

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, MAY 10, 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 April 4, 2018
 - B. Approval of the Minutes of the Regular Meeting of April 12, 2018
- IV. OTHER COMMUNICATIONS
 - A. For Information
 - 1. March 2018 All Stars
 - 2. Interim Chief Executive Officer's Report
(Memo dated April 30, 2018)
- V. PUBLIC COMMENT
- VI. CONSENT ITEMS
 - A. Ratification of Service Retirement and Survivor Benefit Application Approvals.
 - B. Request for an administrative hearing before a referee for applicants Silvia Diharce, Kevin Tobia, and Henry H. Ou. (Memo dated April 26, 2018)

VI. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice Carolyn A. Celestine's appeal for a service-connected disability retirement. (Memo dated April 23, 2018)
- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "Watch" position on Assembly Bill 2004, which would enact the Big Fear Fire Agencies Pension Consolidation Act of 2018. (Memo dated April 20, 2018)
- E. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the National Association of Corporate Directors - Global Board Leaders' Summit on September 29 – October 2, 2018 in Washington D.C. and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 1, 2018) (Placed on the agenda at the request of Ms. Gray)

VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board authorize staff to:
 - 1. Complete negotiations for and execute a Memorandum of Understanding regarding the OPEB Program with the County of Los Angeles and the Los Angeles Superior Court to establish terms of an agent employer plan structure for allocation and recordkeeping of liabilities for the OPEB Program rather than the current cost-sharing structure; and
 - 2. Negotiate and, if agreement between the parties can be reached, execute a Memorandum of Understanding with the South Coast Air Quality Management District, the Local Agency Formation Commission for the County of Los Angeles, the Los Angeles County Office of Education, and the Little Lake Cemetery District to establish an agent employer plan structure for allocation and recordkeeping of those entities' liability for the OPEB Program, on such terms as appropriate to the

VIII. NON-CONSENT ITEMS (Continued)

circumstances of each of the listed other agencies, without the need for further approval by the Board of Retirement.

(Memo dated April 27, 2018)

- B. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt an “Oppose” position on Senate Bill 1031, which would prohibit the payment of cost-of-living adjustments. (Memo dated April 25, 2018)

1. Alternatively, recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt a “Watch” position on Senate Bill 1031. (Supplemental Agenda memo dated April 25, 2018)

- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board instruct its voting delegate to vote “Yes” on SACRS sponsorship of SB 1270. (Memo dated April 24, 2018)

- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt the revised Legislative Policy. (Memo dated February 27, 2018) (Supplemental Agenda memo dated May 1, 2018)

- E. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board authorize staff to submit a comment letter in response to IRS Notice 2018-24 on the potential expansion of the determination letter program during the 2019 calendar year, and engage tax counsel Don Wellington of Reed Smith LLP to prepare the letter at fees and costs not to exceed \$9,500. (Memo dated April 30, 2018)

IX. REPORTS

- A. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated April 13, 2018)
- B. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding the Update on AB 2085 – Definition of Surviving Spouse. (Memo dated April 24, 2018)

IX. REPORTS (Continued)

- C. For Information Only as submitted by John Nogales, Human Resources Director and Roberta Van Nortrick, Training Coordinator, regarding the Sexual Harassment Prevention Training for Trustees.
(Memo dated April 23, 2018)
- D. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the April 2018 Fiduciary Counsel Contact and Billing Report.
(Memo dated May 1, 2018) (Privileged and Confidential Attorney-Client Communication/Attorney Work Product)

X. REPORT ON STAFF ACTION ITEMS

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 JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoices for Gutierrez, Preciado & House, LLP. (Memo dated April 17, 2018)
 - 2. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board instruct staff to close Reynold Dong's Application for Disability Retirement.
(Memo dated April 23, 2018)
 - 3. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the 2018 Quarterly Reports of Paid Invoices for the 1st Quarter – January 1, 2018 to March 31, 2018. (Memo dated April 23, 2018)

XIII. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Existing Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)
1. Tod Hipsher vs. LACERA, County of Los Angeles and State of California
LASC Case No. BS 153372; Court of Appeal No. B276486
 2. Gina McDowell v. Los Angeles County Employees Retirement Assoc.
LASC Case No. BS 169513
For Information Only

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

10:00 A.M., WEDNESDAY, APRIL 4, 2018

PRESENT: Vivian H. Gray, Chair
Herman Santos, Vice Chair
Marvin Adams, Secretary
Alan Bernstein (Arrived at 12:55 p.m.)
JP Harris (Alternate Retired)
Shawn R. Kehoe (Arrived at 12:56 p.m.)
Joseph Kelly
William Pryor (Alternate Member)
Les Robbins
Thomas Walsh
Gina Zapanta-Murphy

STAFF ADVISORS AND PARTICIPANTS

Robert R. Hill, Interim 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

I. CALL TO ORDER

The meeting was called to order by Ms. Gray at 12:53 p.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 15, 2018

Mr. Adams made a motion, Mr. Walsh seconded, to approve the minutes of the regular meeting of March 15, 2018. The motion passed unanimously.

IV. PUBLIC COMMENT (Mr. Bernstein arrived at 12:55 p.m.)

LACERA member, Enid Goldberg, addressed the Board regarding her request for a service connected disability. (Mr. Kehoe arrived at 12:56 p.m.)

V. CONSENT AGENDA

(This item was held out of order, following Item X. Closed Session)

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

V. CONSENT AGENDA (Continued)

- A. Ratification of Service Retirement and Survivor Benefit Application Approvals.
- B. Request for an administrative hearing before a referee.
(Memo dated March 22, 2018)
- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice **Malcolm E. Kennedy's** appeal for a service-connected disability retirement.
(Memo dated March 23, 2018)

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement

Service-Connected Disability Applications

On a motion by Mr. Kehoe, seconded by Ms. Gray, 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>
784C*	MARIE L. DAVIS
785C*	DONALD W. NELSON
786C	MARIE ABRIL
787C	MARC A. WILSON
788C	WALID W. TAWDI

* 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>
789C	PATRICK KIM
790C	CHRISTINE M. WOODS
791C*	DAVID E. COLEMAN
792C	FRANK J. SALERNO
793C*	RAHSAAN R. HARRISON
794C	TIMOTHY A. GRIESE
795C	MARIE JIMENEZ
796C*	EDWARD R. GODFREY
797C**	STEVEN D. HARBESON
798C**	PERRY R. LYNCH
799C	GEAN J. OKADA
800C*	MAURICE R. JOLLIFF

* 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. Bernstein seconded by Mr. Walsh, 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>
1958A	EDWARD D. MENDENHALL
1959A	MICHAEL A. LEIJA
1960A	STANLEY FUNG
1961A	DAVID R. JOSEPH
1962A	ERIK E. NELSON
1963A*	LESTER A. FUZELL, SR.
1964A*	FERNANDO BOJORQUEZ
1965A	RICHARD A. ORTIZ
1966A	JOHN A. CAMACHO
1967A	ERIC V. SILGERO
1968A	PAUL G. HATHERLEY
1969A	JAMES P. ALBERT

* Granted SCD – Retroactive

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR
(Continued)

General Members

Service-Connected Disability Applications

On a motion by Mr. Bernstein 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>
2807B	STEPHEN G. NELSON
2808B*	JESUS D. UBALDO
2809B**	STELLA V. MARKOVA
2810B**	EARL J. COLE, JR.
2811B	WILLIE E. GLOVER
2812B**	KAREN J. EBENHACK
2813B	FREDERICK A. CORRAL
2814B	SHIRLEY R. PYE
2815B	GREGORY L. DARTY
2816B*	MARIA M. BARLOW
2817B**	GERARD SCHEXNAYDER

* Granted SCD – Retroactive Since Employer Cannot Accommodate

**Granted SCD – Employer Cannot Accommodate

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR
(Continued)

General Members

Non-Service-Connected Disability Applications

On a motion by Mr. Bernstein seconded by Mr. Adams, the Board of Retirement approved a non-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:

APPLICATION NO.

NAME

4368*

JOHN BRUBAKER

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 March 22, 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. Walsh recognized the 50th anniversary of Dr. Martin Luther King Jr.'s assassination.

Ms. Gray thanked the Board and staff for their continued hard work.

* Granted NSCD - Retroactive

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

(This item was held out of order, after Item IV. Public Comment)

A. Applications for Disability

APPLICATION NO. & NAME

BOARD ACTION

5002B – FRANK J. VALENZUELA

This item was pulled by staff for further development.

5003B – HENRY H. OU

Mr. Kehoe made a motion, Mr. Kelly seconded, to deny a service connected disability retirement since the employer can accommodate. The motion passed unanimously.

5004B – ENID M. GOLDENBERG*

Mr. Robbins made a motion, Mr. Kehoe seconded, to grant a non-service connected disability retirement pursuant to Government Section 31720. The motion passed unanimously.

5005B – MANUEL GARZA

Mr. Bernstein made a motion, Mr. Adams seconded, to deny a service connected disability retirement without prejudice and find the applicant not permanently incapacitated. The motion passed unanimously.

5006B – NATALIE CURTIS

Mr. Adams made a motion, Ms. Gray seconded, to grant a service connected disability retirement pursuant to Government Section 31720 and deny a service connected disability retirement salary supplemental. The motion passed unanimously.

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability (Continued)

APPLICATION NO. & NAME BOARD ACTION

5007B – TRACI M. STOKES-MARTINEZ

Mr. Robbins made a motion, Mr. Pryor seconded, to deny a service connected disability retirement since the employer can accommodate and find the applicant not permanently incapacitated. The motion passed unanimously.

6700A – FRED L. BEHRENDT*

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

6987A – LORINDA J. LE BLANC

Mr. Walsh made a motion, Mr. Adams seconded to grant a service connected disability retirement pursuant to Government Code Sections 31720 and 31724. The motion passed unanimously.

B. Referee Reports

This item will be placed on next month’s agenda.

C. Staff Recommendations

1. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board instruct staff to close **Reynold Dong’s** application for disability retirement. (Memo dated March 23, 2018)

This item was pulled by staff for further development.

* Applicant Present

April 4, 2018

Page 10

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:15 p.m.

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

1. Retirement Board Listing dated April 4, 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, APRIL 12, 2018

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

ABSENT: Thomas Walsh
Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Robert R. Hill, Interim Chief Executive Officer
James Brekk, Interim Deputy Chief Executive Officer
Steven P. Rice, Chief Counsel
Fern M. Billingsy, Senior Staff Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael Herrera, Senior Staff Counsel

Barry W. Lew, Legislative Affairs Officer

Harvey Leiderman, Reed Smith LLP, Outside Fiduciary Counsel

Cassandra Smith, Director Retiree Healthcare

Stephen E. Murphy, Segal Consulting

Paul C. Sadro, Segal Consulting

John McBride, LACERA Member

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

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

III. OTHER COMMUNICATIONS

A. For Information

1. February 2018 All Stars

Mr. Brekk announced the eight winners for the month of February: Allan Cochran, Trudi Hayashida, Paola Villegas, Laura Garcia, Cynthia Martinez, Leisha Collins, John McClelland, and Tony Soto for the Employee Recognition Program and Linda Ghazarian for the Webwatcher Program. Silvano Cruz, Benjamin Juarez, Amit Aggarwal, and Leisha Collins were the winners of LACERA's RideShare Program.

III. OTHER COMMUNICATIONS

A. For Information (Continued)

2. Interim Chief Executive Officer's Report (Memo dated April 2, 2018)

Mr. Hill highlighted March Madness and thanked staff for their hard work.

IV. PUBLIC COMMENT

LACERA member, John McBride, addressed the Board regarding Item X. B. 1.

V. CONSENT AGENDA

Mr. Santos made a motion, Mr. Adams seconded, to approve the following agenda items. 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 National Association of Corporate Directors – Technology Symposium on July 12-13, 2018 in Palo Alto, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Educational and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated March 15, 2018)
- B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the ISMG Security Summit on August 14-15, 2018 in New York City, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Educational and Travel Policy. (Placed on the agenda at the request of Mr. Bernstein)
(Memo dated April 5, 2018)
- C. Recommendation as submitted by Michael S. Schneider, Chair, Audit Committee: That the Board approve the revised Audit Committee Charter.
(Memo dated April 3, 2018)

V. CONSENT ITEMS (Continued)

- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a “Watch” position on Senate Bill 1270, which relates to the appointment of assistant administrators and chief investment officers.

(Memo dated March 15, 2018)

(Supplemental Agenda Information memo dated April 2, 2018)

- E. Recommendation as submitted by Marvin Adams, Chair, Operations Oversight Committee: That the Board:

- 1) Determine that the Board wishes to exempt LACERA from possible business associate status under HIPAA; and
- 2) Approve and authorize staff to execute the HIPAA Privacy and Security Rule Requirements for Disclosure of PHI to LACERA Retiree Healthcare Program amendment to the Retiree Healthcare plan documents in order to take advantage of one of HIPAA’s Plan Sponsor Exceptions.

(Memo dated April 2, 2018)

- F. Recommendation as submitted by Marvin Adams, Chair, Operations Oversight Committee: That the Board approve the Secured Workplace Policy. (Memo dated March 30, 2018)

VI. NON-CONSENT ITEMS

- A. Recommendation as submitted by Cassandra Smith, Director, Retirement Healthcare Division: That the Board approve fiscal year 2018-2019 rate renewal proposal and mandatory contractual changes, listed by carrier, and the administrative fee. (Memo dated March 29, 2018)

Ms. Smith was present and answered questions from the Board.

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

VI. NON-CONSENT ITEMS (Continued)

B. Recommendation as submitted by Fern M. Billingsy, Senior Staff Counsel:
That the Board:

- 1) Adopt the resolution, No. 2018-BR001, specifying that canine handlers pay earned on and after September 2014, by Sheriff's Department, Metrolink Bureau and earned on and after March 1, 2015 by Sheriff's Department, Transit Services Bureau qualifies as compensation earnable;
- 2) Instruct staff to implement this change by coordinating with the County Auditor-Controller to remit member and employer contributions; and
- 3) Instruct staff to collect arrears contributions for canine handlers pay in accordance with the Board's policy regarding implementation of new pensionable pay items.

(Memo dated March 28, 2018)

Ms. Billingsy was present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to approve the recommendation. The motion passed unanimously.

C. Recommendation as submitted by Fern M. Billingsy, Senior Staff Counsel:
That the Board:

- 1) Adopt resolutions No. 2018-BR002 and No. 2018-BR003, specifying pay items as "compensation earnable" and "pensionable compensation;" and
- 2) Instruct staff to coordinate with the County of Los Angeles to establish necessary reporting mechanism and procedures to permit LACERA to include the qualifying items in the calculation of final compensation.

(Memo dated March 28, 2018)

Ms. Billingsy was present and answered questions from the Board.

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

VI. NON-CONSENT ITEMS (Continued)

D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board:

- 1) Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Retirement during the week of May 21, 2018 in Washington D.C.;
- 2) Approve “LACERA Overview and Priorities”; and
- 3) Approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy.

(Memo dated April 2, 2018)

Messrs. Rice and Lew were present and answered questions from the Board.

Mr. Adams made a motion, Mr. Robbins seconded, to approve the recommendation. The motion passed unanimously.

E. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board authorize the attendance at both the International Foundation of Employee Benefit Plans Washington Legislative Update and the visit with Congress by Board members and staff as designated by the Chair of the Board of Retirement during the week of May 21, 2018 in Washington, D.C. as an exception to the conference attendance limitations under Section 705.07 of LACERA’s Education and Travel Policy pursuant to Section 705.18. (Supplemental Agenda Information memo dated April 3, 2018)

Mr. Lew was present and answered questions from the Board.

Mr. Adams made a motion, Mr. Santos seconded, to approve the recommendation. The motion passed unanimously.

F. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board provide the SACRS voting delegate direction on voting for the SACRS slate of officers.

Mr. Hill was present and answered questions from the Board.

VI. NON-CONSENT ITEMS (Continued)

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

VII. REPORTS

- A. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the March 2018 Fiduciary Counsel Contact and Billing Report. (Memo dated April 3, 2018) (Privileged and Confidential) (Attorney-Client Communication/Attorney Work Product)

This item was received and filed.

VIII. REPORT ON STAFF ACTION ITEMS

The Board requested that an item related to the Travel Policy be agendaized.

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

The Board thanked all staff for their hard work and continued support in ensuring our members receive the promised benefit.

X. EXECUTIVE SESSION

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

1. Sandra J. Claggett v. County of Los Angeles, et al. etc.
LASC Case No. BC681877
For Information Only

The Board met in Executive Session pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9 and there was nothing to report.

X. EXECUTIVE SESSION (Continued)

B. Conference with Legal Counsel - Anticipated Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision
(d) of California Government Code Section 54956.9)

1. John McBride

The Board met in Executive Session pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9. The Board voted unanimously, on a motion by Mr. Kehoe, seconded by Mr. Adams, to grant the appeal and allow Mr. McBride to purchase service credit at the cost that was available in 2001.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:50 a.m.


MARVIN ADAMS, SECRETARY

VIVIAN H. GRAY, CHAIR



April 30, 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.

Business as Usual

Any time there is a major change in organizational leadership there is a heightened risk something can go wrong. The ability to weather major change is an indication of the overall strength of an organization's core values, its governance structure, and most assuredly its greatest resources – its staff members. It's been six months since our former CEO retired and we thought this month would be a good opportunity to take the pulse of LACERA and see how we managed the risk.

We are pleased to report it's business as usual at LACERA, as we continue to Produce, Protect, and Provide the Promised Benefits to our members. Since October 2017 we:

- Welcomed 2,851 new members
- Processed 347 new disability applications
- Presented 303 disability applications to the Board with average processing time of 14 months
- Answered 60,101 calls in Member Services Call Center
- Answered 28,577 calls in RHC Call Center
- Met with 11,235 members in our Member Service Center
- Held 175 workshops throughout the County
- Retired 2,137 members
- Added 34 survivors seamlessly to the payroll
- Processed 17 Active Death Survivors to the payroll
- Provided 1,081 lump sum death benefit payments to survivors and beneficiaries

- Paid a total of \$1.7 billion in benefits
- Processed 155,515 documents (or 513,719 pages) through our Document Processing Center
- Conducted 10 new recruitments
- Filled 19 vacant positions
- Held a well-received Board Offsite
- Generated the FY 2018-19 strategic spending plan (budget) for your review
- Implemented our search plan for a new CEO

With the exception of the implementation of our search plan for a new CEO, these are just a few of the things that we do day in and day out. They do not represent out of the ordinary accomplishments. Instead they represent business as usual.

I would like to take a moment to recognize all LACERA staff members for their commitment to LACERA's values and our mission. We are operating as we always have with professionalism and dedication to our members and that is a testament to the quality of our staff members. Finally, I would like to thank the Boards for your continued faith in our staff members' abilities.

Striving for Excellence in Service



Outreach Attendance
2,939

27,719 Year-to-Date



Outreach Events
29

311 Year-to-Date



Outreach Satisfaction
96.5%

1.7% Change Since Last Mo.



Member Service Center
100.0%

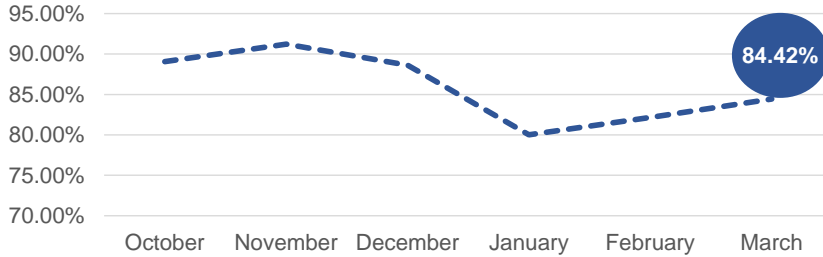
0.0% Change Since Last Mo.



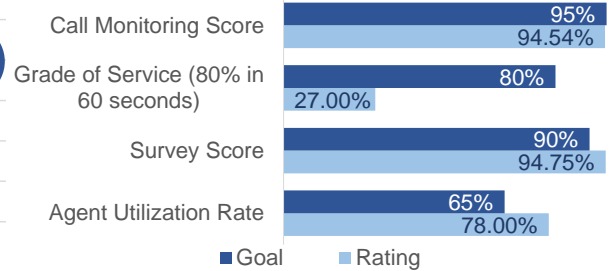
Member Services Calls
13,226

13,404 3 Mo. Avg.

Key Performance Indicator (Overall Performance)



Key Performance Indicator (Components)



Member Services



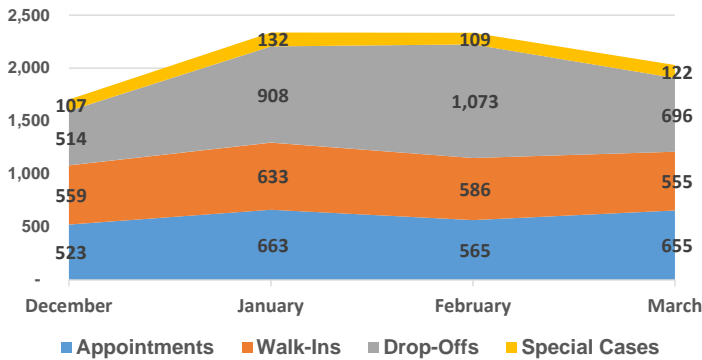
Top Calls

1. Workshop Info/Appointments Inquiry
2. Retirement Counseling: Process Overview
3. Taxes: Explanation of Deductions/Rates

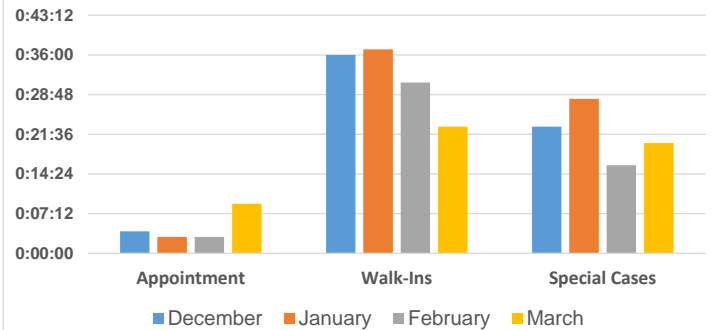


390 Emails
5:45 hours
Avg. Response Time (ART)

Member Service Center Visits



Member Service Center Average Wait Time

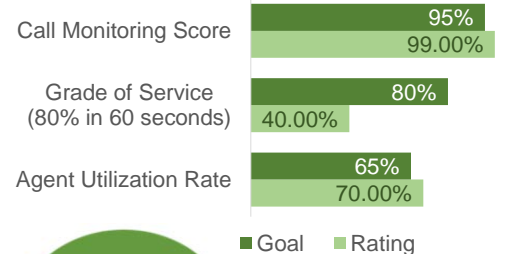
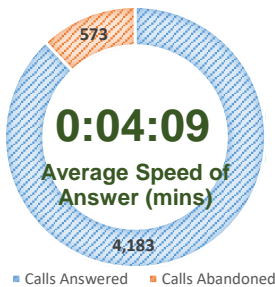


*Drop Off Wait Time: No Waiting

Top Calls

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

Retiree Healthcare



194 Emails
1 day
Avg. Response Time (ART)

Striving for Excellence in Service (Continued)

Applications

586

On Hand

75 Received
436 Year-to-Date

0 Re-opened
1 Year-to-Date

47 To Board - Initial
365 Year-to-Date

3 Closed
50 Year-to-Date

611 In Process
611 Year-to-Date

Appeals

116

On Hand

1 Received
23 Year-to-Date

2 Admin Closed/Rule 32
20 Year-to-Date

0 Referee Recommended
9 Year-to-Date

1 Revised/Reconsidered for Granting
5 Year-to-Date

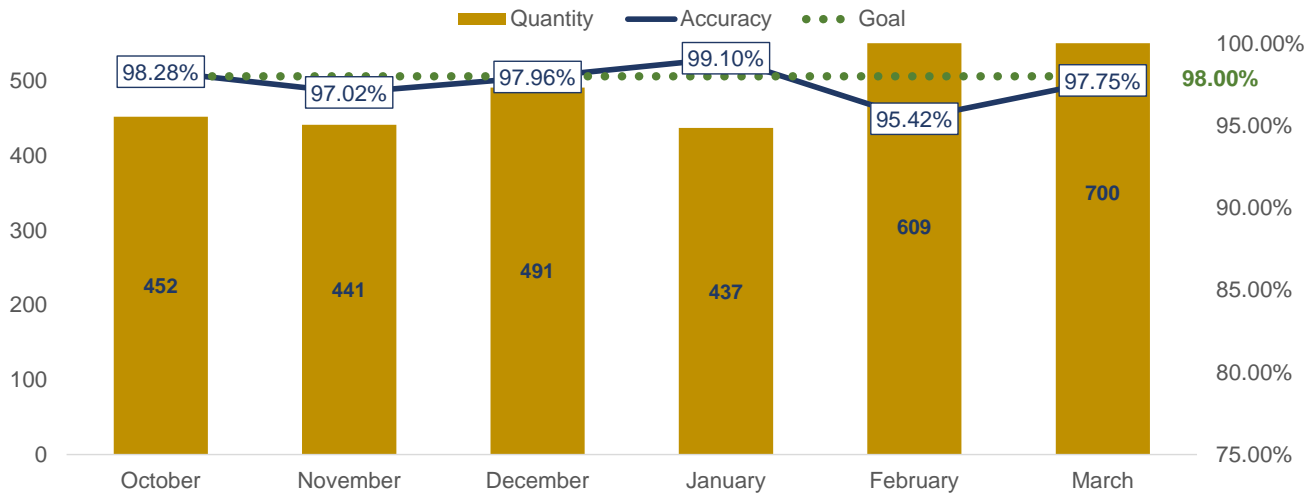
114 In Process
114 Year-to-Date

Disability

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry

Quality Assurance and Metrics



March 2018



97.75%

Retirement Elections

494 Samples
97.73% Accuracy

Payment Contracts

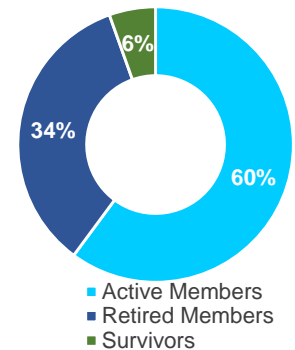
116 Samples
98.22% Accuracy

Data Entry

90 Samples
97.30% Accuracy

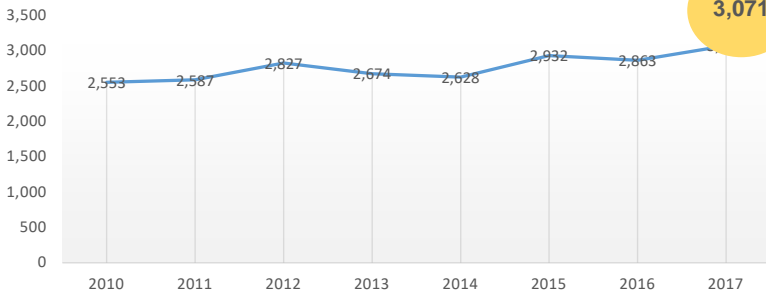
Member Snapshot

		Members as of 05/02/18				
		Plan	Active	Retired	Survivors	Total
General	Plan A		140	17,820	4,559	22,519
	Plan B		44	692	68	804
	Plan C		58	425	63	546
	Plan D		43,745	14,085	1,269	59,099
	Plan E		18,690	12,274	1,067	32,031
	Plan G		22,559	9	1	22,569
	Total General			85,236	45,305	7,027
Safety	Plan A		5	5,504	1,581	7,090
	Plan B		10,304	5,291	265	15,860
	Plan C		2,450	5	0	2,455
	Total Safety			12,759	10,800	1,846
TOTAL MEMBERS			97,995	56,105	8,873	162,973



Member Snapshot (Continued)

Retirements Per Year



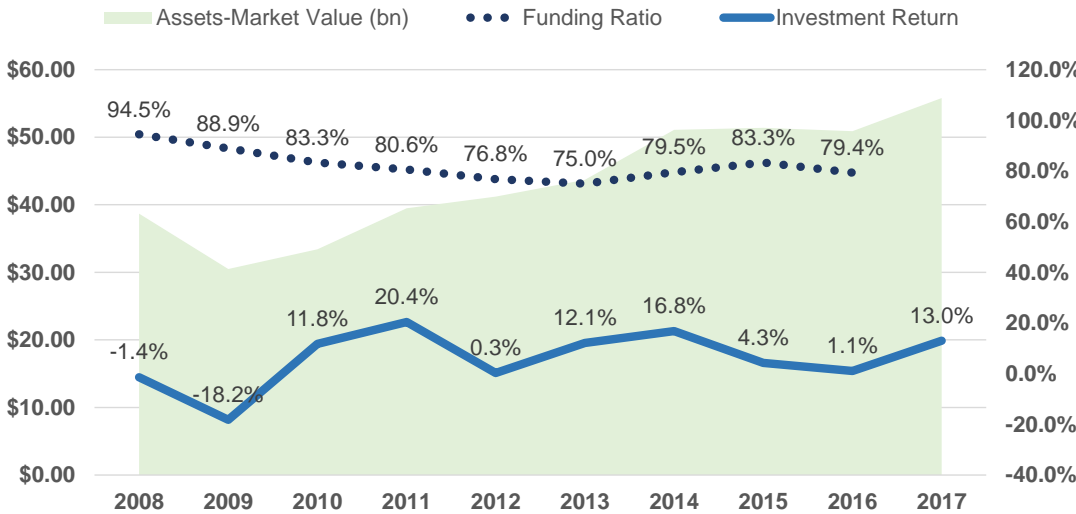
Healthcare Program (YTD)

	Employer	Member
Medical	\$354.8m	\$30.1m
Dental	\$31.8m	\$3.3m
Part B	\$42.9m	xxxx
Total	\$429.6m	\$33.3m

Healthcare Enrollments (Monthly)

Medical	49,198
Dental	50,334
Part B	32,995
LTC	689
Total	133,216

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)

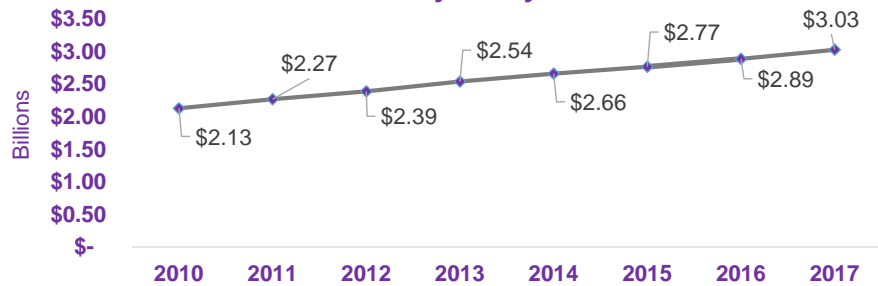
	Employer	Member
Annual Add	\$1331.4m	\$526.6m
% of Payroll	19.7%*	6.65%*

*Effective July 1, 2017, as of 06/30/16 actuarial valuation

Retired Members Payroll

Monthly Payroll	268.4m
Payroll YTD	2.4b
New Retired Payees Added	327
Seamless %	100.00%
New Seamless Payees Added	2,641
Seamless YTD	99.73%
By Check %	4.00%
By Direct Deposit %	96.00%

Retiree Payroll by Year

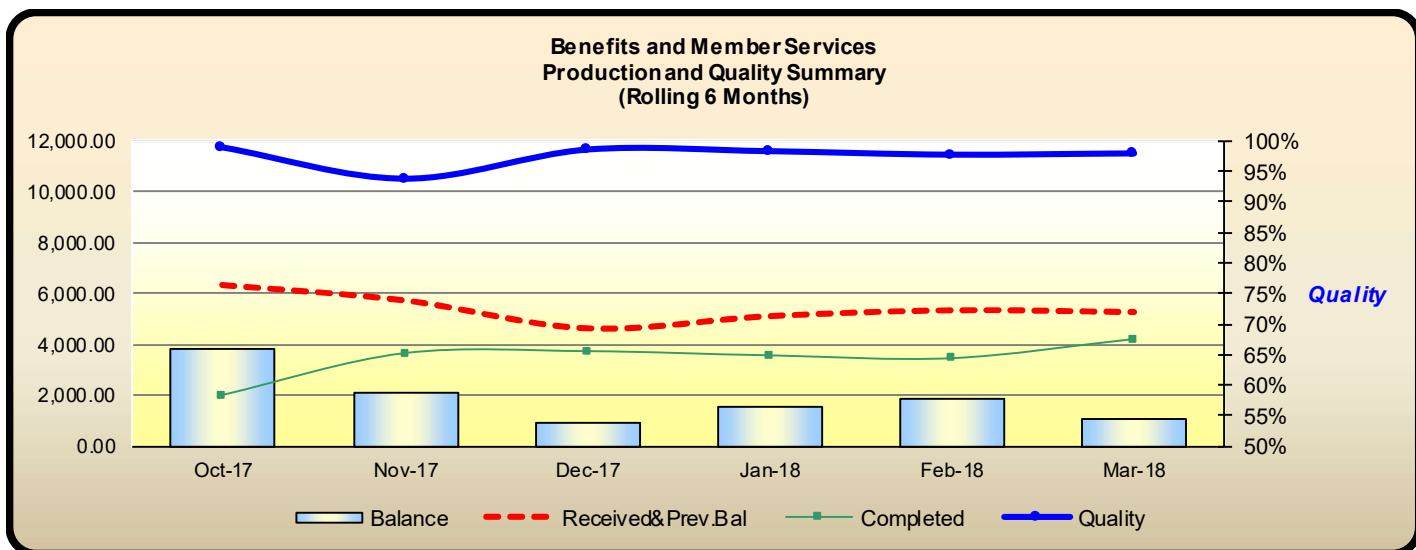
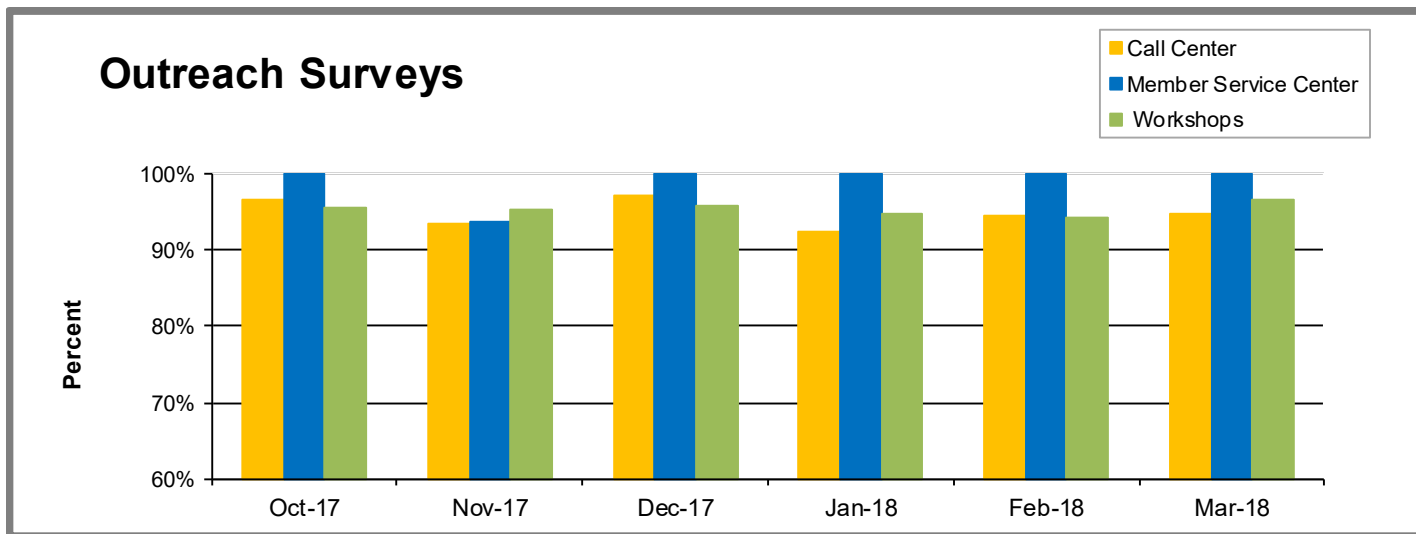


MORE COMING SOON!

LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	6	113	312	6,208
Mid Career	1	6	52	368
New Member	15	113	401	2,471
Pre-Retirement	5	66	83	1,726
General Information	1	5	40	407
Retiree Events	1	8	23	728
Member Service Center	Daily	Daily	2,028	15,811
TOTALS	29	311	2,939	27,719



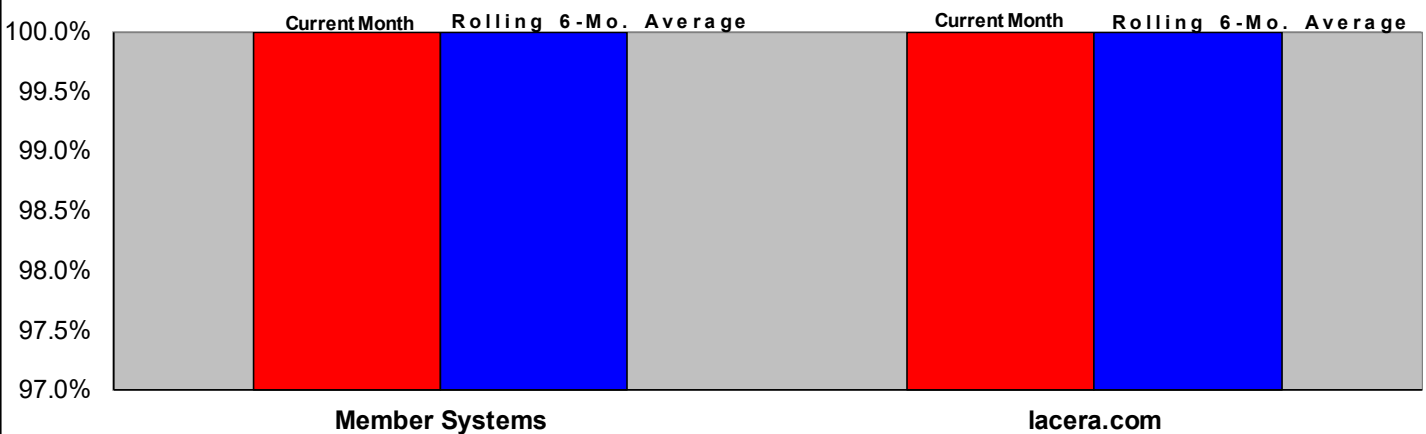
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	84.42%			
Category	Goal	Rating		Member Services
Call Center Monitoring Score	95%	94.54%	99%	1) Workshop Info/Appointments: Inquiry
Grade of Service (80% in 60 seconds)	80%	27%	40%	2) Ret. Counseling: Process Overview
Call Center Survey Score	90%	94.75%	xxxxx	3) Taxes-Explanation of Deductions/Rates
Agent Utilization Rate	65%	78%	70%	
Number of Calls	13,226		4,756	Retiree Health Care
Number of Calls Answered	10,757		4,183	1) Part B Premium Reimbursement
Number of Calls Abandoned	2,469		573	2) Medical Benefits - General Inquiries
Calls-Average Speed of Answer (hh:mm:ss)	00:07:08		04:09:00	3) Medical-New Enroll./Change/Cancel
Number of Emails	390		194	
Emails-Average Response Time (hh:mm:ss)	05:45:36		(Days) 1	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	586	xxxxxxx		On Hand	116	xxxxxxx
Received	75	436		Received	1	23
Re-opened	0	1		Administratively Closed/Rule 32	2	20
To Board – Initial	47	365		Referee Recommendation	0	9
Closed	3	50		Revised/Reconsidered for Granting	1	5
In Process	611	611		In Process	114	114

SYSTEMS AVAILABILITY - MARCH 2018



Active Members as of 5/2/18		Retired Members/Survivors as of 5/2/18			Retired Members		
		Retirees	Survivors	Total			
General-Plan A	140	17,820	4,559	22,379	Monthly Payroll	268.40 Million	
General-Plan B	44	692	68	760	Payroll YTD	2.4 Billion	
General-Plan C	58	425	63	488	No. Monthly Added	327	
General-Plan D	43,745	14,085	1,269	15,354	Seamless %	100.00%	
General-Plan E	18,690	12,274	1,067	13,341	No. YTD Added	2,641	
General-Plan G	22,559	9	1	10	Seamless YTD %	99.73%	
Total General	85,236	Total General	45,305	7,027	52,332	Direct Deposit %	96.00%
Safety-Plan A	5	Safety-Plan A	5,504	1,581	7,085		
Safety-Plan B	10,304	Safety-Plan B	5,291	265	5,556		
Safety-Plan C	2,450	Safety-Plan C	5	0	5		
Total Safety	12,759	Total Safety	10,800	1,846	12,646		
TOTAL ACTIVE	97,995	TOTAL RETIRED	56,105	8,873	64,978		

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	354,869,774	30,053,043
Dental	31,823,683	3,279,381
Med Part B	42,907,803	xxxxxxxxxx
Total Amount	\$429,601,260	\$33,332,424

Health Care Program Enrollments (Monthly)	
Medical	49,198
Dental	50,334
Med Part B	32,995
Long Term Care (LTC)	689

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

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
June, 2018	
4-6	National Association of Securities Professionals (NASP) 29 th Annual Pension & Financial Services Conference Houston, TX
8	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Hilton Oakland Airport
8	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Hilton Oakland Airport
11-13	2018 MoneyConf – “The Future of Money” Dublin, Ireland
11-13	Trustee Leadership Forum for Retirement Security at the Harvard Kennedy School Cambridge, MA
13	National Association of Corporate Directors (NACD) – Future Trends Event Austin, TX
20-22	AHIP (America’s Health Insurance Plans) Institute San Diego, CA
25-27	IFEBP Public Employee Benefits Institute Las Vegas, NV
25-28	International Corporate Governance Network (ICGN) Annual Conference Milan, Italy
28-29	5 th Annual Hispanic Heritage Foundation Investors Group Conference New York, NY
July, 2018	
11-13	Pacific Pension Institute (PPI) North American Summer Roundtable La Jolla, CA
12-13	National Association of Corporate Directors (NACD) Technology Symposium Palo Alto, CA
16-18	2018 Fortune Brainstorm Tech Conference Aspen, CO
August, 2018	
14-15	ISMG Security Summit New York, NY
27-30	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management for Trustees Pepperdine University



April 26, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager
Disability Retirement Services

SUBJECT: **APPEALS FOR THE BOARD OF RETIREMENT'S MEETING
OF MAY 10, 2018**

IT IS RECOMMENDED that your Board grant the appeals and requests for administrative hearing received from the following applicants, and direct the Disability Retirement Services Manager to refer each case to a referee:

5001B	Silvia Diharce	In Pro Per	Deny SCD – Grant NSCD Employer Cannot Accommodate
6996A	Kevin Tobia	Thomas Wicke	Deny SCD
5003B	Henry H. Ou	In Pro Per	Deny SCD – Employer Can Accommodate


RC:kw

Memo. New Appeals.docx



April 23, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Manager 
Disability Retirement Services Division

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **DISMISS WITH PREJUDICE THE APPEAL OF
CAROLYN A. CELESTINE**

Ms. Carolyn A. Celestine applied for service-connected disability retirement on August 26, 2016. On September 6, 2017, the Board denied her application for service-connected disability retirement without prejudice.

Ms. Carolyn A. Celestine filed a timely appeal. On April 17, 2018, Ms. Celestine signed a voluntary withdrawal letter advising LACERA that she does not wish to proceed with her appeal.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

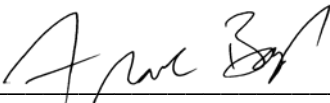
Dismiss with prejudice Carolyn A. Celestine's appeal for service-connected disability retirement.

FJB: RC: mb

Celestine, Carolyn A.-DenySCD_InProPer.docx

Attachment

NOTED AND REVIEWED:



Francis J. Boyd, Sr. Staff Counsel

Date: 4/23/18

April 20, 2018

TO: Each Member
Board of Retirement

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

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Assembly Bill 2004—Big Bear Fire Agencies Pension Consolidation Act of 2018**

Author: Obernolte [R]
Sponsor: Author-sponsored
Introduced: February 1, 2018
Status: To SENATE Committee on PUBLIC EMPLOYMENT & RETIREMENT. (04/19/2018)

IBLC Recommendation: Watch (04/12/2018)
Staff Recommendation: Watch

RECOMMENDATION

That the Board of Retirement adopt a “Watch” position on Assembly Bill 2004, which would enact the Big Bear Fire Agencies Pension Consolidation Act of 2018.

LEGISLATIVE POLICY/ENGAGEMENT POLICY STANDARD

A “Watch” position indicate that the legislative proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as the County Employees Retirement Law of 1937 (CERL). AB 2004 would add provisions to CERL that apply only to the San Bernardino County Employees’ Retirement Association.

SUMMARY

AB 2004 would enact the Big Bear Fire Agencies Pension Consolidation Act of 2018, which would authorize the Board of Retirement of the San Bernardino County Employees’ Retirement Association (SBCERA) to consent to membership of the Big Bear Fire Authority in the retirement association.

ANALYSIS

Existing Law

CERL authorizes the boards of retirement of the counties of Los Angeles, Orange, San Bernardino, and Kern to enter into agreements with the California Public Employees' Retirement System (CalPERS) for termination of a contracting agency's participation in CalPERS and transfer into the county retirement system of safety members of the contracting agency. The agreements provide for the transfer of members' service credit and contributions from CalPERS to the county retirement system.

From 1995 to 2002, LACERA has received transfers of certain CalPERS safety members whose contracting agencies' firefighting and law enforcement functions were assumed by the County of Los Angeles. Examples of these agencies include Azusa, Bell, Claremont, Glendora, Pomona, Hawthorne, Covina, El Monte, Gardena, and Inglewood.

This Bill

The Big Bear Fire Authority is a joint powers authority established by the Big Bear City Community Services District and the Big Bear Lake Fire Protection District in order to consolidate fire department administration and jurisdictions. The Big Bear Fire Authority would be a participating district in SBCERA upon adoption of a resolution by SBCERA's Board of Retirement.

Employees of the Big Bear Lake Fire Protection District are members of CalPERS for whom existing law provides for the transfer of membership from CalPERS to SBCERA.

The Big Bear Lake Fire Protection District is a subsidiary district of the City of Big Bear Lake, which is currently a participating district in SBCERA. AB 2004 would enable safety employees currently employed by the Big Bear Lake Fire Protection District (and who are members of SBCERA) to be deemed employees of the Big Bear Fire Authority. The status of the safety employees with respect to membership in SBCERA would be as if the employees remained members of SBCERA without any break in service or change of employer.

The Big Bear Fire Authority would be deemed to be a district under CERL and would assume all of the rights, obligations, and status of the city safety plan, which is the portion of the City of Big Bear Lake's retirement plan that covers the safety employees of the Fire Protection District. AB 2004 would provide that the termination of the city safety plan would not trigger a withdrawal liability since the Fire Authority would assume the prior obligations of the city safety plan as if no change in the participating employer had occurred.

The Fire Authority would also assume the rights, duties, and obligations of the city safety plan's replacement benefit plan. AB 2004 would provide that the rights of

members in the retirement system to participate in the replacement benefits plan would be as if there had been no change to the status of the employer. The Fire Authority's assumption of the replacement benefits plan would not be deemed to be the creation or offering of a new replacement benefits plan, which is prohibited under the California Public Employees' Pension Reform Act of 2013.

AB 2004 would facilitate the transfer of employment of SBCERA members from the Big Bear Lake Fire Protection District to the Big Bear Fire Authority.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a "Watch" position on Assembly Bill 2004, which would enact the Big Bear Fire Agencies Pension Consolidation Act of 2018.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support and Opposition

AB 2004 as introduced on February 1, 2018

AB 2004
Attachment 1—Board Positions Adopted on Related Legislation
Board of Retirement
April 20, 2018
Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 868 (Chapter 86, Statutes of 2015) authorized the San Bernardino County Employees' Retirement Association to accept transfers of safety members from the California Public Employees' Retirement System. The Board of Retirement adopted a "Watch" position.

AB 2819 (Chapter 419, Statutes of 1990) authorized LACERA to accept transfers of safety members from the California Public Employees' Retirement System. AB 2819 was sponsored by LACERA.

AB 2004
Attachment 2—Support and Opposition
Board of Retirement
April 20, 2018
Page 1

SUPPORT

None

OPPOSITION

None

ASSEMBLY BILL

No. 2004

Introduced by Assembly Member Obernolte

February 1, 2018

An act to add Article 4.5 (commencing with Section 31570) to Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code, relating to public employee retirement, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2004, as introduced, Obernolte. Big Bear Fire Agencies Pension Consolidation Act of 2018.

The County Employees Retirement Law of 1937 authorizes a county to establish a retirement system, as specified, in order to provide pension benefits to county, city, and district employees. Under that law, all officers and employees of a district become members of the county's retirement association on the first day of the calendar month after adoption, by specified vote thresholds, of a resolution by the governing body of the district providing for inclusion of the district in the retirement association and, if the county board of supervisors is not the governing body of the district, the board of retirement consents by majority vote.

This bill would enact the Big Bear Fire Agencies Pension Consolidation Act of 2018, which, on and after the effective date of a resolution of the Board of Retirement of the San Bernardino County Employees' Retirement Association consenting to membership by employees of the Big Bear Fire Authority as described above, would provide that all safety employees currently employed by the Big Bear Lake Fire Protection District as of that date would be deemed to be

employees of the authority and that all duties and obligations of the fire protection district in the employment relationship would be assumed by the authority. The bill would specify that the authority is a “district” for purposes of the County Employees Retirement Law of 1937. The bill would provide that the authority would assume the rights, obligations, and status previously occupied by the City of Big Bear Lake with regard to the portion of the city safety plan, which is that portion of the city’s retirement plan that covers safety employees of the fire protection district, and to the replacement benefits program. The bill would also provide that termination of the city safety plan would not trigger withdrawal liability. The bill would state that its provisions are severable.

This bill would make legislative findings and declarations as to the necessity of a special statute for the County of San Bernardino.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 SECTION 1. Article 4.5 (commencing with Section 31570) is
2 added to Chapter 3 of Part 3 of Division 4 of Title 3 of the
3 Government Code, to read:

4
5 Article 4.5. Big Bear Fire Agencies Pension Consolidation Act
6 of 2018
7

8 31570. It is the intent of the Legislature that this article
9 authorize the Big Bear Fire Authority to assume all of the revenues,
10 debts, obligations, and liabilities of the City of Big Bear Lake’s
11 safety plan, which covers the employees of the Big Bear Lake Fire
12 Protection District.

13 31571. This article shall be known, and may be cited, as the
14 Big Bear Fire Agencies Pension Consolidation Act of 2018.

15 31572. For purposes of this article, the following definitions
16 apply:

17 (a) “Authority” means the Big Bear Fire Authority, which is a
18 joint powers authority established by the Big Bear City Community
19 Services District and the Big Bear Lake Fire Protection District

1 pursuant to the Joint Exercise of Powers Act (Chapter 5
2 (commencing with Section 6500) of Division 7 of Title 1) in 2012.

3 (b) “City” means the City of Big Bear Lake.

4 (c) “City safety plan” means that portion of the city’s retirement
5 plan through the San Bernardino County Employees’ Retirement
6 Association that covers the safety employees of the fire protection
7 district.

8 (d) “Fire protection district” means the Big Bear Lake Fire
9 Protection District.

10 31573. (a) On and after the effective date of a resolution of
11 the Board of Retirement of the San Bernardino County Employees’
12 Retirement Association consenting to membership of the
13 authority’s employees pursuant to subdivision (b) of Section 31557,
14 all safety employees currently employed by the fire protection
15 district as of that date shall be deemed to be employees of the
16 authority, and all duties and obligations of the fire protection
17 district in the employment relationship shall be assumed by the
18 authority. The status of each employee deemed to be an employee
19 of the authority pursuant to this section, with respect to membership
20 in the retirement system, shall, in all respects, be as if the employee
21 had remained a member of the retirement system without any break
22 in service or change of employer. The authority shall be deemed
23 to be a “district,” as defined in this chapter, and shall, in all
24 respects, assume all of the rights, obligations, and status previously
25 occupied by the city, with regard to the city safety plan, as a
26 participating district in the retirement system, including, but not
27 limited to, all of the following: the payment of employer
28 contributions, the payment of unfunded actuarial liability, the
29 withholding of employee contributions, the reporting of
30 compensation earnable and pensionable compensation, record
31 retention and audit compliance, the enrollment of eligible
32 employees as members of the retirement system, compliance with
33 restrictions on the employment of retired persons, and the pickup
34 of employee contributions pursuant to Section 414(h)(2) of the
35 Internal Revenue Code and any agreement or resolution
36 implementing that section.

37 (b) The termination of the city safety plan shall not trigger
38 withdrawal liability pursuant to Section 31564.2. The authority
39 shall assume the prior obligations of the city safety plan for the
40 payment of unfunded actuarial liability, which shall continue to

1 be included in contribution rates calculated and approved pursuant
2 to this chapter, including, but not limited to, Sections 31453,
3 31453.5, 31454, 31581, and 31585, as if no change in the
4 participating employer had occurred.

5 (c) The authority shall succeed to the rights, duties, and
6 obligations of the city safety plan with respect to its replacement
7 benefits program pursuant to Chapter 3.9 (commencing with
8 Section 31899). The rights of each member of the retirement
9 system to participate in the replacement benefits program, as those
10 rights exist at the time of the transfer of rights, duties, and
11 obligations to the authority pursuant to this section, whether the
12 member is actively employed, deferred, or retired, shall continue
13 as if there had been no change in the status of the employer. The
14 transfer of rights, duties, and responsibilities shall not be deemed
15 to be the creation of a new replacement benefit program and the
16 continuation of employees’ rights pursuant to this section shall not
17 be deemed the offering of a new plan to any employee for purposes
18 of Section 7522.43 or subdivision (c) of Section 31899.

19 SEC. 2. The provisions of this act are severable. If any
20 provision of this act or its application is held invalid, that invalidity
21 shall not affect other provisions or applications that can be given
22 effect without the invalid provision or application.

23 SEC. 3. The Legislature finds and declares that a special statute
24 is necessary and that a general statute cannot be made applicable
25 within the meaning of Section 16 of Article IV of the California
26 Constitution because of the unique circumstances regarding pension
27 and employment obligations relating to fire protection services for
28 the City of Big Bear Lake in the County of San Bernardino.


29 SEC. 4. This act is an urgency statute necessary for the
30 immediate preservation of the public peace, health, or safety within
31 the meaning of Article IV of the California Constitution and shall
32 go into immediate effect. The facts constituting the necessity are:

33 In order to facilitate the transfer of employment from the Big
34 Bear Lake Fire Protection District to the Big Bear Fire Authority
35 in a timely and expeditious manner, it is necessary that this act
36 take effect immediately.



May 1, 2018

TO: Each Member
Board of Retirement

FROM: Robert R. Hill 
Interim Chief Executive Officer

FOR: Board of Retirement Meeting of May 10, 2018

SUBJECT: National Association of Corporate Directors - Global Board Leaders' Summit
September 29 – October 2, 2018 in Washington D.C.

The National Association of Corporate Directors (NACD) - Global Board Leaders' Summit will take place on September 29 – October 2, 2018 at the Marriott Marquis Hotel in Washington, D.C. The NACD Global Board Leaders' Summit is the largest and most important director forum in the world, where the greatest minds in governance convene to take on the largest issues facing today's boardrooms and collectively discover the future of exemplary board leadership.

The main conference highlights include the following:

- Future of Financial Services
- Future of Healthcare and Biotech
- Corporate Culture and the Crisis of Disengagement
- Technology, Trust & Reputation Risk

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. The standard hotel rate at the Marriott Marquis hotel is \$341.00 per night plus applicable taxes and the registration fee to attend is \$5,495.00.

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the National Association of Corporate Directors - Global Board Leaders' Summit on September 29 – October 2, 2018 in Washington D.C. and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

RH/lg
Attachment



transformation

2018 GLOBAL BOARD LEADERS' SUMMIT

September 29–October 2
Washington, DC

Saturday, September 29

1:00 PM - 5:00 PM ~ Chair and Lead Director Symposium

Dialogue with your fellow lead directors and chairs on your most pressing leadership concerns. Share leading practices from your tenure as a boardroom leader and discover some new ideas you can implement within your organizations. Topics to be announced.

1:00 PM - 5:00 PM ~ Nonprofit Symposium

Nonprofit organizations face similar governance challenges to their corporate counterparts—establishing the right boardroom composition and culture, keeping the channels of information flow between the C-suite and the board open, and mitigating an ever-changing array of risks. Nonprofits, however, have differing headship structures, stakeholders, and resources to address these same challenges. In this forum, nonprofit directors and advisors focus on the key issues impacting nonprofits and share leading practices. Topics to be announced.

1:00 PM - 5:00 PM ~ Private Company Symposium

Seasoned private company board directors discuss hot topics, trends, and challenges in today's private company sector. *Presented in partnership with KPMG. Topics to be announced.*

1:00 PM - 5:00 PM ~ Small-Cap Symposium

Small-cap companies—and their boards—face unique challenges that require unique tools and insights. Led by subject-matter experts and seasoned directors from both micro- and larger small-

cap companies, this session will discuss board priorities and best practices tailored specifically to small-cap companies. *Presented in partnership with BDO. Topics to be announced.*

6:30 PM - 9:30 PM ~ NACD NXT Recognition Gala

Join NACD and your director peers for this inaugural event. The evening will include networking, cocktails, dinner, and a special tribute to our nominees and award winners. We look forward to celebrating their outstanding achievements and hope you can join us for what will be an inspirational and unforgettable night. [Separate registration is required.](#)

Sunday, September 30

7:30 AM - 9:45 AM ~ Chapter Presidents Breakfast

Session description coming soon!

9:00 AM - 9:15 AM ~ CEO's Welcome Address

Session description coming soon!

Peter Gleason
CEO and President ~ 9:00 AM - 10:00 AM

Wake-Up Call: Breakfast in the Insight Hub

Caffeine, croissants, and creativity await you at this early-morning gathering. Sip some coffee while interacting with our exhibitors, who will be displaying a wide variety of technologies. While you're there, connect with other early-rising directors and get a jump start on your day.

9:15 AM - 9:45 AM ~ Transforming Risk

Session description coming soon!

10:00 AM - 12:00 PM ~ Audit Committee Forum

Explore key issues for audit committees today—from emerging concerns for internal audit, to data and analytics' role in audit committee effectiveness and updates on how policy and regulatory shifts are impacting financial reporting and disclosure. *Presented in partnership with KPMG. Additional topics to be announced.*

10:00 AM - 12:00 PM ~ Compensation Committee Forum

This forum will provide in-depth guidance for an effective compensation committee. Discuss the latest executive and director compensation challenges and opportunities, and gain expert advice on how to rethink and communicate your compensation strategy to create robust, long-term pay plans that both retain and inspire company talent and respond to increasing demands. *Presented in partnership with Pearl Meyer. Topics to be announced.*

10:00 AM - 12:00 PM ~ Nominating and Governance Committee Forum

This dynamic session will provide you with practical tools to improve board composition and effectiveness, and ensure that your corporate strategy successfully plans for growing disruptive forces. *Presented in partnership with Heidrick & Struggles. Topics to be announced.*

10:00 AM - 12:00 PM ~ Strategy and Risk Committee Forum

Explore leading practices and processes for overseeing a company's risk management activities and capitalizing on the critical link between strategy and risk. This forum will explore ways for the whole board—not just the audit or risk committees—to engage in effective risk governance. *Presented in partnership with Marsh and McLennan Companies. Topics to be announced.*

12:00 PM - 2:15 PM ~ Networking Lunch and Keynote

Session description coming soon!

2:45 PM - 4:45 PM ~ Audit Committee Forum

(A continuation of the morning's programming on audit committee effectiveness.)

Explore key issues for audit committees today—from emerging concerns for internal audit, to data and analytics' role in audit committee effectiveness and updates on how policy and regulatory shifts are impacting financial reporting and disclosure. *Presented in partnership with KPMG. Additional topics to be announced.*

2:45 PM - 4:45 PM ~ Compensation Committee Forum

(A continuation of the morning's programming on compensation committee effectiveness.)

This forum will provide in-depth guidance for an effective compensation committee. Discuss the latest executive and director compensation challenges and opportunities, and gain expert advice on how to rethink and communicate your compensation strategy to create robust, long-term pay plans that both retain and inspire company talent and respond to increasing demands. *Presented in partnership with Pearl Meyer. Topics to be announced.*

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Presented in partnership with Marsh and McLennan Companies. Topics to be announced.

5:15 PM - 5:45 PM ~ Transforming Trust

Session description coming soon!

Jim Clifton

Chair and CEO~ 6:00 PM - 6:45 PM

In Conversation with Janet L. Yellen

As the first woman to chair the Federal Reserve, Janet L. Yellen helped the country recover from the financial crisis to post record gains: no other recent Fed chair has seen the market climb as far as fast as it did under Yellen. Continuing in NACD's long tradition of candid and incisive conversations with the thought leaders shaping the business landscape, Yellen will discuss lessons learned as chair of the Federal Reserve, reveal what it took to lead America from the turbulent waters of a finance crisis to the third-longest economic expansion in history, and share her insights on the global and domestic financial markets and macro trends that will shape economic policy into 2019 and beyond.

Janet L. Yellen

Chair, Board of Governors ~ 6:45 PM - 8:30 PM

Networking Reception

Monday, October 1

7:30 AM - 8:45 AM ~ Ask the Experts Power Breakfasts

Join leading minds from across the country—and in some cases around the globe—to share their perspectives on a variety of key governance topics, including shareholder activism, cyber risk, culture and global risk. These sessions are interactive, dynamic, and driven by attendees. Come with your questions and get ready to dialogue. These 75-minute sessions are your chance to create intellectual havoc and leave more fulfilled, wiser, and better prepared. *Topics to be announced.*

7:30 AM - 8:45 AM ~ Master Class: Behind the Bribe: In Conversation with Richard Bistrong

Does your compliance function understand the real-world commercial risks that front-line business teams face? Do your commercial objectives and reward systems align with your goals of ethics and integrity? Are ethics and compliance intertwined with operations, and viewed as a partner to commercial success? How are your teams managing the tension between the pressure to succeed and the pressure to comply? Hear Richard Bistrong, CEO of Front-Line Anti-Bribery LLC and a former FCPA violator, share his front-line experience as an international sales VP, with a focus on actionable and practical lessons from his experience which can help to better support those who work in high-risk environments, as well as those tasked with keeping them successful and safe.

Richard Bistrong – CEO ~ 9:15 AM - 9:30 AM

Short Take: Digital Transformation

Session description coming soon!

Patrick Gee - SVP, Auto, Property and Catastrophe Claim~ 9:30 AM - 10:00 AM

Short Take: Transforming Fintech

Session description coming soon!

10:00 AM - 10:15 AM ~ Short Take: Transforming Failure

You've embraced innovation at the board level and your C-suite has also bought into it. You're making investments and looking at how to transform the business. You're good, right? Not so fast. Creating a true culture of innovation, one that will build long-term value, means embracing, and even rewarding, failure. In this thought-provoking talk, entrepreneur, blogger, TED speaker, and author Jia Jiang discusses how 100 days of self-described "rejection therapy" helped him overcome his fear of failure by embracing it head-on. In his journey are important—if counterintuitive—lessons about how pushing past fears of getting it wrong can lead to amazing breakthroughs.

Jia Jiang - Founder, Wuju Learning Inc.~ 10:15 AM - 10:35 AM

Spark Talk: Digital Transformation

Session description coming soon!

Danielle Cohn -Director of Entrepreneurial Engagement ~ 10:35 AM - 11:15 AM

In Conversation with John W. Rogers, Jr.

Session description coming soon!

John W. Rogers Jr.- Founder, Ariel Investments; Chair, CEO, Ariel Fund; Director ~11:15 AM - 12:15 PM

Future of Capitalism

Session description coming soon!

Andrew Train - Managing Partner, Co-Founder ~ 11:15 AM - 12:15 PM

Future of Cities

Session description coming soon!

11:15 AM - 12:15 PM ~ Future of Energy and Utilities

The business landscape for the utility industry is evolving rapidly: shifts in consumer behavior, advances in technology, and increased utilization of wind and solar energy sources will continue to create drastic changes in how people access energy. As the regulatory environment permits more growth and competition in this industry, how will your company continue to thrive? How can you leverage the potential that innovations like IoT and big data have to disrupt your business model? Join energy experts as they elucidate the emerging trends, opportunities, and risks facing utilities and the power sector.

11:15 AM - 12:15 PM ~ Future of Financial Services

The financial industry has seen its share of crises over the past few years. The rise of new technologies, new competitors, and changing consumer needs are all driving change in the industry. What does the future of finance look like? Hear from leading experts just what directors need to place at the top of their boardroom agendas in the next three to five years.

11:15 AM - 12:15 PM ~ Future of Healthcare and Biotech

Health care is on the front lines of both innovation and disruption, buffeted by legislative uncertainty and regulatory scrutiny on the one hand, and leading the charge on embracing and applying artificial intelligence, data analytics, and the Internet of Things to create new solutions and improve outcomes on the other. In this session, directors, investors, entrepreneurs, and those leading corporate innovation efforts from the inside will discuss the technologies and trends they see shaping the health care space. This is a revelatory discussion for anyone in the industry, as well as for those who want to understand the trends shaping their own health care experience, and those outside of the industry looking to apply lessons learned in health care to their own challenges with innovation, regulation, and business-model disruption.

Molly McCarthy
Chief Nursing Strategist

Ayse McCracken
President, eNNOVATE Health Ventures LLC; Director

Brittany Barreto - Co-Founder and CEO ~ 11:15 AM - 12:15 PM

Future of Manufacturing

Session description coming soon!

11:15 AM - 12:15 PM ~ Future of Nonprofit Governance

Nonprofit boards face an increasingly challenging environment. Shifts in social demographics, changes in the economy, and disruptive technological innovations will continue to alter how nonprofit organizations work and thrive. At the same time, nonprofit boards are experiencing higher expectations of their governance, transparency, and long-term strategy than ever before. Join experienced nonprofit leaders and directors as they explore what's on the horizon for nonprofit board leadership. You'll learn how to safeguard your organization while maximizing its potential in a new era of nonprofit governance.

11:15 AM - 12:15 PM ~ Future of Retail

Retail is facing disruption in unprecedented ways—from technology that turns your car's dashboard into an online marketplace and the use of artificial intelligence in customizing the retail experience to the shift from Michael Jordan to micro influencers. Venerable firm Mercedes-Benz is taking a page from disruptors like Rent the Runway to offer cars via subscription model. While the reports of the demise of brick-and-mortar stores have been greatly exaggerated, companies do need to shift their thinking to better align with changing consumer expectations. In this session, thought leaders discuss the technologies and trends currently shaping purchasing decisions, and help directors understand key questions to ask about how these forces could affect their company strategy.

Charlotte Whitmore
Co-Founder and Chair

Robin Raskin
Founder

Ryan Patel - Former Vice President of Global Development, Pinkberry; Director ~ 11:15 AM - 12:15 PM

Think Tanks

These sessions featuring artists, authors and visionaries touch on a range of topics. Leave with new tools to live your best life and do your best work. Topics to be announced.

12:30 PM - 2:15 PM ~ Lunch and Keynote: Harnessing the Future

We live in a time of information overload. The rise of smart devices allows us to be plugged in to current events, our work, our friends and colleagues, and our environments 24/7. This glut of information, coupled with the rapid pace of emerging technologies, makes it difficult to know what data are relevant, what are noise, and what data are false. To help you cut through the clutter and enable robust conversations about your organization's future, we feature two experts in this dual keynote: LinkedIn's #1 Voice in Technology for 2017, Shelly Palmer, and global corporate director and trusted advisor on macroeconomics Dambisa Moyo.

Dambisa Moyo
Global Economist; Author; Director

Shelly Palmer - CEO, The Palmer Group LLC ~3:00 PM - 4:15 PM

Workshop: Asymmetric Information Risk

Session description coming soon!

Shaun Thaxter - Chief Executive Officer ~ 3:00 PM - 4:15 PM

Workshop: Corporate Culture and the Crisis of Disengagement

More than two-thirds of the American workforce do not fully engage in their jobs. As a board member, you should find that statistic troubling: disengagement at work negatively affects a company's morale, capacity for innovation, corporate culture, and value over the long term. Join us for this invigorating session, where you'll engage in an open, intimate discussion about the key culprits that lead to employee disengagement, the dangers that a disengaged workforce can present to your company, and the steps that you as a leader can take to reverse disengagement and reignite drive across your entire organization.

Andrew J. Sherman
Partner

Jill Christensen - Employee Engagement Expert ~3:00 PM - 4:15 PM

Workshop: Cybersecurity

Session description coming soon!

Aleksandr Yampolskiy – CEO ~ 3:00 PM - 4:15 PM

Workshop: Failure is Essential

Building on the ideas outlined in his Short Take, Jia Jiang will lead participants through exercises designed to help them embrace vulnerability and address and master the fear of

rejection. He'll demonstrate how you can become a "Rejection Ambassador" to help lead other people in your organizations or communities out of their comfort zones.

Jia Jiang - Founder, Wuju Learning Inc. ~ 3:00 PM - 4:15 PM

Workshop: Family Company Governance

Family-owned firms are a cornerstone of the US economy and make up about 80 to 90 percent of all businesses in North America. While there are many benefits to this type of ownership structure, including talent retention, longevity, and a focus on core values, family-owned businesses also face significant challenges. Among those challenges are succession planning, successfully engaging and mentoring a new generation to be leaders in the business, and growing pressure to imbed independence within their boardrooms. In this interactive session, you will learn how to address these challenges with proactive solutions.

Lynn Clarke -CEO, Olive Brand Holdings; Director ~ 3:00 PM - 4:15 PM

Workshop: Finance

Session description coming soon! ~ 3:00 PM - 4:15 PM

Workshop: Strategy and the Board

Strategy is a key component of a board's responsibility, but what does that mean as a practical matter? How can you as a director function as a true asset to your company during the strategy-setting process at the board level? Put your strategizing skills to the test In this highly interactive workshop, where you will role-play a public-company board at their strategy offsite and help identify game-changing opportunities as well as potential risks associated with key disruptive trends facing an industry.

D'Anne Hurd – Director ~ 3:00 PM - 4:15 PM

Workshop: Technology, Trust & Reputation Risk

In this interactive workshop, Andrea Bonime-Blanc, CEO of GEC Risk Advisory, will provide a framework for understanding the key environmental, social, governance (ESG) and attendant stakeholder trust and reputation risk issues that are erupting in an extraordinary era of technology disruption. Enjoy this unique opportunity to identify and discuss these issues through a hands-on hypothetical scenario exercise—you will leave with a fresh perspective on how to transform risk into resilience.

Andrea Bonime-Blanc - Founder and CEO ~ 3:30 PM - 4:30 PM

Think Tanks

These sessions featuring artists, authors and visionaries touch on a range of topics. Leave with new tools to live your best life and do your best work. Topics to be announced.

4:45 PM - 5:00 PM

Spark Talk: Transforming Innovation

Guy Raz has built a career as one of the most famous and respected voices at National Public Radio (NPR), serving as bureau chief for NPR's Berlin and London offices and anchoring the network's popular daily news show *All Things Considered*. In his latest project, the popular podcast, *How I Built This*, Raz has interviewed nearly 100 founders who are disrupting business models and changing industries. In this revelatory talk, Raz shares lessons learned from examining the creative genius behind some of the most innovative brands of the last two decades—companies like Rent the Runway, Warby Parker, Lyft, Instagram, Airbnb, WeWork, Vice Media, and Zappos.

Guy Raz - Host & Editorial Director ~ 5:15 PM - 6:45 PM

Dancing with the Start-Ups

This is a fast-paced, Shark Tank–style challenge where 12 promising start-ups have minutes to showcase their company's vision and answer a panel of expert judges' questions on their business platform. You'll see what goes into a successful pitch, hear open feedback from the judges, and—for the first time ever—will get to vote for your favorite start-up! Participating companies to be announced. Judges include:

Danielle Cohn - Director of Entrepreneurial Engagement

Guy Raz - Host & Editorial Director ~ 6:45 PM - 8:30 PM

Chapters Reception ~ 6:45 PM - 7:30 PM

Meet-Ups

These are small-group networking opportunities where you can meet people just like you with challenges just like yours, in companies just like yours. Meet-ups will be organized by specific industries (to be announced).

Tuesday, October 2

7:00 AM - 8:15 AM

Master Class: Political Speech and Governance

Session description coming soon!

Amy Binder
CEO and Founder

Richard Levick - Chair and CEO ~ 7:30 AM - 8:45 AM

Ask the Experts Power Breakfasts

Join leading minds from across the country—and in some cases around the globe—to share their perspectives on a variety of key governance topics, including shareholder activism, cyber risk, culture and global risk. These sessions are interactive, dynamic, and driven by attendees. Come with your questions and get ready to dialogue. These 75-minute sessions are your chance to create intellectual havoc and leave everyone more fulfilled, smarter, wiser, and better prepared.

9:15 AM - 10:00 AM

Spark Talk: Transforming Culture

Session description coming soon!

Laszlo Bock ~ CEO, Humu, Inc.; Author; Former SVP, People Operations
10:00 AM - 10:45 AM

In Conversation with...

Session description coming soon!

11:00 AM - 11:30 AM

Spark Talk: Transforming Capitalism

Session description coming soon!

11:30 AM - 12:15 PM ~ In Conversation with...

Session description coming soon!

12:15 PM - 12:15 PM ~ Program Adjourns



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**

April 27, 2018

TO: Each Member
Board of Retirement

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: OPEB Program Agent Employer Plan Memorandum of Understanding

RECOMMENDATION

That the Board of Retirement authorize staff to:

1. Complete negotiations for and execute a Memorandum of Understanding regarding the OPEB Program with the County of Los Angeles and the Los Angeles Superior Court to establish terms of an agent employer plan structure for allocation and recordkeeping of liabilities for the OPEB Program rather than the current cost-sharing structure; and
2. Negotiate and, if agreement between the parties can be reached, execute a Memorandum of Understanding with the South Coast Air Quality Management District, the Local Agency Formation Commission for the County of Los Angeles, the Los Angeles County Office of Education, and the Little Lake Cemetery District to establish an agent employer plan structure for allocation and recordkeeping of those entities' liability for the OPEB Program, on such terms as appropriate to the circumstances of each of the listed other agencies, without the need for further approval by the Board of Retirement.

LEGAL AUTHORITY

LACERA has authority under the 1982 Agreement, and its modifications, to administer the Retiree Healthcare Program (OPEB Program) for the County of Los Angeles (County). On March 15, 2018, the Board of Retirement (Board) authorized staff to execute Retiree Health Care Related Administrative Services Agreements with the Local Agency Formation Commission for the County of Los Angeles (LAFCO), the South Coast Air Quality Management District (SCAQMD), and the Los Angeles County Office of Education (LACOE), and to negotiate and execute a similar agreement with Little Lake Cemetery District (Little Lake) without the need for further action by the Board. In 2016, the Los Angeles Superior Court provided LACERA with a letter of confirmation with respect to

OPEB Program administration. The County, Court, LAFCO, SCAQMD, LACOE, and Little Lake, along with LACERA in its capacity as an employer, are referred to collectively as Participating Agencies.

The OPEB Program was established and exists pursuant to Government Code Section 31691 of the County Employees Retirement Law of 1937 (CERL).

The proposed Memorandum of Understanding (MOU) with the County and Court and a potential similar MOU with the other Participating Agencies, if negotiated, are consistent with Section 31691 and the authority exercised by LACERA under the 1982 Agreement and the agreements described above with the other Participating Agencies. A copy of the proposed MOU with the County and Court is attached as Exhibit A. The proposed MOUs will not change the 1982 Agreement. They only change the method of allocation and recordkeeping of the Participating Agencies' liabilities for the OPEB Program from the current cost-sharing structure to an agent multiple-employer plan structure.

As such, the proposed agreements are consistent with the Board's authority and fiduciary duty to prudently administer the system under Article XVI, Section 17 of the California Constitution and its specific authority under Section 31691, the 1982 Agreement, as modified, and the administration agreements with the Participating Agencies.

This issue would normally go first to the Insurance, Benefits & Legislative Committee (IBLC) pursuant to its authority to review matters relating to the OPEB Program. (Standing Committee Charters, Section H.1, pages 5-6.) However, the County requested the LACERA Board's approval in May 2018 so that the MOU can then be taken to the Board of Supervisors for its approval in June 2018. This schedule will enable implementation of the accounting change, if approved, to be effective with the fiscal year beginning July 1, 2018, which is an administratively convenient date for LACERA, LACERA's actuary, as well as the County and Court. Negotiations had not sufficiently progressed to bring the issue to the IBLC at an earlier meeting. To accommodate the County's schedule, staff is taking the matter directly to the Board.

DISCUSSION

A. Background – Cost-Sharing v. Agent Plan Explained.

Historically and to date, the County funds its OPEB Program obligations on a pay-as-you-go basis using a cost-sharing plan designed for financial statement reporting and to determine the actuarial accrued liability (AAL). The AAL included the Court and the other Participating Districts, even though LACERA bills each employer for its separate costs.

In 2012, the County established an OPEB Trust to begin prefunding the liabilities for the future.

The County has expressed a desire to determine the County's specific costs, both for purposes of ongoing pay-as-you-go payments and the County's overall AAL, as it applies only to County retirees, present and future. The County desires to separate itself from the Court, on many aspects including, but not limited to, employee service credit, retiree pay-as-you-go costs, OPEB accrued liability calculation and reporting, and OPEB asset accumulation and reporting. This effort has been underway for a period of years, and the proposed MOU is another step in the process. In other words, the County now desires to understand and account for OPEB from a County-only perspective.

To help accomplish this objective, the County expressed interest in changing the OPEB reporting structure from a cost-sharing plan to an agent multiple-employer model. This issue was previewed for the Boards by consulting actuary Milliman in a presentation on OPEB funding considerations at the January 20, 2016 Offsite meeting. A copy of the 2016 Offsite presentation is attached as Exhibit B.

To recap, under the cost-sharing model, costs and liabilities apply to all employers, the same actuarial assumptions apply to all employers, and the liabilities are calculated according to the same methodology. Costs of each employer can be billed and paid separately under this approach. However, the cost-sharing approach limits the actuary in tailoring analysis of liabilities on an individual employer basis.

On the other hand, the agent employer model separates and reports assets, liabilities, and benefits by employer or plan sponsor; it provides additional precision and a sense of ownership for each employer. In the new agent multiple-employer model, each plan sponsor will receive information that defines its financial status and obligations for its member population only. Separate valuations are prepared for each employer, based on separate actuarial assumptions. The agent plan still allows administrative functions to be pooled, as they currently are under the 1982 Agreement with the County and the individual Administrative Services Agreements with the other Participating Agencies. Investment functions may also be pooled, to the extent desired, just as they currently are under the Master OPEB Trust Agreement covering the County, the Court, and LACERA. Costs are separately allocated, as the existing agreements provide for such separation, and separate actuarial liabilities are calculated for each employer. The agent employer plan will permit the Court and County, and any other Participating Agency with which an MOU can be negotiated, to understand their individual actuarial assets and liabilities to a great degree of refinement than is possible under the cost-sharing model.

In 2016, LACERA formed a Governmental Accounting Standards Board (GASB) Task Force consisting of stakeholders from affected parties to address new GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions accounting standards, which impacts OPEB financial statement employer reporting in addition to other issues, like plan reporting structure. The County's union and its actuary have participated in these ongoing discussions since the Task Force's formation.

Staff has been working with the County over the past several years to develop the new OPEB agent multiple-employer plan structure. The effective date will be July 1, 2018, at which time Milliman will conduct an Experience Study and Actuarial Valuation. LACERA's financial statements will be updated for the June 30, 2019 reporting cycle and the plan sponsors' financial statements will be impacted for fiscal year ending June 30, 2020 reporting. The associated GASB required reports will also be revised to reflect this new reporting model.

The County, plan sponsors, and LACERA are working through the appropriate governance processes to implement these changes effective July 1, 2018. This approach serves the interests of all plan sponsors in that employers will be able to develop better strategies to address their specific current and future OPEB costs.

The 2016 Milliman Offsite presentation deck attached as Exhibit B provides additional information and explanation.

B. Summary of Proposed MOU Between the County, the Court, and LACERA.

The key terms of the proposed MOU, which is attached as Exhibit A, are as follows:

- **Purpose.** The purpose of the MOU is to provide for the allocation and recordkeeping of OPEB Program liabilities among the Participating Employers, including for purposes of accounting and financial reporting standards applicable to agent employers under current GASB standards.
- **Allocation Date.** The allocation date under the MOU will be June 30, 2018. The significance of this date is explained below in the bullet point on Allocation of Liabilities.
- **Allocation of Liabilities.**
 - **Service Rendered On or Before the Allocation Date.** Liability accrued for such service will be allocated, on an employee by employee basis, to the Participating Employer that employed an individual on the earlier of

(i) the Allocation Date, or (ii) the date the individual retired from service with all of the Participating Employers (the County, the Court, and LACERA).

- **Service After the Allocation Date.** Liability accrued for such service will be allocated to the Participating Employer for whom any period of service was performed, such that each employer will only have liability for the period when an individual was employed by that employer.
- **Administrator's Recordkeeping.** LACERA as administrator of the OPEB Program will keep records of the service of each employee of each Participating Employer as necessary to allocate OPEB Program liabilities as described in the preceding section. The Board should know that LACERA staff has already developed the necessary processes to perform this function as of the Allocation Date.
- **LACERA's Role.** LACERA is impacted in two ways. First, LACERA is impacted as a Participating Employer, and therefore, the MOU will affect calculation of LACERA's liability for its own employees' OPEB Program benefits. Second, LACERA is impacted as the OPEB Program Administrator in performing the allocation and other administrative functions provided under the MOU for the benefit of the County and Court.

C. The Other Participating Employers.

Negotiations have not begun with the other Participating Districts (SCAQMD, LAFCO, LACOE, and Little Lake) because of the County's desire to move ahead quickly with approval of the proposed MOU with the County, the Court, and LACERA, which did not leave enough time to initiate discussions with the other employers. However, LACERA staff believes that uniformity among the participating employers is a positive objective. Accordingly, once the proposed County/Court/LACERA MOU is in place, LACERA staff intends to work with the County and the other employers to engage in negotiating an MOU amendment or separate MOUs. Staff requests Board authority to proceed with those discussions and execute MOUs with the other employers if negotiations are successful.

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CONCLUSION

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

1. Complete negotiations for and execute a Memorandum of Understanding regarding the OPEB Program with the County of Los Angeles and the Los Angeles Superior Court to establish terms of an agent employer plan structure for allocation and recordkeeping of liabilities for the OPEB Program rather than the current cost-sharing structure; and
2. Negotiate and, if agreement between the parties can be reached, execute a Memorandum of Understanding with the South Coast Air Quality Management District, the Local Agency Formation Commission for the County of Los Angeles, the Los Angeles County Office of Education, and the Little Lake Cemetery District to establish an agent employer plan structure for allocation and recordkeeping of those entities' liability for the OPEB Program, on such terms as appropriate to the circumstances of each of the listed other agencies, without the need for further approval by the Board of Retirement.

Attachments

c:	Robert Hill	Beulah Auten	Leilani Ignacio
	James Brekk	Ted Granger	Fern Billingsy
	Jonathan Grabel	Ervin Wu	Johanna Fontenot
	JJ Popowich	Cassandra Smith	Jill Rawal
	Bernie Buenaflor		

EXHIBIT A
PROPOSED MOU

MEMORANDUM OF UNDERSTANDING REGARDING THE

OPEB

FOR THE COUNTY OF LOS ANGELES, LACERA, AND THE LOS ANGELES

SUPERIOR COURT

This Memorandum of Understanding (“MOU”) is entered into this [__] day of [____], 2018, by and between the County of Los Angeles (“County”), the Los Angeles Superior Court (“Court”) and the Board of Retirement for LACERA (“Administrator”). Capitalized terms not otherwise defined have the meaning set forth in Section 2 of this MOU.

WHEREAS, in 1982, the County first established the OPEB Program for the benefit of retired employees, as well as certain dependents and survivors of such employees pursuant to California Government Code Section 31691, the 1982 Agreement, and County Code Sections 5.20.080 and 5.20.085;

WHEREAS, LACERA employees are treated as County employees pursuant to CERL, and LACERA, in its capacity as an employer, participates in the County's OPEB Program;

WHEREAS, the Court became an employer separate and distinct from the County effective as of January 1, 2001, pursuant to the Trial Court Employment Protection and Governance Act, California Government Code Section 71600 et seq.;

WHEREAS, the Court, on behalf of its retired employees, and certain dependents and survivors of such employees, continues participation in the OPEB Program pursuant to Government Code Sections 71612 and 71626;

WHEREAS, Government Code Section 71626(e) provides that “The trial court shall reimburse the county for the cost of coverage of retired trial court employees in county retiree group insurance benefit plans. The county may charge the trial court for retiree group insurance benefits only, the amount that the county is required to pay in excess of the retirement system funding or prefunding of the retiree group insurance benefits. The county and the trial court may agree to an alternative arrangement to fund retiree group insurance benefits”;

WHEREAS, Trial Court Act Section 71626.5 provides that “If a trial court employee receives county retiree group insurance benefits pursuant to Section 71626 and that county funds retiree group insurance benefits from excess funds in the county’s retirement system, or prefunds retiree group insurance benefits, the county or county retirement board shall administer retiree group insurance benefits to trial court employees who retire from the county retirement system. However, the county and the trial court may agree to an alternative arrangement to administer retiree group insurance benefits”;

WHEREAS, as of January 1, 2001, there was no true “prefunding” for the OPEB Program, but amounts credited to the County Contribution Credit Reserve were available to be applied indirectly to offset the costs of the OPEB Program;

WHEREAS, no new amounts were credited to the County Contribution Credit Reserve after June 30, 2008;

WHEREAS, the assets remaining in the County Contribution Credit Reserve as of June 30, 2012 (and interest credited thereon) were allocated among the County and the Court pursuant to a Memorandum of Understanding effective September 12, 2013 (the “CCCR Agreement”);

WHEREAS, the amounts credited to the County Contribution Credit Reserve and allocated to the County have been applied to pay the unfunded actuarial accrued liability of the retirement system and there are no amounts remaining to the credit of the County in the County Contribution Credit Reserve as of the date of this MOU;

WHEREAS, the Administrator is responsible for administering the OPEB Program;

WHEREAS, the County established and maintains the County Trust for the purpose of holding and investing assets to fund and pay benefits under the County's OPEB Program, and such County Trust includes contributions from both the County and LACERA, in its capacity as an employer;

WHEREAS, under the terms of the County Trust, a separate account is maintained for each of the County and LACERA, reflecting the contributions made by each employer, investment experience and expenses allocable to those contributions, and disbursements made to pay benefit or expense obligations of each employer;

WHEREAS, the Court established, on June 10, 2016, and maintains the Court Trust for the purpose of holding and investing assets to fund and pay benefits under its OPEB Program; and

WHEREAS, under GASB Statement Number 75, each of the Participating Employers (as defined below) is what is known as an “agent employer” and the OPEB Program is what is known as an “agent plan” because the assets funding the OPEB Program liabilities with regard to each Participating Employer are held and accounted for separately;

NOW THEREFORE, the Participating Employers and Administrator hereby agree as follows:

1. PURPOSE

The purpose of this MOU is to provide for the allocation and recordkeeping of OPEB Program liabilities among the Participating Employers, including for the purposes of the accounting and financial reporting standards applicable to agent employers under current GASB requirements.

2. DEFINITIONS

- (a) Allocation Date. Means June 30, 2018.
- (b) Board of Investments. Means the Board of Investments for LACERA.
- (c) Board of Retirement. Means the Board of Retirement for LACERA.

- (d) Board of Supervisors. Means the Board of Supervisors for the County of Los Angeles.
- (e) CERL. Means the County Employees' Retirement Law of 1937, as set forth in California Government Code Sections 31450 et seq., as amended.
- (f) County Trust. Means the trust established pursuant to that certain Trust and Investment Services Agreement between the County and the Trustee dated May 15, 2012, as amended by that certain First Amendment to the Trust and Investment Services Agreement dated May 31, 2016.
- (g) Court Trust. Means the trust established pursuant to that certain Trust and Investment Services Agreement between the Court and the Trustee dated June 10, 2016.
- (h) Employee. Means an employee of a Participating Employer who accrues or has accrued a benefit under the OPEB Program.
- (i) GASB. Means the Governmental Accounting Standards Board.
- (j) LACERA. Means the Los Angeles County Employees Retirement Association.
- (k) MOU. Means this Memorandum of Understanding.
- (l) OPEB Program (Other Post-Employment Benefit Program). Means the Retiree Health Program and the death benefit program established by the Employer pursuant to CERL Section 31789.3.
- (m) Participating Employer. Means the County, the Court or LACERA, as applicable.
- (n) PEPRA. Means the California Public Employees' Pension Reform Act of 2013, as set forth in California Government Code Sections 7522 et seq., as amended.
- (o) Retiree Health Program. Means the retiree health program adopted and maintained under CERL Section 31691 by the County, the terms of which are established under the 82 Agreement and Los Angeles County Code Section 5.20.080, or under Los Angeles County Code section 5.20.085, or any successor to such program, in which LACERA also participates, and in which the Court participates pursuant to Trial Court Act Section 71626.
- (p) Service. Means the period of service credit used to determine an Employee's eligibility for an accrued benefit under the OPEB Program in accordance with the terms of the 82 Agreement and Los Angeles County Code Section 5.20.080, or Los Angeles County Code Section 5.20.085, as applicable, or any successor thereto, in accordance with CERL, PEPRA, and other applicable law.
- (q) Trial Court Act. Means the Trial Court Employment Protection and Governance Act, California Government Code Section 71600, et seq., as amended.

- (r) 82 Agreement. Means the funding agreement entered between the County, the Board of Retirement, and the Board of Investments on April 20, 1982, as subsequently amended by the parties.

3. AGREEMENT REGARDING ALLOCATION OF LIABILITIES

- (a) Liability for OPEB Program benefits that are accrued for Service rendered by an Employee on or before the Allocation Date shall be allocated to the Participating Employer that employed the Employee on the earlier of: (i) the Allocation Date, or, (ii) the date the Employee retired from Service with all Participating Employers.
- (b) Liability for OPEB Program benefits that are accrued for Service rendered by an Employee after the Allocation Date shall be allocated to the Participating Employer for whom any period of Service was performed, separately allocating to each Participating Employer only the period or periods of Service after the Allocation Date rendered by the Employee to each such Participating Employer.

4. ADMINISTRATOR'S RECORDKEEPING RESPONSIBILITIES

The Administrator shall keep records of Service as necessary to properly allocate OPEB Program liabilities in accordance with Section 3 of this MOU.

5. MISCELLANEOUS

- (a) Construction and Governing Law. The parties intend that this MOU facilitate compliance with GASB standards applicable to the OPEB Program. This MOU 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.

Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this MOU.

The language in all parts of this MOU 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 MOU.

- (b) Authorization. Each party represents and warrants that the persons executing this MOU for that party are authorized agents who have actual authority to bind the party to each and every term, condition and obligation of this MOU and that all requirements of each party have been fulfilled to provide such actual authority.

- (c) Execution and Counterparts. This MOU may be executed in several counterparts, each of which shall be deemed an original and said counterparts shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.
- (d) Entire Agreement. This MOU constitutes the entire understanding and agreement of the parties pertaining to the subject matter of this MOU, 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 MOU.
- (e) Term of MOU. This MOU is effective upon the day and date last signed and executed by the duly authorized representatives of the parties to this MOU, and shall remain in full force and effect thereafter until terminated by any party, as provided below and except as modified by written agreement of the parties; provided, however, that a party may terminate this MOU upon 180 days written notice if the GASB rules applicable to the OPEB Program change, or if the OPEB Program or the party's prefunding arrangement for the OPEB Program is modified.
- (f) 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 electronic delivery with telephone confirmation of receipt, or by reputable overnight courier, 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):

For LACERA:

Robert Hill
Interim Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue
Pasadena, CA 91101
(626) 564-6000
(626) 564-6155 (*facsimile*)
rhill@lacera.com

With a copy to:

Steven P. Rice
Chief Counsel
Los Angeles County Employees Retirement Association
300 N. Lake Ave.
Pasadena, CA 91101
(626) 564-6000
(626) 564-6155 (*facsimile*)
srice@lacera.com

For Courts:

Sherri R. Carter
Executive Officer/Clerk of Court
Superior Court of California, County of Los Angeles
111 N. Hill Street, Rm. 105-E
Los Angeles, CA 90012
(213) 633-0112
(213) 621-7952 (*facsimile*)
SRCarter@lacourt.org

With a copy to:

Jeremy Cortez
Chief Deputy, Finance & Administration
111 N. Hill Street, Rm. 105-E
Los Angeles, CA 90012
(213) 633-0109
(213) 621-7952 (*facsimile*)
JDCortez@lacourt.org

For County:

Sachi Hamai
Chief Executive Officer
Los Angeles County Chief Executive Office
Kenneth Hahn Hall of Administration
500 W. Temple Street, Room 713
Los Angeles, CA 90012
(213) 974-1101
(213) 687-7130 (*facsimile*)
SHamai@ceo.lacounty.gov

With a copy to:

Richard D. Bloom
Principal Deputy County Counsel
Los Angeles County Counsel
Kenneth Hahn Hall of Administration
500 W. Temple Street
Los Angeles, CA 90012
(213) 974-1950
(213) 626-5578 (*facsimile*)
RBloom@counsel.lacounty.gov

Notwithstanding the foregoing, any notice to be given in writing under this MOU 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.

- (g) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of this MOU.

LACERA

By: _____
Robert Hill
Interim Chief Executive Officer, LACERA

SUPERIOR COURT

By: _____
Sherri R. Carter
Executive Officer/Clerk of Court,
Superior Court of California

COUNTY OF LOS ANGELES

By: _____
Sachi A. Hamai
Chief Executive Officer, County of Los Angeles

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: _____
Richard D. Bloom
Principal Deputy County Counsel

EXHIBIT B

2016 Milliman Presentation



OPEB Funding Considerations

Board Offsite Meeting

January 20, 2016

Presented by:

Robert Schmidt, FSA, EA, MAAA

Janet Jennings, ASA, MAAA



Agenda

- OPEB Trust Fund Updates
- Cost Sharing vs. Agent
 - Considerations
 - Transitional steps
 - Implementation
 - Estimated cost impact
- GASB 74/75
 - What has changed?
 - How will it affect the July 1, 2016 valuation?
- 2016-2017 Projects



OPEB TRUST FUND

Background

- The County has established an OPEB Trust satisfying three criteria:
 - Irrevocable
 - Assets dedicated to plan members
 - Legally protected from creditors
- LACERA has a private letter ruling from the IRS confirming the tax-exempt status of the OPEB Trust
- Advance funding of liabilities will require a shift from pay as you go funding to pre-funding

Investment Policy

- The policy includes:
 - General goals
 - Asset class allocation:
 - \$100 million cash reserve
 - 100% of remainder of assets: MSCI ACWI IMI Global Public Equity
 - Performance objectives: match Policy benchmark gross of fees
 - Policies and structures for the management of assets
 - Responsible parties and duties
- Based on this information, we used an allocation of 20% Cash, 40% Broad US Equities, 20% Developing Foreign Equities, and 20% Emerging Markets Equities, resulting in an estimated discount rate of 7.00% for a plan funding the full “Annual Required Contribution”

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Funding Policy

- The County and LACERA adopted a six-year funding plan on 6/20/15 to phase in the funding of the OPEB unfunded liability
 - Continue to pay for the Retiree Healthcare Program on a pay-as-you-go basis (about \$500 million in FY2015, increasing each year)
 - Make gradually increasing additional annual contributions until a sustainable level is reached
- Funding decisions for the County, LACERA, and Superior Court are independent of each other
 - The Superior Court is not assumed to be pre-funding at this time
- There is no legally binding funding policy yet, although our projections assume there is one
- First and second quarter of FY2016 have been funded

COST SHARING VS. AGENT

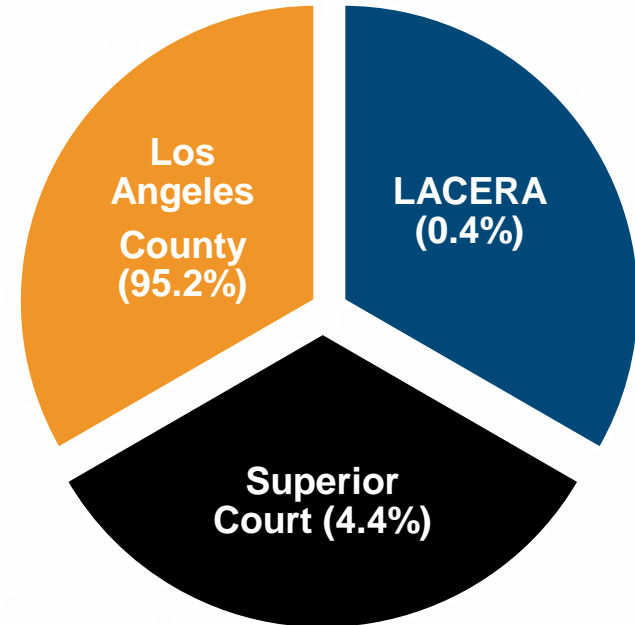
Cost-Sharing Plan vs. Agent Plan

Cost Sharing Plan



If the County proceeds with a Cost Sharing plan that includes the Superior Court, assets would be available to all participating employers, including those that choose not to pre-fund the benefits.

Agent Plan



Percentages are based on each participating employer's AAL from the July 1, 2014 OPEB Valuation.

Alternative One: Cost-Sharing Plan

- Contributions from participating employers are not segregated from other participating employers
- Assumptions apply to the entire group
- Benefit payouts are paid from the assets of the entire group

Alternative Two: Agent Plan

- Contributions from one employer are only used for benefits payable for that employer's members
- Assets are clearly designated as separate accounts for each employer
- Administrative and investment functions may still be pooled
- Provides flexibility for each employer to change benefit structure and funding policy

Transitional Steps

- Employer groups for purposes of the Agent plan would be LA County, LACERA, and the Superior Court
- Valuation results must be presented for each employer group
 - Each employer group may have different discount rates under GASB 74/75 because of different fund values and depletion dates
- Review the change with tax, legal, and audit teams

Implementation

- The change would be effective July 1, 2016
- Assets would be split as follows:
 - LA County
 - LACERA
 - Superior Court: \$0
- It would be preferable to have separate valuation reports for each employer

High Level Results from July 1, 2014 Valuation

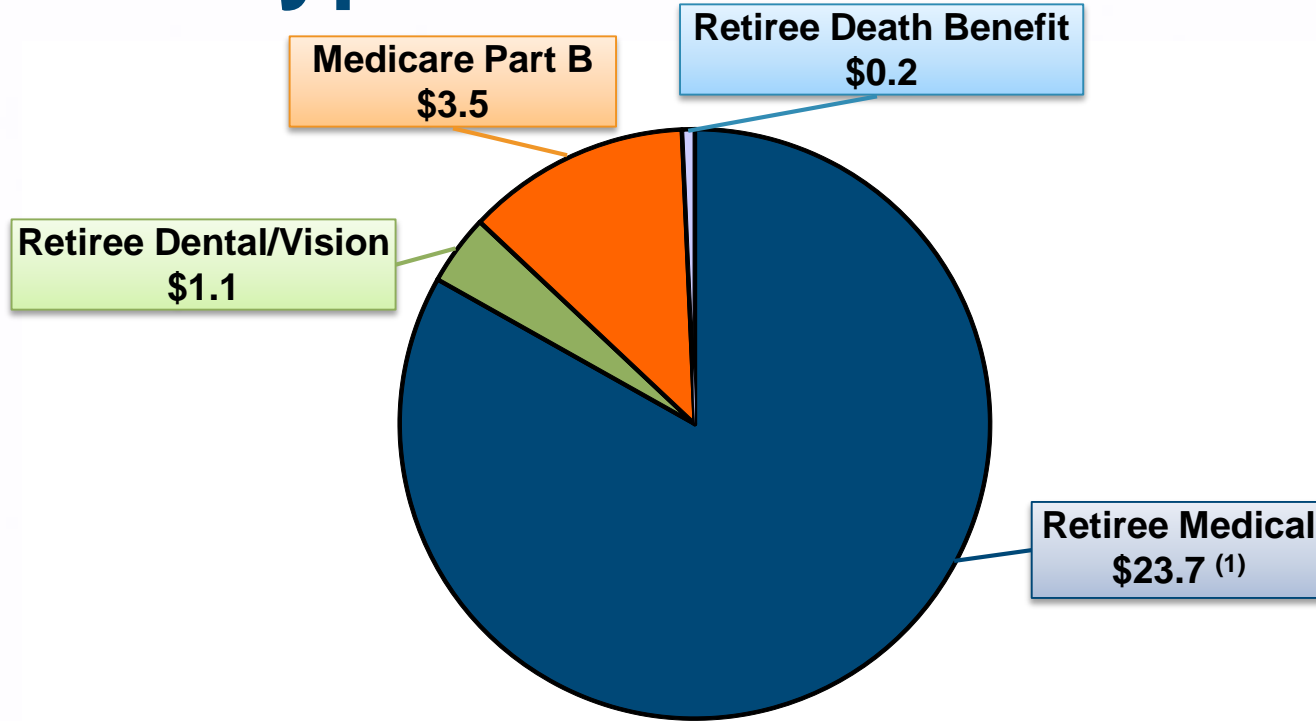
	July 1, 2014	July 1, 2012
Actuarial Accrued Liability (\$billions)	\$ 28.55	\$ 26.95
County Normal Cost Rate	17.50%	17.55%
County ARC as a Percentage of Payroll	31.82%	32.07%

Assumptions

Discount Rate: 3.75% (assumes partial pre-funding of OPEB benefits)

Other Assumptions: Per July 1, 2014 Report

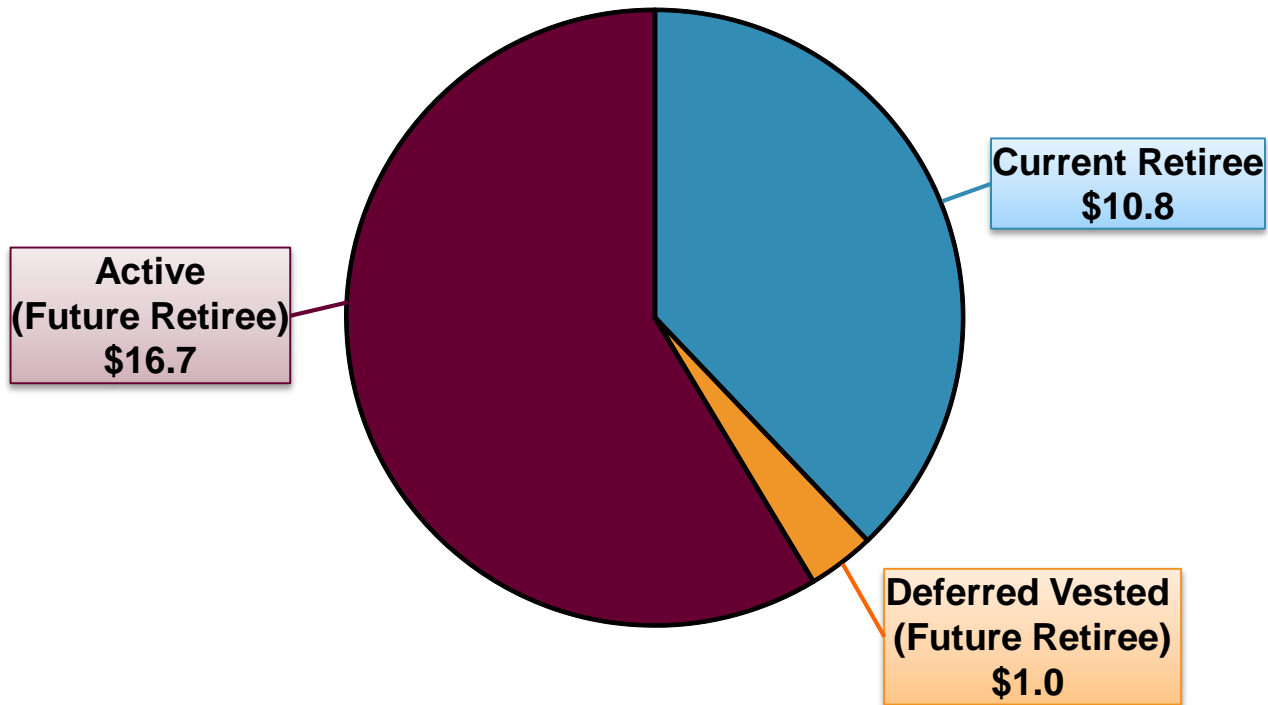
Actuarial Accrued Liability by Benefit Type



Amounts in billions

⁽¹⁾ Retiree Medical is composed of \$4.1 billion for pre-65 and \$19.6 billion for post-65.

Actuarial Accrued Liability by Member Status



Amounts in billions

High Level Projection Results

	First Year ARC is Fully Funded ⁽¹⁾	Percentage of AAL Funded by 2054
Cost Sharing		
Total	2028	46%
Agent		
LA County	2027	47%
LACERA	2028	44%
Superior Court	N/A	0%

Notes:

Projections are based on GASB 43/45 methodology, and do not include the impact of the ACA Excise Tax (“Cadillac Tax”).

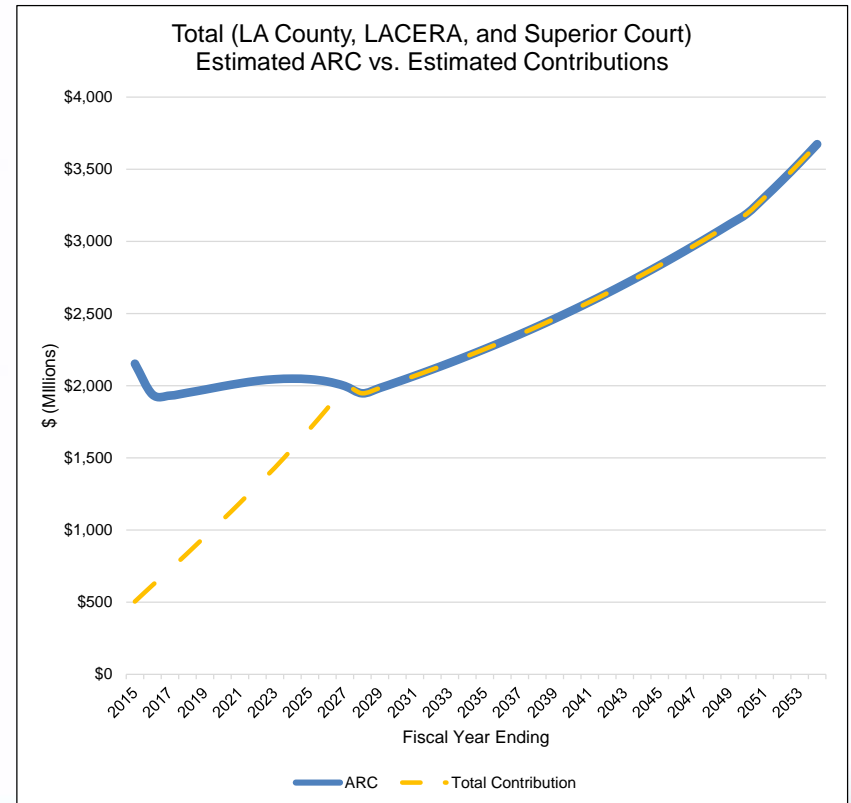
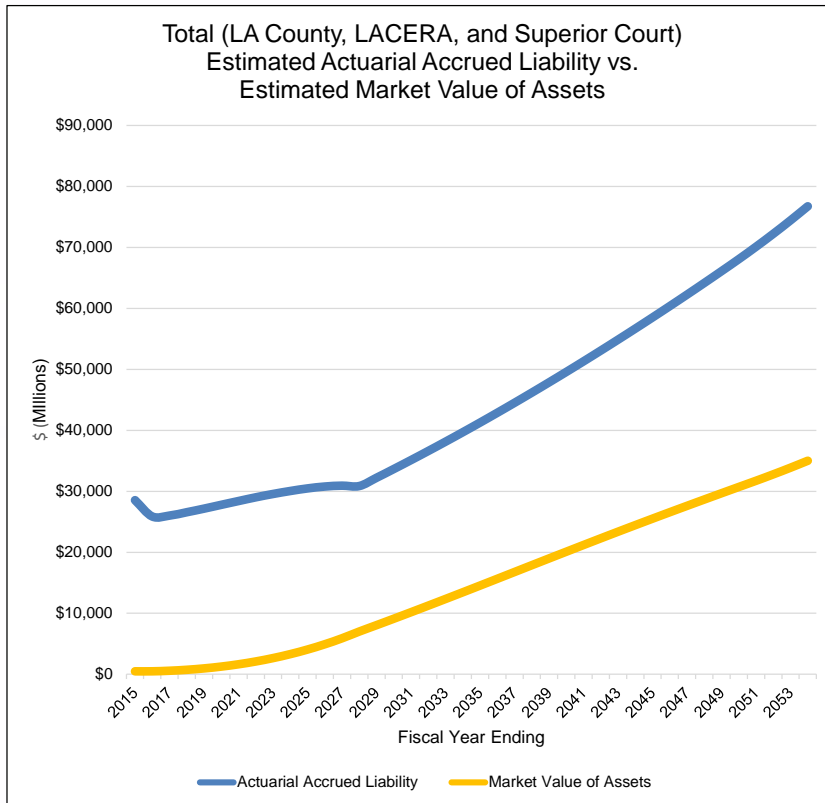
Future GASB reporting requirements will differ from these projections.

These results are based on broad estimates and should be used for illustrative purposes only. Actual results will vary.

⁽¹⁾ The first year that the sum of benefit payments and prefunding contributions is at least equal to the GASB annual cost.

Cost Sharing Projections

- Total (LA County, LACERA, and Superior Court)

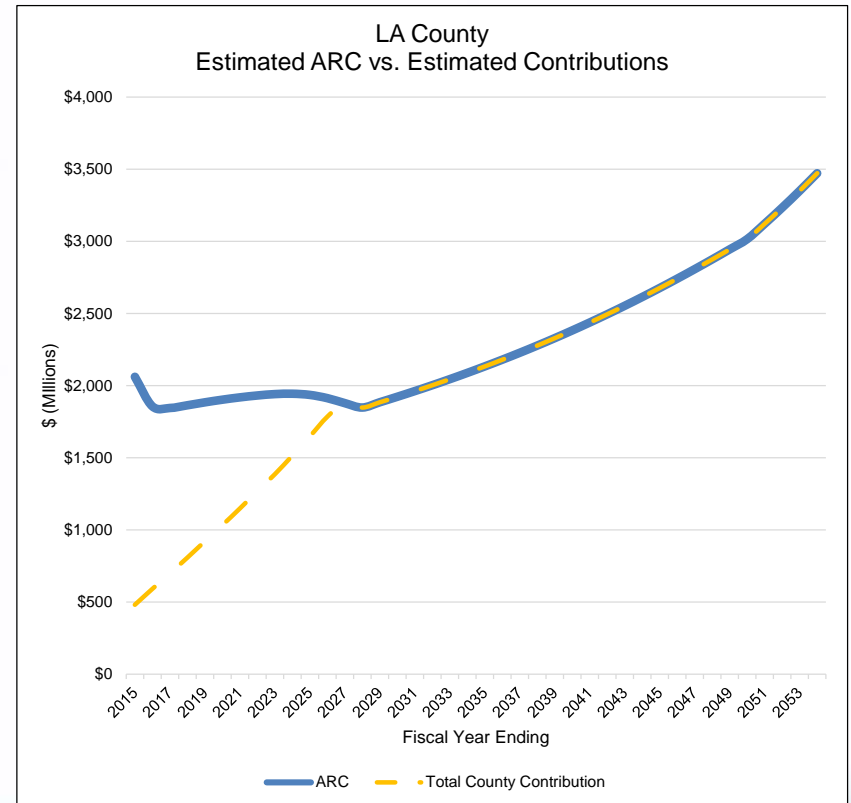
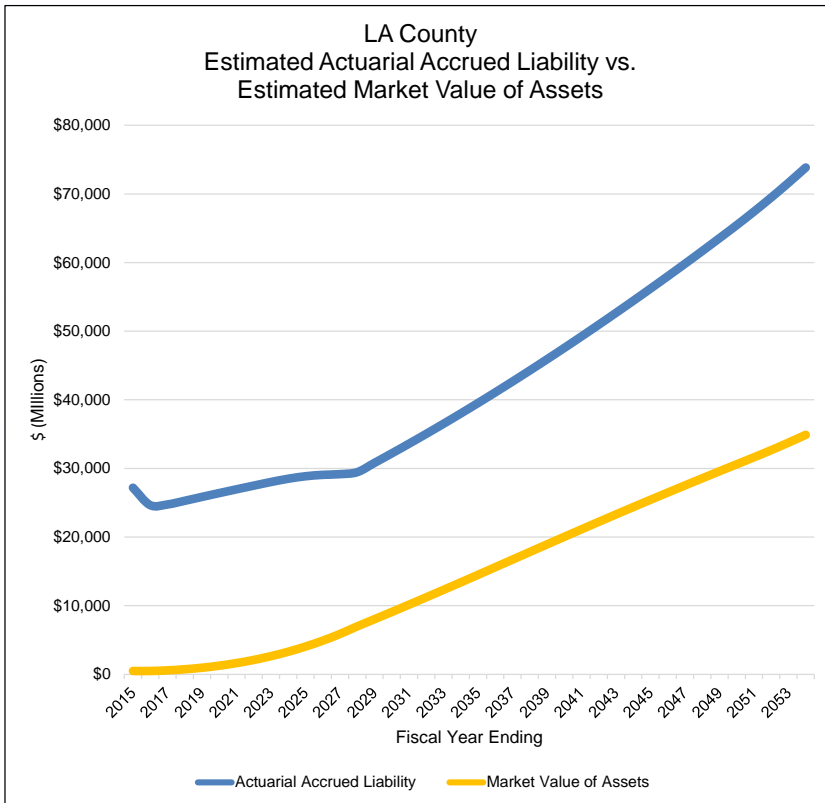


The assumed discount rate begins at 3.75% and increases to 7.00% over the first 13 years.

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Agent Projections

- LA County

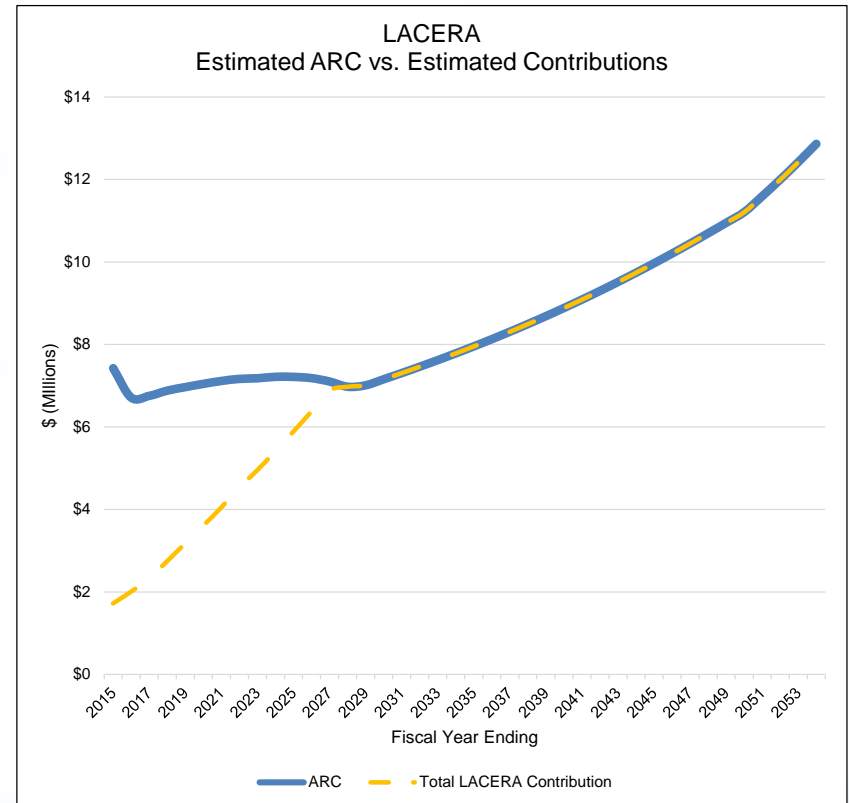
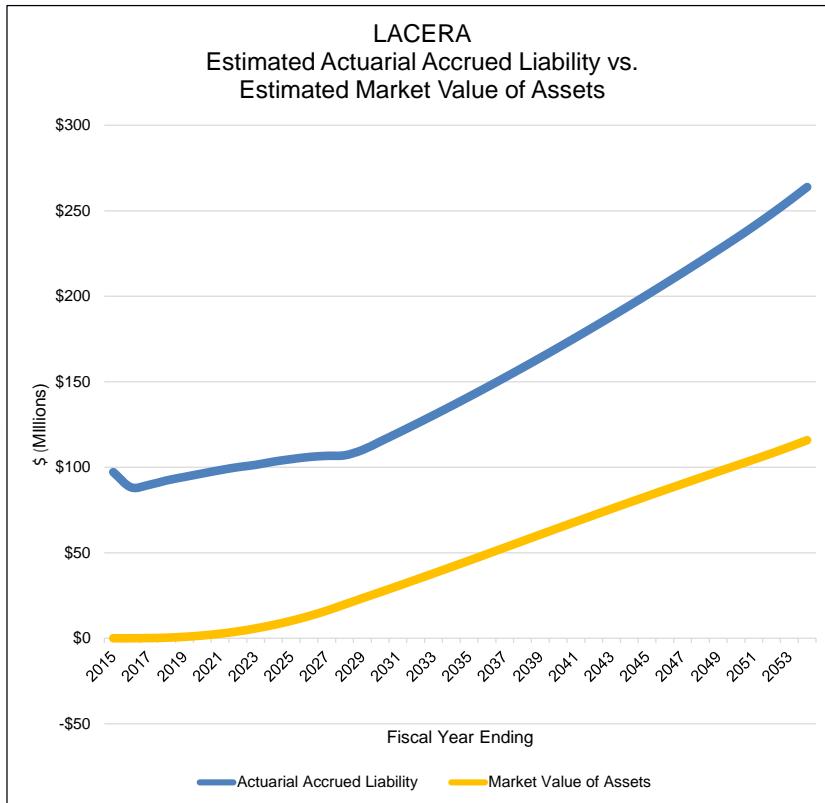


The assumed discount rate begins at 3.75% and increases to 7.00% over the first 12 years.

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Agent Projections

■ LACERA

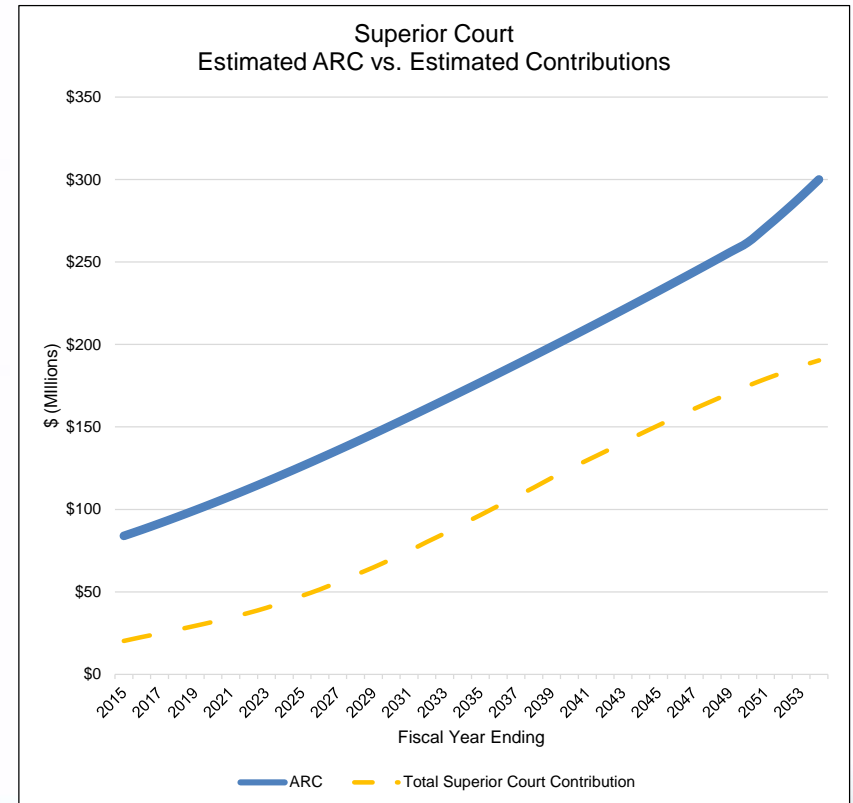
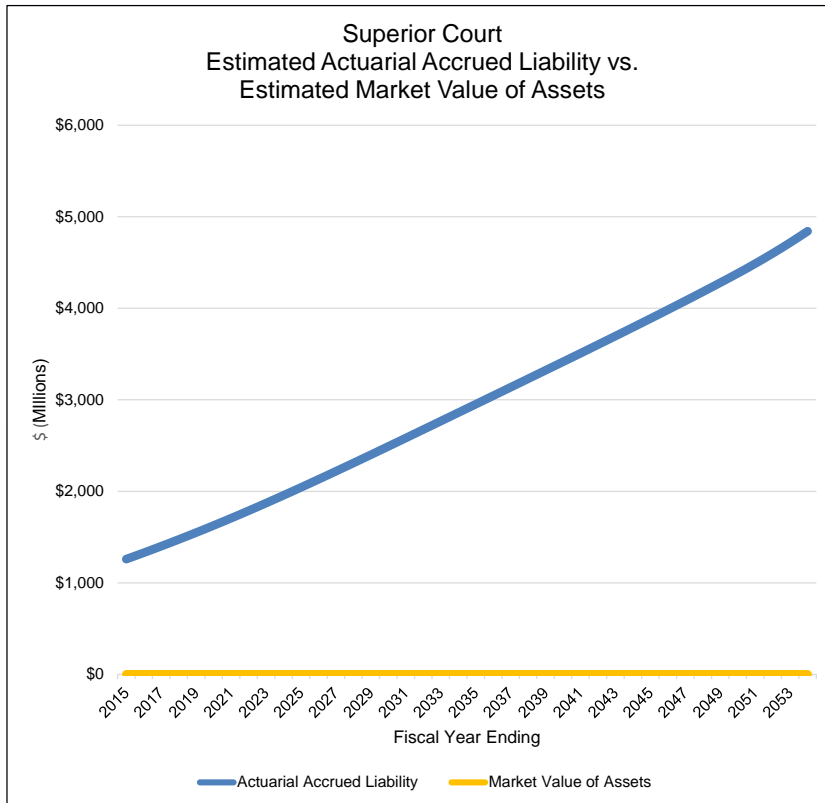


The assumed discount rate begins at 3.75% and increases to 7.00% over the first 13 years.

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Agent Projections

Superior Court



The assumed discount rate remains at 3.75% for all years.

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Assumptions

- Data methods, plan provisions, and assumptions used are based on our July 1, 2014 OPEB Valuation and December 19, 2013 Tier 2 Study other than:
 - 4,000 new entrants each year
 - All benefits are included, not just medical
- ACA Excise Tax is not included
- Interpolated discount rate based on prior year's % ARC funded
 - Used an asset allocation of 20% Cash, 40% Broad US Equities, 20% Developing Foreign Equities, and 20% Emerging Markets Equities

Assumptions (continued)

- Based total County (LA County + LACERA) contributions to the fund on Cheiron's April 2, 2015 Projections (Scenario 1, \$25 Million + Subvention Contribution), delayed one year
- Based LACERA contributions to the fund on November 20, 2015 Funding Policy recommendation through 2021 and then used a portion of the total County contribution based on a weighted average of the headcounts and 7/1/2014 AAL
- LACERA projected AAL and Normal Cost use same portion of the total County as described above
- An annual OPEB valuation is assumed for illustrative purposes
- Projections are based on GASB statements 43 and 45

GASB 74/75

22 January 20, 2016

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GASB 74/75

Overview of the Statements

- Statement 74 supersedes Statement 43 for the plan's financials
- Statement 75 supersedes Statement 45 for the sponsoring employer's financials
- New Terminology
- Timing and effective dates
- Key areas
 - Discount Rate
 - Actuarial Cost Method
 - Assets at market value, no smoothing
 - Expense Recognition

GASB 74/75

New Terminology

- Total OPEB Liability (TOL)
 - Actuarial Accrued Liability calculated in accordance with statements
- Fiduciary Net Position (FNP)
 - Market value of plan assets
- Net OPEB Liability (NOL)
 - TOL less FNP; formerly the Unfunded Actuarial Accrued Liability
 - Significant increase compared with GASB 43/45
- Deferred inflows and outflows of resources
 - Unrecognized gains (deferred inflows or “acquisition of net asset”) and losses (deferred outflows or “consumption of net asset”)
- Actuarially Determined Contribution
 - Reported in Required Supplementary Information (RSI), in comparison to actual contribution, can use any methodology (including that previously used for ARC)

GASB 74/75

Timing

- GASB 74
 - Net OPEB liability must be measured as of plan's fiscal year end (FYE)
 - Effective with FYE June 30, 2017
- GASB 75
 - Effective with FYE June 30, 2018
- The 7/1/2016 OPEB valuation report will be under GASB 74/75

GASB 74/75

Key Areas – Discount Rate

- Blended rate is no longer based on what portion of ARC is funded and methodology is spelled out
- Represents a “blended” rate equivalent to combination of:
 - Long-term expected rate of return on assets (LT-ROR) while such assets are sufficient to pay benefits
 - 20-year tax-exempt municipal bond yield or index rate for the period following asset depletion (crossover)
- Discount rate is single rate producing same actuarial present value (PVB) as the combination of rates described above
- The projection of assets and benefit payments used to assess the “crossover point” is critical in establishing the discount rate

GASB 74/75

Key Areas – Other

- Statements require “traditional” Entry Age cost method
 - Will change the AAL and Normal Cost
- Recognition of annual changes in Actuarial Accrued Liability:
 - Changes due to plan amendments are immediately recognized
 - Changes due to investment experience are recognized over five years
 - All other AAL changes are recognized over participants’ expected remaining service (with zero years averaged in for inactives)
 - Expense will likely be more volatile and could be higher than the ARC reported under GASB 43/45
- Funding and Reporting may be based on different methodologies

2016-2017 PROJECTS

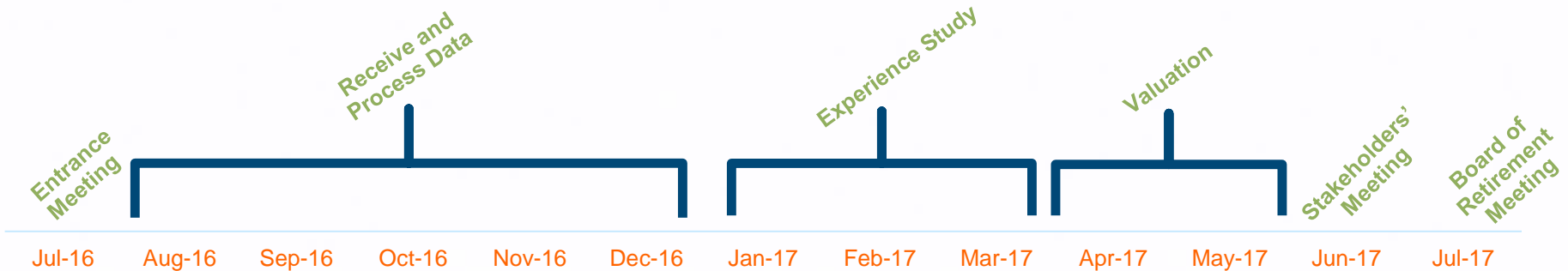
28 January 20, 2016

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2016-2017 Projects – Schedule

- July 2016 – Entrance Meeting
- August – December 2016 – Receive and Process Data
- January – March 2017 Experience Study
- April – May 2017 Valuation
- June 2017 – Stakeholders' Meeting
- July 2017 – Board of Retirement Meeting



Questions?



Caveats and Disclaimers

This presentation is based on the data, methods, assumptions and plan provisions described in our July 1, 2014 Valuation Report except as otherwise stated. All caveats and limitations of use contained in the valuation report continue to apply to this presentation.

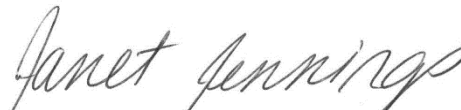
These projection estimates are subject to the uncertainties of a regular actuarial valuation; the projections are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging projections may vary from those presented in this presentation to the extent actual experience differs from that projected by the actuarial assumptions.

Milliman's work product was prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations, and uses LACERA's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We are members of the American Academy of Actuaries and the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Robert L. Schmidt, FSA, MAAA
Principal and Consulting Actuary



Janet Jennings, ASA, MAAA
Associate Actuary

APPENDIX

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Cost Sharing – Total

Fiscal Year Ending	Discount Rate	Beginning of Fiscal Year		Unfunded		Percent Funding	ARC	Benefit Payment	Prefunding Contribution	Total Contribution	% of ARC Funded
		Actuarial Accrued Liability	Market Value of Assets	Actuarial Liability							
2015	3.75%	\$28,547	\$484	\$28,063	1.7%	\$2,152	\$504	\$0	\$504	23.4%	
2016	4.51%	\$25,873	\$488	\$25,385	1.9%	\$1,939	\$561	\$56	\$617	31.8%	
2017	4.78%	\$26,020	\$580	\$25,440	2.2%	\$1,931	\$614	\$112	\$726	37.6%	
2018	4.97%	\$26,570	\$737	\$25,833	2.8%	\$1,951	\$670	\$168	\$838	43.0%	
2019	5.15%	\$27,158	\$962	\$26,196	3.5%	\$1,973	\$730	\$224	\$954	48.4%	
2020	5.32%	\$27,786	\$1,261	\$26,525	4.5%	\$1,996	\$789	\$280	\$1,069	53.6%	
2021	5.49%	\$28,405	\$1,639	\$26,766	5.8%	\$2,016	\$851	\$336	\$1,187	58.9%	
2022	5.66%	\$29,016	\$2,101	\$26,914	7.2%	\$2,034	\$918	\$392	\$1,310	64.4%	
2023	5.84%	\$29,563	\$2,654	\$26,909	9.0%	\$2,045	\$984	\$448	\$1,432	70.0%	
2024	6.03%	\$30,051	\$3,303	\$26,748	11.0%	\$2,049	\$1,060	\$504	\$1,564	76.4%	
2025	6.23%	\$30,475	\$4,055	\$26,419	13.3%	\$2,045	\$1,141	\$560	\$1,701	83.2%	
2026	6.45%	\$30,783	\$4,919	\$25,864	16.0%	\$2,029	\$1,227	\$616	\$1,843	90.8%	
2027	6.70%	\$30,926	\$5,900	\$25,026	19.1%	\$1,998	\$1,317	\$672	\$1,989	99.6%	
2030	7.00%	\$33,655	\$9,110	\$24,545	27.1%	\$2,026	\$1,610	\$416	\$2,026	100.0%	
2035	7.00%	\$41,267	\$14,545	\$26,722	35.2%	\$2,254	\$2,165	\$89	\$2,254	100.0%	
2040	7.00%	\$49,574	\$20,095	\$29,479	40.5%	\$2,521	\$2,817	(\$295)	\$2,521	100.0%	
2045	7.00%	\$58,508	\$25,516	\$32,992	43.6%	\$2,835	\$3,541	(\$707)	\$2,835	100.0%	
2050	7.00%	\$68,064	\$30,710	\$37,353	45.1%	\$3,193	\$4,286	(\$1,093)	\$3,193	100.0%	
2054	7.00%	\$76,734	\$35,013	\$41,720	45.6%	\$3,673	\$4,884	(\$1,210)	\$3,673	100.0%	

Dollar amounts are in millions.

Agent – LA County

Fiscal Year Ending	Discount Rate	Beginning of Fiscal Year		Unfunded		Percent Funding	ARC	Benefit Payment	Prefunding Contribution	Total County Contribution	% of ARC Funded
		Actuarial Accrued Liability	Market Value of Assets	Actuarial Liability							
		2015	3.75%	\$27,191	\$484						
2016	4.51%	\$24,653	\$488	\$24,165	2.0%	\$1,856	\$536	\$56	\$592	31.9%	
2017	4.79%	\$24,753	\$580	\$24,173	2.3%	\$1,845	\$587	\$112	\$699	37.9%	
2018	4.98%	\$25,285	\$736	\$24,548	2.9%	\$1,864	\$641	\$168	\$809	43.4%	
2019	5.16%	\$25,853	\$961	\$24,892	3.7%	\$1,884	\$698	\$223	\$922	48.9%	
2020	5.34%	\$26,409	\$1,259	\$25,150	4.8%	\$1,902	\$754	\$279	\$1,033	54.3%	
2021	5.52%	\$26,957	\$1,636	\$25,321	6.1%	\$1,918	\$814	\$335	\$1,149	59.9%	
2022	5.70%	\$27,495	\$2,097	\$25,398	7.6%	\$1,932	\$878	\$391	\$1,268	65.7%	
2023	5.88%	\$28,025	\$2,648	\$25,377	9.4%	\$1,941	\$940	\$446	\$1,386	71.4%	
2024	6.07%	\$28,498	\$3,295	\$25,203	11.6%	\$1,944	\$1,013	\$502	\$1,515	77.9%	
2025	6.28%	\$28,861	\$4,045	\$24,816	14.0%	\$1,936	\$1,090	\$558	\$1,648	85.1%	
2026	6.52%	\$29,066	\$4,906	\$24,160	16.9%	\$1,913	\$1,171	\$614	\$1,785	93.3%	
2027	6.78%	\$29,168	\$5,884	\$23,284	20.2%	\$1,878	\$1,257	\$622	\$1,878	100.0%	
2030	7.00%	\$32,191	\$9,083	\$23,109	28.2%	\$1,923	\$1,535	\$388	\$1,923	100.0%	
2035	7.00%	\$39,528	\$14,500	\$25,028	36.7%	\$2,133	\$2,061	\$72	\$2,133	100.0%	
2040	7.00%	\$47,555	\$20,031	\$27,525	42.1%	\$2,382	\$2,683	(\$300)	\$2,382	100.0%	
2045	7.00%	\$56,202	\$25,433	\$30,769	45.3%	\$2,676	\$3,378	(\$702)	\$2,676	100.0%	
2050	7.00%	\$65,458	\$30,609	\$34,848	46.8%	\$3,015	\$4,097	(\$1,082)	\$3,015	100.0%	
2054	7.00%	\$73,848	\$34,897	\$38,951	47.3%	\$3,471	\$4,677	(\$1,205)	\$3,471	100.0%	

Dollar amounts are in millions.

Agent – LACERA

Fiscal Year Ending	Discount Rate	Beginning of Fiscal Year		Unfunded		ARC	Benefit Payment	Prefunding Contribution	Total LACERA Contribution	% of ARC Funded
		Actuarial Accrued Liability	Market Value of Assets	Actuarial Liability	Percent Funding					
2015	3.75%	\$97	\$0	\$97	0.0%	\$7	\$2	\$0	\$2	23.2%
2016	4.50%	\$88	\$0	\$88	0.0%	\$7	\$2	\$0	\$2	29.9%
2017	4.72%	\$90	\$0	\$90	0.1%	\$7	\$2	\$0	\$2	34.4%
2018	4.87%	\$92	\$0	\$92	0.4%	\$7	\$2	\$0	\$3	39.9%
2019	5.05%	\$94	\$1	\$94	0.9%	\$7	\$2	\$1	\$3	45.6%
2020	5.23%	\$96	\$2	\$95	1.7%	\$7	\$3	\$1	\$4	51.2%
2021	5.41%	\$98	\$3	\$96	2.7%	\$7	\$3	\$1	\$4	56.9%
2022	5.60%	\$100	\$4	\$96	4.0%	\$7	\$3	\$1	\$5	63.3%
2023	5.81%	\$101	\$6	\$96	5.7%	\$7	\$3	\$2	\$5	69.0%
2024	5.99%	\$103	\$8	\$95	7.5%	\$7	\$4	\$2	\$5	75.0%
2025	6.19%	\$105	\$10	\$95	9.7%	\$7	\$4	\$2	\$6	81.6%
2026	6.40%	\$106	\$13	\$93	12.2%	\$7	\$4	\$2	\$6	88.8%
2027	6.64%	\$107	\$16	\$91	15.1%	\$7	\$4	\$2	\$7	96.9%
2030	7.00%	\$115	\$27	\$88	23.4%	\$7	\$5	\$2	\$7	100.0%
2035	7.00%	\$141	\$45	\$96	32.2%	\$8	\$7	\$1	\$8	100.0%
2040	7.00%	\$170	\$64	\$106	37.9%	\$9	\$10	(\$1)	\$9	100.0%
2045	7.00%	\$201	\$83	\$118	41.4%	\$10	\$12	(\$2)	\$10	100.0%
2050	7.00%	\$234	\$101	\$133	43.2%	\$11	\$15	(\$3)	\$11	100.0%
2054	7.00%	\$264	\$116	\$148	43.9%	\$13	\$17	(\$4)	\$13	100.0%

Dollar amounts are in millions.

Agent – Superior Court

Beginning of Fiscal Year

Fiscal Year Ending	Discount Rate	Actuarial Accrued Liability	Market Value of Assets	Unfunded Actuarial Liability	Percent Funding	ARC	Benefit Payment	Prefunding Contribution	Total Superior Court Contribution	% of ARC Funded
2015	3.75%	\$1,259	\$0	\$1,259	0.0%	\$84	\$20	\$0	\$20	24.1%
2016	3.75%	\$1,329	\$0	\$1,329	0.0%	\$88	\$23	\$0	\$23	25.8%
2017	3.75%	\$1,400	\$0	\$1,400	0.0%	\$91	\$25	\$0	\$25	27.1%
2018	3.75%	\$1,474	\$0	\$1,474	0.0%	\$95	\$27	\$0	\$27	28.4%
2019	3.75%	\$1,549	\$0	\$1,549	0.0%	\$100	\$29	\$0	\$29	29.5%
2020	3.75%	\$1,627	\$0	\$1,627	0.0%	\$104	\$32	\$0	\$32	30.7%
2021	3.75%	\$1,706	\$0	\$1,706	0.0%	\$108	\$34	\$0	\$34	31.9%
2022	3.75%	\$1,788	\$0	\$1,788	0.0%	\$112	\$37	\$0	\$37	33.2%
2023	3.75%	\$1,871	\$0	\$1,871	0.0%	\$117	\$40	\$0	\$40	34.5%
2024	3.75%	\$1,956	\$0	\$1,956	0.0%	\$122	\$44	\$0	\$44	36.1%
2025	3.75%	\$2,043	\$0	\$2,043	0.0%	\$126	\$48	\$0	\$48	37.7%
2026	3.75%	\$2,130	\$0	\$2,130	0.0%	\$131	\$51	\$0	\$51	39.3%
2027	3.75%	\$2,219	\$0	\$2,219	0.0%	\$136	\$56	\$0	\$56	41.1%
2030	3.75%	\$2,491	\$0	\$2,491	0.0%	\$151	\$70	\$0	\$70	46.2%
2035	3.75%	\$2,952	\$0	\$2,952	0.0%	\$177	\$97	\$0	\$97	54.5%
2040	3.75%	\$3,416	\$0	\$3,416	0.0%	\$204	\$125	\$0	\$125	61.0%
2045	3.75%	\$3,887	\$0	\$3,887	0.0%	\$232	\$151	\$0	\$151	65.0%
2050	3.75%	\$4,382	\$0	\$4,382	0.0%	\$262	\$175	\$0	\$175	66.8%
2054	3.75%	\$4,842	\$0	\$4,842	0.0%	\$300	\$190	\$0	\$190	63.4%

Dollar amounts are in millions.

April 25, 2018

SUPPLEMENTAL AGENDA INFORMATION

TO: Each Member
Board of Retirement

FROM: Barry W. Lew *BW*
Legislative Affairs Officer

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Senate Bill 1031—Cost-of-Living Adjustments**

*Author: Moorlach [R]
Sponsor: Author-sponsored
Introduced: February 8, 2018
Amended: April 5, 2018
Status: In SENATE Committee on PUBLIC EMPLOYMENT &
RETIREMENT: Failed passage. Reconsideration granted.
(04/23/2018)*

*IBLC Recommendation: Oppose (04/12/2018)
Staff Recommendation: Oppose*

RECOMMENDATION

That the Board of Retirement adopt a “Watch” position on Senate Bill 1031, which would prohibit the payment of cost-of-living adjustments.

DISCUSSION

SB 1031 was amended on April 5, 2018 to prohibit the payment of cost-of-living adjustments to retired members who became new members on or after January 1, 2019 if the unfunded actuarial liability of the system is greater than 20 percent.

The bill was amended after the submission deadline for the agenda of the April 12, 2018 meeting of the Insurance, Benefits and Legislative Committee, which recommended an “Oppose” position on the bill as introduced on February 8, 2018.

On April 23, 2018, SB 1031 was heard in the Senate Committee on Public Employment & Retirement. By a vote of 1 aye to 3 noes, the bill failed passage in committee and will no longer move forward in the 2018 legislative year. Although there may not be a need to adopt an “Oppose” position on a bill that failed passage in committee, the bill was granted reconsideration, and it would be prudent to continue to monitor the bill until the adjournment of the 2018 legislative session.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a “Watch” position on Senate Bill 1031, which would prohibit the payment of cost-of-living adjustments.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

SB 1031 (Moorlach) as amended on April 5, 2018

cc: Robert Hill Steven P. Rice
 James Brekk Beulah Auten
 John Popowich Ted Granger
 Bernie Buenaflor Joe Ackler, Ackler & Associates

AMENDED IN SENATE APRIL 5, 2018

SENATE BILL

No. 1031

Introduced by Senator Moorlach

February 8, 2018

An act to add Section 7522.45 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1031, as amended, Moorlach. Public employees' retirement: cost-of-living adjustments: prohibitions.

The Public Employees' Retirement Law establishes the Public Employees' Retirement System and the Teachers' Retirement Law establishes the State Teachers' Retirement System for the purpose of providing pension benefits to specified public employees and teachers. Existing law establishes the Judges' Retirement System II, which provides pension benefits to elected judges, and the Legislators' Retirement System, which provides pension benefits to elective officers of the state other than judges and to legislative statutory officers. The County Employees Retirement Law of 1937 authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county, city, and district employees. Existing law provides for the application of cost-of-living adjustments to allowances paid to persons retired under, or survivors or beneficiaries of persons retired under, various public retirement systems. The California Public Employees' Pension Reform Act of 2013, on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, for its purposes, defines pensionable compensation, establishes limits on benefits, and requires the sharing

of normal costs between members and employers for the pension systems to which it applies.

The bill would prohibit a public retirement system, as defined, from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the ~~system~~, *system who becomes a new member on or after January 1, 2019*, or to any survivor or beneficiary of ~~a that~~ member or person retired under the system, for any year ~~beginning on or after January 1, 2019~~, in which the unfunded actuarial liability of that system is greater than 20%. The bill would require that the determination of unfunded actuarial liability be based on a specified financial report and would apply the prohibition on cost-of-living adjustments, if any, to the calendar year following the fiscal year upon which the report is based.

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

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

1 SECTION 1. Section 7522.45 is added to the Government
2 Code, to read:
3 7522.45. (a) For purposes of this section:
4 (1) “Public retirement system” means the Public Employees’
5 Retirement System, the State Teachers’ Retirement System, the
6 Legislators’ Retirement System, the Judges’ Retirement System,
7 the Judges’ Retirement System II, county and district retirement
8 systems created pursuant to the County Employees Retirement
9 Law of 1937 (Chapter 3 (commencing with Section 31450) of Part
10 3 of Division 4 of Title 3), independent public retirement systems,
11 and individual retirement plans offered by public employers.
12 (2) Notwithstanding paragraph (1), “public retirement system”
13 does not include a retirement system created by an entity described
14 in Section 9 of Article IX of, or Section 4 or 5 of Article XI of,
15 the California Constitution, except to the extent that the entity
16 elects to make this section applicable to the entity.
17 (b) (1) Notwithstanding any other law, except as otherwise
18 required by Section 9 of Article I of the California Constitution,
19 a public retirement system shall not make a cost-of-living
20 adjustment to any allowance payable to, or on behalf of, a person
21 retired under the ~~system~~, *system who becomes a new member on*
22 *or after January 1, 2019*, or to any survivor or beneficiary of ~~a~~

1 *that* member or person retired under the system, for any year
2 ~~beginning on or after January 1, 2019~~, in which the unfunded
3 actuarial liability of the system is greater than 20 percent. If a
4 system is found to have an unfunded liability of greater than 20
5 percent pursuant to the comprehensive annual financial report
6 described in paragraph (2), the prohibition on cost-of-living
7 adjustments shall apply to the calendar year following the fiscal
8 year upon which the report is based.
9 (2) For purposes of paragraph (1), the determination of unfunded
10 actuarial liability shall be based upon the comprehensive annual
11 financial report that Section 7503 requires each state or local public
12 retirement system to create.

April 25, 2018

TO: Each Member
Board of Retirement

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

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Senate Bill 1031—Cost-of-Living Adjustments**

Author: Moorlach [R]
Sponsor: Author-sponsored
Introduced: February 8, 2018
Amended: April 5, 2018
Status: In SENATE Committee on PUBLIC EMPLOYMENT & RETIREMENT: Failed passage. Reconsideration granted. (04/23/2018)

IBLC Recommendation: Oppose (04/12/2018)
Staff Recommendation: Oppose

RECOMMENDATION

That the Board of Retirement adopt an “Oppose” position on Senate Bill 1031, which would prohibit the payment of cost-of-living adjustments.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to oppose proposals that infringe on the Board’s plenary authority or fiduciary responsibility. The Board also opposes proposals that deprive members of vested benefits (Legislative Policy, page 6).

SUMMARY

SB 1031, as introduced on February 8, 2018, would prohibit a public retirement system from making a cost-of-living adjustment to any allowance if the unfunded actuarial liability of the system is greater than 20 percent.

ANALYSIS

Existing Law

Plan A members are entitled to a maximum cost-of-living adjustment (COLA) of 3 percent each year for their retirement allowances payable April 1. Plan B, C, D, and G

members are entitled to a maximum COLA of 2 percent each year. Plan E members are entitled to a maximum COLA of 2 percent each year, prorated for service credit earned on and after June 4, 2002. The COLAs are cumulative and compounded by future increases.

The Board of Retirement determines before April 1 each year whether there has been an increase or decrease in the cost of living based on the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Long Beach-Anaheim, California area. If the change in the CPI exceeds the maximum COLA payable, the increase is accumulated for payment in future years in which the change in CPI is below the maximum COLA payable.

If the COLA accumulation percentage equals or exceeds 20 percent (i.e., the member has lost 20 percent or more of purchasing power), the Board of Retirement may provide a supplemental COLA known as the Supplemental Target Adjustment for Retirees (STAR COLA). From 1990 to 2000, a STAR COLA was paid to members whose retirement allowances lost 25 percent or more of purchasing power and thus restored the allowance to 75 percent of its purchasing power. During this period, the STAR COLA was an ad hoc benefit that was paid for that calendar year only and was not a permanent benefit that was added to the member's base allowance that would be subject to compounding by future COLAs. Beginning in 2001, the STAR COLA benefit was increased to restore 80 percent of purchasing power, and each STAR COLA benefit was a permanent benefit subject to compounding by future COLAs.

This Bill

SB 1031 would prohibit a COLA payment to any retirement allowance for any year beginning on or after January 1, 2019 in which the unfunded actuarial liability of the system is greater than 20 percent. The determination of the unfunded actuarial liability is based on the plan actuary's calculations as presented in the actuarial valuation report and then reported in the Comprehensive Annual Financial Report (CAFR). If a retirement system's unfunded liability is greater than 20 percent (i.e., the funded ratio is below 80%), then the prohibition on the payment of the COLA would apply to the calendar year following the fiscal year of the CAFR in which the unfunded actuarial liability is reported.

SB 1031's method of applying the unfunded actuarial liability to determine the retirement system's ability to provide benefits lacks precision and is ambiguous. Generally, the unfunded actuarial liability is expressed as a dollar amount rather than a percentage. The actuarial value of assets compared to the actuarial accrued liability results in a funded ratio that expresses the funding adequacy of the plan as a percentage. For example, if the actuarial value of assets covers 85 percent of the actuarial accrued liability, then a plan's funded ratio at that point in time is 85 percent. Moreover, this convention of expressing a plan's funded ratio (rather than an unfunded

ratio of 15 percent) is consistent with how that information is prepared by the actuary and presented in the CAFR. Although plan experience impacts the funded ratio calculation, the plan's actual investment returns can be a significant factor determining the funded ratio, which is independent of COLA awards. SB 1031's use of an unfunded ratio may lead to confusion by stakeholders of a plan's funded status.

If enacted, SB 1031 would apply to all existing retirees, not just employees who become new members on or after January 1, 2019 (the effective date of SB 1031), and raise the issue of vested rights as a result of prohibiting the payment of COLAs for those who became members before January 1, 2019 and were funding their COLA benefit throughout their careers. More specifically, a portion of each contributory member's contribution every pay period is designated to fund a basic benefit and a COLA benefit.

The vested rights issue in SB 1031's prohibition on paying COLAs is particularly problematic for Plan E members. The COLA for Plan E members is prorated based on service credit earned on and after June 4, 2002. Since Plan E is a noncontributory plan and its members do not pay normal contributions, the Plan E retirement allowance and COLA is funded by employer contributions only. However, Plan E members may purchase an Elective COLA for service credit earned before June 4, 2002 by paying an actuarially equivalent cost for the benefit such that no Elective COLA liability is borne by the plan sponsor and results in no diminution of the retirement system's funded ratio. Thus, a Plan E member who purchases an Elective COLA has paid an actuarially equivalent amount to fully fund his or her COLA for service credit earned before June 4, 2002. SB 1031 would prohibit the payment of the Elective COLA and deny Plan E members their Elective COLA benefit based on the funded ratio of the plan as a whole, despite the fact that the cost of the Elective COLA paid for by the member included an assumption that it would not diminish the retirement system's funded ratio.

SB 1031 would also have the effect of increasing the COLA accumulation percentage at a faster rate than under existing law, assuming COLAs are prohibited from being paid. Any increases in the CPI would not result in a COLA payment and would instead be accumulated. Moreover, any decreases in the CPI below the maximum COLA percentage would not result in a decrease in the COLA accumulation to enable payment of the maximum COLA. Although the prohibition on paying COLAs may have the effect of improving the plan's funded ratio, it would also have the effect of accelerating the erosion of the retirees' purchasing power and shift the burden of maintaining the purchasing power of retirees from the normal COLA to the STAR COLA, which was intended to supplement the normal COLA by maintaining purchasing power of 80 percent. The increased funding pressure on the STAR COLA may in turn cause a reduction in the percentage of purchasing power that the STAR COLA is able to fund.

Although SB 1031 does not reduce the *amount* of a member's base retirement benefit, it has the effect of reducing the *value* of that benefit by prohibiting the replacement of that

benefit's purchasing power. Thus, not only does the bill raise vested rights issues, it also infringes on the Board of Retirement's plenary authority and fiduciary responsibility in effectuating the purpose of CERL (pursuant to Government Code Section 31541), which is to recognize a public obligation to county employees who become incapacitated by age or long service by providing retirement security and to provide a means by which incapacitated employees may be replaced by more capable employees to the betterment of public service without prejudice and without inflicting hardship upon the employees removed.

SB 1031 does not apply to the retirement systems created by the University of California, charter counties, or charter cities. The charter counties with retirement systems under CERL include Alameda, Fresno, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and San Mateo. However, these charter counties (as well as the University of California and charter cities) may elect to make SB 1031 applicable.

The County of Los Angeles became a charter county on June 2, 1913 and established LACERA on January 1, 1938. Although LACERA is not subject to SB 1031 unless the County of Los Angeles elects to make it applicable, SB 1031 has the potential to deprive members of vested benefits and infringe on the Board of Retirement's plenary authority and fiduciary responsibility.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an "Oppose" position on Senate Bill 1031, which would prohibit the payment of cost-of-living adjustments.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

SB 1031 (Moorlach) as introduced on February 8, 2018

cc: Robert Hill Steven P. Rice
James Brekk Beulah Auten
John Popowich Ted Granger
Bernie Buenaflor Joe Ackler, Ackler & Associates

SB 1031

Attachment 1—Board Positions Adopted on Related Legislation

Board of Retirement

April 25, 2018

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

SB 32 (2017, died) would have enacted the California Public Employees' Pension Reform Act of 2018. Among other provisions, the bill would have prohibited a public retirement system from making a cost-of-living adjustment to any allowance payable to a member or beneficiary on or after January 1, 2018 if the unfunded actuarial liability of the California Public Employees' Retirement System or the California State Teachers' Retirement System was greater than zero. The Board of Retirement adopted a "Watch" position. (Note: The Insurance, Benefits and Legislative Committee recommended an "Oppose unless amended" position, but SB 32 failed passage in the Senate Committee on Public Employment and Retirement before the Board of Retirement's regularly scheduled meeting.)

SB 1031
Attachment 2—Support and Opposition
Board of Retirement
April 25, 2018
Page 1

SUPPORT

Association of California Cities-Orange County
City of Fullerton
City of La Habra
City of Mission Viejo
City of San Marcos

OPPOSITION

American Federation of State, County and Municipal Employees
CAL FIRE Local 2881
California Alliance for Retired Americans
California Association of Highway Patrolmen
California Association of Professional Scientists
California Conference Board of the Amalgamated Transit Union
California Conference of Machinists
California Federation of Teachers, AFT, AFL-CIO
California Retired Teachers Association
California State Teachers' Retirement System
California Teachers Association
California Teamsters Public Affairs Council
Los Angeles County Professional Peace Officers Association
Orange County Employees Association
Organization of SMUD Employees
Peace Officers Research Association of California
Professional & Technical Engineers, IFPTE, Local 21, AFL-CIO
Retired Public Employees Association
San Diego County Court Employees Association
Service Employees International Union, Local 1000
United Public Employees
1 Individual Letter

Introduced by Senator MoorlachFebruary 8, 2018

An act to add Section 7522.45 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1031, as introduced, Moorlach. Public employees' retirement: cost-of-living adjustments: prohibitions.

The Public Employees' Retirement Law establishes the Public Employees' Retirement System and the Teachers' Retirement Law establishes the State Teachers' Retirement System for the purpose of providing pension benefits to specified public employees and teachers. Existing law establishes the Judges' Retirement System II, which provides pension benefits to elected judges, and the Legislators' Retirement System, which provides pension benefits to elective officers of the state other than judges and to legislative statutory officers. The County Employees Retirement Law of 1937 authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county, city, and district employees. Existing law provides for the application of cost-of-living adjustments to allowances paid to persons retired under, or survivors or beneficiaries of persons retired under, various public retirement systems. The California Public Employees' Pension Reform Act of 2013, on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, for its purposes, defines pensionable compensation, establishes limits on benefits, and requires the sharing of normal costs between members and employers for the pension systems to which it applies.

The bill would prohibit a public retirement system, as defined, from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2019, in which the unfunded actuarial liability of that system is greater than 20%. The bill would require that the determination of unfunded actuarial liability be based on a specified financial report and would apply the prohibition on cost-of-living adjustments, if any, to the calendar year following the fiscal year upon which the report is based.

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

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

1 SECTION 1. Section 7522.45 is added to the Government
 2 Code, to read:
 3 7522.45. (a) For purposes of this section:
 4 (1) “Public retirement system” means the Public Employees’
 5 Retirement System, the State Teachers’ Retirement System, the
 6 Legislators’ Retirement System, the Judges’ Retirement System,
 7 the Judges’ Retirement System II, county and district retirement
 8 systems created pursuant to the County Employees Retirement
 9 Law of 1937 (Chapter 3 (commencing with Section 31450) of Part
 10 3 of Division 4 of Title 3), independent public retirement systems,
 11 and individual retirement plans offered by public employers.
 12 (2) Notwithstanding paragraph (1), “public retirement system”
 13 does not include a retirement system created by an entity described
 14 in Section 9 of Article IX of, or Section 4 or 5 of Article XI of,
 15 the California Constitution, except to the extent that the entity
 16 elects to make this section applicable to the entity.
 17 (b) (1) Notwithstanding any other law, except as otherwise
 18 required by Section 9 of Article I of the California Constitution,
 19 a public retirement system shall not make a cost-of-living
 20 adjustment to any allowance payable to, or on behalf of, a person
 21 retired under the system, or to any survivor or beneficiary of a
 22 member or person retired under the system, for any year beginning
 23 on or after January 1, 2019, in which the unfunded actuarial
 24 liability of the system is greater than 20 percent. If a system is
 25 found to have an unfunded liability of greater than 20 percent


1 pursuant to the comprehensive annual financial report described
2 in paragraph (2), the prohibition on cost-of-living adjustments
3 shall apply to the calendar year following the fiscal year upon
4 which the report is based.

5 (2) For purposes of paragraph (1), the determination of unfunded
6 actuarial liability shall be based upon the comprehensive annual
7 financial report that Section 7503 requires each state or local public
8 retirement system to create.

O

April 24, 2018

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **PROVIDE VOTING DIRECTIONS ON SACRS SPONSORSHIP OF SB
1270**

RECOMMENDATION

That the Board of Retirement instruct its voting delegate to vote “Yes” on SACRS sponsorship of SB 1270.

DISCUSSION

Each year, the 20 retirement systems operating under the County Employees Retirement Law of 1937 (CERL) are asked to submit proposals to the Legislative Committee of the State Association of County Retirement Systems (SACRS) for sponsorship in the SACRS legislative platform. The items submitted should have application to all CERL systems rather than an individual system; they should not propose new benefits that will be paid for by the plan sponsor; and they should not create major issues, such as conflicts with Proposition 162 or with any of the 19 other CERL retirement systems.

Three proposals were submitted in 2017 to the SACRS Legislative Committee for inclusion in the SACRS 2018 legislative platform. The SACRS membership voted on two of the proposals at the SACRS Business Meeting on November 17, 2017 at the SACRS 2017 Fall Conference.

The third proposal was submitted by the Tulare County Employees’ Retirement Association (TCERA). TCERA’s proposal sought to amend Government Code Section 31522.3, which relates to the appointment of assistant administrators and chief investment officers. Section 31522.3 currently applies to the Counties of San Diego, Sacramento, Kern, San Joaquin, and Marin. TCERA proposed to make Section 31522.3 applicable to all counties with retirement systems operating under CERL without the option of local adoption, which would not provide flexibility to retirement systems with respect to personnel management strategies. This concern was the basis for the Board of Retirement’s instruction to its voting delegate to vote “No” on SACRS sponsorship of TCERA’s proposal. However, TCERA’s proposal was withdrawn for consideration at the meeting, and the SACRS membership did not vote on the proposal.

Having withdrawn its proposal to SACRS, TCERA sponsored SB 1270, which would make Section 31522.3 applicable to any county if the board of supervisors of that county adopts a resolution by majority vote. The Board of Retirement adopted a "Watch" position on SB 1270.

Providing the option for local adoption has addressed the concern regarding TCERA's original proposal. SB 1270 would provide an efficient framework for each county under CERL to adopt a resolution to make Section 31522.3 applicable to that county.

SB 1270 will be considered for sponsorship by SACRS at its Business Meeting on May 18, 2018 under Item 5.B.

IT IS THEREFORE RECOMMENDED THAT THE BOARD instruct its voting delegate to vote "Yes" on SACRS sponsorship of SB 1270.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachment

SACRS Business Meeting Agenda on May 18, 2018: Item 5.B

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven Rice
Joe Ackler, Ackler & Associates



SACRS Business Meeting Agenda
Friday, May 18, 2018
10:00 AM - Upon Adjournment
Anaheim Marriott
Anaheim, CA

SACRS Parliamentarian – Lance Kjeldgaard
Sergeant at Arms – Bob Goodchild, San Diego CERA

1. SACRS System Roll Call

Kathryn Cavness, SACRS Secretary

2. Secretary's Report - Receive and File

Kathryn Cavness, SACRS Secretary

- A. November 2017 SACRS Business Meeting Minutes

3. Treasurer's Report - Receive and File

Harry Hagen, SACRS Treasurer

- A. July 2017 – February 2018 Financials

4. SACRS President Report - No Action

Dan McAllister, SACRS President

- A. SACRS President Update

5. SACRS Legislative Committee Update - Vote

Tracy Towner, SACRS Legislative Committee Chair

- A. 2018 Legislative Update – No Action
- B. SB 1270 (Videk) – Vote
SACRS membership will need to vote to sponsor this legislation

6. SACRS Nomination Committee - 2018-2019 SACRS BOD Elections - Vote

Ray McCray, Nomination Committee Chair

- A. SACRS BOD 2018 – 2019 Ballot

7. SACRS Audit Report – No Action

Steve Delaney, SACRS Audit Committee Chair

- A. SACRS Audit Committee Update



8. SACRS Education Committee Report – No Action

Christie Porter, SACRS Education Committee Chair

- A. SACRS Spring Conference Evaluations 2018

9. SACRS Program Committee Report – No Action

Gabe Rodrigues, SACRS Program Committee Chair

- A. SACRS Spring Conference Report 2018

10. SACRS Affiliate Committee Report – No Action

Lesley Nettles, SACRS Affiliate Committee Chair

- A. Affiliate Committee Update

11. SACRS Bylaws Committee Report – No Action

Vivian Gray, SACRS Bylaws Committee Chair

- A. Bylaws Committee Update

12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees

13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, November 16, 2018 at the Indian Wells Renaissance Hotel and Spa in Indian Wells, CA.



5. SACRS Legislative Committee Update – Voting Item

Tracy Towner, SACRS Legislative Committee Chair

- A. 2018 Legislative Update – No Action
- B. SB 1270 (Vidak) – Voting Item
SACRS members will need to vote on sponsorship of this bill

Introduced by Senator Vidak

February 16, 2018

An act to amend Section 31522.3 of the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1270, as introduced, Vidak. County employees' retirement: system personnel.

The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to their employees. CERL authorizes the retirement boards of 5 specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause.

This bill would apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county.

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 31522.3 of the Government Code is
- 2 amended to read:

1 31522.3. (a) In a county in which the board of retirement or
2 both the board of retirement and the board of investment have
3 appointed personnel pursuant to Section 31522.1, the respective
4 board or boards may elect to appoint assistant administrators and
5 chief investment officers as provided for in this section. The
6 positions of the assistant administrators and chief investment
7 officers designated by the retirement board shall not be subject to
8 county charter, civil service, or merit system rules. The persons
9 so appointed shall be county employees and shall be included in
10 the salary ordinance or salary resolution adopted by the board of
11 supervisors for the compensation of county officers and employees.
12 The assistant administrators and chief investment officers so
13 appointed shall be directed by, shall serve at the pleasure of, and
14 may be dismissed at the will of, the appointing board or boards.
15 Specific charges, a statement of reasons, or good cause shall not
16 be required as a basis for dismissal of the assistant administrators
17 and chief investment officers by the appointing board or boards.

18 (b) This section shall not apply to any person who was an
19 assistant administrator or a chief investment officer and was
20 included in the county civil service or was subject to merit system
21 rules on December 31, 1996.

22 (c) This section shall only apply to a county of the third class,
23 a county of the eighth class, a county of the 14th class, a county
24 of the 15th class, or a county of the 18th class, as provided by
25 Sections 28020, 28024, 28029, 28035, 28036, and 28039.

26 (d) *Notwithstanding subdivision (c), this section shall also apply*
27 *to any county if the board of supervisors, by resolution adopted*
28 *by majority vote, makes this section applicable in the county.*

CONSENT

Bill No: SB 1270
Author: Vidak (R)
Introduced: 2/16/18
Vote: 21

SENATE PUBLIC EMP. & RET. COMMITTEE: 5-0, 4/9/18
AYES: Pan, Morrell, Leyva, Moorlach, Portantino

SUBJECT: County employees' retirement: system personnel

SOURCE: Tulare County Employees' Retirement Association

DIGEST: This bill authorizes any county board of retirement, as specified, to appoint at-will assistant administrators and chief investment officers provided the board of supervisors approves and adopts a resolution by majority vote.

ANALYSIS:

Existing law:

- 1) Establishes the County Employees' Retirement System Act of 1937 ('37 Act) which governs 20 independent retirement associations.
- 2) Authorizes the county board of retirement or both the board of retirement and the board of investment to appoint administrative, technical, and clerical personnel as required to accomplish the necessary work of the boards.
- 3) Stipulates that appointed personnel be drawn from eligible lists created in accordance with the civil service or merit system rules of the county in which the retirement system governed by the board is situated.
- 4) States that appointed personnel shall be county employees, subject to the county civil service or merit system rules and shall be included in the salary ordinances

or resolutions adopted by the board of supervisors for the compensation of county officers and employees.

- 5) Permits the county board of retirement or both the board of retirement and the board of investment of San Diego, Sacramento, Kern, San Joaquin, and Marin counties to appoint assistant administrators and chief investment officers, if the board of retirement or the boards of retirement and investment have appointed administrative, technical, and clerical personnel.
- 6) States that retirement board-appointed assistant administrators and chief investment officers shall not be subject to county charter, civil service, or merit system rules.
- 7) Provides that appointed assistant administrators and chief investment officers are county employees and shall be included in the salary ordinances or salary resolutions adopted by the board of supervisors for the compensation of county officers and employees.
- 8) Stipulates that appointed assistant administrators and chief investment officers shall be directed by, serve at the pleasure of, and may be dismissed at the will of the appointing board or boards. Specific charges, a statement of reasons, or good cause shall not be required as a basis of dismissal.

This bill:

- 1) Allows any county board of retirement or both the boards of retirement and investment that has already appointed administrative, technical, and clerical personnel to also appoint assistant administrators and chief investment officers.
- 2) Stipulates that the county's board of supervisors must approve and adopt a resolution by majority vote to allow the board of retirement or boards of retirement and investment to appoint assistant administrators and chief investment officers.

Background

The California Constitution provides that the retirement board of a public pension or retirement system shall have the "sole and exclusive fiduciary responsibility" over assets, as well as the responsibility to administer the system in a manner that

assures prompt delivery of benefits and related services to participants and their beneficiaries.

As such, currently all county boards of retirement and the boards of retirement and investment have the authority to appoint administrative, technical, and clerical personnel as necessary to accomplish the work of the boards. The San Diego, Sacramento, Kern, San Joaquin, and Marin county boards of retirement and investment have explicit statutory authority to appoint assistant administrators and chief investment officers, and the Board of Retirement and Investment Board of Los Angeles County Employees Retirement Association has explicit statutory authority to appoint assistant administrators, chief investment officers, and other specified positions as “at will” employees.

In addition, four county retirement boards have jointly sponsored legislation with their counties to become independent districts within their retirement associations, with the ability to categorize all or most of their employees as retirement system employees (Contra Costa and San Bernardino), or only specified personnel (Orange and Ventura).

Other county boards of retirement and investment that wish to appoint assistant administrators and chief investment officers must currently seek approval from the board of supervisors, and then sponsor legislation to make conforming statutory changes.

Related/Prior Legislation

AB 1853 (Cooper, 2016) would have authorized any county retirement board to become an independent district and employ personnel, as specified. According to Governor Brown’s veto message, “this is too far-reaching. Previous bills that authorized a county retirement system to become independent were the result of agreement between the county and the retirement system... [which] better serves the public interest.”

AB 1291 (Williams, Chapter 223, Statutes of 2015) made the Ventura County Retirement System an independent public employer district within the Ventura County Employees’ Retirement Association with the authorization to appoint specified “at will” positions.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 4/10/18)

Tulare County Employees' Retirement Association (source)
State Association of County Retirement Systems

OPPOSITION: (Verified 4/10/18)

None received

ARGUMENTS IN SUPPORT: According to the author's office, "rather than requiring every county to run separate legislation, this bill will give county retirement boards that would like to appoint an assistant administrator or chief investment officer, the authority to do so provided the county board of supervisors adopt a resolution by majority vote."

Tulare County Employees' Retirement Association, sponsor of the bill, adds, "[this bill] will ensure those retirement systems and their respective Boards of Supervisors that reach agreement on such personnel matters would not need a subsequent act of the Legislature each time agreement is reached at the local level."

The State Association of County Retirement Systems writes, "SB 1270...provide[s] retirement boards the tools needed to best manage and recruit talented and skilled employees in order to protect the assets of retirees and to fulfill the fiduciary responsibility of the retirement systems."

Prepared by: Korinne Sugawara / P.E. & R. / (916) 651-1519
4/11/18 13:55:42

**** **END** ****

May 1, 2018

SUPPLEMENTAL AGENDA INFORMATION

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

The recommendation to adopt the revised Legislative Policy was originally presented at the March 15, 2018 meeting of the Board of Retirement. Staff requested that the item be pulled for further development.

The recommendation had been concurrently presented to the Board of Investments at its meeting on March 5, 2018. The Board of Investments reviewed the proposed revised Legislative Policy and requested that the term “substantive” in the policy be defined.

On page 8 of the Legislative Policy, the definition for “substantive” is now provided in the footnote on that page and applies to the term as it is used throughout the policy.

The recommendation to adopt the revised Legislative Policy, now updated with the definition of “substantive,” will be presented to the Board of Investments on May 9, 2018 and to the Board of Retirement on May 10, 2018.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

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

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: May 10, 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

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.

Action Between Board Meetings

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

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.

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

ATTACHMENT A

LACERA LEGISLATIVE POLICY

Restated Revised:
and Approved:

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

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

Table of Contents

<u>Statement of Mission and Purpose</u>	<u>3</u>
<u>Legislative Policy Standards</u>	<u>5</u>
<u>Definitions of Board Positions.....</u>	<u>8</u>
<u>Legislative Analysis Memorandum Format.....</u>	<u>10</u>
<u>Action between Board Meetings.....</u>	<u>12</u>
<u>Ballot Measures</u>	<u>14</u>
<u>Status Reports.....</u>	<u>15</u>
<u>Legislative Process.....</u>	<u>16</u>
<u>Change Log.....</u>	<u>17</u>
Statement of Mission and Purpose	3
Legislative Policy Standards.....	5
Definitions of Board Positions.....	8
Legislative Analysis Memorandum Format.....	10
Action between Board Meetings.....	12
Ballot Measures	1413
Status Reports.....	1514
Legislative Process.....	1615

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.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.

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.
- Authorizes staff to engage with LACERA’s legislative advocate to communicate the Board’s position and incorporate amendments into the proposal.
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- If there are substantive¹ amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA’s legislative advocate to achieve passage or defeat of the proposal.

¹ The term “substantive” as used in this Legislative Policy is defined as a change in the proposal that does not merely provide clarification but creates and defines rights and duties or, conversely, removes rights and duties.

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.

WATCH

- 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.]

Attachments

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

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

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 outline² and a flowchart³ of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

² Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

³ 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.

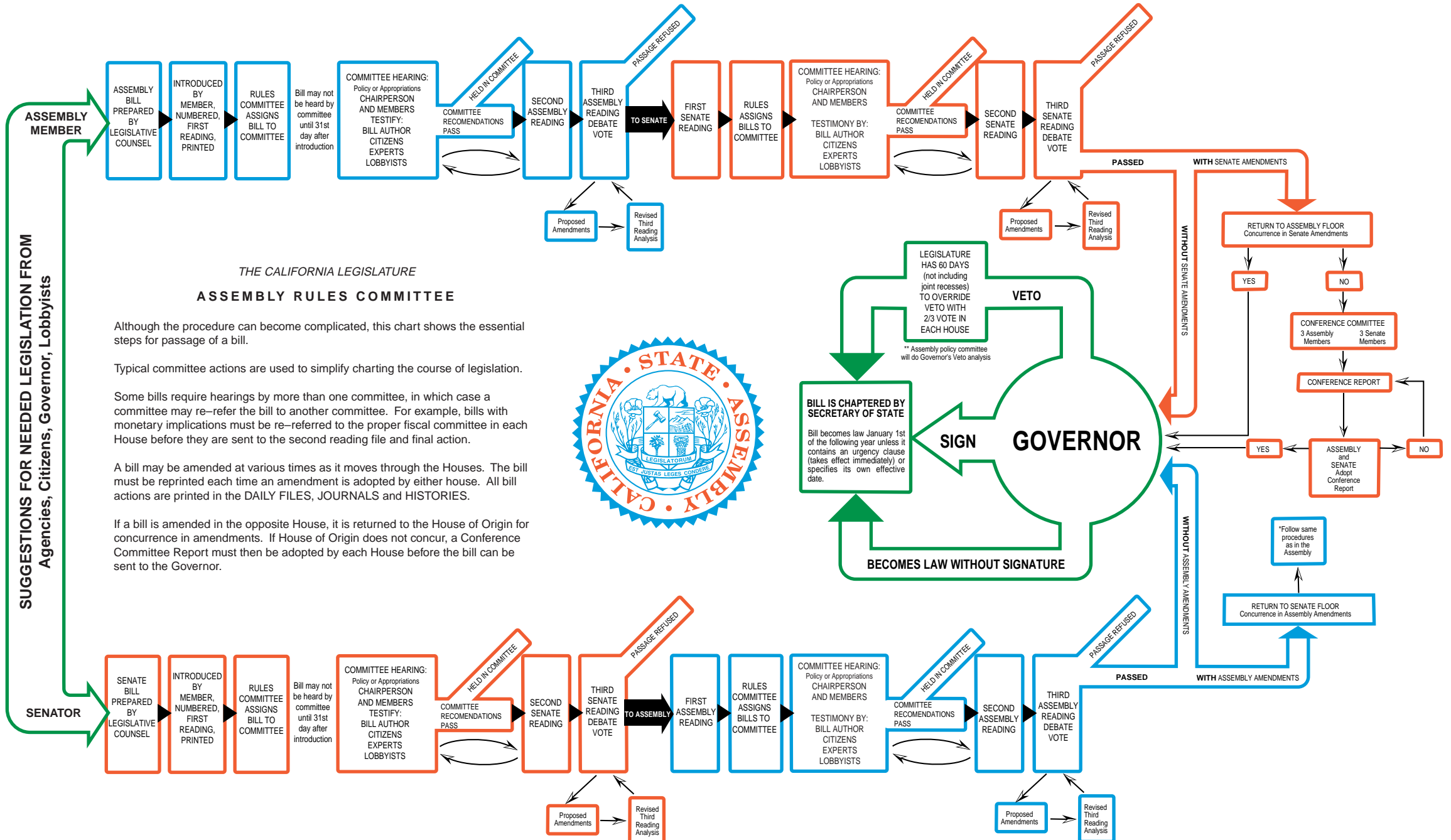
California Law

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

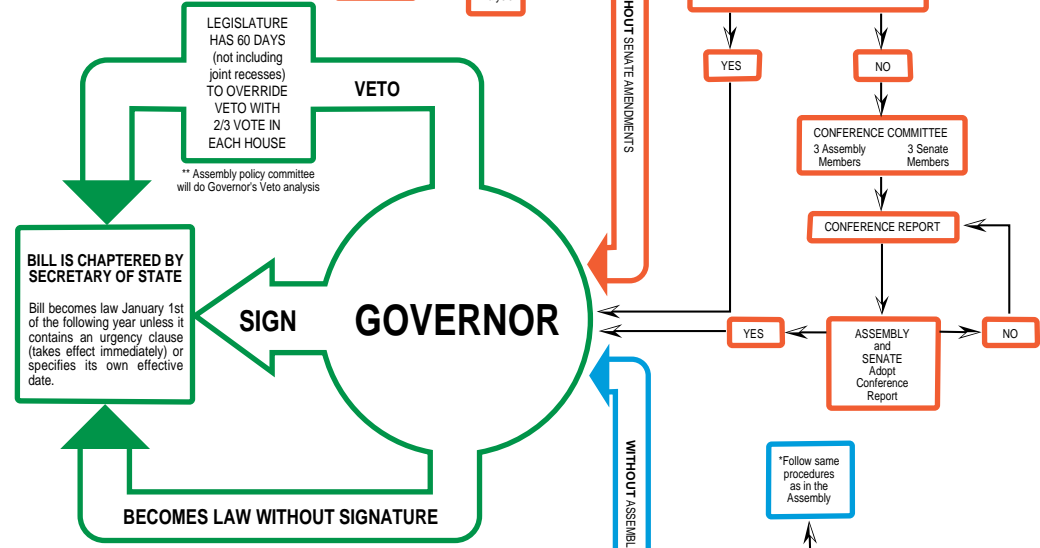
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

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.



BILL IS CHAPTERED BY SECRETARY OF STATE
Bill becomes law January 1st of the following year unless it contains an urgency clause (takes effect immediately) or specifies its own effective date.

SIGN GOVERNOR

BECOMES LAW WITHOUT SIGNATURE

VETO
LEGISLATURE HAS 60 DAYS (not including joint recesses) TO OVERRIDE VETO WITH 2/3 VOTE IN EACH HOUSE
** Assembly policy committee will do Governor's Veto analysis

*Follow same procedures as in the Assembly

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]

Table of Contents

Statement of Mission and Purpose	3
Legislative Policy Standards	5
Definitions of Board Positions.....	8
Legislative Analysis Memorandum Format.....	10
Action between Board Meetings.....	12
Ballot Measures	14
Status Reports.....	15
Legislative Process.....	16
Change Log.....	17

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.
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- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive¹ amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

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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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- 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.

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TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

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

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

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

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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.

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 outline² and a flowchart³ of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

² Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

³ 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.

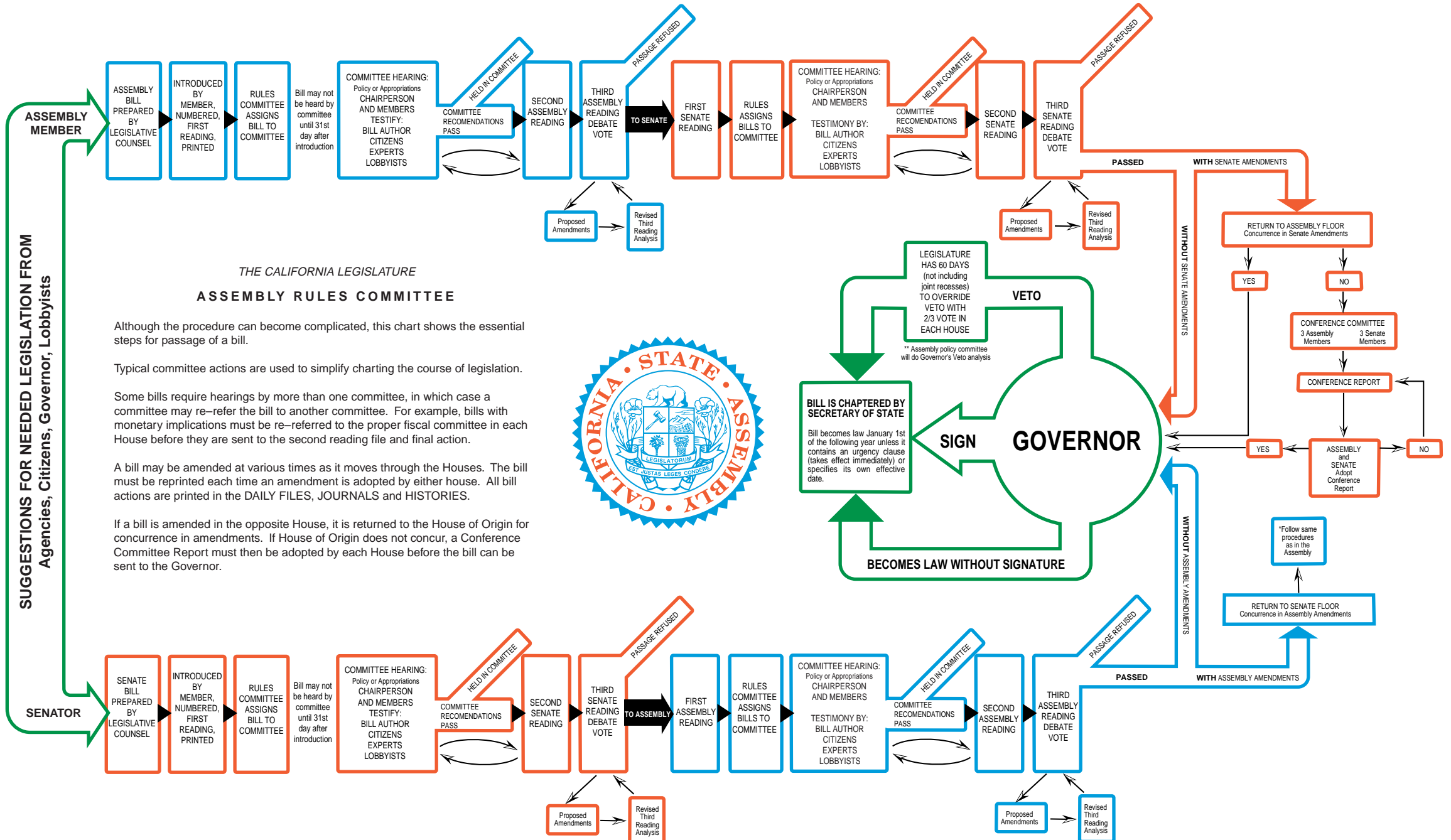
California Law

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

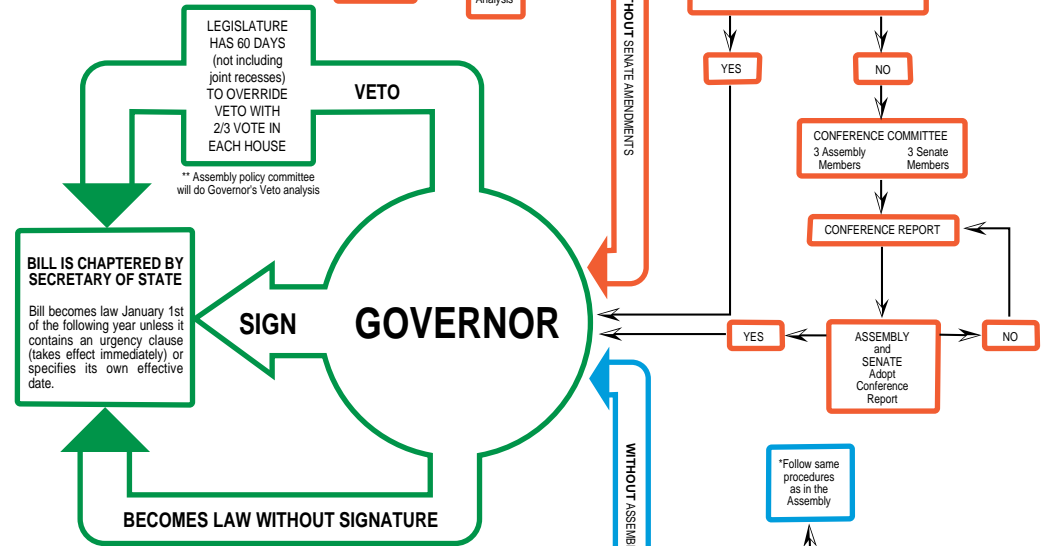
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

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

April 30, 2018

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Determination Letter Program: Comment Letter to IRS**

RECOMMENDATION

That the Board of Retirement authorize staff to submit a comment letter in response to IRS Notice 2018-24 on the potential expansion of the determination letter program during the 2019 calendar year, and engage tax counsel Don Wellington of Reed Smith LLP to prepare the letter at fees and costs not to exceed \$9,500.

LEGISLATIVE POLICY/ENGAGEMENT POLICY STANDARD

The Board of Retirement's Legislative Policy provides for participation in the federal rulemaking process to advance LACERA's mission of producing, protecting, and providing the promised benefits. The Board of Retirement's Policy on Engagement for Public Policy Issues Relating to Plan Administration and Retirement and Health Care Benefits also provides for engagement in the regulatory process to safeguard the retirement fund.

SUMMARY

On April 23, 2018, Internal Revenue Bulletin 2018-17 released Notice 2018-24, which requests comments on the potential expansion of the scope of the determination letter program for individually designed plans during the 2019 calendar year. Effective January 1, 2017, the Internal Revenue Service (IRS) would accept determination letter applications for individually designed plans only for initial plan qualification, qualification upon plan termination, and in certain limited circumstances. The IRS intends to request, on a periodic basis, comments on additional situations in which the submission of a determination letter application may be appropriate.

BACKGROUND

A favorable determination letter is issued by the IRS in response to an application from a plan sponsor (or its plan administrator) regarding the qualified status of the retirement plan under the Internal Revenue Code. Although plan sponsors are not required to obtain a determination letter, having a favorable determination letter is prudent from a fiduciary perspective since the letter may be relied on with respect to the treatment of taxation under the retirement plan. Under a tax-qualified retirement plan, participants can defer income taxes on the amounts contributed to the plan on a pretax basis, and

the earnings from contributions by employers and employees can grow tax-deferred until benefits are distributed from the plan.

DISCUSSION

LACERA received favorable determination letters in 1958 and 1983. More recently in 2011, LACERA submitted a determination letter application with the IRS, which issued a favorable determination letter in December 2013. However, that letter had an expiration date of January 31, 2014.

The IRS established cycles for plans to seek updated determination letters, and LACERA fell within the Cycle E filing period of February 1, 2015 to January 31, 2016. In November 2015, LACERA again applied for a determination letter and received a favorable determination letter in October 2016. However, this was the last opportunity for LACERA to receive a favorable determination letter due to the elimination of the five-year remedial amendment cycle by the IRS. Effective January 1, 2017, the IRS would only accept determination letter applications for initial plan qualification, qualification upon plan termination, and in certain limited circumstances. However, the IRS has not identified any other circumstances that would allow a plan to seek a new determination letter.

Although the favorable determination letter received in October 2016 does not contain an expiration date, the scope of the determination letter only covers the items listed in the 2014 Cumulative List of Changes in Plan Qualification Requirements. The determination letter does not apply to any qualification changes that become effective, any guidance issued, or any statutes enacted after the dates specified in the Cumulative List. Thus, if subsequent changes are made to a plan that may raise qualification issues, there is currently no avenue for an existing retirement plan (outside of initial plan qualification and plan termination) to obtain assurance from the IRS that the plan meets qualification requirements.

The IRS is seeking comments on additional situations in which the submission of a determination letter application is appropriate and will issue guidance on those situations. However, the IRS's current case load and resources are counterbalancing factors on whether those additional situations may be accommodated. Some common issues the IRS has identified in its processing of determination letter submissions that are related to governmental plan sponsors include timely updating of plans for law changes, vesting requirements, plans with multiple benefit structures, and plans that provide for refunds of employer contributions. Providing comments to the IRS related to LACERA's role as a governmental defined benefit pension plan can assist the IRS in determining whether to expand the scope of the determination letter program and consequently providing opportunities to assure that governmental pension plans remain tax-qualified.

Staff proposes to consult with and engage LACERA's tax counsel, Don Wellington of Reed Smith LLP,¹ to draft the letter for submission by LACERA to the IRS. The letter is due no later than June 4, 2018.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD authorize staff to submit a comment letter in response to IRS Notice 2018-24 on the potential expansion of the determination letter program during the 2019 calendar year, and engage tax counsel Don Wellington of Reed Smith LLP to prepare the letter at fees and costs not to exceed \$9,500.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachment

IRS Notice 2018-24

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven P. Rice
Fern Billingsy
Johanna Fontenot
Jill Rawal

¹ Mr. Wellington was previously a partner in Steptoe & Johnson LLP. However, he recently moved his practice to Reed Smith, which is one of LACERA's current fiduciary counsels. Staff intends to continue LACERA's longtime use of Mr. Wellington as tax counsel at his new firm. There is no conflict between his role as tax counsel and the firm's role as fiduciary counsel. However, the Board should consider this issue in acting on the current engagement request to ensure that the Board has no concerns. Mr. Wellington has been LACERA's tax counsel for many years, including currently on the tax withholding project and various other tax matters. Mr. Wellington's expertise and extensive familiarity with LACERA are assets to the system in obtaining effective tax advice.

REQUEST FOR COMMENTS ON SCOPE OF DETERMINATION LETTER PROGRAM FOR INDIVIDUALLY DESIGNED PLANS DURING CALENDAR YEAR 2019

Notice 2018-24

PURPOSE

This notice requests comments on the potential expansion of the scope of the determination letter program for individually designed plans during the 2019 calendar year, beyond provision of determination letters for initial qualification and qualification upon plan termination. In reviewing comments submitted in response to this notice, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) will consider the factors regarding the scope of the determination letter program set forth in section 4.03(3) of Revenue Procedure 2016-37, 2016-29 I.R.B. 136. The Treasury Department and the IRS will issue guidance if they identify any additional types of plans for which plan sponsors may request determination letters during the 2019 calendar year.

BACKGROUND

Revenue Procedure 2016-37 sets forth procedures for issuing determination letters and describes an extension of the remedial amendment period for individually designed plans. Effective January 1, 2017, the sponsor of an individually designed plan may submit a determination letter application only for initial plan qualification, for qualification upon plan termination, and in certain other limited circumstances identified in subsequent published guidance. Section 4.03(3) of Rev. Proc. 2016-37 provides that the Treasury Department and the IRS will consider each year whether to accept determination letter applications for individually designed plans in specified circumstances other than for initial qualification and qualification upon plan termination.

REQUEST FOR COMMENTS

Comments are requested on specific types of plans for which the Treasury Department and the IRS should consider accepting determination letter applications during calendar year 2019 in circumstances other than for initial qualification and qualification upon plan termination. As provided in section 4.03(3) of Rev. Proc. 2016-37, circumstances for consideration include, for example, significant law changes, new approaches to plan design, and the inability of certain types of plans to convert to pre-approved plan documents. Comments that suggest expanding the scope of the program for a particular type of plan should not merely state the type of plan, but should also specify the issues applicable to that type of plan that would justify review of that particular plan type under the determination letter program. Such issues

may include specific plan features and special plan designs applicable to that type of plan, or unresolved questions of qualification in form with respect to that type of plan.


Comments may be submitted in writing on or before June 4, 2018. Comments should be mailed to Internal Revenue Service, CC:PA:LPD:PR (Notice 2018-24), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044, or sent electronically to notice.comments@irs.counsel.treas.gov. Please include "Notice 2018-24" in the subject line of any electronic communications. Alternatively, comments may be hand delivered Monday through Friday between the hours of 8:00 a.m. and 4:00 p.m. to CC:PA:LPD:PR (Notice 2018-24), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, D.C. All comments will be available for public inspection and copying.

DRAFTING INFORMATION

The principal author of this notice is Angelique Carrington of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Carrington at (202) 317-4148 (not a toll-free number).

April 13, 2018

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager 
Disability Retirement Services

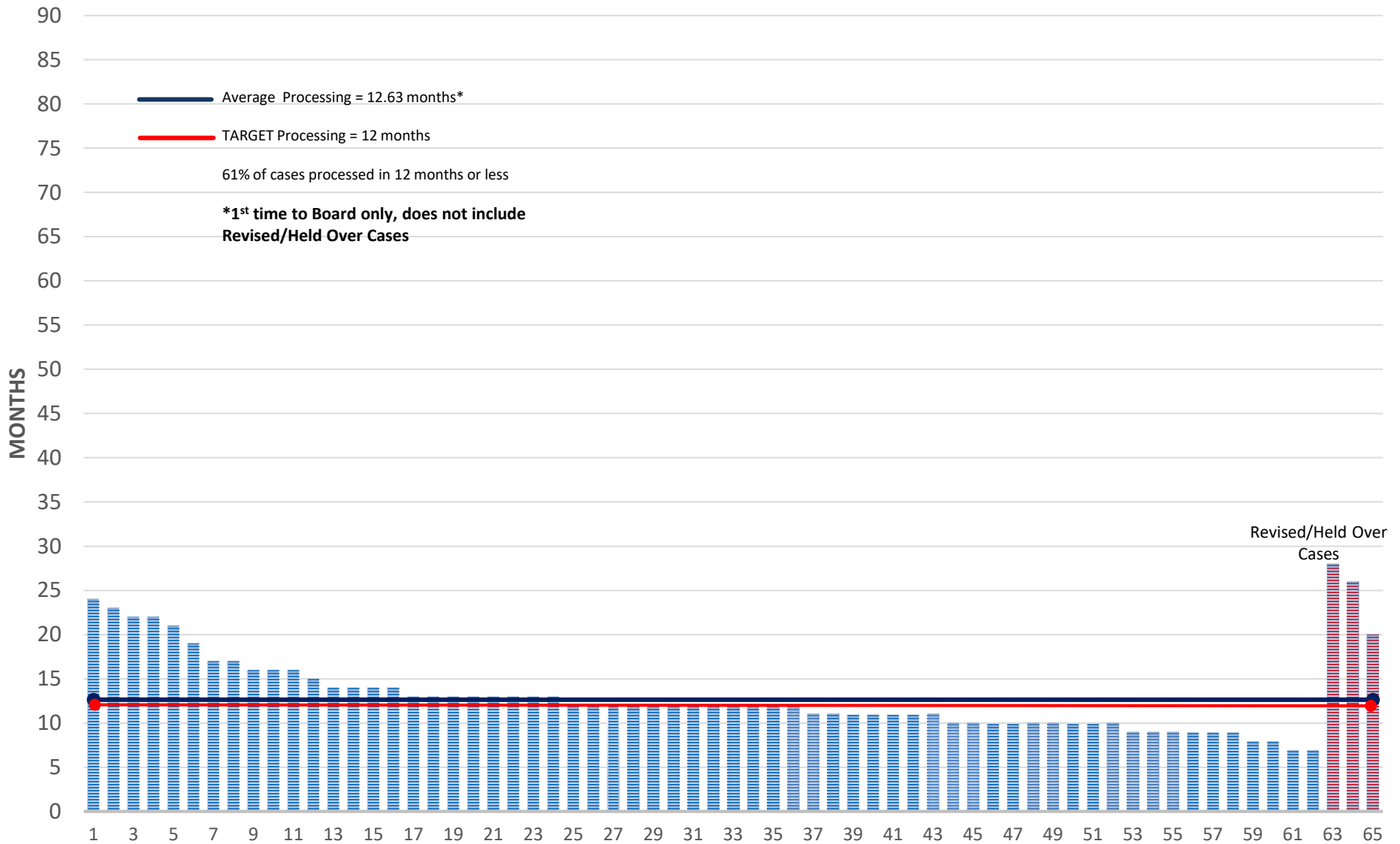
FOR: May 10, 2018 Board of Retirement Meeting

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 May 10, 2018 Disability Retirement Applications Agenda.

Consent & Non-Consent Calendar			
Number of Applications	62		
Average Processing Time (in Months)	12.63		
Revised/Held Over Calendar			
Number of Applications	3		
Processing Time Per Case (in Months)	Case 1 28	Case 2 26	Case 3 20
Total Average Processing Time Revised/Held Over Calendar	24.67		
Total Average Processing Time All 65 Cases on Agenda	13.19		

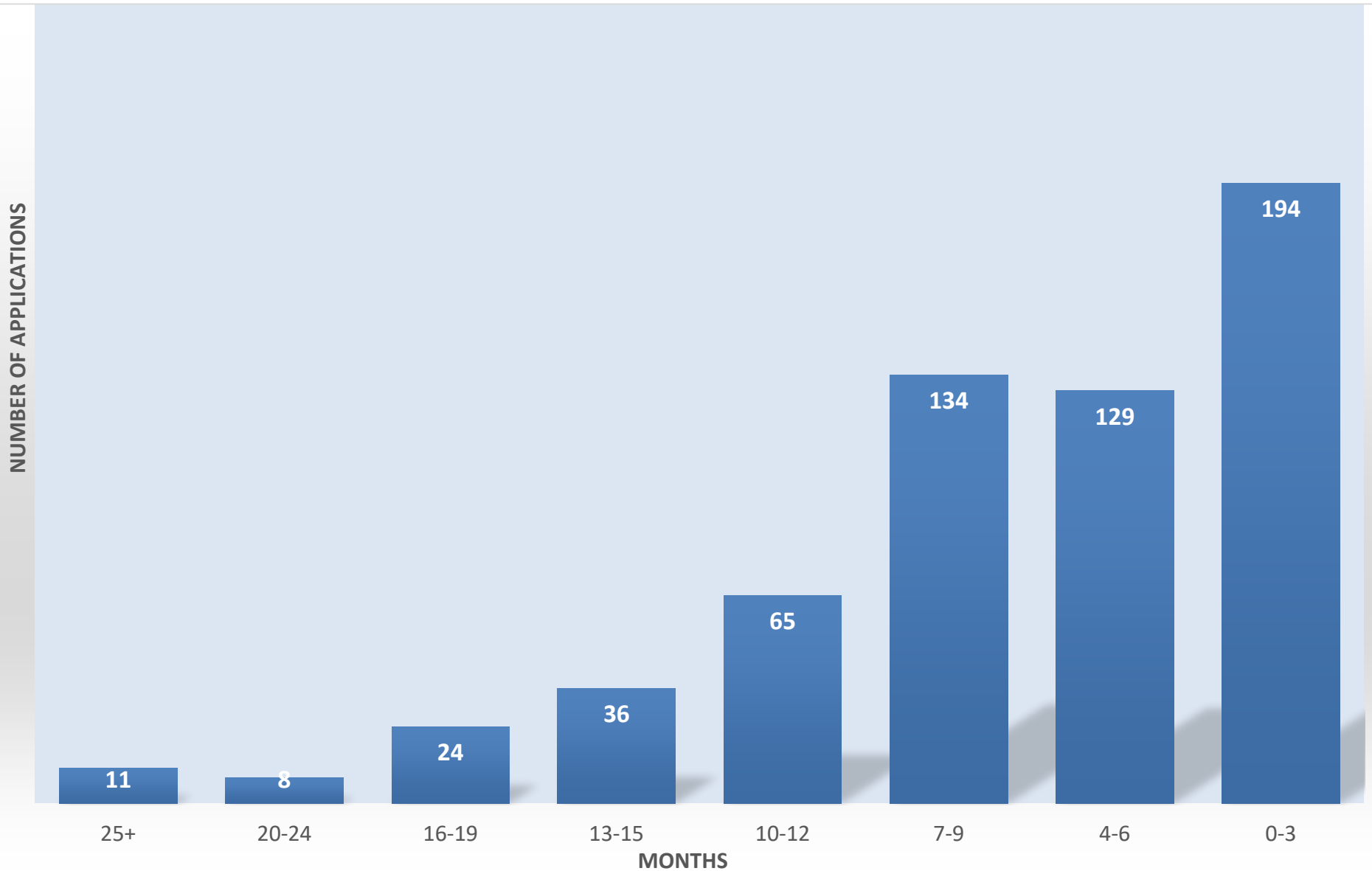
CASE PROCESSING TIME



As of 5/1/2018

May 10, 2018 AGENDA

PENDING APPLICATIONS/TIME INTERVALS




As of 5/1/2018

April 24, 2018

FOR INFORMATION ONLY

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 10, 2018 Board of Retirement Meeting

SUBJECT: **Update on AB 2085—Definition of Surviving Spouse**

BACKGROUND

Assembly Bill 2085 is sponsored by the State Association of County Retirement Systems (SACRS) and would provide a definition of 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.

AB 2085 resulted from a proposal from the Ventura County Employees' Retirement Association (VCERA) for the SACRS 2018 legislative platform. During the Business Meeting at the SACRS Fall Conference on November 17, 2017, VCERA's proposal was considered for sponsorship by the SACRS membership. The Board of Retirement directed its voting delegate to vote "No" on sponsorship of the proposal by SACRS. Although LACERA and four other CERL retirement systems voted against sponsorship, a majority of the SACRS membership voted to support sponsorship, which led to SACRS pursuing legislation to provide a definition of surviving spouse.

DISCUSSION

Although VCERA's proposal garnered a majority vote of the SACRS membership, it was not unanimous, and the proposal would result in a substantive change in the structure of surviving spouse benefits for those systems such as LACERA that treat legally separated spouses as surviving spouses. As such, the bill raised concerns related to vested rights, public policy, and reciprocal benefits. At the March 15, 2018 meeting of the Board of Retirement, the Board adopted an "Oppose" position on AB 2085.

Staff coordinated with LACERA's legislative advocate, Joe Ackler of Ackler & Associates, to communicate LACERA's opposition on the bill to Freddie Rodriguez, Chair of the Assembly Committee on Public Employees, Retirement and Social Security (PER&SS), and urging his committee to vote "No" on the bill. Mr. Ackler and his team also communicated LACERA's position and reasons for opposition to the PER&SS

Committee consultant, the staff of the PER&SS Committee members, and the PER&SS Committee members themselves.

SACRS and VCERA attempted to craft amendments that would address the concerns raised. However, it was unclear whether those amendments would address the concerns or would be within the scope of the proposal that the SACRS membership agreed to sponsor. The imminent hearing of the bill did not provide enough time to come to a consensus about the proposed amendments as well as the opportunity for the Board of Retirement to consider those amendments.

AB 2085 was scheduled to be heard in the PER&SS Committee on April 18, 2018. However, the author of AB 2085 pulled the bill, and it was not heard. Thus, the bill will no longer move forward in the 2018 legislative year.

The SACRS Legislative Committee may consider further options on the issue of the treatment of legally separated spouses as surviving spouses. Staff will continue to engage with the SACRS Legislative Committee and present any further proposals for consideration to the Board of Retirement.

Reviewed and Approved:




Steven P. Rice, Chief Counsel

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

**FOR INFORMATION ONLY**

April 23, 2018

TO: Each Member
Board of Investments
Board of Retirement

FROM: John Nogales 
Director, Human Resources

Roberta Van Nortrick 
Training Coordinator

FOR: May 9, 2018 Board of Investments Meeting
May 10, 2018 Board of Retirement Meeting

SUBJECT: SEXUAL HARASSMENT PREVENTION TRAINING FOR TRUSTEES

Your Boards approved the Policy on Sexual Harassment Prevention Training for Board Members on January 10 and 11, 2018. This Policy states all LACERA Board Members will receive at least two hours of Sexual Harassment Prevention training and education within the first six months of taking office and every two years thereafter.

To assist with fulfilling these requirements, LACERA's Human Resources Division would like to inform you about two available training dates for your convenience. The first is available to those Board Members who are attending the Spring Conference of SACRS in Anaheim, California. SACRS has scheduled the Sexual Harassment Prevention Training for Trustees on Tuesday, May 15, 2018 from 3:00 pm – 5:00 pm. The presenters will be Ms. Veronica Gray and Mr. John Kennedy from Nossaman, LLP.

We have scheduled the second offering for 9:00 am – 11:00 am on Wednesday, June 6, 2018 in LACERA's Boardroom. Ms. Veronica Gray of Nossaman, LLP, will also present the Sexual Harassment Prevention training. We selected Ms. Gray because of her depth of knowledge in this area and her experience working with Trustees. The topics covered in the Sexual Harassment Prevention Training include the prevalence of sexual harassment; unconscious bias; costs and effects of workplace harassment; and defining workplace sexual harassment, discrimination and retaliation. Please let the Board secretaries or Roberta know if you plan to attend this session on June 6th.

Reviewed and Approved:



John Popowich

Assistant Executive Officer



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**



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
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