

LIVE VIRTUAL COMMITTEE MEETING

*The Committee meeting will be held following the Board of Retirement meeting scheduled prior.



TO VIEW VIA WEB



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You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

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LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

**300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101**

WEDNESDAY, DECEMBER 2, 2020 - 9:00 A.M.**

This meeting will be conducted by the Operations Oversight Committee by teleconference under the Governor's Executive Order N-29-20.

Any person may view the meeting online at
https://members.lacera.com/lmpublic/live_stream.xhtml

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

COMMITTEE MEMBERS:

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

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of November 4, 2020

II. PUBLIC COMMENT

(You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

III. REPORTS

- A. LACERA Operations Briefing
JJ Popowich, Assistant Executive Officer
- B. LACERA Agency Transmittals
Laura Delgado, Process Management Group

IV. ITEMS FOR STAFF REVIEW

V. GOOD OF THE ORDER

(For information purposes only)

VI. 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)

Number of Cases: Unknown regarding Reciprocal Disability and
Disability Reversal Issues

VII. ADJOURNMENT

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

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

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

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, NOVEMBER 4, 2020, 12:22 P.M. – 12:31 P.M.

This meeting was conducted by the Operations Oversight Committee by teleconference under the Governor's Executive Order No. N-29-20.

COMMITTEE MEMBERS

PRESENT: Thomas Walsh, Chair
Shawn R. Kehoe
Wayne Moore
Vivian H. Gray, Alternate

ABSENT: Herman B. Santos, Vice Chair

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

JP Harris
Ronald Okum
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel

The meeting was called to order by Chair Walsh at 12:22 p.m. In the absence of Mr. Santos, the Chair announced that Ms. Gray, as the alternate, would be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of October 7, 2020

Ms. Gray made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of October 7, 2020. The motion passed unanimously.

II. PUBLIC COMMENT

III. REPORTS

A. LACERA Operations Briefing
JJ Popowich

Mr. Popowich presented the monthly briefing on LACERA's operations, including the status of the Strategic Plan Goals and Operations Improvement Initiatives, progress on the "100-Day Management Report," and an update on other projects.

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

B. Privacy Incident: Personally Identifiable Information
JJ Popowich, Assistant Executive Officer
(Supporting Memo and Attachments Exempt from Public Disclosure Under Government Code Sections 6254(c), (k), and 54957.5(a))

Mr. Popowich provided an incident review and action plan to prevent similar occurrences involving personally identifiable information.

IV. ITEMS FOR STAFF REVIEW

There was nothing to report.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT


The meeting adjourned at 12:31 p.m.

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

FOR INFORMATION ONLY

November 23, 2020

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

FROM: JJ Popowich, Assistant Executive Officer 

FOR: December 2, 2020 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff activities, updates on goals, and discuss opportunities and/or concerns, including the status of our Strategic Plan Goals and Operations Improvement initiatives. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive Operations Oversight Committee (OOC) presentation. The report is broken down into three main sections: Update on Current Strategic Plan Goals, Update on Other Projects, and updates on our progress meeting the goals and recommendations called for under the CEO's "100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments."

Update on Our Focus on Strategic Plan Goals and Operations Improvement

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

- **Case Management Capabilities:** There are no new updates for this plan. The Case Management project addresses several similar current Strategic Plan goals (Disability Retirement Services – Case Management system, Disability Litigation's Administrative Hearing Process, Legal's Writ Management Process, and Benefits and Member Services' Job Ticket system). Since the OOC presentation in October 2019, staff have been reviewing technical requirements and evaluating integration methods. A preliminary set of business requirements was developed and the team will be reconvening soon to further refine the business requirements and advance

other tasks related to this project. A funding request has been included in the mid-year budget adjustment to help move this project forward.

- **LACERA.com Redesign:** Communications and subject matter experts throughout LACERA have nearly completed their review of all of the revised content that we have created for the new site. They have spent the last several months completely updating the content to make sure it is completely up to date and explained in a manner that is clear and easily understood by our members.

Last month I reported that we were working with Systems to train on the new content management software, Drupel, and that we would have an updated project plan by November. Based on discussions with the Communications team, we are still on track to have an updated project plan by the end of this month. The team is currently moving content into the new software and has almost finished filling out the content for the “About” section of the website. Once the team has completed this first process they will have a better idea of how long it takes to move data into the software. This will provide them with insight needed to estimate how long it will take to complete this phase of the project and, ultimately, set the date for launching the updated website.

- **Retirement Estimate Redesign Project:** The new Retirement Application and Summary is on hold pending the re-opening of the Member Service Center (MSC). Once the MSC has been re-opened, we will review our project timeline and set a date to begin beta testing the new form.

In the meantime, we have completed and started to use the new Pre-Retirement Guide that this team worked to complete.

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

- **PEPRA Implementation:** This Workgroup continues reviewing all the progress made to date on the implementation of the Public Employees’ Pension Reform Act of 2013 and subsequent updates to the act passed since then. The Workgroup’s main focus is on efforts by the Auditor-Controller’s office to address the issue with the County payroll codes. As you may recall, for LACERA to readily assess what portion of an employee’s total compensation is pensionable or not, the payroll code 099 must be made more transparent so it is easier to identify the pay codes that are embedded in this code.

Last month we reported the Auditor-Controller completed their programming of the County's payroll system so that it would provide the non-pensionable portion of the payroll code 099. This programming allows LACERA to systematically remove non-pensionable amounts from the pensionable amount. Initial testing was completed by Systems and turned over to Quality Assurance (QA) for additional testing of the Systems programming. QA has completed their first round of testing and provided feedback to Systems for additional programming. QA anticipates being able to complete testing by December 5, 2020.

However, while initial testing is complete, QA has raised a number of calculation related questions that will need to be addressed before we can release the programing to production. QA is working with the Process Management Group (PMG) to provide the Executive and Legal Offices with an overview of their findings and a request for clarification on the outstanding questions. At this time we do not know the impact on the timeline to release the update into production.

Unfortunately, this will impact our annual March Madness season. It has been seven years since PEPPRA was passed and we are seeing a steady increase in PEPPRA member requests for retirement estimates and elections. Each of these must be processed manually, which can take anywhere from four hours to more than a day to complete, as each payroll period must be reviewed and adjusted to ensure only pensionable pay items are included in the Final Average Compensation (FAC). This could mean some delays paying members if we see a significant number of PEPPRA retirement elections. The Member Services Operations Group will continue to monitor the situation and take whatever proactive steps we can to mitigate any impacts on our members.

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

Update Progress on the "100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments"

This section will discuss some of the efforts in place to move forward on the recommendations in the 100-Day report. It may not address all progress, but will focus on certain goals being worked on at the time.

- **Business Metrics:** The 100-Day report points out the need to move LACERA towards a metrics and data driven management process. It is the recognition that we need to be able to collect and review data and metrics in order to make informed business decisions designed to improve our operations and deliver on our promises to our members.

The Process Management Group (PMG) continues to refine business metrics for use across the Member Services Operations Group. Last month we reported the team working on this project produced a prototype dashboard and presented it to the Executive Office for review and input. The Executive Office met with the team and provided input and direction on adjusting the report. We are very pleased with the progress in this area. The team is completing the adjustments and will reconvene in early December. Additionally, the team met with Systems and is in the process of securing access to a business analytics software that will enhance their ability to provide better metric reports.

As reported previously, once we have some of the remaining refinements for version 1.0 of our Benefits Metrics program we will schedule a briefing for the Operations Oversight Committee. We estimate this will occur in the second quarter of this Fiscal Year.

Update on Other Projects

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

- **Business Continuity:** LACERA's Business Continuity Team (BCT) leads the update and completion process for the Business Continuity Plan (BCP). Over the past year a concerted effort has been put forth to assure that LACERA has an established BCP in place in the event of a crisis. The BCT and Systems met with our business continuity consultant this month to begin actually planning the joint table top exercise. This meeting allowed our consultant to understand the parameters that Systems will be testing and how they have their test laid out. They will use this data to craft a scenario that allows LACERA to go through a simulated event up until the point a decision is made to activate the Disaster Recovery plan and the coordination with Systems on launching that step.

The team continues to evaluate and discuss our plans beyond this joint table top exercise. Currently, we are considering engaging a consultant on an on-going basis to help us design, implement, and evaluate future table top exercises and tests, as well as to keep LACERA abreast of the most current best practices in this area.

- **Retroactive Salary Projects:** Retroactive Salary adjustment projects continue to be a concerning trend that leads to an increased work load for LACERA's Benefits Division and confusion for our members. The County's payroll system was programmed in 2014 to collect contributions on retroactive salary adjustments for active members. However, for a variety of reasons, not all retroactive salary adjustments are processed in a manner that the system can recognize it as a retroactive adjustment and collect contributions. Additionally, the program changes did not account for retroactive salaries paid to retired or deferred members. In these instances, LACERA has to manually review and process these changes.

Our focus remains on completing the adjustments for Commissioners impacted by the Mallano v. Chiang case. However, we need to correct some of the information we provided in the October briefing. In that briefing we reported that that working together Benefits and Quality Assurance analyzed approximately 190 members in this population and identified 24 members who needed adjustments. Benefits completed 20 of the 24 cases. These figures were representative of the Plan E members. The team also identified an additional 86 cases where contributory members were also impacted. The team will be addressing these cases across the next two months with the goal of completing them by the end of January 2021. This is the plan, however, we do need to add the caveat that the upcoming March Madness period may necessitate reassigning staff to work retirement elections.

We are still waiting for the Fire Department to complete updating member records with their retroactive salary adjustments.

As we reported previously, we also sent out notices in January to members in the Los Angeles County Fire Department to let them know that we will be processing any retroactive salary adjustments made by the Department once the department has completed updating the member's records. The team determined it is preferable to wait until all adjustments have been made to a member's account before we begin determining the impact. In addition to being more efficient, since we will only have to calculate the impact of the adjustments one time, it will also help to avoid having to send multiple letters to members about the adjustments. Staff contacted the department in early August and they were still processing changes. Benefits and the Executive Office will be reaching out to the Fire

Department to see what can be done to expedite this process. We are concerned that continued delays will cause additional problems as underpaid contributions (retroactive adjustments) include interest costs.

- **Member Demographic Information:** There is no new update on this project at this time. Our Systems Division is working with the Auditor Controller to secure that data in future data feeds. This process is expected to take 2-3 months and will include the Auditor-Controller making changes to the data they send LACERA and LACERA's Systems modifying our internal systems to store the data once we receive it. We will keep the Committee updated on our progress.
- **Telecommuting Policy:** A Workgroup consisting of the Executive Office, Human Resources, and Systems is in the final stages of completing a draft policy for the CEO to review.

Attachments:

Public Records Request Update

Report of Felony Forfeiture Cases Processed

DATE RECEIVED	REQUESTER	DOCS REQUESTED
09-18-20	G. Sanchez, Trustee	<p>Requested information regarding procedures or policies which would apply to the sale process. Also requested information for all real estate sales in the past ten years organized by manager.</p> <p><i>Responsive comments, to follow-up questions on comments from Trustee sent via emails on September 18, 2020; September 23, 2020; and October 19, 2020.</i></p> <p><i>Transmitted, on November 13, 2020, via mail 10 responsive documents.</i></p>
10-15-20	D. Gregory, Public Plan IQ	<p>Requested copy of the Meketa Fund Evaluation Report for Quarter End September 30, 2017.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on October 20, 2020, via email: 3Q2017_LACERA FINAL.pdf</i></p>
10-19-20	M. Hicken, CNN	<p>Requested information regarding pensions being paid to police officers convicted of crimes.</p> <p><i>Transmitted, on October 20, 2020, first response to Requester stating requested information sent to Systems.</i></p> <p><i>Responsive information will be sent once information is received.</i></p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on October 28, 2020, encrypted document via email: CNN Inquiry – LA County Pension Data – Oct 2020.xlsx</i></p> <p><i>Transmitted, on November 10, 2020, responsive comment, to Requester's follow-up questions of October 28, 2020.</i></p>
10-20-20	E. Paloma, HIS Markit	<p>Requested recent and complete portfolio of your pension fund. Specifically, we require the CUSIP (or other identifiers).</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on October 28, 2020, via email: Fixed Income holdings report titled 093020A.xlsx</i></p>
11-04-20	V. Alvarez, HR, LA County	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on November 4, 2020, via email: Board of Retirement Meeting of November 4, 2020, Benefit Approval List.pdf</i></p>
11-04-20	S. Ayers, Tristar Group	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on November 4, 2020, via email: Board of Retirement Meeting of November 4, 2020, Benefit Approval List.pdf.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-04-20	J. Hammond	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on November 4, 2020, via email: Board of Retirement Meeting of November 4, 2020, Benefit Approval List.pdf</i></p>
11-04-20	LA Sheriffs Dept.	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on November 4, 2020, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated November 4, 2020</i></p>
11-05-20	J. Mitchell, Buyouts Insider	<p>Did proposal advance to full Board for the next meeting regarding Equity: Public/Private presentation about making some changes to the private equity program?</p> <p><i>Transmitted, on November 6, 2020, responsive comment shown below:</i> <i>Yes, the Committee approved the item to advance.</i></p>
11-06-20	J. Kelly, BOI, Eighth Member Elect	<p>Requested audio/video tape or download link of all LACERA Board and Committee meetings from October 1 to today, and then through the end of the calendar year</p> <p><i>Transmitted, on October 10, 2020, email providing recording links to obtain Information requested. Also Provided Access Pass Codes and dates of various LACERA Board and Committee meetings.</i></p>
11-06-20	A. Mosian, Individual	<p>Requested 2020 holdings information available after the August Board meeting.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent, on November 6, 2020, via email:</i> <i>Total Fund Performance Book 2Q2020.pdf and FI Holdings document titled 093020A.xlsx.</i></p>
11-10-20	J. Gray, Pitchbook	<p>Requested updated quarterly performance data from your plan's alternative asset holdings for the following date 3Q 2020.</p> <p><i>Responsive comment, shown below transmitted on November 12, 2020:</i></p> <p><i>LACERA has restructured Board reporting. Staff now reports total fund performance Quarterly, with a lag to collect the data. I have attached Q2 2020 Performance Book for your reference. The Q3 2020 Performance Book should be available after the December 2020 Board of Investments Meeting.</i></p> <p><i>The Board memos mentioned in Items 16 are available at the link shown below:</i> https://www.lacera.com/archives/archivesBoards/archived_agenda_pkgs.html.</p> <p><i>Regarding item 17, the due diligence materials you requested are exempt under CA Government Code Section 6254.26 (1).</i></p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent, on November 12, 2020, via email:</i> <i>Total Fund Performance Book 2Q2020.pdf.</i></p>

Report of Felony Forfeiture Cases Processed November 23, 2020

[illegible]

FOR INFORMATION ONLY

November 18, 2020

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

FROM: Laura Delgado
 Process Management Group

FOR: December 2, 2020, Operations Oversight Committee Meeting

SUBJECT: **LACERA Agency Transmittals**

Executive Summary

LACERA is committed to providing quality and timely service to our members, non-members, and partner agencies. The COVID-19 pandemic has challenged us to look at our operations in a different light as we have discovered how processes, abilities, and methods we relied upon in the past were no longer reliable, or presented considerable risks. Old tried and true methods of providing service to our members and business partners are no longer viable options. Challenges to efficiencies that we knew existed suddenly became serious barriers to providing services in a safe and timely manner.

One of the lessons of the COVID-19 pandemic is our need to find ways to reduce our reliance on paper processes, including the physical mailing of documents and checks. Both processes are labor intensive and, more importantly, pose a risk to staff members who have to physically work in the offices during pandemic events. We are taking a close look at several processes that rely on physically mailing documents in an effort to move towards a more efficient, flexible, and secure paperless process.

This memo addresses the Agency Check Payment Process; one of the monthly, labor intensive, physical monthly processes that proved to be both risky and difficult in the COVID-19 pandemic. The Process Management Group (PMG) recently reviewed the process, documenting every step, and developing a process manual for the existing protocols. During this review, the team identified several areas for improvement, including an opportunity to strengthen our business continuity planning, reduce the risk to staff who must come into the office daily to process the work, standardize the process among agencies, and improve the security of the process by eliminating paper checks and securely electronically delivering reports that may contain sensitive member information.

Background

Every month, our contracted check-printing vendor sends warrants for non-members to LACERA via FedEx. Once the checks arrive, LACERA staff have no more than two business days to sort the checks by recipient type, match them to the corresponding agency reports, and send both the check and the reports to the recipients via FedEx or Certified US Mail.

The reports which accompany the checks list the member/payees making a deposit or payment to that agency, includes their identifying information, and the amount to be applied to each of their respective accounts. Both the reports and the checks need to remain together for the agency to properly credit each account.

Findings and Impacts from the Review

PMG noted that the COVID-19 pandemic demonstrated this as a major risk for LACERA in its ability to meet the commitment to pay the promised benefit on time. These agency checks represent required and voluntary deductions from member monthly benefit payments.

To understand the risks we will re-cap the process. The monthly payment process begins with the checks being mailed to LACERA by our check-printing vendor in Texas. These checks are received by our Document Processing Center (DPC).

DPC is one of the critical functions that is most at risk due to the pandemic because it requires the staff to physically come into the office. As a precaution measure, early in our pandemic response, the DPC was split into two work teams that alternate on the Red/Blue weekly schedules to protect staff members and to ensure business continuity should one team be impacted by the virus. However, even this protective measure has not been able to mitigate the impacts of the virus on operations. At the time this memo is being written, one of the DPC teams has been required to quarantine for 14 days due to a COVID-19 exposure incident. The second team was asked to remain home for a day, due to a second non-related incident, while we cleaned the office and completed contact tracing to determine whether this team would also be required to remain quarantined for 14 days (fortunately, they will not). This was the second time this team was unable to work in the office due to COVID-19.

From the DPC, the checks are transferred to the Benefits Account Maintenance Unit (AMU). The AMU processes all member account maintenance requests including address, beneficiary, tax election, and direct deposit changes, among other member requests – all of which can be completed while teleworking. However, the agency check process requires the team to come into the office and work closely together once a month. A COVID-19 incident in this team could severely impact our ability to timely issue these checks and corresponding reports on time.

Several years ago, LACERA changed our delivery process for the agency checks and reports to improve the security of the delivery process. All packages are now delivered by FedEx or Certified US Mail, depending on the agency. This change was made to help improve verification of delivery due to problems with some agencies claiming not to receive the packages or losing the packages internally once delivered. However, due to the pandemic, FedEx no longer obtains signatures upon delivery, once again placing packages at risk of being lost or stolen.

In addition to the above COVID-19 related challenges, we have seen an increase in delivery times for the checks and reports. The one to two day delivery times has doubled. Whether the delay occurs at the beginning of the process or in the delivery process to our partners, it causes unacceptable delays in payment to our members and other payees.

In recent years we have also experienced a number of non-COVID-19 challenges as well. Among these challenges are:

- *Check Printing Vendor Problems*: In one instance, the checks were printed with an invalid signature (they used the signature of a past Trustee who served as Secretary for the Board of Retirement). As a result, the vendor had to re-print the checks, causing an unacceptable delay in delivery to our partner agencies and payees. In another instance the checks printed with the routing number and account numbers below the perforation line, which rendered the checks sent to our business partners uncashable. Earlier this year, a hurricane caused a delay in the delivery of the checks to LACERA – once again causing delays in getting the checks to our partners, payees, and members.
- *Agency Related Problems*: We have also experienced challenges with the agency recipients who process our payments and credit payee accounts due to the physical check/report process. Agencies have relocated without notifying us – causing LACERA to send the checks and reports to an invalid address. This is an unacceptable risk as the checks could have been lost or stolen. Payees also experienced delays in payment when the agencies have closed their offices early without notice. On multiple occasions, our checks and the corresponding reports detailing the allocation of payments were separated or lost by the agencies. As a result, agencies contact LACERA requesting a second duplicate (hard copy) report. For the larger agencies, the reports can be hundreds of pages in volume. Continuing to maintain a manual process is labor intensive, especially for the larger agencies (and also increasingly challenging during the pandemic as well).

The Process Management Group has determined, and management agrees, that the current process does not ensure the safe and efficient delivery of physical checks to non-members and partner agencies. After considering these circumstances, as well as the \$10,000 annual shipping costs, we strongly believe it would be prudent to implement a new and more secure electronic delivery method.

Transition Plan

LACERA has made progress with a few agencies over the years to transition both the payment and the corresponding reports to secure electronic delivery methods. However, we have never required our business partners to switch to electronic payment and delivery of reports. Our goal now is to transition agencies to electronic payment and provide the corresponding reports via a secure encrypted methodology by spring 2021.

The PMG will partner with our Communications team to inform and educate the agencies regarding our change in process and the benefits of transitioning them to electronic payments and reports. We will begin by mailing an official notification to each agency advising them that LACERA is moving them to an electronic payment method beginning with the April 2021 payment. They will have 90 days to respond with the information required to move forward. If the agency does not respond within 90 days, LACERA will reach out to the agency contact to discuss the benefits of receiving electronic payment and encrypted reports. This gives us the opportunity to answer any outstanding questions they may have and help ready them for enrollment in the program.

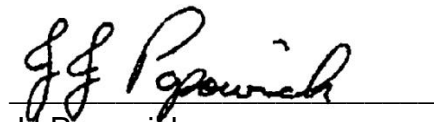
If the agency wishes to continue receiving a physical warrant, PMG will refer the issue to the Executive Office, who will discuss our ability to continue to support the agency.

Conclusion

The current process presents a risk to LACERA's ability to meet its commitments to members and our partner agencies in a pandemic or similar event that presents restrictive access to our Gateway offices. Additionally, the process is labor intensive and inefficient. Finally, LACERA estimates we can realize a \$10,000 cost reduction by changing the process.

Most importantly, our goal to transition non-member payees to an electronic form of payment will ensure non-members and partner agencies receive payments securely, timely, and reliably.

Reviewed and approved:


JJ Popowich

Assistant Executive Officer

C: Santos H. Kreimann
Steven Rice
JJ Popowich
Bernie Buenaflor
Carlos Barrios
Richard Bendall
W. Louis Gittens

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

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