

# AGENDA

## A SPECIAL 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, NOVEMBER 21, 2019

*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 October 10, 2019
- IV. REPORT ON CLOSED SESSION ITEMS  
(For Information Only) (Report dated November 12, 2019)
- V. PUBLIC COMMENT
- VI. CHIEF EXECUTIVE OFFICER UPDATE  
(For information purposes only)
- VII. CONSENT ITEMS
  - A. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board grant the appeals and request for an administrative hearing for applicants John G. Cabula, Sophia A. Johnson, Barbara C. Yu, Terri L. Love, and Philip D. Wilkes.  
(Memo dated November 12, 2019)
  - B. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice Amelia C. Casado's appeal for a service-connected disability retirement.  
(Memo dated November 8, 2019)

VII. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice Caroline Taylor's appeal for a service-connected disability retirement. (Memo dated November 8, 2019)

VIII. EXCLUDED CONSENT ITEMS

IX. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

X. REPORTS

- A. For discussion purposes and direction as submitted by Steven P. Rice, Chief Counsel, regarding the County Auditor-Controller's Report. (Memo dated November 12, 2019)
- B. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated October 25, 2019)
- C. For Information Only as submitted by Francis J. Boyd, Senior Staff Counsel, Legal Division, regarding the Response to Board of Retirement Questions. (Memo dated November 8, 2019)
- D. For Information Only as submitted by Francis J. Boyd, Senior Staff Counsel, regarding Labor Code Section 3212.15: Workers' Compensation Post-Traumatic Stress Disorder Presumption (Effective January 1, 2020 to January 1, 2025). (Memo dated November 5, 2019)

XI. ITEMS FOR STAFF REVIEW

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

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

- A. Applications for Disability
- B. Disability Retirement Appeals

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION  
(Continued)

C. Staff Recommendations

1. Recommendation as submitted by Francis J. Boyd, Senior Staff Counsel: That the Board adopt the Proposed Findings of Fact and Conclusions of Law granting Oscar Ramos a non-service connected disability pursuant to Government Code Section 31720 with an earlier effective date pursuant to Government Code Section 31724; and Government Section 31726(b)2 shall not apply to Applicant's disability retirement benefits. (Memo dated November 7, 2019)
2. Recommendation as submitted by Eugenia W. Der, Senior Staff Counsel: That the Board find Rhonda Johnson permanently incapacitated for service-connected reasons and grant her a service-connected disability retirement. (Letter dated October 25, 2019)
3. Recommendation as submitted by Allison E. Barrett, Senior Staff Counsel: That the Board, pursuant to Government Code Section 31541.1, 1) find that Carla R. Roberts delayed filing her application for disability retirement because she was unable to ascertain the permanency of her incapacity until after the day following her last day of regular compensation; 2) that her application be deemed filed on the day after her last day of regular compensation; and 3) that she is entitled to the option of an earlier effective date. (Letter dated November 1, 2019)
4. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board approve the service provider invoice for Irene Ayala. (Memo dated November 8, 2019)
5. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board approve the service provider invoice for Jeffrey Caren, M.D. (Memo dated November 8, 2019)
6. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoices for Barbara Kong-Brown. (Memo dated October 3, 2019)

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

C. Staff Recommendations (Continued)

7. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoices for Winet Patrick Gayer Creighton & Hanes. (Memo dated October 25, 2019)
8. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the 2019 Quarterly Reports of Paid Invoices – 3<sup>rd</sup> Quarter. (Memo dated October 31, 2019)

XIV. EXECUTIVE SESSION

A. 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. Administrative Appeal of Lovia J. Pitts

XV. 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 the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.***

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, OCTOBER 10, 2019

PRESENT:        Alan Bernstein, Chair  
  
                     Les Robbins, Vice Chair  
  
                     Gina Zapanta-Murphy, Secretary  
  
                     Vivian H. Gray  
  
                     Shawn R. Kehoe  
  
                     Keith Knox  
  
                     Ronald Okum  
  
                     William Pryor (Alternate Safety)  
  
                     Herman Santos  
  
                     Thomas Walsh

ABSENT:        JP Harris (Alternate Retired)

STAFF ADVISORS AND PARTICIPANTS

Steven P. Rice, Chief Counsel  
  
John Popowich, Assistant Executive Officer  
  
Dr. Vito Campese, Medical Advisor  
  
Ricki Contreras, Division Manager  
                     Disability Retirement Services

STAFF ADVISORS AND PARTICIPANTS

Francis J. Boyd, Senior Staff Counsel

Allison E. Barrett, Senior Staff Counsel

Tamara Caldwell, Specialist Supervisor  
Disability Retirement Services

Vivian W. Shultz, Attorney at Law

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

Ms. Gray led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of September 12, 2019

Mr. Okum made a motion, Mr. Walsh seconded, to approve the minutes of the regular meeting of September 12, 2019. The motion passed unanimously by all members present.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. CONSENT ITEMS

- A. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board grant the appeals and request for an administrative hearing for applicants Megumi Yamamoto, Samel L. Hardiman, Ronald Kalthoff, and Maria E. Garibay.  
(Memo dated September 26, 2019)

V. CONSENT ITEMS (Continued)

Mr. Bernstein made a motion, Mr. Kehoe seconded, to approve staff's recommendation. The motion passed unanimously by all members present.

VI. EXCLUDED CONSENT ITEMS

There were no items discussed.

VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement

Service-Connected Disability Applications

On a motion by Mr. Kehoe, seconded by Mr. Robbins, 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>
95D	JOHN A. KEPLEY
96D*	BYRON K. WARD
97D	ROBERT J. NICHOL
98D	ALICIA T. WILLIAMS
99D	CHRISTIAN M. ZUNIGA
100D	MICHAEL A. RODI
101D**	KEVIN E. HEBERT

\* Granted SCD – Retroactive

\*\* Granted SCD – Employer Cannot Accommodate

VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement (Continued)

Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
102D*	LAWRENCE S. BARNES
103D*	MICHAEL R. CAOUETTE
104D	DON J. STECK
105D	STEVEN L. SYLVIES

Safety Fire, Lifeguards

Service-Connected Disability Applications

On a motion by Mr. Pryor, seconded by Mr. Robbins, 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>
1155B	MICHAEL L. MCHARGUE
1156B	DAVID W. HOSCH
1157B**	WAYNE S. HABELL (DEC'D)
1158B	DAVID A. ENRIQUEZ
1159B***	ROGER MURRAY

\* Granted SCD – Retroactive

\*\* Granted SCD – Survivor Benefit

\*\*\* Granted SCD – Employer Cannot Accommodate



VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

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

<u>APPLICATION NO.</u>	<u>NAME</u>
1160B	JULIAN E. JIMENEZ
1161B	SCOTT C. FULTON
1162B	GEORGE A. CRUZ
1163B*	JAMES R. PAVEY
1164B	VINCENT DOMINGUEZ
1165B	DANIEL W. BERKOWITZ

General Members  
Service-Connected Disability Applications

On a motion by Mr. Knox, seconded by Mr. Pryor, 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>
2003C	HELEN SHELBY-BROWN
2004C	SHONTE S. DUDLEY
2005C*	SUSAN M. CARLON
2006C	ERIC D. FERNANDEZ
2007C**	KRISTOFF D. FREDRICK

\* Granted SCD – Retroactive

\*\* Granted SCD – Salary Supplemental

VII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

General Members (Continued)

Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
2008C*	CAROLYN DASHER
2009C**	SHAWN CHIQUETTE
2010C**	JASON A. CASE

General Members

Nonservice-Connected Disability Applications

On a motion by Mr. Knox, seconded by Ms. Gray, the Board of Retirement approved a nonservice-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>
4389	SHANON JACKSON

VIII. REPORTS

- A. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated September 26, 2019)

Ms. Contreras was present and answered questions from the Board. This Item was received and filed.

\* Granted SCD – Employer Cannot Accommodate  
\*\* Granted SCD – Retroactive

IX. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

Mr. Bernstein wished those celebrating, a meaningful Yom Kippur.

Mr. Rice reminded the Board of the Joint Board meeting taking place on October 16 and October 17 to conduct the CEO interviews.

XI. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability

APPLICATION NO. & NAME

BOARD ACTION

5103B – PHILIP D. WILKES

Mr. Robbins made a motion, Mr. Pryor seconded, to grant a nonservice-connected disability retirement pursuant to Government Code Section 31720. The motion passed unanimously by all members present.

5104B – SARAH C. GILLIS

Mr. Kehoe made a motion, Mr. Santos seconded, to grant a service connected disability with a two year review. The motion passed unanimously by all members present.

5105B – MARIA D. CHACON

Mr. Robbins made a motion, Mrs. Zapanta-Murphy seconded, to grant a nonservice-connected disability pursuant to Government Code Section 31720 and 31724. The motion passed unanimously by all members present.

XI. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability (Continued)

APPLICATION NO. & NAME

BOARD ACTION

5106B – JAMES E. WILLIAMS III

Mr. Robbins made a motion, Ms. Gray seconded, to grant a service-connected disability retirement based on the medical advisors opinion. The motion passed unanimously by all members present.

5107B – MARISSA MELENDEZ

Mr. Kehoe made a motion, Mr. Pryor seconded, to grant a service-connected disability retirement with a salary supplemental.

Mr. Okum made a motion, Mr. Knox seconded, to refer back to staff for further information. The motion passed (roll call) with Messrs. Okum, Knox, Robbins, Walsh, and Ms. Zapanta-Murphy voting yes; and Messrs. Kehoe, Santos, Bernstein, and Ms. Gray voting no.

5108B – MICHELLE R. NICHOLS

Ms. Gray made a motion, Mr. Santos seconded, to refer back to staff for further information. The motion passed unanimously by all members present.

6857A – TAMMIE D. ECKFORD

Mr. Santos made a motion, Mr. Robbins seconded, to grant a service-connected disability pursuant to Government Code Sections 31720 and 31724 since the employer cannot accommodate.

XI. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Disability Retirement Appeals

APPLICATION NO. & NAME

BOARD ACTION

N4102DRAC – Danny T. Polhamus for the applicant  
Vivian W. Shultz for the respondent

Mr. Okum made a motion, Mr. Robbins seconded, to deny a service-connected disability retirement and find the applicant not permanently incapacitated.

Mr. Pryor made a motion Mr. Knox seconded, to refer back to staff for further development. The motion passed (roll call) with Messrs. Okum, Kehoe, Knox, Robbins, Santos, Walsh, Bernstein, Ms. Gray, and Ms. Zapanta-Murphy voting yes.

C. Staff Recommendations

1. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board instruct staff to close Robert H. Aldrete's Application for Disability Retirement.  
(Memo dated September 27, 2019)

Mr. Robbins made a motion, Mr. Knox seconded, to approve staff's recommendation. The motion passed unanimously by all Board members present.

2. Recommendation as submitted by Allison E. Barrett, Senior Staff Counsel: That the Board find 1) That Jose D. Gustillo delayed filing his application for disability retirement because he was unable to ascertain the permanency of his incapacity until after the day following his last day of regular compensation; 2) That his application be deemed filed on the day after his last day of regular compensation in accordance with

## XI. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

### C. Staff Recommendations (Continued)

Government Code Section 31724; and 3) That he is entitled to the option of an earlier effective date. (Letter dated September 16, 2019)

Mr. Robbins made a motion, Mr. Knox seconded, to approve staff's recommendation. The motion passed unanimously by all Board members present.

3. Recommendation as submitted by Allison E. Barrett, Senior Staff Counsel: That the Board find 1) That John W. Kemp delayed filing his application for disability retirement because he was unable to ascertain the permanency of his incapacity until after the day following his last day of regular compensation; 2) That his application be deemed filed on the day after his last day of regular compensation in accordance with Government Code Section 31724; and 3) That he is entitled to the option of an earlier effective date. (Letter dated September 16, 2019)

Mr. Robbins made a motion, Mr. Knox seconded, to approve staff's recommendation. The motion passed unanimously by all Board members present.

4. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoices for Winet Patrick Gayer Creighton & Hanes. (Memo dated September 27, 2019)

Mr. Robbins made a motion, Mr. Knox seconded, to approve staff's recommendation. The motion passed unanimously by all Board members present.

XII. EXECUTIVE SESSION

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

1. Nunez v. Board of Retirement

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

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was  
adjourned at 9:41 a.m.

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GINA ZAPANTA-MURPHY, SECRETARY

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ALAN BERNSTEIN, CHAIR

## **Report on Closed Session Items**

### **October 16, 2019 Joint Board of Retirement and Board of Investments Meeting**

#### **Agenda Item III**

A. Public Employment

(Pursuant to California Government Code Section 54957)

1. Title: Chief Executive Officer

B. Conference with Labor Negotiator

(Pursuant to California Government Code Section 54957.6)

Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC

Unrepresented Employee: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken.

### **October 17, 2019 Joint Board of Retirement and Board of Investments Meeting**

#### **Agenda Item III**

A. Public Employment

(Pursuant to California Government Code Section 54957)

1. Title: Chief Executive Officer

B. Conference with Labor Negotiator

(Pursuant to California Government Code Section 54957.6)

Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC

Unrepresented Employee: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken and that if and when the Boards make an appointment, the action taken on October 17, 2019 will be subject to public report.

Subsequent Report Out: Given the public action taken at the November 6, 2019 Joint Meeting of the Board of Retirement and Board of Investments to approve the appointment of Santos H. Kreimann as LACERA's Chief Executive Officer, his salary and benefits, and his Employment Agreement, the following action from the October 17, 2019 meeting is now reportable:

On a motion for the Board of Retirement by Mr. Pryor, seconded by Mr. Santos, and a motion for the Board of Investments by Mr. Okum, seconded by Mr. Green, the Board voted unanimously by all members present to authorize their respective Chairs and labor negotiator, Cindy Krebs of Alliance Resource Consulting LLC, to extend a conditional offer of employment to Santos H. Kreimann for the position of Chief Executive Officer of LACERA, and if accepted, to negotiate a formal written employment agreement, including



salary in a range as directed by the Boards, with Mr. Kreimann for presentation to the Boards and subject to their final approval.

On a roll call vote:

For the Board of Retirement, Messrs. Bernstein, Kehoe, Knox, Okum, Robbins, and Santos and Ms. Gray and Zapanta-Murphy voted yes. There were no “no” votes. Mr. Walsh was absent

For the Board of Investments, Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Okum, and Santos voted yes. There was no “no” votes. Ms. Sanchez was absent.

November 6, 2019 Joint Board of Retirement and Board of Investments Meeting

Agenda Item V

A. Conference with Labor Negotiator

(Pursuant to California Government Code Section 54957.6)

Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC

Unrepresented Employee: Chief Executive Officer

B. Public Employment

(Pursuant to California Government Code Section 54957)

1. Title: Chief Executive Officer

C. Public Employment – Appointment

(Pursuant to California Government Code Section 54957)

1. Title: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken.



November 12, 2019

TO: Each Member  
Board of Retirement

FROM: Ricki Contreras, Division Manager  
Disability Retirement Services

SUBJECT: **APPEALS FOR THE BOARD OF RETIREMENT'S MEETING  
OF NOVEMBER 21, 2019**

**IT IS RECOMMENDED** that the Board of Retirement 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:

4388	John G. Cabula	In Pro Per	Grant NSCD
5067B	Sophia A. Johnson (Survivor); Billy B. Johnson (Dec'd)	Michael Treger	Deny SCD Survivor's Allowance
5100B	Barbara C. Yu	Michael Treger	Deny SCD – Grant NSCD With the Option of an Earlier Effective Date
5101B	Terri L. Love	In Pro Per	Deny SCD – Grant NSCD
5103B	Philip D. Wilkes	Michael Treger	Deny SCD – Grant NSCD


RC:kw

Memo, New  
Appeals.docx



November 8, 2019

TO: Each Member  
Board of Retirement

FROM: Ricki Contreras, Manager   
Disability Retirement Services Division

FOR: November 21, 2019 Board of Retirement Meeting

SUBJECT: **DISMISS WITH PREJUDICE THE APPEAL OF AMELIA C. CASADO**

Ms. Amelia C. Casado applied for a service-connected disability retirement on September 19, 2016. On June 5, 2019, the Board denied Ms. Casado's application for service-connected disability retirement and granted a non-service connected disability retirement.

Ms. Casado filed a timely appeal. On October 4, 2019, Ms. Casado signed a voluntary withdrawal letter advising LACERA that she did not wish to proceed with her appeal.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**


Dismiss with prejudice Amelia C. Casado's appeal for a service-connected disability retirement.

FJB: RC: mb

Casado, Amelia. docx

Attachment

NOTED AND REVIEWED:

  
Francis J. Boyd, Sr. Staff Counsel

Date: 11/8/19



November 8, 2019

TO: Each Member  
Board of Retirement

FROM: Ricki Contreras, Manager   
Disability Retirement Services Division

FOR: November 21, 2019 Board of Retirement Meeting

SUBJECT: **DISMISS WITH PREJUDICE THE APPEAL OF CAROLINE R. TAYLOR**

Ms. Caroline R. Taylor applied for a service-connected disability retirement on April 29, 2013. On June 4, 2014, the Board denied Ms. Taylor's application for service-connected disability retirement.

Ms. Taylor filed a timely appeal. On October 2, 2019, Ms. Taylor signed a voluntary withdrawal letter advising LACERA that she did not wish to proceed with her appeal.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

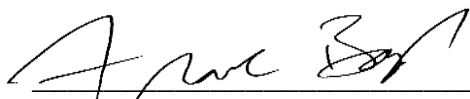
Dismiss with prejudice Caroline Taylor's appeal for a service-connected disability retirement.

FJB: RC: mb

Taylor, Caroline. docx

Attachment

NOTED AND REVIEWED:



Francis J. Boyd, Sr. Staff Counsel

Date: 11/8/19

**DISABILITY RETIREMENT APPLICATIONS  
FOR MEETING OF NOVEMBER 21, 2019**

**CONSENT CALENDAR:  
(1D - 999D)**

**SAFETY - SCD  
Law Enforcement, Sheriff's, D.A. Investigators**

ATTORNEY	APPLICATION NUMBER	NAME	DEPT. NO.	REQ.	RECOMMENDATION		BOARD ACTION	INV
					PHYSICIAN	STAFF		
WICKE	106D	VARGAS, ARTHUR M., JR.	SH	SCD	SCD	SCD		DH
WICKE	107D	ANDERSON, JOHN P.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		MLY
TREGER	108D	ROSS, DANIEL B.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		MLY
WICKE	109D	LANG, BRUCE A.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		JS
KIM	110D	WADE, EVERETTE D.	SH	SCD	SCD	SCD		MS
OZERAN	111D	BASTIAN, SCOTT L.	SH	SCD	SCD	SCD		RB
NONE	112D	YOUNG, WADE E.	SH	SCD	SCD	SCD		MS
WICKE	113D	SCHALLERT, JAMES G.	SH	SCD	SCD	SCD		SF
WICKE	114D	MCCLELLAND, CRAIG S.	SH	SCD	SCD	SCD		KS
WICKE	115D	GAUNT, DARYL L.	SH	SCD	SCD	SCD		AVG

**DISABILITY RETIREMENT APPLICATIONS  
FOR MEETING OF NOVEMBER 21, 2019**

**CONSENT CALENDAR:  
(1D - 999D)**

**SAFETY - SCD - CONTINUE  
Law Enforcement, Sheriff's, D.A. Investigators**

ATTORNEY	APPLICATION NUMBER	NAME	DEPT. NO.	REQ.	RECOMMENDATION		BOARD ACTION	INV
					PHYSICIAN	STAFF		
WICKE	116D	BOYKIN, RICHARD E., JR.	SH	SCD	SCD	SCD		KDH
WICKE	117D	ROLLER, KENNETH S.	SH	SCD	SCD	SCD		KDH
WICKE	118D	SCIACCA, STEVEN J.	SH	SCD	SCD	SCD		RM
WICKE	119D	SWENSSON, KEITH E.	SH	SCD	SCD	SCD		RM
TREGER	120D	WEST, ROBERT O.	SH	SCD	SCD	SCD		PS
TREGER	121D	KUBELA, TODD P.	SH	SCD	SCD	SCD		AVG
WICKE	122D	EVERETT, KATHLEEN A.	SH	SCD	SCD	SCD		SF
TREGER	123D	CARROLL, SONIA D.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		SF

**DISABILITY RETIREMENT APPLICATIONS  
FOR MEETING OF NOVEMBER 21, 2019**

**CONSENT CALENDAR:  
(1000B - 1999B)**

**SAFETY - SCD  
Fire, Lifeguards**

ATTORNEY	APPLICATION NUMBER	NAME	DEPT. NO.	REQ.	RECOMMENDATION		BOARD ACTION	INV
					PHYSICIAN	STAFF		
TREGER	1166B	FLORES, RICK	FR	SCD	SCD	SCD		AVG
WICKE	1167B	GALVAN, CHARLES B.	FR	SCD	SCD	SCD		DM
TREGER	1168B	ARMOUR, JEREMY P.	FR	SCD	SCD	SCD		SF
NONE	1169B	DUARTE, RANDALL (DEC'D)	FR	SCD	SCD	SCD SURVIVOR BENEFIT		ML
TREGER	1170B	KRISMAN, DAVID H.	FR	SCD	SCD	SCD		RB
TREGER	1171B	KLINGER, MICHAEL V.	FR	SCD	SCD	SCD		AVG
WICKE	1172B	BABCOCK, JANET	FR	SCD	SCD	SCD		KS
LIM	1173B	CHAVES, CHUCK T.	FR	SCD	SCD	SCD RETRO		DM
TREGER	1174B	TUCK, JOHN C.	FR	SCD	SCD	SCD		MS
TREGER	1175B	ROTONDO, MARK M.	FR	SCD	SCD	SCD		RM
TREGER	1176B	CUSACK, SEAN G.	FR	SCD	SCD	SCD		MS
TREGER	1177B	LITTLEJOHN, LONDELL A.	FR	SCD	SCD	SCD		JS
TREGER	1178B	RUSIN, PAUL M.	FR	SCD	SCD	SCD		RB

**DISABILITY RETIREMENT APPLICATIONS  
FOR MEETING OF NOVEMBER 21, 2019**

**CONSENT CALENDAR:  
(2000C - 2999C)**

**GENERAL MEMBERS - SCD**

ATTORNEY	APPLICATION NUMBER	NAME	DEPT. NO.	REQ.	RECOMMENDATION		BOARD ACTION	INV
					PHYSICIAN	STAFF		
NONE	2011C	GONZALES, CHARLES A.	PW	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		AK
NONE	2012C	HERNANDEZ, ROBERT L.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		MS
NONE	2013C	ROSS, MARIA A.	PB	SCD	SCD	SCD		AVG
NONE	2014C	DE SIGIO, OLIVIA	PH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		DH
POLHAMUS	2015C	DANDINI, KIMBERLY C.	PL	SCD	SCD	SCD RETRO		ML
NONE	2016C	BAKO, HELEN	CH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		KDH
NONE	2017C	TRAN, CYNDI P.	SH	SCD	SCD	SCD EMPLOYER CANNOT ACCOMMO- DATE		AVG



**DISABILITY RETIREMENT APPLICATIONS  
FOR MEETING OF NOVEMBER 21, 2019**

**CONSENT CALENDAR:  
(2000C - 2999C)**

**GENERAL MEMBERS - SCD - CONTINUE**

ATTORNEY	APPLICATION NUMBER	NAME	DEPT. NO.	REQ.	RECOMMENDATION		BOARD ACTION	INV
					PHYSICIAN	STAFF		
WICKE	2018C	WALKER, CHRISTIAN X.	PB	SCD	SCD	SCD		RB
NONE	2019C	NAVE, SHERRY L.	SH	SCD	SCD	SCD RETRO		KS
OATMAN	2020C	STREETER, JON L.	SC	SCD	SCD	SCD RETRO		ABD
NONE	2021C	DAVID, PAUL A.	PB	SCD	SCD	SCD SALARY SUPPLEMENT		KDH
NONE	2022C	BROWN, STANLEY	PW	SCD	SCD	SCD		ML
NONE	2023C	KEYES, EUGENE L., JR.	PB	SCD	SCD	SCD SALARY SUPPLEMENT		ABD
KIM	2024C	ARRONDO, EDGAR	PB	SCD	SCD	SCD RETRO EMPLOYER CANNOT ACCOMMO- DATE		MS
NONE	2025C	KIM, JANE H.	HR	SCD	SCD	SCD RETRO		JS
NONE	2026C	GONZALEZ, ANDREW	HH	SCD	SCD	SCD		SF
NONE	2027C	CONTRERAS, TOMAS	HG	SCD	SCD	SCD RETRO		SF

## DISABILITY RETIREMENT APPLICATIONS FOR MEETING OF NOVEMBER 21, 2019

**CONSENT CALENDAR:**  
**(4000 - 4999)**

## GENERAL MEMBERS - NSCD

[illegible]

November 12, 2019

TO: Each Member  
Board of Retirement

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: November 21, 2019 Board of Retirement Meeting

SUBJECT: County Auditor-Controller's Report

Attached is the County of Los Angeles Auditor-Controller's report on its review of LACERA's administrative expenses and operations. The report includes a letter from Chief Counsel stating staff comments. The report is presented for the Board of Retirement's discussion and direction.

Attachment

c: Santos Kreimann  
Jonathan Grabel  
JJ Popowich  
All Division Managers



ARLENE BARRERA  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

November 8, 2019

TO: Supervisor Janice Hahn, Chair  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Kathryn Barger

FROM: Arlene Barrera *Arlene Barrera*  
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION –  
ADMINISTRATIVE OPERATIONS REVIEW (July 30, 2019,  
Board Agenda Item 11)**

On July 30, 2019, the Board of Supervisors instructed the Auditor-Controller to conduct an audit of the Los Angeles County Employees Retirement Association's (LACERA) processes and controls over their administrative operations, which would include, but not be limited to, an analysis of LACERA's cost/budget increases, travel and training expenditures, and overall administrative expense compared to other public employee retirement agencies and/or industry benchmarks to determine whether LACERA provides adequate stewardship over administrative funds and evaluate whether additional targeted reviews would be beneficial.

**Background and Scope**

LACERA is an independent governmental entity that is responsible for administering retirement, healthcare, and death benefits to over 170,000 active and retired members. LACERA is overseen by nine Board of Investments (Board) members, responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the trust fund, and 11 Board of Retirement (Board) members, responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications.

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Our review focused on evaluating certain factors that drive LACERA's administrative costs and evaluating LACERA's adoption of best practices. Our review included interviewing LACERA Board members, management and staff, examining policies and procedures, conducting detailed walkthroughs of activities that contribute to LACERA's administrative costs, including spending practices related to offsite meetings, travel, training, bonuses, etc. We also evaluated if LACERA is adequately safeguarding equipment and operating with sufficient technological resources. In addition, we benchmarked LACERA's administrative costs and trends against five public employee retirement agencies (California Public Employees' Retirement System [CalPERS], California State Teachers' Retirement System [CalSTRS], Los Angeles City Employees' Retirement System [LACERS], Orange County Employees Retirement System [OCERS], and San Diego County Employees Retirement Association [SDCERA]).

Our review was limited to an overview of LACERA's processes and controls over administrative accounts. While our review included tests to confirm the existence of processes and controls (e.g., interviews and walkthroughs), it did not include extensive tests to identify whether processes and controls were consistently operating as designed or whether LACERA continually complied with best practices, and LACERA's requirements. In addition, our review did not include LACERA's processes and controls over purchasing (credit cards, reimbursements, contracts, etc.) or payroll and personnel (timekeeping, leave accounting, workers' compensation, etc.).

### **Summary of Findings**

LACERA is subject to the County Employees Retirement Law of 1937 which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. With over \$68.5 billion of actuarial accrued liability, LACERA's maximum allowable administrative costs for Fiscal Year (FY) 2019-20 is \$143.9 million. LACERA's FY 2017-18 administrative costs totaled .13% of their actuarial accrued liabilities, which is below the .21% threshold and within the range of the other public employee retirement agencies that we benchmarked. However, a number of agencies, including those that are not subject to the .21% threshold, have lower administrative cost percentages, which indicates that opportunities exist for LACERA to adopt best practices to be more cost efficient.

LACERA consistently operates below the maximum allowable costs and budgeted \$94.6 million for LACERA's administrative operations in FY 2019-20. We also noted that LACERA consistently operates within their administrative expenditures budget. While we noted LACERA's administrative expenditures increased by approximately 25% between FY 2014-15 and FY 2017-18 (from \$62.6 million to \$78.2 million), this is within the range reported by other public employee retirement agencies that we benchmarked.

However, throughout this report we identify a number of spending practices that suggest LACERA Boards/management need to establish a stronger tone at the top regarding

LACERA's commitment to fiduciary obligation by improving fiscal stewardship over some of their administrative costs, strengthening internal controls, and implementing/revising policies and procedures. The following are examples of areas needing improvement:

- **Offsite Meetings/Retreats** – LACERA Boards/management should consider reducing the cost of the annual two-day offsite Board meetings and/or other retreats. In 2019 LACERA spent \$186,000 for two offsite Board meetings, which included meals and alcohol. LACERA managers also held a separate one-day retreat totaling approximately \$17,000, which included \$51/person for unlimited coffee.
- **Bonuses** – LACERA Boards/management should consider improving controls over bonuses to ensure all bonuses are justified and approved timely, and periodically monitored to ensure bonuses remain valid. We noted instances where bonuses for staff performing work outside their normal responsibilities were approved retroactively up to six years in arrears without an explanation for the delayed request.
- **Equipment Management** – LACERA Boards/management should consider implementing procedures to periodically inventory all equipment, and investigate missing items. Management indicated that an organization-wide portable equipment inventory was last conducted in 2003. During our review, LACERA was conducting a physical equipment inventory and although it is still ongoing (90% of the locations have been counted), LACERA only accounted for approximately 1,913 (62%) of 3,091 reported assets.
- **Education/Travel** – LACERA Boards/management should consider further strengthening the recently revised Education and Travel Policy (Policy). While LACERA Board members took steps to update their Policy as recommended by a recent LACERA internal audit, we believe the Policy can be strengthened further. For example, the revised Policy continues to allow practices that appear to be very generous compared to the County of Los Angeles (County) or benchmarked public employee retirement agencies, includes unclear language (e.g., "allowed when reasonably necessary"), and does not require travelers to submit itemized receipts. In FY 2018-19 LACERA's Board members took 73 trips totaling \$326,000 and management/staff took 336 trips totaling \$475,000. As indicated in LACERA's recent internal audit, LACERA incurred significantly higher costs for Board educational travel in FY 2018-19 than its larger peers - CalPERS, a \$350 billion fund as of June 2018, or CalSTRS, a \$226.1 billion fund as of May 2019.
- **Other Matters** – As part of assessing processes and controls over administrative accounts, we interviewed over 25 LACERA key personnel and Board members. While this sample was limited and not intended to be representative of LACERA as a whole, several interviewees voluntarily reported an environment of

entitlement, favoritism, fear and retaliation and indicated that LACERA's organizational culture should be improved. The interviewees indicated that they were reluctant to speak with us and preferred to meet offsite because they feared retaliation. Interviewees also indicated they do not trust LACERA's fraud hotline process due to a perceived lack of independence. LACERA's Internal Audit Division indicated that the hotline received one call over a six-month period. LACERA Boards/management are in the process of hiring an independent consultant to review LACERA's work culture. The Boards/management should consider sharing our report with the independent consultant to ensure that the consultant is aware of issues discussed throughout the report.

### **Review of Report**

We discussed the results of our review with LACERA. LACERA's response is attached and indicates they do not agree with all our specific findings; nonetheless, they are in the process of addressing some issues, and they will share our report with the LACERA Boards and management for their consideration.

LACERA's response also indicates we exceeded our audit scope by reviewing non-financial issues which are described in the last section of our report, entitled *Other Matters*. These concerns regarding LACERA's organizational culture were brought to our attention by interviewees during the course of our audit and we would have been remiss in not reporting them. In addition, LACERA's response states that our report does not dispute they are effective in serving its members. However, our scope was limited to an overview of LACERA's processes and controls over administrative accounts, therefore we did not evaluate their effectiveness in serving its members.

We thank LACERA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

AB:PH:MP:YK:cc

### **Attachments**

c: Sachi A. Hamai, Chief Executive Officer  
Steven P. Rice, Chief Legal Counsel, LACERA  
Celia Zavala, Executive Officer, Board of Supervisors  
Audit Committee  
Countywide Communications

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION –  
ADMINISTRATIVE OPERATIONS REVIEW**

**Background and Scope**

The Los Angeles County Employees Retirement Association (LACERA) is an independent governmental entity that is responsible for administering retirement, healthcare, and death benefits to over 170,000 active and retired members. LACERA is overseen by nine Board of Investments (BOI or Board) members, responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the trust fund, and 11 Board of Retirement (BOR or Board) members, responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications.

LACERA is subject to the County Employees Retirement Law of 1937 (CERL) which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. With over \$68.5 billion of actuarial accrued liability, LACERA's maximum allowable administrative costs for Fiscal Year (FY) 2019-20 is \$143.9 million. However, LACERA consistently operates below the maximum allowable costs and budgeted \$94.6 million for LACERA's administrative operations in FY 2019-20.

On July 30, 2019, the Board of Supervisors instructed the Auditor-Controller to conduct an audit of LACERA's processes and controls over their administrative operations, which would include, but not be limited to, an analysis of LACERA's cost/budget increases, travel and training expenditures, and overall administrative expense compared to other public employee retirement agencies and/or industry benchmarks to determine whether LACERA provides adequate stewardship over administrative funds and evaluate whether additional targeted reviews would be beneficial.

With the support and active participation of LACERA, we have completed a review of some of LACERA's administrative operations and internal controls as directed by the Board of Supervisors. Our review focused on reviewing certain factors that drive LACERA's administrative costs and evaluating LACERA's adoption of best practices.

Our review included interviewing LACERA's Board members, management, and staff, examining policies and procedures, conducting detailed walkthroughs of activities that contribute to LACERA's administrative costs, including spending practices related to offsite meetings, travel, training, bonuses, etc. We also evaluated if LACERA is adequately safeguarding equipment and operating with sufficient technological resources. In addition, we benchmarked LACERA's administrative costs and trends against five public employee retirement agencies (California Public Employees' Retirement System [CalPERS], California State Teachers' Retirement System [CalSTRS], Los Angeles City Employees' Retirement System [LACERS], Orange County Employees Retirement System [OCERS], and San Diego County Employees Retirement Association [SDCERA]).



We noted various opportunities for LACERA to improve and strengthen internal processes and controls.

### **Budget and Expenditures**

LACERA is subject to CERL which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. As indicated in the table below, LACERA's FY 2017-18 administrative costs totaled .13% of their actuarial accrued liabilities, which is below the .21% threshold and within the range of the other public employee retirement agencies that we benchmarked. However, as shown below, a number of agencies, including those that are not subject to the .21% threshold, have lower administrative cost percentages, which indicates that opportunities exist for LACERA to adopt best practices to be more cost efficient.

<b>Administrative Costs to Actuarial Accrued Liabilities</b>		
<b>Public Employee Retirement Agency</b>	<b>FY 2017-18 Administrative Costs (in millions)</b>	<b>% of actuarial accrued liabilities</b>
LACERA	\$ 78.2	0.13%
CalPERS <sup>1</sup>	886.3	0.20%
CalSTRS <sup>1</sup>	221.4	0.08%
OCERS <sup>2</sup>	18.3	0.10%
LACERS <sup>1</sup>	16.4	0.09%
SDCERA <sup>2</sup>	13.2	0.09%

Although we noted LACERA's expenditures increased 25% between FY 2014-15 and FY 2017-18 (from \$62.6 million to \$78.2 million), the increase is within the range reported by other public employee retirement agencies that we benchmarked. The benchmarked public employee retirement agencies ranged between a 6% decrease to a 50% increase over that same period.

In addition, we reviewed LACERA's overall budget and expenditures for each of LACERA's divisions over the same three years and noted that the individual divisions generally operated within their budget. However, we noted the following divisions had expenditure increases that exceeded LACERA's overall 25% expenditure increase: Investment Office - \$4.5 million (76%), Benefits - \$2.1 million (32%), Legal Services - \$1.6 million (41%).

<sup>1</sup> CERL applies only to California's county pension funds. CalPERS, CalSTRS, and LACERS are not subject to CERL's expenditure limits based on the actuarial accrued liabilities limits.

<sup>2</sup> CERL does not specify the time period for which the actuarial accrued liabilities should be calculated. These public employee retirement agencies may have selected a different actuarial accrued liabilities valuation date, resulting in a higher/lower actuarial accrued liabilities percentage.

We also noted that LACERA can improve clarity and transparency by recording expenditures in units/divisions where they are incurred. For example, we noted that Board offsite meetings and meals, discussed further below, are budgeted and reported as miscellaneous expenses under the Executive Office instead of the Boards. Reporting expenditures in units/divisions where they are incurred improves transparency and simplifies budget and related policy decisions.

### **Recommendations**

#### **LACERA Boards/management consider:**

- 1. Analyzing LACERA's administrative costs, evaluating other public employee retirement agencies' administrative costs, and adopting best practices to be more cost efficient.**
- 2. Implementing processes to ensure expenditures are reported in units/divisions where they are incurred.**

### **Spending Practices**

As mentioned above, LACERA operated within their overall administrative expenditures budget. However, we identified a number of spending practices that suggest LACERA Boards/management should consider re-evaluating policies associated with the spending of administrative funds. For example, we noted concerns in the following areas:

- Offsite meetings and retreats for Board members and staff
- Staff bonuses
- Travel for Board members and staff
- Electronic devices for Board members

Each of these areas is discussed in more detail below. Based on the observations we made during our review, we believe that overall, LACERA could benefit from an organization-wide re-evaluation of certain spending practices of taxpayer and County of Los Angeles (County) employee funded pension contributions. We believe there is an opportunity for LACERA Boards and management to more clearly demonstrate LACERA's expressed commitment to their fiduciary and fiscal obligations to current and future pensioners, and establish a more fiscally prudent tone at the top.

### **Recommendation**

- 3. LACERA Boards/management consider re-examining its administrative spending and issue a memo to all LACERA Board members and staff to reinforce the organization's commitment to upholding their fiduciary obligation.**

The remainder of this report discusses our specific observations of LACERA's spending practices over certain administrative funds that we noted during our review. In addition, while our focus was to review select administrative expenditures, matters came to our attention during the course of our review involving the overall organization culture. These issues are discussed at the end of this report.

### **Offsite Board Meetings/Retreats**

Annually, the BOI and the BOR each hold two-day offsite Board meetings to develop organizational strategies and conduct trainings. For the three years ending June 30, 2018, offsite Board meeting costs have increased by 166% (\$80,000 to \$213,000) and exceeded their budget between 113% to 287%. In addition, we noted that LACERA increased the offsite Board meetings budget from \$150,000 to \$200,000 (33%) for FY 2019-20.

As an example of an offsite meeting, LACERA spent a total of \$186,000 in 2019 for two offsite Board meetings, lasting two days each, held in Santa Monica and Long Beach. The total cost included over \$50,000 for lodging and incidentals, \$64,000 for meals (including alcohol), and \$72,000 for room rental, audio-visual equipment, etc.

LACERA also periodically holds separate management retreats. A recent one-day retreat at a hotel in Pasadena for 50 managers totaled approximately \$17,000, which included \$51/person for unlimited coffee.

As a comparison, the County has very strict and explicit written rules regarding retreats in its County Code and County Fiscal Manual. Among the requirements, County departments cannot spend more than the limits specified in the maximum reimbursement rates for travel, meals, lodging, and incidental expenses (generally \$229.25 for lodging, \$13.75 for breakfast, \$18.00 for lunch, etc.). In addition, County departments must identify cost-control methods that were utilized in the planning and execution of the retreat on a report to the County Chief Executive Office (County CEO), which must include itemized costs per employee. The County CEO is also required to submit a semi-annual report to the Board of Supervisors on the Countywide retreat activities. LACERA should consider adapting similar retreat/offsite meeting policies.

### **Recommendations**

**LACERA Boards/management consider:**

- 4. Evaluating benefits and costs of Board and management offsite meetings/retreats and implementing changes to reduce associated costs.**
- 5. Adopting similar offsite meeting/retreat policies as the County.**

### **Bonus Monitoring and Oversight**

LACERA does not have formal written procedures for initiating and approving bonuses. Management indicated that division managers submit bonus requests to the Assistant Executive Officer which are then forwarded to the Human Resources (HR) manager and LACERA's Chief Executive Officer (CEO) for approval. We reviewed LACERA's bonus monitoring and oversight and noted the following:

#### **Bonus Approval/Timeliness**

LACERA needs to implement procedures and oversight to ensure that bonuses are appropriate and requested/approved timely. We reviewed a judgmental sample of 12 bonuses and found:

- **Retroactive Bonuses** – We noted two instances where Additional Responsibilities (AR) bonuses were requested and approved in August 2019 for work performed since 2013 (i.e., retroactive to 2013) with limited written justification. Specifically, the justification indicated that the bonus recipient performed higher level administrative/technical duties since 2013, without an explanation for the delayed request. Although management approved the AR bonuses, when significant time lapses it is difficult to validate/verify that the employees performed the eligible duties.
- **Bonus Manipulation/Preferential Treatment** – In another instance, in October 2017 LACERA temporarily promoted an employee to a higher-level position that was not approved by the County CEO by revising the organizational chart to create the new position. For this temporary promotion, the employee received a Superior-Subordinate (SS) bonus of approximately \$5,000 per month (33%) more than the employee's previous salary. A year later, management simultaneously pre-approved a 4.5% salary increase and an 11% AR bonus to become effective if/when the manager returned to his/her original assignment. In December 2018, the manager was returned to the original position and while the SS bonus was cancelled, the 11% pre-approved AR bonus was implemented.
- **Classification Circumvention** – LACERA approved an AR bonus to a manager for performing work outside of their classification, and the bonus approval documentation indicated that the bonus would be cancelled when the manager's position was appropriately reclassified to include the additional duties. However, when the County approved the reclassification, it did not include a salary increase so LACERA management decided to continue the bonus even though the manager is no longer working outside of their classification.

We also noted that 34 (9%) of LACERA's 374 non-investment management/staff receive AR bonuses for performing work that is above their class specifications. In comparison, we surveyed four County departments (Chief Executive Office, Auditor-Controller, Board of Supervisors, and County Counsel) and noted that less than 1% of staff/management

receive AR bonuses. An excessive number of employees working above their class specifications may be an indication of mis-aligned job assignments, budgeted positions and/or class specifications, and increases the potential for abuse.

### **Periodic Bonus Reviews**

LACERA management indicated that in June 2019 they implemented a process to review AR bonuses for eligibility every six months. However, LACERA does not have organization-wide bonus reports or a formal written policy to periodically review all bonuses and to cancel bonuses when recipients are no longer eligible. We noted that some LACERA staff have been receiving duty related bonuses (e.g., bilingual, AR) for up to ten years and without performing periodic reviews, management cannot ensure that staff continue to be eligible. In comparison, the County requires departments to review all bonuses at least annually.

### **Recommendations**

**LACERA Boards/management consider:**

- 6. Establishing written policies/procedures to ensure that bonuses are implemented timely and adequately documented, and to periodically review all bonuses to ensure continued eligibility.**
- 7. Developing bonus reports to improve bonus monitoring and oversight.**
- 8. Reviewing all bonuses, cancel bonuses that are no longer applicable, and seek recovery for any overpayments.**
- 9. Working with the County of Los Angeles Chief Executive Office to ensure budgeted positions align with job assignments.**

### **Wireless Devices and Equipment Management**

#### **Wireless Devices**

LACERA's Systems Division (Systems) is responsible for maintaining and tracking all wireless (cellular phones, tablets, laptops) devices. Systems management indicated they reconcile their internal lists of mobile devices and wireless accounts, but they do not reconcile mobile devices to authorized users or wireless bills. As a result, we noted that LACERA may be paying for unneeded phone services. Specifically, LACERA's internal records showed approximately 180 wireless devices; however, LACERA's wireless bills show that LACERA maintains approximately 215 wireless lines each month.

We also reviewed LACERA's current list of active wireless devices and noted instances where the device holder no longer works with/for LACERA. For example, an individual terminated service in 2017, but LACERA continued to pay for the monthly services, and

its internal reports indicated that the person's phone is still active. Subsequently, LACERA indicated that they had taken possession of the phone and were continuing to use it, but they had not reassigned the phone to an individual. We noted that between June 1, 2019 and August 31, 2019, LACERA's wireless bills averaged approximately \$8,000 a month. Lack of sufficient processes and procedures to reconcile wireless devices increase the risk of fraud/abuse and inefficient use of resources.

### **Equipment**

We reviewed LACERA's practices related to managing portable equipment (e.g. tablets, desktops/laptops, printers, fax machines, cell phones) and noted the following:

- **Portable Equipment Inventory** - LACERA management indicated that the most recently completed organization-wide inventory was conducted in 2003. In addition, although LACERA conducts periodic cycle counts (counting all equipment in a given area), they do not reconcile the count to a master inventory list and investigate discrepancies. As a result, management cannot ensure that all purchased equipment is accounted for. During our review, LACERA was conducting a physical equipment inventory and, although it is still ongoing (approximately 90% of the locations have been counted), LACERA has only accounted for 1,913 (62%) of 3,091 reported assets.
- **Equipment Assignment** - While other public employee retirement agencies we reviewed provide Board members with a tablet and/or cell phone to perform their duties, LACERA's Board members may receive tablets, desktops/laptops, printers, fax machines, data lines, home Internet service, and more to perform their duties. We noted that some Board members received two LACERA-issued laptops and two tablets or are reimbursed for the full cost of their home Internet when the LACERA-issued tablets already include cellular Internet service.

### **Recommendations**

**LACERA Boards/management consider:**

- 10. Implementing procedures to periodically reconcile wireless devices, assigned users, and wireless bills.**
- 11. Implementing procedures to periodically inventory all equipment, investigate any missing items, and maintain documentation.**
- 12. Identifying all equipment assigned to Board members and staff, evaluate reasonableness, and establish policies and procedures related to equipment assignments, specifying the equipment type and quantity allowed per Board member/staff.**

### **Travel/Training**

In FY 2018-19, LACERA's Board members took 73 trips totaling \$326,000 and management/staff took 336 trips totaling \$475,000. During the same time period, LACERA's 15 Board members and 410 staff spent \$164,000 and \$137,000 respectively on educational conferences and administrative meetings.

In June 2019, LACERA's Internal Audit Division (IA) issued a report on Board and Staff Education and Travel and included recommendations to increase accountability and improve fiduciary oversight and control. The IA's report also indicated LACERA incurred significantly higher costs for Board educational travel in FY 2018-19 than its larger peers - CalPERS, a \$350 billion fund as of June 2018, or CalSTRS, a \$226.1 billion fund as of May 2019. Based on our review, findings and recommendations included in IA's report appear appropriate. Subsequently, in August 2019, LACERA Boards approved the revised Education and Travel Policy (Policy). However, we reviewed the revised Policy and noted the following:

#### **Travel Policy**

The revised Policy related to travel lacks key controls and does not comply with best practices established by other public employee retirement agencies, County, and/or IA's recommendations in the following areas:

##### **Cost Effectiveness**

- Allows Board members to travel within California without pre-approval if costs are below \$2,000 per trip and \$10,000 annually. In comparison, the County requires pre-approval on all travel arrangements regardless of the cost.
- Board members/staff may upgrade to business class when total trip time, including layovers, exceeds five hours or for international flights. In addition, LACERA will pay the additional cost for coach/economy class seats that advertise additional leg room regardless of trip time. None of the five public employee retirement agencies we benchmarked allowed business class upgrades. County business travelers are also required to travel in coach/economy class.
- Lodging per diem limits appear excessive. The Policy permits up to three times the Internal Revenue Service (IRS) per diem rate. For example, the IRS per diem rate for Santa Monica is \$248 a night, but per LACERA Policy travelers may spend up to \$744 (or three times the per diem rate of \$248) a night for lodging in Santa Monica. LACERA's per diem rates are higher than all of the agencies we benchmarked.
- Board members/staff may be reimbursed for gym fees, expedited security, etc., which are not allowed by other public employee retirement agencies we benchmarked, or the County.

- The Policy does not prohibit the purchase of expensive refundable tickets or high-fare ride sharing services such as Uber Black and Lyft Premier, etc. In comparison, the County's policy generally requires the travelers to use the least expensive method of travel/transportation.
- The Policy allows travelers to request per diem reimbursement even when meals are provided by the hotel/conference or during a flight. County policies prohibit this practice.

In addition, while the Policy generally requires pre-approval for travel, it specifically authorizes Board members to waive compliance with any Policy requirement and to approve travel after the travel has been completed. Furthermore, during a recent Board meeting on the \$10,000 limit for in-state travel, there was discussion that it is Board members' right to be reimbursed up to \$10,000 annually for travel without pre-approval and the \$10,000 is not intended to be a limit. A flexible policy, and financially unconservative tone at the top appear to minimize the importance of ensuring that travel costs are reasonable.

#### Unclear Language

The Policy indicates that additional travel expenses incurred before or after an event (e.g., arriving a day early or leaving a day late) will be reimbursed if reasonably necessary but does not establish criteria for 'reasonableness'. Similarly, while the Policy allows travelers to use business class or equivalent in certain instances, the Policy does not identify the 'equivalent' of business class, which is sometimes interpreted as first class. However, there are significant cost differences between the two classes.

The Policy also requires the lowest available airfare offered by United, American or Delta implying that the traveler may choose the lowest cost airfare of any one of the three carriers, rather than the lowest cost overall. In addition, the Policy indicates that travel to Mexico/Canada is international travel deserving business class air travel, whereas the same Policy indicates that training in Mexico/Canada is not considered international for purposes of educational conference limits.

#### Centralized Travel Process

LACERA does not have a centralized travel processor, or an independent vendor that provides travel related services to help ensure consistent Policy compliance. In comparison, the County mandates that all County-related business travel be arranged through a County-approved travel agency.



## **Recommendations**

**LACERA Boards/management consider:**

- 13. Revising the Travel Policy to ensure it is clear, well-defined, and includes cost control measures such as:**
  - a) More stringent requirements on pre-approval, lodging costs, incidental costs, and the use of business class.**
  - b) Requiring travelers to obtain the lowest overall price amongst major carriers.**
  - c) Prohibiting per diem reimbursements when meals are provided by the hotel/conference or during a flight.**
- 14. Implementing an in-house centralized travel process, or contract with an independent vendor to provide travel related services.**

## **Training Policy**

Similar to the travel policies, the revised training policies appear to lack key controls and do not comply with best practices established by other public employee retirement agencies, the County, and/or LACERA IA's recommendations in the following areas:

### **Proof of Attendance**

Proof of attendance is not required for educational conferences and administrative meetings. Four of the five agencies we benchmarked require a full report for conferences/meetings to promote information sharing amongst peers, to identify conferences/meetings that would be beneficial in the future, and to ensure attendance at the event.

### **Cost Effectiveness**

We noted that the Policy does not establish guidelines for the cost and number of administrative meetings (legislative advocacy, speaking engagements, networking opportunities, etc.) that Board members may attend. The Policy does limit Board members to attend four educational conferences if serving on one Board or six if serving on both Boards. However, we noted that the updated Policy now allows two educational conferences to be counted as one when they are held within two days of each other and do not require additional transportation costs. It should be noted that some of these educational conferences cost as much as \$10,000 per person for registration, and additional lodging and related expenses would also be incurred. Although LACERA recently revised the Policy and reduced the number of allowable educational conferences due to concerns over travel and training costs, allowing two conferences to count as one conference appears counterproductive.

We also noted that LACERA's Policy does not promote cost effective training (in-house, local, or web-based training) whenever possible. In comparison, the County encourages e-learning whenever possible.

### Educational Strategies/Goals

Although the Boards comply with CERL, which requires Board members to complete 24 hours of education every two years, LACERA's revised Policy still does not require Board members to establish specific educational strategies/goals for individuals or the organization. Reported best practices (i.e., *Clapman Report 2.0 Model Governance Provisions to Support Pension Fund Best Practice Principles*) and some of the agencies that we benchmarked encourage Board members to establish specific educational strategies/goals.

We noted that the recommendation to establish education strategies/goals was included in IA's June 2019 report. However, LACERA Boards have not taken corrective action to address the recommendation. Establishing specific strategies/goals for LACERA Board members and staff should help ensure that training costs and related travel expenses are justified and coincide with overall strategies/goals.

### Recommendations

#### **LACERA Boards/management consider:**

- 15. Requiring conference/meeting attendees to submit proof of attendance, report back on conference/meeting, and seek reimbursement for any meeting or travel costs if attendance is not supported or documented.**
- 16. Revising the Education and Travel Policy to ensure that the number of educational conferences reported accurately reflects the number of educational conferences attended and provide clear guidelines for the number and cost of administrative meetings.**
- 17. Establishing a policy to promote cost-effective training (in-house, local, web-based) whenever possible and practical.**
- 18. Developing organizational and/or individual training/education goals and develop a process to periodically evaluate and update progress towards the goals.**

### Technology Efficiency

During our review, LACERA management/staff indicated numerous areas where software/applications or connectivity can significantly improve efficiencies and/or provide better member services. Insufficient technology resources can result in inefficient use of resources and circumvention of internal controls. LACERA management/staff indicated

that these issues had been discussed in the past but have not been adequately resolved to meet end-user needs. Some of their suggestions include:

- **Case Management System (CMS)** – In October 2013, LACERA held a kick-off meeting to discuss a CMS. LACERA recognized that a comprehensive CMS would allow management/staff to track workflow, identify bottlenecks, calculate performance metrics, and maintain documentation from the beginning of a case to the end under one database, rather than manually updating and tracking cases and benefits over ten separate databases.

As of October 2019, LACERA had not purchased or implemented a CMS and Systems management indicated that they will begin coding for a new CMS in 2020. In addition, LACERA management had not prepared detailed planning documentation specifying project timeline, scope, budget, and objective, etc. or to ensure functionality meets users' needs. Having a complete planning document for a significant system improvement would increase accountability and help ensure timely implementation.

- **Automated accounts payable system** – In 2018, an independent auditor recommended an automated system to ensure payments are appropriately approved. LACERA management indicated this project is in the preliminary research phase and no timeline for implementation has been established.
- **Member Services field connectivity** – Member Services staff indicated they cannot efficiently respond to specific member questions while they are in the field because they do not have access to their work applications. LACERA management indicated staff are not given access to their work applications offsite due to security concerns. However, many organizations have implemented two-factor authentication or other measures to ensure offsite security for sensitive information.
- **Budgeting software** – Administrative Services Division prepares the budget using over 100 Excel worksheets that cannot readily produce reports or integrate to the accounting software. As a result, LACERA cannot generate basic budget related reports (e.g., budget to actual expenditures) without labor-intensive manual entries.
- **Interactive training/eLearning** – Quality Assurance and Metrics Division (QA) instructors use PowerPoint presentations to train new Retirement Benefit Specialist (RBS) staff in a year-long training program. Management indicated that QA instructors and RBS trainees can benefit from self-training with interactive training modules that cost less than \$5,000.
- **Electronic access to Board meetings** – The Boards do not live-stream or digitally archive meetings for staff and public access. LACERA management/staff indicated this impacts their ability to respond timely to Board discussions.

Some of the software/applications and lack of field connectivity may potentially be attributable to the staffing and vacancy issues in Systems discussed in the section below.

**Recommendation**

- 19. LACERA Boards/management consider working with divisions to determine technology needs, strategically evaluate and prioritize competing needs, and periodically re-assess and update the status of technology projects.**

**Systems Division**

Every division within LACERA requires Systems' support to complete their duties efficiently and effectively. Systems oversees more than 20 separate business processes including: application and web development/maintenance, cybersecurity, Information Technology (IT) hardware, security (surveillance cameras and keycard access), telecommunications, help desk, mobile device (cell phones, tablets, etc.) management, and updating bank signatories.

**Staffing and Vacancies**

It appears Systems must manage multiple competing priorities with insufficient staffing. For the three years reviewed (FY 2015-16 through FY 2018-19), Systems vacancies increased from 12 to 15 positions. In FY 2019-20, Systems budget indicates that 20 (35%) of Systems' 57 budgeted positions are vacant. The staffing shortage may have been partially offset by nine IT professionals contracted between 1991 and 2018.

LACERA Systems management indicated they have difficulty filling positions because they cannot compete with private IT related companies to recruit high-level staff with the necessary qualifications and expertise. However, as discussed further below, LACERA's IT staff hiring practices appear to have been passive, and do not support Systems management's assertion that they are having difficulty filling the positions due to competition.

Although LACERA management indicated their systems and IT staff requirements may not be directly comparable to the County's, we noted the County's Internal Services Department and Auditor-Controller's Systems Division do not experience similar shortages or recruiting difficulties in their IT staffing.

**Recruitment Practices**

We discussed Systems vacancies with LACERA's HR and Systems management. Systems management indicated that Systems generally hires temporary agency staff. When Systems wants to permanently hire agency staff, they write the examination's desirable qualifications to meet the candidates' abilities and open the examination for a limited time, so they can manage the candidate pool.

We verified the practice by reviewing LACERA's examination logs from January 1, 2016 through September 17, 2019, and noted that during the 44-month period, LACERA opened two competitive IT exams for a combined total of 82 hours (17 hours for Data

Systems Analyst, 65 hours for Data Systems Coordinator). In addition, even though the examinations were supposed to be ‘open competitive’ meaning they were open to everyone, Systems’ desirable qualifications are so specific that most candidates outside of LACERA do not qualify. For example, exams are weighted 100% on application information and desirable qualifications included:

*“Three or more years’ experience training LACERA staff and Board members on how to use mobile devices...”*

*“Demonstrated knowledge of the Countywide payroll and LACERA payroll batch processing.”*

We noted that there were 774 views on the two job postings, but only 23 candidates applied. As stated earlier, this hiring practice does not support Systems management’s assertion that they cannot fill the vacancies since they are unable to compete with private IT companies. Inadequate outreach and recruitment efforts limits Systems ability to attract necessary and qualified staff, and complete critical IT assignments.

We followed up with Systems management to inquire as to why they did not aggressively recruit more staff, but management could not provide a valid reason other than indicating that the exam process is HR’s responsibility.

### **Recommendations**

**LACERA Boards/management consider:**

- 20. Implementing procedures to ensure examinations provide an equal opportunity to all qualified applicants and do not provide an unfair advantage to pre-selected candidates.**
- 21. Ensuring that Systems Division and Human Resources Division work together to develop a plan for outreach and recruitment.**

### **Job Assignments and Separation of Duties**

Some Systems staff’s duties do not appear to correspond with Systems’ core job functions. For example, a Systems manager is assigned to update bank signatories. Signature cards identify the rightful signers for bank accounts and updating signatories is usually the responsibility of the Chief Financial Officer or the Chief Investment Officer. However, LACERA does not have a formal written policy to indicate who should be responsible for updating bank signatories.

In addition, Systems management indicated that they structurally separate duties to minimize the risk that staff can access and/or change critical systems, but Systems has no formal policies. We requested a list of access roles to Systems’ applications/software (Microsoft Office 365, Workspace, Member Portal, HR Data, etc.) to verify if they

sufficiently separated duties and restricted access as appropriate. However, Systems management declined to provide a list, citing security concerns that information could be used to exploit LACERA's systems. Systems management subsequently provided a self-assessment report for financial software that they completed at the request of LACERA's external auditors. The report indicates that Systems management is willing to accept the risk where there is an insufficient separation of duties. We believe the decision to accept the risk due to insufficient separation of duties should be made by the Boards or the CEO.

### **Recommendation**

**22. LACERA management consider establishing a process to periodically complete a documented review of Systems Division's applications and system access roles to ensure that roles are appropriate, and duties are adequately separated.**

- **If duties cannot be sufficiently separated, consider implementing alternative controls, including staff rotation, and evaluate and document the Boards' and executive management's risk appetite.**

### **Independent Information Technology Review**

As discussed, we noted a number of areas where LACERA can potentially improve its overall Systems related operations and efficiencies. Since Systems Division is already facing staffing issues, it may be beneficial for LACERA to consider obtaining an independent consultant to complete an IT review. An independent review will bring in an outside perspective, may be able to identify problems that employees who are too close to the process/issues may not see, and ensure objectivity. To further ensure objectivity, LACERA management should consider hiring an independent consultant to develop a Request-for-Proposal (RFP) including a Statement of Work, based on input from LACERA management/staff.

### **Recommendation**

**23. LACERA management consider obtaining an independent consultant to draft a Request-for-Proposal including Statement of Work and complete an independent information technology review that includes:**

- a) IT resources and efficiency, including work-related applications.**
- b) Operational efficiency and appropriate job functions.**
- c) IT staffing assessment.**
- d) Span of control and separation of duties.**

### **120-Day Temporary Assignments**

Civil Service rules indicate that a retiree may be reinstated to a 120-day temporary assignment if the retiree possesses special skills or knowledge. Management is

encouraged to develop a transition plan to ensure that the retiree's special skills/knowledge are transferred to current employees and the retiree is returned to their retirement.

LACERA reinstated two retirees on 120-day temporary assignments seven and 12 years ago but has not established transition plans to ensure the retirees can be returned to their retired status. One of the retirees was reinstated in 2006 to train her successor. In FY 2018-19, the retiree accumulated \$30,000 in travel/training expenses while assisting her successor.

Lack of transition plans increases the risk of excessive costs and inefficient use of resources, ineffective succession planning, and reliance on the institutional knowledge of retirees.

### **Recommendation**

- 24. LACERA management consider developing transition plans for 120-day temporary employees and implement a process to periodically review and update transition plans as needed.**

### **Keycard Access**

LACERA's headquarters is open to the public from 6 a.m. to 6 p.m. LACERA uses keycards to prevent unauthorized access to their business operations. Inadequate controls over keycards increases the risk of unauthorized access to LACERA's assets and confidential/sensitive information.

Systems is responsible for adding, deleting, and updating keycard access to the LACERA offices. Systems management indicated they work with HR to ensure keycard access is appropriately maintained and periodically reconciled. However, we noted the reconciliation was limited to reviewing access to the parking garage and did not include the office keycards.

Systems management indicated they do not periodically reconcile keycard access to ensure only approved staff/contractors have access to the LACERA offices because they do not want to remove access in error. We requested a list of keycard holders to verify that current cardholders are authorized to access LACERA offices, but Systems management declined to provide a list citing security concerns.

### **Recommendation**

- 25. LACERA management consider developing processes to periodically reconcile keycard access and remove or update access when it is no longer needed or appropriate.**

### **Policies and Procedures**

Policies and procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. Having updated and uniform policies and procedures are critical for ensuring LACERA's processes are consistent, and staff perform duties adhering to established policies/procedures and internal controls.

We noted that some of LACERA's policies and procedures are outdated, incomplete or inconsistent. For example, LACERA does not have a policy to describe how Board members should request/obtain equipment. As a result, the process is not consistent, making it difficult to track Board members' equipment.

Additionally, LACERA's January 2010 Information Technology Policies, Email/Electronic Use Policy (e-mail Policy) lacks key controls to limit who can access to view employee e-mails. The e-mail Policy indicates that employees' e-mail may be accessed with management consent but does not require documented justification (e.g., suspected fraud), does not identify the level of management with the authority to request access, or how the request should be documented.

Although LACERA management indicated that it is understood the request to access employee e-mails must come from the Legal Division, as currently written, any manager may request access to staff e-mails or a Systems manager may self-approve access to other employees' e-mails.

In addition, LACERA does not have up-to-date written procedures or policies related to a number of issues we discussed above, including bonuses, offsite meetings, wireless device inventory/reconciliation, keycard controls, etc. Our interviews with LACERA management/staff indicated that LACERA may 'selectively' follow the County's policies and procedures (e.g., HR policies), but complying with policies or procedures should not be flexible. Some of the issues we identified may have been prevented if LACERA maintained current and comprehensive organization-wide policies and procedures similar to the County's Fiscal Manual that all County departments are required to follow.

### **Recommendation**

- 26. LACERA Boards/management consider developing organization-wide policies and procedures inclusive of all administrative functions/duties and periodically review and update policies and procedures.**

### **Other Matters**

As part of assessing processes and controls over administrative accounts, we interviewed over 25 LACERA key personnel and Board members. While this sample was limited and not intended to be representative of LACERA as a whole, several interviewees voluntarily



reported an environment of excessive spending, entitlement, favoritism, and fear of retaliation and indicated that LACERA's organizational culture should be improved.

Several interviewees indicated they were reluctant to speak with us and preferred to meet offsite because they feared retaliation. The interviewees believed they were constantly being monitored with security cameras, or their e-mails and phone lines were inappropriately accessed, and meeting rooms were not secure. Although we did not attempt to verify their retaliation claims, the fact that several management/staff requested offsite meetings appears to support interviewees' concerns that the fear of retaliation exists.

Several interviewees also indicated that LACERA's fraud hotline is not working as intended and callers' confidentiality may not be protected. Although we also did not attempt to verify those claims, IA management indicated the hotline received only one complaint over a six-month period. However, given that we received several requests for an offsite meeting during our review, one call over a six-month period appears to support the interviewees' concerns that they do not trust the hotline process. LACERA management indicated they are aware of this perception of caller confidentiality not being protected and is in the process of contracting with an independent vendor to operate the hotline and ensure anonymity.

In addition, Board members have served LACERA for up to 18 years and some interviewees reported that certain members may have developed close personal relationships with management and staff. Multiple interviewees reported favoritism between certain Board members and management/staff. Interviewees indicated that the favored management/staff have increased access to confidential information and promotional opportunities. While we did not attempt to verify interviewees' claims, we did note that in 2019, the Board downgraded the minimum requirement for the CEO so that the position no longer required a bachelor's degree. Some interviewees believe the requirement was downgraded so that Board members would be able to select a favorite manager who did not have a bachelor's degree.

During our review, LACERA management informed us that in July 2019 they started the RFP process for hiring a consultant to review their work culture. LACERA management should consider sharing our report with the consultant to ensure that the consultant becomes aware of some of the issues (e.g., perceived e-mail confidentiality) we discussed above that may impact the consultant's review.

### **Recommendations**

- 27. LACERA Boards/management consider sharing our report with the proposed contractor prior to the engagement to review LACERA's work culture.**
- 28. LACERA Boards explore term limits for Board members.**



November 8, 2019

Arlene Barrera, CPA  
Auditor-Controller  
Los Angeles County  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, California 90012  
[abarrera@auditor.lacounty.gov](mailto:abarrera@auditor.lacounty.gov)

Dear Ms. Barrera:

Thank you for providing LACERA with the opportunity to read the report on your office's review of our organization. This letter and its attachment constitute LACERA staff's comments, and, like the report itself, they have not yet been reviewed by the Board of Retirement and Board of Investments.

Government Code Section 31593 permits the County to audit "the accounts of the retirement system." While we believe the review went beyond this scope by addressing non-financial issues, LACERA is a transparent organization and cooperated fully and openly with the County review team within applicable law. After many weeks of work, the County report identifies subjects that already have been and continue to be considered by LACERA's Boards and/or staff. Importantly, the review findings do not dispute that LACERA is effective in serving its members and managing the organization to provide the promised benefits in a timely manner.

It is significant that, before the County review began, LACERA had identified for review and evaluation each of the subject areas addressed in the report as part of LACERA's ongoing program of self-evaluation and process improvement. LACERA voluntarily identified these subjects, among others, to the County review team at the beginning of their work as matters already under current internal consideration.

LACERA is an independent public agency from the County. While LACERA does not agree with many of the specific findings (and it is not possible to address all of them in these responses), LACERA will evaluate the report as the organization continues to update its processes and policies. LACERA always strives to align fund administration with the best interests of its members. The County report will be shared with the Board of Retirement and management as a priority matter for consideration; the report will also be provided to the Board of Investments.

In addition, effective November 16, 2019, the LACERA Boards appointed a new Chief Executive Officer, Santos H. Kreimann, who brings almost 30 years of experience with the County of Los Angeles in positions of responsibility in the County Chief Executive Officer's Office, the Assessor's Office, the Beaches & Harbors Department, and other parts of County government. Mr. Kreimann provides management expertise, and a track record of success, in budgeting, strategic planning, human resources, information

Arlene Barrera, CPA, Auditor-Controller  
November 8, 2019  
Page 2

technology (IT) systems, and other administrative functions that directly relate to many of the review findings. Mr. Kreimann will apply his knowledge and expertise in reviewing the County report and evaluating LACERA's processes to implement further checks and balances as needed.

LACERA provides additional comments in the attachment with respect to each subject category in the County report.

LACERA requests that this letter and its attachment be included as part of the final report.

Very truly yours,



Steven P. Rice  
Chief Counsel

Attachment

Arlene Barrera, CPA, Auditor-Controller  
November 8, 2019  
Page 3

## **LACERA'S RESPONSE TO SPECIFIC COUNTY RECOMMENDATIONS**

### **Budget and Expenditures – County Recommendations**

**LACERA Boards/management consider:**

- 1. Analyzing LACERA's administrative costs, evaluating other public employee retirement agencies' administrative costs, and adopting best practices to be more cost efficient.**
- 2. Implementing processes to ensure expenditures are reported in units/divisions where they are incurred.**

**LACERA's Response:** LACERA's strategic planning and budgeting process takes into account the unique needs of LACERA as one of the largest retirement systems in the country, serving over 170,000 members. As the County's review found, LACERA's budget and expenses are well within the statutory limit, and the percentage increase of LACERA's expenditures is within the range of other public pension systems. LACERA also routinely reviews the accounts to which expenditures are allocated; this is a normal part of LACERA's process.

Each year, LACERA's proposed budget is reviewed by the Boards at multiple public budget hearings and other meetings. The proposed budget is publicly available to all stakeholders and open to comment each year before the budget is approved. This process ensures transparency. In the current 2019-2020 budget process, as in prior years, the Boards actively discussed the budget before it was approved, in the diligent performance of their fiduciary duty, and provided staff with specific input and direction for the current budget and future budget cycles.

In the Joint Organizational Governance Committee (JOGC) Charter approved in May 2019, the LACERA Boards directed that, in the future, staff prepare a three-year strategic planning and annual budgeting process for JOGC approval to guide the Boards' consideration of these issues. This process will be utilized in the 2020-2021 budget cycle and thereafter, and will further enhance LACERA's already solid financial management. LACERA's new CEO has expertise in budgeting and expense management, and will separately review existing processes to ensure LACERA is providing the best possible service to the members.

LACERA will present the County report findings and recommendation nos. 1-2 to the Boards and management.

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**Spending Practices – County Recommendation**

3. **LACERA Boards/management consider re-examining its administrative spending and issue a memo to all LACERA Board members and staff to reinforce the organization's commitment to upholding their fiduciary obligation.**

**LACERA's Response:** LACERA's spending is based on a commitment to the organization's fiduciary duty and is reinforced to staff by management on a regular basis. Spending is pursuant to the sound budget process described above. The four spending categories listed in this section were identified to the County review team by LACERA as matters already under current consideration by LACERA. LACERA will present the County report findings and recommendation no. 3 to the Boards and management.

**Offsite Board Meetings/Retreats – County Recommendations**

**LACERA Boards/management consider:**

4. **Evaluating benefits and costs of Board and management offsite meetings/retreats and implementing changes to reduce associated costs.**
5. **Adopting similar offsite meeting/retreat policies as the County.**

**LACERA's Response:** Board and staff offsites are a prudent and common practice to permit trustees and staff to provide an extended opportunity, not possible during regular Board meetings, to discuss strategic issues in detail, receive extensive updates from staff on initiatives and plans, and hear from outside experts within a focused environment that facilitates discussion among trustees in the exercise of their fiduciary duty. Board members do not maintain offices at LACERA, and therefore offsites are a practical and efficient method of providing for interaction and discussion between Board members and staff. For these reasons, LACERA's offsites have great fiduciary value to the organization, which outweighs the cost of the events.

Historically, LACERA held one three-day offsite for both the Board of Retirement and Board of Investments. However, in recent years, to enhance the opportunity for Board members to have the positive experience described above, the schedule was changed to provide separate two-day offsites for each Board to focus on matters within their different areas of interest. This decision has proved successful in improving the value of the offsites.

LACERA will present the County report findings and recommendation nos. 4-5 to the Boards and management.

**Bonus Monitoring and Oversight – County Recommendations**

**LACERA Boards/management consider:**

- 6. Establishing written policies/procedures to ensure that bonuses are implemented timely and adequately documented, and to periodically review all bonuses to ensure continued eligibility.**
- 7. Developing bonus reports to improve bonus monitoring and oversight.**
- 8. Reviewing all bonuses, cancel bonuses that are no longer applicable, and seek recovery for any overpayments.**
- 9. Working with the County of Los Angeles Chief Executive Office to ensure budgeted positions align with job assignments.**

**LACERA's Response:** The bonuses referenced in the retroactive bonuses section were supported with appropriate documentation detailing the reason for the bonuses before the bonuses were approved. Human Resources also performed case analysis to support the bonuses prior to approval.

Bonuses were identified by LACERA to the County review team as a matter already under current consideration by the organization. In June 2019, the LACERA Executive Office instituted a practice of limiting Additional Responsibility (AR) bonus requests, when granted, to six months, and placing all ARs on a six-month review cycle, with renewed justification required for extension. Additional information on bonuses is also now requested to support AR requests before Executive Office approval. LACERA's existing practice also includes recovery of bonus overpayments. Human Resources is developing a written Bonus Review and Approval Policy.

LACERA will present the County report findings and recommendation nos. 6-9 to the Boards and management.

**Wireless Devices and Equipment Management – County Recommendations**

**LACERA Boards/management consider:**

- 10. Implementing procedures to periodically reconcile wireless devices, assigned users, and wireless bills.**
- 11. Implementing procedures to periodically inventory all equipment, investigate any missing items, and maintain documentation.**
- 12. Identifying all equipment assigned to Board members and staff, evaluate reasonableness, and establish policies and procedures related to equipment**

Arlene Barrera, CPA, Auditor-Controller  
November 8, 2019  
Page 6

**assignments, specifying the equipment type and quantity allowed per Board member/staff.**

**LACERA's Response:** LACERA's periodically reviews its wireless device assignments against wireless bills. An inventory of equipment and devices assigned to Board members and staff is currently in progress as part of a larger organizational inventory; the inventory is reconciled and discrepancies investigated. LACERA will present the County report findings and recommendation nos. 10-12 to the Boards and management.

#### **Travel/Training – Travel Policy – County Recommendations**

**LACERA Boards/management consider:**

- 13. Revising the Travel Policy to ensure it is clear, well-defined, and includes cost control measures such as:**
  - a) More stringent requirements on pre-approval, lodging costs, incidental costs, and the use of business class.**
  - b) Requiring travelers to obtain the lowest overall price amongst major carriers.**
  - c) Prohibiting per diem reimbursements when meals are provided by the hotel/conference or during a flight**
- 14. Implementing an in-house centralized travel process, or contract with an independent vendor to provide travel related services.**

**LACERA's Response:** Education is necessary to enable Board members and staff to perform their fiduciary duties. In June 2019, LACERA's Internal Audit Division issued a report stating the results of a regular periodic audit of Board member and staff education and travel, pursuant to LACERA's Education and Travel Policy and best practices. In August 2019, the Boards substantially revised and improved the Education and Travel Policy. It was stated in connection with the recent revisions that the Boards would further review the policy, including the recommendations of the internal audit report, at upcoming meetings. In addition, in August 2019, the Board of Retirement authorized an external review of travel expenses and practices, including the policy; the external review is in progress. LACERA will present the County report findings and recommendation nos. 13-14 to the Boards and management.

#### **Travel/Training – Training Policy – County Recommendations**

**LACERA Boards/management consider:**

- 15. Requiring conference/meeting attendees to submit proof of attendance, report back on conference/meeting, and seek reimbursement for any meeting or travel costs if attendance is not supported or documented.**

16. **Revising the Education and Travel Policy to ensure that the number of educational conferences reported accurately reflects the number of educational conferences attended and provide clear guidelines for the number and cost of administrative meetings.**
17. **Establishing a policy to promote cost-effective training (in-house, local, web-based) whenever possible and practical.**
18. **Developing organizational and/or individual training/education goals and develop a process to periodically evaluate and update progress towards the goals.**

**LACERA's Response:** Training is addressed in LACERA's Education and Travel Policy. The response from the preceding section also applies here. LACERA will present the County report findings and recommendation nos. 15-18 to the Boards and management.

#### **Technology Efficiency – County Recommendation**

19. **LACERA Boards/management consider working with divisions to determine technology needs, strategically evaluate and prioritize competing needs, and periodically re-assess and update the status of technology projects.**

**LACERA's Response:** Technology needs are strategically evaluated, organization-wide and on a division-by-division basis, during the annual strategic planning and budgeting process. In addition, technology needs are considered on a continuous basis, and improvements are underway. LACERA identified technology to the County review team as a subject matter already under consideration. LACERA will present the County report findings and recommendation no. 19 to the Boards and management.

#### **Systems Division – Staffing and Vacancies – County Recommendations**

**LACERA Boards/management consider:**

20. **Implementing procedures to ensure examinations provide an equal opportunity to all qualified applicants and do not provide an unfair advantage to pre-selected candidates.**
21. **Ensuring that Systems Division and Human Resources Division work together to develop a plan for outreach and recruitment.**

**LACERA's Response:** LACERA managers initiate the hiring and recruiting process based on their individual assessment of needs for that division. Once initiated the Human Resources Division works with the management team to effect the recruitment in a successful manner. This subject was identified by LACERA to



Arlene Barrera, CPA, Auditor-Controller  
November 8, 2019  
Page 8

the County review team as a matter already under current consideration. Human Resources is available to work with any division to conduct recruitments as needed. LACERA will present the County report findings and recommendation nos. 20-21 to the Boards and management.

**Systems Division – Job Assignments and Separation of Duties – County Recommendation**

**22. LACERA management consider establishing a process to periodically complete a documented review of Systems Division’s applications and system access roles to ensure that roles are appropriate, and duties are adequately separated.**

- **If duties cannot be sufficiently separated, consider implementing alternative controls, including staff rotation, and evaluate and document the Boards’ and executive management’s risk appetite.**

**LACERA’s Response:** The Systems Division, in conjunction with other divisions, appropriately separates duties. LACERA’s systems, finances, and processes are secure; data and information security is a top priority of the organization. Financial integrity is also critical. Members and the public can have confidence that LACERA information and finances are secure and well-managed. LACERA’s Internal Audit Division periodically conducts audits of the Systems Division and the processes under the System Division’s oversight, as well as the processes of other divisions. LACERA will present the County report findings and recommendation no. 22 to the Boards and management.

**Systems Division – Independent Information Technology Review – County Recommendation**

**23. LACERA management consider obtaining an independent consultant to draft a Request-for-Proposal including Statement of Work and complete an independent information technology review that includes:**

- a) **IT resources and efficiency, including work-related applications**
- b) **Operational efficiency and appropriate job functions.**
- c) **IT staffing assessment.**
- d) **Span of control and separation of duties.**

**LACERA’s Response:** LACERA will present the County report findings and recommendation no. 23 to the Boards and management.

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**120-Day Temporary Assignments – County Recommendation**

- 24. LACERA management consider developing transition plans for 120-day temporary employees and implement a process to periodically review and update transition plans as needed.**

**LACERA's Response:** LACERA identified this issue to the County review team as a matter already under current consideration. Human Resources is developing a written 120-day employee transition policy. LACERA will present the County report findings and recommendation no. 24 to the Boards and management.

**Keycard Access – County Recommendation**

- 25. LACERA management consider developing processes to periodically reconcile keycard access and remove or update access when it is no longer needed or appropriate.**

**LACERA's Response:** Access to non-public areas of LACERA's offices are secure. LACERA will present the County report findings and recommendation no. 25 to the Boards and management.

**Policies and Procedures – County Recommendation**

- 26. LACERA Boards/management consider developing organization-wide policies and procedures inclusive of all administrative functions/duties and periodically review and update policies and procedures.**

**LACERA's Response:** LACERA has existing policies, procedures, and processes regarding the development of policies and procedures, including a compliance oversight committee, divisional responsibilities, and presentations to the Board of Retirement. LACERA does not "selectively" follow County HR policies. LACERA generally follows County HR policies unless we have developed our own policy. LACERA will present the County report findings and recommendation no. 26 to the Boards and management.

**Organizational Culture – County Recommendations**

- 27. LACERA Boards/management consider sharing our report with the proposed contractor prior to the engagement to review LACERA's work culture.**
- 28. LACERA Boards explore term limits for Board members.**

**LACERA's Response:** LACERA has a positive, forward-looking culture among its more than 400 employees, all of whom are dedicated on a daily basis to fulfilling the organization's fiduciary duty and mission to produce, protect, and provide the promised benefits to members. LACERA leadership, including the Boards and

Arlene Barrera, CPA, Auditor-Controller  
November 8, 2019  
Page 10

management, supports and nurtures that positive culture. LACERA recognizes that there is always room to improve, and building upon the existing good culture is an organizational focus. The County review findings recognize LACERA's planned retention of an employee engagement consultant as a current activity to further enhance culture. As acknowledged in this report, the review team just spoke to "over 25" employees and Board members (only two of whom were in fact trustees), which the review team notes is a "limited" sample, "and not intended to be representative of LACERA as a whole;" only "several" of this small group of interviewees reported the alleged culture issues. By contrast, LACERA management has spoken to all employees in numerous settings, both recently and over time, to build a culture of good communication, inclusion, and teamwork; management has also recently spoken to over 190 employees in small groups averaging 5-10 staff members. LACERA's positive culture was apparent in these meetings. LACERA does not agree that the statements in the County's report about LACERA culture accurately reflect the positive state of the organization and its staff.

With regard to alleged monitoring of emails, LACERA has caused this issue to be independently investigated and found no evidence to support the allegation based on available administrative logs.

LACERA implemented a new, anonymous Fraud and Ethics hotline managed for confidentiality by a third-party vendor. The new hotline was initiated by Internal Audit. LACERA policies affirmatively encourage employees to report misconduct and concerns of all kinds.

As to the statement regarding favoritism in connection with the CEO recruitment, Mr. Kreimann, the newly appointed CEO, has a bachelor's degree, as did his predecessor. Both Mr. Kreimann and his predecessor were from outside LACERA. The CEO recruiting standards were at no time downgraded.

Terms limits are not provided in governing California law for county pension trustees.

LACERA will present the County report findings and recommendation nos. 27-28 to the Boards and management.

October 25, 2019

TO: Each Member  
Board of Retirement

FROM: Ricki Contreras, Division Manager  
Disability Retirement Services



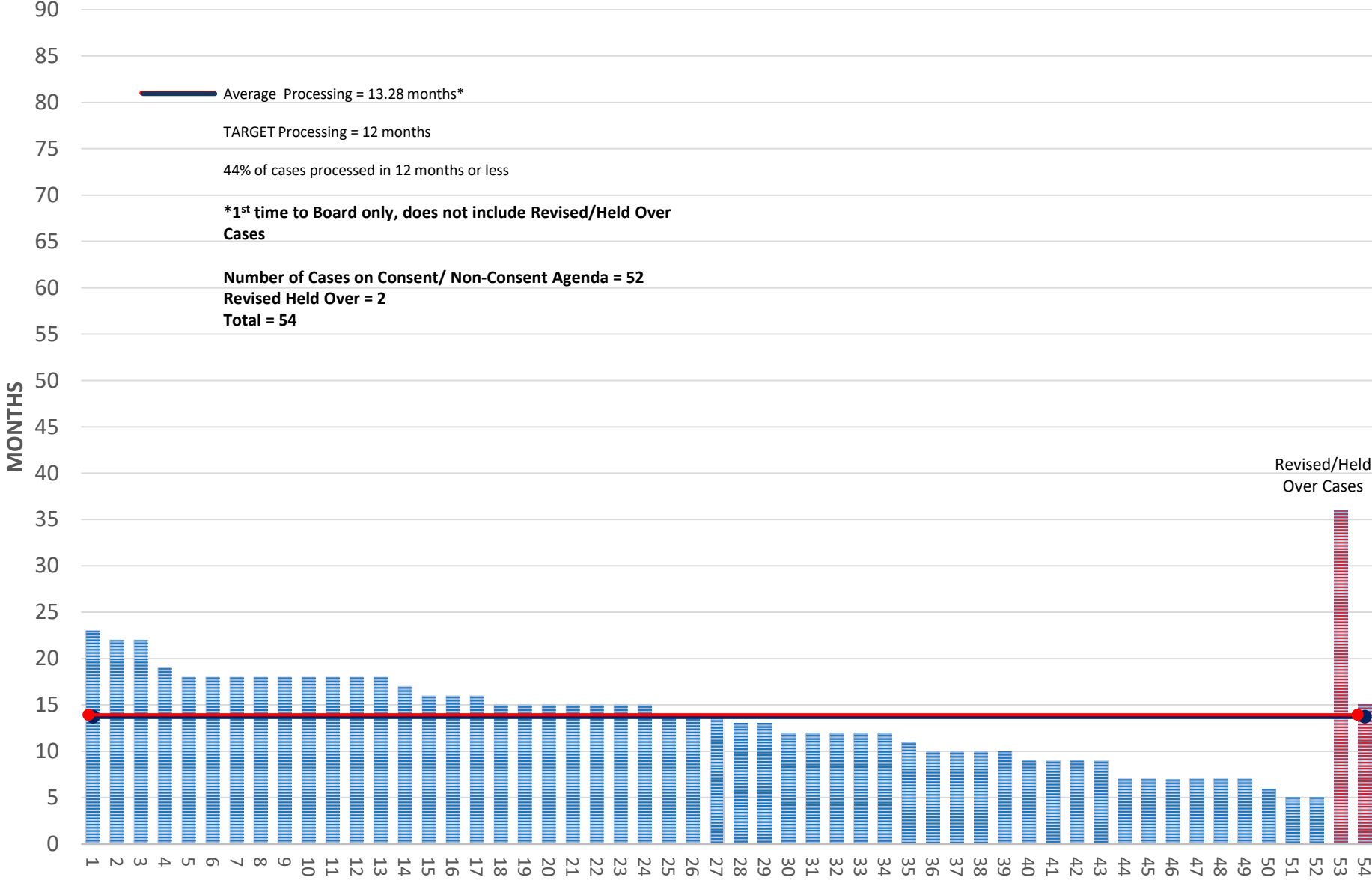
FOR: November 21, 2019 Board of Retirement Meeting

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 November 21, 2019 Disability Retirement Applications Agenda.

Consent & Non-Consent Calendar		
Number of Applications	52	
Average Processing Time (in Months)	13.28	
Revised/Held Over Calendar		
Number of Applications	2	
Processing Time Per Case (in Months)	Case 1 36	Case 2 15
Total Average Processing Time Revised/Held Over Calendar	25.50	
Total Average Processing Time All <b>54</b> Cases on Agenda	13.74	

# CASE PROCESSING TIME



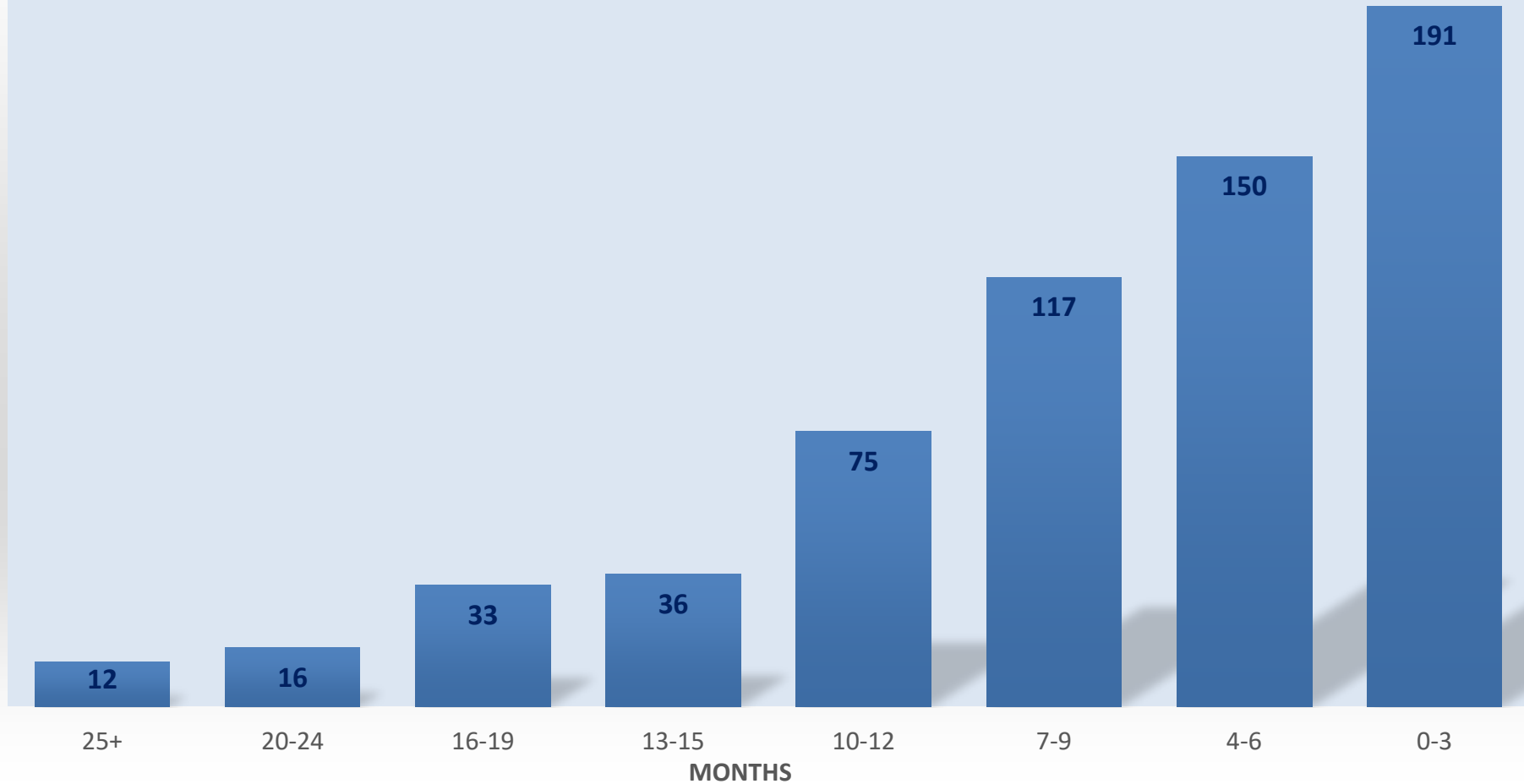
As of October 25, 2019

November 21, 2019 AGENDA

# PENDING APPLICATIONS/TIME INTERVALS

Total Pending Cases = 630

NUMBER OF APPLICATIONS



As of October 25, 2019

**FOR INFORMATION ONLY**

November 8, 2019

TO: Each Member  
Board of Retirement

FROM: Francis J. Boyd   
Senior Staff Counsel

FOR: November 21, 2019, Board of Retirement Meeting

**SUBJECT: Response to Board of Retirement Questions**

**INTRODUCTION**

Recently, while presenting to the Disability Procedures and Services Committee, Board members posed some questions wherein I provided a response but also indicated I would follow up with some confirmation. The purpose of this memo is to provide the Board with the promised confirmation.

**QUESTIONS**

**1. Is Board of Retirement able to delegate approval of the consent disability applications to staff?**

No. Government Code section 31725 states: "Permanent incapacity for the performance of duty *shall in all cases be determined by the board.*" (Emphasis added). Though Section 31522.1 allows for the Board to appoint administrative and clerical staff to accomplish the necessary work of the Board, Section 31725 mandates that the determination of incapacity be determined by the Board.

This same principle is followed during the appeal process. Section 31533 allows for the Board of Retirement to appoint a referee to conduct a hearing. However, the referee provides a *proposed* findings of fact and recommended decision. The Board then must decide either to adopt the proposed recommendation as its own or, after reviewing the evidence, issue its own decision.

**2. Can a retired member who returns as a County employee under the exceptions of Government Code section 7522.56 (120 days per year), file a new workers' compensation claim for any injuries, and can they reopen a claim already filed?**

Yes. Government Code section 7522.56 addresses pension service credit and permits retired members who meet the exception requirements to be *employed* by the County. Section 7522.56 does not limit any benefits

payable under Labor Code section 3700 which requires the County to provide worker compensation coverage and pay the appropriate benefits for its injured employees, whether they are temporary, part-time, or full time.

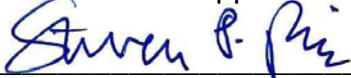
**3. If someone is found no longer disabled under Government Code section 31730, will they also lose the 100% survivor benefit in addition to their tax benefit?**

Yes. The 100% survivor benefit is paid pursuant to Government Code section 31786 which states the following in pertinent part:

Upon the death of *any member after retirement for service-connected disability*, his or her retirement allowance as it was at his or death if not modified in accordance with one of the optional settlements specified in Article II (commencing with Section 31760), shall be continued throughout life to his or her surviving spouse. . . (Emphasis added).

If a member has been found no longer disabled under Government Code section 31730, the surviving spouse would not be eligible for the 100% continuance under Section 31786 because the member was not receiving a service-connected disability benefit at the time of death.

Reviewed and approved.



---

Steven P. Rice, Chief Counsel

FJB: jm



**FOR INFORMATION ONLY**

November 5, 2019

TO: Each Member  
Board of Retirement

FROM: Francis J. Boyd,   
Senior Staff Counsel

FOR: November 21, 2019, Board of Retirement Meeting

**SUBJECT: LABOR CODE SECTION 3212.15: WORKERS' COMPENSATION  
POST-TRAUMATIC STRESS DISORDER PRESUMPTION  
(Effective January 1, 2020 to January 1, 2025)**

**INTRODUCTION**

Recently, the California legislature enacted Labor Code section 3212.15, a post-traumatic stress disorder presumption for firefighting members and peace officers that is only applicable to workers' compensation claims. ***This presumption does not apply to disability-retirement claims under Government Code section 31720.*** The law has a five-year sunset—effective January 1, 2020, and repealed January 1, 2025. The purpose of this memorandum is to inform and explain the presumption to the Board of Retirement. A copy of the statute is attached.

**APPLICATION OF THE PRESUMPTION**

The presumption under Labor Code section 3212.15 is applied to eligible members whose injury includes "post-traumatic stress disorder," as diagnosed according to the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders published by the American Psychiatric Association." The presumption only speaks to causation. The following is an outline of the presumption.

**A. Eligible Members:**

1. Active firefighting members, whether volunteers, partly paid, or fully paid of all the following fire departments:
  - City, county, city and county, district, or other public or municipal corporation or political subdivision fire departments.
  - University of California and California State University fire departments.
  - The Department of Forestry and Fire Protection.
  - A county forestry or firefighting department or unit.

2. Active firefighting members of a fire department that serves a United States Department of Defense installation and who are certified by the Department of Defense as meeting its standards for firefighters.
3. Active firefighting members of a fire department that serves a National Aeronautics and Space Administration installation and who adhere to training standards.
4. Peace officers as defined in Penal Code sections 830.1; 830.2 (a), (b) and (c); 830.32; 830.37 (a) and (b); 830.5; and 830.55. **Peace officer must be primarily engaged in active law enforcement activities.**
5. Fire and rescue services coordinators (coordinator, senior coordinator, or chief coordinator job classifications) who work for the Office of Emergency Services.

**B. Length of Service:**

Member must have "performed services for the department or unit for at least six months. The six months of employment need not be continuous." The six-month of service rule does not apply "if the injury is caused by a sudden and extraordinary employment condition."

**C. In-service Injury:**

The injury must occur while in service and include "'post-traumatic stress disorder,' as diagnosed according to the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders published by the American Psychiatric Association."

**D. Effect of the Presumption:**

An injury that includes post-traumatic stress disorder is presumed to arise out of and in the course of employment. Compensation shall include full hospital, surgical, medical treatment, disability indemnity, and death benefits.

**E. Presumption is Rebuttable:**

"This presumption is disputable and may be controverted by other evidence."

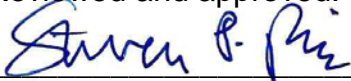
**F. Presumption Extension:**

The presumption shall be extended to a member following termination of service for a period of three calendar months for each full year of the requisite service, but not to exceed 60 months, commencing with the last date actually worked in the specified capacity.

### **CONCLUSION**

Though Labor Code section 3212.15 is not applicable to disability-retirement law under the Government Code, it is likely that your Board will see references to it in the workers' compensation medical records that are reviewed by LACERA's panel physicians. For this reason, I believe that it is important for Board members to understand how the law is applied in the workers' compensation arena.

Reviewed and approved.



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Steven P. Rice, Chief Counsel

Attachment

FJB: jm

## Cal Lab Code § 3212.15

Deering's California Codes are current through Chapters 1-70, 72-185, 187-196, 198-213, 215, 217-223, 225-260, 262-273, 275-285, 293-303, 305-309, 311-323, 325-328, 330-334, 336-347, 349-364, 366-368, 372-384, 386-395, 397, 398, 400-413, 415-426, 428-433, 435-443, 445-453, 455, 457-464, 466, 468, 470, 471, 473-476, 478-480, 482-485, 487-491, 493, 494, 496, 498-500, 502-509, 511, 512, 514-529, 532-535, 539-542, 545-551, 559-561, 569, 573-599, 602-607, 612-624, 626-636, 638, 643-646, 651, 655-658, 660-662, 666-668, 670-675, 679, 681-688, 694-700, 702-706, 708-721, 725-729, 731-736, 738-746, 753-756, 758-765, 767-770, 772-776, 778-781, 783-795, 797-803, 817-821, 823-828, 830-833, 845-849, 851-856, and 860 of the 2019 Regular Session, including all legislation effective September 26, 2019 or earlier.

**Deering's California Codes Annotated > LABOR CODE (§§ 1 — 12001) > Division 4 Workers' Compensation and Insurance (Pts. 1 — 4) > Part 1 Scope and Operation (Chs. 1 — 11) > Chapter 1 General Provisions (§§ 3200 — 3219)**

### **§ 3212.15. Firefighting training standards; Compensation for injuries [Effective January 1, 2020; Effective until January 1, 2025; Repealed effective January 1, 2025]**

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(a) This section applies to all of the following:

(1) Active firefighting members, whether volunteers, partly paid, or fully paid, of all of the following fire departments:

(A) A fire department of a city, county, city and county, district, or other public or municipal corporation or political subdivision.

(B) A fire department of the University of California and the California State University.

(C) The Department of Forestry and Fire Protection.

(D) A county forestry or firefighting department or unit.

(2) Active firefighting members of a fire department that serves a United States Department of Defense installation and who are certified by the Department of Defense as meeting its standards for firefighters.

(3) Active firefighting members of a fire department that serves a National Aeronautics and Space Administration installation and who adhere to training standards established in accordance with Article 4 (commencing with Section 13155) of Chapter 1 of Part 2 of Division 12 of the Health and Safety Code.

(4) Peace officers, as defined in Section 830.1, subdivisions (a), (b), and (c) of Section 830.2 Section 830.32, subdivisions (a) and (b) of Section 830.37 and Sections 830.5 and 830.55 of the Penal Code, who are primarily engaged in active law enforcement activities.

(5)

(A) Fire and rescue services coordinators who work for the Office of Emergency Services.

(B) For purposes of this paragraph, "fire and rescue services coordinators" means coordinators with any of the following job classifications: coordinator, senior coordinator, or chief coordinator.

(b) In the case of a person described in subdivision (a), the term "injury," as used in this division, includes "post-traumatic stress disorder," as diagnosed according to the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders published by the American Psychiatric Association and that develops or manifests

## Cal Lab Code § 3212.15

itself during a period in which any member described in subdivision (a) is in the service of the department or unit.

(c) For an injury that is diagnosed as specified in subdivision (b):

(1) The compensation that is awarded shall include full hospital, surgical, medical treatment, disability indemnity, and death benefits, as provided by this division.

(2) The injury so developing or manifesting itself in these cases shall be presumed to arise out of and in the course of the employment. This presumption is disputable and may be controverted by other evidence, but unless so controverted, the appeals board is bound to find in accordance with the presumption. This presumption shall be extended to a member following termination of service for a period of 3 calendar months for each full year of the requisite service, but not to exceed 60 months in any circumstance, commencing with the last date actually worked in the specified capacity.

(d) Compensation shall not be paid pursuant to this section for a claim of injury unless the member has performed services for the department or unit for at least six months. The six months of employment need not be continuous. This subdivision does not apply if the injury is caused by a sudden and extraordinary employment condition.

(e) This section applies to injuries occurring on or after January 1, 2020.

(f) This section shall remain in effect only until January 1, 2025, and as of that date is repealed.

## History

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Added Stats 2019 ch 390 § 2 (SB 542), effective January 1, 2020, repealed January 1, 2025.

### Annotations

## Notes

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### Note—

Stats 2019 ch 390 provides:

SECTION 1. The Legislature finds and declares all of the following:

(a) Firefighting and law enforcement are recognized as two of the most stressful occupations. Only our nation's combat soldiers endure more stress. Similar to military personnel, California's firefighters and law enforcement personnel face unique and uniquely dangerous risks in their sworn mission to keep the public safe. They rely on each other for survival while placing their lives on the line every day to protect the communities they serve.

(b) On any given shift, firefighters and law enforcement personnel can be called on to make life and death decisions, witness a young child dying with their grief-stricken family, or be exposed to a myriad of communicable diseases and known carcinogens. Firefighters and law enforcement personnel are constantly at significant risk of bodily harm or physical assault while they perform their duties.

(c) Constant, cumulative exposure to these horrific events make firefighters and law enforcement personnel uniquely susceptible to the emotional and behavioral impacts of job-related stressors. This is especially evident given that the nature of the job often calls for lengthy separation from their families due to a long shift or wildfire strike team response.

## Cal Lab Code § 3212.15

(d) While the cumulative impacts of these aggressive, deadly events are taking their toll, our firefighters and law enforcement officers continue to stand up to human-caused devastation and nature's fury, but they are physically and emotionally exhausted.

(e) Trauma-related injuries can become overwhelming and manifest in post-traumatic stress, which may result in substance use disorders and even, tragically, suicide. The fire service is four times more likely to experience a suicide than a work-related death in the line of duty in any year.

(f) It is imperative for society to recognize occupational injuries related to post-traumatic stress can be severe, and to encourage peace officers, firefighters, and any other workers suffering from those occupational injuries to promptly seek diagnosis and treatment without stigma. This includes recognizing that severe psychological injury as a result of trauma is not "disordered," but is a normal and natural human response to trauma, the negative effects of which can be ameliorated through diagnosis and effective treatment.

## **Research References & Practice Aids**

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### **Hierarchy Notes:**

Cal Lab Code Div. 4

Cal Lab Code Div. 4 Pt. 1 Ch. 1

Deering's California Codes Annotated  
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End of Document

**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  
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