

IN PERSON & VIRTUAL BOARD MEETING

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



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

Attention: If you have any questions, you may email PublicComment@lacera.com. If you would like to make a public comment during the committee meeting, review the [Public Comment instructions](#).

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

AGENDA

A REGULAR MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE AND BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., WEDNESDAY, DECEMBER 6, 2023**

This meeting will be conducted by the Operations Oversight Committee and Board of Retirement both in person and by teleconference under California Government Code Sections 54953(f).

Any person may view the meeting in person at LACERA's offices or online at <https://LACERA.com/leadership/board-meetings>.

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

COMMITTEE TRUSTEES:

Alan Bernstein, Chair
Herman B. Santos, Vice Chair
Keith Knox, Trustee
Antonio Sanchez, Trustee
Jason Green, Alternate Trustee

- I. CALL TO ORDER
- II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)
 - A. Just Cause
 - B. Action on Emergency Circumstance Requests
 - C. Statement of Persons Present at AB 2449 Teleconference Locations

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Regular Meeting of November 1, 2023

IV. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit <https://LACERA.com/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment request will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.com.)

V. NON-CONSENT ITEMS

A. **Ethics and Compliance Program Charter**

Recommendation as submitted by Steven P. Rice, Chief Counsel, and Allison E. Barrett, Senior Staff Counsel: That the Committee (1) provide input on the proposed Ethics and Compliance Program Charter, which is a goal of the Board of Retirement's approved Strategic Plan; and (2) recommend that the Board forward the Charter to the Joint Organizational Governance Committee for further consideration and recommendation. (Presentation) (Memo dated November 28, 2023)

B. **Proposed Changes to Board of Retirement Policy for Recovery Of Member Overpayments and Underpayments**

Recommendation as submitted by JJ Popowich, Assistant Executive Officer and Michael D. Herrera, Senior Staff Counsel: That the Committee recommend the Board of Retirement approve and adopt the changes to its Policy for Recovery of Member Overpayments and Underpayments as discussed in the memo and set forth in Exhibit B. (Memo dated November 22, 2023)

VI. REPORTS

A. **LACERA Operations Briefing**

Luis A. Lugo, Deputy Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Laura Guglielmo, Assistant Executive Officer
(For Information Only)

B. **FY2022-23 Annual Financial Statement Review**

Ted Granger, Interim Chief Financial Officer
(For Information Only) (Memo dated November 27, 2023)

VII. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

VIII. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

IX. GOOD OF THE ORDER

(For Information Purposes Only)

X. EXECUTIVE SESSION

A. **Potential Threats to Public Services or Facilities**

(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: LACERA Chief Executive Officer Santos H. Kreimann, Deputy Chief Executive Officer Luis Lugo, Assistant Executive Officers JJ Popowich and Laura Guglielmo, Chief, Information Technology Kathy Delino, Information Security Officer Chaitanya Errande, Benefits Division Manager, Louis Gittens, and Other LACERA Staff.

XI. 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 *and will also be posted on lacera.com at the same time, [Board Meetings | LACERA](#).*

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 REGULAR MEETING OF THE OPERATIONS OVERSIGHT
COMMITTEE AND BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

1:04 P.M. – 1:52 P.M., WEDNESDAY, NOVEMBER 1, 2023

This meeting was conducted by the Operations Oversight
Committee both in person and by teleconference under California
Government Code Section 54953(f)

COMMITTEE TRUSTEES

PRESENT: Alan Bernstein, Chair (In-Person)
Herman B. Santos, Vice Chair (In-Person)
Jason E. Green, Alternate Trustee (In-Person)

ABSENT: Keith Knox, Trustee
Antonio Sanchez, Trustee

OTHER BOARD OF RETIREMENT TRUSTEES

Elizabeth Ginsberg, Alternate Ex-Officio (In-Person)
Vivian H. Gray, Trustee (In-Person)
JP Harris, Trustee (In-Person)

STAFF, ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Chaitanya Errande, Information Security Officer

Kathy Delino, Chief, Information Technology

Bernie Buenaflor, Chief, Quality Assurance & Metrics

Roberta Van Nortrick, Interim Division Manager,
Administrative Services

James Beasley, Supervising Administrative Assistant II,
Administrative Services

Michael A. Herrera, MHA Consulting, Inc.

I. CALL TO ORDER

This meeting was called to order by Chair Bernstein at 1:04 p.m. Due to the absence of Trustees Knox and Sanchez, the Chair announced that Trustee Green, as the alternate, would be a voting member of the Committee.

II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)

- A. Just Cause
- B. Action on Emergency Circumstance Requests
- C. Statement of Persons Present at AB 2449 Teleconference Locations

There were no requests received.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of October 5, 2023

Trustee Santos made a motion, Trustee Green seconded, to approve the minutes of the regular meeting of October 5, 2023. The motion passed by the following roll call vote:

Yes: Santos, Green, Bernstein

No: None

Absent: Knox, Sanchez

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. NON-CONSENT ITEMS

A. **LACERA Policy for Processing Disability Retirement Applications and Appeals Filed by Internal and Internal-Related Applicants**

Recommendation as submitted by Francis J. Boyd, Senior Staff Counsel: That the Committee recommend the Board of Retirement adopt the LACERA Policy for Processing Disability Retirement Applications and Appeals filed by Internal and Internal-Related Applicants. (Memo dated October 20, 2023)

Trustee Bernstein made a motion, Trustee Santos seconded, to approve staff recommendation. The motion passed by the following roll call vote:

Yes: Santos, Green, Bernstein

No: None

Absent: Knox, Sanchez

VI. REPORTS

A. **LACERA Operations Briefing**

Luis A. Lugo, Deputy Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Laura Guglielmo, Assistant Executive Officer
(For Information Only)

The Executive team presented the monthly briefing and was available to answer questions from the Committee. This item was received and filed.

B. **RFI Results for Death Audit Services**

Sylvia Botros, Section Head, Benefits
(For Information Only) (Memo dated October 19, 2023)

This item was received and filed.

C. **Change to LACERA's Pay Stub for Monthly Benefits**

Kevin Hawkins, Process Management Group, Benefits Division
(For Information Only) (Memo dated October 24, 2023)

This item was received and filed.

D. **Annual Quality Assurance Audit Report**

Bernie Buenaflor, Chief, Quality Assurance & Metrics Division
(Presentation) (Memo dated October 20, 2023)

Mr. Buenaflor was available to answer questions from the Committee.
This item was received and filed.

VII. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

There was nothing to report.

VIII. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

There was nothing to report.

IX. GOOD OF THE ORDER

(For Information Purposes Only)

There was nothing to report.

X. EXECUTIVE SESSION

A. **Potential Threats to Public Services or Facilities**

(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: LACERA Chief Executive Officer Santos H. Kreimann, Deputy Chief Executive Officer Luis Lugo, Assistant Executive Officers JJ Popowich and Laura Guglielmo, Chief, Information Technology Kathy Delino, Information Security Officer Chaitanya Errande, and Other LACERA Staff.

There was nothing to report.

B. **Potential Threats to Public Services or Facilities**

(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: LACERA Chief Executive Officer Santos H. Kreimann, Deputy Chief Executive Officer Luis Lugo, Assistant Executive Officers JJ Popowich and Laura Guglielmo, Chief, Information Technology Kathy Delino, Information Security Officer Chaitanya Errande, James Beasley, Supervising Administrative Assistant, Administrative Services, Roberta Van Nortrick, Interim Division Manager, Administrative Services, and Other LACERA Staff.

There was nothing to report.

XI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 1:52 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.**

November 28, 2023

TO: Operations Oversight Committee
Alan Bernstein, Chair
Herman B. Santos, Vice Chair
Antonio Sanchez
Keith Knox
Jason E. Green, Alternate

FROM: Steven P. Rice *SPR*
Chief Counsel
Allison E. Barrett *ABS*
Senior Staff Counsel

FOR: December 6, 2023 Operations Oversight Committee Meeting

SUBJECT: Ethics and Compliance Program Charter

RECOMMENDATION

That the Operations Oversight Committee (1) provide input on the proposed Ethics and Compliance Program Charter, which is a goal of the Board of Retirement's approved Strategic Plan, and (2) recommend that the Board forward the Charter to the Joint Organizational Governance Committee for further consideration and recommendation.

LEGAL AUTHORITY

Establishment of LACERA's Ethics and Compliance Program is one of the goals of the 2023-2028 Board of Retirement Strategic Plan. Ethics and compliance affect the entire organization. Therefore, the authority for the approval of the Ethics and Compliance Program Charter includes several governing bodies.

The Operations Oversight Committee (OOC) has the responsibility to make recommendations that assist "the BOR with its oversight responsibilities with respect to: 1 Enterprise Governance." (Board of Retirement Standing Committee Charters, Section I.) Enterprise Governance is defined to include the responsibility to "Develop a strategic plan for LACERA governance, retirement benefit, administration, financial reporting, auditing and regulatory compliance and make recommendations to the BOR." (Standing Committee Charter, Section I.1.)

The Joint Organizational Governance Committee (JOGC) includes in its scope recommendations to the Board of Retirement and the Board of Investments regarding "Joint Board Policy Development for system-wide policies such as ethics, conflict of interest . . ." outside the reserved authority of each Board. (JOGC Charter, Sections 4, 7.2.)

The Audit Committee Charter was established to:

assist the Boards in fulfilling their fiduciary oversight duties for the:

- A. Internal Audit Activity
- B. Professional Service Provider Activity
- C. Financial Reporting Process
- D. Values and Ethics, and
- E. Organizational Governance
- F. Audit Committee and Internal Audit Budget

(Audit Committee Charter, Section II.)

The Audit Committee's responsibilities include "Organizational Governance," and assessing the adequacy of LACERA's "System of Compliance" by:

- a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.
- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

(Audit Committee Charter, Section VII(E)(4).)

Taking the mandate of each of these committees into account, staff proposes that LACERA's Ethics and Compliance Program first be reviewed by the OOC and the Board of Retirement because the Program is a part of the BOR Strategic Plan. Then, in recognition that creation of the Program is a major organizational initiative, staff proposes that the Program be referred by the Board of Retirement to the JOGC. Staff proposes that the JOGC next refer the Program to the joint Boards, which will be requested to refer it to the Audit Committee. The Audit Committee will then be responsible for giving approval to the Program Charter and recommending to the joint Boards that they approve a revised Audit Committee Charter that will include the Audit Committee's new responsibility for oversight of the Ethics and Compliance Program.

This process will include both Boards and their joint committees in the approval of the Ethics and Compliance Program with respect to their respective areas of authority and oversight. The process will further the ethics and compliance needs of the entire organization, building upon and expanding the existing organizational responsibilities of the Audit Committee (which will be renamed the Audit, Compliance, Risk, and Ethics Committee (ACRE)). This approach is based on the belief that Ethics and Compliance

are most appropriately and effectively addressed at the organizational level, as already provided in the current Audit Committee Charter with respect to Internal Audit.

DISCUSSION

This memo will provide background for the attached proposed Ethics and Compliance Program Charter and presentation.

A. Duty of Oversight of Ethics and Compliance

The Boards have a fiduciary duty of prudence and loyalty under the California Constitution. Cal. Const., art XVI, § 17.

The law supports that the duty of a public company board includes the board's oversight to establish reasonable processes which will allow directors to receive information about compliance concerns and respond to "red flags." *In re Caremark Int'l Inc. Derivative Litigation*, 698 A.2d 959, 970 (Del. Ch. 1996). This duty is described as:

a good faith effort to ensure that: "information and reporting systems exist in the organization that are reasonably designed to provide to senior management and to the board itself timely, accurate information sufficient to allow management and the board, each within its scope, to reach informed judgments concerning both the corporation's compliance with law and its business performance."

In re McDonald's Corporation Stockholder Derivative Litigation, 2021-0324-JTL, at 26-31 (Del. Ch. Jan..26, 2023), quoting *Caremark*, at 970. In *McDonald's*, the court considered the company's system of compliance in the context of claims of inadequate oversight to prevent sexual harassment and misconduct. In *Caremark*, oversight issues were reviewed in connection with consideration of claimed violations of fraud and anti-kickback laws applicable to health care providers.

These cases provide useful precedent in the development of LACERA's Ethics and Compliance Program as a tool to support the LACERA Boards' oversight responsibilities and fiduciary duty.

B. The IIA's Three Lines Model

Staff recommends use of The Institute of Internal Auditor's *Three Lines Model* as a reference point in building LACERA's ethics and compliance program to foster ethical conduct and adherence to laws, regulations, policies, and procedures.

The first and second lines are the means by which management achieves its ethics and compliance objectives. The first line roles are those LACERA employees, units, and divisions that deliver products and services to LACERA's members, work with other stakeholders, and support the day-to-day operation of the fund. Second line roles are

dedicated to “specific objectives of risk management, such as: compliance with laws, regulations, and acceptable ethical behavior; internal control; information and technology security; sustainability; and quality assurance.” (Three Lines Model, page 3.) Currently, LACERA performs some second line duties in several of its divisions; however, LACERA does not currently have a dedicated ethics and compliance unit that will bring cohesion to LACERA’s ethics and compliance efforts.

The third line is independent of management and “provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management” (Three Lines Model, page 3), which LACERA provides through its Internal Audit Division. The third line, Internal Audit, is separate from but complementary to management’s ethics and compliance functions.

C. The Board of Retirement Strategic Plan

On July 6, 2023, the Board approved the 2023-2028 Strategic Plan. Among the Plan’s five goals, the approved Plan includes Compliance and Enterprise Risk Management as Strategic Priority 4 (page 18). With respect to compliance, the Plan states as Objective 4.1 that LACERA will “Develop an enterprise compliance plan and program to ensure adherence to established processes, procedures, policies, and governing rules and regulations” (page 19). The Plan, in turn, lists the steps expected to achieve the compliance goal.

Under the Plan, the first step is to “Form working groups across divisional lines to develop compliance and ERM charters” (page 20). The Plan recognizes that the ethics and compliance plan will follow the IIA’s Three Lines Model (page 20). Finally, the Plan states that the Legal Division has accountability for leading development and implementation of the compliance component of this goal (page 20).¹

The Executive Office recently developed an Action Planning process for all five goals in conjunction with the entire leadership team at the October 2023 Management Offsite. The process plan developed by the Executive Office following the offsite provides that development of an enterprise ethics and compliance program is a 2024 commitment. Today’s consideration of the proposed Ethics and Compliance Charter is the first step in meeting that timetable.

///

///

¹ The Plan provides that the Internal Audit Division will separately pursue the Enterprise Risk Management (ERM) component of the goal. Internal Audit will bring forward its recommendations for ERM at a future date.

D. Steps in Developing the Proposed Ethics and Compliance Program Charter

Staff has followed the following process in developing the proposed Charter.

First, staff engaged Rebecca Walker, of Kaplan & Walker LLP, as advisor and counsel on ethics and compliance to provide input into the development of the Ethics and Compliance Program and its supporting governance documents. Kaplan & Walker LLP is an ethics and compliance law firm that assists organizations in developing, assessing, and enhancing ethics and compliance programs. Rebecca Walker is a frequent speaker and is widely published in this area. She has worked closely with LACERA staff since August 2023 in providing staff education on ethics and compliance issues and in reviewing the proposed Program Charter presented today as well as other program documents. She will be present at the OOC meeting to provide background on ethics and compliance and supporting processes.

Second, following from the Board's direction in the Strategic Plan to form a working group, the former staff Policy Committee has been reconfigured as the Ethics and Compliance Committee. In this new role, the Committee will continue to have responsibility for reviewing policies and critical business procedures but will also have a significant ongoing cross-functional advisory role in developing the Ethics and Compliance Program and in the operation of the Program once it is implemented. The Committee includes representation from multiple LACERA divisions. Deputy CEO Luis Lugo leads the meetings of this highly engaged group. The Committee is undertaking ethics and compliance education (including meeting with Ms. Walker) and has discussed and reviewed the proposed Program documents.

Third, staff developed the proposed Ethics and Compliance Program Charter, which also includes the input of Ms. Walker, the Ethics and Compliance Committee, and other key LACERA staff.

E. Summary of the Proposed Ethics and Compliance Charter

The proposed Charter is attached and also reviewed in the attached presentation. This memo provides a brief summary.

The purpose of the Ethics and Compliance Program (Program) is to promote a strong and engaged culture of ethical conduct and compliance with laws, regulations, policies, and procedures. The Program provides an independent, objective, proactive, and durable structure for organization-wide ethics and compliance risk assessment; policy review; monitoring; training; communication channels (without retaliation); investigation; response for ethics and compliance concerns; recommendations for remediation of concerns; privacy oversight; vendor/third party management; reporting to the CEO, senior leaders, the Audit Committee, and Boards to support their oversight of ethics and compliance; and continuous evaluation, self-assessment, and improvement. Each of

these Program activities is spelled out in detail in the proposed Program Charter, including reporting frequency where applicable.

The Program will be led by a new Ethics and Compliance Unit within the Legal Division, which will be overseen by a Chief Ethics and Compliance Officer (CECO). The CECO will report administratively to the Chief Counsel and functionally to the Chief Executive Officer and the ACRE Committee (formerly the Audit Committee). The CECO may also report to the Boards as needed. While the other members of the Ethics and Compliance Unit are not yet specified, the proposed Charter includes direction that the Program will be adequately staffed and include robust training. The Program and the CECO will have accountability for performing the responsibilities enumerated in the Charter.

While the Program is under the CEO and Chief Counsel, and therefore is part of management, the CECO will operate independently and objectively within the management team and shall remain free of conflicts of interest. The Program will have access to other LACERA staff and organizational records as needed. The Program will operate collaboratively with all other LACERA staff.

The Program is intended to further a LACERA culture of ethics and compliance. Therefore, the Charter outlines the responsibilities of managers and supervisors and all staff. Managers and supervisors have a duty to communicate and model the ethical standards and comply with all laws, regulations, policies, procedures, and business practices. Managers and supervisors have a duty to create a space for all staff to safely report any ethics and compliance concerns without fear of retaliation. Every staff member (including temporary workers and contractors) has the responsibility to perform day-to-day operations in an ethical and compliant manner. Every LACERA staff member has a duty to report any activity or behavior that falls below LACERA's standards of ethics and compliance.

The Program and the CECO will be evaluated annually based on the objectives and standards laid out in the Charter. The Charter will be reviewed annually until the Program is fully operational and the Ethics and Compliance Unit is fully staffed.

CONCLUSION

Creation of an organization-wide Ethics and Compliance Program is an important step in the development of a dedicated and independent support function within management and maintenance of a strong culture of ethics and compliance. The Program will assist the CEO, senior leaders, the ACRE Committee, and the Boards in their oversight of ethics and compliance. The Program will be subject to regular review and evaluation, particularly in its initial stages. The Program will be complementary to the separate independent assurance responsibilities of Internal Audit.

///

Re: Ethics and Compliance Program Charter

November 28, 2023

Page 7 of 7

Staff recommends that the OOC (1) provide input on the proposed Ethics and Compliance Program Charter, which is a goal of the Board of Retirement's approved Strategic Plan, and (2) recommend that the Board forward the Charter to the Joint Organizational Governance Committee for further consideration and recommendation.

Attachments

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Chaitanya Errande
Richard Bendall
Christina Logan

**PROPOSED ETHICS AND COMPLIANCE
PROGRAM CHARTER**

ETHICS AND COMPLIANCE PROGRAM CHARTER

I. PURPOSE

The purpose of the Ethics and Compliance Program (Program) is to promote a strong and engaged culture of ethical conduct and compliance with laws, regulations, policies, and procedures. The Program provides an independent, objective, proactive, and durable structure of organization-wide ethics and compliance risk assessment; policy review; monitoring; training; communication channels (with no retaliation); investigation; response to ethics and compliance concerns, recommendations for remediation; privacy oversight; vendor/third party management; reporting to the Chief Executive Officer (CEO), senior leaders, the Audit, Compliance, Risk, and Ethics (ACRE) Committee, and the Boards regarding ethics and compliance; and continuous evaluation, self-assessment, and improvement. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA's operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement in LACERA's ethics and compliance controls. The Program furthers LACERA's Mission, Vision, Values, and the fiduciary duty owed to its members and their beneficiaries by facilitating oversight of ethics and compliance.

II. AUTHORITY

Ethical conduct and compliance with laws, regulations, policies, and procedures are required by:

- LACERA's fiduciary duty of loyalty and prudence under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595.
- The County Employees Retirement Law of 1937 (CERL), under which LACERA was formed and operates.
- The Public Employees' Pension Reform Act of 2013 (PEPRA).
- LACERA's Code of Ethical Conduct.
- LACERA's Conflict of Interest Code, as required by the Political Reform Act.
- LACERA's Mission, Vision, Values, and Guiding Principles of the Values approved by the Board of Retirement and Board of Investments.
- All other applicable laws and regulations and LACERA's policies and procedures.

A formal Ethics and Compliance Program is supported by the listed authority and by best practices in the public pension community and is one of the primary objectives of LACERA's 2023-2028 Strategic Plan. The Program is consistent with the Institute of Internal Auditors' [*Three Lines Model*](#), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA's operational divisions, working

in conjunction with the third line of independent assurance provided by the Internal Audit Division.

III. ROLES AND REPORTING STRUCTURE

- The Program is established by the Chief Executive Officer (CEO) with the approval and oversight of the Audit, Compliance, Risk, and Ethics (ACRE) Committee. The ACRE Committee's oversight role is defined in the committee's Charter, as approved by the Board of Retirement and the Board of Investments (Boards).
- The Program resides in a separate Ethics and Compliance Unit in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the CEO and the ACRE Committee.
- The CECO will provide information to the CEO, senior leaders, and/or the ACRE Committee and Boards to facilitate (1) their oversight of the Program and (2) their ability to respond to ethics and compliance concerns..
- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of a conflict on the part of the CECO on any matter, the Chief Counsel will confer with the CEO and the Audit Committee Chair.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**

The Program independently and objectively performs the following functions:

- A. Establish and maintain the Program as a sound and durable structure in LACERA;
- B. Conduct ethics and compliance risk assessments;
- C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
- D. Review and provide input on policies and procedures;
- E. Provide ethics and compliance training;
- F. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
- G. Respond to, investigate or participate in investigations, and make recommendations regarding ethics and compliance concerns;
- H. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and

I. Annually self-assess, seek review of the Program, and adjust as needed.

- **Consulting and Advisory Objectives.**

The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- Charters. The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.
- Best Practices and Education. The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented in light of LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.
- Independence and Objectivity. The Program operates independently and objectively, seeking continuous improvement in LACERA's ethical conduct and compliance with laws, regulations, policies, and procedures. Independence and objectivity mean that the Program will remain free from interference and internal or external conflicts of interest. Annually, the CECO will assure the CEO and the ACRE Committee that the Program is operating independently and with no conflicts of interest. The CECO will immediately disclose to the CEO and the ACRE Committee all actual or attempted interference with the Program and all conflicts of interest.
- Collaboration. The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

The CECO and Ethics and Compliance Unit staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within IT systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All employees are required to cooperate with and assist the Program in performing its roles and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the CEO and other senior leaders, the ACRE Committee, and Boards. The Program includes consulting and advisory work, as requested.

- A. *Ethics and Compliance Program Framework*. The Program will be appropriately staffed within the Ethics and Compliance Unit of the Legal Division. The Program's authority and independence will be protected through the CECO's reporting to the CEO and the ACRE Committee. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and otherwise providing staff input and support to the Program. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.
- B. *Ethics and Compliance Risk Assessment*. The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks and gaps. Assessment findings will be reported to the CEO, other senior leaders, and the ACRE Committee, along with guidance on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.
- C. *Monitoring*. The Program will review and monitor LACERA's relevant operations and business practices, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.
- D. *Review of Policies and Procedures*. The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:
 1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
 2. Provide guidance on the drafting of policies and procedures, including the Code of Ethical Conduct and the Conflict of Interest Code.

3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures; and recommend new policies and procedures as indicated.
 4. Determine timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.
- E. Vendor/Third-Party Ethics, Compliance, and Risk Management. The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, monitoring of performance of ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.
- F. Privacy. The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.
- G. Training. The Program will provide risk-based compliance training on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training on the purpose and importance of an ethics and compliance program.
- H. Channels for Staff to Report Ethics and Compliance Concerns. The Program will provide channels, including but not limited promoting and assisting with the Ethics Hotline, through which staff and others are encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.
- I. Program Investigation, Response, and Commitment to Non-Retaliation. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.
- J. Reporting. The Program will regularly report to the CEO, senior leaders, and the ACRE Committee concerning its status and efforts, including information facilitate the CEO, other leaders, and the ACRE Committee's oversight of the

Program and awareness of ethics and compliance concerns. Reporting will also be made to the Boards as needed relating to matters under their authority.

- K. Self-Assessment and Review of Program. The Program will annually conduct a self-assessment against the requirements of this Charter, best practices, and key performance indicators in order to provide quality assurance and improvement of the Program.

VIII. ACCOUNTABILITY OF THE PROGRAM

The Program, in the discharge of its duties and under the leadership of the CECO, shall be accountable to the CEO and the ACRE Committee for the following:

- A. Program Staff. Select, train, develop, and retain competent Ethics and Compliance Unit staff that collectively have the ability to meet the requirements of this Charter. Changes in Program staff will be reported to the ACRE Committee.
- B. LACERA Staff Input, Involvement, and Reporting. Develop a process for staff input into the Program, which will be reported to the ACRE Committee. The process will include an Ethics and Compliance Committee (ECC) consisting of a cross-section of LACERA staff to serve an advisory function to the CECO. The ECC meets monthly to discuss ethics and compliance issues, review policies and procedures, maintain a list of ethics and compliance training opportunities, and discuss Program implementation issues.
- C. Annual Work Plan. Annually develop a written Program work plan, which is presented to the CEO and the ACRE Committee for review and approval and provide quarterly status reports thereafter.
- D. Program Budget. Annually provide a proposed budget for the Ethics and Compliance Unit of the Legal Division that corresponds to the Program work plan.
- E. Investigations. Provide written quarterly qualitative reports on the subject matter of alleged concerns and violations that are received, the response, including any investigations, and the outcome.
- F. Policies and Procedures. Provide written quarterly reports of any policy and procedure review.
- G. Vendor/Third-Party Ethics, Compliance, and Risk Management. Provide quarterly reports on vendor/third-party ethics and compliance risks and organizational management and response.
- H. Annual Ethics and Compliance Report. Provide a written annual report

regarding the status of the Program and LACERA's overall ethics and compliance performance.

- I. Annual Privacy Report. Provide a written annual report regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.
- J. Self-Assessment and Program Review. Provide the CEO, other senior leaders, and the ACRE Committee with a written annual report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

Every LACERA manager, supervisor, and staff member, temporary worker, and contractor has a significant role in implementing and supporting the Program and in promoting ethical and compliant conduct in the organization.

- A. Managers and Supervisors. Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.
- B. Staff Members. Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comport with laws, regulations, policies, procedures, and business practices.

X. CHARTER REVIEW

This Charter shall be reviewed yearly until the Program is fully operational and the Ethics and Compliance Unit is developed and staffed. Once those milestones are met, review shall be every three years, unless otherwise indicated.

**PRESENTATION
ETHICS AND COMPLIANCE PROGRAM**



Ethics and Compliance Program Goal of the Board of Retirement's Strategic Plan:

Background and Proposed LACERA Program Charter

Operations Oversight Committee
December 6, 2023



- Introduction
- Background on Ethics and Compliance Programs
 - Rebecca Walker, Kaplan & Walker LLP,
Compliance Advisor and Counsel
- LACERA's Proposed Ethics and Compliance Program Charter
- Next Steps



On July 6, 2023, the Board of Retirement approved its 2023-2028 Strategic Plan. The Plan includes as one of its five goals:



Strategic Priority 4: Compliance and Enterprise Risk Management

Adopt and implement compliance and enterprise risk frameworks aimed at mitigating risk and vulnerabilities

With respect to compliance, the Plan's objective is:

4.1 Develop an enterprise compliance plan and program to ensure adherence to established processes, procedures, policies, and governing rules and regulations

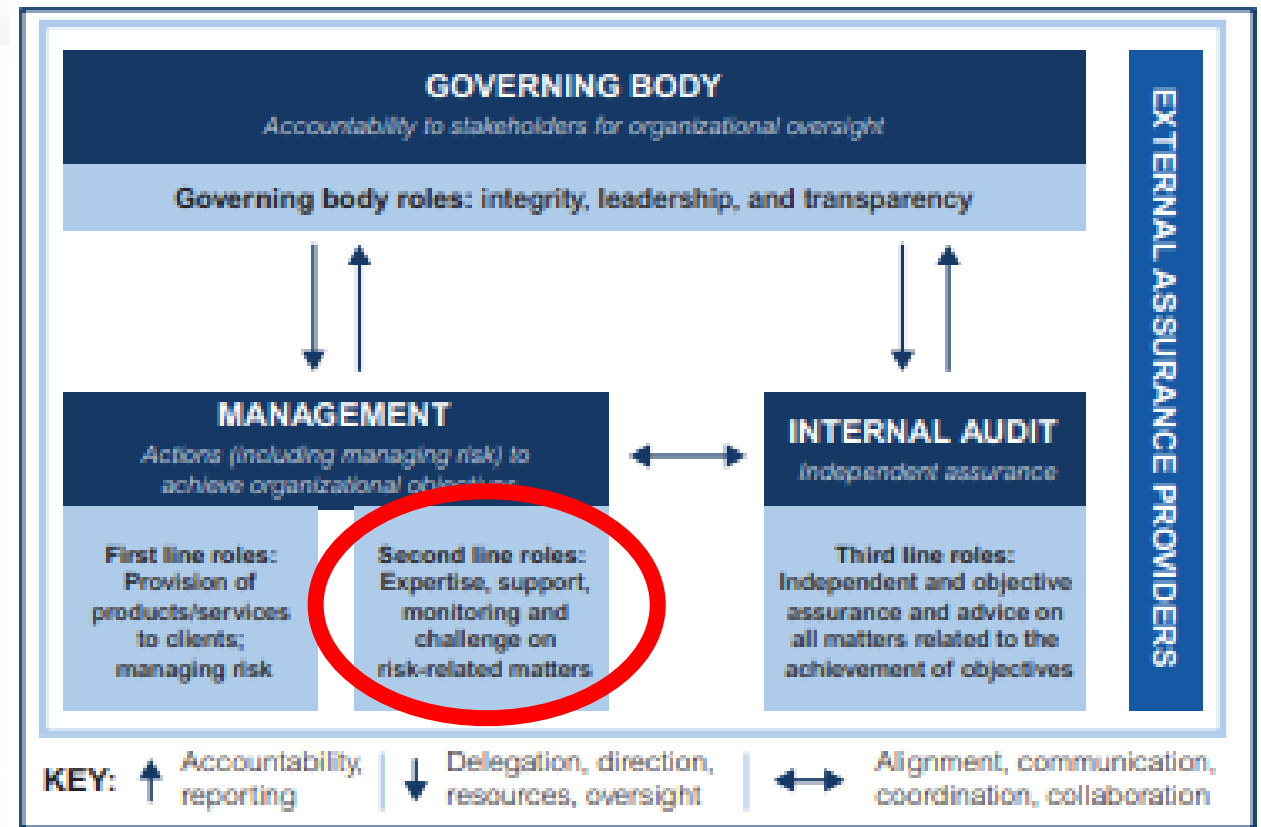
Attached is a proposed Ethics and Compliance Program Charter as the first step in achieving this priority of the Strategic Plan. Enterprise Risk Management will be separately presented at a future date by Internal Audit.

Plan Guidance



Under the Plan, LACERA's program will be based on the Institute of Internal Auditors' *Three Lines Model*:

- Under this model, compliance is the second line under management to provide expertise, monitoring, and support to LACERA's operations with respect to ethical conduct and compliance with laws, regulations, policies and procedures.
- The first line is delivery of services in LACERA's divisions.
- The third line is Internal Audit, which provides independent assurance as to LACERA's controls in addressing risk.



Source: The IIA's Three Lines Model (2020)

Progress



The approved Plan provides that the first step in addressing compliance is to form a working group across divisional lines to develop a compliance charter. The attached Charter was developed with review by the staff Ethics and Compliance Committee and other staff input.

August 2023
Engage Rebecca Walker,
Kaplan & Walker LLP as
ethics and compliance
advisor and counsel

December 2023
Present proposed Ethics and
Compliance Program Charter to the
OOC for review, comment, and
direction as to next steps

August – November 2023
Staff Policy Committee changed to Ethics
and Compliance Committee to provide a
cross-functional team approach to ethics
and compliance education and
development of the Program



Background on Ethics and Compliance

Rebecca Walker, Kaplan & Walker LLP

What's an Ethics and Compliance Program?



- An ethics and compliance program is a governance and management system that seeks to foster ethics and prevent, detect and respond to violations of law and policy by employees and others. It includes policies, procedures and management systems put into place in order to comply with laws, rules, and regulations and to uphold the business's reputation.
- Ethics and compliance programs should be designed in light of the organization's risks.

Why Do Ethics and Compliance Programs Exist?



Government standards and incentives

The Department of Justice and others have offered strong incentives for organizations to implement effective programs and have provided significant guidance on how to structure and implement effective compliance programs.

Legal, ethics and compliance and reputational risk management

Social science has consistently shown that robust compliance systems decrease the incidence of misconduct and increase the likelihood that employees will report misconduct when it does occur.

Case Law on Public Company Board Duties Under Sentencing Guidelines



- *In re Caremark International Derivative Litigation* (1996 Del. Chancery Court)
 - “I note the potential impact of the federal organizational sentencing guidelines on any business organization. Any rational person attempting in good faith to meet an organizational governance responsibility would be bound to take into account this development and the enhanced penalties and the opportunities for reduced sanctions that it offers.”
 - “Thus, I am of the view that a director's obligation includes a duty to attempt in good faith to assure that a corporate information and reporting system, which the board concludes is adequate, exists, and that failure to do so under some circumstances may, in theory at least, render a director liable for losses caused by non-compliance with applicable legal standards.”
- The standard for liability is very high.
 - “The theory here advanced is possibly the most difficult theory in corporation law upon which a plaintiff might hope to win a judgment.”



- Recent Delaware cases have clarified (and enhanced) public company board oversight duties
 - *Marchand v. Barnhill*, 212 A.3d 805 (Del. Supreme Court June 2019)
 - Importance of monitoring and oversight
 - In critical risk areas
 - Re reporting and investigations
 - *In re Clovis Oncology* (Del. Chancery Court October 2019)
 - Systems to monitor for red flags
 - Oversight in highly-regulated areas
 - *In re Boeing* (Del. Chancery Court September 2021)
<https://courts.delaware.gov/Opinions/Download.aspx?id=324120>
 - Caremark's bottom-line requirement: "the board must make a good faith effort—i.e., try—to put in place a reasonable board-level system of monitoring and reporting."



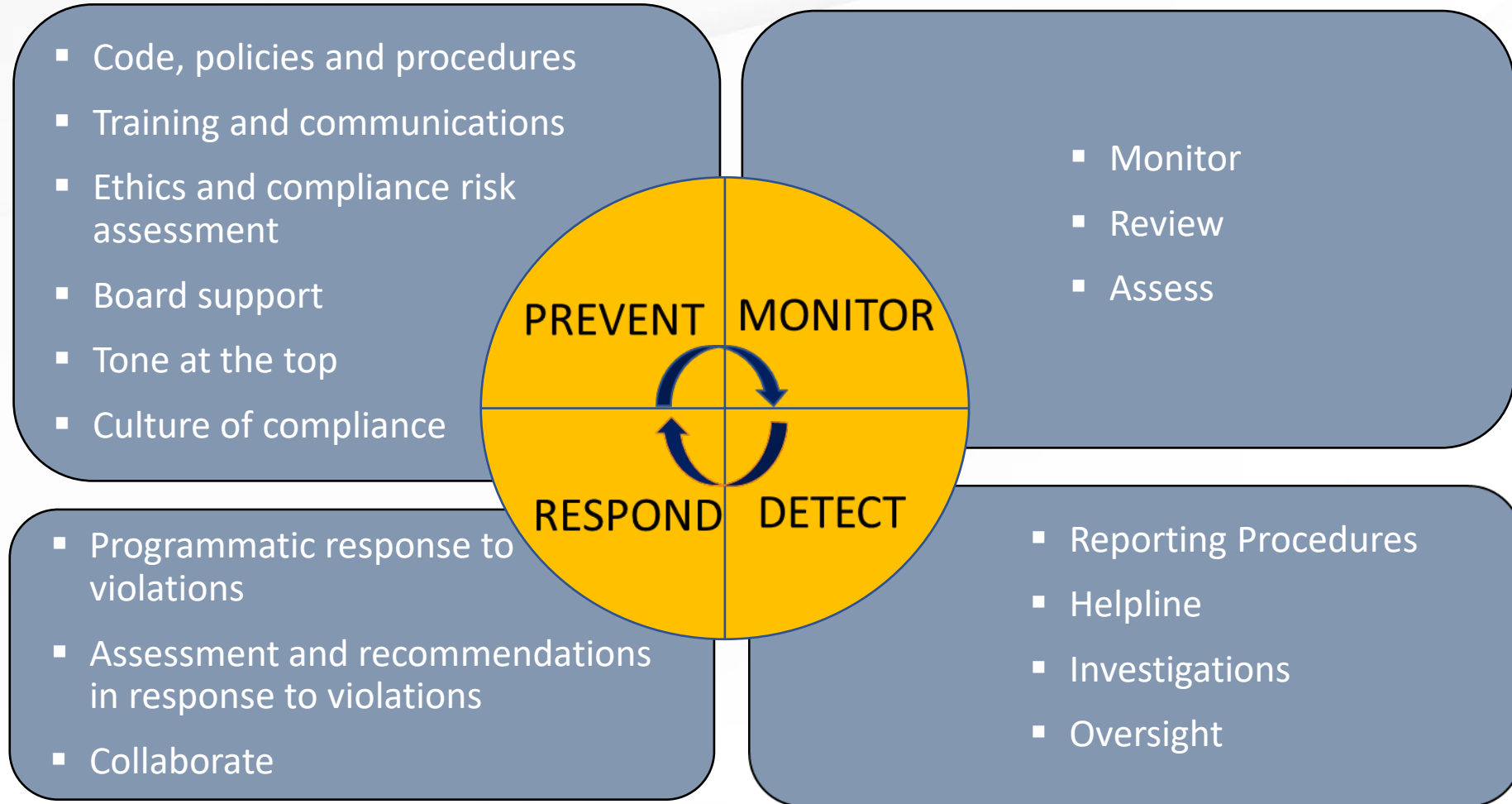
- **Ethics** is about facilitating a culture of doing the right thing, putting organizational values into practice by setting the standards for how people must act.
- **Compliance** is a **management** system that seeks to prevent and detect violations of laws, policies, and procedures.
- **Compliance** assesses legal and compliance risks and designs controls to mitigate the risks of misconduct.
- **Compliance** complements internal and external **audit** work that provides independent review as to the adequacy of controls.

Who's Got a Compliance Program?



- Public pension funds are increasingly adopting compliance programs, including funds such as:
 - CalPERS, CalSTRS
 - CERL Systems: OCERS, SDCERA, CCCERA
 - SDCERS
 - Teachers Retirement System of Texas
 - Iowa Public Employees' Retirement System
 - Massachusetts Public Employee Retirement Administration Commission
 - And many more!
- In 2008, the SEC issued a report reminding pension funds of their responsibilities under federal laws and warning them that they assume a greater risk of violations if they do not have adequate compliance policies and procedures in place.
 - “We issue this Report to remind investment managers, public and private, of their obligation to comply with the federal securities laws and the risks they undertake by operating without an adequate compliance program. RSA's conduct could have been prevented with appropriate policies, procedures and training.”
 - Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The Retirement Systems of Alabama, <https://www.sec.gov/litigation/investreport/34-57446.htm>

Ethics and Compliance Program Structure





- An important question to consider: What should the scope of the program be?
 - Or, in other words, which compliance subject matter areas should be part of the E&C program universe?
- Organizations may choose to omit risk areas from scope because, e.g.:
 - Risks of misconducts are too remote (either likelihood or impact) for inclusion
 - There already exists a defined and sufficiently robust set of compliance controls in another function
- Organizations may also choose to handle some risk areas differently, such as high-level oversight for some risk areas, rather than making E&C responsible for all aspects of those risk areas.



Level of Oversight Will Vary with Risk Ownership

Levels of Oversight by Ethics & Compliance (“EC”)



Direct Ownership

- EC owns and defines policies & procedures
- EC establishes controls, which may be implemented centrally or regionally/locally
- EC defines and monitors metrics



Shared Ownership

- Risk owner defines policies and procedures in collaboration with EC
- Risk owner establishes controls, while EC tests design and effectiveness of the controls on a periodic basis
- EC agrees with risk owners on metrics to be reported on a defined cadence (monthly)
- EC provides significant support to risk owners



Moderate Oversight

- EC agrees with risk owners on metrics to be reported on a defined cadence (at least quarterly)
- EC provides moderate compliance oversight evaluation support to risk owners



Minimal Oversight

- Only significant issues/regulatory inquiries are escalated
- Limited metrics may be reported on a defined cadence (at least annually)

When EC assumes direct or shared ownership of compliance risks

1. Higher-level legal risks
2. No clear owner
3. EC has appropriate expertise
4. Need for objectivity
5. Need for centralized approach to controls

Elements of Effective E&C Programs



1. Program Structure - Chief Ethics & Compliance Officer and E&C function
2. Oversight by and support of senior and middle management
3. Oversight by and support of the CEO, senior leaders, Audit Committee, and Boards
4. Code, standards, policies and procedures
5. E&C training and communications
6. E&C risk assessment
7. Auditing, monitoring, assessment and continuous improvement
8. Reporting procedures
9. Vendor/third-party compliance
10. Investigations and response
11. Recommendations regarding remedial measures
12. Collaboration and staff engagement
13. Culture of E&C



- DOJ Evaluation Guidance
 - Where within the company is the compliance function housed (e.g., within the legal department, under a business function, or as an independent function)?
 - Note: Legal department is common, particularly in public pension systems
 - To whom does the compliance function report?
 - How does the compliance function compare with other strategic functions in the company in terms of stature, compensation levels, rank/title, reporting line, resources, and access to key decision-makers?
 - Do compliance and control personnel have the appropriate experience and qualifications for their roles and responsibilities?
 - Has there been sufficient staffing for compliance personnel to effectively audit, document, analyze, and act on the results of the compliance efforts?
 - How does the company ensure the independence of compliance and control personnel?



- DOJ Evaluation Guidance

- Prosecutors should examine the extent to which senior management have clearly articulated the company's ethical standards, conveyed and disseminated them in clear and unambiguous terms, and demonstrated rigorous adherence by example.
- Prosecutors should also examine how middle management, in turn, have reinforced those standards and encouraged employees to abide by them.
- Have managers tolerated greater compliance risks in pursuit of new business or greater revenues?



- DOJ Evaluation Guidance

- The company's top leaders – the board of directors and executives – set the tone for the rest of the company.
- What compliance expertise has been available on the board of directors?
- Have the board of directors and/or external auditors held executive or private sessions with the compliance and control functions?
- What types of information have the board of directors and senior management examined in their exercise of oversight in the area in which the misconduct occurred?
- Do the compliance and relevant control functions have direct reporting lines to anyone on the board of directors and/or audit committee?
- How often do they meet with directors?
- Are members of the senior management present for these meetings?

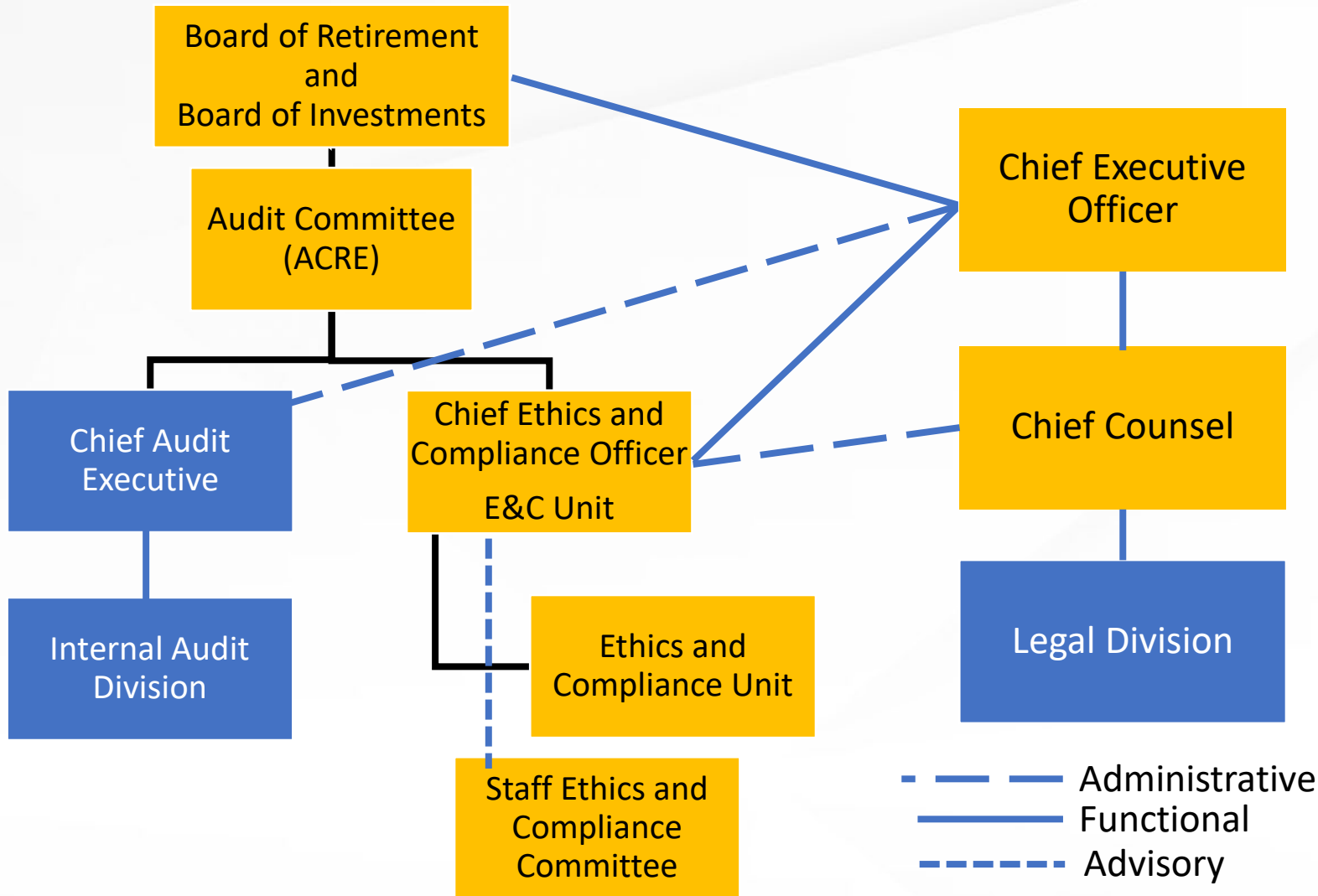


- DOJ Evaluation Guidance
 - How often and how does the company measure its culture of compliance?
 - Does the company seek input from all levels of employees to determine whether they perceive senior and middle management's commitment to compliance?
 - What steps has the company taken in response to its measurement of the compliance culture?
- As the DOJ has noted, “Beyond compliance structures, policies, and procedures, it is important for a company to create and foster a culture of ethics and compliance with the law. The effectiveness of a compliance program requires a high-level commitment by company leadership to implement a culture of compliance from the top.”



LACERA's Proposed Ethics and Compliance Program Charter

Proposed Ethics and Compliance Structure



Under the attached proposed Program Charter:

The Chief Ethics and Compliance Officer will have independent authority to report functionally to the Boards' ACRE Committee and the CEO, and directly to the Boards as needed, and will report administratively to Chief Counsel.

The Chief Ethics and Compliance Officer will be supported by the Ethics and Compliance Unit within the Legal Division and will rely on the staff Ethics and Compliance Committee for advice and to share and receive information to enhance staff engagement and culture.

Scope of Program Activities



- Program is proposed to provide ethics and compliance support for all of LACERA.
- Based on LACERA's needs and best practices, the Chief Ethics and Compliance Officer will be responsible for the following activities:
 - Ethics and Compliance Program Framework
 - Ethics and Compliance Risk Assessment
 - Monitoring of Ethics and Compliance in LACERA's Operations and Business Practices
 - Review of Policies and Procedures
 - Vendor/Third Party Ethics, Compliance, and Risk
 - Privacy
 - Training on Ethics and Compliance Issues
 - Channels for Staff to Report Ethics and Compliance Concerns
 - Investigation, Response, Remedial Measures, and Commitment to Non-Retaliation
 - Regular Reporting to the CEO, senior leaders, ACRE Committee, and Boards
 - Annual Self-Assessment and Review of Program

Program Responsibilities and Accountability



In addition to implementation of the E&C Program, the Chief E&C Officer will have the responsibility and accountability to regularly report to the ACRE Committee, Boards, CEO, and senior leaders regarding:

- Selection, training, and development of Ethics and Compliance Unit staff
- Development of processes for LACERA staff input and involvement in the Program, including the Program, including the staff Ethics and Compliance Committee
- Annually present E&C Program work plan for approval to the ACRE Committee and CEO
- Annually provide a budget for the Program
- Provide quarterly reports to the ACRE Committee and CEO, and reports to the Boards and senior leaders, on:
 - Investigations
 - Policies and procedure review
- Provide annual reports on:
 - The status of the Program and LACERA's overall ethics and compliance performance
 - Privacy of member information and other organizational information
 - Self-assessment and Program reviews



- **ACRE Committee** – With the CEO, the Committee:
 - Provides functional oversight of the Program
 - Receives reporting of information on ethics and compliance issues and concerns to enable the Committee to monitor the Program and respond to issues
 - Provides input into the Chief Ethics and Compliance Officer’s annual performance evaluation
- **Boards** – Receive reports and recommendations from the ACRE Committee and directly from the Chief Ethics and Compliance Officer
- **CEO** – Provides functional oversight of the Program, receives frequent reporting on ethics and compliance issues, and responds to issues as appropriate; reports are also made to senior leaders as needed
- **Chief Counsel** – Provides administrative oversight of the Chief Ethics and Compliance Officer and oversight of the E&C Program

Roles of Managers, Supervisors, and Staff



- **Managers and supervisors** have a duty to communicate and model ethical standards in their areas and to follow all laws, regulations, policies, procedures, and business practices, including LACERA's Code of Ethical Conduct. They should promote a culture of ethics and compliance in their areas by providing a space to report concerns without retaliation.
- **Staff members**, including permanent staff, temporary workers, and contractors, are responsible to perform day-to-day work with the highest ethical standards and to follow all laws, regulations, policies, procedures, and business practices, including the Code of Ethical Conduct. Staff has a duty to report concerns.

Next Steps



Staff requests direction or approval of next steps to advance the proposed Charter as the outline of a Program for all LACERA.

December 6, 2023
OOC Meeting

OOC provides input and direction on proposed Program Charter, including referral to BOR, then JOGC, joint board, and Audit Committee

BOR and BOI
approval

June 30, 2024 Goal:
Program implementation

Based on input, revise Program Charter; prepare ACRE Committee Charter; prepare Chief Ethics and Compliance Officer job description; continue staff E&C Committee efforts

Thank You!



Discussion & Questions

November 22, 2023

TO: Each Member,
Operations Oversight Committee

FROM: JJ Popowich, *JJ*
Assistant Executive Officer

Michael D. Herrera, *MCH*
Senior Staff Counsel

FOR: Operations Oversight Committee Meeting of December 6, 2023

SUBJECT: **Proposed Changes to Board of Retirement Policy for Recovery of Member Overpayments and Underpayments**

RECOMMENDATION: IT IS RECOMMEND THAT THE COMMITTEE recommend that the Board of Retirement approve and adopt the changes to its Policy for Recovery of Member Overpayments and Underpayments as discussed in this memo and set forth in Exhibit B.

I. LEGAL AUTHORITY

The Board of Retirement (“Board”) has plenary authority and fiduciary responsibility over administration of the retirement system, which includes the duty to provide benefits, minimize employer contributions, and defray reasonable expenses of administering the system. See Cal. Govt. Code Section 31595.

II. EXECUTIVE SUMMARY

In 2015 the Board adopted changes to its longstanding Policy for Collection of Overpayments. The changes approved by the Board in 2015 increased threshold limits, incorporated periods of limitation applicable to actions to recover erroneous payments as set forth in the CERL,¹ and detailed procedures for adjusting member/payee benefits and/or contributions going forward as a means of recovery – i.e., offsets. Significantly, the Policy was changed to include recovery of both overpaid member benefits *and* underpaid member contributions. Accordingly, the Policy is now titled “Policy for Recovery of Member Overpayments and Underpayments.” A copy is attached hereto as Exhibit A.

Staff is now recommending changes to the Policy, including an increase to the Policy threshold limits, changes to the collection and definition of appropriate interest, the addition of various defined terms, and the addition of certain provisions required under LACERA’s new Policy on Policies, Procedures, and Charters (PCC). Pursuant to the PCC, the proposed new Policy was reviewed and approved by the Policy Committee following two separate readings. A clean version with the proposed changes is attached as Exhibit B. A discussion of the proposed changes and rationale for them are as follows:

III. DISCUSSION

As a public pension plan, LACERA is in a fiduciary relationship with its members. See Hittle v. Santa Barbara County Employees Retirement Association, 9 Cal.3d 374, 392 (1985). As a fiduciary, its duties are manifested in a number of ways and include the duty to protect the fund

¹ The County Employees Retirement Law of 1937, set forth at Cal. Govt. Code § 31450 et seq.

from unauthorized distributions, correct errors when they are discovered, and to recover monies owing to the fund. These duties have been addressed over the years by various courts.

As early as 1944, for example, the court in Aebli v. Board of Education, 62 Cal.App.2d 706, stated that money paid out by mistake by a government agency (whether by mistake of fact or mistake of law) can be recovered in many instances. The court went on to say that "[t]he reason for this and the theory underlying it, is that the funds paid out are public funds, trust funds, and not the property of an individual who can deal with them as he pleases."² Years later the United States Department of Labor in Advisory Opinion #77-8, (April 4, 1977), considered the fiduciary duty of an ERISA plan to recover overpayments. That opinion concluded that a fiduciary must attempt to recover erroneous payments from a plan.

However, the Department also recognized that "depending on the facts and circumstances involved, ...the cost to the Fund of collection efforts may be such that it would be prudent, within the meaning of section 404(a)(1)(B), for the Fund not to seek recovery from the participant or beneficiary of an overpayment made to him."³ Rather, LACERA must balance its duty to safeguard fund assets with its obligation to defray "reasonable expenses of administering the system." Cal. Const., Article XVI, § 17; Govt. Code § 31595.

As fiduciaries, the Board should therefore consider the total cost to LACERA in deciding whether and how to pursue Overpayments, Underpayments and interest. Courts have consistently recognized a retirement system's discretion in deciding whether to pursue them. See, e.g., City of Oakland v. Oakland Police & Fire Retirement System, 224 Cal.App.4th 210, 244-45 (2014) ("we believe that the Board has discretion to decide whether, how and to what extent any overpayments made to PFRS retirees should be repayable to PFRS."); In re Retirement Cases, 110 Cal.App.4th 426 (2003) (holding that while retirement board has power to collect arrears contributions to help defray the cost of unanticipated benefits owed to retirees, it could not be mandated to do so); Barrett v. Stanislaus County Employees Retirement Assn., *supra*, 189 Cal.App.3d at 1613-1614 ("When a statute imposes upon an administrative body discretion to act under certain circumstances, mandate will not lie to compel the exercise of such discretion in a particular manner.").

The Board of Retirement should therefore continue to pursue a cause of action to recover monies owed to the system unless, in the exercise of sound judgment: (1) the cost to pursue the claim would exceed the amount that reasonably could be recovered, or; (2) the defendant in an action to recover the overpayment could assert a legally recognized affirmative defense and it is likely judgment would be entered in favor of the defendant.

² See also Barrett v. Stanislaus County Employees Retirement Assn., 189 Cal.App.3d 1593 (1987) ("... any money paid by a governmental agency without authority of law may be recovered"). Accord County of Marin, Association of Firefighters v. Marin County Employees Retirement Association, 30 Cal. App. 4th 1638, 1648-1654 (1994); Medina v. Board of Retirement of Los Angeles County Employees Retirement Association, 112 Cal. App. 4th 864 (2003).

³ Section 404(a)(1)(B) of ERISA provides that a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants, with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. This is essentially the same standard that applies to LACERA and its trustees.

1. Thresholds And Recoverable Amounts

A. Proposed New Threshold Limits. Consistent with its statutory and fiduciary duties, the Board adopted threshold limits for the recovery of Overpayments and Underpayment when it last revised the Policy in 2015. (See Exhibit A.) Staff recommends keeping the current process and efforts to be undertaken by staff for each tier, but increasing the threshold amounts as follows:

1. Increase the current \$100 minimum threshold for Total Recoverable Principal amounts to **\$750**.
2. Increase the current second tier range of \$100 to \$1,000 to Total Recoverable Principal amounts between **\$750 and \$5,000**.
3. Increase the current third tier range of \$1,001 to \$10,000 to Total Recoverable Principal amounts between **\$5,001 and \$20,000**.
4. Increase the current fourth tier range of over \$10,000 to Total Recoverable Principal amounts over **\$20,000**.

(See Section E of Exhibit B.)

The proposed increases to all tiers are intended to bring threshold limits into alignment with estimated current fund costs associated with pursuing and collecting amounts owing to the fund since the Policy was last revised. This includes the expenditure of staff time and fund resources. Specifically, staff has adopted rigorous procedures that involve several employees in three separate divisions spending several hours identifying, searching and following on up each case. When coupled with the time and cost spent by staff, the additional time and cost to LACERA of pursuing recovery through formal civil litigation could easily exceed over \$700. This amount increases to over \$10,000 and \$15,000 if the matter is pursued through a 2nd and 3rd level administrative appeal, respectively. (See charts attached as Exhibit C detailing the approximate cost to LACERA of processing a collection case from discovery of the error through an appeal to the Board of Retirement based on the amount of time spent by staff and their average hourly rate of pay.)

The correction procedures set forth by the Internal Revenue Service support the above approach. Specifically, the IRS recognizes and allows for less than full recovery from the member or beneficiary. See, e.g., Rev. Proc. 2013-12, § 6.02(5) (“Although the mere fact that correction is inconvenient or burdensome is not enough to relieve a Plan Sponsor of the need to make full correction, full correction may not be required in certain situations if it is unreasonable or not feasible.”).⁴

Considering the foregoing, the proposed new threshold limits appropriately balance the Board’s duty to safeguard fund assets with its duty to make every reasonable effort to recover member Overpayments, Underpayments and interest thereon.

⁴ In such cases, and in the absence of a third party from whom the erroneous payments can be recovered, “an appropriate correction method may include” recovering the debt from the plan sponsor. Rev. Proc. 2015-27 § 3.02(3). LACERA already does this by assigning uncollectible overpayments and underpayments to the unfunded accrued actuarial liability (UAAL), which is ultimately the responsibility of the plan sponsors. See Govt. Code § 31454.

B. “Total Recoverable Principal Amount.”

Also, in the new proposed Section E, staff recommends revising the language in the Policy from “principal amount” to “total recoverable principal amount.” Focusing on the principal amount is appropriate and provides ease of calculation and threshold classification. But staff experience is that focusing on total principal alone does not take into consideration the *net* amount that may actually be at issue after considering things like the applicable period of limitation set forth in the CERL (see Govt. Code Section 31540), or instances where a member/payee agrees to repay most, but not all, of an Overpayment or Underpayment.

Staff therefore proposes the following:

“Total Recoverable Principal” is the lesser of the amount calculated by the CEO as:

- (1) recoverable after applying applicable period(s) of limitation, including, but not limited to, those listed in Section F of this Policy, or
- (2) the actual amount in dispute.”

Adopting the proposed revised threshold amounts and revised definition of “total recoverable principal” will help to achieve greater accuracy and reduce the risk that LACERA will spend more than a claim is worth.

2. Interest.

A. Collection and Definition of Appropriate Interest.

The current Policy requires that LACERA seek to recover interest in *all* Overpayment or Underpayment cases, with limited discretion to waive interest. (See Exhibit A.) However, staff has found that in the majority of cases, the member/payee is unaware of the error giving rise to the Overpayment or Underpayment and bears no fault for it.

To address this, staff recommends LACERA only seek interest in those cases where there is evidence of fraud or wrongdoing by the member/payee, which includes cases involving an “intentional act or omission the member/payee knew or should have known by false, incorrect, or inaccurate.” (See Section H of Exhibit B.) In all other cases, LACERA should *not* seek to recover interest from the member/payee. Instead, it will be absorbed into the unfunded assumed actuarial liability (“UAAL”), which LACERA already does by assigning uncollectible Overpayments and Underpayments to the UAAL. (See footnote 4, above.)

Staff also recommends changing the definition of “appropriate interest” in order to utilize LACERA’s *actual* rate of return, where known, in order to maintain fairness for the parties while achieving greater accuracy in its calculations. (See Section D of Exhibit B.)

B. Calculation Methodology.

Additionally, the current Policy does not specify the calculation methodology to be used by staff when calculating interest. Staff currently calculates interest in all cases using a semi-annual simple interest calculation methodology. However, staff believes applying a monthly compounding methodology will achieve greater accuracy and fairness. Staff therefore recommends LACERA apply a monthly compounding calculation methodology based on the Appropriate Interest rate. (See the proposed new definition of “Appropriate Interest” in Section D of Exhibit B.)

Also in Section H of Exhibit B, in the interest of transparency, staff recommends adding language to clarify that “any interest paid and received by LACERA pursuant to this Section will be credited

to the member's account as required pursuant to applicable law, including Government Code Section 31591. Any remaining interest will be applied to LACERA's fund as interest income."

C. Interest That Is Not Affected.

Finally, should the Board adopt the above changes with regard to not collecting interest except in cases involving evidence of fraud or wrongdoing, staff recommends adding the following paragraph to avoid doubt or confusion as to whether other types of interest required by CERL or Board regulations are nonetheless required or subject to waiver:

"Notwithstanding Section H.2., where a member/payee elects or defaults to repay an Overpayment or Underpayment over time via multiple payments, LACERA will add and collect interest (commonly referred to as "finance interest") at the rate applicable at the beginning of the repayment. Further, in cases involving contract corrections, LACERA will apply and collect interest on the contract in the amount and as required pursuant to applicable law or Board regulation."

(See Section H of Exhibit B.)

3. Miscellaneous/Clean Up Provision

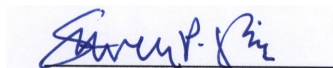
Finally, staff has added certain new provisions required under LACERA's new Policy on Policies, Procedures, and Charters (PCC), as well as other non-substantive, clean up changes to the proposed Policy. The new proposed sections include Scope (Section B), Legal Authority (Section C), Definitions (Section D), References (Section K), and Version History (Section L). As noted, the proposed policy was submitted, reviewed and approved by the Policy Committee prior to submission to the OOC to ensure compliance with LACERA's PCC.

IV. Conclusion

For all the foregoing reasons, staff believes the proposed changes are appropriate, necessary and well-aimed at ensuring LACERA continues to fulfill its fiduciary duty to safeguard fund assets by making all reasonable efforts to recover member Overpayments, Underpayments and appropriate interest thereon. Staff will also work with the Systems Division to program the changes ultimately approved by the Board into a new collection module.

IT IS THEREFORE RECOMMEND THAT THE COMMITTEE recommend that the Board of Retirement approve and adopt the changes to its Policy for Recovery of Member Overpayments and Underpayments as discussed in this memo and set forth in Exhibit B.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

Attachments

Cc: Santos H. Kreimann
Bernie Buenafior

Luis A. Lugo
Kathy Delino

Laura Guglielmo
Ted Granger

Louis Gittens
Kelly Puga

EXHIBIT A



**BOARD OF RETIREMENT
POLICY FOR THE RECOVERY OF
MEMBER OVERPAYMENTS AND UNDERPAYMENTS**

The Board of Retirement adopts this policy to ensure the continued proper and timely collection of monies owed to LACERA by or on behalf of a member, including, but not limited to a beneficiary or survivor, as a result of incorrect payments into or out of the retirement system. It is the intent of the Board of Retirement in adopting this policy to fulfill its fiduciary duty to safeguard fund assets by making every reasonable effort to recover all member overpayments, underpayments and appropriate interest thereon.

A. The following threshold limits shall apply to the collection of erroneous payments of erroneous payments into (underpayments) and out of (overpayments) the retirement system.

1. For principal amounts less than \$100, the Chief Executive Officer ("CEO") may make no demand for principal or interest and write off the account, or take such other action the CEO deems reasonable and appropriate.
2. For principal amounts between \$100 and \$1,000, the CEO is authorized, after informal collection efforts (such as verbal and written staff requests for payment) have been completed, to refer the matter to the County of Los Angeles Treasurer Tax Collector, write off the amount of the principal and interest, in whole or in part, or take such other action as the CEO deems reasonable and appropriate. Formal litigation will normally not be commenced as the costs of filing and prosecuting the case would likely exceed the amount that could be recovered.
3. For principal amounts between \$1,001 and \$10,000 the CEO has discretion, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and consultation as necessary with the Legal Office and other staff to determine likelihood of recovery, to pursue recovery of principal and interest in small claims court, refer the matter to the County of Los Angeles Treasurer Tax Collector, commence formal litigation, write off the amount, in whole or in part, or take such other action as the CEO deems reasonable and appropriate.
4. For principal amounts over \$10,000, the CEO is required, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and consultation as necessary with the Legal Office and other staff to determine likelihood of recovery, to seek Board approval to commence formal litigation to recover the principal and interest, write off the account, in whole or in part, or to take such other action as the board deems reasonable and appropriate.

B. Applicable Periods of Limitation

1. Pursuant to California Government Code Section 31540, the applicable periods of limitation for actions to recover erroneous payments into or out of LACERA shall be three years, and shall be applied as follows:
 - a. In cases where LACERA makes an erroneous payment to a member or beneficiary, the system's right to bring an action to collect shall not expire until three (3) years from the date of payment.

- b. Notwithstanding any other provision in this policy, in cases where LACERA makes an erroneous payment because of the death of a retired member or beneficiary, or because of the remarriage of the beneficiary, the system's right to bring an action to collect shall not expire until ten (10) years from the date of discovery of the erroneous payment.
- c. Notwithstanding any other provision in this policy, in cases where LACERA makes an erroneous payment as a result of fraudulent reports for compensation made, or caused to be made, by a member for his or her own benefit, the system's right to bring an action to collect shall not expire until ten (10) years from the date of payment or the date of discovery of the fraudulent reporting, whichever is later.
- d. Notwithstanding any other provision in this policy, in cases involving under paid member contributions, if LACERA brings an action within three (3) years from the date of discovery of the underpayment, it may recover the entire underpayment, regardless of when in the past the underpayment was made. If no action is brought by LACERA within three (3) years from the date of discovery, LACERA's right to bring an action shall expire three (3) years from the date of the underpayment.
- e. LACERA's determination with regard to the period of limitation in any case, and its determination with respect to the running of any period of limitation shall be conclusive and binding for purposes of correcting any error or omission.
- f. For purposes of this policy, date of discovery means the date LACERA discovered or reasonably could have discovered the error giving rise to the erroneous payment.
- g. Nothing in this policy shall be construed as limiting or prohibiting in any way LACERA's authority to correct errors as necessary in a member's or beneficiary's account, prospectively and/or retroactively,
- h. Notwithstanding any other provision in this policy, in cases where LACERA owes money to a member or beneficiary, the periods of limitation set forth above shall not apply.

C. Offsets

As part of LACERA's collection process, the CEO will wherever possible to recover all overpayments and underpayments owing from a member or beneficiary, plus interest thereon, offset amounts due to LACERA against current or future benefits owing to the member or beneficiary. The threshold limits set forth above shall apply to cases involving offsets, and will only be applied after the member or beneficiary is afforded an opportunity to challenge the debt and offset through the Board's Administrative Appeal Procedure.

D. Interest

The CEO will include appropriate interest on any overpayment or underpayment it seeks to recover in accordance with Section A. However, in accordance with Section A, the CEO may make no further demand for collection of interest, in whole or in part, where the CEO determines, after a careful review of case, it is appropriate under the circumstances of the case.

For purposes of this policy, appropriate interest means LACERA's actuarially assumed rate of return applicable during the period of the overpayment or underpayment, as it may have changed from time to time and as applied to the principal amount due at each point during the relevant period.

E. Delegation of Responsibilities

In all instances the CEO may delegate to staff the activities and work called for and necessarily required to carry out this policy.

F. Conflicts with applicable law.

To the extent anything in this policy conflicts with IRS rules or applicable law, such IRS rules or applicable law will prevail.

Revised: 6/11/2015
Revised: 6/14/2007
Adopted: 8/2/1995

EXHIBIT B



**BOARD OF RETIREMENT
POLICY FOR THE RECOVERY OF
MEMBER OVERPAYMENTS AND UNDERPAYMENTS**

A. PURPOSE

The Board of Retirement ("Board") adopts this policy to ensure proper and timely collection of monies owed to LACERA by a member, beneficiary, survivor or other payee resulting from incorrect payments into or out of the retirement system. The Board adopts this policy to safeguard pension-fund assets by making reasonable efforts to recover overpayments, underpayments and appropriate interest thereon.

B. SCOPE

This policy applies broadly to all cases involving member overpayments and underpayments resulting from incorrect payments into or out of the retirement system. This policy does not apply to or affect the Board's ability to correct errors in a member account that resulted in the Underpayment or Overpayment in the exercise of its plenary authority to administer the retirement system.

C. LEGAL AUTHORITY

The Board has plenary authority and fiduciary responsibility over administration of the retirement system, which includes the duty to provide benefits, minimize employer contributions, and defray reasonable expenses of administering the system. See Cal. Govt. Code Section 31595. Applicable limitation periods are set forth in Cal. Govt. Code Section 31540.

D. DEFINITIONS

For purposes of this Policy, the following definitions apply:

"Underpayments" refer to incorrect member contribution payments into the retirement system.

"Overpayments" refer to incorrect benefit payments by LACERA to a member, beneficiary, survivor or other payee.

"Special project" refers to multiple individual member accounts that are readily identifiable, affected by a common underlying error or issue, and where handling such cases collectively will maximize efficiency and minimize burden for both LACERA and the affected members.

"Appropriate Interest" means the lesser of LACERA's:

- (1) then-current actuarially assumed rate of return at the time of calculation, or
- (2) actual rate of return applicable, if known, during the period of the Overpayment or Underpayment or as each may have changed from time to time and as applied to the total recoverable principal amount due at each point during the relevant period.

"Total Recoverable Principal" is the lesser of the amount calculated by the CEO as:

- (1) recoverable after applying applicable period(s) of limitation, including, but not limited to, those listed in Section F of this Policy, or
- (2) the actual amount in dispute.

E. THRESHOLD LIMITS.

The following threshold limits shall apply to the collection of erroneous payments into and out of the retirement system:

1. For Total Recoverable Principal amounts less than \$750, the Chief Executive Officer (“CEO”) is authorized to waive the demand for principal or interest and write off the amount, or take such other action the CEO deems reasonable and appropriate.

2. For Total Recoverable Principal amounts between \$750 and \$5,000, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and documented, the CEO is authorized to refer the matter to the County of Los Angeles Treasurer Tax Collector, write off the principal and/or interest, in whole or in part, or take such other action as the CEO deems reasonable and appropriate. Formal litigation will normally not be commenced as the cost of filing and prosecuting the case would likely exceed the amount that could be recovered.

3. For Total Recoverable Principal amounts between \$5,001 and \$20,000, after notice to the Board and informal collection efforts (such as verbal and written staff requests for payment) have been completed, documented, and consultation as necessary with the Legal Office and other staff to determine likelihood of recovery, the CEO has discretion to pursue recovery of principal and/or interest in small claims court, refer the matter to the County of Los Angeles Treasurer Tax Collector, commence formal litigation, write off the amount, in whole or in part, or take such other action as the CEO deems reasonable and appropriate.

4. For Total Recoverable Principal amounts over \$20,000, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and consultation with the Legal Office and other staff as necessary to determine likelihood of recovery, the CEO is required to seek Board approval to commence formal litigation to recover the principal and interest, write off the amount, in whole or in part, or to take such other action as the board deems reasonable and appropriate.

Notwithstanding Section E, if the CEO determines that multiple individual cases warrant designation and handling as a “Special Project,” the CEO may treat these cases collectively as a group. In such cases, as soon as practicable after discovery of the error and determination as to the issue and impact, the CEO will present a recommendation to the Board on how such cases will be corrected, processed, and resolved efficiently, prudently, and consistently with LACERA’s fiduciary duties.

F. Applicable Periods of Limitation

1. Pursuant to California Government Code Section 31540, the applicable periods of limitation for actions to recover erroneous Underpayments and/or Overpayments shall be three years and be applied as follows:

- a. In cases where LACERA makes an Overpayment to a member or beneficiary, the system’s right to bring an action to collect shall not expire until three (3) years from the date of payment.
- b. Notwithstanding any other provision in this policy, in cases where LACERA makes an Overpayment because of the death of a retired member or beneficiary, or because of the remarriage of the beneficiary, the system’s right to bring an action to collect shall not expire until ten (10) years from the date of discovery of the erroneous payment.

- c. Notwithstanding any other provision in this policy, in cases where LACERA makes an Overpayment as a result of fraudulent reports for compensation made by a member for his or her own benefit, the system's right to bring an action to collect shall not expire until ten (10) years from the date of payment or the date of discovery of the fraudulent reporting, whichever is later.
- d. Notwithstanding any other provision in this policy, in cases involving an Underpayment, if LACERA brings an action within three (3) years from the date of discovery of the Underpayment, it may recover the entire Underpayment, regardless of when it was made. If no action is brought by LACERA within three (3) years from the date of discovery, LACERA's right to bring an action shall expire three (3) years from the date of the Underpayment.
- e. LACERA's determination as to the period of limitation in any case, shall be conclusive and binding for purposes of correcting any error or omission.
- f. For purposes of this policy, date of discovery means the date LACERA discovered or reasonably should have discovered the error giving rise to the erroneous payment.
- g. Nothing in this policy shall be construed as limiting or prohibiting LACERA's authority to correct, prospectively and/or retroactively, the error(s) in a member account that resulted in the Underpayment or Overpayment.
- h. Notwithstanding any other provision in this policy, in cases where LACERA owes money to a member or beneficiary, the periods of limitation set forth above shall not apply.

G. Offsets

As part of LACERA's collection process, the CEO will whenever possible offset any current or future benefits owing to the member or other payee in order to recover an Overpayment or Underpayment, plus interest owing thereon. The threshold limits in Section E shall apply to cases involving offsets and will only be applied after the member or payee is afforded an opportunity to challenge the debt and offset through the Board's Administrative Appeals Procedures for Retirement Benefits.

H. Interest

The CEO will include appropriate interest on any Overpayment or Underpayment he/she seeks to recover in accordance with the threshold limits set forth in Section E as follows:

1. In cases where there is evidence the Overpayment or Underpayment resulted from fraud or dishonest conduct by the member/payee, the CEO will seek to recover appropriate interest from the member/payee. For purposes of this policy, "fraud or dishonest conduct" means an intentional act or omission the member/payee knew or should have known was false, incorrect or inaccurate.

2. In cases other than those described in Section H.1, appropriate interest shall not be collected from the member/payee.

The calculation methodology is monthly compounding based on the Appropriate Interest rate. Any interest paid and received by LACERA pursuant to this Section will be credited to the member's account as required pursuant to applicable law, including Government Code Section 31591. Any remaining interest will be applied to LACERA's fund as interest income.

Notwithstanding Section H.2., where a member or other payee elects or defaults to repay an Overpayment or Underpayment over time via multiple payments, LACERA will add and collect finance interest at the rate applicable at the beginning of the repayment. Further, in cases involving contract corrections, LACERA will apply and collect interest on the contract in the amount required pursuant to applicable law or Board regulation.

I. Delegation of Responsibilities

In all instances, the CEO may delegate to staff the activities and work required to carry out this policy.

J. Conflicts with applicable law.

To the extent anything in this policy conflicts with IRS rules or applicable law, such IRS rules or applicable law will prevail.

K. REFERENCES

Related Policies: Not Applicable.

Related Procedures: Not Applicable.

Procedure title: Not Applicable.

Related Forms/Templates: Not Applicable.

Form/Template title: Not Applicable.

Other Related Information: Not Applicable.

L. Version History

The policy was first adopted August 2, 1995. The policy was amended on June 14, 2007 and June 11, 2015. M. Policy Review/Approval

This Policy is a Board Policy subject to Board approval. It should be reviewed every 3-5 years, or more frequently as needed.

EXHIBIT C

Account Settlement Processing Time Cost Analysis_ Updated Aug 2023

	Average Processing Time (minutes): Low	Estimated Salary (Hourly)	Estimated Cost	Average Processing Time (minutes): High	Estimated Salary (Hourly)	Estimated Cost
Account Settlement Initial Collection:						
Account analysis and creation of work object after discovery						
<i>Retirement Benefits Specialist I, II, or III*</i>	10	\$ 39.80	\$ 6.63	45	\$ 39.80	\$ 29.85
Work object is routed to ASU queue, triaged, and assigned to ASU Staff						
<i>Senior Retirement Benefits Specialist</i>	5	\$ 55.11	\$ 4.59	10	\$ 55.11	\$ 9.19
Staff review statute of limitations (SOL) and calculate cost						
<i>Retirement Benefits Specialist II</i>	60	\$ 39.80	\$ 39.80	0	\$ 39.80	\$ -
<i>Retirement Benefits Specialist III</i>	0	\$ 47.54	\$ -	210	\$ 47.54	\$ 166.38
<i>Section Head (reviewer)</i>	0	\$ 78.72	\$ -	45	\$ 78.72	\$ 59.04
Sub-total	60		\$ 39.80	255		\$ 225.42
Legal Review (if applicable)						
<i>Senior Staff Counsel</i>	0	\$ 130.60	\$ -	60	\$ 130.60	\$ 130.60
Quality Assurance Review (if applicable)						
<i>Quality Auditor II</i>	0	\$ 54.94	\$ -	166	\$ 54.94	\$ 152.00
Calculation Revisions (if applicable)						
<i>Retirement Benefits Specialist III</i>	0	\$ 47.54	\$ -	60	\$ 47.54	\$ 47.54
Account Settlement is completed by ASU Staff (letter and documentation)						
<i>Retirement Benefits Specialist II</i>	30	\$ 39.80	\$ 19.90	0	\$ 39.80	\$ -
<i>Retirement Benefits Specialist III</i>	0	\$ 47.54	\$ -	45	\$ 47.54	\$ 35.65
Sub-total	30		\$ 19.90	45		\$ 35.65
Account Settlement is logged in database						
<i>Retirement Benefits Specialist I</i>	5	\$ 33.82	\$ 2.82	10	\$ 33.82	\$ 5.64
Member Services correspondence letter drafted and sent to member						
<i>Retirement Benefits Specialist III</i>	0	\$ 47.54	\$ -	90	\$ 47.54	\$ 71.31
FASD sets up receivables in GL, updates database, and reconciles balance						
<i>Accountant</i>	15	\$ 45.14	\$ 11.28	20	\$ 45.14	\$ 15.05
<i>Senior Accountant (reviewer)</i>	5	\$ 50.56	\$ 4.21	10	\$ 50.56	\$ 8.43
Sub-total	20		\$ 15.50	30		\$ 23.47
TOTAL	130		\$89.24	771		\$730.66

*Estimated salary based on RBS II

	Total Processing Time (minutes)	Estimated Cost
2020: Low	125	\$80.83
2023: Low	130	\$89.24
% Change	4.00%	10.40%
2020: High	1191	\$976.92
2023: High	771	\$730.66
% Change	-35.26%	-25.21%

Legend:
Average Processing Time: Low refers to the average amount of time it takes to process an account settlement case with 3 identified periods of actual>scheduled earnings
Average Processing Time: High refers to the average amount of time it takes to process a complex account settlement case with undercollected contributions and overpaid retirement benefits

	Average Processing Time (minutes): Low	Estimated Salary (Hourly)	Estimated Cost	Average Processing Time (minutes): High	Estimated Salary (Hourly)	Estimated Cost
Level 1 Appeal:						
Level 1 Appeal submitted by member and triaged by MSQC (phone call, enter in SharePoint, and mail letter)						
<i>Retirement Benefits Specialist III</i>	20	\$ 47.54	\$ 15.85	45	\$ 47.54	\$ 35.65
Work object is routed to Correspondence queue, triaged, and assigned to MS Staff						
<i>Section Head</i>	10	\$ 78.72	\$ 13.12	20	\$ 78.72	\$ 26.24
Staff review appeal and complete Case Analysis						
<i>Retirement Benefits Specialist III</i>	960	\$ 47.54	\$ 760.59	2400	\$ 47.54	\$ 1,901.49
<i>Section Head (reviewer)</i>	480	\$ 78.72	\$ 629.74	1440	\$ 78.72	\$ 1,889.23
Sub-total	1440		\$ 1,390.34	3840		\$ 3,790.71
Escalations Committee Reviews Case Analysis and makes appeal decision						
<i>Division Manager</i>	30	\$ 97.79	\$ 48.90	60	\$ 97.79	\$ 97.79
<i>Division Manager</i>	30	\$ 97.79	\$ 48.90	60	\$ 97.79	\$ 97.79
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Section Head</i>	30	\$ 78.72	\$ 39.36	60	\$ 78.72	\$ 78.72
<i>Senior Retirement Benefits Specialist</i>	30	\$ 55.11	\$ 27.56	60	\$ 55.11	\$ 55.11
<i>Retirement Benefits Specialist III</i>	0	\$ 47.54	\$ -	60	\$ 47.54	\$ 47.54
<i>Chief Quality Assurance & Metrics</i>	30	\$ 94.76	\$ 47.38	60	\$ 94.76	\$ 94.76
<i>Senior Quality Auditor</i>	0	\$ 63.23	\$ -	60	\$ 63.23	\$ 63.23
<i>Staff Counsel</i>	30	\$ 97.79	\$ 48.90	60	\$ 97.79	\$ 97.79
Sub-total	330		\$ 457.78	780		\$ 1,026.32
Additional Research, Calculation, or Legal Counsel Assistance						
<i>Retirement Benefits Specialist III</i>	60	\$ 47.54	\$ 47.54	240	\$ 47.54	\$ 190.15
<i>Section Head</i>	10	\$ 78.72	\$ 13.12	45	\$ 78.72	\$ 59.04
<i>Senior Staff Counsel</i>	0	\$ 130.60	\$ -	60	\$ 130.60	\$ 130.60
<i>Quality Auditor II</i>	60	\$ 54.94	\$ 54.94	420	\$ 54.94	\$ 384.58
Sub-total	130		\$ 115.60	765		\$ 764.36
Division Manager documents account with appeal decision and creates service request						
<i>Division Manager</i>	45	\$ 97.79	\$ 73.34	90	\$ 97.79	\$ 146.69
Work object is routed to Section Head to assign to MS Staff						
<i>Section Head</i>	10	\$ 78.72	\$ 13.12	20	\$ 78.72	\$ 26.24
MS Correspondence Staff draft appeal response letter						
<i>Retirement Benefits Specialist III</i>	120	\$ 47.54	\$ 95.07	300	\$ 47.54	\$ 237.69
Division Manager approves and signs appeal response letter						
<i>Division Manager</i>	15	\$ 97.79	\$ 24.45	45	\$ 97.79	\$ 73.34
Staff mail letter and complete service request						
<i>Retirement Benefits Specialist III</i>	10	\$ 47.54	\$ 7.92	10	\$ 47.54	\$ 7.92
MSQC contacts member regarding appeal decision and letter						
<i>Retirement Benefits Specialist III</i>	5	\$ 47.54	\$ 3.96	20	\$ 47.54	\$ 15.85

	Total Processing Time (minutes)	Estimated Cost
2020: Low	2225	\$2,083.54
2023: Low	2135	\$2,210.54
% Change	-4.04%	6.10%
2020: High	5515	\$5,060.52
2023: High	5935	\$6,151.01
% Change	7.62%	21.55%

TOTAL	2135	\$ 2,210.54	5935	\$ 6,151.01
RUNNING TOTAL	2265	\$ 2,299.79	6706	\$ 6,881.67

	Average Processing Time (minutes): Low	Estimated Salary (Hourly)	Estimated Cost	Average Processing Time (minutes): High	Estimated Salary (Hourly)	Estimated Cost
Level 2 Appeal:						
Level 2 Appeal submitted by member and triaged by MSQC (phone call and letter)						
<i>Retirement Benefits Specialist III</i>	20	\$ 47.54	\$ 15.85	45	\$ 47.54	\$ 35.65
Work object is routed to AEO for processing and review						
<i>Assistant Executive Officer</i>	240	\$ 130.60	\$ 522.39	1440	\$ 130.60	\$ 3,134.32
AEO drafts and mails appeal response letter						
<i>Assistant Executive Officer</i>	60	\$ 130.60	\$ 130.60	240	\$ 130.60	\$ 522.39
Additional Legal Counsel Assistance						
<i>Senior Staff Counsel</i>	0	\$ 130.60	\$ -	60	\$ 130.60	\$ 130.60
TOTAL	320	\$ 668.83		1785	\$ 3,822.96	
RUNNING TOTAL	2585	\$ 2,968.62		8491	\$ 10,704.63	

	Total Processing Time (minutes)	Estimated Cost
2020: Low	320	\$609.35
2023: Low	320	\$668.83
% Change	0.00%	9.76%
2020: High	1785	\$3,482.26
2023: High	1785	\$3,822.96
% Change	0.00%	9.78%

	Average Processing Time (minutes): Low	Estimated Salary (Hourly)	Estimated Cost	Average Processing Time (minutes): High	Estimated Salary (Hourly)	Estimated Cost
Level 3 Appeal:						
Level 3 Appeal submitted by member and triaged by MSQC (phone call and letter)						
<i>Retirement Benefits Specialist III</i>	20	\$ 47.54	\$ 15.85	45	\$ 47.54	\$ 35.65
AEO prepares case analysis for Legal						
<i>Assistant Executive Officer</i>	60	\$ 130.60	\$ 130.60	120	\$ 130.60	\$ 261.19
Legal Office (pre-referral) Assistance						
<i>Senior Staff Counsel</i>	0	\$ 130.60	\$ -	60	\$ 130.60	\$ 130.60
Additional Research and/or Calculation						
<i>Retirement Benefits Specialist III</i>	60	\$ 47.54	\$ 47.54	240	\$ 47.54	\$ 190.15
<i>Quality Auditor II</i>	60	\$ 54.94	\$ 54.94	540	\$ 54.94	\$ 494.46
Sub-total	120		\$ 102.48	780		\$ 684.61
Legal Office (post-referral) Handling of Appeal						
<i>Chief Counsel</i>	30	\$ 162.24	\$ 81.12	90	\$ 162.24	\$ 243.36
<i>Legal Secretary</i>	60	\$ 46.46	\$ 46.46	300	\$ 46.46	\$ 232.30
<i>Staff Counsel or Senior Staff Counsel**</i>	600	\$ 130.60	\$ 1,305.97	1500	\$ 130.60	\$ 3,264.92
Sub-total	690		\$ 1,433.55	1890		\$ 3,740.58
TOTAL	890	\$ 1,682.47		2895	\$ 4,852.63	
RUNNING TOTAL	3475	\$ 4,651.08		11386	\$ 15,557.25	

	Total Processing Time (minutes)	Estimated Cost
2020: Low	890	\$1,529.44
2023: Low	890	\$1,682.47
% Change	0.00%	10.01%
2020: High	2895	\$4,411.11
2023: High	2895	\$4,852.63
% Change	0.00%	10.01%

**Estimated salary based on Senior Staff Counsel

Job Title	Annual Salary Range			Average	Hours Per Year	Hourly Rate
	Min	Max				
Retirement Benefits Specialist I	\$ 50,253.84	\$67,719.24	\$	58,986.54	1744	\$ 33.82
Retirement Benefits Specialist II	\$ 59,136.00	\$ 79,689.84	\$	69,412.92	1744	\$ 39.80
Retirement Benefits Specialist III	\$ 70,628.76	\$ 95,180.76	\$	82,904.76	1744	\$ 47.54
Senior Retirement Benefits Specialist	\$ 81,880.32	\$ 110,346.60	\$	96,113.46	1744	\$ 55.11
Section Head	\$ 109,233.72	\$ 165,334.08	\$	137,283.90	1744	\$ 78.72
Division Manager	\$ 135,700.68	\$ 205,394.04	\$	170,547.36	1744	\$ 97.79
Quality Auditor II	\$ 82,900.32	\$ 108,729.84	\$	95,815.08	1744	\$ 54.94
Senior Quality Auditor	\$ 95,415.24	\$ 125,140.32	\$	110,277.78	1744	\$ 63.23
Chief Quality Assurance & Metrics	\$ 125,140.32	\$ 205,394.04	\$	165,267.18	1744	\$ 94.76
Chief Counsel	\$ 225,134.04	\$ 340,758.60	\$	282,946.32	1744	\$ 162.24
Senior Staff Counsel	\$ 181,224.00	\$ 274,297.32	\$	227,760.66	1744	\$ 130.60
Assistant Executive Officer	\$ 181,224.00	\$ 274,297.32	\$	227,760.66	1744	\$ 130.60
Senior Management Secretary				#DIV/0!	1744	#DIV/0!
Accountant	\$ 67,060.32	\$ 90,375.24	\$	78,717.78	1744	\$ 45.14
Senior Accountant	\$ 75,118.92	\$ 101,221.08	\$	88,170.00	1744	\$ 50.56
Staff Counsel	\$ 135,700.68	\$ 205,394.04	\$	170,547.36	1744	\$ 97.79
Legal Secretary	\$ 70,105.08	\$ 91,946.16	\$	81,025.62	1744	\$ 46.46

FOR INFORMATION ONLY



Operations Briefing Report



December 6, 2023



The Operations Briefing Report is divided into four distinct sections, beginning with a general highlight section where we share narratives of projects or operational issues that we feel need highlighted attention. For example, over the last few months we have provided updates on our annual “March Madness” season.

The remaining sections are designed to provide an “at-a-glance” update on projects and initiatives the organization is working on. Each section is divided into the categories listed below to make it easier for you to quickly see what has changed, what has not, and what is completed. We have assigned a color scheme to each section so that as you scroll through the report you will be able to easily identify which of the sections listed below you are in. We have alphabetized each section by project title to make it easier for Trustees to home in on a specific project of interest:

- **New and Updated Information**
- **Existing Projects/Initiatives: No New Updates**
- **Completed Projects/Initiatives**

Each “at-a-glance” section provides a summary of information so Trustees can quickly understand the project and its status. This includes the following fields:

Project/Issue Title – Brief Description:

- **Type:** Each project has been assigned a type (Strategic Plan, CEO (for CEO’s 100 Day Report), MOG (Member Operations Group projects), and BSG (for Business Services Group projects).
- **Start and Target Date:** When the project started and its expected target date for completion.
- **Project Lead(s):** We have added a new information point to describe the project lead for that specific project.
- **Color coded status section** to indicate quickly where we are on the project.
- **A brief annotated notes section** to provide more detail on the status of the project.



Status Indicator Note		
Color coded statuses for a quick at-a-glance indicator to tell you how the project is proceeding.		
On Schedule	Delayed	Pushed Back
(The project is on schedule and the team intends to meet the stated target date)	(The project is slightly delayed. The team does expect a one to two month slip in meeting the target date. Management is more actively watching the progress of these projects)	(The project has been impacted by a significant obstacle or has been suspended due to emergent priorities. Management is actively discussing remedial steps or has a plan waiting to be implemented)

• New and Updated Information

This portion of the Operations Briefing details projects and initiatives that are new or have updated statuses.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	May 2023
Project Lead(s): Ted Granger				
On-Schedule				
Annual Financial Statement Preparation and Audit: Government code sections require that LACERA prepare annual financial statements including footnotes and disclosures, obtain an external audit opinion of those statements, and transmit the reports to the Los Angeles County Board of Supervisors within six-months following the fiscal year-end.	2023 – ACFR and PAFR			
	LACERA submitted the Annual Financial Statements (AFS) with a “clean” audit opinion issued by LACERA’s external auditors, to Los Angeles County. Plante Moran identified no findings, material weaknesses, or significant deficiencies, so there were no audit findings to report. FASD is currently working with Communications to prepare the Annual Comprehensive Financial Report (ACFR). The ACFR includes additional information such as the transmittal letter from the CEO, organizational chart, and Trustees and photos. In addition, the Popular Annual Financial Report (PAFR) is in progress with Communications. The PAFR is an abbreviated version of the financial			



	statements, prepared in a pamphlet style report that is sent to all LACERA members. We expect to complete and distribute the ACFR and PAFR in mid-December and submit these reports to the Government Financial Officers Association (GFOA) for their award programs.
--	---

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Financial & Accounting Services Division	August 2023	December 2023
	Project Lead(s): Ted Granger			
	On-Schedule			
<p>Actuarial Valuation Reports: Retirement Benefits</p> <p>The Government Code requires that valuations of the Retirement Benefits Fund (Pension Plan) be performed at least once every three years. The Board of Investments' 2013 Retirement Benefit Funding Policy requires valuations be completed annually. These reports are prepared to determine employer and employee contribution rates and to measure the funded status of the Pension Plan. In addition, the valuation report provides information used to prepare the Governmental Accounting Standards Board (GASB) Statement Numbers 67 & 68 reports. Plans (LACERA) and Plan Sponsors (County) use the</p>	<p>2023 Retirement Benefits – Annual Valuation</p> <p>The June 30, 2023, Retirement Benefits Valuation Report is in draft form. Milliman is expected to present the final 2023 report to the Board of Investments (BOI) at their December 2023 meeting.</p> <p>Milliman provided and LACERA staff completed the annual information request. Systems prepared and transmitted the year-end member census data to Milliman. LACERA prepared a project timeline and Milliman completed a draft report and appendices for staff review. This year's report will include the ASOP #4 disclosure which requires that Milliman calculate the retirement benefits liability based upon a low-default-risk obligation measurement (LDROM) and provide the results for information purposes only.</p>			



GASB reports to obtain information required for their financial statement disclosures.	
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	August 2023
	Project Lead(s): Ted Granger			
	On-Schedule			
<p>Actuarial Valuation Reports: Retiree Healthcare (RHC) or Other Post-employment Benefits (OPEB) Program</p> <p>The Retiree Healthcare (RHC) Program administered by LACERA on behalf of Los Angeles County includes retiree healthcare benefits such as medical and dental/vision insurance plans and death benefits. GASB refers to these benefits as Other Post-Employment Benefits (OPEB) for financial reporting. GASB Statement Numbers 74 & 75 prescribes financial statement reporting standards for OPEB programs. Actuarial valuations are prepared annually, and experience and assumption studies are prepared triennially for Los Angeles County and LACERA’s Board of Retirement to make funding decisions</p>	<p>2023 OPEB – Triennial Investigation of Experience Study</p> <p>OPEB Program actuarial projects for the 2023 reporting cycle are in progress and will include both a triennial experience study and annual valuation report.</p> <p>It is anticipated that Milliman will conduct an “educational session” for the Board of Retirement in January 2024. The information will include a high-level discussion of actuarial concepts, methods, and assumptions so Trustees are better informed for the upcoming experience study process.</p> <p>For July 1, 2023, Milliman will complete an investigation of experience, which is required by the Board’s Policy to be conducted every three years to review the OPEB Program economic and demographic assumptions and recommend changes. Changes in the assumptions will impact the actuarial valuation results and actuarial funding metrics including the Program’s funded status and actuarially determined contributions. In addition, the valuation report provides information used to prepare the financial statement disclosure reports for Los Angeles County.</p> <p>Subsequent to the annual medical insurance premium renewals in March 2024, Milliman will complete a draft experience study report for the Board of Retirement meeting in April 2024. Milliman will discuss the economic and demographic</p>			



and to provide the information for the GASB 75 report which is used for employer financial statement disclosure reporting.

assumptions and related actuarial methods and staff will request Board approval. The annual valuation report will follow and is expected to be completed in August 2024.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Benefits	08/01/2020	TBD
	Project Lead(s): Shonita Peterson			
	On Schedule			
<p>Alameda Decision Implementation: In 2020, the California Supreme Court issued its decision in the Alameda County Deputy Sheriff’s Association v. Alameda County Employees Retirement Association (“Alameda”), challenging the constitutionality of changes passed in 2013 Assembly Bill 197, which amended the definition of compensation earnable, specifically, excluding pay items previously included such as unused vacation, termination pay, in-kind payments, and payments for services rendered outside of normal working hours. The Court upheld the constitutionality of the Legislature’s actions. In 2021, the Legal Office notified the Board of Retirement that it had completed an initial review of LACERA legacy pay codes and determined that Standby Pay did not meet the expanded</p>	<p>Since the project started, staff have updated the salaries for 4,176 members to exclude Standby Pay and computed the contributions on earnings that occurred on or after January 1, 2013. Of those, 3,013 were actively employed, but only 2,284 had overpaid contributions. Since Active members cannot receive a refund while in service, LACERA suspended future contributions beginning with the March 30, 2022, salary (paid on April 15, 2022) through the point each member’s balance had been depleted. Staff mailed 1,000 letters to the active members on February 11, 2022, and the remaining 1,084 letters on February 25, 2022. A split mailing was used to prevent overwhelming the Member Services Call Center.</p> <p>Subsequently, staff identified 149 deferred and inactive members, most of whom were entitled to a refund. Staff issued 132 checks to those members entitled to a refund. The balance of seventeen were not owed a refund.</p> <p>The Systems Division developed programming to remove the Standby Pay code earnings for all retirees who retired on or after January 1, 2013, and recalculated their FAC earnings once the pay codes were removed. Per the BOR approval, these members were subject to having their benefits adjusted prospectively from August 30, 2020, following the court’s decision.</p> <p>Beginning May 24, 2022, LACERA notified 710 members via email that their monthly benefit allowance will be reduced effective July 31, 2022. Of these, 405</p>			



understanding of compensation earnable because of the Alameda Case.

members were notified that due to the retroactive deduction of benefits to the August 2020 monthly allowance, they have been overpaid and will be required to repay the overpaid benefits. Members will be given the option to repay by lump sum, or via deductions from their benefits over a period of time (including financing interest). The remaining 305 retirees were mailed a refund check for the overpaid retirement contributions that exceeded the overpaid retirement benefit. An additional fifty-six members with Standby Pay neither have a refund nor a benefit change due to the timing of their standby pay, while a Plan E member, or having a 30-year cancellation.

The team working on this project has identified five groups of members who will be impacted by this project. The chart below reflects the progress of the project.

Alameda Project Status	Current Report	
	11/30/2023	
Row Labels (Type, Status, Detail, Outstanding)	Count	%
Pending Notification (Staff Reviewing and Processing)	674	13.94%
Active	35	0.7%
Retired	6	0.01%
Deferred/Inactive	0	0.0%
Deceased	43	0.9%
Other – *Active/Exceptions	590	12.21%
Withdrawn	0	0.0%
Completed	4,158	86.05%



	Active	3,024	62.6%
	Retired	873	18.07%
	Deferred/Inactive	149	3.1%
	Deceased	0	0.0%
	Withdrawn	56	1.2%
	Not affected	56	1.2%
	Grand Total	4,832	100%

***Alameda Project – Active Members:** In addition to the Retired / Deceased / Survivor / Legal Split Payee cases, there are a total of 590 Active Exception cases that require manual review and processing by the specialist.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Strategic	Executive (MOG/BSG)	08/24/2022
Project Lead(s): JJ Popowich, Luis A. Lugo, & Iveta Brecko (PM)				
Delayed				
Case Management Project (Sol: Phase I) Implement a case management system that will improve efficiency in processing member requests, provide accurate status and data collection for metrics, and improve the member experience. Processes included in Phase I are: Disability Retirement Services (DRS)	In May of 2022, the BOR approved LACERA's recommended vendor, Eccentex, to partner with LACERA to develop our Case Management System. Eccentex was selected after an extensive review of thirteen vendor proposals received from our RFP. DRS and DLO will be moving to operational support while we will continue implementing Sol enhancements and improvements to the business processes. The vendor demonstrated a new iteration of the First Payment functionality to the Benefits Division. The team continues to refine business requirements and to work on additional datapoints needed for the first payment.			



Disability Litigation Office (DLO) Benefits – First Payment	
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	10/06/2022	TBD
	Project Lead(s): Laura Guglielmo and Cookie Jaranilla (PM)			
	Delayed			
<p>Enterprise Budget Application (Questica) Implementation Phase I: LACERA is implementing its first automated enterprise budget application which will be used for budget development and budget control and will integrate with LACERA’s financial system, Great Plains. This system replaces a manual budget development process that relies on Microsoft Excel and Word. It will also ensure that managers have real-time budget to actual reporting capabilities for data informed decision making.</p>	<p>After an extensive RFP and selection process, the Board of Retirement approved the selection of Questica on October 6, 2022. The contract and statement of work were finalized, and the project kick off meeting was held with the LACERA Budget Team and Questica team on November 17, 2022.</p> <p>The Project team has continued to fine-tune Questica’s Budget Modernization application in the following areas:</p> <ul style="list-style-type: none"> • Required roles for Change Request Permissions • General Ledger (GL) Account Roll-up and Reporting Requirements • Personnel Sync Integration • Amended Budget Export • View Creation <p>The MAC and SAC team members completed Budget Basic training sessions led by the Assistant Executive Officer on September 14 and 15, 2023. These sessions aimed to provide managers and supervisors within LACERA's business divisions with a strong foundational understanding of budget concepts and processes. Questica successfully conducted User Training on September 25 and 28, 2023. Subject Matter Experts (SMEs) are actively validating data integration extracts and comparing personnel and payroll data from legacy systems with Questica Budget data. The Project Team underwent the Authored Reporting Training by Questica’s SME on November 20th. The Executive Management Presentation</p>			



	is slated for November 30th. The Go-Live Date has been rescheduled pending the completion of data validation and user training scheduling exercises.
--	--

Project / Issue Title Brief Description	Type	Project Sponsor,	Start Date	Target Date
	BSG	Executive (BSG)	12/01/2023	TBD
	Project Lead(s): Laura Guglielmo and Cookie Jaranilla (PM)			
	Delayed			
Enterprise Budget Application (Questica) Implementation Phase II: Budget Book LACERA nearly finished implementing its first automated enterprise budget application which will be used for budget development and budget control and will integrate with LACERA's financial system, Great Plains. This phase of the project will address the Budget Book that is submitted to the Boards during the approval process.	The implementation of the Questica budgeting solution has been divided into two phases. Phase I concerns the implementation of the budgeting application itself. Phase II represented in this report consists of the review and implementation of the Budget Book function to assist with assembling the budget book that is submitted for approval to the Boards. Development of the budget book is a unique and detailed process that requires significant focus to migrate to a new platform. The native budget book application provided by Questica will be evaluated by the team after we have completed implementation of the budget application. The team plans to produce the FY 25 Budget Book outside of this application while this is under review. Once we have completed the role out of the Questica application we will assign a target date for completion of this phase.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Administrative Services	03/01/2022	12/31/2023
	Project Lead(s): Roberta Van Nortrick, Celso Templo & Michael Dozier (PM)			
	On Schedule			
Enterprise Contract Lifecycle Management (ECLM) Solution	On April 4, 2022, LACERA received proposals from nine vendors. LACERA's evaluation team reviewed all RFPs and selected five vendors as finalists. These finalists			



Pursuant to a recommendation by Administrative Services staff, the Operations Oversight Committee (OOC) on March 2, 2022, authorized a Request for Proposal (RFP) for software and consulting services to procure, configure, customize, and implement an ECLM system, which was published on LACERA.com on March 4, 2022.

demonstrated their solutions to the team. A final vendor has been identified and a recommendation to the Board of Retirement was scheduled for consideration at the September 2022 Board Meeting. The Board of Retirement approved the recommended vendor, Cobblestone, at the September 2022 Board meeting for the Enterprise Contract Lifecycle Management system.

The ECLM Solution's Iteration 1 has been completed. ECLM is in production and available for use. Systems, Admin Services, Legal, Investment Division, and FASD SMEs have been conducting their User Acceptance Testing (UAT). Functionalities available in production are the following:

- Contract Repositories
- Vendor Portal
- Contract Approval Chain
- Consolidated Bid Responses and Evaluation – RFP Management
- AI Capabilities – Drafting, Reviewing & Executing of Contracts
- Reporting - Contract Requests, Solicitations, Contracts, and Vendors
- Systems Integration with Great Plains

The ECLM Project Team has completed Iteration 2, which included User Acceptance Testing and the utilization of the Vendor Portal in production. ECLM Subject Matter Experts have tested the Data Integration solution with Great Plains and Accounts Payable Certify applications, successfully validating their anticipated functionality. Furthermore, these Subject Matter Experts have identified critical issues during the testing of various workflows, and the vendor is currently in the process of remediating these defects. End User Training for Business Divisions has been rescheduled for the week of December 12th, pending the completion of development and testing to address the discovered defects. The ECLM Go-Live date is scheduled for December.



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	10/01/2022	12/30/2023
	Project Lead(s): Carly Ntoya and Don Song (PM)			
	On Schedule			
Human Resources (HR) Digitization LACERA is currently converting 350,000+ paper Human Resources' personnel, payroll, medical, and classification files to electronic files to allow quick retrieval of documents by a hybrid workforce, shared access to information, full text search capabilities, and an audit trail of document access.	In March 2022, the Information Technology Coordination Council approved the Human Resources Digitization Project. Funding for the project was approved as part of the FY 2022-23 budget. The temporary resource has been participating in status meetings, conducting scanning tasks, and was recently provided with extra training in the scanning process to ensure optimal efficiency. Another scanner has been configured and installed to boost the scanning progress of the HR historical files. An additional resource person has been allocated to aid and participate in the scanning process. The scanning team has scanned 75% of the 350,000 HR historical files including 235,000 pages, since last month.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	01/01/2023	TBD
	Project Lead(s): JJ Popowich and Michael Dozier (PM)			
	Delayed			
LACERA Incident Response Team (LIRT) Management Solution LACERA seeks a solution that automates the tracking and workflow of LACERA incidents.	In December 2022, the Information Technology Coordination Council approved a LIRT incident management solution project to automate the tracking of LACERA incidents. The LIRT project team decided to leverage a product that is already implemented at LACERA: ServiceNow Information Technology Service Management (ITSM). LACERA has selected Winward as our business partner to leverage and customize the incident workflow of ServiceNow's ITSM to support LACERA's process regarding incident tracking, management, and reporting. Because LACERA already owns this product and is only configuring one module to support our specific process, we are able to absorb the cost of the project in the FY 2023-24 budget. We expect this project to be completed in June 2024.			



	<p>The contract execution and procurement have been completed. We will begin collaborating with the Executive Sponsor, Chief Information Technology Officer, and Subject Matter Experts to finalize the Statement of Work (SOW) and requirements in mid-December. The PMO team met with the Information Security Officer and InfoSec staff to introduce them to the project and gather any recommendations regarding the current requirements. The goal of the LIRT Project Team is to finalize the SOW and requirements, share them with Winward to initiate the discovery and assessment sprints and schedule a formal Vendor Kickoff in January 2024.</p>
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Strategic	Exec (MOG)	01/01/2013
	Project Lead(s): Cynthia Martinez			
	Pushed Back			
<p>PEPRA Implementation: Annual Benefit Statement LACERA does not currently offer an Annual Benefit Statement (ABS) for PEPRA members.</p>	<p>LACERA was unable to generate a PEPRA member ABS until we could accurately, automatically, calculate a member's FAC. This project is moving forward now that the FAC issue is nearly resolved.</p> <p>Progress continues on the PEPRA Implementation: FAC Issue project and that project's target date has been updated to October 30, 2023, to allow time to import historical files necessary to calculate a member's benefit estimates.</p> <p>A kickoff meeting was held on August 22, 2023, to discuss project expectations, review the Project Charter, confirm the ABS Team participants, briefly review the Active redesigned comp, and discuss next steps. It was confirmed the team will meet weekly to begin the review process of the Active redesigned comp.</p> <p>The team has decided to pursue a change in how we generate the ABS. To provide us with more flexibility in distribution of the new ABS, we'll be looking at</p>			



	<p>generating a digital version which will decouple LACERA’s reliance on specialized programming with our print vendors. This should also shorten the time to complete and publish a new ABS. The team is currently reviewing, editing, and formatting the new ABS. Once this is completed, the team is working on defining a target date. The original target date of November 30, 2023, will be pushed back as the PEPRA FAC process has been delayed beyond the expected completion date.</p>
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Executive (MOG)	01/01/2013	11/30/2023
	Project Lead(s): JJ Popowich & Lynn Francisco			
	Delayed			
<p>PEPRA Implementation: FAC Issue The Final Average Compensation for PEPRA members is exclusive of most pay items except base pay. The County uses pay code 099 as their base pay code. This pay code has embedded pay items within the code that are not pensionable compensation under PEPRA. To accurately calculate a member’s benefit, these non-pensionable compensation items need to be filtered out.</p>	<p>As of late April 2023, the LACERA team and Auditor Controller’s Office continue to meet regularly and make progress towards the agreed upon deadline of June 30, 2023.</p> <p>In mid-January, the two teams met, along with LACERA CEO Santos Kreimann, and LA County Auditor-Controller Arlene Barrera, to discuss the urgent necessity of completing the project. Based on availability of AC resources, the two teams will begin working on the final stages of this project in February and have committed to working towards a July 2023 completion date. The team has been meeting bi-weekly to ensure we remain focused on completing this project on-time.</p> <p>On March 16, 2023, AC provided a test file on the PEPRA embedded earnings. Systems and QA division collaborated on testing and confirmed the file provided the appropriate data necessary to calculate a more accurate Final Average Compensation. Systems is now working on updating our internal programs to use these files in a production environment.</p>			



	<p>Systems has completed and implemented the program in production. The program was first run to update the September 15, 2023, PEPRA actual earning salaries and are received with each new payroll period files prospectively.</p> <p>Beginning in November the team is ingesting historical files beginning with the last three years first (August 31, 2023, down to September 15, 2020), and working back to 2013. The files are processed on an expedited basis so we can conclude this project as early as possible.</p> <p>A secondary effort to use Robotic Processing Automation (RPA) to help automate the manual process of accessing member payroll records and entering the required information into the manual Excel sheets used to calculate the FAC is on-going. The AC and LACERA had held several discovery meetings to help AC programmers understand the manual process. The AC and ISD teams working on this application provided a demo to the LACERA team in May.</p> <p>Given that the RPA will not be completed prior to the AC completing the permanent solution, the team has been evaluating the need to continue development. Ultimately, the team determined that there is value to the RPA process when having to manually research accounts for problems and appeals. The team has provided feedback to the ISD team, and we are continuing to refine the tool. The tool will be used for supplemental research if questions are raised about the PEPRA FAC.</p>
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	09/21/2023	TBD
	Project Lead(s): Luis Lugo and Gnan Arige (PM)			
	Delayed			
Policy Management Solution	In September 2022, the Information Technology Coordination Council approved a policy management project to automate the creation, review, approval, and maintenance of LACERA policies as well as track the versions and			



<p>LACERA seeks an automated solution to support LACERA Policy Management Process.</p>	<p>acknowledgement of policies. Funding for this project was included in the FY 2022-23 budget. The policy management project team issued a Request for Quote (RFQ) and reviewed quotes submitted by interested vendors and consultants.</p> <p>The Policy Management Solution Project Team met with and obtained recommendations from the Information Security Officer. As a result of these recommendations, the Policy Management Executive Sponsor and Project Team agreed to revise the Formal Scope and Requirements and move the project status back to the “Vendor Selection” stage to widen the scope and allow other vendors to submit their proposals.</p> <p>On November 14th, the Policy Management Project team attended a vendor presentation by LogicGate. Moving forward, our next steps include inviting AuditBoard and Compass365 to discuss the updated requirements with them and subsequently providing a demonstration similar to what we experienced with LogicGate.</p>
--	--

	Type	Project Sponsor	Start Date	Target Date
Project / Issue Title Brief Description	Strategic	Executive (MOG/BSG)	06/15/2022	01/30/2024
Project Lead(s): JJ Popowich & Shonita Peterson (PM)				
On Schedule				
<p>Prepaid Bank Card Project Introduction of a prepaid bank card option for monthly benefit payments.</p>	<p>In June 2022, the OOC approved the release of a Request for Proposal (RFP) for a Prepaid Debit Card Service. LACERA seeks an easily accessible alternative to paper checks for monthly participant retirement and survivor benefit payments. The goals are three-fold: to provide a lower cost alternative to issuing checks for those participants without a banking relationship who are likely to pay fees to access their benefit payment, to reduce the number of monthly benefit payment checks issued by LACERA, and to create a more reliable payment process in the event of a disaster that impacts the ability to mail monthly paper checks. A</p>			



	<p>secondary goal is to reduce or eliminate paper checks that are mailed to one-time payees by offering prepaid bank cards and direct deposit for death benefits and withdrawals.</p> <p>On September 30, 2022, LACERA received two proposals for Prepaid Debit Card Services. A cross functional evaluation team reviewed the proposals, and the vendors presented their services to the team. The selection team identified Conduent as the vendor of choice and the recommendation was approved by the Board of Retirement at the April 2023 board meeting.</p> <p>LACERA met with Conduent at our first kick-off meeting also known as the Joint Configuration Session on Tuesday November 14, 2023. We are currently working with the vendor on scheduling weekly update meetings, preliminary work instruction documents and providing Conduent with the necessary information in preparation for the development of the custom LACERA debit card.</p>
--	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	RHC	Exec	March 2021	TBD
	Project Lead(s): Santos H. Kreimann & Luis A. Lugo			
	Delayed			
Retiree Healthcare Administration: Lifetime Maximum Benefit Project	<p>LACERA and the County CEO's office are still in active communication in addressing the Lifetime Maximum Benefit issue. LACERA provided the Board of Retirement (BOR) with a formal report and update on our progress during the August 2, 2023, meeting via closed session.</p> <p>LACERA and the County continue to meet bi-weekly to ensure elimination of the Lifetime Maximum Benefit is point of focus. The County is in the midst of engaging and negotiating with organized labor groups to discuss potential future retiree health benefit changes. In November, LACERA received an information request from the County and is preparing the information for transmittal.</p>			



	<p>LACERA’s actuary continues to consult with the County’s actuary and is working on revisions to its report based on direction provided as a result of these meetings. The consulting actuary expects to complete the analysis and present the results to LACERA and the County in December.</p>
--	---

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date	
		MS	Executive Office		11/01/2023
		Project Lead(s): Jonathan Tran and Maritza Perez			
		Delayed			
<p>Retirement Counseling Redesign Project</p> <p>The basic retirement counseling process for members considering retirement has not changed in many years. While checklists used to counsel members have been updated over time, a top to bottom review of the process has not occurred in some time.</p> <p>The Member Services team has undertaken a project to modernize the counseling process to incorporate a true omnichannel approach by integrating the Retirement Planning section on LACERA.com and the My LACERA portal into the counseling process. Integrating these resources into the retirement counseling process will allow members to connect with</p>	<p>A team of Member Services subject matter experts under the direction of the project leads have been meeting and developing a new retirement counseling model.</p> <p>The team has reviewed all data points and information shared with members during counseling sessions ranging from a few minutes to the more in-depth counseling sessions lasting an hour or more. The review is intended to ensure we are covering all of the vital information needed during our counseling sessions. The results of this review have led to updates to checklists, collateral material provided to members, and seeks to integrate the new Retirement Planning section on LACERA.com and My LACERA portal into counseling.</p> <p>Over the last few months, the team has been beta testing this new counseling model during actual member counseling sessions. This beta testing process has allowed the team to collect vital member and staff feedback on the new model.</p> <p>The team is now in the final stages of this project. They are working with the Communications team to update the Retirement Planning section on LACERA.com with additional information that will support key discussion points and feed into new communication collateral. Additionally, the team has launched the first phase of this project with a revamped PEPR Final Average Compensation</p>				



<p>LACERA in more ways than ever and help pave the way for future innovations and streamlined services.</p>	<p>training module for all Member Services staff, in collaboration with Quality Assurance, Benefits, and PMG. Member Services staff have received an in-depth overview of the new Business Rules applicable to calculating a PEPRA member's FAC and how this affects other processes.</p> <p>Due to new enhancements to My LACERA that are scheduled to be released into beta in December, the team is working to revise their counseling plans to incorporate the new functionality. As a result of this late addition, which is critical to the initiative, the training start date has been delayed until approximately January 2024.</p>
---	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Exec (MOG)	07/01/2022	01/31/2024
Project Lead(s): Kevin Hawkins				
On Schedule				
<p>Tax Table Changes for 2022: Phase II: Online Tax Calculator & ADR Re-design</p> <p>The IRS published updated tax tables for 2022 which became effective January 1, 2022. The IRS finalized a revised Federal Withholding Certificate for Pension & Annuity Recipients (commonly referred to as a W-4P tax withholding form). These follow up projects are designed to improve the overall Member Experience.</p>	<p>Earlier this year, the Project Management Group worked with tax counsel to understand the intricacies of the changes to the W-4P tax withholding form for 2022.</p> <p>The team completed the rollout of the new Federal Withholding Certificate for Pension & Annuity Recipients (commonly referred to as a W-4P withholding form) on time. This included updating Workspace so staff can enter member tax elections in compliance with the new form design, as well as My LACERA so members can complete tax election changes themselves.</p> <p>The team also identified additional tasks that need to be completed in Phase II of the rollout. These tasks include:</p> <ul style="list-style-type: none"> Developing and releasing a tax calculator on the Member Portal. This tax calculator is a planning tool separate from the election function that was previously released. The tax calculator is also scheduled to be integrated 			



into the retirement estimate process so members can see what their net pay would be after taxes. Specifications for the initial version have been finalized, and programming is underway. Systems provided a demonstration to stakeholders in May 2023. Systems added an initial version of the calculator to Workspace in July 2023 for select staff to test and provide feedback. User feedback was collected, and all Member Services staff now have access to use it. The Member Portal tax calculator is still under development.

- An Automatic Deposit Receipt ADR redesign. Staff worked to develop a re-designed ADR with new fields that support the new tax withholding rules. After working with our check printing vendor to validate the new format would fit in the allotted space for the existing ADR, a business rule with an embedded copy of the proposed layout was distributed to stakeholders for approval. The redesign was approved by stakeholders in August and the team provided an informational memo to the Operations Oversight Committee in November. This month we began notifying retired members through inserts in their November checks and various publications. A new section has also been added to LACERA.com to provide members with detailed explanations on how to read their ADR/check stub. The first new ADR will be in January 2024.



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Exec (BSG)	October 2021	01/30/2024
	Project Lead(s): Laura Guglielmo, Ted Granger & Cookie Jaranilla			
Pushed Back				
<p>Travel/Expense/P2P Software LACERA has procured “Certify” software created by Emburse, an accounts payable automation and expense management provider.</p>	<p><u>Accounts Payable (AP) Module</u></p> <p>The AP Certify Project Team’s User Acceptance Testing has been completed, and Live Training has started with the business divisions targeted for the Soft-Launch. These Business Solutions Group of divisions is comprised of the following:</p> <ul style="list-style-type: none"> • Admin Services Procurement • Disability Retirement Services (DRS) • Financial and Accounting Services Division (FASD) • Legal Office • Systems <p>The Project Team continues collaborating with Emburse, the Solution Integrator, and Subject Matter Experts to ensure that check payment processing aligns with the requirements set by State Street Bank, LACERA's partner responsible for clearing and funding checks to LACERA vendors. Several issues discovered during Unit Acceptance Testing are currently being addressed. These include matters related to invoice capture, processing and payments, offline payment check data, and ensuring consistent rendering of budget and control images on the AP Certify interface. Additionally, some invoices processed showed inconsistent statuses in the Emburse Pay's Accounting Review module. Required Legal and Disability reports are being fine-tuned for data and layout. Resolving these critical issues is essential for the completion of User Acceptance Testing. Consequently, the Project Team has adjusted the GO-LIVE Date to January 30th to allow for the necessary fixes by AP Certify.</p>			



Existing Projects/Initiatives: No New Updates

This portion of the Operations Briefing will detail on-going projects that have no current changes in status.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		MOG	Benefits	04/01/2021
Project Lead(s): Louis Gittens				
Delayed				
<p>COLA Bank Retroactive Changes In April of 2021, the Board of Retirement approved corrections to the COLA Accumulation Bank, which involved making retroactive corrections, recalculating benefit allowance amounts, and paying members retroactive benefits due to a discrepancy discovered in the COLA Accumulation.</p>	<p>The project was broken down into five phases based on the complexity of the calculations needed to pay retroactive benefits to members. We will resume working on this project in January 2024.</p> <p>Phase I-IV: As of the date of this report, LACERA has paid out just over \$3.8 million in retroactive COLA earnings. Of the 9,672 members and survivors impacted, 8,511 accounts have been systematically resolved, which represents all members and survivors currently in a payment status.</p> <p>The fourth phase of the project, which requires manually calculating the retroactive benefits, includes 1,494 cases in a payment status. The manual phase of the project began in December 2021. Staff have manually calculated COLAs for 455 members and payments were issued earlier this year.</p> <p>Phase V: The final phase involves deceased members with no survivors currently receiving benefits. This phase requires research to identify the appropriate beneficiary(ies) or estates to pay the retroactive benefits that were due to the deceased member. This phase is currently delayed due to staffing limitations and the focus on the Alameda Decision Implementation.</p> <p>Systems and Benefits have been reviewing the root cause for the manual processing and developing plans for redesigning some portions of our pension administration system to help alleviate the need for processing for future projects.</p>			



	COLA Bank: Retroactive Payment Project		
	Status (As of 3/31/23)	Number	Percentage
	Completed	8,511	88%
	In-Process	1,161	12%
	Grand Total	9,672	100%

Although previously delayed, Benefits is in the process of training new staff on this project to perform manual processing.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date	
		Strategic	Exec (MOG)	02/28/2022	12/31/2023
		Project Lead(s): JJ Popowich & Cynthia Martinez			
	Pushed Back				
<p>Communications Plan The development of a strategic Communications Plan providing an overview of the guiding principles used to communicate with LACERA's various stakeholder groups. The plan will also provide an overview of the channels, resources, methods, planned campaigns, and current commitments of the Communications team. The plan will outline how our communications Division has been designed to be flexible and responsive to our needs as we fulfill our communication goals.</p>	<p>The LACERA executive team met on August 30, 2022, to review and discuss the Communication Plan(s) drafted by both EKA (the Board of Retirement's public relations consultant) and the LACERA Communications division. Both plans outlined a more tactical approach to engaging our members and various stakeholders, as opposed to a strategic roadmap. The team discussed opportunities and ideas for improving the Communication plan document. We are going to coordinate these efforts with our Strategic Planning process, since the work overlaps with our current Strategic Planning efforts.</p> <p>The Communications team is beginning the process of updating the draft Communications Plan to incorporate the Strategic Plan priorities and other feedback provided by the Executive Team.</p>				



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Strategic	Executive (MOG)	July 1, 2022
Project Lead(s): Louis Gittens				
Delayed				
<p>Pre-2003 Pension Reserve Clean-up Prior to January 1, 2003, non-vested contributory individuals were required to withdraw their contributions upon termination as they were not entitled to future benefits. The law was changed as of that date and non-vested members are now permitted to leave funds on deposit and later retire. LACERA has attempted to contact the non-vested individuals who terminated prior to 2003 and still have funds on deposit so they can withdraw their funds.</p> <p>The purpose of this project is to ensure that LACERA sends written notice through Certified mail to the most valid address we can find. Individuals in this group who still have funds on deposit after this initiative will have their funds placed into the Pension Reserve.</p>	<p>LACERA previously sent notification to the remaining 673 affected individuals. We determined which letters were returned to LACERA and sent notifications to secondary addresses through Certified mail. In November, we began sending letters to next of kin for deceased members.</p>			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Strategic	Exec (MOG)	2019
Project Lead(s): Vanessa Gonzalez				
Pushed Back				
<p>Retirement Estimate Redesign A legacy strategic plan goal to redesign the retirement estimate and election form as a retirement prospectus to provide members with all the information they need to make an informed decision about their retirement.</p>	<p>The initial redesign work was completed in 2019 and a beta test with members at the Member Service Center (MSC) was scheduled for after the 2019 March Madness. However, the COVID-19 Pandemic placed this project on hold.</p> <p>The team re-evaluated the redesigned estimate, taking into account staff and member feedback gathered over the last few months. The first re-design turned out to be more complicated than would be useful.</p> <p>In late 2022, LACERA updated the Retirement Planning section on LACERA.com and released a new Retirement Election form. The team will be using this election form and the feedback gathered, to create a new retirement estimate. This coincides with a larger Member Experience effort to standardize and streamline retirement counseling across all available channels and incorporating LACERA.com in the counseling process.</p> <p>The team also recognized the previous work on this project may be useful in creating the online retirement application.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Operations	Exec (MOG)	June 2021
Project Lead(s): JJ Popowich				
Pushed Back				
<p>Retroactive Payroll Adjustments: Prospective Correction The Auditor-Controller is responsible for collecting contributions on all</p>	<p>Following the AC's programming change, LACERA implemented a testing regimen to ensure that the contributions were being deducted as expected.</p>			



compensation earnable and pensionable earnings compensation at the time of payment. For many years, the AC has not been collecting contributions on retroactive payroll adjustments. In 2021, the AC made changes to their programming to take deductions at the time of payment. However, there are still some situations where these contributions are not being collected.

In August, the AC notified LACERA that they were adjusting the time frame that they would be withholding contributions for retroactive adjustments to 60 months (from the current 99 months). All retroactive earnings paid for pay periods more than 60 months in arrears would no longer have contributions deducted from them. This change was made by the County due to excessive degradation in their payroll system's performance.

In 2022, LACERA met with the AC's team to discuss collection of contributions for adjustments more than 60-months old. A few ideas were generated from the meeting, and we will continue to work with them to develop a procedure that both the County and LACERA can support.

No change has occurred on this issue.



• Completed Projects/Initiatives

This portion of the Operations Briefing will detail projects and initiatives that have been completed during the Fiscal Year 2023 - 2024.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	August 2022
	Project Lead(s): Ted Granger			
	Completed			
<p>Actuarial Valuation Reports: 2022 Actuarial Valuation of Retirement Benefits</p> <p>The Government Code requires that valuations of the Retirement Fund (Pension Plan) be performed at least once every three years. The Board of Investments' 2013 Retirement Benefit Funding Policy requires valuations be completed annually. These reports are prepared to determine employer and employee contribution rates and to measure the funded status of the Pension Plan. In addition, the valuation report provides information used to prepare the Governmental Accounting Standards Board (GASB) Statement Number 68, financial statement reports. Plan Sponsors use the GASB reports to obtain information</p>	<p>2023 Retirement Benefits – Actuarial Risk Assessment</p> <p>LACERA staff and Milliman presented the 2023 Annual Actuarial Risk Assessment report based upon the most recently completed Valuation report, to the Board of Investments (BOI) at their June 2023 meeting. There were some follow-up questions from Trustees regarding the impact PEPPRA may have on setting actuarial assumptions. Staff expects Milliman to present some additional information at a future BOI meeting.</p>			



required for their financial statement disclosures.	
---	--

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	July 2022
Project Lead(s): Ted Granger				
Completed				
<p>Actuarial Valuation Reports: 2022 Other Post-employment Benefits (OPEB) Actuarial Valuation</p> <p>The retiree healthcare (RHC) program administered by LACERA on behalf of Los Angeles County includes retiree healthcare benefits such as medical and dental insurance plans and death benefits. GASB refers to these benefits as Other Post-Employment Benefits (OPEB) for financial reporting. GASB Statement Number 75 prescribes financial statement reporting standards for OPEB programs. Actuarial valuations are prepared annually for Los Angeles County and LACERA's Board of Retirement to make funding decisions and to provide the information for the GASB 75 report which is used for employer financial statement reporting.</p>	<p>2022 OPEB – Annual Actuarial Valuation Report</p> <p>Milliman completed the July 1, 2022, OPEB Valuation Report and presented the results to the Board of Retirement on August 2, 2023.</p> <p>The upcoming 2023 OPEB actuarial reporting cycle will include both a triennial experience study and annual valuation report.</p>			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG/MOG	Communications/Systems	December 2022	September 2023
	Project Lead(s): Selassie Burke, Erika Heru/Ian Duggan			
	Completed			
<p>KBase Migration to SharePoint KBase is an older knowledge base product that staff use on a daily basis for historical information, explanations of CERL and other information. The KBase data infrastructure needed to be updated to ensure its continued viability and improve access.</p>	<p>As part of the continuous commitment to improve our digital infrastructure and enhance user experience, our current Knowledge Base (KBase) has transitioned to a newer and more advanced platform on SharePoint.</p> <p>The move to SharePoint isn't just about a new look—it's also about functionality, security, and efficiency. SharePoint offers a robust platform, with numerous advantages such as improved security, enhanced collaboration features, and scalability to meet our future needs.</p> <p>KBase remains easily accessible within LACERA Connect. KBase now has a built-in search feature on SharePoint, locating the information needed is faster and more intuitive.</p> <p>Systems, in particular, Selassie Burke, managed the migration ensuring it was a seamless transition of a total of 1,314 related Wiki web pages that are now fully indexed and searchable.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	01/01/2023	09/30/2023
	Project Lead(s): Carly Ntoya and Michael Dozier (PM)			
	Completed			
<p>Human Resources (HR) Case Management LACERA seeks a case management solution that supports Human</p>	<p>In December 2022, the Information Technology Coordination Council approved a case management project for Human Resources. Funding for the project was approved during the FY 2022-23 midyear budget adjustments. The HR project</p>			



Resources workflow with automatic notifications, document management, and version control as well as the ability to view HR workloads on an interactive dashboard.

team selected ServiceNow's Human Resources module for their case management solution.

Since August, the Winward Implementation team has been testing the HR Case Management Module. We are pleased to report Phase 1 testing has been completed. In addition, the Phase 2 Discovery Session consisting of Knowledge Management and New Hire workflows have been accomplished, and several demonstrations of the completed workflows have been provided, recorded, and saved for training purposes and stakeholders' consumption. Live User Acceptance Testing (UAT) of Phase II was completed in early October. This finalizes the Implementation activities, and the HR Case Management application was released to production on October 3rd. The Executive Management Presentation of the HR Case Management took place on October 5th. Post implementation plans are to use feedback gathered during the UAT for future enhancements.

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-16-23	K. Reinhart, PEI Group	<p>Request: Quarterly cash-flow reports from Q2 2023, if available, of all your private capital investments, in digital format.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Legal sent via email, on October 20, 2023, the responsive document shown below.</i></p> <p><i>FOIA Request – PEI Group – Data as of 2023-06-30.xlsx.</i></p>
10-17-23	FOIA Data	<p>Request: Information of latest available quarter for investments in alternative assets including special opportunities funds.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Legal sent via email, on October 20, 2023, the responsive document shown below.</i></p> <p><i>FOIA Request – FOIA Data Aggregation – Data as of 2023-06-30.xlsx.</i></p>
10-18-23	N. Lee, Preqin	<p>Request: Report of all hedge funds and fund of hedge funds LACERA is an investor in.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Legal sent via email, on October 20, 2023, the responsive document shown below.</i></p> <p><i>Preqin – 2Q23 Hedge Funds Data Request – 2023-10-18.xlsx</i></p>
10-20-23	H. Parker, Preqin	<p>Request: List of all investment Partnerships – specifically commitment, contribution, distribution, value, and IRR as of June 30, 2023.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Legal sent via email, on October 26, 2023, the responsive document shown below.</i></p> <p><i>Preqin – Private Markets 2Q23 Data Request – October 2023.xlsx.</i></p>
10-30-23	T. Tang, PEI	<p>Request: Explanation of decrease in funds per quarterly performance review since June 30, 2022.</p> <p><i>Legal sent via email, on November 8, 2023, the information shown below.</i></p> <p><i>LACERA reformatted the fund reporting. LACERA no longer includes underlying fund of funds, rather just the fund manager performance. LACERA may have divested of some funds. Therefore, some funds that may have been previously reported may not appear.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-03-23	H. Ahaiwe, HR, LA County and 1 Other Recipient	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Executive Office sent via email, on November 3, 2023, 2023, the responsive document shown below.</i></p> <p><i>MonthlyAgenda.csv for, November 1, 2023.</i></p>
11-03-23	LA County Sheriffs Dept And 4 Other Recipients	<p>Per monthly request:</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Executive Office sent via email, on November 3, 2023, the responsive documents shown below.</i></p> <p><i>Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing, each dated November 1, 2023.</i></p>
11-03-23	C. Siverson, Fire, LA County, And 5 Other Recipients	<p>Per monthly request:</p> <p><i>Transmitted 1 document.</i></p> <p><i>Executive Office sent via email, on November 3, 2023, the responsive document shown below.</i></p> <p><i>Board of Retirement Meeting on November 1, 2023, Benefit Approval List.pdf.</i></p>
11-06-23	N. Paterson, Secondary Link	<p>Request: Digital memorandum re Item 1 Secondary Sale (for Information Only, Memo dated September 20, 2023) listed on November 7, 2023, meeting agenda.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Legal sent via email, on November 14, 2023, the responsive document shown below.</i></p> <p><i>Secondary Memo Redacted Oct BOI 2023v2_RedactedVF_RedactedCF.pdf</i></p>
11-13-23	Tony M, Individual	<p>Request: Production of documents of any and all investments LACERA holds in Azerbaijani government owned securities.</p> <p><i>Legal, on November 14, 2023, requested from Investments the responsive documents.</i></p>

REPORT OF FELONY FORFEITURE CASES

November 22, 2023

#	MEMBER'S LAST NAME	MEMBER'S FIRST NAME	DEPT.	CONVICTION DATE	LACERA NOTIFIED	INITIAL IMPACT NOTICE SENT	FINAL IMPACT NOTICE SENT	STATUS*	DISABILITY STATUS	SERV. LEVEL
66	VEGA	MIGUEL	SHERIFF	9/5/2023	10/27/2023			PEND		
65	HERNANDEZ	CHRISTOPHER	SHERIFF	7/24/2023	10/11/2023			PEND		
64	RIDLEY-THOMAS	MARK	BOS	3/31/2023	3/31/2023	10/23/2023		APPEAL		
61	SHEPOS	THOMAS	CEO	1/23/2023	2/14/2023			PEND		

STATUS LEGEND:

- APPEAL: Pending an appeal filed with LACERA
- CLOSED: RET: Retired member, case is complete
- CLOSED: DEF: Deferred member, case complete.
- CLOSED: INA: Inactive member – not eligible until age 70, case closed
- DELAY-MI: Member input needed (i.e. pending a legal split decision)
- DELAY-CD: Pending a court decision (reduction in charges pending conditions being met)
- PEND: Case is currently in evaluation and notification stages
- WITHDRAWN: Member withdrew prior to conviction – no impact.

**FOR INFORMATION ONLY**

November 27, 2023

TO: Each Trustee
Operations Oversight Committee

FROM: Ted Granger *TG*
Interim Chief Financial Officer

FOR: December 6, 2023 Operations Oversight Committee Meeting

SUBJECT: FISCAL YEAR 2022-2023 ANNUAL FINANCIAL STATEMENT REVIEW

Attached for your information are LACERA's annual financial statement highlights for the fiscal year ended June 30, 2023. Some of the key financial results include the following:

Pension Plan

- Pension Plan Fiduciary Net Position Restricted for Benefits (fund balance) ended above the prior fiscal year, increasing \$3.6 billion, from \$70.3 billion to \$73.9 billion, primarily due to investment returns from equity securities.
- Total Pension Plan investment return was 6.4% net of fees, compared to the actuarial expected return assumption of 7.0%.
- Pension Plan actuarial funded ratio, as of June 30, 2022, increased from 79.3% to 79.6%. The actuarial report timing requires that fiscal year ended (FYE) 2022 actuarial data, is used for FYE 2023 financial statements. The investment return for FYE 2022 was 0.1%, but the Funded Ratio increased due to recognition of deferred investment gains from prior years (primarily the strong return for fiscal year 2020-2021) and contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL).
- As of June 30, 2022, the Pension Plan's Valuation Assets was \$68.7 billion and the Actuarial Accrued Liability (AAL) amounted to \$86.3 billion. The difference between actuarial assets and liabilities is the Unfunded Actuarial Accrued Liability (UAAL) which totaled \$17.6 billion, an increase of \$0.6 billion from the prior year.

OPEB Trust

- OPEB Trust Fiduciary Net Position Restricted for Benefits (fund balance) increased by approximately \$700 million, totaling \$3.1 billion compared to \$2.4 billion for the prior fiscal year, due to employer contributions and investment performance.
- Total OPEB Trust investment return was 9.3% net of fees, which outperformed the actuarial expected return assumption of 6.0%, primarily due to equity portfolio investment performance.

RE: Fiscal Year 2022-2023 Annual Financial Statement Review

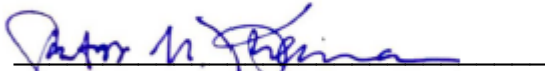
November 27, 2023

Page 2

- As of July 1 2022, the OPEB Trust Valuation Assets was \$2.4 billion and the AAL amounted to \$23.1 billion. The difference between actuarial assets and liabilities is the UAAL which totaled \$20.7 billion, an increase of \$1.9 billion from the prior year.

If there are any questions regarding this update, please contact me via email at: tgranger@lacera.com.

REVIEWED AND APPROVED:



Santos H. Kreimann
Chief Executive Officer



ANNUAL FINANCIAL REVIEW FISCAL YEAR ENDED 2022-2023

Financial and Accounting Services Division (FASD):

Ted Granger, Interim Chief Financial Officer

Michael Huang, Accounting Officer II

Ervin Wu, Accounting Officer I

Operations Oversight Committee
December 6, 2023



AGENDA

- Financial Reporting Process
- Annual Theme
 - ✓ ACFR – Annual Comprehensive Financial Report
 - ✓ PAFR – Popular Annual Financial Report
- Awards
- Financial Highlights and Reporting
 - Pension Plan
 - OPEB
- Standards & Pronouncements:
 - *GASB 96, Subscription Based Information Technology Arrangements*
- Q&A



Financial Statement Preparation

[Teamwork]

T – Transactions are recorded during the year

E – Each team member contributes to the preparation

A – Auditors review the financial statements and disclosures

M – Management prepares a discussion and analysis

W – Work with Communications to publish reports

O – Oversight provided by Executive Office and BOR/BOI

R – Recording transactions for the new fiscal year

K – Keep updated with latest GASB/GAAP/AICPA standards

Financial Reporting Process



❖ Evaluate/Reassess Financial Notes

➤ GASB 96



❖ Financial Statements



❖ Audit Opinion



❖ Annual Comprehensive Financial Report (ACFR)



❖ Popular Annual Financial Report (PAFR)



2023 ACFR and PAFR Theme



DESIGNED TO LAST

Since 1938, LACERA has been proudly fulfilling our mission to produce, protect, and provide the promised benefits of Los Angeles County employees and retirees.

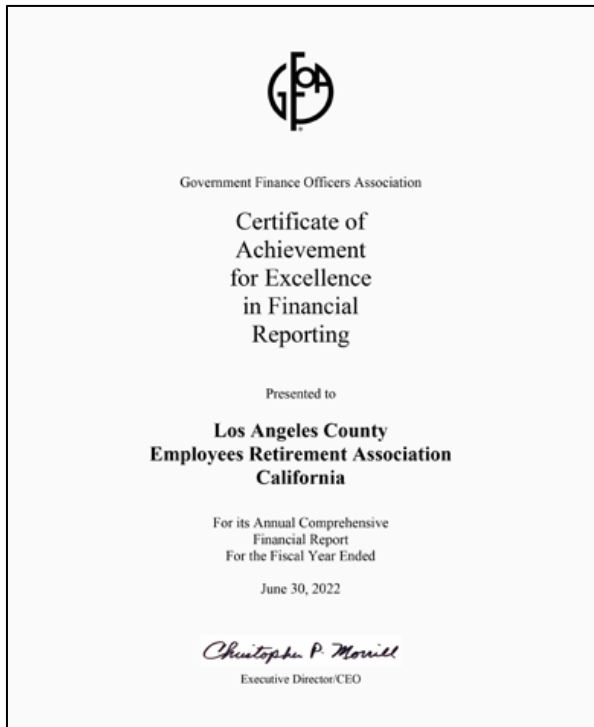
As times, trends, and technologies change, we continuously evolve and rise to challenges—ensuring that our member benefits are *designed to last*.

AWARDS



Government Finance Officer Association

- GFOA
 - ACFR = 31 years
 - PAFR = 25 Years



Public Pension Coordinating Council

- PPCC
 - Public Pension Funding and Administration = 21 years





FINANCIAL HIGHLIGHTS

LET'S REVIEW THE
RESULTS



OVERVIEW

PENSION PLAN

FUND BALANCE

- Net Position Restricted for Benefits = \$73.9 billion

INCOME

- Total Additions = \$8.0 billion

EXPENSES

- Total Deductions = \$4.4 billion

INVESTMENT EARNINGS

- Total Fund Return = 6.4% (net of fees)

RATIO OF ASSETS/LIABILITIES

- Funded Ratio = 79.6% (as of the June 30, 2022 Valuation)

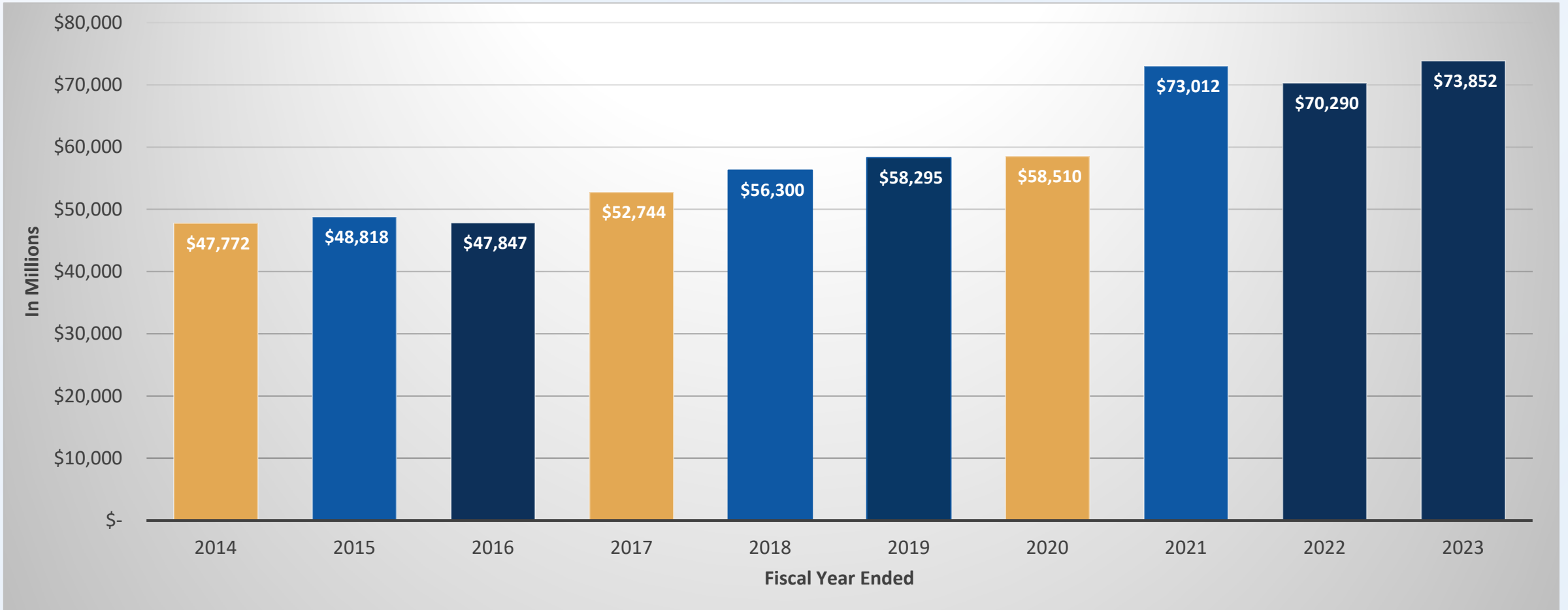


FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS

PENSION PLAN – Net Position

FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS

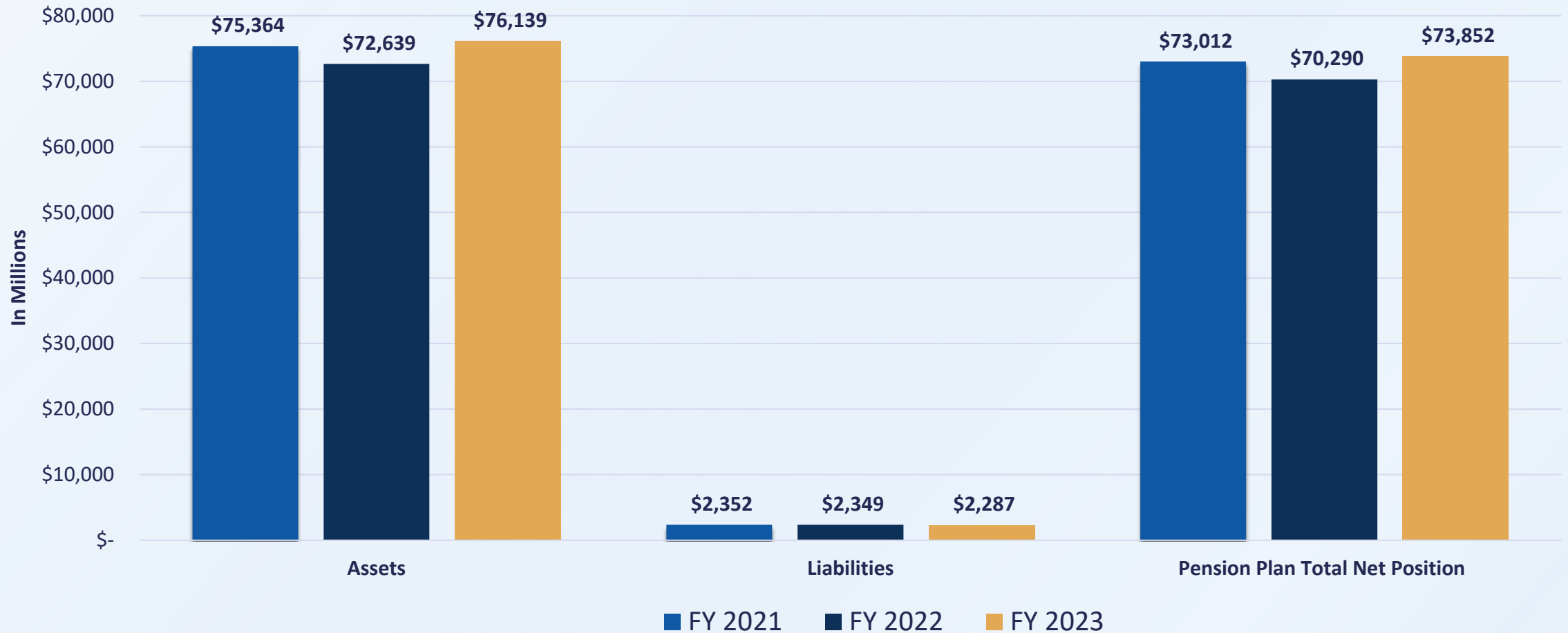
PENSION PLAN



FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS (CONT.)



PENSION PLAN





NET POSITION: ADDITIONS AND DEDUCTIONS

PENSION PLAN

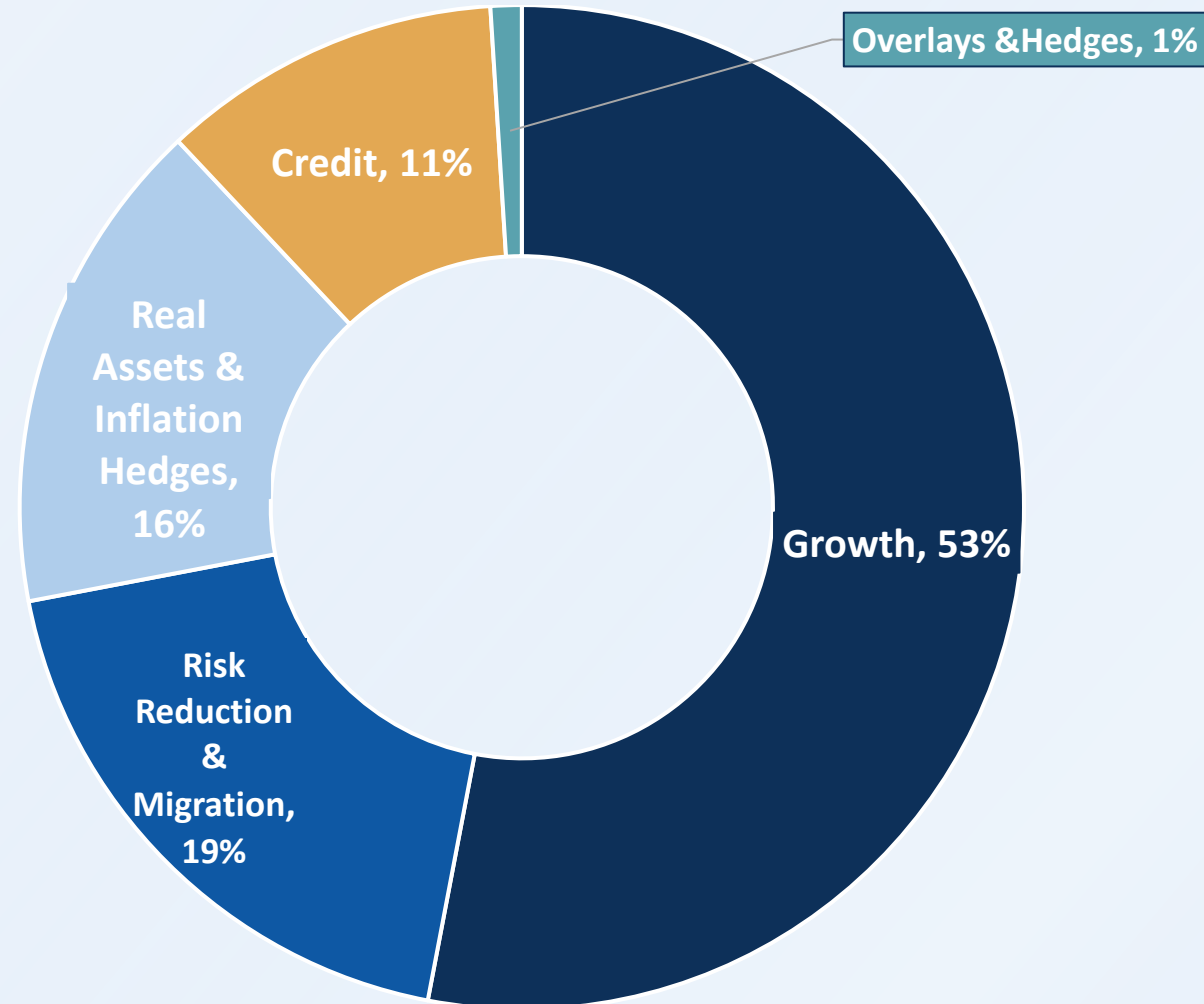
(Dollars in Millions)	2023	2022	2021
Contributions	\$3,095	\$2,959	\$2,774
Net Invest Income	4,861	(1,536)	15,633
Total Additions	\$7,956	\$1,423	\$18,407
Benefits & Refunds	(\$4,281)	(\$4,045)	(\$3,814)
Admin & Misc Expenses	(113)	(100)	(91)
Total Deductions	(\$4,394)	(\$4,145)	(\$3,905)
Net Increase/ (Decrease)	\$3,562	(\$2,722)	\$14,502
Beginning Net Position	70,290	73,012	58,510
Ending Net Position	\$73,852	\$70,290	\$73,012



ASSET ALLOCATION

PENSION PLAN

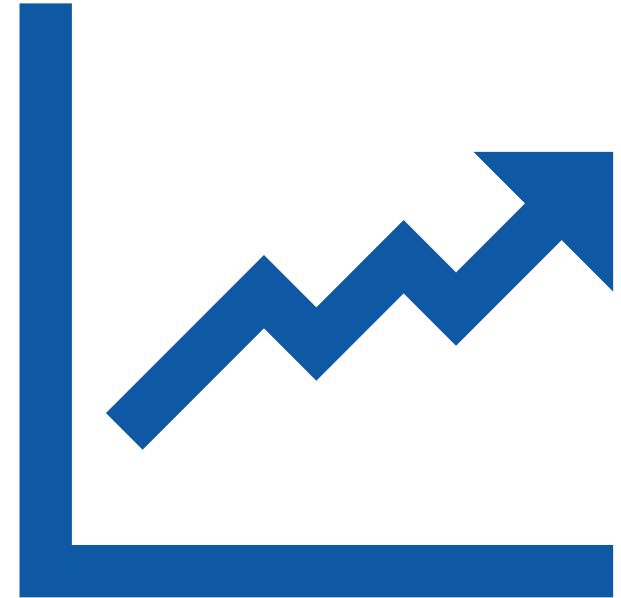
Functional Asset Allocation
As of June 30, 2023





INVESTMENT RETURN

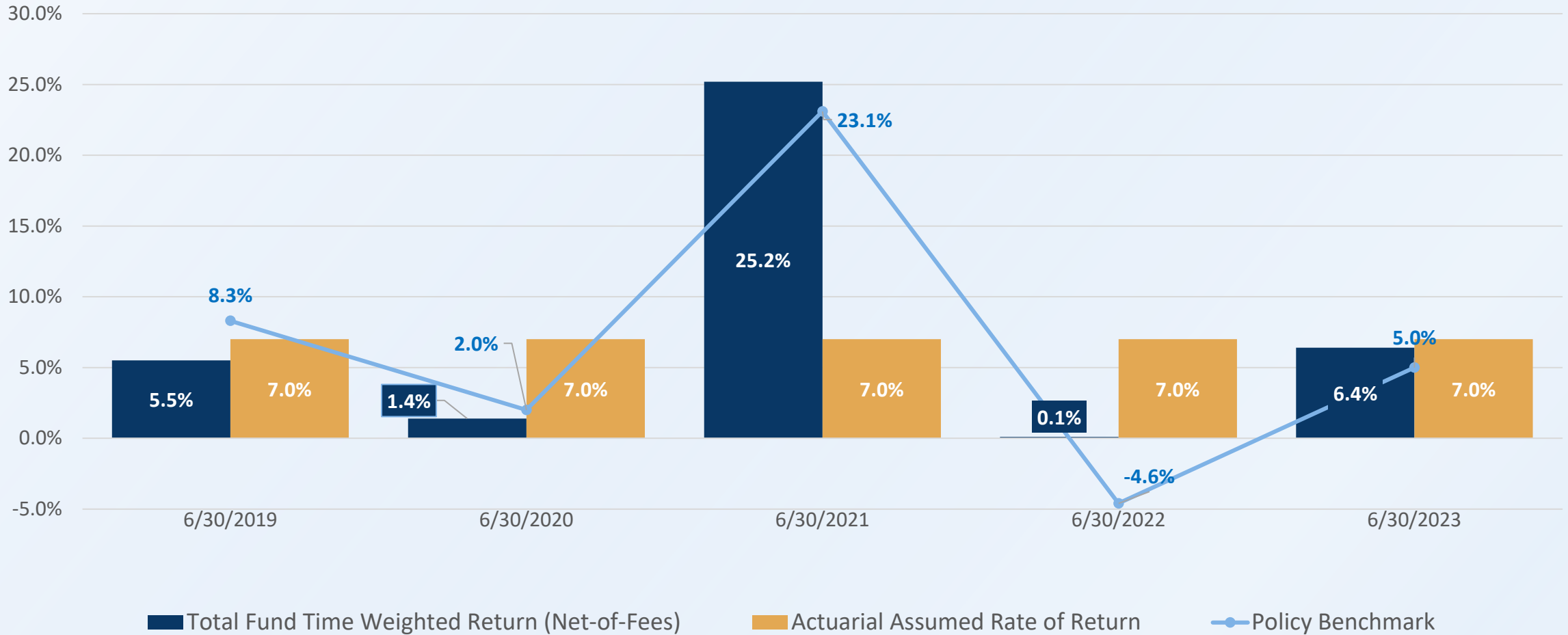
PENSION PLAN





INVESTMENT RETURN

PENSION PLAN



ACTUARIAL VALUATION

PENSION PLAN



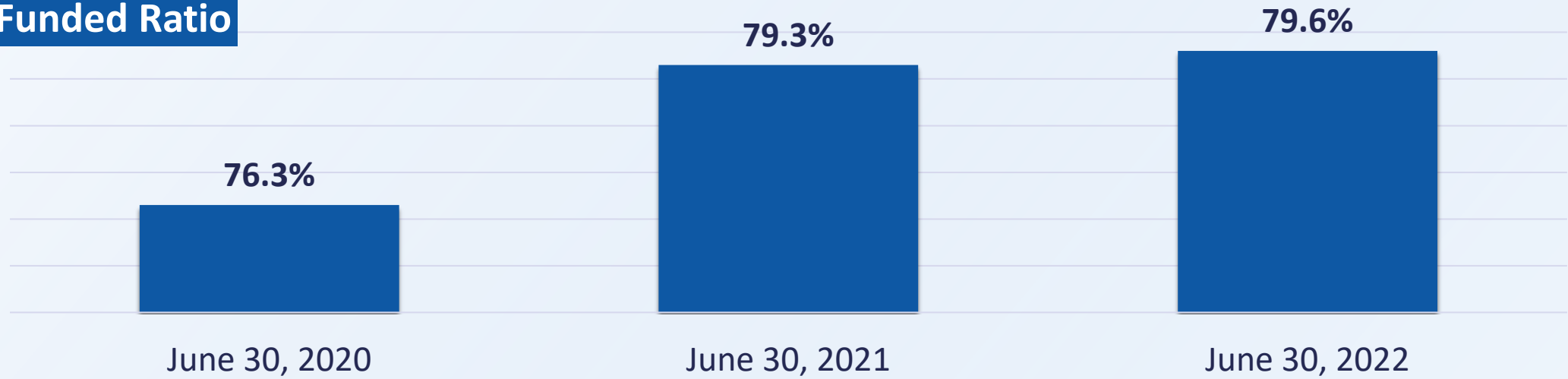
Funded Ratio and Liabilities

Employer and Member
Contribution Rates

ACTUARIAL VALUATION RESULTS



Funded Ratio



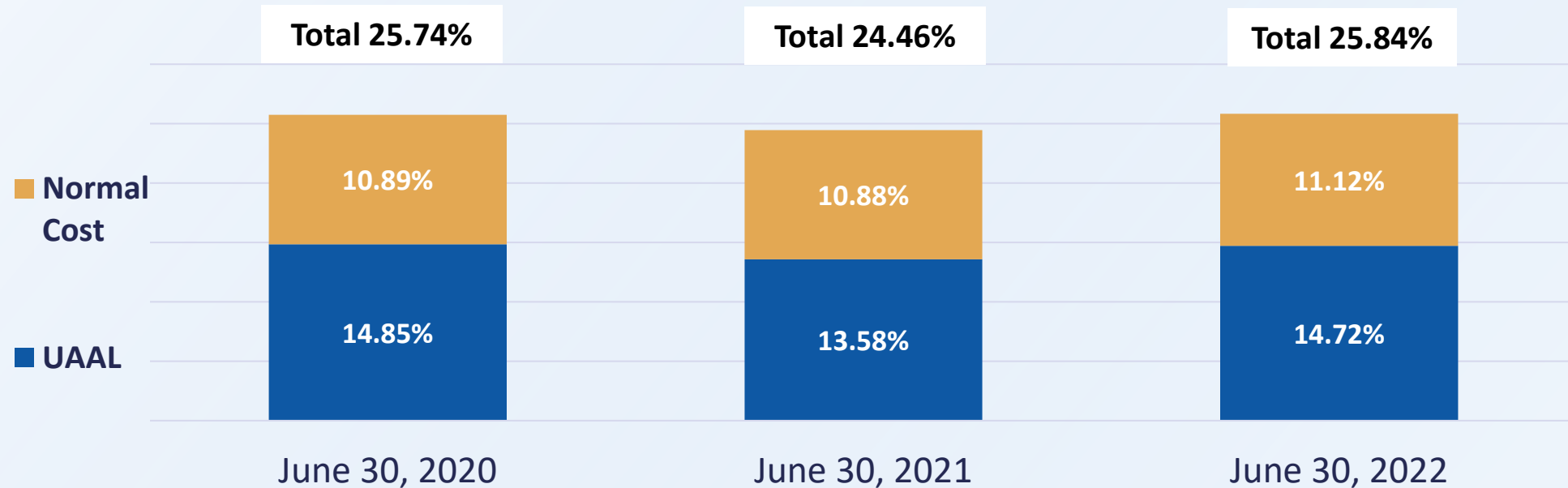
Unfunded Actuarial Accrued Liability (In Millions)





VALUATION CONTRIBUTIONS

Employer Contributions



Member Contributions

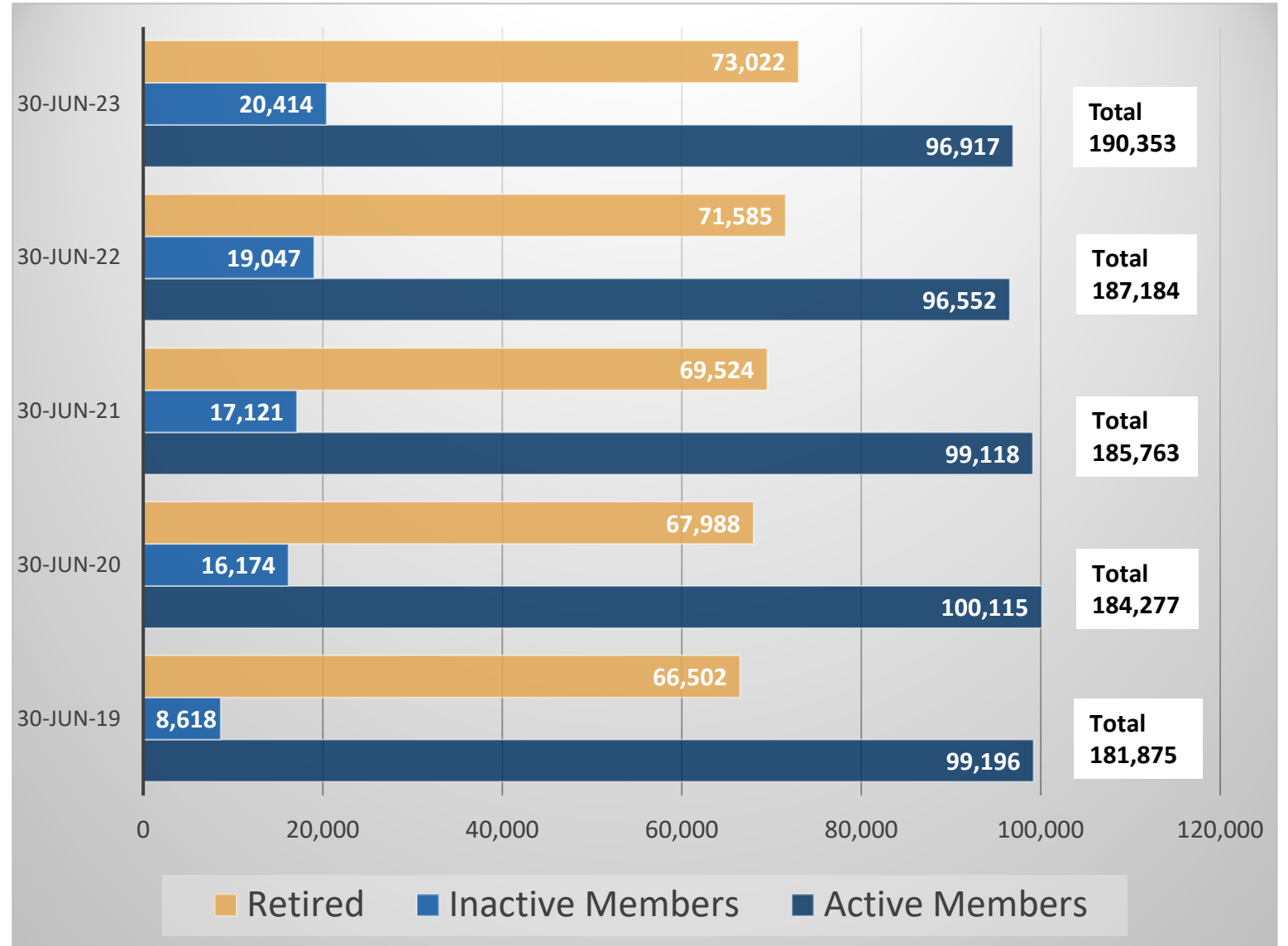
New member contribution rates are recommended for all Plans effective July 1, 2023. General Plan G and Safety Plan C member rates are required to be equal to 50 percent of the gross normal cost of the respective plan. Member contribution rates for all contributory legacy plans (General Plans A, B, C and D, and Safety Plans A and B) vary based on a member's entry age when joining LACERA and the underlying assumptions. **The recommended member contribution rates are generally higher for all plans.**



MEMBERSHIP



MEMBERSHIP

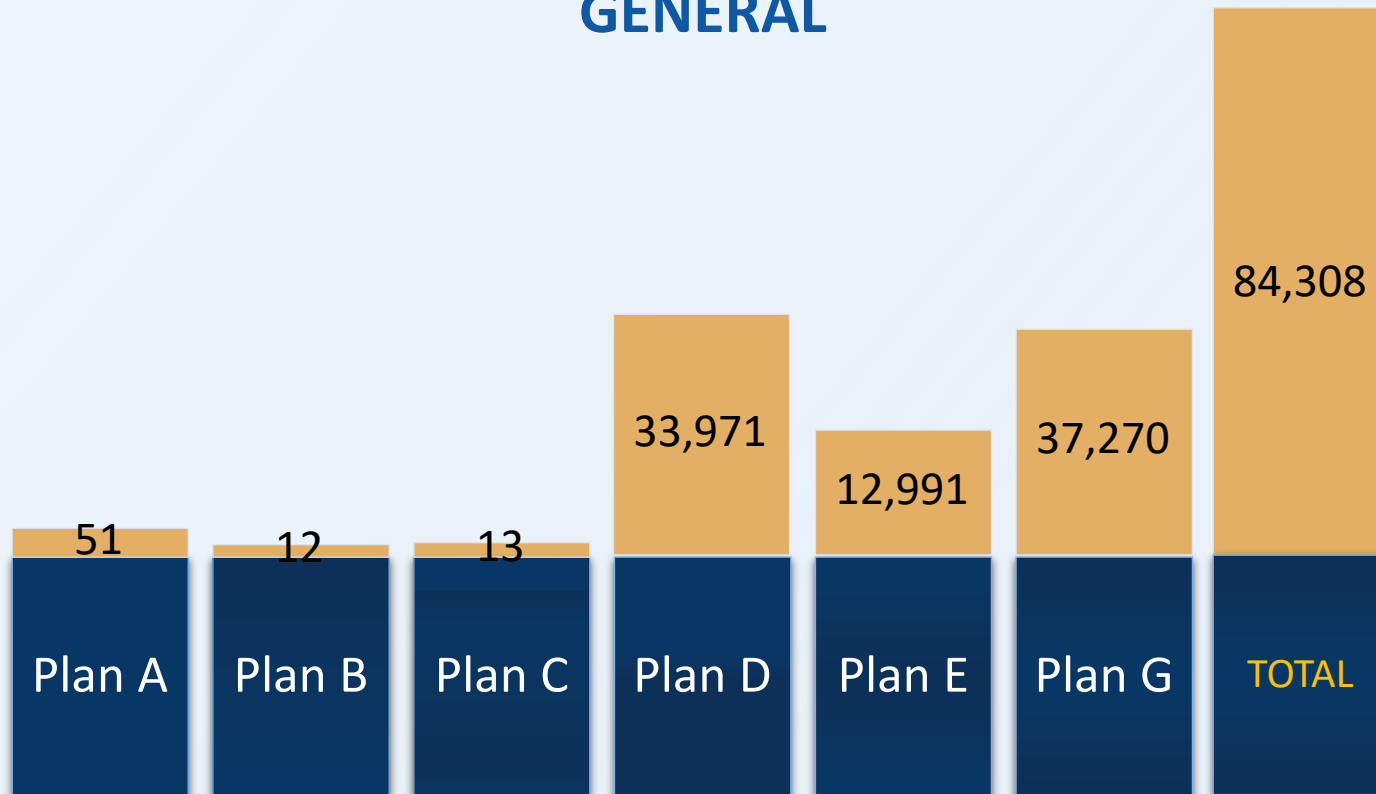


ACTIVE PLAN MEMBERSHIP

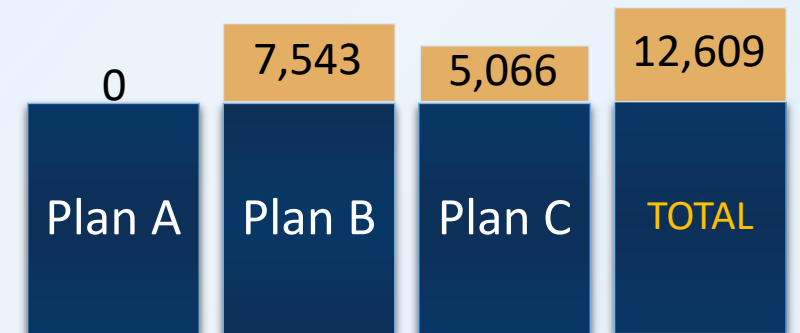
AS OF JUNE 30, 2023



GENERAL



SAFETY





OPEB TRUST



OWNERSHIP BALANCE BY AGENT OPEB TRUST

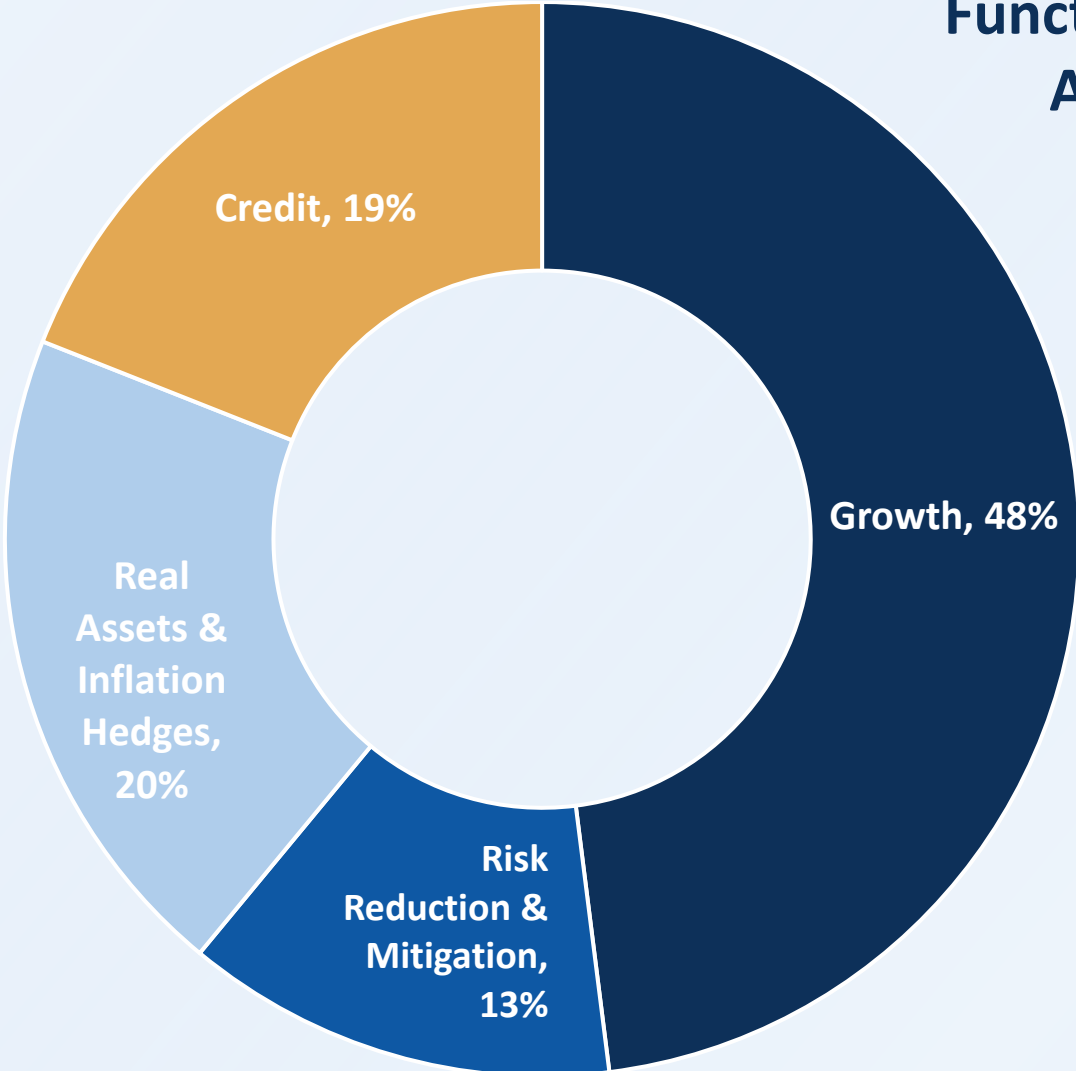
(Dollar in Thousands)	2023	2022
LOS ANGELES COUNTY	\$3,009,326	\$2,327,435
LACERA	15,610	10,799
SUPERIOR COURT	66,904	55,868
TOTAL BALANCE	\$3,091,840	\$2,394,102

ASSET ALLOCATION

OPEB TRUST



Functional Asset Allocation
As of June 30, 2023





Standards & Pronouncements

GASB Pronouncements Effective for the Fiscal Year Ended 2023

➤ **GASB 96 - *Subscription Based Information Technology Arrangements (SBITAs)***

- Intangible assets with a subscription liability
- Contracts that convey control of the right to use another party's information technology software
- Uniform accounting and reporting, and alignment with GASB 87

❖ **LACERA implementation:**

- LACERA considered the impact immaterial to its financial statements and it was decided not to implement the measurement and recognition criteria.

THANK YOU!



QUESTIONS?



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**