a service connected disability retirement since the employer cannot accommodate. The motion passed unanimously.

765C- M6103DRSA

Mr. Kehoe made a motion, Mr. Robbins seconded, to grant a service connected disability retirement. The motion passed unanimously.

766C – R6104DRSG

Mr. Adams made a motion, Mr. Kehoe seconded to grant a service connected disability retirement since the employer cannot accommodate. The motion passed unanimously.

* Applicant Present

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

C. Referee Reports (Continued)

APPLICATION NO. & NAME

BOARD ACTION

MICHELLE J. SILVERMAN – Thomas Wicke for the applicant
Allison E. Barrett for the respondent

Mr. Santos made a motion, Mr. Adams seconded, to grant a service connected disability retirement and deny the option of an earlier effective date. The motion passed unanimously.

LEMOYNE JOSEPH – In Pro Per
Eugenia W. Der for the respondent

Mr. Adams made a motion, Mr. Santos seconded, to grant a service connected disability retirement. The motion passed unanimously.

D. Staff Recommendations

1. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board close the application of **Kathleen M. Mitchell** for a disability retirement. (Memo dated January 17, 2017)

Mr. Santos made a motion, Ms. Gray seconded, to approve the agenda item. The motion passed unanimously.

2. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board reject the application of **Lisa Tatum** for processing. (Memo dated January 19, 2018)

Mr. Kehoe made a motion, Mr. Adams seconded, to approve the agenda item. The motion passed unanimously.

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

D. Staff Recommendations (Continued)

3. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services regarding the 4th Quarter Report of Paid Invoices for October 1, 2017 – December 31, 2017. (Memo dated January 19, 2018)

This report was received and filed.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:42 a.m.

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

1. Retirement Board Listing dated February 7, 2018

MARVIN ADAMS, SECRETARY

VIVIAN H. GRAY, CHAIR

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, FEBRUARY 15, 2018

PRESENT: Herman Santos, Acting Chair
Marvin Adams, Secretary
Alan Bernstein
Shawn R. Kehoe
Joseph Kelly
William Pryor (Alternate Member)
Les Robbins
Thomas Walsh
Gina Zapanta-Murphy

ABSENT: Vivian H. Gray, Chair
JP Harris (Alternate Retired)

STAFF ADVISORS AND PARTICIPANTS

Robert R. Hill, Interim Chief Executive Officer
James Brekk, Interim Deputy Chief Executive Officer
Steven P. Rice, Chief Counsel
Harvey Leiderman, Reed Smith LLP, Outside Fiduciary Counsel
Leisha Collins, Principal Internal Auditor

STAFF ADVISORS AND PARTICIPANTS (Continued)

Beulah S. Auten, Chief Financial Officer

Ted Granger, Assistant Chief Financial Officer

I. CALL TO ORDER

The meeting was called to order by Mr. Santos at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

Mr. Santos led the Board and staff in a moment of silence in memory of the victims of the Florida school shooting.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of January 30, 2018

Mr. Robbins made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of January 30, 2018. The motion passed unanimously.

B. Approval of the Minutes of the Special Meeting of January 31, 2018

Mr. Robbins made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of January 31, 2018. The motion passed unanimously.

III. APPROVAL OF MINUTES (Continued)

C. Approval of the Minutes of the Special Meeting of February 1, 2018

Mr. Adams made a motion, Mr. Kehoe seconded, to approve the minutes of the special meeting of February 1, 2018. The motion passed with Messrs. Santos, Adams, Bernstein, Kehoe, Kelly, Pryor, and Walsh and Ms. Zapanta-Murphy voting yes, and Mr. Robbins abstaining.

IV. OTHER COMMUNICATIONS

A. For Information

1. Awards

Renee Pasque was recognized for her 45 years of County service.

2. December 2017 All Stars

Mr. Brekk announced the eight winners for the month of December: Imelda Saldivar, Allison Barrett, Letha Williams-Martin, Ana Chang, Marilu Bretado, Ervin Wu, Linda Ghazarian, and Jan Bautista for the Employee Recognition Program and Ted Granger for the Webwatcher Program. Tionna Fredericks, Maisha Coulter, Margaret Chwa, and Ricardo Salinas were the winners of LACERA's RideShare Program.

3. Interim Chief Executive Officer's Report
(Memo dated February 5, 2018)

Mr. Hill shared that an ad-hoc committee has been established to handle the CEO search and consists of Vivian Gray, BOR Chair; Herman Santos, BOR Vice Chair; David Green, BOI Chair; and Shawn Kehoe, BOI Vice Chair.

Mr. Hill provided an update regarding the LACERA OPEB account. Mr. Hill

IV. OTHER COMMUNICATIONS

A. For Information

3. Interim Chief Executive Officer's Report (Continued)

informed the Board that LACERA has received a redemption notice from the Los Angeles County Superior Court, requesting to use approximately \$1.245 million each month for a three month period, from March 2018 through May 2018.

Furthermore, Mr. Hill shared the positive feedback received from Board members regarding the 2018 Board Offsite. In addition, he shared that there were several items that he will be following up on including Board members request for management fees to be incorporated in staff's analysis; analysis and discussion on our Committee structure; transparency on costs for consultants; in depth review of the Education and Travel Policy; a review of the responsibilities previously assigned to the Joint Operational Governance Committee and the new responsible party and work plan for those items; and the lifetime cap on certain indemnity insurance plans.

Lastly, Mr. Hill highlighted the participation of the students from Crenshaw High School's Business and Entrepreneurship Academy and mentors from the F.A.S.T. Program that were present at the Board of Investments meeting.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CONSENT AGENDA

Mr. Kehoe made a motion, Mr. Adams seconded, to approve the following agenda item. The motion passed unanimously.

- A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the IACP Technology Conference on May 21-23, 2018 in Providence, Rhode Island and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated February 5, 2018) (Placed on the agenda at the request of Mr. Kehoe)

VII. NON-CONSENT AGENDA

- A. Recommendation as submitted by Richard Bendall, Chief Audit Executive Officer: That the Board elect a new member to the Audit Committee. (Memo dated January 19, 2018)

Leisha Collins was present to answer questions from the Board.

Mr. Robbins made a motion, Mr. Adams seconded, to elect Mr. Kelly as the Board's Audit Committee member. The motion passed unanimously.

- B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the ballot entitled "Powers and Duties of Retirement Board Members," which will be included with the ballot materials for the election of the Third Member of the Board of Retirement and posted on lacera.com. (Memo dated February 5, 2018)

Mr. Rice was present to answer questions from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve the agenda item with the following revisions to the Powers and Duties of Retirement Board Members:

- (1) Paragraph 10 of Board Member Responsibilities (Education) to be revised to create a new paragraph 11, which will

VII. NON-CONSENT AGENDA (Continued)

include, “Board members may participate in state and national pension and investment related organizations, including serving as an executive or committee member in these organizations;” and (2) Conflicts of Interest section to be revised to add information regarding the duty of disclosure, penalties for violation of conflict rules, and a link to the Fair Political Practices Commission website. The motion passed unanimously.

- C. Recommendation as submitted by Ted Granger, Assistant Chief Financial Officer: That the Board determine the Consumer Price Index changed by 3.61% (or when rounded to the nearest one-half of 1.00% as the COLA benefit rules require, 3.50%: the LACERA 2018 COLA Award), and approve cost-of-living increases and respective COLA Accumulation adjustments for retired LACERA members and beneficiaries, based on retirement plan and date of retirement or death, to become effective April 1, 2018 in accordance with applicable California Government Code Sections.
(Memo dated January 23, 2018)

Mr. Bernstein made a motion, Mr. Kelly seconded, to approve the recommendation. The motion passed unanimously.

- D. Recommendation as submitted by Ted Granger, Assistant Chief Financial Officer: That the Board determine the Consumer Price Index changed by 5.65% for the last two calendar years ended December 2017, and adjust the compensation for the review and analysis of disability retirement cases to \$118 per day for an eight-hour day, effective April 1, 2018.
(Memo dated January 24, 2018)

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve staff’s recommendation in addition to reviewing the stipend amount as it compares to Los Angeles County’s minimum wage and bring the issue to the Insurance, Benefits & Legislative Committee and both Boards. The motion passed unanimously.

VIII. REPORTS

These reports were received and filed.

- A. For Information Only as submitted by Beulah S. Auten, Chief Financial Officer, regarding the Semi-Annual Interest Crediting for Reserves as of December 31, 2017. (Memo dated January 23, 2018)
- B. For Information Only as submitted by Robert R. Hill, Interim Chief Executive Officer, regarding the SACRS Board of Director Elections. (Memo dated January 31, 2018)

IX. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

X. GOOD OF THE ORDER (For information purposes only)

Mr. Brekk announced that there will be a new version of the CEO Report highlighting the metric section of the report.

XI. EXECUTIVE SESSION

- A. Conference Legal Counsel - Existing Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

- 1. United States of America v. Gary Ordog
Case No. CV 17-1664-FMO (C.D. Cal.)

The Board did not meet during Executive Session since there was no update and nothing to report for this item.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:26 a.m.

February 15, 2018

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MARVIN ADAMS, SECRETARY

VIVIAN H. GRAY, CHAIR



February 26, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Robert R. Hill 
Interim Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

I am pleased to present the Chief Executive Officer's Report that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and an educational calendar.

March Madness

We refer to the period beginning in December through the end of March as "March Madness" because retirements tend to spike during this period as members desire to retire in time to be eligible for any April 1ST cost-of-living adjustment (COLA) that may be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in the Chief Executive Officer's report. There are two key statistics we track during this time of year.

How well are we keeping up with our member's requests to retire? The chart below shows the total number of pending retirement elections. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those which will require special handling (i.e. legal splits and those with uncompleted service credit purchases).

Retirement Month	Retirement Elections
December 2017	0
January 2018	3
February 2018	19
March 2018	260
Pending Disability Cases	71
Total Pending	353

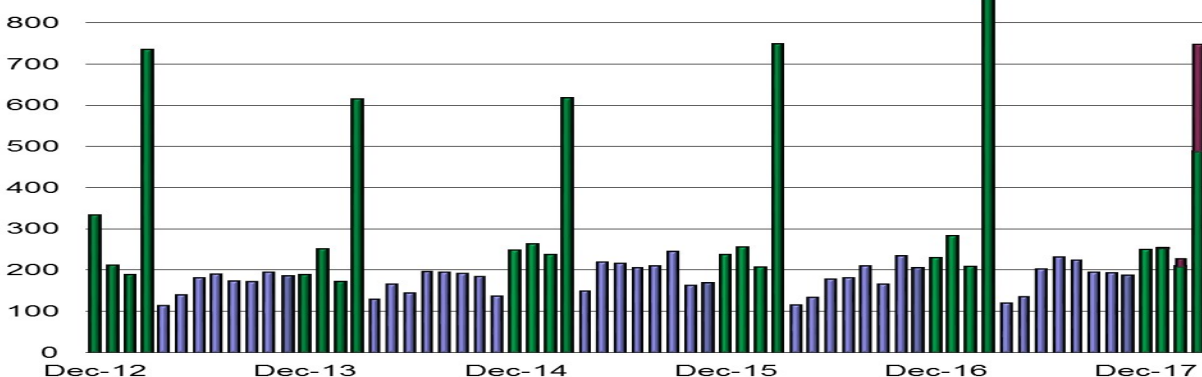
The 282 retirement elections not completed for December - March are pending for the following reasons: pending member action (usually waiting for a signed election) (1), additional research or information required (2), pending processing (279).

The Pending Disability Cases represents the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board, the Benefits Division staff work with the member and their employer to select a disability effective date, determine the member's option election, and bring them on payroll. These disability cases are pending for the following reasons: pending a decision on the effective date (13), currently in process (13), and waiting for an action by the member (45). These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with service retirements, some cases have mitigating factors such as legal splits and uncompleted purchases which can also extend processing. We expect to successfully meet the retirement agenda deadlines for a majority of our March Madness retirees.

The second key statistic is the volume of retirements during the year, and especially during March Madness. This gives us an indication on the severity of the stress being placed on our capacity to meet our various member service requests and demands placed upon our staff.

The green bars in the following chart reflect those members who have been approved to retire (i.e., their retirement elections have been approved and completed). The red bars reflect those cases that have not been processed as of the date of this report. As of February 22, 2018, we have processed 1,199 out of 1,481 retirements for the March Madness period so far. Comparing the total processed and pending per month we are running on par for the five-year average (last five completed years) for December (249 vs. avg. of 247), and on par for January (256 vs. avg. of 253), and above average for February (228 vs. avg. of 202). March (748 vs. avg. of 716) is still in play and running above average. Putting this into perspective, during last year's March Madness 1,588 members retired, which was higher than the rolling five-year average of 1,418 (the five year averages may change from month to month as disability cases are processed due to retroactive retirement dates).

Rolling Five Year March Madness Trends



New CEO Report Dashboard

This month we are happy to introduce the new CEO Report Dashboard. The new report has been updated with a new look and feel that modernizes the report, making it easier to read at a glance. The report focuses on metrics presented in five key areas that we felt would be important to the Boards in their oversight functions:

Striving for Excellence in Service: This area brings together all the service related metrics from Member Services, RHC, Disability Retirement Services, and Disability Litigation. Where appropriate we have also added trend data such as the Key Performance Indicator for the Member Services Call Center.

Striving for Excellence in Quality: This area provides key data from our Quality Assurance division to provide you with insights on how well we are meeting our critically important quality metrics.

Member Snapshot: This area re-packages the traditional membership information that you are familiar with seeing every month. Our hope is this section is now more reader friendly.

Key Financial Metrics: This area also re-packages the traditional financial information you are used to seeing. We have also added a new payroll trend graph. Again, our hope is this section is now more reader friendly.

Coming Soon: We are working to identify additional metrics that the Boards may be interested in seeing.

Over the next two months we will be presenting the new CEO Report Dashboard along with the old metrics report until the transition is complete.

Striving for Excellence in Service

Outreach Attendance
3,094
 21,700 YTD

Outreach Events
22
 263 Year-to-Date

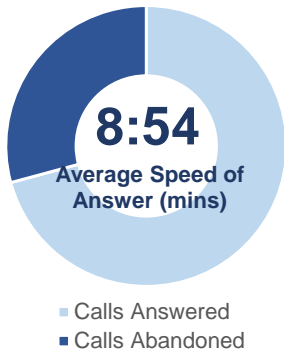
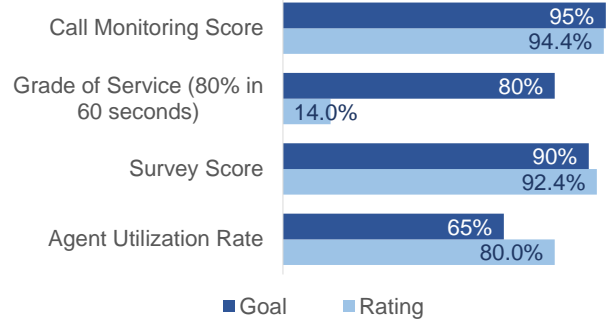
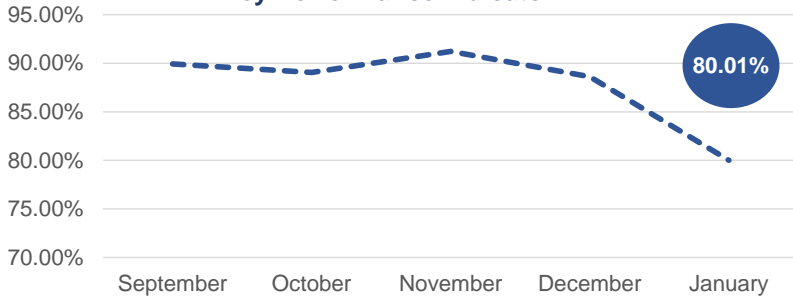
Outreach Satisfaction
100.0%
 0.0% Since Last Mo.

Member Services Center
100.0%
 0.0% Since Last Mo.

Member Services Calls
16,818
 12,150 3 Mo. Avg.

Key Performance Indicator

Member Services

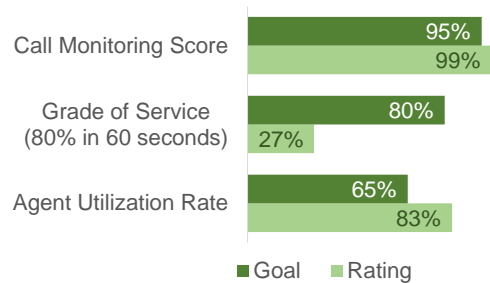


Top Calls

1. Workshop Info/Appointments Inquiry
2. Insurance Benefits: General Info
3. My LACERA: Portal Login Issues



522 Emails
9:07 hours
 Avg. Response Time (ART)



Retiree Healthcare



Top Calls

1. Part B Premium Reimbursement
2. Medical Benefits - General Inquiries
3. Medical-New Enroll./Change/Cancel



805 Emails
2 day
 Avg. Response Time (ART)

Applications

613
 On Hand

- 35 Received
- 315 Year-to-Date
- 0 Re-opened
- 1 Year-to-Date
- 53 To Board - Initial
- 274 Year-to-Date
- 7 Closed
- 43 Year-to-Date
- 588 In Process
- 588 Year-to-Date

Appeals

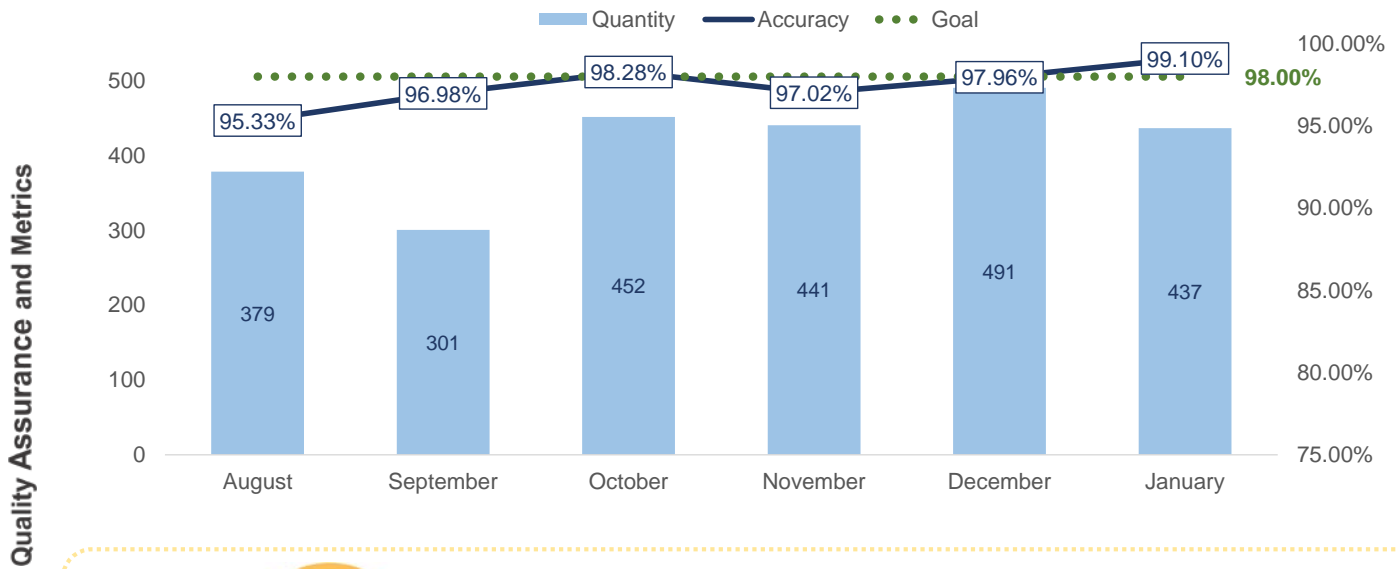
123
 On Hand

- 2 Received
- 21 Year-to-Date
- 2 Admin Closed/Rule 32
- 15 Year-to-Date
- 2 Referee Recommended
- 8 Year-to-Date
- 1 Revised/Reconsidered for Granting
- 3 Year-to-Date
- 120 In Process
- 120 Year-to-Date

Disability

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry



January 2018



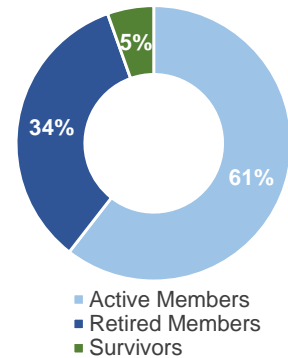
Retirement Elections
300 Samples
98.74% Accuracy

Payment Contracts
47 Samples
100.00% Accuracy

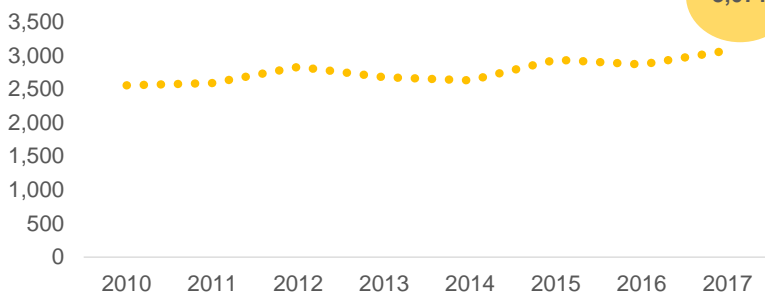
Data Entry
90 Samples
98.55% Accuracy

Member Snapshot

		Members as of 12/27/2017				
		Plan	Active	Reti	Survivors	Total
General	Plan A		161		4,576	22,730
	Plan B		53		67	807
	Plan C		63		62	548
	Plan D		44,393		1,254	59,131
	Plan E		18,989		1,037	32,107
	Plan G		21,658		0	21,667
	Total General			85,317		6,996
Safety	Plan A		7		1,575	7,138
	Plan B		10,585		267	15,862
	Plan C		2,317		0	2,321
	Total Safety			12,909		1,842
TOTAL MEMBERS			98,226		8,838	162,311



Retirements Per Year



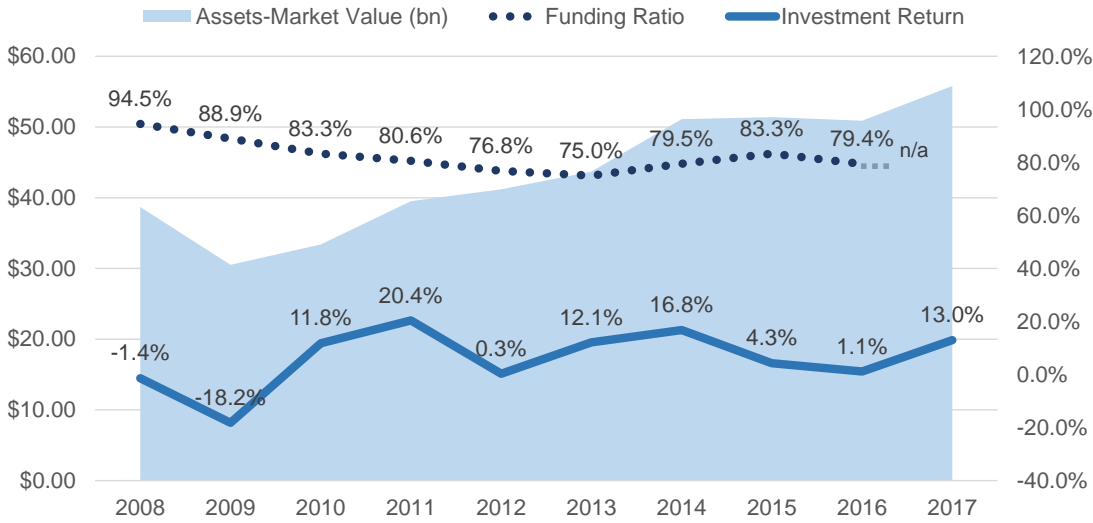
Healthcare Program (YTD)

	Employer	Member
Medical	\$276.06m	\$23.38m
Dental	\$24.72m	\$2.55m
Part B	\$33.12m	xxxx
Total	\$333.9m	\$25.94m

Healthcare Enrollments (Monthly)

	Medical	Dental	Part B	LTC	Total
Medical	49,193				
Dental		50,309			
Part B			32,927		
LTC				697	
Total					133,126

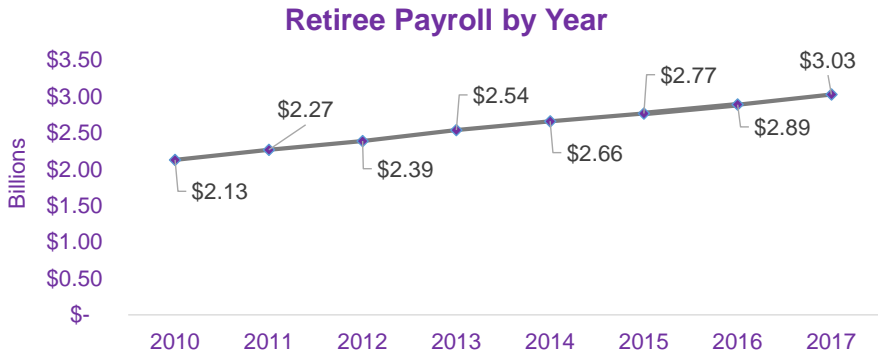
Key Financial Metrics



Funding Metrics (as of 6/30/17)		
Employer NC		9.97%
UAAL		9.73%
Assumed Rate		7.25%
Star Reserve		\$614m
Total Assets		\$52.7b

Contributions (as of 6/30/17)		
	<u>Employer</u>	<u>Member</u>
Annual Add	\$1331.4m	\$526.6m
% of Payroll	19.70%	6.65%

Retired Members Payroll	
Monthly Payroll	\$266.03m
Payroll YTD	\$1.9b
New Retired Payees Added	330
Seamless %	100.00%
New Seamless Payees Added	1,954
Seamless YTD	99.69%
By Direct Deposit %	4.00%
By Direct Deposit %	96.00%



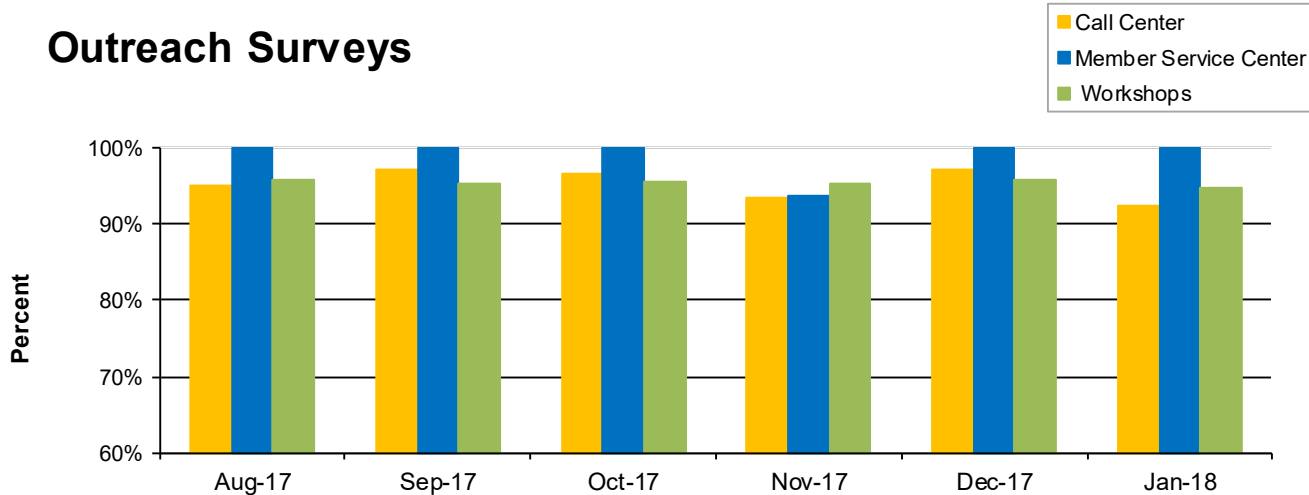
MORE COMING SOON!

LACERA's KEY BUSINESS METRICS

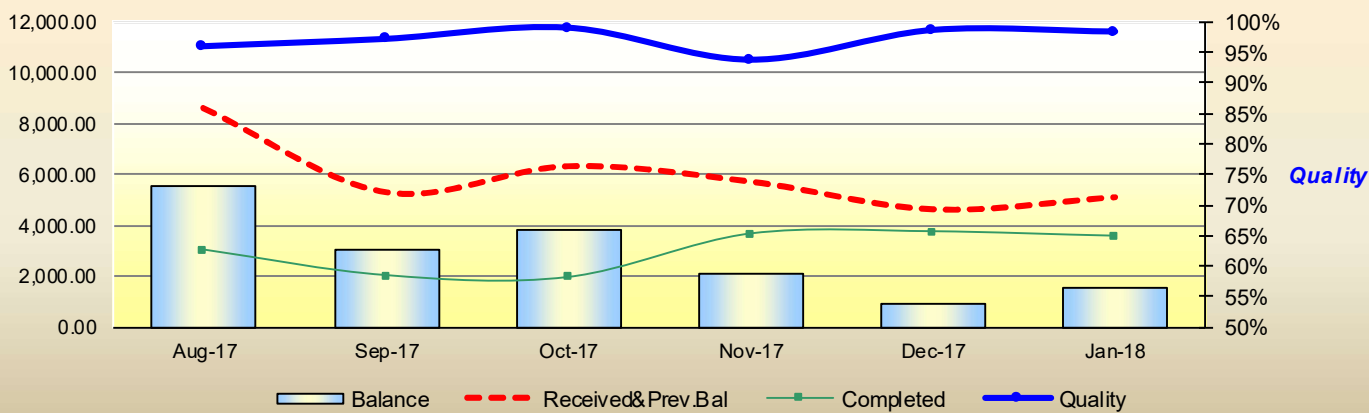
OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	3	103	113	5,678
Mid Career	0	7	0	234
New Member	10	89	236	1,898
Pre-Retirement	7	55	168	1,472
General Information	1	3	227	342
Retiree Events	1	6	14	626
Member Service Center	Daily	Daily	2,336	11,450
TOTALS	22	263	3,094	21,700

Outreach Surveys



Benefits and Member Services Production and Quality Summary (Rolling 6 Months)



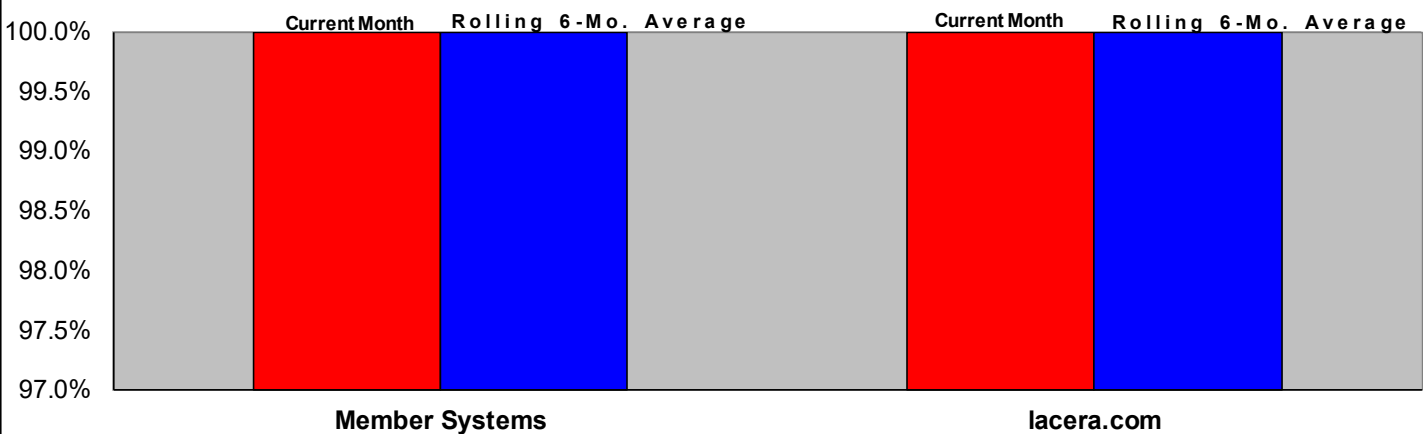
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)		80.01%		
Category	Goal	Rating		Member Services
Call Center Monitoring Score	95%	94.40%	99%	1) Workshop Info./Appointments: Inquiry
Grade of Service (80% in 60 seconds)	80%	14%	27%	2) Insurance Benefits: General Info
Call Center Survey Score	90%	92.38%	xxxxx	3) My LACERA: Portal Login Issues
Agent Utilization Rate	65%	80%	83%	
Number of Calls		16,818	7,102	Retiree Health Care
Number of Calls Answered		11,907	5,583	1) Part B Premium Reimbursement
Number of Calls Abandoned		4,911	1,518	2) Medical Benefits - General Inquiries
Calls-Average Speed of Answer (hh:mm:ss)		00:08:54	00:10:02	3) Medical-New Enroll./Change/Cancel
Number of Emails		522	805	
Emails-Average Response Time (hh:mm:ss)		09:07:12	(Days) 2	Adjusted for weekends

LACERA's KEY BUSINESS METRICS

Fiscal Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets-Market Value	\$38.7	\$30.5	\$33.4	\$39.5	\$41.2	\$43.7	\$51.1	\$51.4	\$50.9	\$55.8
Funding Ratio	94.5%	88.9%	83.3%	80.6%	76.8%	75.0%	79.5%	83.3%	79.4%	n/a
Investment Return	-1.4%	-18.2%	11.8%	20.4%	0.3%	12.1%	16.8%	4.3%	1.1%	13.0%

DISABILITY INVESTIGATIONS						
APPLICATIONS	TOTAL	YTD		APPEALS	TOTAL	YTD
On Hand	613	xxxxxxx		On Hand	123	xxxxxxx
Received	35	315		Received	2	21
Re-opened	0	1		Administratively Closed/Rule 32	2	15
To Board – Initial	53	274		Referee Recommendation	2	8
Closed	7	43		Revised/Reconsidered for Granting	1	3
In Process	588	588		In Process	120	120

SYSTEMS AVAILABILITY - JANUARY 2018



Active Members as of 2/22/18		Retired Members/Survivors as of 2/22/18			Retired Members	
		Retirees	Survivors	Total		
General-Plan A	161	17,993	4,576	22,569	Monthly Payroll	266.03 Million
General-Plan B	53	687	67	754	Payroll YTD	1.9 Billion
General-Plan C	63	423	62	485	No. Monthly Added	330
General-Plan D	44,393	13,484	1,254	14,738	Seamless %	100.00%
General-Plan E	18,989	12,081	1,037	13,118	No. YTD Added	1,954
General-Plan G	21,658	9	0	9	Seamless YTD %	99.69%
Total General	85,317	44,677	6,996	51,673	Direct Deposit %	96.00%
Safety-Plan A	7	5,556	1,575	7,131		
Safety-Plan B	10,585	5,010	267	5,277		
Safety-Plan C	2,317	4	0	4		
Total Safety	12,909	10,570	1,842	12,412		
TOTAL ACTIVE	98,226	TOTAL RETIRED	55,247	8,838		

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	276,061,366	23,389,699
Dental	24,723,072	2,550,346
Med Part B	33,123,861	xxxxxxxxxx
Total Amount	\$333,908,299	\$25,940,045

Funding Metrics as of 6/30/17	
Employer Normal Cost	9.97%*
UAAL	9.73%*
Assumed Rate	7.25%*
Star Reserve	\$614 million
Total Assets	\$52.7 billion

Health Care Program Enrollments (Monthly)	
Medical	49,193
Dental	50,309
Med Part B	32,927
Long Term Care (LTC)	697

Member Contributions as of 6/30/17	
Annual Additions	\$526.6 million
% of Payroll	6.65%*

Employer Contributions as of 6/30/17	
Annual Addition	\$1,331.4 million
% of Payroll	19.70%*

*Effective July 1, 2017, as of 6/30/16 actuarial valuation.

Date	Conference
April, 2018	
9-11	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Naples, FL
10-11	Pension Bridge Annual Conference San Francisco, CA
16-18	CRCEA (California Retired County Employees Association) Spring Conference Santa Barbara, CA
17-18	National Association of Corporate Directors (NACD) Global Cyber Forum Geneva, Switzerland
23-26	Portfolio Concepts & Management (<i>prev. Fundamentals of Money Management</i>) Wharton School, University of Pennsylvania
25-27	Institutional Investor – Public Funds Roundtable Los Angeles, CA
29-May 2	World Healthcare Congress Washington D.C.
29-May 2	Milken Institute Global Conference Beverly Hills, CA
30-May 2	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Denver, CO
May, 2018	
6-9	Government Finance Officers Association (GFOA) Annual Conference St. Louis, MO
13-16	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference New York, NY
15-17	UCLA Anderson Executive Education – Corporate Governance Program Los Angeles, CA
15-18	SACRS Anaheim, CA
21-22	IFEBP (International Foundation of Employment Benefit Plans) Legislative Update Washington D.C.
21-23	IACP Technology Conference Providence, RI
21-25	Investment Strategies & Portfolio Management (<i>prev. Pension Fund & Investment Mgmt.</i>) Wharton School, University of Pennsylvania



March 1, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager
Disability Retirement Services

SUBJECT: **APPEAL FOR THE BOARD OF RETIREMENT'S MEETING
OF MARCH 15, 2018**

IT IS RECOMMENDED that your Board grant the appeal and request for administrative hearing received from the following applicant, and direct the Disability Retirement Services Manager to refer the case to a referee:

6995A Gretchen A. Mos In Pro Per Deny SCD


RC:kw

Memo. New Appeals.docx



March 2, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Manager 
Disability Retirement Services Division

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: DISMISS WITH PREJUDICE THE APPEAL OF BEVERLY JACOBS

Ms. Beverly Jacobs applied for service-connected disability retirement on September 11, 2015. On January 4, 2017, the Board denied her application for service-connected disability retirement.

Ms. Beverly Jacobs filed a timely appeal. On February 23, 2018, Ms. Jacobs signed a voluntary withdrawal letter advising LACERA that she does not wish to proceed with her appeal.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

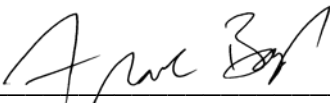
Dismiss with prejudice Beverly Jacobs' appeal for service-connected disability retirement.

FJB: RC: mb

Jacobs, Beverly-DenySCD_InProPer R.docx

Attachment

NOTED AND REVIEWED:



Francis J. Boyd, Sr. Staff Counsel

Date: 3/5/18



March 2, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Manager 
Disability Retirement Services Division

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **DISMISS WITH PREJUDICE THE APPEAL OF MARIA R. MARTINEZ**

Ms. Maria R. Martinez applied for service-connected disability retirement on June 24, 2016. On November 9, 2017, the Board denied her application for service-connected disability retirement.

Ms. Maria R. Martinez filed a timely appeal. On February 25, 2018, Ms. Martinez signed a voluntary withdrawal letter advising LACERA that she does not wish to proceed with her appeal.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

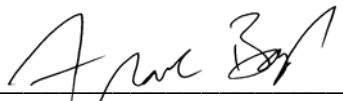
Dismiss with prejudice Maria R. Martinez' appeal for service-connected disability retirement.

FJB: RC: mb

Martinez, Maria-DenySCD_InProPer R.docx

Attachment

NOTED AND REVIEWED:



Francis J. Boyd, Sr. Staff Counsel

Date: 3/5/18



March 2, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Manager 
Disability Retirement Services Division

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: DISMISS WITH PREJUDICE THE APPEAL OF MICHAEL G. REDDY

Mr. Michael G. Reddy applied for a service-connected disability retirement on October 23, 2015. On July 6, 2016, the Board granted his application for a service-connected disability retirement.

Mr. Reddy's attorney filed a timely appeal regarding the effective date of Mr. Reddy's service-connected disability retirement. On January 23, 2018, the applicant's attorney advised LACERA that his client did not wish to proceed with his appeal.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

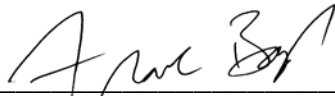
Dismiss with prejudice Michael G. Reddy's appeal for an earlier effective date.

FJB: RC: mb

Reddy, Michael G.-EED_Attorney.docx

Attachment

NOTED AND REVIEWED:



Francis J. Boyd, Sr. Staff Counsel

Date: 3/5/18

February 28, 2018

TO: Each Member,
Board of Retirement

FROM: Insurance, Benefits & Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman B. Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **AGENCY RHC PROGRAM ADMINISTRATION AGREEMENTS**

RECOMMENDATION

That the Board of Retirement (Board) authorize staff to:

1. Execute Retiree Health Care (RHC) Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles (LAFCO), (2) the South Coast Air Quality Management District (SCAQMD), and (3) the Los Angeles County Office of Education (LACOE); and
2. Negotiate and execute a similar agreement with Little Lake Cemetery District (Little Lake) without the need for further action by the Board.

LEGAL AUTHORITY

LACERA has authority under the 1982 Agreement, and its modifications (all discussed below), to administer the Retiree Healthcare Program for the County of Los Angeles (County). The program was established and exists pursuant to Government Code Section 31691 of the County Employees Retirement Law of 1937 (CERL).

The proposed agreements with LAFCO, SCAQMD, and LACOE address issues regarding the administration and administrative costs of the program provided to these agencies as they have independent financial responsibility for such costs, separate from the County. The agreements are consistent with the authority exercised by LACERA under the 1982 Agreement; importantly, these contracts do not change the 1982 Agreement. The agreements confirm each agency's acceptance that LACERA will administer the program as it has been administered under the 1982 Agreement, along with each agency's financial responsibilities to LACERA. In that these agencies are not mentioned in the

1982 Agreement, it is prudent, and protects the pension fund, for the Board to approve that administration of the program for the agencies be documented in a separate agreement with each agency.

As such, the proposed agreements are consistent with the Board's plenary authority and fiduciary duty to prudently administer the system under Article XVI, Section 17 of the California Constitution. The Insurance, Benefits & Legislative Committee (IBLC) approved the recommendation made in this memo at its February 15, 2018 meeting pursuant to its authority to review matters relating to the Retiree Healthcare Program. (Standing Committee Charters, Section H.1, pages 5-6.)

BACKGROUND

In 1982, LACERA and the County entered into an agreement (1982 Agreement) under which the Board "agrees to administer such program [the Retiree Healthcare Program] for retired employees and their dependents on behalf of the County." The 1982 Agreement was modified in 1994 (Modification No. 1) to provide continuing support for the retiree program, even if the active employee program were to be terminated, and to include the retiree program in a County ordinance. The 1982 Agreement was further modified in 2014 (Modification No. 2) with the creation of Tier 2. LACERA remains the administrator of the program, including both Tier 1 and Tier 2. The costs of the program are borne by participating employers and retirees.

Through the County, employees of LAFCO, SCAQMD, and LACOE have long participated in the Retiree Healthcare Program under the 1982 Agreement. Over time, these agencies have separated their financial affairs from the County. As a result, it is necessary and appropriate for LACERA to confirm that the Retiree Healthcare Program administered by LACERA for retirees of these agencies is made pursuant to the 1982 Agreement and that the agencies will pay their share of program costs.

In late 2016, LACERA began negotiations with LAFCO, SCAQMD, and LACOE regarding the need for an administrative services agreement.¹ The start of the negotiations roughly

¹ LACERA also attempted to negotiate with another participating employer, Little Lake. LACERA did not receive a response from that agency. However, Little Lake is very small and promptly pays its monthly program invoices. Based on historical experience, staff does not anticipate an issue in administering the Retiree Healthcare Program for Little Lake, even without a formal agreement, in the same way as will be done for the other agencies under their agreements. Regardless, the IBLC encouraged staff to continue to attempt to obtain an agreement with Little Lake and, as noted in the Recommendation, recommends that the Board give staff the authority to negotiate and execute a similar agreement with Little Lake without the need for further Board action. After the February

corresponded with the establishment of the Superior Court's OPEB Trust in July 2016; as part of those negotiations, LACERA obtained confirmation from the Court that it acknowledges its separate obligations to LACERA with respect to administration of the program under the 1982 Agreement.

LACERA's business and legal teams, including representatives of the Financial and Accounting Services, Retiree Healthcare, and Legal Divisions as well as the Executive Office, had numerous meetings, emails, and phone calls with staff from the three agencies, and exchanged many drafts of the proposed agreements. By January 2018, the agreements were finalized, and LAFCO, SCAQMD, and LACOE had all approved and signed an agreement, subject to review and approval by the Board of Retirement.

The proposed LAFCO agreement is attached as Exhibit A. The proposed SCAQMD agreement is attached as Exhibit B. The proposed LACOE agreement is attached as Exhibit C. The template used for the three agreements was developed by LACERA's outside tax and benefits counsel and the Legal Division.

DISCUSSION

The agreements include the following key terms, all of which are important and beneficial to LACERA:

- 1. Relationship to the 1982 Agreement.** Each agreement provides that the agency is subject to the terms of the 1982 Agreement, with no agency having greater rights and LACERA having no greater obligations than under the 1982 Agreement. If there is an ambiguity, the parties' rights and obligations will be determined by the custom and practice between LACERA and the County. (Each Agreement, Paragraph 2.) This provision preserves the 1982 Agreement, in the way it has been implemented between LACERA and the County, as the reference point for the Retiree Healthcare Program.
- 2. Plans and Coverage.** Each agreement attaches a schedule listing the plans and carriers currently in place. LACERA preserves its authority to negotiate contracts with carriers on the same terms as negotiated for the County, to the extent possible. LACERA has the authority to terminate and replace a carrier if LACERA finds good cause. LACERA has the authority to implement risk adjustment procedures, and to distribute premiums, subsidies, and other proceeds in its discretion. (Each Agreement, Paragraph 3; Exhibit A to Each Agreement.) This

15, 2018 IBLC meeting, staff again contacted Little Lake, with no response to date. Staff will continue its efforts to enter into an agreement with Little Lake.

provision provides that LACERA may implement a single plan structure for all agencies and need not customize the plan for individual agencies, while giving LACERA appropriate discretion and flexibility.

- 3. Eligibility and Enrollment.** Each agreement provides for LACERA's responsibility to provide enrollment information, subject to receipt of information from an agency or a retired employee that the individual has submitted a retirement application or is eligible for coverage or a change in coverage. LACERA will also provide member service. Each agreement confirms that LACERA's role is only ministerial; LACERA does not make eligibility determinations or process claims. The carriers are responsible for decisions on eligibility and claims. (Each Agreement, Paragraphs 4 and 5.) This description of LACERA's role is the same as the role that LACERA currently serves under the program.
- 4. Reserve Fund and Operational Account.** Each agreement provides for LACERA to set up a Reserve Fund to hold contributions and pay premiums and an Operational Account to pay expenses. Funds from each agency may be commingled with funds from other agencies, subject to LACERA's responsibility to maintain separate accounting. If the Reserve Fund and Operational Account are insufficient to pay any obligation, the obligation is the responsibility of the agency, not LACERA. (Each Agreement, Paragraph 6.) These financial terms do not change current practice.
- 5. Contributions, Premiums, and Expenses.** Premiums are paid according to the terms of the program. Retired employees pay premiums, less any portion paid by the agency. Each agency pays a portion of the premiums according to the premium subsidy program. LACERA does not have the responsibility to pay premiums due in connection with an agency's retirees. Each agency also pays its share of LACERA's administrative expenses, including LACERA's start-up expenses in establishing the agreements. (Each Agreement, Paragraphs 7 and 8.) These terms are consistent with current practice and shield the assets of the pension fund from any exposure to the costs of the program provided to each agency and its retirees.
- 6. External Reporting, Compliance, and Taxes.** The responsibility for external reporting, compliance, and taxes belongs to each agency, except that LACERA will provide Notices of Creditable Coverage, will cause the carriers to provide Forms 1095-B, and will provide each agency with reasonable administrative assistance (subject to reimbursement of LACERA's costs). (Each Agreement, Paragraph 10.) This provision limits LACERA's responsibility for functions that

should be performed separately by each agency, in accordance with current practice.

7. Confidentiality. As under the current program structure, LACERA will maintain program information in confidence, except to the extent disclosure is legally required. (Each Agreement, Paragraph 11.) The focus of this provision is to protect member information.

8. Limitation of Liability and Indemnification. Each agreement provides that LACERA will have no liability for its actions in administering the program, except to the extent covered by insurance. Specifically, retirement fund assets are not available as a source of recovery for any liability associated with the program. Each agency will indemnify LACERA from first and third party losses arising from LACERA's administration of the program, except to the extent any loss results from LACERA's negligence, willful misconduct, or material breach of the agreement. (Each Agreement, Paragraph 12.) This provision is important in ensuring that pension fund assets are protected from liabilities associated with administration of the Retiree Healthcare Program. LACERA's insurance provides additional protection against such liabilities.

9. Conflicts of Interest. Each agreement contains an acknowledgement by each agency that LACERA may have conflicts of interest in connection with its administration of the program for the County and the separate agencies and its duties to the retirement fund. Each agency waives these conflicts and agrees that LACERA may put the interests of the retirement fund first. (Each Agreement, Paragraph 13.) This provision protects LACERA from claims that its administration of the program for the separate agencies or its administration of the retirement fund create actionable conflicts of interest.

The agreements differ slightly by agency because of unique factors in their individual history and relationship with the County. However, the substance of each agreement is the same.

Execution of the agreements is in LACERA's interest for the reasons stated above in the discussion of key terms. LACERA staff does not believe there will be any negative consequences from executing the agreements. Most importantly, as noted above, the agreements are completely consistent with, and expressly confirm, the 1982 Agreement and do not change any of its terms.

///

CONCLUSION

For the foregoing reasons, the IBLC recommends that the Board authorize staff to:

1. Execute Retiree Health Care (RHC) Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles (LAFCO), (2) the South Coast Air Quality Management District (SCAQMD), and (3) the Los Angeles County Office of Education (LACOE); and
2. Negotiate and execute a similar agreement with Little Lake Cemetery District (Little Lake) without the need for further action by the Board.

Attachments

c.	Robert Hill	Bernie Buenaflor	Beulah Auten	Jill Rawal
	James Brekk	Cassandra Smith	Ted Granger	Barry Lew
	John J. Popowich	Leilani Ignacio	Ervin Wu	

EXHIBIT A
PROPOSED LAFCO AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/LAFCO**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this 11th day of January, 2018, by and between the Local Agency Formation Commission for the County of Los Angeles (“Employer”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, pursuant to the County Agreement, the Administrator currently provides retiree health care related administrative services on behalf of the County of Los Angeles (the “County”) with respect to the Plans sponsored by the County for the benefit of its retired employees and their eligible dependents, which services are ministerial in nature and do not include claims adjudication (the “County Services”);

WHEREAS, the Employer desires to sponsor the Plans for the benefit of its retired employees and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the County Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement, such that the Employer shall be subject under this Agreement to all obligations to which the County is subject under the County Agreement.

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A and any carriers subsequently selected under Section 3 of this Agreement.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means together the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; the June 17, 2014 Modification No. 2 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; and all other agreements, understandings, policies, and

practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement.

(k) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan.

(l) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations. The Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the

Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

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6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer, subject to the provisions of Section 12 below.

7. CONTRIBUTIONS

(a) Premiums. The Employer and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer Contribution. The portion of the Premium to be paid by the Employer shall be based on the Retired Employee's completed years of credited service at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms agreed by the County, as they may change from time to time, with 30 days' advance

notice of any changes to Employer. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when due, the Administrator shall have the right, but not the obligation, in its sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such

additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. **INFORMATION**

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, and employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 4980I.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final judicial determination where all opportunities for appeal have been exhausted. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

13. **CONFLICTS OF INTEREST**

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot

be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law, with 30 days' advance notice of any changes to Employer.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer. This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to

ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices. All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified

mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Paul Novak, AICP
Executive Officer
Local Agency Formation Commission for the County of Los Angeles
80 South Lake Avenue, Suite 870
Pasadena, CA 91101
Tel: (626) 204-6500

With a copy to:

Office of County Counsel
500 West Temple, Suite 651
Los Angeles, CA 90012
Tel: (213) 974-4334

(1) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

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(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

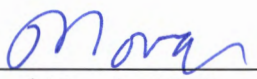
By:  _____
Paul Novak, AICP
Executive Officer,
LAFCO

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (SF20477-P)
Anthem Blue Cross Plan III (SF20477-P)
Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (WF20477-W)
Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)
Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)
Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)
Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)
Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)
Kaiser Permanente—Georgia (3221-100)
Kaiser Permanente—Hawaii (34628-001)
Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)
UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

EXHIBIT B

PROPOSED SCAQMD AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/SCAQMD**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this ___ day of _____, 20__, by and between the South Coast Air Quality Management District (“Employer” or “SCAQMD”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, the SCAQMD was created on February 1, 1977, pursuant to Chapter 5.5 (commencing with Section 40400) of Part 3 of Division 26 of the California Health & Safety Code;

WHEREAS, between February 1, 1977 and December 31, 1979, SCAQMD employees had the option of electing retirement system coverage with either LACERA or the San Bernardino County Employees Retirement Association (“SBCERA”);

WHEREAS, employees who became employed by the SCAQMD after December 31, 1979, were required to join SBCERA and no longer had the option of joining LACERA;

WHEREAS, Government Code Section 31691 authorizes a county, a district, or a board of retirement, at its option, to contribute toward the payment of health insurance premium benefits for retired employees;

WHEREAS, Government Code Section 31789 authorizes the payment of a burial allowance death benefit by a county or district, and Government Code Section 31789.1 authorizes the payment of a burial allowance death benefit by a board of retirement, at its option;

WHEREAS, pursuant to the County Agreement, as defined below, and any related resolutions adopted by participating outside districts, the Administrator currently provides retiree health care related administrative services, which services are ministerial and do not include claims adjudication (the “Services”), on behalf of the County of Los Angeles (the “County”), SCAQMD, and three other outside districts, with respect to the Plans for the benefit of retired employees and their eligible dependents;

WHEREAS, the Employer desires to sponsor the Plans, as defined below, for the benefit of its retired employees who are members of LACERA and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement and SCAQMD Resolution No. 82-24, as defined below, as applicable;

WHEREAS, LACERA has been billing SCAQMD for its portion of the costs associated with these post-retirement benefits; and

WHEREAS, LACERA and SCAQMD wish to memorialize the terms of the agreement between them with respect to the Plans, provision of administrative services by LACERA associated with providing these benefits, and payment for the Plans and LACERA’s administrative

services for start-up and during the term of this Agreement. Exhibit B is a current list of retired employees covered by this Agreement;

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means, together, the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents and all other agreements, understandings, policies, and practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program that affect retiree healthcare and death benefits of SCAQMD retirees and their beneficiaries.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Resolution No. 82-24. Means the resolution adopted by the Board of Directors of SCAQMD on July 9, 1982.

(k) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement and Resolution No. 82-24, as applicable.

(l) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan. The SCAQMD employees and/or their eligible dependents currently covered by this Agreement are identified in Exhibit B. SCAQMD acknowledges that, going forward, this list may change. As part of its monthly reconciliation as referenced in Paragraph 7(d), below, LACERA agrees to provide SCAQMD with a list of covered Retired Employees.

(m) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations but only with respect to Retired Employees entitled to benefits under the County Agreement. With respect to Retired Employees entitled to benefits under the County Agreement, Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements and Resolution No 82-24, as applicable. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or

Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer.

7. CONTRIBUTIONS

(a) Premiums. The Employer and/or the County and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. The proportionate shares of the Employer and the County are reflected in Exhibit B. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer and/or the County. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer and/or County Contribution. The portion of the Premium to be paid by the Employer and/or the County shall be based on the Retired Employee's completed years of credited service with the Employer and/or the County at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer and/or the County contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms of the County Agreement and Resolution No. 82-24, as applicable, as they may change from time to time. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when invoiced and due, the Administrator shall have the right, but not the obligation, in its sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts invoiced and due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when invoiced and due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis. As part of its monthly reconciliation, LACERA agrees to provide the Employer with a breakdown of the Employer's contributions with respect to each Retired Employee.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other participating employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. INFORMATION

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired

Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, and employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed on the Employer or in connection with the benefits afforded to or on behalf of the Employer under this Agreement by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 4980I.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to

suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final adjudication in a California court. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

(f) The Employer's obligations under this Section 12 survive the termination of this Agreement.

13. CONFLICTS OF INTEREST

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer. This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision

of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Sujata Jain
Assistant Deputy Executive Officer, Finance
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765
Tel: (909) 396-2000

(l) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

By: Wayne Nastri/kykru
Wayne Nastri
Executive Officer

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (SF20477-P)
Anthem Blue Cross Plan III (SF20477-P)
Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (WF20477-W)
Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)
Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)
Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)
Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)
Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)
Kaiser Permanente—Georgia (3221-100)
Kaiser Permanente—Hawaii (34628-001)
Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)
UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

Exhibit B

List of Current Retirees

[Attached]

EXHIBIT C
PROPOSED LACOE AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/LACOE**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this ___ day of _____, 20__, by and between the Los Angeles County Office of Education (“Employer”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, pursuant to the County Agreement, the Administrator currently provides retiree health care related administrative services on behalf of the County of Los Angeles (the “County”) with respect to the Plans sponsored by the County for the benefit of its retired employees and their eligible dependents, which services are ministerial in nature and do not include claims adjudication (the “County Services”);

WHEREAS, the Employer desires to sponsor the Plans for the benefit of its retired employees and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the County Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement, such that the Employer shall be subject under this Agreement to all obligations to which the County is subject under the County Agreement.

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means together the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; the June 17, 2014 Modification No. 2 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; and all other agreements, understandings, policies, and practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement.

(k) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan.

(l) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations. The Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as

expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more

accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer.

7. CONTRIBUTIONS

(a) Premiums. The Employer and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer Contribution. The portion of the Premium to be paid by the Employer shall be based on the Retired Employee's completed years of credited service at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms agreed by the County, as they may change from time to time. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when due, the Administrator shall have the right, but not the obligation, in its

sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or

entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. **INFORMATION**

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 49801.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final adjudication without opportunity for further appeal. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

(f) The Employer's obligations under this Section 12 survive the termination of this Agreement.

13. **CONFLICTS OF INTEREST**

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the

Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer.

This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Debra Duardo
Superintendent
Los Angeles County Office of Education
9300 Imperial Highway
Downey, California 90242-2890
Tel: (562) 922-6111

(l) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

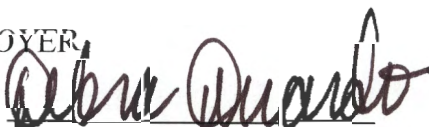
By: 
Debra Duardo
Superintendent

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)

Anthem Blue Cross Plan II (SF20477-P)

Anthem Blue Cross Plan III (SF20477-P)

Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)

Anthem Blue Cross Plan II (WF20477-W)

Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)

Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)

Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)

Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)

Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)

Kaiser Permanente—Georgia (3221-100)

Kaiser Permanente—Hawaii (34628-001)

Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)

UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

February 27, 2018

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

RECOMMENDATION

That the Board of Retirement adopt the revised Legislative Policy.

LEGAL AUTHORITY

The Legislative Policy provides that “[it] shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.” Staff is concurrently recommending that the Board of Investments also adopt the revised Legislative Policy.

DISCUSSION

An issue that arose with the introduction of H.R. 1 on November 2, 2017, the tax reform bill formerly known as the “Tax Cuts and Jobs Act”, prompted a review of the current Legislative Policy to ensure that LACERA can respond efficiently and effectively to time-sensitive matters before consideration at the next regularly scheduled board meeting.

H.R. 1 contained a provision that would adversely affect state and local public sector pension plans by requiring them to pay unrelated business income tax (UBIT) on certain investments. The Board of Investments’ legislative policy standard is to oppose proposals that create unreasonable costs or complexity in the administration of investments. H.R. 1 would have required LACERA to pay UBIT on certain of its investments that would thereby dilute the returns on those investments and impose compliance costs on LACERA to seek alternative ways of structuring its investments to mitigate or eliminate the effects of UBIT.

Although the subject matter of the bill was under the jurisdiction of the Board of Investments, the constraint of time-sensitivity in general can affect the ability of both the Board of Retirement and Board of Investments to respond efficiently and effectively to

issues under their respective jurisdictions. The bill was introduced on November 2, 2017 and signed into law on December 22, 2017. Media reports on the bill indicated that the President intended to sign the bill by Christmas. The Board of Investments was scheduled to meet on November 2, 2017 (the same day the bill was introduced), and its next regularly scheduled meeting was on December 13, 2017, a month-and-a-half later and less than two weeks before the bill was signed into law.

Shortly after the introduction of the bill, the National Conference of Public Employee Retirement Systems (NCPERS), the National Association of State Retirement Administrators (NASRA), and the National Council on Teacher Retirement (NCTR) issued a joint letter to the Chairman of the House Ways and Means Committee expressing serious concerns regarding the UBIT provision in H.R. 1. NCPERS also advised its member organizations to consider individually relaying their concerns to the Congressional committees and leadership by writing their own letters of opposition regarding the UBIT provision. However, the current Legislative Policy does not provide staff with the discretion to send letters of support or opposition until the Board of Retirement or Board of Investments has adopted a position on the legislation. Thus, staff had to wait until the Board of Investments adopted a position on H.R. 1 at its meeting of December 13, 2017 before having the authorization to send a letter of opposition.

The following proposed revisions to the Legislative Policy are intended to enhance the ability of the Boards to respond to time-sensitive matters. Related revisions are also proposed to enhance efficiency in the legislative engagement process. The proposed revisions to the Legislative Policy are modeled after certain provisions in the Board of Investments' approved Corporate Governance Policy that provide for joint written communications with formally affiliated organizations or approval of action on time-sensitive matters.

SUMMARY OF PROPOSED REVISIONS

Action Between Board Meetings

Page 13: The revision provides for staff action related to issues that have been addressed by organizations with which LACERA is formally affiliated before consideration in a board meeting. Given the fact that LACERA's membership in such organizations is intended to promote the interests of LACERA, if an issue has already been vetted by such an organization and the organization's position is consistent with LACERA's legislative policy standards, the revision authorizes staff to either participate in joint written communications with such an organization or engage in further individual outreach. The revision also provides a process of internal consultation before such actions can be taken.

Page 12: The revisions are to conform to proposed revisions of the conditional positions that the Boards may adopt.

Definitions of Board Positions

Page 8-9: The positions of “Support if amended” and “Oppose unless amended” are conditional rather than definite positions of support and opposition that the Boards may adopt. The revisions propose that if the pre-conditions in the positions are satisfied as a result of amendments, then the resulting position will either be support or removal of opposition. The revisions provide that a resubmission of the proposal to the Boards to adopt a post-conditional position will not be necessary after fulfillment of the conditions, unless the Boards direct otherwise. The revisions also provide that if there are other substantive amendments to the proposal not requested by LACERA that may cause the Boards not to support or remove their opposition to the proposal, staff will resubmit the proposal to the Boards for consideration.

Page 9: The revision updates the definition of “Watch,” which is currently too narrow. For example, in 2017, the Board of Retirement adopted a “Watch” position on SB 562, which would enact a universal single-payer health care system in California. The bill did not precisely align with the current definition of “Watch,” although it was of interest to the Board of Retirement to watch the bill.

CONCLUSION

The proposed revisions are intended to enhance the ability of the Boards to respond to time-sensitive matters and to facilitate efficient legislative engagement.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt the revised Legislative Policy.

Attachments

Attachment A—Legislative Policy (redlined)

Attachment B—Legislative Policy (clean)

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven Rice
Jonathan Grabel
Allan Cochran
Ricki Contreras
Vanessa Gonzalez
Cassandra Smith
Joe Ackler, Ackler & Associates

ATTACHMENT A

LACERA LEGISLATIVE POLICY

Restated Revised:
and Approved:

Board of Retirement: ~~October 13, 2016~~[date]

Board of Investments: ~~October 12, 2016~~[date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
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Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
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SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
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- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
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OPPOSE

- Indicates that the Board does not believe the proposal should become law.
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OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

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- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

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Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

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The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. ~~The~~ Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

~~The policy will provide direction for staff to~~ Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a ~~Support, Support If Amended, Oppose, or Oppose Unless Amended~~ Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the ~~Chief Counsel,~~ Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline¹ and a flowchart² of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

¹ Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

² The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

The Author

A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

Repeat Process in other House

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

Resolution of Differences

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

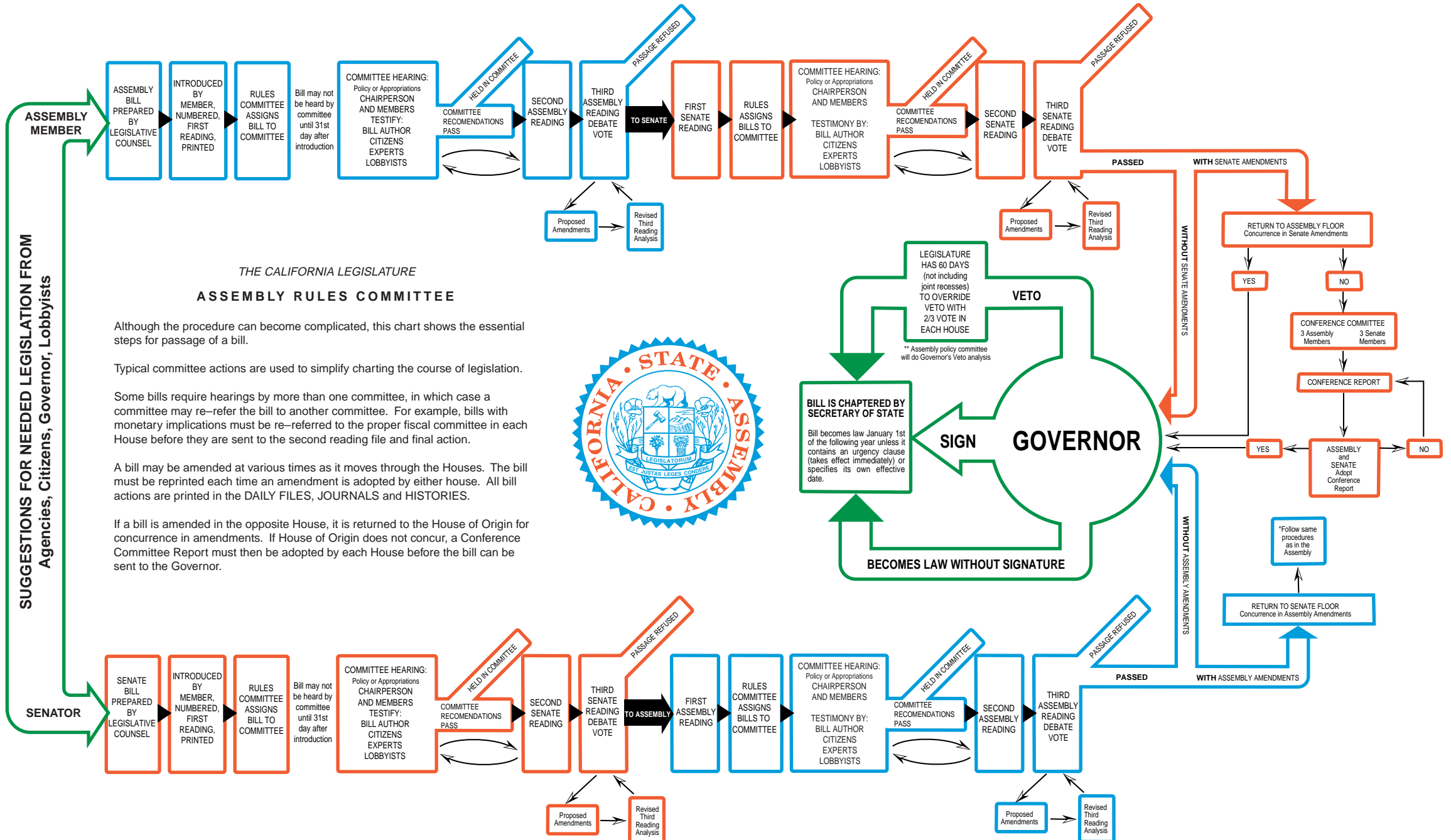
California Law

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



THE CALIFORNIA LEGISLATURE

ASSEMBLY RULES COMMITTEE

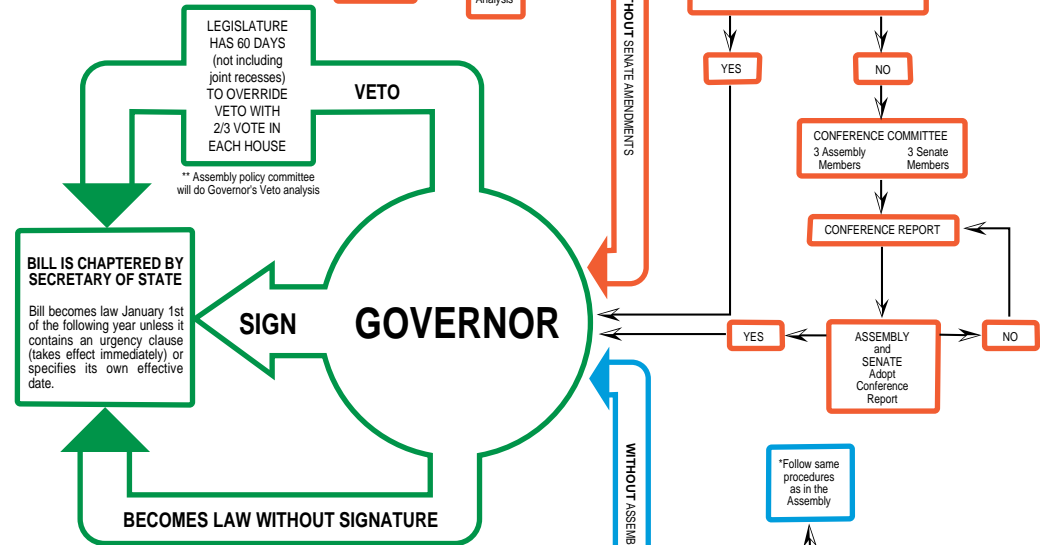
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

ATTACHMENT B

LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: [date]

Board of Investments: [date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
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- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

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FROM:

FOR:

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Author:

Sponsor:

Introduced:

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Board Position:

Committee Recommendation:

Staff Recommendation:

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[This section states staff's or the Committee's recommendation to the Board.]

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I. Legislation on Which the Board Previously Adopted a Position

Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

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1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline¹ and a flowchart² of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

¹ Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

² The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

The Author

A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

Repeat Process in other House

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

Resolution of Differences

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

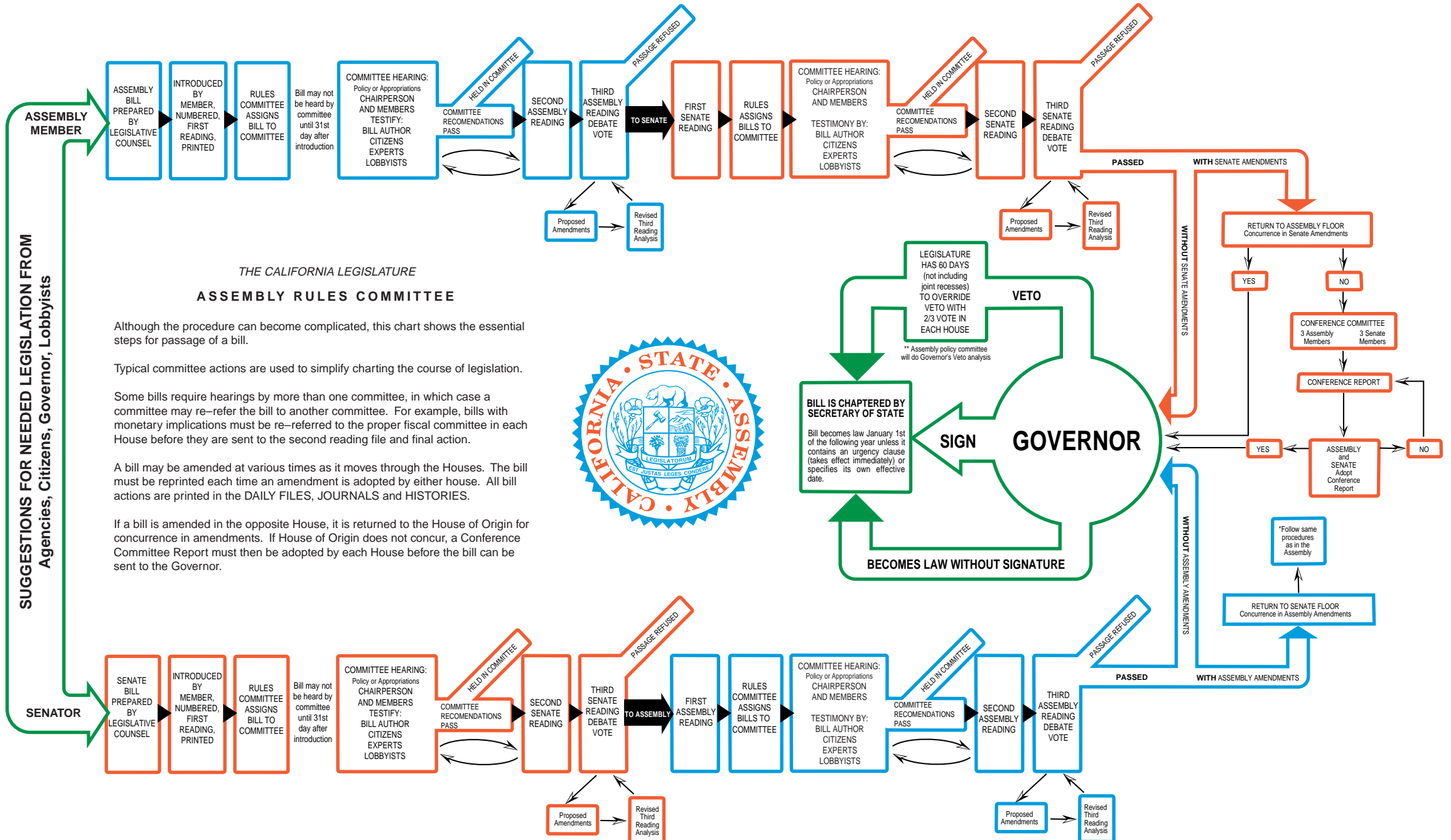
California Law

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



THE CALIFORNIA LEGISLATURE

ASSEMBLY RULES COMMITTEE

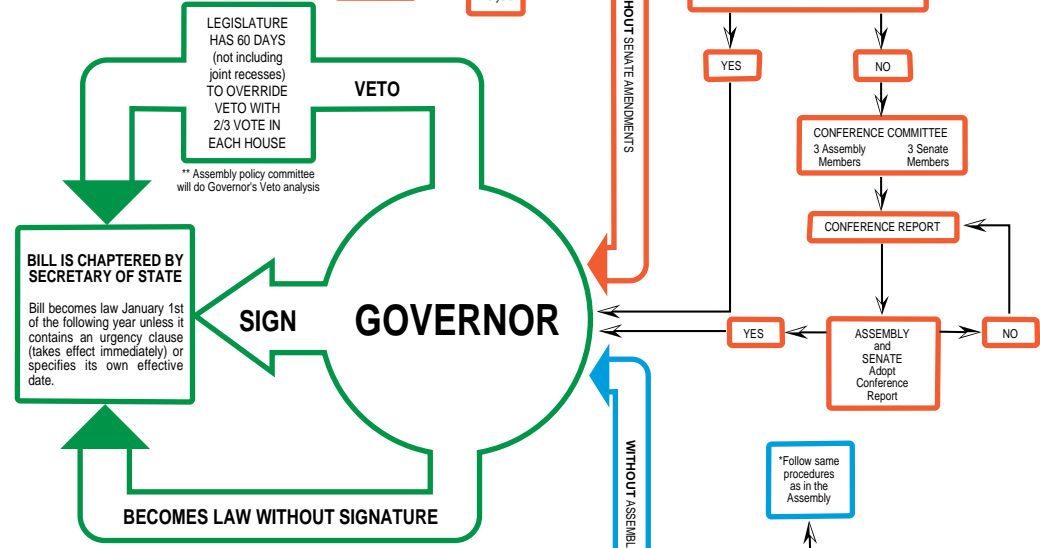
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



SUGGESTIONS FOR NEEDED LEGISLATION FROM
 Agencies, Citizens, Governor, Lobbyists
ASSEMBLY MEMBER
SENATOR

Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

February 28, 2018

TO: Each Member
Board of Retirement

FROM: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **Policy on Policies, Procedures, and Charters**

RECOMMENDATION

That the Board of Retirement approve the Policy on Policies, Procedures, and Charters (POPPC).

LEGAL AUTHORITY

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Board of Retirement has discretion to adopt such policies as they deem prudent. The proposed POPPC is reasonably within the scope of the Boards' discretion and authority under the Constitution as a means of establishing LACERA-wide standards for the important administrative and governance function of developing policies, procedures, and charters (PPC), in that such documents provide formal guidelines for the operation of LACERA.

In LACERA's Board of Retirement Standing Committee Charters approved April 13, 2017, under Section I- Operations Oversight Committee (OOC) Charter, the OOC "advises the BOR in: the development, implementation, and review of LACERA's retirement and administrative operating policies and procedures." The POPPC is therefore a proper subject for discussion and recommendation by the OOC to the Board of Retirement.

DISCUSSION

A. Background.

The Alston & Bird (Alston) privacy audit found that LACERA's policies, while not necessarily substantively deficient, were inconsistent in their form and approach. The

audit recommended that LACERA create a “staff policy committee” and that LACERA establish an “enterprise-wide policy development process.” Alston suggested that LACERA consider a “policy on policies” to create standardized policy development processes. Alston’s conclusions on this subject were publicly reported in the firm’s presentations to the Boards on October 12 and 13, 2016. LACERA management accepted this recommendation, concurring with Alston that there needs to be great interdivisional coordination in the development of policies.

In early 2017, LACERA management created an interdivisional compliance committee with responsibility for developing solutions to privacy audit recommendations, including the “policy on policies.” The committee included representatives of the Executive Office and the Administrative Services, Benefits, Communications, Internal Audit, Member Services, Legal, Human Resources, Quality Assurance, and Systems Divisions. This committee in turn formed a subcommittee to develop a draft POPPC.

Before beginning the drafting process, the POPPC subcommittee reviewed numerous sample “policies on policies” and evaluated the different approaches in light of LACERA’s unique needs as a public pension system with two Boards, the Board of Retirement, which oversees administrative matters, and the Board of Investments, which focuses on Investments. It was determined that the Board of Retirement should initiate the POPPC to facilitate the rapid development of administrative policies. Over time, more specialized standards can be developed to meet the particular needs of areas such as Investments.

The Operations Oversight Committee now presents the policy developed by the compliance committee and POPPC subcommittee to the Board of Retirement for review and adoption. The POPPC proposed by the compliance committee and Operations Oversight Committee is attached as Exhibit A.

B. Summary of the Key Terms of the POPPC.

1. Purpose and Scope.

Staff determined that the “policy on policies” recommended by Alston should cover not just policies but also procedures and charters because they also provide operational guidance to the organization and have the same need for a cohesive approach. (Section 1.) “Policy” is defined to be a formal, brief, and high level statement of guidelines, rather than specific operational details (Section 4.4.1); “Procedure” is defined as a specific method to be employed to execute a policy or management intent (Section 4.4.2); and a “Charter” is defined as a document creating and defining a team or body within LACERA (Section 4.4.3).

The POPPC sets standards for all three of these documents in order to achieve (a) greater accountability, (b) required processes for preparation and management of PPC, and (c) clear documentation for how LACERA conducts business through its PPC. (Section 1.)

The POPPC must be followed by all LACERA staff, unless the Chief Executive Officer (CEO), or designee, approves an exception. (Section 3.)

2. Types of PPC.

The POPPC provides the approval process for the three types of PPC: Board PPC, which relate to matters within Board jurisdiction, and which must be approved by one or both of the Boards (Section 4.1.1); Executive PPC, which are organization-wide or cut across divisional lines, and which must be approved by the CEO (Section 4.1.2; and Divisional PPC, which relates to a single division or unit and may be approved by the Division Manager (Section 4.1.3).

3. Required Elements of PPC.

The POPPC standardizes the content of all PPC. All PPC must contain certain required formatting elements, including letterhead, headers, font size, spacing, text justification, and paragraph number style. (Section 4.2.) For the sake of clarity, there are three attachments to the POPPC which illustrate these elements as they apply to the three main categories of PPC:

1. Attachment A- Policy
2. Attachment B- Procedure
3. Attachment C- Charter

Pursuant to the POPPC attachments, each type of PPC has a required header at the top of the first page giving the title, Responsible Manager, original effective date, last update date, mandatory review date (annually by default), and the approval level (Board, Executive, or Divisional). PPC over five (5) pages are required to have a Table of Contents. Each type of PPC must include specific sections as stated in their respective attachments, such as Purpose, Legal Authority, Scope, substantive content (which varies by type of PPC), and History.

4. Distribution, Implementation, Training, and Enforcement.

The POPPC provides that the Responsible Manager is the single point of responsibility and accountability for the essential functions of distribution, implementation, training, and

enforcement. To eliminate any uncertainty as to who is performing these functions, the Responsible Manager must be identified by name in the first page header of each individual PPC.

OPERATIONS OVERSIGHT COMMITTEE COMMENTS

During its deliberations, the Operations Oversight Committee shared concerns with Staff, which the Compliance Committee, in conjunction with the future Compliance Officer, will address procedurally in accordance with the POPPC. These include:

1. consolidating PPC into a central online repository for ease of use,
2. specifying an orderly hierarchy for the delegation of the CEO's approval authority, and
3. staggering review dates to ensure timely, reliable, and efficient updates of PPC.

CONCLUSION

The Operations Oversight Committee believes that the proposed POPPC complies with the recommendation of the Alston privacy audit and, based on the sample survey and review performed by the compliance committee, conforms to best practices, given the specific needs of LACERA. Based on the foregoing discussion, the Operations Oversight Committee recommends that the Board of Retirement approve the proposed Policy on Policies, Procedures, and Charters.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve the Policy on Policies, Procedures, and Charters (POPPC).

BB:sr

Attachments

c: Robert Hill	Richard Bendall	Louis Gittens
James Brekk	Derwin Brown	Michael Cordial
John Popowich	Cynthia Martinez	Jill Rawal
Steven P. Rice	Roxana Castillo	Darla Vidger
Jonathan Gabel	Roberta Van Nortrick	



POLICY ON LACERA POLICIES, PROCEDURES, AND CHARTERS (PPCs)

Responsible Manager: James P. Brekk, Interim Deputy Chief Executive Officer

Original Effective Date:

Last Updated:

Mandatory Review: [One year after Original Effective Date]

Approval Level: Board of Retirement (BOR)

1. PURPOSE

The purpose of this Policy is to set specific standards for the creation and approval of LACERA Policies, Procedures, and Charters (PPCs) as well as standards for compliance and periodic review. This Policy serves to facilitate access to well-developed and understandable organizational PPCs.

By standardizing the creation and approval of LACERA PPCs, LACERA will benefit in several ways, including but not limited to the following: 1) Greater accountability by identifying responsible parties; 2) guidance on required processes for management and staff; and 3) clear documentation and cataloging on how LACERA conducts business.

2. LEGAL AUTHORITY

Both the Board of Investments (BOI) and the Board of Retirement (BOR) may promulgate policies, procedures, and charters as needed for the purpose of LACERA administration to further their fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations, and case authority.

3. SCOPE

This Policy applies to all LACERA staff, subject to the limitations set forth herein, including all full-time, part-time and contract employees of LACERA who may be responsible for creation of PPCs that must be approved by either or both of the BOI and the BOR, as well as PPCs that apply to one or more divisions.

Any exceptions to this Policy must be approved by the Chief Executive Officer. The CEO may delegate authority under this Policy to any designee at his or her discretion. For purposes of this Policy, any reference to the CEO will include such delegated authority.

4. POLICY STATEMENT

4.1 Types of Policies. LACERA PPC fall within one of three categories:

4.1.1 Board PPC. The following types of PPC shall be approved by the BOR and/or BOI:

- a. PPC which relate to a subject specified by Board Regulations or Charter.
- b. PPC which generally impact members' procedural and substantive rights, a Plan Sponsor, or the Public.
- c. PPC which relate to the Boards' fiduciary duties, Board operations, governance, and LACERA ethics.

The Board Secretary should obtain a signature on the policy upon approval.

4.1.2 Executive PPC. The following types of PPC shall be approved by the Chief Executive Officer (CEO):

- a. PPC which are administrative in nature and do not rise to the level of a Board PPC, and are organization-wide.
- b. PPC which are administrative in nature and cross some but not all divisional lines.

All approved PPC should be signed and dated by the approving CEO. Alternatively, at the discretion of the CEO, a multi-division PPC can be approved by each Division Manager whose Division is impacted.

4.1.3 Divisional PPC. Any PPC that is limited to a single division or unit and does not impact any other division or unit shall be approved at the discretion of the Division Manager or their designee.

4.2 Required Elements in All PPC. PPCs shall include the elements identified in the Policy, Procedure, and Charter templates attached to this Policy as Attachments A, B, and C. In addition, PPCs should include the following formatting:

4.2.1 LACERA letterhead on the first page;

4.2.2 On the second and following pages, a header with the PPC name, date of last update, and page number out of total pages;

EXHIBIT A
POLICY ON LACERA PPCs

[Date]

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4.2.3 Arial 12 point font;

4.2.4 Single spaced, with 12 points between paragraphs;

4.2.5 Justified text; and

4.2.6 Paragraph numbering in the style 1.1.1.a, as in this Policy, with bolded paragraph headings.

4.3 Distribution, Implementation, Training, and Enforcement.

4.3.1 The Responsible Manager will have responsibility to distribute each of their PPCs to relevant persons, take necessary steps to implement and arrange for appropriate training on their PPCs, and enforce the terms of their PPCs as appropriate.

4.4 Definitions. The following definitions clarify the differences between policies, procedures, and charters. Despite their differences, they each relate to and rely on each other. For instance, the creation of a policy may require forming a charter because a team is needed to ensure the guidelines of the policy can be met. This might in turn require a procedure to be drafted that instructs the team on how to carry out the charter.

4.4.1 Policy. A Policy is a formal, brief, and high-level statement of principles, rules, or guidelines that embraces LACERA's Mission, Vision, and Values as applied to a specific subject area. Policies communicate important, enduring governing principles and practices, rather than specifying operational details or restating laws and regulations. Further details are provided in Attachment A, Policy Elements Required.

4.4.2 Procedure. A Procedure is a specific method, or set of methods, employed to execute a specific Policy or general management intent in action in day-to-day operations of the organization. They represent an implementation of a Policy or management intent and should evolve over time as new tools emerge, new processes are designed, and the risks associated with an area changes in response to internal or external environmental changes. Further details are provided in Attachment B, Procedure Elements Required.

4.4.3 Charter. A Charter is created based on the need for a team to carry out a Policy or a Procedure or other LACERA activities. A Charter describes a team, working group, or committee's mission, membership, scope of operation, objectives, and authority, including the process by which the Committee will make decisions, resolve conflicts, and deliver expected outcomes. In some cases, the Charter itself may serve as a policy

EXHIBIT A
POLICY ON LACERA PPCs

[Date]

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because the policy is to set up a team to deal with a particular event or issue. Further details are provided in Attachment C, Charter Elements Required.

5. HISTORY

5.1 Approvals. As the scope of this Policy applies to all LACERA staff and has an organization-wide effect concerning the administrative governance of the organization, the following approvals are required.

5.1.1 Recommendation by OOC:

5.1.2 Approval by BOR:

5.2. Current Status.

5.2.1. Original Effective Date:

5.2.2. Last Updated:

5.2.3. Mandatory Review: [One year after Original Effective Date]

5.3. Versions.

5.3.1. There are no prior versions to date.

Attachments

A: Policy Elements Required

B: Procedure Elements Required

C: Charter Elements Required

POLICY ON LACERA POLICIES, PROCEDURES AND CHARTERS (PPCs)**Attachment A: Policy Elements Required****Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. POLICY ELEMENTS REQUIRED

A Policy shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Policy Name.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Policy and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Policy.

1.1.5 Mandatory Review. The default review period for all policies created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. A Policy may specify an earlier review date based on the nature of the Policy.

1.1.6 Approval Level. The approval level will be based on whether the Policy is a Board Policy, Executive Policy, or Divisional Policy.

1.2 Table of Contents. A table of contents should not be included in any Policy that is less than five (5) pages. For any Policy five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the philosophy and intent of the Policy. It is not meant to reference any particular member issue.

1.4 Legal Authority. This section is to state the legal authority under which the Policy is created, as well as any other laws or regulations on which the Policy is based.

1.5 Scope. This section is to clearly identify to whom the Policy is applicable and subject matter limitations.

POLICY ON LACERA PPCs

Attachment A: Policy Elements Required

[Date]

Page 2 of 2

- 1.6 Policy Statement.** This section will contain the substantive elements of the Policy. The author of the Policy may, at their discretion, create subsections within the Policy Statement as necessary.

- 1.7 History.** This section tracks the approval dates of a Policy as well as the current status, with original effective date, date last updated, mandatory review date, and version history.

POLICY ON LACERA POLICIES, PROCEDURES, AND CHARTERS (PPCs)**Attachment B:** Procedure Elements Required**Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. PROCEDURE ELEMENTS REQUIRED

A Procedure shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Procedure Name.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Procedure and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Procedure.

1.1.5 Mandatory Review. The default review period for all procedures created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. An earlier review date may be required based on the nature of the Procedure.

1.2 Table of Contents. A table of contents should not be included in any Procedure that is less than five (5) pages. For any Procedure five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the philosophy and intent of the Procedure. It is not meant to reference any particular member issue.

1.4 Legal Authority. This section is to state the legal authority under which the Procedure is created, as well as any other laws or regulations on which the Procedure is based.

POLICY ON LACERA PPCs

Attachment B: Procedure Elements Required

[Date]

Page 2 of 2

- 1.5 Scope.** This section is to clearly identify to whom the Procedure is applicable and subject matter limitations.
- 1.6 Responsibilities.** This section provides a summary of the roles listed in the Procedure and the responsibilities of each role. The details of the responsibilities should be a brief list of the key tasks performed. This section should not be a complete summary of the Procedure.
- 1.7 Procedure.** This section is the main text of the Procedure. It details the specific steps or tasks to be performed. There should be sufficient detail, clearly expressed, to enable a trained person to perform the Procedure without supervision. There should also be sufficient detail to enable a trained person to use the document to train others to perform the task. The use of flow diagrams may be useful, especially in complex procedures.
- 1.8 Forms and Templates.** This section indicates where forms and/or templates are referenced in the text.
- 1.9 References.** This section lists all controlled internal references (e.g., other procedures) and external references referred to within the text of the Procedure only.
 - 1.9.1 Internal References.** Insert relevant references as required, sufficient for the user to find the source document.
 - 1.9.2 External References.** Insert relevant references as required, sufficient for the user to find the source document. Web references should be included where possible.
- 1.10 History.** This section tracks the approval dates of the Procedure as well as as well as the current status, with original effective date, date last updated, mandatory review date, and version history.

POLICY ON LACERA POLICIES, PROCEDURES AND CHARTERS (PPCs)**Attachment C:** Charter Elements Required**Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. CHARTER ELEMENTS REQUIRED

A Charter shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Charter Name as well as the authorizing authority.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Charter and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Charter.

1.1.5 Mandatory Review. The default review period for all charters created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. An earlier review date may be required based on the nature of the Charter.

1.2 Table of Contents. A table of contents should not be included in any Charter that is less than five (5) pages. For any Charter five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the overall charge, purpose, of focus of the body in service to LACERA.

1.4 Legal Authority. This section is to state the legal authority under which the Charter was created, as well as any other laws or regulations on which the Charter is based.

1.5 Responsibilities. This section states the powers, duties, and responsibilities of the body, including relative to powers reserved to other LACERA bodies.

POLICY ON LACERA PPCs

Attachment C: Charter Elements Required

[Date]

Page 2 of 2

- 1.6 Rules.** This section identifies how decisions will be made effective within the body as well as the requirements for meetings, minutes, recommendations, and reports. The author of the Charter may, at their discretion, create subsections in this section as necessary.
- 1.7 Membership.** This section identifies the Committee composition and duration of service.
- 1.8 Resources and Budget.** This section identifies the budget source, budget approval process, as well as any designated staff and Executive support designated to the body.
- 1.9 History.** This section tracks the approval dates of the Charter as well as the current status, with original effective date, date last updated, mandatory review date, and version history.



March 5, 2018

TO: Each Member
Board of Retirement

FROM: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **LACERA Incident Response Team Charter**

RECOMMENDATION:

That the Board of Retirement approve the LACERA Incident Response Team (LIRT) Charter.

EXECUTIVE SUMMARY:

An Incident Response Team (IRT) is a defined group of individuals within an organization who are prepared to respond to incidents that may impact LACERA. The IRT concept is commonly used in emergency situations such as natural disasters. The same concept can apply to any incident which can have an emergent impact on operations of a business. These impacts may range from disruptions in the normal business operations (such as you may see in a natural disaster) to threats posed by a privacy incident or breach. It is essential that the assembled team have the ability and authority to evaluate the situation, determine the best course of action, enact that action, and make adjustments and decisions necessary throughout the course of the incident.

LACERA has long had an informal IRT that is assembled as needed. This LIRT Charter formalizes the structure and duties of the team and sets expectations for reporting to the Boards in event of an incident. A copy of the proposed charter is attached.

This LIRT Charter also satisfies several audit recommendations made by the Alston & Bird (Alston) privacy audit.

AUTHORITY:

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Boards have discretion to adopt such policies as they deem prudent. The proposed LACERA Incident Response Team Charter is reasonably within the scope of the Boards' discretion and authority under the Constitution as a means of establishing LACERA-wide standards for the important administrative and governance function of responding to emergent threats that could impact LACERA operations.

In LACERA's Board of Retirement Standing Committee Charters approved April 13, 2017, under Section I- Operations Oversight Committee (OOC) Charter, the OOC "advises the BOR in: the development, implementation, and review of LACERA's retirement and administrative operating policies and procedures." The LACERA Incident Response Team Charter is therefore a proper subject for discussion and recommendation by the OOC to the Board of Retirement.

DISCUSSION:

The Incident Response Team (IRT) concept has been in use at LACERA since the early 2000's. As events dictated, groups of staff and the management team would be convened to address specific events that occurred. These events ranged anywhere from power outages that required a determination whether staff could work or would need to be sent home to actual privacy incidents. However, the team was never formalized and did not have any specific structure or defined responsibilities.

The Alston & Bird (Alston) privacy audit acknowledged LACERA had already developed an informal IRT, but made several recommendations regarding creating a defined team with specific responsibilities. Alston indicated, and management agreed, that a formal IRT would ensure that LACERA had a mechanism in place to quickly respond to incidents in a manner that is consistent with federal and state regulations and industry best practices.

Development of the Charter

In early 2017, LACERA management created an interdivisional compliance committee with responsibility for developing solutions to privacy audit recommendations, including the "incident response team." The committee included representatives of the Executive Office and the Administrative Services, Benefits, Communications, Internal Audit,

Member Services, Legal, Human Resources, Quality Assurance, and Systems Divisions. This committee in turn assigned specific team members to focus on various Alston recommendations. Committee members were then assigned a finding or groups of findings from the Alston audit to research and develop draft policies, or as in this case, charters, for the entire committee to review, discuss, and revise. The final draft charter was then approved by the entire compliance committee.

The initial scope of the charter was designed to be a response to the Alston audit findings for the privacy audit. In developing the charter, we took into consideration federal and state requirements, as well as best practices from public sector organizations such as the University of California system, as well as private sector company response plans for privacy or data breaches. However, the compliance committee recognized the application of the IRT concept is much broader in scope than just a privacy related incident. Therefore, the LIRT was revised to apply to any incident that impacts or poses a threat to employees, resources, operations, or member data.

Overview of the Charter

The LIRT Charter creates a standing team that consists of representatives from the Executive Office, the Chief Information Security Officer, Chief Privacy Officer (when hired), Chief Internal Auditor, Chief Legal Counsel, and the Director of Human Resources. At the direction of the Operations Oversight Committee we have also added the Chief Investment Officer to the list of standing members of LIRT. The charter also allows for this team to appoint additional team members with specific expertise to an individual incident response.

The primary responsibilities of the LIRT are to define the incident, and develop and oversee a response to resolving the incident in the most beneficial manner for LACERA and its members. These responsibilities include development and oversight of communications to the Boards, members, and other stakeholders as necessary.

While the primary task is responding to and resolving the incident, the Charter also requires the LIRT to:

- Develop and implement appropriate training for all LACERA staff to understand the importance of reporting incidents immediately and how to report those incidents.

- Conduct a post incident response review in order to learn from the incident and develop recommendations for management to consider regarding how to prevent an incident or more efficiently respond to an incident and limit the impacts to LACERA.
- Maintain a database or log of events
- Conduct annual simulation exercises
- Preserve any evidence discovered during the investigation and response to the incident.
- Report out to the Boards and/or their Committees on incidents and the responses to the incidents.

The LIRT team may also create a series of procedural manuals to provide more in-depth instructions on how these responsibilities will be met. The first manual to be approved by the team will be the Privacy Incident Response Manual. This manual includes a defined reporting process for staff to report incidents to the LIRT, step by step actions to take once a report or discovery of a problem occurs, guidance on how and when to communicate to the Boards and members, as well as how to log incidents and the responses of the incident.

We have included a redlined version of the policy that reflects the addition of the Chief Investment Officer to the LIRT.

CONCLUSION:

The Operations Oversight Committee believes the LIRT Charter will improve LACERA's ability to react quickly and appropriately to any perceived threat or compromise of our employees, resources, operations, and or member data. The LIRT Charter establishes a framework for a standing team of staff and management who can react quickly and nimbly when needed. At the same time, it ensures we have a methodology for ensuring that we learn from each event and take appropriate steps to prevent or minimize any future impacts from similar events. Finally, it ensures the Boards have proper visibility and oversight into events by mandating reporting to the Boards.

Each Member, Board of Retirement
Re: LACERA Incident Response Team Charter
March 5, 2018
Page 5

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve the LACERA Incident Response Team (LIRT) Charter.

JJ:jj

Attachment

c: Robert Hill
James Brekk
John Popowich
Bernie Buenaflor
Jonathan Gabel
Steven P. Rice
Richard Bendall
Derwin Brown
Cynthia Martinez
Roxana Castillo
Roberta Van Nortrick
Louis Gittens
Michael Cordial
Jill Rawal
Darla Vidger

LACERA INCIDENT RESPONSE TEAM CHARTER

Responsible Manager: James P. Brekk, Interim Deputy Chief Executive Officer

Original Effective Date: March 15, 2018 **Last Updated:** March 5, 2018

Mandatory Review: March 15, 2019 (Annual)

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1. PURPOSE

The purpose of this Charter is to establish a LACERA Incident Response Team (LIRT) and specific protocols and responsibilities for ensuring LACERA takes timely appropriate actions to protect employees, resources, operations, and member data from any compromise or threat.

2. LEGAL AUTHORITY

Both the Board of Investments (BOI) and the Board of Retirement (BOR) may promulgate Policies as needed for the purpose of LACERA administration to further their fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations and case authority.

The Incident Response Team has the authority to conduct investigations in all areas of operations in LACERA. All LACERA Staff and vendors are required to cooperate with the Incident Response Team during the conduct of its investigations and execution of its response plans.

3. MEMBERSHIP

The LIRT shall consist of the following standing team members:

- Executive Office Representative(s)
- Chief Information Security Officer (CISO)
- Chief Privacy Officer (CPO)

INCIDENT RESPONSE TEAM CHARTER

March 5, 2018

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- Chief Internal Auditor
- Chief Investment Officer
- Chief Legal Counsel
- Director of Human Resources

Standing members may appoint a designee to attend in their absence. Members of the LIRT must be free of any conflict of interest with respect to the matter being addressed by the LIRT.

Additionally, the Incident Response Team may appoint other LACERA staff, or consultants to serve on the team based on the needs of the particular incident.

4. PROCEDURAL RULES

4.1 Primary Responsibilities. The LIRT is responsible for:

- Defining the nature of a given incident and determining the significance of the event.
- Gathering appropriate data in order to understand the scope and breadth of an incident.
- Classifying an incident by type.
- Preserving any relevant evidence or examples.
- Maintaining a log of all incidents and response taken.
- Ensuring appropriate communication to the Board and other stakeholders as appropriate or required.

Developing an appropriate communication plan for members and/or staff as needed

- Developing a post-incident report including recommendations to prevent future incidents.
- Conduct annual drills to ensure the readiness of the team and to improve efficiency of the team's operations.

Ensuring an appropriate organization wide education program is in place to ensure staff understand the appropriate steps to take to report any incident.

4.2 Leadership. The LIRT shall select one member to be the team Chair, to act as the spokesperson, arrange non-event meetings as needed, and interact with other divisions to ensure the organization has a proper understanding of the LIRT's function and appropriate reporting procedures.

INCIDENT RESPONSE TEAM CHARTER

March 5, 2018

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The team may appoint any team member, to serve as the Incident Response Commander for any single incident. The IRC will then become the primary point of contact for the team and other stakeholders.

4.3 Preservation of Evidence. The LIRT shall take all necessary steps to preserve any evidence that is discovered during the response. This is especially critical if there is any type of criminal activity suspected. However, preservation of evidence should not supersede the appropriate response to protect staff, operations, resources, or data from immediate loss or harm.

4.4 Communication. The LIRT shall draft an incident communication plan that outlines how communication will be conducted between the team members, appropriate LACERA staff, external partners, and member's if needed. In some instances, the LIRT may determine that LACERA's internal communication systems have been compromised and may need to communicate via other avenues. Any communication plan shall take into consideration the needs of member communication through the Call Centers and Member Services Center, and/or third party public relations firms.

4.5 Post Incident Response. The LIRT shall conduct a Post Incident Response Review. There are two components to this review:

4.5.1 Incident Review. The LIRT will conduct a review of the data collected from the incident, the root cause analysis, any forensic information, and the remediation steps taken for the incident and determine if everything has been completed according to the Incident Response Policy. Included in this review will be an assessment of new policies, procedures, or safeguards required to prevent or reduce the risk of similar incidents in the future. Finally, the review will ensure that all regulatory compliance has occurred.

4.5.2 LIRT Performance. The LIRT must conduct a self-evaluation of the team's response including, but not limited to:

- Speed of response
- Compliance with this policy
- Quality of service to members in light of the incident
- Discuss and determine if any adjustments to the LIRT procedures are required and/or changes to the Incident Response Policy are necessary.
- Did the team and staff follow LACERA's Values

The post incident response review may be conducted over a period of time. It may also be delegated to an ad-hoc committee of technical and organizational efforts as long as the LIRT establishes a plan for following up on the delegation

INCIDENT RESPONSE TEAM CHARTER

March 5, 2018

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of authority, sets specific milestones, and/or completion dates, and meets to review the final report of the ad-hoc committee and verify the actions taken were sufficient to comply with this policy and mitigate or prevent future incidents.

It is understood these reviews may take some time to complete. However, ultimately it is the LIRT responsibility to ensure they are completed in a timely manner.

4.6 Post Incident Response Reporting. LACERA has a duty to keep our Boards informed of important and impactful events that occur within LACERA.

4.6.1 Post-Incident Response Report. The LIRT will complete Post-Incident Response Report for all significant events consisting of the following:

- **Occurrence Status.** This is a short breakdown of the severity and status of the incident.
- **Summary & Background.** This section explains what occurred and provides the reader with enough background to understand the occurrence and impacts.
- **Remediation Actions.** These are the steps taken to mitigate or correct any damage.
- **Next Steps.** These are the steps LACERA will take to prevent any future occurrences.

4.7 Mandatory Reporting to Impacted Members, Survivors, Beneficiaries, or Other Individuals. The LIRT will determine whether LACERA should make best efforts to notify individuals whose personally identifiable information might have been at risk due to an incident. In making this determination, the following factors shall be considered:

- Legal duty to notify
- Length of compromise
- Human involvement
- Sensitivity of compromised data
- Existence of evidence that data were compromised
- Existence of evidence that affected systems were compromised for reasons other than accessing and acquiring data

4.8 Annual Simulation Exercise. The LIRT will hold at least one annual training exercise where the team and organization will respond to a simulated event. This exercise is designed to assess the readiness of the organization to respond to a real event. The exercise may be conducted in line with other business continuity or stress testing and should be overseen and/or developed in conjunction with the Privacy Officer (or Compliance Officer) and Internal Audit.

INCIDENT RESPONSE TEAM CHARTER

March 5, 2018

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4.9 Resources and Budget. The LIRT shall work with the Administrative Services Division's Health & Safety Unit to include funding as part of the annual LACERA budget. In terms of additional resources, the LIRT may also include the following representatives as needed:

- Division Manager of the division where the event occurred (if applicable)
- Division Manager of Member Services (if the incident impacts members)
- Any other staff member the LIRT deems necessary to respond to the incident
- Any consultant (such as forensic, legal, privacy, or technical expert)
- Law enforcement personnel

4.10 Definitions. The LIRT should review, assess, and respond to the incident for which it was formed, according to the following factors:

4.10.1 Incident: An incident is any actual, threatened, or suspected disruption in the workplace. They may be actions or threats against or by an individual, observed environmental hazards, suspicious circumstances, compromised privacy or data

4.10.2 Safety. If an incident affects human life or safety, responding in an appropriate, rapid fashion is the most important priority.

4.10.3 Urgent concerns. Divisions may have urgent concerns about the availability or integrity of critical systems or data that must be addressed promptly. Appropriate Systems staff shall be available for consultation in such cases.

4.10.4 Scope. This is the extent of a given incident's affect. The LIRT serves to promptly establish the scope of an incident and to identify the extent of systems, data or persons affected.

4.10.5 Containment. After life and safety issues have been resolved, the LIRT identifies and implements actions to mitigate the spread of an incident and its consequences.

4.10.6 Preservation of evidence. This is the process of seizing specific property, data, or documents without altering or changing it. In the preservation of evidence, the LIRT promptly develops a plan to identify and implement steps for the preservation of evidence.

4.10.7 Investigation. The LIRT is responsible to investigate the causes and circumstances of an incident, and determine future preventative actions

4.10.8 Significant Event: This is any event in which a member, survivor, or beneficiary requires a mandatory privacy notification, or any event that poses significant media, monetary or regulatory impact to LACERA.

INCIDENT RESPONSE TEAM CHARTER

March 5, 2018

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4.10.9 Incident-specific risk mitigation. The LIRT identifies and recommends strategies to mitigate the risk of harm arising from this incident.

5. HISTORY

5.1 Approvals. As the scope of this Charter applies to all LACERA staff and has an organization-wide effect, the following approval is required.

5.1.1 Approved by OOC: February 7, 2018

5.2 Current Status.

5.2.1 Original Effective Date: March 5, 2018

5.2.2 Mandatory Review: March 5, 2019

5.3 Versions.

5.3.1 There are no prior versions to date.




Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.

**For further information, contact:
LACERA
Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101**

March 2, 2018

TO: Each Member
Board of Retirement

FROM: Robert R. Hill 
Interim Chief Executive Officer

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: Change in Time of Regular April 4, 2018 Board of Retirement Meeting

RECOMMENDATION

That the time of the regular April 4, 2018 Board of Retirement disability meeting be changed to 10:00 a.m., or following the end of the joint Board meeting to be held that morning but not later than 11:00 a.m.

LEGAL AUTHORITY

The Board of Retirement Regulations provide in Section II.1, that a regular meeting “shall be held on the first Wednesday . . . in each month at 9:00 a.m. The regular meeting may be rescheduled for an earlier or later time or day by majority vote of the members present at a regular meeting of the Board of Retirement.”

DISCUSSION

A joint meeting of the Board of Retirement and Board of Investments will be held at 9:00 a.m., on April 4, 2018 to discuss the status of the Chief Executive Officer search, the Chief Investments Officer reporting structure, and principles to govern the Education and Travel Policy. The joint meeting will take up to two hours and will end no later than 11:00 a.m. To allow a seamless transition from the joint meeting to the Board of Retirement disability meeting, the Board of Retirement meeting will be noticed for 10:00 am, with a footnote stating that the meeting will begin following the joint meeting but no later than 11:00 a.m. This notice complies with the Brown Act, Government Code Section 54954.2.

CONCLUSION

Based on the information provided above, staff recommends that the time of the regular April 4, 2018 Board of Retirement disability meeting be changed to 10:00 a.m., or following the end of the joint Board meeting to be held that morning but not later than 11:00 a.m.

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

March 6, 2018

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **Assembly Bill 2085—Surviving Spouse**

Author: Cooley [D]

Sponsor: State Association of County Retirement Systems

Introduced: February 7, 2018

Status: To ASSEMBLY Committee on PUBLIC EMPLOYEES,
RETIREMENT & SOCIAL SECURITY (02/16/2018)

Staff Recommendation: Oppose

RECOMMENDATION

That the Board of Retirement adopt an “Oppose” position on Assembly Bill 2085, which provides a definition for surviving spouse.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to oppose proposals that are contrary to or interfere with the Board of Retirement’s adopted policies or decisions. The Board also opposes proposals that deprive members of vested benefits (Legislative Policy, page 6).

SUMMARY

AB 2085 would define a surviving spouse, for purposes of the County Employees Retirement Law of 1937 (CERL), as a person who has legally married the member, is neither divorced nor legally separated from the member, is the spouse of the member at the time of the member’s death, and who meets all other specified requirements in CERL.

ANALYSIS

Existing Law

CERL provides for survivor benefits to be paid upon the death of a member who retired for service or disability. CERL also provides for survivor benefits to be paid if a member who would have been entitled to retirement in the event of service-connected or nonservice-connected disability dies prior to retirement. Survivor benefits are a continuance of a percentage of the member’s retirement allowance. Generally, a

surviving spouse must be married to the member at the time of his or her death and for a period of time specified in CERL based on the type of retirement.

A former spouse is not considered a surviving spouse after a dissolution of marriage. However, CERL does not define the term “surviving spouse” and whether a legally separated spouse whose marriage has not been dissolved is considered a surviving spouse. Although LACERA currently treats a legally separated spouse as a surviving spouse for purposes of paying survivor benefits, the treatment of legally separated spouses as surviving spouses is inconsistent among the retirement systems operating under CERL. Specifically, the Contra Costa County Employees’ Retirement Association (CCCERA) was involved in a case that found that the plain meaning of the term “surviving spouse” in CERL should include a legally separated spouse (*Irvin v. Contra Costa County Employees’ Retirement Assn.* (2017) 13 Cal.App.5th 162 [200 Cal.Rptr.3d 510]), contrary to CCCERA’s existing practice of not treating legally separated spouses as surviving spouses. CCCERA filed a petition for review with the California Supreme Court; however, the petition for review was denied, and consequently, the Court of Appeal’s decision on *Irvin* is final.

SACRS Legislative Proposal

While CCCERA’s petition for review was pending, the Ventura County Employees’ Retirement Association (VCERA) submitted a proposal for the State Association of County Retirement Systems’ (SACRS) 2018 legislative platform. VCERA proposed a definition of surviving spouse based on Section 101(3) of Title 38 of the United States Code, which governs veterans’ benefits. The SACRS Legislative Committee recommended that the SACRS membership support sponsorship of the proposal. The Board of Retirement reviewed the proposal at its meeting on November 9, 2017 and directed its voting delegate to vote “No” on sponsorship of the proposal by SACRS. During the Business Meeting at the SACRS Fall Conference on November 17, 2017, VCERA’s proposal was considered for sponsorship by the SACRS membership. Although LACERA and four other CERL retirement systems voted against sponsorship, a majority of the SACRS membership voted to support sponsorship. AB 2085 is the bill resulting from SACRS sponsorship of VCERA’s proposal on the definition of surviving spouse.

This Bill

AB 2085 would provide that a surviving spouse, for purposes of CERL, is a person who has legally married the member, is neither divorced nor legally separated from the member, is the spouse of the member at the time of the member’s death, and who meets all other specified requirements in CERL.

Reasons for Opposition

Current Practice. LACERA’s current practice is to provide survivor benefits to surviving spouses who are legally separated but not divorced, which is consistent with the *Irvin*

decision. If enacted, AB 2085 would bifurcate the population of current members who are legally separated with respect to the treatment of surviving spouses before and after the effective date of AB 2085 and raise the issue of vested rights.

Vested Rights. As discussed in *Irvin*, a divorced member can confer a spousal continuance by remarrying and making the subsequent spouse eligible for spousal continuance benefits. However, a legally separated member cannot confer spousal continuance benefits on a person other than his or her legally separated spouse because the member is still married and not divorced. If the legally separated spouse is ineligible for spousal continuance benefits in the same manner as a divorced former spouse, the legally separated member has forfeited the right to confer spousal continuance benefits.

If enacted, AB 2085 would be effective January 1, 2019 and would apply to current members and their legally separated spouses; it is not restricted to employees who become new members on or after January 1, 2019. Current legally separated members who become deceased before January 1, 2019 would be able to confer spousal continuance benefits (i.e., survivor benefits); however, current legally separated members who become deceased on or after January 1, 2019 would not be able to confer survivor benefits on a legally separated spouse. AB 2085 may bring forth legal challenges on the basis of vested rights by legally separated spouses who are denied survivor benefits on or after January 1, 2019.

Public Policy. The court in *Irvin* found that CCCERA failed to articulate any substantial public policy reason for denying continuance benefits to legally separated spouses. It did note that there are broader public policy issues associated with the grant of continuance benefits to a legally separated spouse but that these are for the Legislature to resolve.

VCERA's proposal, which resulted in AB 2085, also did not articulate any substantial public policy reason for not considering legally separated spouses as surviving spouses. In *Irvin*, CCCERA based its treatment of surviving spouses on the Probate Code, which the court concluded did not provide useful guidance in interpreting the definition of surviving spouse in the CERL section that authorizes CCCERA to provide survivor benefits. VCERA based its proposed definition of surviving spouse on Section 101(3)¹ of Title 38 of the United States Code, which governs veterans' benefits.

¹ "The term "surviving spouse" means (except for purposes of chapter 19 of this title) a person of the opposite sex who was the spouse of a veteran at the time of the veteran's death, and who lived with the veteran continuously from the date of marriage to the date of the veteran's death (except where there was a separation which was due to the misconduct of, or procured by, the veteran without the fault of the spouse) and who has not remarried or (in cases not involving remarriage) has not since the death of the veteran, and after September 19, 1962, lived with another person and held himself or herself out openly to the public to be the spouse of such other person."

However, Section 101(3) discusses separation to the extent it is a physical separation in the context of continuous cohabitation for military personnel.² Section 101(3) does not discuss legal separations, which are the result of orders from a court. Moreover, the SACRS Legislative Committee noted that two elements from Section 101(3) in VCERA's proposal were administratively problematic and suggested they be removed if the proposal should become a bill. The two elements were 1) that the surviving spouse has lived with the member from the date of marriage to the date of the member's death and 2) that the surviving spouse has not remarried or lived with another person and held himself or herself out publicly as the spouse of that person. Thus, although the provision in AB 2085 uses a provision related to survivor benefits for veterans as a template for its construction, it is nonetheless substantively different from Section 101(3) from a public policy perspective.

Arguably, the law governing Social Security benefits, rather than veterans' benefits, is more conceptually harmonious with pension benefits, given the fact that certain sections of CERL provide for integration of pension benefits with Social Security benefits. Section 416(a)(2) of Title 42 of the United States Code defines "surviving spouse" for purposes of Social Security benefits as a widow or widower, and the status of widow or widower is determined based on whether such a person was validly married to an individual before he or she was deceased. Moreover, Section 416(d) defines other terms such as "surviving divorced wife" and "surviving divorced husband." These terms suggest that with regard to a spousal relationship one is either married or divorced and that legal separation does not play any role in determining whether a person is a surviving spouse for Social Security purposes. The plain meaning of surviving spouse in CERL would be consistent with Social Security provisions in terms of treatment of legally separated spouses as surviving spouses.

Reciprocity. The court in *Irvin* noted that there are broader public policy issues associated with the grant of continuance benefits to a legally separated spouse but that these are for the Legislature to resolve. However, if the Legislature were to resolve these issues, staff believes that it would have to do so in terms of all public retirement

² 38 CFR Section 3.53 provides:

"(a) General. The requirement that there must be continuous cohabitation from the date of marriage to the date of death of the veteran will be considered as having been met when the evidence shows that any separation was due to the misconduct of, or procured by, the veteran without the fault of the surviving spouse. Temporary separations which ordinarily occur, including those caused for the time being through fault of either party, will not break the continuity of the cohabitation.

(b) Findings of fact. The statement of the surviving spouse as to the reason for the separation will be accepted in the absence of contradictory information. If the evidence establishes that the separation was by mutual consent and that the parties lived apart for purposes of convenience, health, business, or any other reason which did not show an intent on the part of the surviving spouse to desert the veteran, the continuity of the cohabitation will not be considered as having been broken. State laws will not control in determining questions of desertion; however, due weight will be given to findings of fact in court decisions made during the life of the veteran on issues subsequently involved in the application of this section."

systems within California for purposes of uniformity, not just for those systems operating under CERL as proposed under AB 2085.

LACERA and the other CERL systems provide reciprocal benefits with other public retirement systems. Reciprocal benefits are intended to encourage career public service to members who are entitled to retirement rights or benefits from two or more retirement systems. These other retirement systems include the Public Employees' Retirement System (CalPERS), the State Teachers' Retirement System (CalSTRS), and retirement systems of any other public agency of the state that has reciprocity with CalPERS.

According to a frequently asked question in CalPERS' Community Property handbook, legally separated spouses are considered surviving spouses because they are still legally married. Staff reviewed various provisions in the Public Employees' Retirement Law that define surviving spouse, and those provisions refer to a husband or wife that was married to the member and do not exclude legally separated spouses. CalPERS staff confirmed that they treat legally separated spouses as surviving spouses. Staff also reviewed provisions in the Teachers' Retirement Law, for the Los Angeles City Employees' Retirement System, and for the San Diego City Employees' Retirement System and followed up with staff in those systems that administer dissolution and survivor benefits. All of the staff in those systems confirmed that they treat legally separated spouses as surviving spouses.

LACERA's treatment of legally separated spouses for purposes of survivor benefits is not only consistent with the *Irvin* decision but also consistent with the treatment of legally separated spouses by other reciprocal systems, especially with CalPERS, which is the most frequent system with which LACERA shares reciprocal members. Currently, if a reciprocal LACERA member with a legally separated spouse were to become deceased, the surviving spouse would be entitled to survivor benefits from LACERA and the reciprocal system. If enacted, AB 2085 would result in such a surviving spouse receiving survivor benefits from the reciprocal system but not from LACERA. AB 2085 would not only raise the issue of vested rights being deprived but also establish a public policy that is at odds with the public policy behind reciprocal benefits.

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IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an “Oppose” position on Assembly Bill 2085, which provides a definition for surviving spouse.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment 1—Board Positions Adopted on Related Legislation
Attachment 2—Support And Opposition
AB 2085 (Cooley) as introduced on February 7, 2018

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven P. Rice
Allan Cochran
Vanessa Gonzales
Ricki Contreras
Fern Billingsy
Frank Boyd
Johanna Fontenot
Jill Rawal
Elaine Salon
Joe Ackler, Ackler & Associates

AB 2085

Attachment 1—Board Positions Adopted on Related Legislation

Board of Retirement

March 6, 2018

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

SB 670 (Chapter 161, Statutes of 1999) makes alternative death benefits provisions to be operative upon a majority vote of the board of retirement of any county. Existing law provides for survivor benefits to be paid if the surviving spouse was married to the member before retirement under specified time periods. The provisions of SB 670 provide for survivor benefits to be paid if the surviving spouse was married to the member at least two years prior to the date of the member's death and has attained an age of 55 on or prior to the date of the member's death. The Board of Retirement adopted an "Oppose" position.

AB 2085
Attachment 2—Support And Opposition
Board of Investments
March 6, 2018
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SUPPORT

None

OPPOSITION

None

(Note: AB 2085 has been referred to the Committee on Public Employees, Retirement, and Social Security. However, the Committee has not yet released a bill analysis indicating officially registered support or opposition from interested parties.)

ASSEMBLY BILL

No. 2085

Introduced by Assembly Member Cooley

February 7, 2018

An act to add Section 31480.1 of the Government Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2085, as introduced, Cooley. Retirement systems: surviving spouse.

The County Employees Retirement Law of 1937 (CERL) authorizes counties and districts to establish retirement systems in order to provide pension benefits to their employees and beneficiaries. Existing law requires, after a member's death, any retirement allowance earned but not yet paid to the member to be paid to the member's designated beneficiary. Existing law authorizes the surviving spouse of a member who did not designate a beneficiary prior to death to file with the board, as specified, to be deemed the beneficiary.

This bill would define surviving spouse, for purposes of CERL, as a person legally married to the member, who is neither divorced nor legally separated at the time of the member's death and who meets other relevant requirements, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 31480.1 is added to the Government
- 2 Code, to read:


1 31480.1. “Surviving spouse,” as used in the chapter, means a
2 person who has legally married the member, is neither divorced
3 nor legally separated from the member, is the spouse of the member
4 at the time of the member’s death, and who meets all other
5 requirements of this chapter pertaining to the length of the marriage
6 and the person’s age at the time of the member’s death.

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March 6, 2018

FOR INFORMATION ONLY

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **Update on AB 2076—Effective Date of Disability Retirement**

BACKGROUND

During the two-year period beginning in 2013, your Board, based on the advice of prior counsel, used a different approach than current counsel recommends in applying Section 31724 of the Government Code in the determination of a member's effective date of disability retirement. Although your Board has the authority to correct certain errors and omissions, there is currently no statutory authority for your Board to reopen, reconsider, or modify your prior adjudicatory actions. In general, an administrative agency's quasi-judicial actions are final, and the agency's governing body, such as your Board, cannot reconsider such actions unless authorized by statute.

On December 16, 2016 at the Insurance, Benefits and Legislative Committee meeting, trustee David Muir requested that staff develop a legislative solution to allow your Board to reconsider actions based on an error of law.

On March 3, 2017, staff presented a proposed legislative solution to the Insurance, Benefits and Legislative Committee for consideration. The proposal would have provided your Board with the statutory authority to correct prior board actions made based upon error and omissions, including errors of law that existed at the time of the action. The proposal would have applied to all adjudicatory actions, not just disability cases, such that your Board may correct any actions made in the future based on errors resulting in the promised benefit not being correctly paid to LACERA members. The Committee expressed concern regarding the broad scope of the proposal and directed staff to limit the scope to only the decisions made regarding the effective date of disability retirement during the two-year period beginning in 2013.

On June 15, 2017, staff presented a proposal to the Insurance, Benefits and Legislative Committee to add a new Section 31541.1 to the Government Code that would provide your Board with the statutory authority to correct board decisions made during the period beginning in 2013 based upon an error of law existing at the time of the decision. The new section would apply only to the issue of determining the effective date of disability retirement pursuant to Section 31724 of the Government Code; it does not

revisit the issue of whether a member was permanently incapacitated pursuant to Section 31720 or whether an application was filed in a timely manner pursuant to Section 31722.

On July 13, 2017, your Board approved sponsorship of legislation by LACERA to provide statutory authority to your Board to correct board decisions made between 2013 and 2015 in the determination of the effective date of disability retirement that were based upon an error of law existing at the time of the decision.

On December 14, 2017, your Board instructed staff to 1) advise affected LACERA members of the error and the legislative action your Board is undertaking to enable your Board to correct the error and 2) provide progress reports to affected members during the legislative progress to enable affected members to contact their representatives in the Legislature.

AB 2076

This Bill

LACERA's legislative advocate, Joe Ackler of Ackler & Associates, successfully located an author to carry the proposal being sponsored by LACERA. AB 2076 was introduced on February 7, 2017 by Assembly Member Freddie Rodriguez, who is the Chair of the Committee on Public Employees, Retirement, and Social Security.

Staff has continuously provided updates of LACERA's pursuit of the legislation to other stakeholders of the County Employees Retirement Law of 1937 (CERL) at venues such as the Attorneys Roundtables hosted by the California Association of Public Retirement Systems and the regular meetings of the Legislative Committee of the State Association of County Retirement Systems. Staff has reiterated to stakeholders that the legislation will apply only to LACERA and none of the other CERL retirement systems.

Member Communication

A cross-functional team of staff from Benefits, Member Services, Disability Retirement, Legal Office, and Communications was convened to create a letter informing affected members of LACERA's pursuit of legislation to correct the error regarding their effective date of retirement. The letter also included an informational insert that provides instructions on how to register on the California Legislative Information website in order to track the progress of AB 2076 and receive email notifications of status changes on the bill.

During the formulation of the legislative proposal, staff initially identified 85 potential members whose effective dates of disability retirement may have been determined based on an error of law between 2013 and 2015. The approximate period was initially identified as June 2013 to August 2015. In the draft language for the proposed legislation, staff specified a period of January 1, 2013 to December 31, 2015 to ensure that no members were inadvertently excluded whose effective date of disability

retirement may have been determined based on an error of law. However, as a result of the larger period, more members were identified whose last day of regular compensation was before their date of application but who were not granted an earlier effective date; thus, they potentially may be covered under AB 2076. The additional members identified increased the population to 156 members (of which the original 85 are already included).

Letters regarding LACERA's sponsorship of AB 2076 were mailed to 144 members (with copies to their attorneys) on March 2, 2018 but will not be mailed to the beneficiaries of 12 deceased members. Due to the complexities of determining which beneficiaries are eligible to ultimately apply to have their cases reconsidered, the generic mass mailing to the 144 members notifies them of the legislation and enables them to monitor it going forward. However, it is not intended to address each member's or beneficiary's specific and unique situation. LACERA plans to provide an individualized review if the legislation is enacted.

The cross-functional team will have further meetings to plan future communications to the affected members as AB 2076 advances through the legislative session.

Current Status

The bill is expected to be heard in committee on March 14, 2018. Staff will continue to work with Ackler & Associates to achieve passage of the bill.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

AB 2076 (Rodriguez) as amended on February 27, 2018

AB 2076 (Rodriguez) as introduced on February 7, 2018

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven P. Rice
Johanna Fontenot
Allan Cochran
Vanessa Gonzalez
Ricki Contreras
Frank Boyd
Cynthia Martinez
Amanda Aguayo
David Muir
Joe Ackler, Ackler & Associates

AMENDED IN ASSEMBLY FEBRUARY 27, 2018

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 2076

Introduced by Assembly Member Rodriguez

February 7, 2018

An act to add Section 31541.1 to the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2076, as amended, Rodriguez. County employees' retirement: disability: date of retirement.

The County Employees Retirement Law of 1937 provides a comprehensive set of benefits for county and district employees who are members of a retirement system subject to that law and establishes county retirement boards for the administration of benefits authorized under that law. That law authorizes a county retirement system in Los Angeles County to adjust retirement payments due to errors or omissions, as specified. That law also permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met and requires the board to determine the *effective* date of retirement in those cases, as specified.

This bill would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the *effective* date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provision, become operative.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 31541.1 is added to the Government
2 Code, to read:
3 31541.1. (a) Subject to subdivisions ~~(a)~~, (c), (d), and (e) of
4 Section 31541, the board, upon any terms it deems just, may correct
5 prior board decisions made between January 1, 2013, and
6 December 31, 2015, that were based upon an error of law existing
7 at the time of the decision in the determination of *the effective date*
8 *of* disability retirement pursuant to Section 31724. A member
9 seeking correction of errors and omissions pursuant to this section
10 may file an application for correction to the board no later than
11 one year from the date this section becomes operative.
12 (b) This section shall apply to a county of the first class as
13 described in Section 28020 and 28022.

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- 6 31, 2015, that were based upon an error of law existing at the time
- 7 of the decision in the determination of disability retirement
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- 9 and omissions pursuant to this section may file an application for
- 10 correction to the board no later than one year from the date this
- 11 section becomes operative.
- 12 (b) This section shall apply to a county of the first class as
- 13 described in Section 28020 and 28022.

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




Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.

**For further information, contact:
LACERA
Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101**

February 23, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager 
Disability Retirement Services

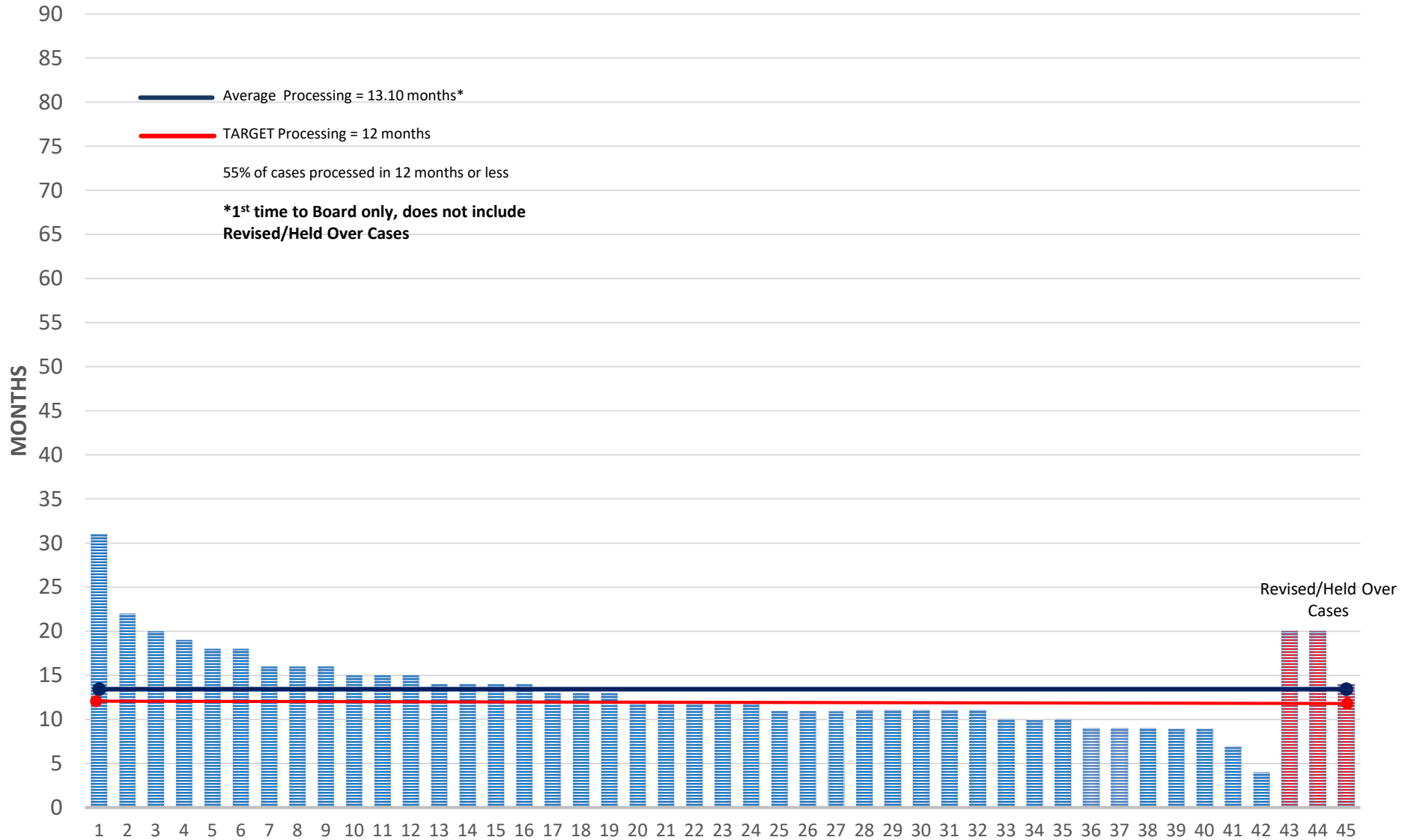
FOR: March 15, 2018 Board of Retirement Meeting

SUBJECT: **Application Processing Time Snapshot Reports**

The following chart shows the total processing time from receipt of the application to the first Board action for all cases on the March 15, 2018 Disability Retirement Applications Agenda.

Consent & Non-Consent Calendar			
Number of Applications	42		
Average Processing Time (in Months)	13.10		
Revised/Held Over Calendar			
Number of Applications	3		
Processing Time Per Case (in Months)	Case 1 20	Case 2 20	Case 3 14
Total Average Processing Time Revised/Held Over Calendar	18		
Total Average Processing Time All 45 Cases on Agenda	13.42		

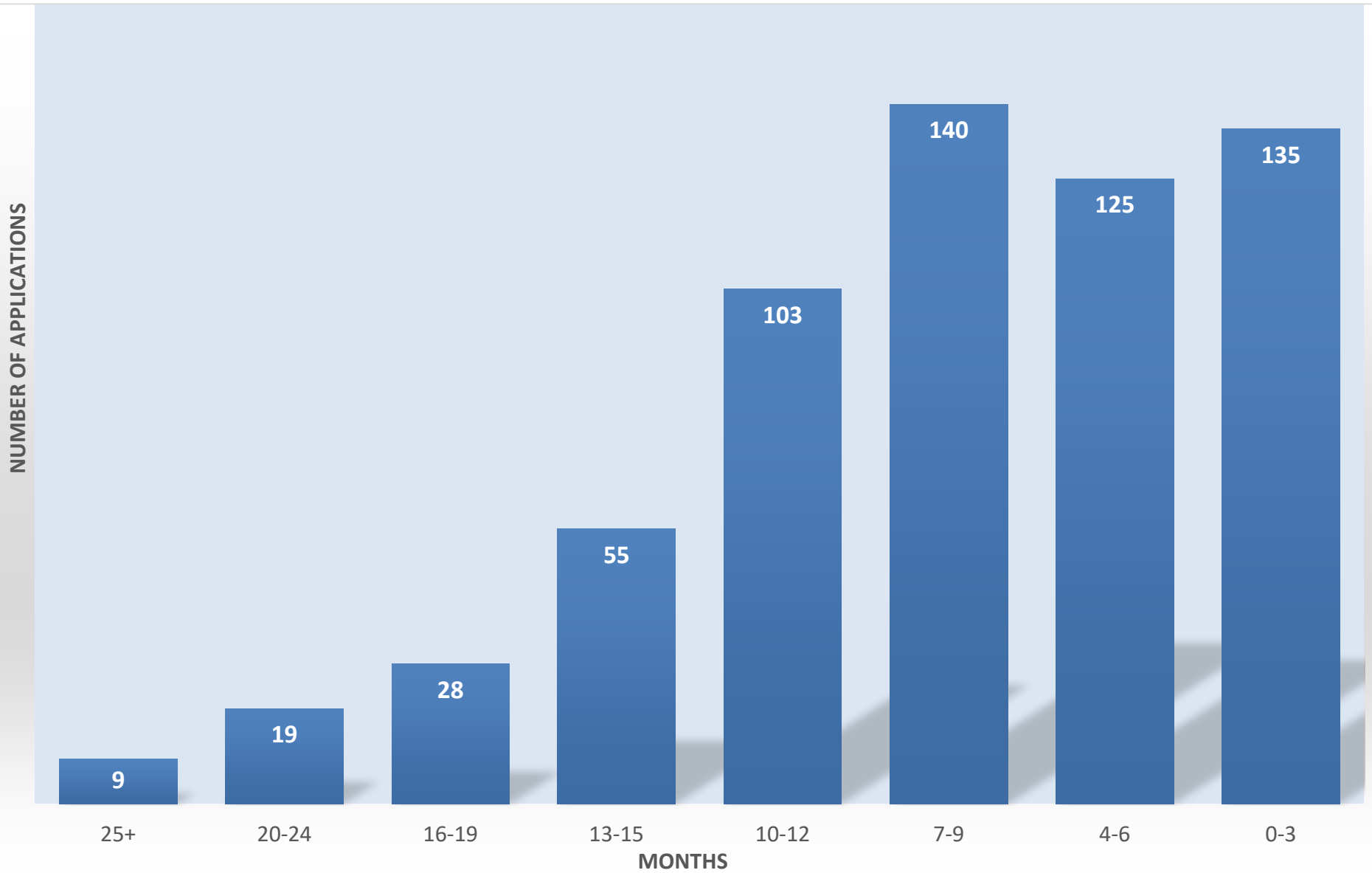
CASE PROCESSING TIME



As of 2/26/2018

March 15, 2018 AGENDA

PENDING APPLICATIONS/TIME INTERVALS



As of 2/26/2018



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