

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

February 13, 2014 - 9:00 A.M.**

COMMITTEE MEMBERS:

Shawn R. Kehoe, Chair
William de la Garza, Vice Chair
Marvin Adams
Yves Chery
Ronald Okum, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of January 15, 2014.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing

- Update on Optional Membership Requests – JJ Popowich
- Retroactive Earnings – Robert Hill

B. Fiscal Year 2012-2013: Financial Review (*oral presentation*)
Beulah Auten/Ted Granger/Calvin Chang

C. Quality Assurance Review for Fiscal Year 2012-2013
Mike Mikhail

IV. MISCELLANEOUS

V. GOOD OF THE ORDER

(For information purposes only)

VI. 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 REGULAR 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

FEBRUARY 13, 2014, 12:15 P.M. – 1:20 P.M.

COMMITTEE MEMBERS

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

ABSENT: Ronald Okum, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Alan Bernstein
Vivian H. Gray
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Robert Hill	Calvin Chang
JJ Popowich	Ted Granger
Gregg Rademacher	Mike Mikhail
Beulah Auten	

The meeting was called to order by Chair Kehoe at 12:15 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of January 15, 2014

Mr. Chery made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of January 15, 2014. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing

- Update on Optional Membership Requests – JJ Popowich

Mr. Popowich gave a progress update on the resolution of the 10 Optional Membership claims resubmitted with additional documentation in late 2013. Nine of those claims have been reviewed, confirmed eligible for Optional Membership, and Claims Processing has completed the changes. The last member submitted his documentation later, and his claim is now being finalized. Letters have been sent to these members informing them that they did qualify for Optional Membership.

- Retroactive Earnings – Robert Hill

The County's payroll system (eHR) does not adequately compute retroactive earnings adjustments. The Auditor-Controller is in the process of implementing an eHR solution that will automate this procedure. Until that time, LACERA must manually review, process, adjust, and collect contributions directly from the member. Currently, we have seen the number of retroactive earnings cases escalate. Consequently, staff is in the process of adjusting final average compensation to ensure that our members are paid the promised benefit. Unfortunately, this also means that LACERA must ask members to pay for those benefit increases.

B. Fiscal Year 2012-2013: Financial Review (*oral presentation*)
Beulah Auten/Ted Granger/Calvin Chang

Beulah Auten, Ted Granger, and Calvin Chang presented the fiscal year 2012-2013 financial review. This included an overview of LACERA's Comprehensive Annual Financial Report (CAFR) preparation, financial analysis and reporting, and GASB implementation.

III. FOR INFORMATION (Continued)

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.

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. LACERA has earned this award for the past 23 years. Brown Armstrong rendered a clean opinion of LACERA's FY 2013 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 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 15 consecutive years. Both the CAFR and PAFR are available on LACERA's website.

For fiscal year 2013, the total fund was \$41.8 billion, with \$6.1 billion in total additions and \$2.6 billion in total deductions. Milliman, LACERA's actuary, determined LACERA's funded ratio of 76.8% as of the June 30 valuation, with a total fund return of 12.1%.

GASB 67 (LACERA) is being implemented effective fiscal year ending June 30, 2014. We are currently working on preparing the financial statements and related disclosures. GASB 68 (Los Angeles County) is effective for fiscal year ending June 30, 2015.

A task force was established for primary employers, preparers, actuaries, and auditors. We reviewed the published standards and implementation guide and prepared some preliminary schedules to send to the actuary for review. We established an agreed upon timeline. LACERA's external auditor is working with the County's external auditor to determine internal control reporting requirements.

III. FOR INFORMATION (Continued)

C. Quality Assurance Review for Fiscal Year 2012-2013
Mike Mikhail

Mike Mikhail presented the quality assurance review for 2012-2013. During that period there were 12,891 samples audited, reflecting an overall increase of approximately 15.17% from the previous year. The overall accuracy rate was 97.62%, and increase of .48%. Of the processes audited, 16 exceeded the targeted accuracy rate of 95%.

All files for new retiree accounts are checked for completeness and accuracy when the retirement agenda is processed. During this period 2,777 files were audited, an increase of 415 compared to FY 2011-2012.

Quality Assurance (QA) is in the process of integrating the audit activities after the addition of three quality auditors in the third quarter of the 2013-2014 fiscal year. Three additional auditors will be added in the fourth quarter. The six new auditors will strengthen the audit and training activities by implementing both the integrated audit program and the comprehensive training program.

QA will continue its efforts cleaning the legacy data in members' files and anticipates completion of the Multiple Sworn Statement project (2,882 cases) by June 2014.

IV. MISCELLANEOUS

V. GOOD OF THE ORDER

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VI. ADJOURNMENT

The meeting adjourned at 1:20 p.m.

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