

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 North Lake Avenue, Suite 810
Pasadena, CA 91101

January 10, 2013 - 9:00 A.M.**

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT
- II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF DECEMBER 13, 2012
- III. FOR INFORMATION
 - A. LACERA Operations Briefing
Robert Hill/JJ Popowich
 - B. Quality Assurance Review for Fiscal Year 2011-2012
Mike Mikhail
 - C. Fiscal Year 2011-2012 Financial Review (oral presentation)
Ted Granger
- IV. MISCELLANEOUS
- V. PUBLIC COMMENT
- VI. GOOD OF THE ORDER

(For discussion purposes only)
- VII. ADJOURNMENT

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

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

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

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

JANUARY 10, 2013, 11:10 A.M. – 12:20 P.M.

COMMITTEE MEMBERS

PRESENT: Yves Chery, Chair
William de la Garza, Vice Chair
Marvin Adams
Vivian H. Gray
Shawn R. Kehoe, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Sadonya Antebi
Alan Bernstein

STAFF, ADVISORS, PARTICIPANTS

Robert Hill	Ted Granger
JJ Popowich	Mike Mikhail
Derwin Brown	

The meeting was called to order by Chairman Chery at 11:10 a.m.

I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE
OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF DECEMBER 13, 2012

A motion was made by Mr. de la Garza, seconded by Mr. Adams, to approve the minutes of the regular meeting of December 13, 2012. The motion passed unanimously.

III. FOR INFORMATION

A. LACERA Operations Briefing
Robert Hill/JJ Popowich

Messrs. Hill and Popowich presented the monthly briefing on LACERA's operations. Many of the following discussion items may recur in subsequent briefings or may result in a future comprehensive presentation.

- The Final Days of ARC
- The Beginning of BOI and Committee Packages Imaging
- OPEB Valuation Status Update

B. Quality Assurance Review for Fiscal Year 2011-2012
Mike Mikhail/Derwin Brown

Mike Mikhail presented the quality assurance review for 2011-2012. During that period 21 processes were audited. There were 11,193 samples audited, reflecting an overall increase of approximately 4% from the previous year. This year the percentage of exceptions to samples is 13.46%, resulting in an increase of 2.45% from the previous fiscal year. There are seven outstanding exceptions for the Claims Processing Division and two for the Member Services Division.

Overall, the accuracy rate decreased by .57% over the last fiscal year. When larger samples are taken of complex processes, there are more findings resulting in a small decrease in the accuracy level. Of the 21 processes audited, 17 met the targeted accuracy rate of 95% and above, with one process reaching 100% accuracy.

In the 2012-2013 fiscal year, quality reviews will continue to focus on processes that have financial impact, such as the new retiree payroll, disability adjustments, retirement benefit adjustments, and withdrawals and refunds.

III. FOR INFORMATION (Continued)

Derwin Brown gave a report on special projects/data clean-up.

The 1982-1991 Membership Date project applies to any member hired between January 1, 1982 and December 31, 1991. Their membership began the first month following their plan election. If a member did not make a plan election by December 31, 1991, they were defaulted to Plan E effective January 1, 1992. The Board approved allowing these employees to have their membership start the month following their permanent date. The project contained 5,486 members potentially affected. Since inception of the project in April 2011, we have processed, completed, and closed 4,480 cases, 83% of the total amount. All files were analyzed and the new benefit/refund was calculated by staff for the remaining 1,006 retirees. These will be processed between April and June of 2013.

The multiple Sworn Statement project involves research and correction as needed for 2,822 member accounts to ensure correct retirement plan, eligibility for redeposit, correct contribution rate, and any other potential discrepancies. Of those members, 250 cases were analyzed and screened by QA staff and are ready for processing.

Other ongoing projects are:

- Beta-testing of new system programs/modifications
- Validating the system's new and updated operating tables
- Reviewing and approving eligibility and calculations for Plan E Rescission and Optional Membership requests
- Analyzing County payroll items for the implementation of PEPRA – pensionable vs. non-pensionable items

C. Fiscal Year 2011-2012 Financial Review (oral presentation)
Ted Granger

Ted Granger gave a brief financial review of the past fiscal year 2011-2012. This included an overview of LACERA's Comprehensive Financial Report (CAFR) process, with comments on the Letter of Transmittal and the Management Discussion and Analysis (MD&A).

In compiling the financial statements, Financial and Accounting Services (FASD) partners with other LACERA divisions to obtain data and/or review information. External to LACERA, FASD works with the custodian bank, investment managers and consultants, actuaries, and our external auditors.

III. FOR INFORMATION (Continued)

Brown Armstrong, LACERA's external financial auditor, is responsible for conducting the audit of the financial statements. At the conclusion of their audit, we receive the "Report on Audited Financial Statements" to meet our statutory reporting deadline with the County Board of Supervisors of October 31. We then work with our Communications Division to transform our financials into the CAFR for consideration in the GFOA's Excellence in Financial Reporting Award Program by the December 31 deadline. LACERA has earned this award for the past 22 years. Brown Armstrong rendered a clean opinion of LACERA's FY 2012 financial statements. They found our financial statements to be in compliance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB).

The Letter of Transmittal from the Chief Executive Officer serves as an introduction to LACERA's mission, discusses who is covered in our membership program, and the services we provide to our 156,000 members. It clearly communicates management's responsibility over maintaining proper internal controls and financial statement preparation. It also provides basic financial information, including the total fund return and funding ratio. Finally, it includes some big ticket customer service enhancements achieved during the year.

The MD&A supplements the financial statements. It is required by GASB, since it is an essential part of financial reporting for placing the financial statements in an appropriate operational, historical, and economic context. It also includes an overview of LACERA's financial statements.

The MD&A provides financial highlights for fiscal year 2012. The total fund was \$38.3 billion, with \$1.3 billion in total additions and \$2.4 billion in total deductions. Milliman, LACERA's actuary, determined LACERA's funded ratio of 80.6% as of the June 30 valuation, with a total fund return of .3%.

The first of two basic financial statements is the Statement of Plan Net Assets, which is essentially LACERA's balance sheet. This is a snapshot of the account balances at fiscal year end.

The second basic financial statement is the Statement of Changes in Plan Net Assets, which is the income statement identifying any transactions that alter the net assets available for pension benefits. This includes additions to available benefits such as investment income, employer contributions, and any rental income. Deductions are also listed, including pension benefits paid out, death benefits, and administrative expenses.

Notes to the basic financial statements are the required disclosures which are an integral part of the statements, including plan description, plan sponsor and membership information, special programs, and certain activities that occur during the year.

III. FOR INFORMATION (Continued)

Other Post-Employment Benefits (OPEB), are required to be reported on LACERA's balance sheet, but are maintained separately from the pension plan. The Statement of Changes in Assets and Liabilities for OPEB is recorded in the Other Supplementary Information.

The MD&A also includes financial analysis and economic factors. The economic factor that most impacts LACERA is the investment return earned in the financial markets.

The Popular Annual Financial Report (PAFR), which summarizes the CAFR and is sent to all LACERA members, has its own GFOA award. LACERA has received this award for the last 14 consecutive years. Both the CAFR and PAFR are available on LACERA's website.

IV. MISCELLANEOUS

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only)

VII. ADJOURNMENT

The meeting adjourned at 12:20 p.m.

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