

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, JUNE 7, 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 Section 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 May 3, 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. **Revised and Restated Post Retirement Employment Policy**

Recommendation as submitted by Steven P. Rice, Chief Counsel:
That the Committee recommend the Board of Retirement approve the proposed revised and restated Post Retirement Employment Policy.
(Memo dated May 26, 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. **Mass Communication Process: Online and Email**

JJ Popowich, Assistant Executive Officer
(Presentation)

VI. REPORTS (Continued)

C. **New Retirement Counseling Folders**

Vanessa Gonzalez, Interim Section Head, Outreach
Victor Tafolla, Retirement Specialist III, Outreach
(Verbal Update)

D. **New Phishing Attack Targeting LACERA Members**

JJ Popowich, Assistant Executive Officer
(Memo and Attachments Exempt from Public Disclosure
California Public Records Act, Cal. Gov't Code §7920.520;
Brown Act, Cal. Gov't Code § 54957.5(a))

E. **Privacy Incident: Personally Identifiable Information**

Cassandra Smith, Director, Retiree Healthcare
(Memo Exempt from Public Disclosure
California Public Records Act, Cal. Gov't Code §7920.520;
Brown Act, Cal. Gov't Code § 54957.5(a))

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. 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

11:10 A.M. – 11:41 A.M., WEDNESDAY, MAY 3, 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)
Antonio Sanchez, Trustee (In-Person) (*arrived at 11:33 a.m.*)
Jason E. Green, Alternate Trustee (In-Person)

ABSENT: Keith Knox, Trustee

OTHER BOARD OF RETIREMENT TRUSTEES

Vivian H. Gray, Trustee (In-Person)
Elizabeth Ginsberg, Alternate Ex-Officio (In-Person)
JP Harris, Trustee (In-Person)
Shawn R. Kehoe, Trustee (In-Person)
Ronald Okum, Trustee (In-Person) (*arrived at 11:23 a.m.*)
Les Robbins, 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

Kathy Delino, Interim Chief, Information Technology

Celso Templo, Interim Information Technology Manager

I. CALL TO ORDER

This meeting was called to order by Chair Bernstein at 11:10 a.m. In the absence of Trustee Knox, 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 April 5, 2023

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

Yes: Santos, Green, Bernstein

No: None

Absent: Knox

(Mr. Sanchez arrived at 11:33 a.m., after the vote had been taken on the minutes.)

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. REPORTS

A. **LACERA Operations Briefing**

Luis A. Lugo, Deputy Chief Executive Officer
JJ Popowich, 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. **Introduction to the Project Management Office**

Kathy Delino, Interim Chief, Information Technology
Celso Templo, Interim Information Technology Manager
(Presentation) (Memo dated March 22, 2023)

Kathy Delino and Celso Templo, provided a presentation and addressed questions from the Committee. This item was received and filed.

VI. 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.

VII. 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.

VIII. GOOD OF THE ORDER

(For Information Purposes Only)

There was nothing to report.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:41 a.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.**

May 26, 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

FOR: June 7, 2023 Operations Oversight Committee Meeting

SUBJECT: Revised and Restated Post Retirement Employment Policy

RECOMMENDATION

That the Operations Oversight Committee recommend that the Board of Retirement approve the proposed revised and restated Post Retirement Employment Policy.

LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Board of Retirement (BOR) has plenary authority and exclusive fiduciary responsibility for administration of the system. See *also* Cal. Gov't Code §§ 31520, 31520.1, and 31595 of the County Employees Retirement Act of 1937 (CERL). This authority includes the ability of the Boards to establish policies, like the proposed Post Retirement Employment Policy, which relate to the sound implementation of CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

The Operations Oversight Committee (OOC) supports the Board of Retirement in its administrative responsibilities. With specific reference to the Post Retirement Employment Policy, which relates to the provisions of CERL and PEPRA defining the standards and guardrails for retired annuitants to return to work on a limited basis without loss or interruption of their benefits, Section I.1.9 of the Board of Retirement's Standing Committee Charter provides that the OOC shall "Oversee Human Resource policies and procedures" and Section I.7.5 provides that the OOC shall "Recommend to the BOR regulations and policies that affect retirement benefit administration."

BACKGROUND

1. Applicable Statutory Requirements.

In 1991, the Los Angeles County Board of Supervisors voted to make Government Code

Section 31680.6 of CERL operative, providing that retired annuitants with special skills or knowledge may return to work for a LACERA participating employer, without loss of retirement benefits, for up to 120 days or 960 hours, whichever is greater, per fiscal year. Section 31681.6 was later amended to provide that, if there is a conflict between Section 31680.6 and PEPRA, PEPRA will prevail. Section 31680 and 31680.2 of CERL are also relevant as discussed in the proposed Policy.

Government Code Section 7522.56 of PEPRA, effective January 1, 2013, includes more comprehensive and detailed provisions than CERL governing retired annuitants. Section 7522.56 provides, in summary, as follows:

- A retired annuitant may be rehired to serve a participating employer in the system from which they retired, without loss or interruption of benefits, either (1) during an emergency to prevent stoppage of public business, or (2) because the retire has skills needed to perform work of limited duration. Limited duration is not defined in the statute. A retired annuitant may not be employed “through a contract directly” with a participating employer.
- Appointments shall not exceed a total for all participating employers in the system of 960 hours or equivalent per fiscal year. The statute sets the rate of pay for a rehired retired annuitant, which is to be no less or more than that paid by the employer to other employees performing comparable duties. A rehired retired annuitant earns no additional service credit or retirement rights as a result of their post retirement employment.
- A retired annuitant is not eligible to be rehired if, during the 12 months preceding their appointment, they received unemployment insurance compensation arising out of prior employment subject to Section 7522.56. The retired annuitant is required to certify compliance with this requirement upon accepting employment. A retired annuitant who accepts an appointment after receiving unemployment insurance compensation shall terminate their employment at the end of the pay period after receiving notice of the issue and is ineligible for reappointment for 12 months after their last day of employment.
- A retired annuitant is not eligible to be rehired under PEPRA for 180 days after their retirement unless (1) the employer certifies that appointment is needed to fill a critically needed position with 180 days and the governing body approves the rehire on the non-consent agenda in a public meeting, or (2) the retired annuitant is a public safety officer or firefighter hired to perform a function regularly performed by a public safety officer or firefighter. Even if one of these exceptions is invoked, the Internal Revenue Code and LACERA’s Board of Retirement

Regulation XV(III) require a continuous 90-day break in service if the retired annuitant is less than Normal Retirement Age; a retired annuitant is also prohibited from having a prearrangement with their employer for their post retirement return to work.

- A retired annuitant who accepted a retirement incentive upon retirement is not eligible to be rehired under Section 7522.56 for 180 days following the date of retirement. In this situation, the exception to early rehire based on critical need or as a public safety officer or firefighter will not be available.

2. Current LACERA Policy.

On November 4, 2020, the Board of Retirement approved the Post Retirement Employment Policy applicable to LACERA's own hiring of retired annuitants. A copy of the original Policy is attached as Attachment B. This original Policy provided an initial basic framework for compliance with Sections 7522.56 and 31680.6.

3. Internal Audit Reporting on Rehired Retired Annuitants.

On August 8, 2022, LACERA's Internal Audit Division reported to the Audit Committee the results of its audit of LACERA's Rehired Retiree Program. The report made three findings, as follows:

- a. Lack of ensuring compliance with the Post Retirement Employment Policy;
- b. Noncompliance with the 960 hour limit; and
- c. Lack of specific definition of "limited duration" in LACERA's current policy.

A copy of the report is attached as Attachment C. The proposed new Policy addresses all three of these findings. The new Policy is intended to strengthen LACERA's compliance documentation and will be the basis of future training to further address the practices addressed in the audit findings.

On November 4, 2022, the Internal Audit Division reported to the Audit Committee on the results of its audit of Los Angeles County's compliance for Fiscal Year 2021 with requirements for rehired retired annuitant. The report made two findings, as follows:

- a. A spike in the number of rehired retired annuitants exceeding the 960-hour limits; and
- b. Lack of adherence to PEPRAs limited duration requirement.

A copy of this report is attached as Attachment D. On June 1, 2023, Internal Audit made a similar report for the County's compliance for Fiscal Year 2022 with the same findings. A copy of this report is attached as Attachment E. The proposed new Policy in this memo

does not address LACERA's oversight of the County and other participating employers with respect to retired annuitants. This subject will be discussed by management with the County, and staff will return to the OOC and the Board with proposals as to LACERA's role in County oversight at future meetings. The County reports are provided with this memo to provide additional context for the discussion of this item. The revised LACERA Policy, only applicable to LACERA, is intended to be basis for standard-setting discussions with the County and a future LACERA policy for exercise of the fund's oversight of retired annuitants hired by all participating employers to ensure that benefits are not paid to members who are violation of CERL and PEPRA. The provisions of the future County policy may not be exactly the same as the proposed LACERA Policy.

4. The Approach of Other California Public Retirement Systems.

The Legal Office collected information on the approach to returning retired annuitants taken by all 19 other CERL systems as well as CalPERS and CalSTRS. System documentation, including polices, websites, and forms and brochures, were reviewed to the extent available. Not every system has a policy; some rely on other methods of communicating their legal interpretation and practices. The approach taken by other systems on issues relevant to LACERA's policies is summarized in footnotes below in the discussion of LACERA's proposed Policy. The other systems differ widely from each other.

DISCUSSION

The proposed revised and restated Policy, which is attached as Attachment A, completely restructures, expands, and enhances the document. Fiduciary counsel was consulted during the drafting process and reviewed prior drafts of the proposed Policy now presented. Therefore, while both the current Policy and the proposed new Policy are attached, a redline was not deemed helpful.

The proposed Policy more completely covers the requirements of Sections 7522.56 and 31680.6, and other legal requirements than the current Policy. The proposed Policy provides definitions and separately and specifically states the requirements and process for requesting and approving each type of retired annuitant who may seek to work for LACERA after retirement as well as retired annuitants who may perform services as employees of vendors with a bona fide independent contract with LACERA. The proposed Policy attaches and strengthens the forms that must be completed when requesting work from a retired annuitant as well as representations that must be initialed and signed by the retired annuitant themselves to confirm their understanding of the terms and consequences that apply to their post retirement service. The proposed Policy addresses requirements on both LACERA and the retired annuitants to monitor their hours and to

comply with the other provisions that relate to each type of returning retired annuitant. Finally, the proposed Policy addresses the tools available to address violations.

The proposed Policy includes the following sections, which are briefly summarized as follows:

- 1. Purpose.** The purpose is to comply with applicable law, state applicable requirements for each of the three circumstances in which a retired annuitant may provide service to LACERA post retirement, establish a request, approval, and monitoring process for each of the three methods, and establish a process to address violations.
- 2. Scope.** The scope is LACERA's hiring of retired annuitants under Sections 7522.56 and 31680.6 and other applicable law.
- 3. Legal Authority.** The Policy is adopted under the California Constitution, CERL, PEPRA, and other applicable law in the exercise of the Board of Retirement's plenary authority and fiduciary responsibility for fund administration.
- 4. Definitions.** The key terms of "960 hours," "Normal Retirement Age," "participating employers," and "retired annuitant" that are used throughout the Policy are defined near the beginning of the Policy. Other terms are defined elsewhere in the Policy in context where a definition will be most helpful to the reader.
- 5. Policy Statement.** This section presents a brief summary of the key concepts contained in the Policy, while referring the reader to the entire Policy to understand all of its requirements and other provisions.
- 6. Rehire for 960 Hour Temporary Assignments.** This section sets forth the requirements and request, approval, and monitoring process for retired annuitants rehired for limited duration assignments or for an emergency threatening stoppage of public business. This section has subsections to describe the separate requirements of each type of 960 hour rehire as well as the common requirements that apply to both types. There is also a subsection for the request, approval, and monitoring process that identifies the responsibilities and requirements of LACERA, its management and staff, the retired annuitant, and the Board of Retirement.

With respect to limited duration rehires (which is an area that Internal Audit called out for additional definition in Finding 1 of its report on LACERA's practices), the proposed Policy permits staff to rehire a retired annuitant for two fiscal years, the

Board to approve rehire for no more than an additional two fiscal years only in the case of exceptional circumstances for a maximum total of four years. Exceptional circumstances for an extension beyond the initial two years requires an explanation from the Executive Office to the Board as to the critical need that supports the retired annuitant's continued employment, why the transition of knowledge and planned work was not completed during previously approved periods, why permanent staff cannot meet the critical need, and a plan for completing the transition and work in the additional requested year. The years do not need to be continuous. After internal discussion, this definition of limited duration is deemed a workable definition for the needs of LACERA and to incentivize the transfer of knowledge and the timely completion of limited duration assignments.

Examples of the widely-varied approach to limited duration in other systems (applicable, unlike LACERA's proposed Policy, to all participating employers, not just the retirement association) include:

- Sacramento County Employees' Retirement System (SCERS) has a policy that determines limit duration to be a 36-month continuous period. The participating employer may provide a retired annuitant with a 12-month extension on an annual basis up to two times for a total of an additional 24 months. The 12-month extensions do not need to be continuous. If the retired member is working in a public safety capacity, then additional 12-month extensions on an annual basis can be given to meet public safety workforce demands.
- San Bernardino County Employees' Retirement Association (SBCERA) requires the employer to provide an explanation of the limit or limits on the duration of the re-employment. The term of employment is considered compliant if it is 18 months or less, and if the term is over 18 months with no specific end date, the Board of Retirement must approve the reemployment. If the position is functionally similar to a permanent part-time position, the employer and the employed retired annuitant are no longer in compliance.
- Santa Barbara County Employees' Retirement System (SBCERS) defines limited duration as work that is not continued indefinitely or considered permanent. Work that is expected to conclude in a period of less than 24 months is considered limited duration while work that exceeds 24 months may be considered limited duration in special circumstances such as if additional time is needed to complete the project. Employers and retired

annuitants are required to certify an estimate of the duration of the employment at the time the employment commences and to provide further certification if an extension is necessary, or the estimated time as changed. Any extension of a retired annuitant's employment beyond the 24 months requires a written Request for Extension with a detailed explanation of the circumstances requiring the extension. The request must be made prior to the end of the 24-month allotted period.

- Orange County Employees Retirement System provides that, if a retired annuitant is re-employed in a permanent position with the County of Orange or any of OCERS' participating employers and is eligible for OCERS membership (permanent position, working at least 20 hours per week), they need to be reinstated into active OCERS membership. Less than 20 hours a week appears to comply with the limited duration restriction for OCERS.
- CalPERS approved a regulation in February 2023 that has not been submitted for final processing and publication by the state Office of Administrative Laws (OAL). Under the regulation, limited duration is defined as a limit of 24 consecutive months per appointment. The post-retirement appointment may be extended no more than twice for a period of 12 consecutive months per extension, totaling 24 months. Extensions cannot exceed a total of 48 consecutive months. An exemption can be sought. It is unclear whether or when CalPERS intends to submit the regulation to OAL, which is a prerequisite for it to be effective.

As for compliance with the 960 hour limit, the proposed Policy requires monitoring of hours and communication with the retired annuitant about the hours on at least a monthly basis, and once a retired annuitant has reached 700 hours, the monitoring must be weekly, including communication regarding completion of the work within 960 hours and the need to stop work when the limit is met. Both LACERA and the retired annuitant have responsibility to monitor and comply with the 960 hour limit.

These provisions will assist in addressing the excess hours compliance issue (Finding 2) and the lack of definition of limited duration (Finding 3) identified by Internal Audit in its report (Attachment C) on LACERA's practices.

- 7. Work Under a Bona Fide Independent Contract.** The issue of retired annuitants working as the employee of a vendor under a bona fide independent contract with LACERA was not addressed in the original Policy. This issue should be addressed in the proposed Policy because Section 7522.56 only precludes a contract directly

with a retired annuitant Under the proposed Policy, retired annuitants working under an independent contract as vendor employees, and who have truthfully made the representations required by the Policy and otherwise complied with it, are not subject to the limits of PEPRA. The proposed Policy puts in place a process for identifying when such retired annuitants are working on LACERA business and safeguards to ensure that the contracts are bona fide and not a way of getting around PEPRA.

Specifically, the proposed Policy provides that a retired annuitant may not perform work pursuant to a contract unless, in LACERA's discretion: the retired annuitant is approved to perform work under a bona fide independent contract; the proposed scope of work is not a continuation of the retired annuitant's work as an employee of a participating employer before retirement; the terms of employment, means and methods of the retired annuitant's work, and supervision of the work is controlled by the contractor, not LACERA; the contracting entity is substantial in terms of its business, history, and make up to demonstrate that the entity is legitimate; the contract is not proposed to evade the 960 hour and other limits of Sections 7522.56 and 31680.6, or other applicable law; the retired annuitant's role in the contract will not violate conflict of interest and ethics laws, regulations, and policies; and, if the retired annuitant was under Normal Retirement Age at the time of their retirement, there was no prearranged agreement that the retired annuitant would become employed by the contractor for the purpose of performing work on a contract with LACERA. A contract directly with a retired annuitant or with a business entity controlled, directly or indirectly, in whole or in part, by a retired annuitant and work for LACERA under a contract that does not comply with these requirements is not permitted because such a contract is not deemed by LACERA to be a bona fide independent contract.

Most other CERL systems do not directly address the issue of bona fide independent contracts in their published materials. The few that do, as well as CalPERS, generally take an approach that is similar to the proposed LACERA Policy that bona side independent contracts are not subject to the CERL and PEPRA limitations..

- 8. Enforcement.** The proposed Policy provides that staff may assess consequences for violation of applicable law, including reinstatement from retirement, offset, loss or interruption of retirement benefits, recovery of improperly paid benefits, benefit adjustments or other methods to collect overpaid salary in excess of the 960 hour limit, and any other appropriate action. This section is also responsive to Internal Audit's report on LACERA's practices. All of the remedies in the Policy are

appropriate because Section 7522.56 specifically provides that a retired annuitant “may serve without reinstatement or loss or interruption of benefits” only if the requirements of the statute are provided. Section 8, along with Sections 6 and 7, will address the findings of Internal Audit’s Report (Attachment C) on LACERA’s enforcement practices and other efforts to ensure compliance (Findings 1-3).

Proposals for legislative amendment of Section 7522.56 to clarify the remedies are being presented to the Insurance Benefits and Legislative Committee and the Board of Retirement. However, any legislation will likely not be effective until January 1, 2025. Staff believes it is important to move ahead with this revised Policy now to ensure a compliant Rehired Retiree Program.

With respect to the current approach to enforcement of the 960 by other CERL systems, examples include the following range of approaches which, to differing degrees, are used by many systems:

- The pension of a retired annuitant may be suspended if they exceed the 960 hours.
- If the retired annuitant exceeds the limits, they are required to reinstate, with their benefits suspended, and may be required to return retirement benefit payments.
- Violation of the 960-hour limit may result in cessation, reduction, or recalculation of the retirement benefit.
- In addition to the above remedies, the system may seek recovery of improperly paid benefits from a retired annuitant who exceed the limit.

LACERA’s proposed Policy is intended to preserve the full range of available consequences for all violations of all provisions of the Policy, not just the 960 hour requirement.

- 9. Effective Date and Application.** This section provides that the Policy will be effective when approved by the Board of Retirement and will apply to all retired annuitants employed by LACERA as of that date based all of their prior post retirement employment at LACERA as well as all future retired annuitants employed by the fund. This section provides that, for currently employed retirement annuitants hired based on special skills to perform work of limited duration, if application of Section 6.1.2 of the Policy as of effective date will result in them having years in excess of the amount permitted by the Policy, the Board of Retirement for exceptional circumstances may extend their employment for up to

two fiscal years, in annual increments of one fiscal year. This latter provision will allow, if necessary based on exceptional circumstances, for completion of necessary transition and remaining work as of the effective date of the proposed new Policy.

Miscellaneous. Sections 10, 11, and 12 of the proposed Policy include references, version history, and policy review and approval information.

Forms. The proposed, Policy attached four forms which will be used in connection with returning retired annuitants. There are a Request form from the Division Manager seeking to rehire 960 hour retired annuitants and a Conditions and Waiver form to be signed by the retired annuitant. There are also Request and Conditions and Waiver forms applicable to retired annuitants working for vendors that have a bona fide independent contract with LACERA. Once the proposed Policy is approved, staff will submit the forms to LACERA's Communications Division for proper formatting.

CONCLUSION

For these reasons, it is recommended that the Operations Oversight Committee recommend that the Board of Retirement approve the proposed revised and restated Post Retirement Employment Policy.

Attachments

c: Santos H. Kreimann
Luis A. Lugo
JJ Popowich
Laura Guglielmo
Richard Bendall
Christina Logan
Carly Ntoya, Ph.D.
Barry Lew
Jasmine Bath
Luis Gittens
Alex Ochoa



POST RETIREMENT EMPLOYMENT POLICY

Authorizing Manager: Director of Human Resources

Effective Date: _____, 2023

Last Updated: November 4, 2020

Mandatory Review: Every Three Years

Policy Type: Board of Retirement

Approval Level: Board of Retirement

1. PURPOSE

The purpose of the Post Retirement Employment Policy (“Policy”) is to set forth the legal requirements for LACERA’s employment of or acceptance of contract work from members who have retired from any participating employers in LACERA and are receiving a pension from LACERA (referred to as “retired annuitants”). The goals of this Policy are to:

- Comply with relevant state and federal laws and other plan documents for the rehiring of retired annuitants and the use of retired annuitants by bona fide independent contractors while receiving a retirement benefit from LACERA;
- State the requirements for retired annuitants to (1) be rehired by LACERA for a limited duration, (2) be rehired by LACERA for emergency circumstances to prevent stoppage of LACERA business, or (3) work as the employee of a vendor under the vendor’s bona fide independent contract with LACERA, and establish a request, approval, and monitoring process for each of these three methods; and
- Establish a process to address violations of the Policy.

2. SCOPE

This Policy applies to LACERA’s hiring of retired annuitants from any participating employer in LACERA or acceptance of services from retired annuitants to meet business needs in accordance with California Government Code Sections 31680, 31680.2, 31680.6, and 7522.56, the Internal Revenue Code and IRS regulations, and LACERA’s Board of Retirement Regulations. This Policy does not apply to employment of retirees or other acceptance of services from retirees by the County of Los Angeles or other participating employers.

To the extent that state law or federal law provides for additional restrictions or conflicts with this Policy, the law shall prevail over this Policy.

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3. LEGAL AUTHORITY

This Policy is adopted pursuant to the Board of Retirement's plenary authority and exclusive fiduciary responsibility for administration of the system (Cal. Const., art. XVI sec 17) to facilitate LACERA's compliance with Sections 31680, 31680.2, and 31680.6 of the County Employees Retirement Law of 1937 (CERL), Section 7522.56 of the Public Employees' Pension Reform Act of 2013 (PEPRA), and other applicable law and LACERA governing documents and policy.

4. DEFINITIONS

4.1 960 hours means 960 hours or equivalent limit of worked time and refers to the maximum permitted number of hours per fiscal year of all work performed by a retired annuitant rehired by LACERA and other participating employers as described in Section 6 of this Policy.

4.2 Normal Retirement Age for LACERA members is:
Age 57 for general members of Plan A, B, C, D, or G
Age 65 for general members of Plan E
Age 55 for safety members

4.3 Participating employers refers to those agencies that participate in LACERA: the County of Los Angeles, LACERA, Los Angeles County Superior Court, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District.

4.4 Retired annuitant means a retiree from any participating employer in LACERA rehired as an at-will employee by LACERA without reinstatement from retirement or working under a vendor's bona fide independent contract with LACERA. Retired annuitants do not accrue service credit or otherwise acquire any additional retirement benefits as a result of work performed under this Policy.

5. POLICY STATEMENT

Under Government Code Section 31680, 31680.2, and 31680.6, retired annuitants may be approved to be rehired by LACERA for no more than 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits. Section 31680(b) provides, in pertinent part, that "services rendered . . . shall not refer to services performed by a retired officer or employee as an independent contractor engaged by a county or district under a bona fide contract for services within the purview of Section 31000 of this code."

California Government Code Section 7522.56 adds additional restrictions on the ability of a retired annuitant to work for an employer in a retirement system while also collecting a pension from that system. Section 7522.56 provides that a retired

annuitant may be approved to be rehired by LACERA at will on a temporary basis while continuing to receive retirement benefits under the following circumstances:

- LACERA determines that the retired annuitant has skills based on their prior job classification needed to perform work of limited duration; or
- LACERA determines it is necessary to hire the retired annuitant during an emergency to prevent stoppage of LACERA's public business.

A retired annuitant returning for either of these two reasons shall not be eligible to be employed pursuant to this policy for a period of 180 days following the date of retirement unless the Board of Retirement determines the appointment is necessary to fill a critically needed position before 180 days have passed, in which case a break in service requirement of 90 days shall still apply if the retired annuitant is under Normal Retirement Age.¹

Unlike Section 31680, Section 7522.56 does not address independent contractors directly. However, Section 7522.56's prohibitions apply only to retiree annuitants who "serve," are "employed by," or who are "employed through a contract directly by," the same public retirement system from which the retiree receives a benefit. LACERA interprets Section 7522.56 consistent with Section 31680, so as to exempt retiree annuitants who work for LACERA as an independent contractor engaged by LACERA under a bona fide independent contract for services within the purview of LACERA's authority, provided, however, that such contract must comply with the terms of this Policy.

Failure of a retired annuitant to comply with applicable law and this Policy in connection with their post retirement employment, including rehire by LACERA or contract work, may have adverse consequences on their retirement and benefits as described in this Policy.

This entire Policy must be read as a whole to understand all its requirements and other provisions.

6. REHIRE FOR 960 HOUR TEMPORARY ASSIGNMENTS

6.1 Rehire When the Retired Annuitant has Special Skills to Perform Work of Limited Duration

Subject to this section and the common requirements stated in Section 6.3 and completion of the request and approval process described in Section 6.4, retired annuitants may be rehired by LACERA without affecting their retirement status or benefits when they have special skills based on their prior job

¹ The 180 day waiting period does not apply to a public safety officer or firefighter hired to perform a function or functions performed by a public safety officer or firefighter. However, the 90-day break in service may still apply. LACERA does not expect to hire such retired annuitants for such work.

classification to perform work of limited duration. Assignments under this section shall be terminated upon completion of the work of limited duration for which they were rehired.

6.1.1 Special Skills means a demonstrated ability, based on the retired annuitant's prior job classification and work history, to perform the work for which the retired annuitant is being rehired at a high level without additional training and that cannot be performed by existing permanent staff members.

6.1.2 Limited duration is determined on a case-by-case basis subject to the limits in this subsection, but it is always expected to be the minimum period required to complete necessary work. The services must terminate when the limited-duration work is completed. Examples of necessary work of limited duration include but are not limited to the following circumstances: alleviating a backlog, working on a special project where the retired annuitant has special knowledge and skills, and transferring specialized knowledge and skills to permanent staff members. Limited-duration work must be necessary work in excess of what existing staff members are able and available to perform but that cannot be postponed until staff members are able and available.

Limited-duration work may be approved annually by the Executive Office for work totaling a maximum of two fiscal years. Additional work beyond two fiscal years must be approved annually by the Board of Retirement upon a finding of exceptional circumstances to meet a critical LACERA need, provided that the Board will not approve additional work beyond two additional one fiscal year increments, resulting in a maximum total employment period of four fiscal years for the retired annuitant. Exceptional circumstances require an explanation from the Executive Office of the critical need that supports the retired annuitant's continued employment, why the transition of knowledge and planned work was not completed during previously approved periods, why permanent staff cannot meet the critical need, and a plan for completing the transition and work in the additional requested year. The years permitted under this subsection need not be continuous.

6.2 Rehire Necessary During an Emergency

Subject to this section and the common requirements stated in Section 6.3 and completion of the request and approval process described in Section 6.4, retired annuitants may be rehired by LACERA without affecting their retirement status or benefits when necessary during an emergency to prevent stoppage of LACERA's public business. Assignments under this section shall be terminated when the retired annuitant's work to address the threat of stoppage of public business is completed.

An emergency means urgent and unforeseen circumstances outside those arising in the normal course of LACERA's business. To provide cause for rehire of a rehired annuitant under this subsection, existing staff must be unable to address the emergency and the rehire of the required annuitant must be necessary to prevent the stoppage of part of LACERA's public business, such as inability to serve members, pay benefits, invest funds, or meet other legal requirements that are part of LACERA's fiduciary duty. A retired annuitant rehired under this section must possess the demonstrated ability, based on the retired annuitant's work history, to assist LACERA in meeting the emergency and prevent the stoppage of public business.

6.3 Common Requirements

In order for LACERA to rehire retired annuitants under Sections 6.1 and 6.2, the following additional requirements must be met:

6.3.1 Work Hour Limitation (960 Hours)

Retired annuitants may not work a combined total of more than 960 hours for LACERA and all other participating employers in any July 1 – June 30 fiscal year. Once the 960 hours limit is reached, a retired annuitant is not permitted to provide any additional services to LACERA or any other participating employer or to receive any additional compensation for such work for the remainder of the fiscal year.

6.3.2 Retired Annuitant's Compensation

The rate of pay for the employment of retired annuitants cannot be less than the minimum, nor exceed the maximum, paid by LACERA to staff performing comparable duties. Retired annuitants cannot receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate.

6.3.3 No Unemployment Benefits

Retired annuitants are not permitted to be rehired by LACERA if, during the 12 month period prior to the temporary appointment date, they received unemployment insurance payments arising from prior employment under Section 7522.56 with any public employer. A retired annuitant who accepts employment under this Policy after receiving unemployment insurance compensation as described in this subsection shall terminate that employment as soon as practicable, and not later than the last day of the pay period after receiving notice from LACERA of this prohibition and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

6.3.4 Waiting Period for Post-Retirement Employment

Retired annuitants must wait 180 days from their date of retirement before returning to work at LACERA on a temporary basis, except if it is necessary to fill a critically needed position and the hiring has been approved by the Board of Retirement in an open meeting on a non-consent item, in which case the retired annuitant may return earlier than 180 days. The approval may not be placed on the Board's consent calendar.²

If a retired annuitant who is hired to fill a critically needed position is under the Normal Retirement Age, a continuous 90-day waiting period nevertheless applies, subject to advice from tax counsel. This is a federal tax law requirement, included in the Board of Retirement Regulations.

6.3.5 No Prearranged Agreement

LACERA members who retire before reaching Normal Retirement Age cannot have a prearranged agreement, either orally or in writing, before commencing retirement to return to work at LACERA in a position previously held prior to retirement or any other position.

6.3.6 Limitations if Retired Under Incentive Arrangement

A retired annuitant who accepted a retirement incentive upon retirement shall not be eligible to be employed under this Policy, even for a critically needed position, for a period of 180 days following the date of retirement. The exceptions, including critical need, stated in Section 6.3.4, do not apply in this circumstance.

6.4 Request, Approval, and Monitoring Process

6.4.1 Request

Managers are required to submit requests and renewal requests to the Human Resources Division to rehire retired annuitants for a 960 hour temporary assignment using the applicable Request form attached hereto based on whether the assignment is for limited duration or to address an emergency (the "960 Hour Request"). The 960 Hour Request must include a full and complete description of the project, the retired annuitants' skills and abilities based on their prior job classification, a description of the plan to complete the retiree's work or transition it to a current staff member, the expected limited duration of the work, and when applicable, an explanation of the emergency that necessitated the hiring of the rehired retiree to prevent stoppage of

² See footnote 1 with respect to a public safety officer or firefighter hired to perform a function or functions performed by a public safety officer or firefighter

LACERA's public business, and such other information as is required under Section 6.1, 6.2, and 6.3. Renewal requests must include an explanation on the 960 Request Form as to the continuing need and why the work was not completed during the prior period.

If the retired annuitant retired fewer than 180 days before the Request (as limited by the required 90-day period if the retired annuitant is under Normal Retirement Age), the 960 Hour Request must also include an explanation of the critical need that must be met and the retired annuitant's relevant skills based on their work history.

All 960 Hour Requests must include the signed applicable Conditions and Waiver form ("Conditions"), attached to this Policy, acknowledging the retired annuitant's understanding of and agreement to this Policy and its requirements, including the consequences for violation. The Conditions shall also confirm that they will comply with all other LACERA policies, including but not limited to conflict, ethics, and Human Resources policies. All 960 Hour Request and Conditions forms shall be maintained by the Human Resources Division.

6.4.2 Approval and Offer of Employment

Prior to offering employment, the 960 Hour Request must be approved by the Division Manager, Assistant Executive Officer, Human Resources Director, and the Chief Executive Officer or Deputy Chief Executive Officer. No approvals shall be granted for a period in excess of not to exceed 960 hours in one fiscal year. All requests are subject to renewal every fiscal year, submission of a new and updated 960 Hour Request form, and re-approval, subject to the limits of Section 6.1.2 of this Policy. 960 Hour Requests may be renewed by management only upon good cause, including a showing that there was compliance with the terms of this Policy during the prior period and that the retired annuitant has skills based on their prior job classification needed to perform additional work of limited duration that cannot be performed by permanent staff members or the appointment is needed during an emergency to prevent stoppage of LACERA's public business.

Offers of employment, including renewal offers, may only be communicated to retired annuitants by the Human Resources Division.

6.4.3 Board Approval

All 960 Hour Requests for more than two fiscal years must be approved annually by the Board of Retirement in open session on the non-consent calendar on an annual basis, subject to the limit stated in Section 6.1.2. Board approval must be based on a finding that grounds continue to exist for continued appointment under Sections 6.1 and 6.2. Board

approval of an exemption from the 180-day waiting period shall be made as described in Section 6.3.4.

6.4.4 Monitoring

LACERA, including through the requesting Division Manager and the Benefits and Systems Divisions, is responsible for monitoring and tracking compliance of retired annuitants approved under a 960 Hour Request with the legal requirements set forth in this Policy. Monitoring shall include review of a retired annuitant's worked hours on at least a monthly basis throughout the retired annuitant's employment based on the most recent pay records and timesheets and regular communication with the retired annuitant about the progress of their work and hours spent. Once a retired annuitant has worked 700 hours in a fiscal year, hours worked shall be monitored on at least a weekly basis, and there shall be communication on a weekly basis between the retired annuitant and their Division Manager regarding completion of work within the 960 hour limit and the need to stop work when the limit is met. Any non-compliance shall be reported to the Chief Executive Officer, Deputy Chief Executive Officer, and Human Resources Director.

The Executive Office shall ensure that the Board of Retirement is provided with an annual report at the end of each fiscal year of all retired annuitants working under 960 Hour Requests, including the name, the number of fiscal years of post retirement employment with LACERA, summary of limited duration work performed, estimated completion date, status of transition plan, status of any emergency or critical need that the retired annuitant was rehired to address, and the history of hours performed in each fiscal year of employment.

6.4.5 Retired Annuitant's Responsibility

The retired annuitant has the responsibility, as stated in the Conditions and Waiver form they sign before beginning employment, to have truthfully made the representations stated in the Conditions form and to adhere to the requirements of this Policy, including but not limited to the responsibility to monitor their work so that it is no more than 960 hours in a fiscal year, and all other LACERA policies, including but not limited to conflict, ethics, and Human Resources policies.

7. WORK UNDER A BONA FIDE INDEPENDENT CONTRACT

A retired annuitant's work as the employee of a vendor under a bona fide independent contract is not subject to the provisions and limitations stated in Section 6 if the contract and the retired annuitant comply with this section and will not affect their LACERA pension and benefits. Work under a contract in violation of this section may subject the retired annuitant to consequences under Section 8.

7.1 Standard

A retired annuitant may not perform work pursuant to a contract unless, in LACERA's discretion: the retired annuitant is approved to perform work under a bona fide independent contract; the proposed scope of work is not a continuation of the retired annuitant's work as an employee of a participating employer before retirement; the terms of employment, means and methods of the retired annuitant's work, and supervision of the work is controlled by the contractor, not LACERA; the contracting entity is substantial in terms of its business, history, and make up to demonstrate that the entity is legitimate; the contract is not proposed to evade the 960 hour and other limits of Sections 7522.56 and 31680.6, or other applicable law; the retired annuitant's role in the contract will not violate conflict of interest and ethics laws, regulations, and policies; and, if the retired annuitant was under Normal Retirement Age at the time of their retirement, there was no prearranged agreement that the retired annuitant would become employed by the contractor for the purpose of performing work on a contract with LACERA. Contracts directly with a retired annuitant or with a business entity controlled, directly or indirectly, in whole or in part, by a retired annuitant. Work for LACERA under a contract that does not comply with this subsection are not permitted because they are deemed by LACERA to not be bona fide independent contracts.

7.2 Request and Management Approval

Managers are required to submit requests for retired annuitants to perform work under a bona fide independent contract using the attached Contract Request form. The Contract Request must be approved by the Division Manager, Assistant Executive Officer, Human Resources Director, and the Chief Executive Officer or Deputy Chief Executive Officer. If approved, it is the responsibility of the manager to ensure that the retired annuitant does not perform any work for LACERA except under the contract.

7.3 Limitations

A retired annuitant's work under a bona fide independent contract shall be limited to the scope of work described in the contract; no work for LACERA outside of the contract is permitted. Retired annuitants working under a Contract Request must sign the attached Conditions and Waiver form in which the retired annuitants accept the requirements of this Policy and truthfully represent the facts needed to demonstrate compliance with this section. All Contract Request and Conditions forms shall be maintained by the Human Resources Division.

8. ENFORCEMENT

The scope of this Section 8 is limited to enforcement of Sections 7522.56 and 31680.6, and other applicable law, with respect to the eligibility under that statute of a retired annuitant, in accordance with and subject to and in compliance with this Policy, to provide service to LACERA and the consequences for violation as described in

Section 8.2. This section does not address other matters arising from the employment of a retired annuitant or their work for LACERA. Issues relating to all other employment matters, including but not limited to job duties and assignments, compensation, performance evaluation, compliance with other LACERA policies and procedures, and discipline, up to and including termination, remain the responsibility of the Chief Executive Officer, the Deputy Chief Executive Officer, the Human Resources Director, or their designees.

8.1 Standard

California Government Code Section 7522.56 provides that a retired annuitant shall not serve or, be employed by, or be employed through a contract directly by, an employer in the same public retirement system from which the retiree receives a benefit without reinstatement from retirement, except as provided in that section. California Government Code Sections 31680, 31680.2 and 31680.6 may also impose requirements on retired annuitants. LACERA's standards with respect to retired annuitants performing work under a 960 Hour Request or a Contract Request are set forth in this Policy and are intended to be consistent with and not in conflict with applicable state and federal law, which shall control this Policy.

8.2 Notice of Violation and Consequences

If a retired annuitant works in violation of this Policy, LACERA shall provide the person with notice of violation and recommended consequences, which will include, as LACERA determines is appropriate given the nature of the violation, reinstatement from retirement, offset, loss, or interruption of retirement benefits, recovery of improperly paid benefits, benefit adjustments or other methods to collect overpaid salary in excess of the 960 hour limit, and any other appropriate action. The notice of violation shall include all documents supporting the violation and recommended consequences.

8.3 Appeal

If the retired annuitant disagrees with the consequences determined and imposed by staff, they may seek review under LACERA's Administrative Appeal Procedure for Retirement Benefits.

9. EFFECTIVE DATE AND APPLICATION

This Policy shall be effective immediately upon approval by the Board of Retirement.

This Policy shall be applicable to all retired annuitants employed by LACERA as of the effective date ("Existing Retired Annuitants") based on their years of such employment as of that date. If an Existing Retired Annuitant's total period of employment by LACERA as of the effective date for special skills to perform work of limited duration exceeds the four fiscal year maximum permitted under Section 6.1.2, the Board of Retirement may annually grant an extension in one fiscal year increments

totaling no more than two additional fiscal years based on an annual explanation by the Executive Office of exceptional circumstance as defined in Section 6.1.2.

10. REFERENCES

These references are intended to help explain this policy and are not an all-inclusive list of policies, procedures, laws, and requirements. The following information complements and supplements this document:

Related Policies:

- Administrative Appeal Procedure for Retirement Benefits

Related Procedures:

- Retired Annuitant Hours Tracking Method

Related and Conditions Forms/Templates:

- Request for Employment of Retiree for a Limited Duration 960 Hour Temporary Assignment Form
- Conditions of Post Retirement Employment and Waiver Form for a Limited Duration 960 Hour Temporary Assignment
- Request for Post Retirement Work Under a Bona Fide Independent Contract Form
- Conditions of Post Retirement Work and Waiver Form Under a Bona Fide Independent Contract

Other Related Information:

- Request for Post Retirement Work Under a Bona Fide Independent Contract
- Conditions of Post Retirement Work Under a Bona Fide Independent Contract
- California Government Code Section 7522.56
- California Government Code Section 31680, 31680.2, and 31680.6
- Board of Retirement Regulation XV

Human Resources Division shall revise its procedures consistent with this Policy.

11. VERSION HISTORY

Policy Issue Date: First approved by the Board of Retirement on November 4, 2020, with an immediate Effective Date.

Reviewed and current revised version approved and effective on _____, 2023.

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12. POLICY REVIEW AND APPROVAL

This Policy is effective on the day adopted by the Board of Retirement. This Policy shall be reviewed by the Board every three years.

Attachments:

1. Request for Employment of Retiree for a Limited Duration 960 Hour Temporary Assignment Form
2. Conditions of Post Retirement Employment and Waiver Form for a Limited Duration 960 Hour Temporary Assignment
3. Request for Post Retirement Work Under a Bona Fide Independent Contract Form
4. Conditions of Post Retirement Work and Waiver Form Under a Bona Fide Independent Contract



**REQUEST FOR EMPLOYMENT OF RETIREE TO A 960 HOUR
TEMPORARY ASSIGNMENT**

RETIREE NAME:

EMPLOYEE NUMBER:

Date of Birth:

DIVISION:

SECTION:

PAYROLL TITLE:

ASSIGNED SUPERVISOR:

START DATE OF ASSIGNMENT:

END DATE OF ASSIGNMENT:

ESTIMATED HOURS:

Attach additional pages for each section below, as necessary

DESCRIPTION OF WORK OF LIMITED DURATION (OR EMERGENCY TO PREVENT STOPPAGE OF LACERA BUSINESS) & EXPLANATION OF WHY WORK CANNOT BE PERFORMED BY A PERMANENT STAFF MEMBER AND STATE HOW MANY HOURS ARE REQUIRED TO COMPLETE THE WORK:

RETIREE'S APPLICABLE KNOWLEDGE, SKILLS AND ABILITIES, BASED ON THEIR PRIOR JOB CLASSIFICATION AND WORK HISTORY, NEEDED FOR THE WORK AND PLAN TO TRANSITION KNOWLEDGE TO PERMANENT STAFF:

DESCRIPTION OF WORK OF LIMITED DURATION (OR EMERGENCY TO PREVENT STOPPAGE OF LACERA BUSINESS) AND PLAN TO COMPLETE THE WORK, INCLUDING EXPLANATION AS TO WHY WORK WAS NOT ALREADY COMPLETED IF THE REQUEST IS FOR A RENEWAL, IF THE REQUEST REQUIRES BOARD APPROVAL, DESCRIBE THE GOOD CAUSE OR EXCEPTIONAL CIRCUMSTANCES:

IF THIS IS A RENEWAL, EXPLAIN WHY THE WORK WAS NOT COMPLETED DURING THE PRIOR APPROVAL PERIOD:

IF THERE IS A CRITICAL NEED THAT SUPPORTS AN EXCEPTION TO THE 180-DAY WAITING PERIOD AFTER THE RETIREE'S RETIREMENT, EXPLAIN IN FULL:

REQUIRED APPROVAL

DIVISION MANAGER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
ASSISTANT EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
HUMAN RESOURCES DIRECTOR	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
CHIEF EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED

HR STAFF ONLY:

HR STAFF REVIEW:	DATE PROCESSED:
DATE REVIEWED:	DIVISION NOTIFIED:
DATE OF RETIREMENT:	CALCULATED ON CALENDAR DAYS:
REMARKS:	

**CONDITIONS OF POST RETIREMENT EMPLOYMENT AND WAIVER
FOR 960 HOUR TEMPORARY ASSIGNMENT**

Retiree Name:

Employee Number:

I, _____, retired on _____ from _____, a participating employer in LACERA. I desire to perform post-retirement work for LACERA as provided in Government Code Section 7522.56 and other applicable law and LACERA policies while remaining on retired status. During this employment with LACERA, there will be no suspension or termination of my LACERA retirement allowance and benefits if I comply with the requirements of LACERA's Post Retirement Employment Policy. As conditions of my post retirement employment, I understand and acknowledge as follows: **(Each line must be initialed to indicate understanding and agreement with these conditions.)**

_____ 1. That the duration of this employment with LACERA is limited to a maximum of 960 hours during the fiscal year ended June 30, ____, and that I will monitor my own compliance with this limit on a regular and ongoing basis so that my work does not exceed the limit by any amount of time.

_____ 2. That I have no right to continued employment and that my employment may be terminated by LACERA at any time without cause.

_____ 3. That I will not accrue service credit or otherwise acquire any additional retirement benefits from the employment, and I will not receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate I am paid for my work.

_____ 4. That violation of the 960 hour work hour limit and other provisions of the Policy and applicable law may cause reinstatement from retirement, the suspension of my LACERA retirement allowance and healthcare benefits, and collection of amounts by which I have been overpaid over the 960 hour limit.

_____ 5. That I have no right to continued employment and that my employment may be terminated by LACERA at any time without cause.

_____ 6. That, as a condition of this post retirement employment, I certify that I have not received any unemployment insurance benefits within the last 12 months resulting from prior employment as a retiree with LACERA. If I have received such benefits, I shall immediately resign and will not be eligible for reappointment for 12 months.

_____ 7. That, if I retired before reaching Normal Retirement Age, I did not have a prearranged agreement, either orally or in writing, before commencing retirement to return to work at LACERA in a position previously held prior to retirement or any other position.

_____ 8. That I received, read, understand, and will abide by LACERA's Post Retirement Employment Policy and LACERA's other policies, including conflict, ethics, and Human Resources policies.

_____ 9. That I did not receive an incentive upon retirement.

I have received and read, understand, and agree to LACERA's Post Retirement Employment Policy and the above conditions of my rehire by LACERA. The statements herein are all true and correct. I understand the consequences of violating the Policy.

Employee Signature

Print Name _____

Date



**REQUEST FOR POST RETIREMENT WORK
UNDER A BONA FIDE INDEPENDENT CONTRACT**

RETIREE NAME:

EMPLOYEE NUMBER:

DIVISION:

SECTION:

PAYROLL TITLE:

ASSIGNED CONTRACT SUPERVISOR:

INDEPENDENT CONTRACTOR NAME:

ATTACH COPY OF ENTIRE CONTRACT WITH INDEPENDENT CONTRACTOR, INCLUDING SCOPE OF WORK, IF SEPARATE

Attach additional pages for each section below, as necessary

DESCRIPTION OF WORK TO BE PERFORMED BY RETIREE, INCLUDING AN EXPLANATION AS TO HOW THE RETIREE'S WORK UNDER THE CONTRACT WILL BE SUBSTANTIALLY DIFFERENT FROM THEIR WORK AS AN EMPLOYEE BEFORE RETIREMENT, AND THAT THIS REQUEST IS NOT TO EVADE THE 960 HOUR LIMIT FOR REHIRED RETIREES :

CONFIRM THAT THE TERMS OF THE RETIREE'S EMPLOYMENT, THE MEANS AND METHODS OF THE RETIREE'S WORK, AND SUPERVISION OF THE WORK WILL BE CONTROLLED BY THE CONTRACTOR, NOT LACERA:

CONFIRM THAT THE RETIREE DOES NOT CONTROL OR OWN THE INDEPENDENT CONTRACTOR, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART:

EXPLAIN HOW THE INDEPENDENT CONTRACTOR WAS SELECTED, AND PROVIDE INFORMATION SHOWING THAT THE CONTRACTOR IS SUBSTANTIAL IN TERMS OF ITS BUSINESS, HISTORY, AND MAKE UP:

REQUIRED APPROVALS

DIVISION MANAGER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
ASSISTANT EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
HUMAN RESOURCES DIRECTOR	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
CHIEF EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED

FOR HR USE ONLY:

HR STAFF REVIEW:	DATE PROCESSED:
DATE REVIEWED:	DIVISION NOTIFIED:
DATE OF RETIREMENT:	CALCULATED ON CALENDAR DAYS:
REMARKS:	

**CONDITIONS OF POST RETIREMENT WORK AND WAIVER
UNDER A BONA FIDE INDEPENDENT CONTRACT**

Retiree Name: _____

Employee Number: _____

I, _____, retired on _____ from _____, a participating employer in LACERA. I desire to work on LACERA's contract with _____ (the "Independent Contractor") as an employee of the Independent Contractor. During this contract work, there will be no suspension or termination of my LACERA retirement allowance and benefits if my contract work complies with the requirements of LACERA's Post Retirement Employment Policy. As conditions of my contract work, I understand and acknowledge as follows: **(Each line must be initialed to indicate understanding and agreement with these conditions.)**

_____ 1. That LACERA's contract with the Independent Contractor is a bona fide independent contract under California law, such that the terms of my employment, the means and methods of my work, and supervision of the work must be controlled by the contractor, not LACERA, and that the Independent Contractor is substantial in terms of its business, history, and make up so as to demonstrate that the entity is legitimate. I will not accept non-contract work directly from LACERA.

_____ 2. That I will not receive any compensation or benefits directly from LACERA for my work on LACERA's contract with the Independent Contractor, and I will be compensated by the Independent Contractor.

_____ 3. That my work under LACERA's contract with the Independent Contractor is not intended to evade the 960 hour and other limits of California Government Code Sections 7522.56 and other applicable law, and that my work under the contract is not a continuation of my work as an employee for a participating employer in LACERA.

_____ 4. That my work under LACERA's contract with the Independent Contractor will not violate conflict of interest and ethics laws, regulations, and policies.

_____ 5. That I do not control or own the Independent Contractor, directly or indirectly, in whole or in part.

_____ 6. That, if I was under Normal Retirement Age at the time of my retirement, there was no prearranged agreement that I would become employed by the contractor to perform on a contract with LACERA.

_____ 7. That, if any of the conditions stated above are not true or if my contract work for any reason does not meet the requirements of employment for a bona fide independent contractor, it may cause reinstatement from retirement, the suspension of my LACERA retirement allowance and healthcare benefits, and collection, including offset of my LACERA benefit payments for amounts due for work in violation of the law.

I have received and read, understand, and agree to LACERA's Post Retirement Employment Policy and the above conditions of work for the Independent Contractor. The statements herein are all true and correct. I understand the consequences of violating the Policy.

Employee Signature
Print Name _____

Date



POST RETIREMENT EMPLOYMENT POLICY

1. PURPOSE

The purpose of the Post Retirement Employment Policy (“Policy”) is to reaffirm and clarify the legal requirements for LACERA’s hiring of LACERA retirees (hereinafter referred to as “retired annuitants”). The goals of this Policy are to:

- Comply with relevant state and federal laws and the plan documents for the rehiring of retired annuitants while receiving a retirement benefit from LACERA; and
- To assist LACERA’s staff members with understanding the requirements for hiring retired annuitants who are looking to return to work for a limited duration.

2. LEGAL AUTHORITY

This Policy is adopted pursuant to the Board of Retirement’s plenary authority over the administration of the system (Cal. Const., art. XVI sec 17) to facilitate LACERA’s compliance with County Employees Retirement Law (CERL), the Public Employees’ Pension Reform Act of 2013 (PEPRA), and IRS regulations.

3. SCOPE

This Policy applies to LACERA’s hiring of LACERA retired annuitants to meet business needs in accordance with California Government Code Sections 31680.3, 7522.56 and IRS regulations.

To the extent that state or federal law provides for additional restrictions or conflicts with this Policy, the law shall prevail over this Policy.

4. POLICY STATEMENT

Under Government Code Section 31680.3, retired annuitants may work up to and not exceed 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits. PEPRA added additional restrictions on the ability of a retiree to work for an employer in a retirement system while also collecting a pension from that system.

Pursuant to California Government Code Section 7522.56, a retired annuitant may work for LACERA on a temporary basis while continuing to receive retirement benefits if:

- LACERA determines it is necessary during an emergency to prevent stoppage of public business; or
- The retired annuitant has skills needed to perform work of limited duration.

5. DEFINITIONS

5.1 Retired annuitant, as used in this Policy, means a LACERA retiree rehired as an at-will employee by LACERA without reinstatement from retirement. Retired annuitants do not accrue service credit or otherwise acquire any additional retirement benefits.

5.2 Normal retirement age for LACERA members:

Age 57 for general members of Plan A, B, C, D, or G

Age 65 for general members of Plan E

Age 55 for safety members

6. LEGAL REQUIREMENTS FOR THE HIRING OF RETIRED ANNUITANTS

6.1 Work Hour Limitation (960 Hours)

The retired annuitant may not work in excess of 960 hours in any July 1 - June 30 fiscal year. Once the 960 hours limit is reached, the retired annuitant is not permitted to receive any compensation for the remainder of the fiscal year. As a result, the hiring manager shall establish methods to control the days and hours worked by retired annuitants to ensure compliance with work limits.

6.2 Retired Annuitant's Skills

There should be some showing in the retiree's work history that he or she has previous experience and the skill set needed to perform the desired work.

6.3 Retired Annuitant's Compensation

The rate of pay for the employment of retired annuitants cannot be less than the minimum, nor exceed the maximum, paid by LACERA to staff performing comparable duties. Retired annuitants cannot receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate.

6.4 Limited Duration

Limited duration is determined on a case-by-case basis, but it is expected to be the minimum period required to complete the work. The employment should terminate when the limited-duration work is completed. Examples of work of limited duration are work to eliminate a backlog, work on a special project, transfer to specialized knowledge and skills to permanent staff, and work that is in excess of what staff can do.

6.5 No unemployment benefits

The retiree cannot be appointed as a retired annuitant if he or she received unemployment insurance payments during the 12 months period prior to the temporary appointment date. The retired annuitant is required to certify, in writing, that he or she is in compliance with this requirement. As a condition of employment, the retired annuitant must sign the attached "Condition of Post Retirement Employment and Waiver" form which covers this requirement. The signed form will be maintained by Human Resources Division.

6.6 Waiting Period for Post-Retirement Employment

On January 1, 2013, PEPRA became effective and established the following waiting period pertaining to the hiring of retired annuitants on a temporary basis. Retired annuitants must wait 180 days from their date of retirement before returning to work at LACERA on a

temporary basis except if it is necessary to fill a critically needed position and the hiring has been approved by the Board of Retirement in an open meeting.

Internal Revenue Service (IRS) regulations require a “bona fide” break in service after retirement before rehire. If the retired annuitant is under the “Normal Retirement Age”, a 90 day waiting period applies to the members who fall within the exception in the previous paragraph. This is a federal tax law requirement that must be met in addition to the PEPR requirement.

6.7 No Prearranged Agreement

LACERA members who retire before reaching Normal Retirement Age cannot have a prearranged agreement, either orally or in writing, before commencing retirement to return to work at LACERA in a position previously held prior to retirement or any other position. In addition, LACERA cannot hire a retired annuitant as a contract employee.

7. ADMINISTRATIVE PROCESS TO MONITOR AND TRACK RETIRED ANNITANTS

7.1 Requests

Managers are required to submit requests to hire retired annuitants to a 960 hour temporary assignment using the attached form *Request for Employment of Retiree to a 960 Hour Temporary Assignment* (the “Request”). The Request must include a description of the project, an explanation as to why the work cannot be performed by a current staff member, the retired annuitants’ skills and abilities and a description of the plan to complete the retiree’s work or transition it to a current staff member, and the expected limited duration of the work.

7.2 Approvals

Prior to offering temporary employment, the Requests require approvals by the Division Manager, Assistant Executive Officer, Human Resources Director and the Chief Executive Officer. No approvals will be granted for a period in excess of one year. All requests are subject to renewal and re-approval every fiscal year.

7.3 Monitoring

The Human Resources Division is responsible for monitoring and tracking compliance with the requirements as set forth in this Policy.

8. EFFECTIVE DATE

This Policy is effective on the day adopted by the Board of Retirement.

8.1 Current Status

Original Effective Date:

Last Updated:

Responsible Manager: Director of Human Resources

Mandatory Review: Every Three Years



REQUEST FOR EMPLOYMENT OF RETIREE TO A 960 HOUR TEMPORARY ASSIGNMENT

RETIREE NAME:	EMPLOYEE NUMBER:
DIVISION:	SECTION:
PAYROLL TITLE:	ASSIGNED SUPERVISOR:
START DATE OF ASSIGNMENT:	END DATE OF ASSIGNMENT:
ESTIMATED HOURS:	
<i>Attach additional pages for each section below, as necessary</i>	
DESCRIPTION OF PROJECT & EXPLANATION OF WHY WORK CANNOT/SHOULD NOT BE PERFORMED BY A PERMANENT STAFF MEMBER:	
RETIREE'S APPLICABLE KNOWLEDGE, SKILLS AND ABILITIES:	
DESCRIPTION OF TRANSITION PLAN:	

REQUIRED APPROVALS

DIVISION MANAGER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
ASSISTANT EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
HUMAN RESOURCES DIRECTOR	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED
CHIEF EXECUTIVE OFFICER	DATE	<input type="checkbox"/>	APPROVED	<input type="checkbox"/>	NOT APPROVED

FOR HR USE ONLY:

HR STAFF REVIEW:	DATE PROCESSED:
DATE REVIEWED:	DIVISION NOTIFIED:
DATE OF RETIREMENT:	CALCULATED CALENDAR DAYS:
REMARKS:	



August 8, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert Griffin

FROM: Nathan Amick 
Senior Internal Auditor

FOR: August 18, 2022 Audit Committee Meeting

SUBJECT: **Audit of LACERA's Rehired Retiree Program**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

- a. Audit of LACERA's Rehired Retiree Program
Nathan K. Amick, Senior Internal Auditor
(Report Issued: August 8, 2022)

NKA

Attachment

Noted and Reviewed:



Richard P. Bendall
Chief Audit Executive

ATTACHMENT C



INTERNAL AUDIT DIVISION

**Audit of LACERA's Rehired Retiree Program
Project No. 2022-28B**

August 8, 2022

Audit Performed By:
Nathan Amick, Senior Internal Auditor

AUDIT REPORT

Audit Name:	Audit of LACERA's Rehired Retiree Program
Responsible Division:	Human Resources
Audit Rating*:	Unsatisfactory
Prior Audit Rating*:	None
Prior Report Date:	None

BACKGROUND

The state of California's County Employees Retirement Law (CERL) provides that if the County believes its retirees possess special skills or knowledge, the County has the option to employ those retirees as "Rehired Retirees." The statute limits the rehired retirees to working no more than 960 hours in a fiscal year. CERL also requires all rehired retirees to observe the California Public Employees' Pension Reform Act (PEPRA) continuous 180-day break in service requirement prior to returning as a rehired retiree.

In addition to the PEPRA's 180-day break in service requirement, the Internal Revenue Service (IRS) regulations require a "bona fide" (90-day) break in service after retirement if the retiree is under the "normal retirement age" before the retiree can be rehired. At LACERA, normal retirement ages range from age 55 to 65 depending on the retirement plan.

In the past, LACERA's Internal Audit Division (Internal Audit) audited compliance with the above requirements as part of the countywide "Rehired Retiree Audit." This audit tested 100% of rehired retirees throughout the County. In November 2020, LACERA's Board of Retirement adopted LACERA's "Post Retirement Employment Policy" (Policy). As such, Internal Audit has performed this audit specific to LACERA's rehired retiree Policy. Internal Audit will continue to perform the countywide audit of rehired retirees annually and report on that audit separately.

AUDIT OBJECTIVE & SCOPE

We developed the following objectives for our review of LACERA's rehired retiree program:

1. Assess organizational compliance to LACERA's "Post Retirement Employment Policy."
2. Assess Human Resources (HR) compliance to their divisional procedures, "Policies and Procedures Guide (PPG) 102, 120-Day or 960 hours Retiree Rehire Procedures".

The scope of this engagement covered the Fiscal Year 2020-2021 and the four retirees that LACERA hired during that period.

AUDIT RATING & SUMMARY OF FINDINGS

We rated this audit unsatisfactory, as we found material non-compliance with LACERA's Board Policy, HR procedures and the associated laws governing the rehiring of retirees. Specifically, we noted non-compliance with many elements of the Policy and procedures, including one retiree who exceeded the 960-hour limit. We also noted the need for the Policy to be more prescriptive regarding limited duration.

* See Appendix 1 for Audit Rating

Finding #	Page	Description of Finding	Risk Rating**
F1	4	Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High
F2	6	Noncompliance With 960-Hour Limit Requirement	High
F3	8	Lack of Specific Limits in Defining Limited Duration	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank Human Resources staff and management for their cooperation with this audit.

REVIEWED AND APPROVED



Date: August 8, 2022

Richard Bendall
 Chief Audit Executive

REPORT DISTRIBUTION

2022 Audit Committee	Santos H. Kreimann, CEO	Carly Ntoya, Director of Human Resources
Luis A. Lugo, DCEO	Laura Guglielmo, AEO	J.J. Popowich, AEO
Steven P. Rice, Chief Legal Counsel	Internal Audit Group	Robert H. Griffin, Audit Committee Consultant

** See Appendix 2 for Finding's Risk Rating

FINDING # 1

Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	Risk Rating**
	High

OBSERVATION

LACERA's "Post Employment Retirement Policy" (Policy) charges the Human Resources Division (HR) with the responsibility for administering and monitoring compliance with the rehired retiree program at LACERA. Section 7.3, titled "Monitoring" states, "The Human Resources Division is responsible for monitoring and tracking compliance with the requirements as set forth in this Policy."

To aid in their administration of the program, HR developed their "120 Day or 960 Hours Retiree Rehire Procedures" (HR Procedure). The HR Procedure requires that management complete a "Request for Employment of Retiree 960 Hour Temporary Assignment," (960 Request Form) which is the initiating, and the final approval form for the rehiring of a retiree. HR and the Executive Office Management must review and approve the 960 Request Form with signature and date. The HR Procedures require nine supporting documents along with the approved 960 Request Form that should be included in the personnel file. Examples include the Oath Card, Duty Statement and Offer Letter.

In reviewing the documentation supporting the four LACERA rehired retirees for the Fiscal Year 2020-21, we determined lack of compliance with the Policy and HR Procedures. Specifically, we noted the following exceptions:

1. Four 960 Request Forms contained multiple missing required signature approvals, approval dates, or approvals were obtained up to 10 months following the start of the rehired retiree's employment.
2. Four 960 Request Forms were missing detailed clear descriptions of the project and explanation of why work cannot/should not be performed by permanent staff.
3. Four 960 Request Forms were missing clear and well-defined transition plans from the retirees to permanent staff.
4. Two retirees worked past the end dates indicated on their 960 Request Form.
5. For all four rehired retirees, HR did not obtain the required Oath Card, Duty Statement and Offer Letter, as required by the procedures.
6. For two rehired retirees HR did not obtain I-9 forms.

RISK

Noncompliance with policies and procedures, which are a good operational governance practice, renders them ineffective as a control to ensure compliance with laws and protect LACERA's qualified plan tax status.

** See Appendix 2 for Finding's Risk Rating

RECOMMENDATION #1

1. LACERA's Executive Office and HR should meet and confer around the expectations for compliance with the Post Employment Rehired Retiree Policy. HR should then revise their procedure accordingly.
2. HR Management ensure 960 Request Forms are completed and approved by the Executive Office, and all required documentation is obtained each fiscal year prior to the rehired retiree beginning work.
3. HR Management to ensure that missing documentations identified in this audit are obtained for the rehired retirees that worked in FY 2020-2021.

MANAGEMENT'S RESPONSE

The management team recognizes the importance of keeping accurate records to ensure compliance with the established policy, demonstrate our commitment to regulatory compliance, and preserve our tax qualification status.

We also acknowledge that during the pandemic, as we transitioned to a fully functional remote workforce, we experienced some difficulty in getting documents signed. During the early months through the middle of the height of the pandemic our electronic signature capabilities were not fully setup and working as expected. Additionally, we could not print out and sign documents physically while working remotely. In one case, the Executive Office signed off on the plan to bring a retiree back electronically. Proof of this was provided post audit (which is an indicator better record keeping is needed). A second request was signed by appropriate staff approximately a month or so after the retiree returned. Verbal approval was given for the returning retiree until we could complete paperwork and bring that employee back.

In regard to the justification and transition plan documentation, we believe each of these memos were presented with valid justifications. Transition plans were clearly available for three of the four applications reviewed.

However, management agrees that there is always room for improvement in both timing and documentation. In collaboration with Human Resources, we will take the following steps:

- a. Collaborate on an educational and informational program to be delivered to the MAC and SAC teams on an annual basis to review the policy, procedures, and to stress the importance of adherence to the policy.
- b. Review our procedures and make adjustments to ensure that we have set 'standards' for justification and transition plans, and how they are to be submitted and reviewed.
- c. The management team believes flexibility is required in determining the timing of bringing back rehired retirees. As such, we will review the policy and procedures and propose adjustments to allow for a process to bring back a retiree during a fiscal year and outline what mid-year or end of year adjustments must be made to support the need.
- d. Management and HR will work to document the actions taken during this review period.

TARGET COMPLETION DATE

September 30, 2022

FINDING # 2

Noncompliance With 960-Hour Limit Requirement	Risk Rating** High
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OBSERVATION

Section 6.1 of LACERA's "Post Employment Policy," titled, "Work Hour Limitation (960 Hours)" states, "The retired annuitant may not work in excess of 960 hours in any July 1 - June 30 fiscal year. Once the 960 hours limit is reached, the retired annuitant is not permitted to receive any compensation for the remainder of the fiscal year. As a result, the hiring manager shall establish methods to control the days and hours worked by retired annuitants to ensure compliance with work limits."

Our test work identified one rehired retiree who worked 1,019 hours, an excess of 59 hours in Fiscal Year Ended June 30, 2021. The hiring division was controlling for the 960-hour limit but an error in their tracking of the retiree's hours resulted in the overage. As soon as the overage was detected, the retiree ceased working for the remainder of the Fiscal Year.

We also noted that the LACERA Policy and/or the HR Procedure do not address the action LACERA must take to remedy such overages nor does LACERA take any action to address 960-hour overages. The HR Procedure does state, "LACERA may suspend the retiree's retirement and/or healthcare benefits if found in violation of the work time," however, no process has been established at LACERA to address this.

RISK

Failure to adhere to the 960 hours per fiscal year limit is not only a violation of the State law governing retirement benefits, but it may also jeopardize the qualified tax-deferred status of the County's retirement system under federal tax law and create significant adverse tax consequences for all active and retired County employees.

RECOMMENDATION #2

1. HR Management should coordinate and communicate with division managers, prior to and periodically during the year, to ensure compliance with the 960-hour limit.
2. LACERA Executive Management should develop a process to remedy any overages due to payments for hours in excess of 960 hours.

MANAGEMENT'S RESPONSE

Regarding recommendation 2-1, Management agrees we need to do everything we can to adhere to the regulations and prevent to the best of our ability any instances of overages. With this in mind the following action steps will be or have been taken:

- a) Human Resources has already begun providing division managers with a monthly report beginning in January of each FY so they can track the hours assigned to the rehired retiree more closely.

** See Appendix 2 for Finding's Risk Rating

- b) Will work to remind the MAC and SAC team of the importance of reviewing these reports immediately upon receipt and managing the remaining time in such a manner that overages are not allowed.

Regarding recommendation 2-2, LACERA management recognizes we have an obligation to pay each employee for the work they perform. This includes any accidental overages beyond the 960 limits should they occur. In collaboration with Human Resources, we will review what steps we can take in the event an employee exceeds their approved hours, including disciplinary, and loss of eligibility to return in the future if needed.

However, the Executive Office believes that recommendation 2-2 is not specific to LACERA as an employer, but rather a recommendation for LACERA the system to develop a policy and process to address overages, regardless of the employer. With this in mind, the Process Management Group (PMG) will be assigned a task to develop a 960 Day Overage Policy. PMG will work with the Executive Office, Legal, and outside Tax Counsel to develop a policy that will allow us to remain compliant with CERL and IRS regulations. This will include a component to require the employers to provide us with payroll records for all 960-Hour employees so that we can track it and enforce whatever the policy may require. This will be a multi-phase project. Phase I will be development of the policy. Phase II will be discussion and planning with the employers, and Phase III will be implementation/ongoing maintenance. The target date below is for Phase I alone.

TARGET COMPLETION DATE

Phase I: December 31, 2022

Phase II: TBD

Phase III: TBD

FINDING # 3

Lack of specific limits in defining limited duration	Risk Rating**
	High

OBSERVATION

LACERA'S Policy section "Legal Requirements for the Hiring of Retiree," section 6.4 titled "Limited Duration" states: "Limited duration is based on a cases-by case basis, but it is expected to be the minimum period required to complete the work. The employment should terminate when the limited-duration work is completed."

Furthermore, LACERA's Policy, section 7.1 titled "Requests," states "Managers are required to submit requests to hire retired annuitants to a 960-hour temporary assignment using the attached form Request for Employment of Retiree to a 960 Hour Temporary Assignment (the "Request"). The Request must include a description of the project, an explanation as to why the work cannot be performed by a current staff member, the retired annuitants' skills and abilities and a description of the plan to complete the retiree's work or transition it to a current staff member, and the expected limited duration of the work."

As indicated above, LACERA's policy does not define specific limitations around limited duration but rather takes more of a principled approach. We found from our limited survey of other funds that this is not unusual among peer 37 Act and other public pension systems in California. However, we found two systems, San Bernadino CERA¹ and Sacramento CERS², whose policies were more prescriptive by including specific limits related to duration.

A recent audit³ by CALPERS' Internal Audit team uncovered substantial non-compliance in the plan sponsors' reporting of rehired retirees to CALPERS. The audit also disclosed rehired retirees that exceeded what might reasonably be considered limited duration in the number of years worked as a retiree. An article in the *Sacramento Bee*⁴ highlights this audit and the resulting "double dipping." CALPERS is currently proposing a much more prescriptive policy⁵ which includes specific limits regarding limited duration.

We found that one retiree at LACERA has worked as a rehired retiree for 15 years and has done so since retiring as the Division Manager of the Division for which the retiree is now working.

** See Appendix 2 for Finding's Risk Rating

¹ San Bernadino County Employees Retirement Association. (2014). *Policy 015 - Retirees Returning to Work*.

² Sacramento County Employees Retirement System. (2020). *Policy 011 – Post-Retirement Employment Policy*.

³ *Review of Broadmoor Police Protection District*. CalPERS Office of Audit Services. Dec. 2021, https://www.broadmoorpolice.com/wp-content/uploads/2021/12/calpers_audit_2021.pdf. Accessed 7 Jun. 2022.

⁴ Ryan Frost. "Re: CalPERS Audit Finds History of Pension Spiking in Broadmoor Police Department." *Reason Foundation*, 30 Dec. 2021, <https://reason.org/commentary/calpers-audit-finds-history-of-fraud-and-pension-spiking-in-broadmoor-police-department/>. Accessed 7 Jun. 2022.

⁵ Proposed Adoption of Section 574.1 of Article 4 of Subchapter 1 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations. California Public Employees' Retirement System. Dec. 2021, https://www.calpers.ca.gov/docs/board-agendas/202204/pension/item-6a-attach_a.pdf. Accessed 7 Jun. 2022.

Although in the 15th year of services as a rehired retiree, the 960 Request Form for Fiscal Year 2020-2021 did not include a transition plan to permanent staff, but rather, included language indicating the critical nature of the projects and how critical this retiree is to the success of the program.

RISK

This exposes LACERA to headline risk regarding the lack of compliance with the laws around the rehiring of retirees and may give the appearance of allowing "double dipping." It also highlights a lack of succession planning and demonstrates continued reliance on the rehired retiree to avert an implied significant risk of business disruption in their absence.

RECOMMENDATION #3

1. LACERA Executive Management should develop a more prescriptive policy around the rehiring of retirees which includes specific limits around the matter of limited duration.
2. LACERA Executive Management should develop an expedited plan to transition from the retiree to permanent staff and report that plan to the Board of Retirement.

MANAGEMENT'S RESPONSE

Management agrees in general that retired staff members should be brought back for a limited duration to remain in compliance with regulations. However, management also believes that CERL is flexible enough to support, with justification, bringing back a retired staff member on a cyclical basis as needed.

For example, LACERA has a cyclical spike in demand for Member Operations Group staff members in Benefits and Member Services during the March Madness season. Management reserves the right to evaluate business needs and make a determination whether it is more economical and efficient to bring back retired staff, or hire additional permanent staff that would not be needed during the "off retirement season."

Therefore, we feel the previous responses provide sufficient recommendations that will cover the requirement for a transition plan, when applicable.

TARGET COMPLETION DATE

December 31, 2022

APPENDIX 1 AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Noncompliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
Medium	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
Low	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



November 7, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde *GL*
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees –
Fiscal Year Ended June 30, 2021**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

- a. **Los Angeles County's Compliance with Requirements for Rehired Retirees –
Fiscal Year Ended June 30, 2021**

George Lunde, Senior Internal Auditor
(Report Issued: November 4, 2022)

Attachment

GL

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

ATTACHMENT D



INTERNAL AUDIT DIVISION

**Los Angeles County's Compliance with
Requirements for Rehired Retirees –
Fiscal Year Ended June 30, 2021**

November 4, 2022

REVIEW PERFORMED BY:
George Lunde, Senior Internal Auditor

AUDIT REPORT

Audit Name:	Los Angeles County's Compliance with Requirements for Rehired Retirees
Responsible Division:	Executive Office
Audit Rating*:	Unsatisfactory
Prior Audit Rating*:	N/A
Prior Report Date:	N/A

BACKGROUND

As part of our Audit Plan, we conducted an audit of Los Angeles County's (County) compliance with requirements for hiring County retirees for fiscal year ended June 30, 2021. We perform this audit annually as failure to adhere to the regulations and requirements not only violates the state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law.

The State of California's County Employees Retirement Law (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that if the County believes its retirees possess special skills or knowledge, the County has the option to employ those retirees as "Rehired Retirees." Under Government Code Section 31680.3 of CERL, rehired retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break in service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired. To comply with the IRS regulation, LACERA's Board of Retirement adopted a resolution in 2006 stating that a member under the "normal retirement age" may not return to temporary County service within 90 days of his or her retirement date. All rehired retirees under their "normal retirement age" must comply with at least the 90-day break in service requirement, as well as the requirements of PEPRA.

"Normal retirement age", as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

In addition to IRS requirements, the California Public Employees' Pension Reform Act of 2013 (PEPRA) added additional restrictions for Rehired Retirees under "the normal age of retirement". The PEPRA regulations reinforced the 960-hour limit and added its own break in service requirement of 180 continuous days before allowing for rehire. PEPRA does allow the following two exceptions to the 180-day requirement:

- If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting
- If the retiree is a public safety officer or firefighter

Those who are eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements generally take precedence over CERL.

PEPRA section 7522.56 (c) emphasizes that the work is to be of a limited duration. It provides that appointing employers may rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of limited duration.

On March 4, 2020, the Governor of California declared a statewide emergency due to the COVID-19 pandemic. He issued Executive Order N-25-20 on March 12, 2020, to enhance California's ability to respond to COVID-19 by suspending certain reinstatement and work hour limitations under California Public Employees' Pension Reform Act (PEPRA). Subsequently, he issued Executive Order N-35-20 on March 21, 2020, to extend the suspension of these limitations to local governments.

On March 30, 2020, the County Chief Executive Officer (CEO) issued a notification to Department Heads that the Governor's declarations superseded applicable portions of Countywide Policy, Procedure, and Guideline (PPG) 505 "Reinstatement of Retirees to a 120-Day Temporary Assignment."

Effective March 12, 2020 as a result of, both the State Executive Orders and the related County notification, the following compliance requirements were suspended for those rehired retirees working on job assignments directly related combating the Covid-19 pandemic:

- Limitation of 960 hours per fiscal year
- 90-day IRS break in service requirements
- 180-day PEPRA break in service requirements

This suspension of compliance requirements remained in place through the end of our testing year of fiscal year ended June 30, 2021.

AUDIT OBJECTIVE & SCOPE

For Fiscal Year Ended June 30, 2021, LACERA Internal Audit received payroll detail from the County Auditor-Controller identifying 408 retirees who worked as rehired retirees during that Fiscal Year.

We tested all 408 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year except where the Rehired Retiree's time was coded as COVID-19 related work,
- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work, and

- PEPRA's 180-day break in service requirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work.

Additionally, to test the PEPRA requirement of "limited duration," we stratified all 408 retirees, based on continuous years worked. We used the data that we have accumulated over the last 9 years, to perform this compliance test.

AUDIT RATING & SUMMARY OF FINDINGS

In our opinion, the current effectiveness of the key controls applicable to the audit scope are **Unsatisfactory**.

Summary of Findings

Finding#	Page	Description of Finding	Risk Rating**
F1	5	Spike in the number of rehired retirees Exceeding 960-Hour Limit	High
F2	7	Lack of adherence to PEPRA's "limited duration" language	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We noted no issues of noncompliance with regards to the PEPRA 180-day break-in-service requirements, or the IRS 90-day break-service requirement.

REVIEWED AND APPROVED



Richard P. Bendall
Chief Audit Executive

Date: November 4, 2022

** See Appendix 2 for Finding's Risk Rating

REPORT DISTRIBUTION

2022 Audit Committee	Santos H. Kreimann, CEO	Steven P. Rice, Chief Legal Counsel
2022 Plante Moran Audit Team	Luis A. Lugo, DCEO	
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO	
Internal Audit Group	Laura Guglielmo, AEO	

FINDING #1

Spike in the number of Rehired Retirees Exceeding 960-Hour Limit	Risk Rating**
	High

OBSERVATION

As indicated in the table below, our testing noted a spike in the number of rehired retirees who exceeded the 960-hour limit relative to prior years. Internal Audit reported all 10 exceptions noted to the Benefits and Employee Relations Division of the County’s CEO office.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage Hours	Average Hours Over
2021	408	10	2.4%	1778	177
2020	500	1	<1.0%	414	414
2019	482	5	1.0%	47	9.4
2018	476	6	1.3%	145	24

We noted that of the 10 exceptions,

- Two were each over the limit by 703 and 917 hours, respectively
- One was over the limit by 76 hours
- The remaining seven were each over the limit by less than 50 hours

There were 14 other rehired retirees that exceeded 960 hours but for each of them we verified that they had the appropriate documentation to support a COVID-19 exemption. It is possible, due to this unusual spike in retirees exceeding the limit, that their departments intended for some of these 10 audit exceptions to be classified as COVID-19 exceptions, but their departments did not comply with the steps to ensure they were classified appropriately.

Internal Audit reported all 10 exceptions noted to the Benefits and Employee Relations Division of the County’s CEO office.

Based on discussions with other peer pension systems, plan sponsors are required to report to the plan the rehired retirees’ worked hours as part of payroll. This allows the plan to warn the rehired retiree when they approach the limit and also, to either terminate retirement benefits or require repayment to prevent “double-dipping.”

RISK

Failure to adhere to the 960-hour limit is a violation CERL Section 31680.3, LA County PPG 505, the IRS and PEPR. Non-compliance with CERL, IRS regulations and/or PEPR could risk LACERA’s qualified plan status.

RECOMMENDATION

1. We recommend LACERA’s CEO formally request the County CEO in conjunction with the County Director of Human Resources and Auditor-Controller to prepare a corrective action plan that consolidates and actively monitors the rehired retiree (960-hour limit) reporting requirements for all County departments.

2. We recommend LACERA's Executive Office, Systems, and Benefits work with the County's CEO Office and Auditor-Controller to establish an automated feed of rehired retirees' hours as part of payroll data.
3. We recommend LACERA's Executive Office, Legal Office, and Benefits develop a policy and procedure to address both preventing overages and taking the required action on the retirement payroll of retirees that exceed the 960-hour limit.

MANAGEMENT'S RESPONSE

LACERA management supports the outlined recommendation(s) in working with the County's CEO office, Auditor Controller, and County Human Resource department to determine if we're able to obtain (preferable in an automated fashion) Rehired Retirees' hours to ensure compliance against the 960-hour limit.

In terms of actionable steps, management will set-up a meeting with County CEO, Auditor Controller, and Human Resources to explore data feed options. The County is currently in the process of a "black-out" year-end system maintenance and will not take on new data projects until mid-January 2023, as described by the Auditor Controller Division Chief. We're not able to provide an exact timeframe for when this recommendation will be implemented, since it's predicated on the County's bandwidth and willingness to provide data. We commit to engaging the County in January 2023 and providing an update by March 30, 2023.

After conferring with the County and assessing the extent of their ability to track employee time, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements.

TARGET COMPLETION DATE

To Be Determined (Update will be provided March 30, 2023).

FINDING #2

Lack of adherence to PEPRA’s “limited duration” language	Risk Rating**
	High

OBSERVATION

Based on available data Internal Audit received, we stratified the rehired retiree population based on continuous years worked. The following table breaks out the 408 rehired retirees by the number of consecutive years worked and identifies the average hours worked by RRs up to the most recent four years (less for those with under 4 consecutive years).

Consecutive Years RRs Worked Through FYE 2021	RR Count	Most Recent 4 Year Averaged Hours (per) RR (per) Year
1	46	131
2	71	274
3	50	449
4	43	626
5	39	606
6	40	689
7	37	693
8	19	614
9+	63	729

Of the 408 current rehired retirees (RRs), 63 (15%) have worked consecutively as rehired retirees for nine or more years, averaging 729 hours per year, per rehired retiree, over the past four years.

This situation violates PEPRA section 7522.56 (c) where it states, “A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration.”

LACERA, as benefit trust fund administrator, could proceed with recovery of trust funds for benefits paid during the period of excessive, unlawful work duration.

RISK

The above chart highlights a situation which could potentially lead to headline risk regarding the lack of compliance with the PEPRA laws around rehired retirees and gives the appearance of allowing “double dipping.” It also highlights a continued reliance on the rehired retiree to avert an implied risk of business disruption in their absence.

** See Appendix 2 for Finding’s Risk Rating

RECOMMENDATION

4. We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.

MANAGEMENT'S RESPONSE

LACERA management supports the outlined recommendation in working with the Legal Office and Board of Retirement, with appropriate consultation with other stakeholders, to develop a communication and enforcement policy and procedures, including a "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for steps to be taken in the case of violation, while recognizing the need for flexibility within statutorily permissible guardrails. Such a policy and procedures are in the interest of LACERA in its role in enforcing PEPRA. They are also in the interest of retirees to avoid unintended effects on their pension. Finally, they are in the interest of the County and other participating employers in ensuring that their workforce utilization complies with PEPRA.

After conferring with internal and external stakeholders to evaluate the circumstances that may require use of returning retirees and the range of duration of such use, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with PEPRA, as well as CERL and IRS requirements. Actionable steps and timeline will include the development of a policy and procedures for presentation to the Operations Oversight Committee and Board of Retirement by June 30, 2023.

This work will be coordinated for consistency with development of a policy and procedures to guide LACERA in managing its own use of returning retirees to comply with the limited duration requirement.

TARGET COMPLETION DATE

June 30, 2023

APPENDIX 1 AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Non-compliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
Medium	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
Low	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021

November 4, 2022

George Lunde, Senior Internal Auditor

Summary of Engagement



Responsible Division:	Executive Office
Type of Engagement:	Assurance
Audit Rating:	Unsatisfactory
Prior Audit Rating:	None

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA.

Consulting: Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Background, Objectives, Scope



Background

The State of California's County Employees Retirement Law (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that if the County believes its retirees possess special skills or knowledge, the County has the option to employ those retirees as "Rehired Retirees."

Objectives

We developed the following test objectives for our review:

- Hours worked did not exceed 960 hours for the fiscal year except where retiree's time was coded as COVID-19 related work
- IRS' "bona fide" 90-day break-in-service requirement, defined by LACERA's Board of Retirement, was met except where the Rehired Retiree's assignment was coded as COVID-19 related work
- PEPRA's 180-day break in service requirement was met, except where the Rehired Retiree's assignment was coded as COVID-19 related work.
- PEPRA's limited duration was observed.



Scope

The scope of this engagement covered FYE 2021

Summary of Findings



Finding #	Title of Finding	Rating
1	<p>Issue: Spike in the number of rehired retirees exceeding 960-hour limit; – 10 in 2021 vs 1 in 2020, two RRs over by 703 and 917 hours</p> <p>Management response: Agreed – LACERA will develop and implement a policy and set of procedures to include a normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements</p>	High
2	<p>Issue: Lack of adherence to PEPRA’s “limited duration” language; - 15% (63 RRs) have worked consecutively as rehired retirees for nine or more years, averaging 729 hours per year, per rehired retiree, over the past four years.</p> <p>Management response: Agreed – After conferring with stakeholders to evaluate the circumstances that may require use of returning retirees and the range of duration of such use, LACERA will develop and implement a policy and a set of normal process procedures as well as consequences and remediation to ensure compliance with PEPRA, CERL and IRS</p>	High

Thank You!



Internal Audit

Questions?

glunde@lacera.com | 626-524-3521



May 12, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez
Jason E. Green

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde 
Senior Internal Auditor

FOR: June 1, 2023 Audit Committee Meeting

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees -
Fiscal Year Ended June 30, 2022**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

Los Angeles County's Compliance with Requirements for Rehired Retirees - Fiscal Year Ending June 30, 2022 (Report Issued: April 28, 2023)

Attachments

Noted and Reviewed:



Richard P. Bendall
Chief Audit Executive

GL

ATTACHMENT E



LACERA INTERNAL AUDIT DIVISION

**Los Angeles County's Compliance with
Requirements for Rehired Retirees –
Fiscal Year Ended June 30, 2022**

April 28, 2023

AUDIT PERFORMED BY:

George Lunde, CIA, CISA
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2022
Responsible Division:	Executive Office
Audit Rating*:	Unsatisfactory
Prior Audit Rating*:	Unsatisfactory
Prior Report Date:	November 2022

BACKGROUND

As part of our Audit Plan, we conducted an audit of Los Angeles County's (County) compliance with requirements for hiring County retirees for fiscal year ended June 30, 2022. We perform this audit annually as failure to adhere to the regulations and requirements not only violates the state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law.

The State of California's County Employees Retirement Law of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that the County has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Section 31680.3 of CERL and Section 7522.56, Rehired Retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break in service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired. To comply with the IRS regulation, LACERA's Board of Retirement adopted a resolution in 2006 stating that a member under the "normal retirement age" may not return to temporary County service within 90 days of his or her retirement date. All Rehired Retirees under their "normal retirement age" must comply with at least the 90-day break in service requirement, as well as the requirements of PEPRA.

"Normal retirement age," as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

PEPRA added additional restrictions for Rehired Retirees regarding break in service. PEPRA requires 180 continuous days separation from the date of retirement before a retiree may be rehired. PEPRA does allow the following two limited exceptions to the 180-day requirement:

- If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting
- If the retiree is a public safety officer or firefighter

* See Appendix 1 for Audit Rating

Those who are eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days if under normal retirement age. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements take precedence over CERL.

PEPRA section 7522.56 (c) provides that appointing employers may only rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of "limited duration."

On March 4, 2020, the Governor of California declared a statewide emergency due to the COVID-19 pandemic. He issued Executive Order N-25-20 on March 12, 2020, to enhance California's ability to respond to COVID-19 by suspending certain reinstatement and work hour limitations with respect to COVID-related work under PEPRA. Subsequently, he issued Executive Order N-35-20 on March 21, 2020, to extend the suspension of these limitations to local governments.

On March 30, 2020, the County Chief Executive Officer (CEO) issued a notification to Department Heads that the Governor's declarations superseded applicable portions of Countywide Policy, Procedure, and Guideline (PPG) 505 "Reinstatement of Retirees to a 120-Day Temporary Assignment."

Effective March 12, 2020 as a result of, both the State Executive Orders and the related County notification, the following compliance requirements were suspended for those Rehired Retirees working on job assignments directly related to combating the COVID-19 pandemic:

- Limitation of 960 hours per fiscal year
- 90-day break in service requirements
- 180-day PEPRA break in service requirements

The COVID-19 waivers as described above were terminated under the Governor's Executive Order N-08-21 dated June 11, 2021 and then later reinstated under Executive Order N-12-21 dated August 16, 2021, under which the waivers were in place through March 31, 2022.

AUDIT OBJECTIVE & SCOPE

For Fiscal Year Ended June 30, 2022, LACERA Internal Audit received payroll detail from the County Auditor-Controller identifying 381 retirees who worked as Rehired Retirees during that Fiscal Year.

We tested all 381 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year except where the Rehired Retiree's time was coded as COVID-19 related work as permitted under the Executive Orders with respect to such work performed during the Fiscal Year through March 31, 2022,

- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work and the Rehired Retiree was hired during the Fiscal Year through March 31, 2022, and
- PEPRA's 180-day break in service requirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work and the Rehired Retirees was hired during the Fiscal Year through March 31, 2022.

Additionally, to test the PEPRA requirement of "limited duration," we stratified all 381 retirees, based on continuous years worked. We used the data that we have accumulated over the last 10 years, to perform this compliance test. In performing this work, we considered that certain work was performed during the period of the COVID waivers.

AUDIT RATING & SUMMARY OF FINDINGS

Since we completed our audit of Fiscal Year Ended June 30, 2021, after the end of the Fiscal Year of this audit (FYE June 30, 2022), we expected that the results of this audit would be similar to the prior year and that proved true. We are hopeful that management's attention to the recommendations made for the FYE June 30, 2021 audit will affect improvement in our audit results beginning with the next audit for FYE June 30, 2023.

For this audit of FYE June 30, 2022, the audit rating remains **Unsatisfactory**, and the Findings are the same as the prior year. As a result, while we are not issuing new recommendations, the findings this year support us reiterating the recommendations issued for the prior year audit, and we requested Management update responses.

Summary of Findings

Finding#	Page	Description of Finding	Risk Rating**
F1	5	Continued year-over-year increase in the number of Rehired Retirees violating 960-hour limit with respect to non-COVID-related work	High
F2	8	Continued Violation of PEPRA's "limited duration" language	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We noted no issues of noncompliance with regards to the PEPRA 180-day break-in-service requirements, or the IRS 90-day break-service requirement.

REVIEWED AND APPROVED


 Richard P. Bendall
 Chief Audit Executive

Date: April 28, 2023

** See Appendix 2 for Finding's Risk Rating

REPORT DISTRIBUTION

2023 Audit Committee	Santos H. Kreimann, CEO
Steven P. Rice, Chief Legal Counsel	Luis A. Lugo, DCEO
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO
Internal Audit Group	Laura Guglielmo, AEO

FINDING #1

Continued year-over-year increase in the number of Rehired Retirees violating 960-hour limit with respect to non-COVID-related work	Risk Level ** High
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OBSERVATION

As indicated in the table below, our testing noted an increase in the number of Rehired Retirees who exceeded the 960-hour limit for non-COVID-related work relative to prior years. Internal Audit reported all 17 exceptions noted to the Benefits and Employee Relations Division (BCOMP) of the County's CEO office.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage Hours	Average Hours Over
2022	381	17	4.46%	964	57
2021	408	10	2.4%	1778	177
2020	500	1	<1.0%	414	414
2019	482	5	1.0%	47	9.4
2018	476	6	1.3%	145	24

According to BCOMP, County departments for three of the 17 staff with overage violations indicated they were on COVID related assignments, an indication their timecards were not coded properly. The remaining 14 violations were not explained. Overall selected departments were not effectively using the available, "**120-Day Retirees For FY 2022**" report to monitor Rehired Retiree employees as they approach the 960-hour policy limit. Following is the list of departments with the associated number of employees that exceeded the 960-hour limit.

Department Name	Count	Hours
Agricultural Comm/Weights	1	10
Alternate Public Defender	1	173
Assessor	1	92
Chief Executive Office	5	345
District Attorney	2	11
Fire Department	1	16
Human Resources	1	54
LAC USC Medical Center	1	11
Public Defender	2	106
Public Health Program	1	146
Superior Court Judges	1	2
Total Violations FYE 2022	17	
Total Hours Over		964

** See Appendix 2 for Finding's Risk Rating

RISK

Failure to adhere to the 960-hour limit is a violation of CERL Section 31680.3, LA County PPG 505, the IRS and PEPRA for non-COVID-related work. Non-compliance with CERL, IRS regulations and/or PEPRA could risk LACERA's qualified plan status. Non-compliance also place the affected employees at risk in terms of potential impact on their pension and/or potential responsibility to repay overpaid amounts.

RECOMMENDATION

We continue with our recommendations from our previous audit report of November 4, 2022.

1. LACERA's CEO should formally request the County CEO in conjunction with the County Director of Human Resources and Auditor-Controller to prepare a corrective action plan that consolidates and actively monitors the Rehired Retiree (960-hour limit) reporting requirements for all County departments as to non-COVID-related work and properly identifies and tracks COVID-related work.
2. We recommend LACERA's Executive Office, Systems, and Benefits work with the County's CEO Office and Auditor-Controller to establish an automated feed of Rehired Retirees' hours as part of payroll data.
3. We recommend LACERA's Executive Office, Legal Office, and Benefits develop a policy and procedure to address both preventing overages and taking the required action on the retirement payroll of retirees that violate the 960-hour limit for non-COVID-related work.

MANAGEMENT'S RESPONSE

March 2023 Update

LACERA has partnered with the Auditor Controller office to have the 120-day report automatically populate into retiree Workspace accounts. We will be programming Workspace to flag retirees that have been rehired under the 120-day program, send notification letters to inform these members of the limits of their employment, and provide warning letters to the member and department when nearing the 960-hour limit. This is scheduled to be in place on July 1, 2023.

For the current fiscal year, the Benefits division has been reaching out to members that are approaching the 960-hour limit via phone calls or emails. We have also partnered with the County's CEO office to provide the departments training on how to onboard a Rehired Retiree. This will include the consequences for violating the 960-hour limit.

Processes are currently being developed to address members that violate the 960-hour limit. These processes will include a suspension of benefits to prevent members from double dipping. Our focus will remain to educate members and their departments to avoid a suspension of benefits.

(November 4, 2022, Response)

LACERA management supports the outlined recommendation(s) in working with the County's CEO office, Auditor Controller, and County Human Resource department to determine if we're able to obtain (preferable in an automated fashion) Rehired Retirees' hours to ensure compliance against the 960-hour limit for non-COVID-related work and properly identifies and tracks COVID-related work.

In terms of actionable steps, management will set-up a meeting with County CEO, Auditor Controller, and Human Resources to explore data feed options. The County is currently in the process of a "black-out" year-end system maintenance and will not take on new data projects until mid-January 2023, as described by the Auditor Controller Division Chief. We're not able to provide an exact timeframe for when this recommendation will be implemented, since it's predicated on the County's bandwidth and willingness to provide data. We commit to engaging the County in January 2023 and providing an update by March 30, 2023.

After conferring with the County and assessing the extent of their ability to track employee time, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements.

TARGET COMPLETION DATE

July 1, 2023

FINDING #2

Continued Violation of PEPRA's "limited duration" language	Risk Level ** High
---	------------------------------

OBSERVATION

Using data from the Auditor-Controller (AC), we stratified the Rehired Retiree population based on continuous years worked. The following table breaks out the 381 Rehired Retirees, who worked during FYE June 30, 2022, by the number of consecutive years worked and identifies the average hours worked by each Rehired Retiree.

Consecutive Years RRs Worked Through FYE 2022	RR Count	Averaged Hours (per) RR (per) Year
1	84	480
2	32	670
3	50	660
4	38	689
5	29	653
6	24	659
7	31	687
8	27	731
9	16	512
10+	50	737

** See Appendix 2 for Finding's Risk Rating

The following table breaks down the 381 Rehired Retirees, who worked during FYE June 30, 2022, by department.

Department Name / RR Count	Consecutive Years										Total
	1	2	3	4	5	6	7	8	9	10+	
Alternate Public Defender	4										4
Chief Executive Office		12	4		1		1			2	20
Assessor	6			2	1			1		3	13
Auditor-Controller	1	1	1								3
Agricultural Comm/Weights			1								1
Beaches and Harbor								1			1
Board of Supervisors	1	3					1	1		2	8
Consumer Affairs										1	1
County Counsel		2									2
Children and Family Services	19		15	11	11	2	2	6	4	20	90
Community Services	1		1	1							3
District Attorney	14		3	3		1	1	1	4		27
Fire Department					1		1			2	4
LAC USC Medical Center		1									1
Human Resources	1	3	1			2	2	1		1	11
Ambulatory Care Network	1										1
Health Services Administration			1					1			2
Internal Services				1	1				2		4
Chief Medical Examiner Coroner							1		1		2
Mental Health	1										1
LACERA	1	2	1							1	5
Probation		1		1	1	1					4
Public Defender	15	1		2	1						19
Public Health Program	1	2	6		4	2	3	1			19
Parks and Recreation	1		1	1							3
Public Works	1						1				2
Registrar-Recorder	1										1
Superior Court	8	2	2		1	1		3		1	18
Sheriff	7	2	13	16	7	15	18	11	5	17	111
Grand Total	84	32	50	38	29	24	31	27	16	50	381

Of the 381 current Rehired Retirees, 50 (13%) have worked consecutively as Rehired Retirees for ten or more years, averaging 737 hours each, per year, over the past five years.

This situation violates PEPR section 7522.56 (c) where it states, “A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of **limited duration.**” LACERA, as benefit trust

fund administrator, could proceed with recovery of trust funds for benefits paid during the period of excessive, unlawful work duration.

RISK

The above chart highlights a situation which could potentially lead to headline risk regarding the lack of compliance with the PEPRA laws around the use of Rehired Retirees and gives the appearance of allowing “double dipping.” It also highlights a continued reliance on the Rehired Retiree to avert an implied risk of business disruption in their absence.

RECOMMENDATION

We continue with our recommendation from our previous audit report of November 4, 2022.

4. We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined “bright-line” definition, tracking, and annual review of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.

MANAGEMENT'S RESPONSE

March 2023 Update

We have been in contact with CalPERS and are monitoring their efforts to regulate limited duration employment for Rehired Retirees. CalPERS is developing updated regulations that they expect to submit to their Board for approval. LACERA is monitoring their process and may develop similar regulations that will generally limit re-employment to a two-year period.

LACERA's Legal Office was provided the proposed regulations and are monitoring CalPERS' progress. The Legal and the Executive Office will make a determination if LACERA will develop similar regulations by June 2023 or propose a different alternative.

(November 4, 2022, Response)

The current LACERA policy allows for a broad definition of limited duration for non-COVID-related work. We believe that most CERL systems have not yet “defined” limited duration in terms of a specified timeline regarding Rehired Retirees, instead they focus on ensuring Retirees are meeting the annual 960-hour compliance.

For an employer as large as the County of Los Angeles, it's difficult to determine a one size fits all definition for “limited duration” due to the workforce complexities of the various departments (Sheriffs, Dept. of Health, Dept. Human Services, etc.). Instead, our revised recommendation is to provide the County CEO's office with education around PEPRA's intent behind limited duration for Rehired Retirees.

TARGET COMPLETION DATE

June 30, 2023.

APPENDIX 1 AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2
 FINDING'S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance, or misappropriation</p>	<p>Non-compliant with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
Medium	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
Low	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



**Los Angeles County's Compliance with
Requirements for Rehired Retirees – Fiscal Year
Ended June 30, 2022**

Audit Report Date: April 28, 2023

Prepared By: George Lunde, Senior Auditor

Summary of Engagement



Responsible Division:	Executive Office
Type of Engagement:	Assurance
Audit Rating:	Unsatisfactory
Prior Audit Rating:	Unsatisfactory

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA.

Consulting: Collaborate with Management to provide formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Background, Scope, Objective



Background: We perform this audit annually as failure to adhere to the regulations and requirements not only violates state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law



Scope: Internal Audit received payroll detail from the County Auditor-Controller identifying 381 retirees who worked as Rehired Retirees during the 2022 Fiscal Year

Objective:

Determine compliance with:

- CERL's 960-hour work limit requirement
- IRS' "bona fide" break-in-service requirement
- PEPRA's 180-day break in service requirement
- PEPRA requirement of "limited duration"

Summary of Findings



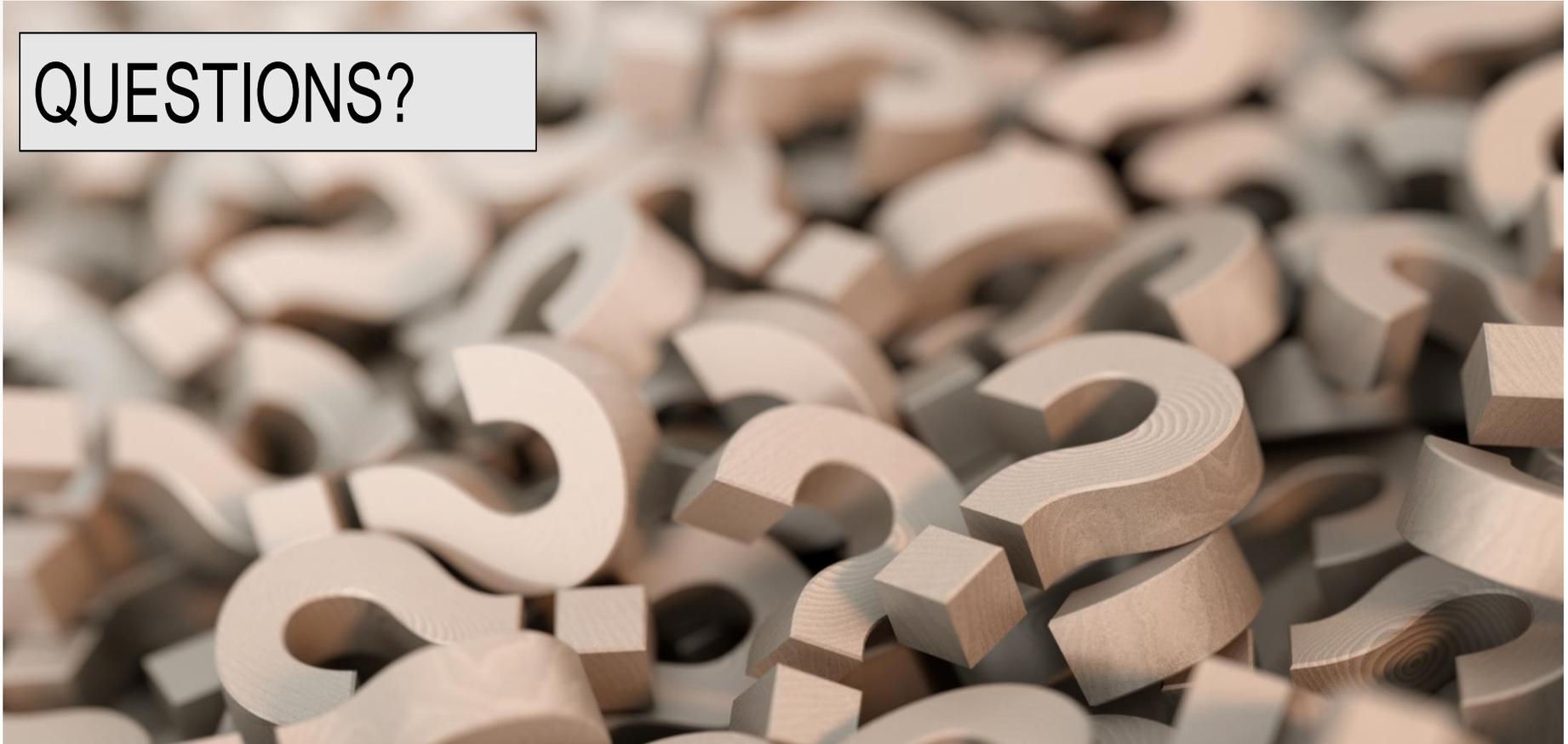
Finding #	Title of Finding	Rating	Management Response
1	Continued year-over-year increase in the number of Rehired Retirees violating 960-hour limit with respect to non-COVID-related work	High	Agree. Partnering with Auditor Controller for data to monitor hours
2	Continued Violation of PEPRAs “limited duration” language	High	Agree. Working with County CEO and BOR to establish guard rails and consequences

Thank You



We would like to thank the Executive Office and the Legal Office for their cooperation on this engagement and invite them to provide any comments.

QUESTIONS?



FOR INFORMATION ONLY



Operations Briefing Report

June 7, 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	July 2022
Project Lead(s): Ted Granger				
On Schedule				
Actuarial Valuation Reports: 2022 Other Post-employment Benefits (OPEB) Actuarial Valuation 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.	2022 OPEB – Annual Actuarial Valuation Report The July 1, 2022, OPEB Valuation Report is in progress. Milliman provided LACERA with a draft Appendix A to the report at the end of April 2023. Milliman is planning to provide the main body draft report in early June 2023. Staff expects Milliman to present the final report to the Board of Retirement in August 2023. RHC staff presented, and the Board of Retirement approved, the annual healthcare insurance premium renewals in March 2023. Milliman updated insurance plan cost information as part of the OPEB Valuation calculations.			



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.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	August 2022
Project Lead(s): Ted Granger				
On-Schedule				
<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</p>	<p>2022 Pension – Annual Actuarial Valuation Report</p> <p>The Retirement Benefits (Pension) actuarial projects for the June 30, 2022, reporting cycle have been completed and approved by the Board of Investments at their March 8, 2023 meeting.</p> <p>On May 4, 2023, the Los Angeles County Board of Supervisors approved the member and employer contribution rate changes effective July 1, 2023. The Los Angeles County CEO office sent LACERA the final member contribution rates for all Plans including negotiated rates for General Plan A and Safety Plan B.</p> <p>LACERA updated the website so members can obtain the new contribution rates and are in the process of updating the internal member database. LACERA staff met with Local 1014 and the Coalition of County Unions (CCU) to provide an</p>			



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 required for their financial statement disclosures.

overview of the actuarial process that determined the member contributions rate changes for the upcoming fiscal year.

2023 Retirement Benefits – Actuarial Risk Assessment

Milliman provided and LACERA staff reviewed a presentation slide deck and draft of the 2023 Annual Actuarial Risk Assessment report based upon the most recently completed annual valuation report. Staff met with Milliman and provided feedback on the materials. The report incorporated some additional information resulting from Board of Investments (BOI) Trustee questions raised at their March 2023 meeting. Staff expects Milliman to present the final report to the BOI at their June 2023 meeting.

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</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>			



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 understanding of compensation earnable because of the Alameda Case.

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.

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 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	
	4/30/2023	
Row Labels (Type, Status, Detail, Outstanding)	Count	%
Pending Notification (Staff Reviewing and Processing)	810	16.76%



Active	55	1.1%
Retired	122	2.5%
Deferred/Inactive	0	0.0%
Deceased	43	0.8%
Other – *Active/Ex-ceptions	590	12.20%
Withdrawn	0	0.0%
Completed	4,022	83.24%
Active	3,004	62.2%
Retired	757	15.7%
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 178 Retired / Deceased / Survivor / Legal Split Payee cases, there are a total of 625 Active Exception cases that require manual review and processing by the specialist. The Workspace Support Team previously informed the Benefits Team of this population. However, because we were concentrating on the retired population, we overlooked and did not report the **Active Exception** population. Our priority is still focused on the Retired / Deceased / Survivor / Legal Split Payee cases first.



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Executive (MOG)	06/01/2022	06/30/2023
	Project Lead(s): JJ Popowich, Cookie Jaranilla (PM)			
	On Schedule			
<p>Call Center Improvements: Phase VII – Voice Authentication – AI Assisted Validation</p> <p>Using AWS voice chat and voice authentication services to validate a member/survivor prior to speaking to a Specialist.</p>	<p>Our contact center service provider, AWS, offers two services which we have identified as possible member experience enhancements that will help further reduce call center wait times by reducing call duration. Members calling LACERA must pass a Basic Validation to allow us to access a member’s account, and then a Secure Validation before we can discuss their account in detail or make changes.</p> <p>AWS has an AI voice chat function which we believe can be used to interact with the member before talking to a Specialist and complete both validation steps. If successful we can reduce call duration by 1-2 minutes per call. Additionally, if fully integrated we would be able to personalize the call.</p> <p>Additionally, AWS offers a voice authentication service which can be used to validate callers by voice. Members who have opted into this service would be recognized and validated by AWS and able to bypass the validation process. This would be offered to members as an option upon completing a Secure Validation process.</p> <p>Project reengagement and kickoff meetings were held on April 11, 2023, and April 19, 2023, respectively. The project is towards the end of its discovery phase and a high-level design is currently under discussion. The team will run through a refinement of this design next.</p>			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Executive (MOG/BSG)	08/24/2022	08/31/2023
	Project Lead(s): JJ Popowich, Luis A. Lugo, & Iveta Brecko (PM)			
Delayed				
<p>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.</p> <p>Processes included in Phase I are: Disability Retirement Services Disability Litigation Office Benefits – First Payment</p>	<p>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.</p> <p>The User Acceptance Testing (UAT) for Disability Retirement Services (DRS) has resumed. A user guide has been developed to provide instructions and guidance to the DRS Subject Matter Experts (SMEs) while testing by providing detailed information about the SOL DRS operational functionalities and expected outcomes.</p> <p>The User Acceptance Testing for DLO has started. A user guide containing SOL’s DLO functionalities and expected outcomes has been developed. This user guide will assist the DLO SMEs during testing by providing a roadmap of SOL DLO systems functionalities and operations.</p> <p>The Benefit’s SOL First Payment configuration has been progressing. The Eccentex Implementation team is collaborating with the Benefit’s First Payment SMEs to ensure that the ongoing development is compliant with the First Payment’s case management requirements. The First Payment SMEs are working on member account certification rules and user interface and dashboard design.</p> <p>There are two Change Requests that have been submitted and in the process of management approval:</p>			



	<ul style="list-style-type: none"> Automated tool that will allow administrators to configure member account risk factors and red flags. Automated case handoff between DRS and Advanced Payroll Unit
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	10/06/2022	08/31/23
	Project Lead(s): Laura Guglielmo and Cookie Jaranilla (PM)			
	Delayed			
Enterprise Budget Application: 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.	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. The Questica implementation team has started conducting the “Train the Trainer” sessions for the LACERA subject matter experts (SME). These sessions are hands-on training of the Questica Budget system involving its process flow operations, automated features, notifications, reporting, and audit-tracking capabilities.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Administrative Services	03/01/2022	06/30/2023
	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			



<p>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.</p>	<p>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.</p> <p>The LACERA ECLM project team and the Cobblestone implementation team have been configuring the ECLM solution to automate the following processes in the contract lifecycle stages:</p> <ul style="list-style-type: none"> • Vendor Registration • Vendor Solicitation and Evaluation • Contract Legal Review and Redlining • Contract Approval Process • Alert and Notification <p>The Cobblestone Engineers and LACERA Staff have been working on the integration of the ECLM solution with our general ledger, budget, and accounts payable systems.</p>
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	Type	Project Sponsor	Start Date	Target Date
Project / Issue Title Brief Description	Strategic	Disability Retirement Services (MOG)	05/04/2021	06/30/2023
Project Lead(s): Tamara Caldwell & Kathy Delino				
On Schedule				
<p>On-Line Disability Retirement Application: To facilitate member self-service, improve the member experience,</p>	<p>The online application was deployed to LACERA membership on September 8, 2022 (soft launch). After submitting their application, members are provided with a link to a member experience survey. Staff continues to monitor survey responses and application activity and obtain information directly from members concerning functionality</p>			



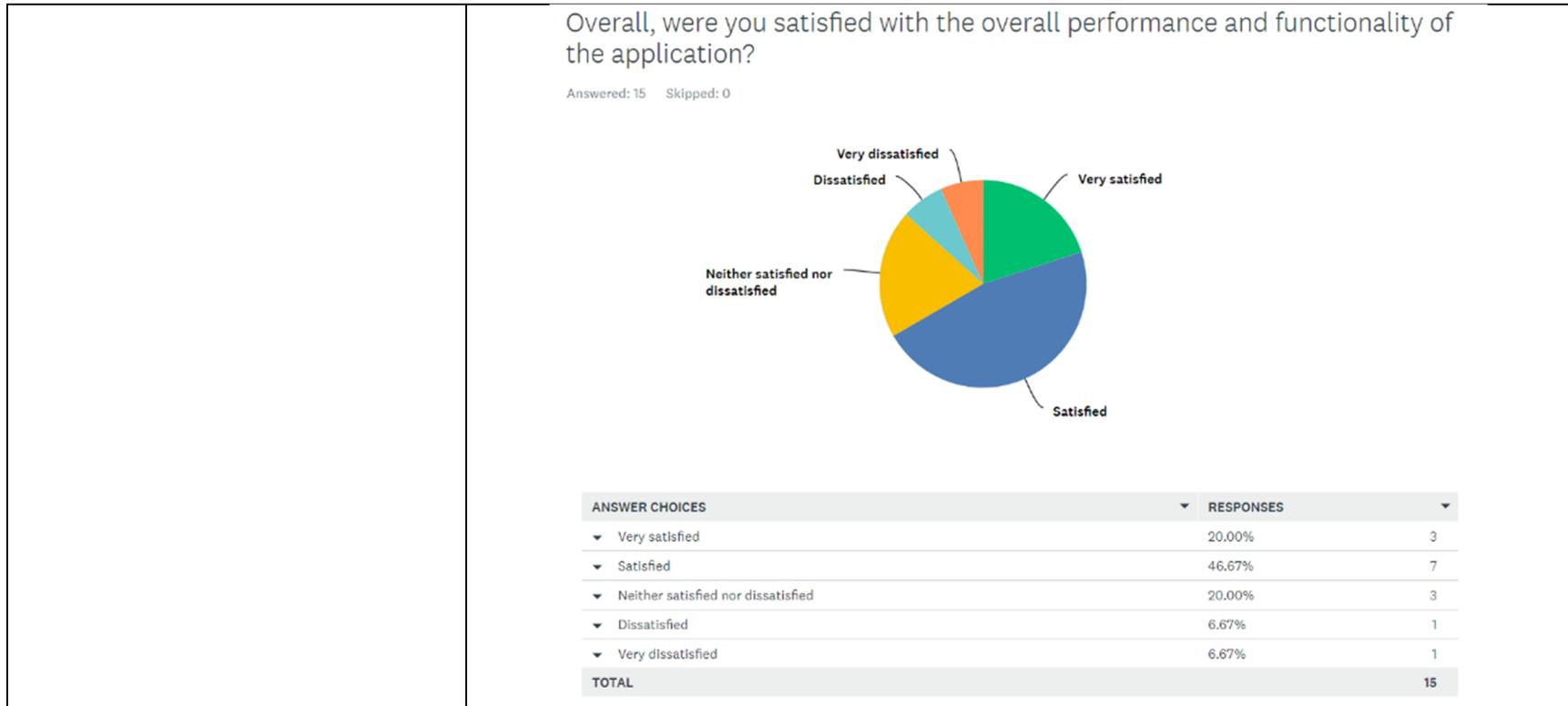
and streamline the intake of disability retirement applications, the Systems Division has been working jointly with the Disability Retirement Division to develop an on-line disability retirement application on My LACERA.

and member experience in an effort to improve and enhance the tool prior to the official launch, scheduled for later this year.

Application Activity – As of 05/23/23

Applications In Process*	45
Applications completed and submitted	31
Applications Cancelled – No Activity or by request	93
Total since deployment	169
Total surveys completed	15

*Application started but required elements still pending



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Executive (MOG)	01/01/2013	06/30/2023
	Project Lead(s): JJ Popowich & Lynn Francisco			
	On Schedule			
PEPRA Implementation: FAC Issue: The Final Average Compensation for PEPRA members is exclusive of most pay items except	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. 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			



<p>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. In order to accurately calculate a member's benefit, these non-pensionable compensation items need to be filtered out.</p>	<p>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. We are on track to meeting the July 2023 target date.</p> <p>A secondary effort to use Robotic Processing Automation 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. The LACERA team is discussing the demo and will provide feedback to the team in early June.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Executive (MOG)		
	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</p>	<p>LACERA has sent notification to the remaining 673 affected individuals. We are in the process of determining which letters were returned to LACERA. Our next course of action is to find secondary addresses for those individuals and re-send the notification through Certified mail.</p>			



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.

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.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Executive (MOG/BSG)	06/15/2022	08/31/2023
	Project Lead(s): JJ Popowich & Shonita Peterson (PM)			
	On Schedule			
Prepaid Bank Card Project: Introduction of a prepaid bank card option for monthly benefit payments	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>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>The team has met and is discussing next steps. Chief among these being the development and finalization of a Statement of Work and contract negotiations. The evaluation team has met to review and discuss the SOW and will be entering the negotiation phase for the SOW and contract soon.</p>
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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	LACERA and the County CEO’s office are still in active communication. We met recently in May 2023. LACERA hopes to provide the board with a formal report on the status of the LMB in July 2023.			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Exec (MOG)	07/01/2022	06/30/2023
	Project Lead(s): Kevin Hawkins			
	On Schedule			
<p>Tax Table Changes for 2022: Phase II: Online Tax Calculator & ADR Redesign</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 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. An Automatic Deposit Receipt ADR redesign. Staff are working with the vendor to determine if all the information for the proposed ADR redesign will fit into the same amount of space allotted for the current ADR information. Staff developed a redesign that will fit the allotted space. A business rule with an embedded copy of the proposed layout has been distributed to stakeholders for approval. 			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Exec (BSG)	October 2021	July 31, 2023
	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 Project team has been conducting user acceptance testing (UAT) with the AP Certify Implementation team. The AP project team will need more time to complete the UAT and fix the issues uncovered while testing. A user guide is being developed to assist with the testing and ensure that the divisions participating in the soft release will have a roadmap for operating the AP Module that will provide navigation and expected results.</p> <p><u>Data Integration with Dependent Systems</u></p> <p>The LACERA team is working on the integration of the AP solution with our general ledger, budget, and contract management systems. They are documenting the flow of data between the dependent systems.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	10/01/2022	08/30/2023
	Project Lead(s): Carly Ntoya and Don Song (PM)			
	On Schedule			
<p>Human Resources (HR) Digitization: LACERA is currently converting 350,000+ paper Human Resources’ personnel, payroll, medical, and classification files to electronic files to</p>	<p>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 digitization project team decided to leverage a product that is already implemented at LACERA for this effort: Microsoft SharePoint. The scanning and indexing of the historical physical files into the new data repository is ongoing. A new resource intern has been onboarded to assist</p>			



<p>allow quick retrieval of documents by a hybrid workforce, shared access to information, full text search capabilities, and an audit trail of document access.</p>	<p>in this project. This project should be completed by the end of the summer of 2023.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	01/01/2023	08/30/2023
	Project Lead(s): Carly Ntoya and Michael Dozier (PM)			
	Delayed			
<p>Human Resources (HR) Case Management: LACERA seeks a case management solution that supports Human Resource workflow with automatic notifications, document management, and version control as well as the ability to view HR workloads on an interactive dashboard.</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 team selected ServiceNow’s Human Resources module for their case management solution.</p> <p>Procurement and Contract Execution have been completed. The Vendor Project Kick-off has been scheduled.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Executive (BSG)	01/01/2023	10/16/2023
	Project Lead(s): JJ Popowich and Michael Dozier (PM)			
	Delayed			
<p>LACERA Incident Response Team (LIRT) Management Solution: LACERA seeks a solution that automates the tracking and workflow of LACERA incidents.</p>	<p>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 is currently selecting a business partner to leverage and customize the incident workflow of ServiceNow’s ITSM to support LACERA’s</p>			



	<p>process regarding incident tracking, management, and reporting. Because LAC-ERA 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 2022-23 budget. We expect this project to be completed in June 2023.</p> <p>The LIRT Executive Sponsor and Project Team have selected Winward. In addition, Procurement and Contract Execution have been completed, and a formal Project Kick-off with the vendor has been scheduled for the last week of May.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date	
		BSG	Executive (BSG)	01/01/2023	TBD
	Project Lead(s): Luis Lugo and Gnan Arige (PM)				
	Delayed				
<p>Policy Management Solution: LACERA seeks an automated solution to support LACERA Policy Management Process.</p>	<p>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 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>Compass 365 has been rated highest by the Policy Management project team during the Vendor Selection process. The team will recommend Compass 365 to the Policy Committee for final approval. Then the Contract Development process starts.</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 July 2023.</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	06/30/23
		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 has completed the updates requested by the Executive Office and the plan is currently under review by the Executive Team.</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 is unable to generate a PEPRA member ABS until we can accurately, automatically, calculate a member's FAC. This project is on hold until the FAC issue is resolved.</p> <p>In January 2023, LACERA CEO, Auditor Controller (AC), and respective team members met (See PEPRA Implementation: FAC Issue Update) to discuss steps needed to resolve FAC issue. The meeting was productive, and a clear path forward was outlined to ensure LACERA can generate accurate ABS for PEPRA members.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Strategic	Exec (MOG)	
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</p>			



	<p>retirement counseling across all available channels and incorporating LAC-ERA.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>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date	
		Operations	Exec (MOG)	June 2021	TBD
		Project Lead(s): JJ Popowich			
		Pushed Back			
<p>Retroactive Payroll Adjustments: Prospective Correction</p> <p>The Auditor-Controller is responsible for collecting contributions on all 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.</p>	<p>Following the AC’s programming change, LACERA implemented a testing regimen to ensure that the contributions were being deducted as expected.</p> <p>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.</p> <p>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. At this time, we have pushed this project back and are monitoring to identify any accounts over the 60 months for escalated collection actions.</p>				



• Completed Projects/Initiatives

This portion of the Operations Briefing will detail projects and initiatives that have been completed during the Fiscal Year (beginning on or after May 2022).

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Financial & Accounting Services Division	August 2022	May 2023
Project Lead(s): Ted Granger				
Completed				
<p>Actuarial Valuation Reports – Retirement Fund: 2022 Retirement Benefits – Investigation of Experience (Experience Study)</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</p>	<p>2022 Pension – Triennial Investigation of Experience Study and Annual Actuarial Valuation Report for Retirement benefits (Pension) actuarial projects for the 2022 reporting cycle have been completed.</p> <p>For June 30, 2022, Milliman completed an investigation of experience, which is required by CERL to be conducted every three years to review the retirement benefit economic and demographic assumptions and recommend changes. Changes in the assumptions will impact the actuarial valuation results and employer and employee contribution rates.</p> <p>Milliman made three (3) presentations to the BOI this fall to review and determine the June 30, 2022, actuarial assumptions, and methods. In addition, fiduciary counsel made a presentation at the BOI meeting in October to underscore the importance of this process.</p> <p>Milliman completed the annual actuarial valuation report and presented it to the BOI in March 2023. The BOI approved the report which included key pension plan funding data as well as updates to the member and employer contribution rates. Staff prepared a memo to the Los Angeles County Board of Supervisors (BOS)</p>			



<p>GASB reports to obtain information required for their financial statement disclosures.</p>	<p>for their May 2023 meeting, requesting the BOS adopt the new contribution rates effective July 1, 2023.</p> <p>LACERA engages a second independent actuarial consulting firm, Cavanaugh Macdonald Consulting (CMC), to conduct actuarial review services. CMC reviewed the method and assumption setting process to ensure consistency with actuarial standards and performed separate calculations to compare with the consulting actuary's amounts. CMC concluded that for the 2022 reporting cycle, Milliman's process followed actuarial standards and determined Milliman's actuarial results were reasonable.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	May 2022
Project Lead(s): Ted Granger				
Completed				
<p>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 these reports to the Los Angeles County Board of Supervisors within six-months following the fiscal year end.</p>	<p>2022 – Annual Financial Statements/Audit Staff kicked off the June 30, 2022, financial statement reporting season. Plante Moran, LACERA's external financial statement auditor, completed their interim fieldwork in May with audit testing focused on member data and benefit calculations. In October, Plante Moran completed their testing, audit inquiries, and issued their audit opinion. LACERA received an unmodified or "clean" audit opinion as of October 14, 2022. Plante Moran presented the financial statement audit results to the Audit Committee at their meeting on November 17, 2022, and submitted the Audited Financial Statements (AFS) to Los Angeles County thereafter.</p> <p>Communications and FASD partnered to prepare the Annual Comprehensive Financial Report (ACFR). This ACFR is essentially an enhanced version of the AFS but includes some additional information such as the transmittal letter from the CEO, organizational chart, and Trustee names and photos. LACERA completed</p>			



	<p>and distributed the 2022 ACFR at the end of December to Trustees, MAC, and posted it to LACERA’s website. In addition, LACERA submitted the annual financial report to the Government Finance Officers Association (GFOA) for their annual awards program.</p> <p>Communications and FASD completed the Popular Annual Financial Report (PAFR) which is a pamphlet style document that is an abbreviated version of the ACFR. The PAFR was mailed out to all members with the December 2022 newsletters.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		BSG	Financial & Accounting Services Division	July 2021
Project Lead(s): Ted Granger				
Completed				
<p>Actuarial Valuation Reports: OPEB: 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</p>	<p>2021 OPEB – Annual Valuation The July 1, 2021, OPEB Valuation Report is complete. Milliman presented the final Valuation Report to the Board of Retirement in August 2022. Milliman will address the LACERA OPEB liability and discuss LACERA’s funding progress and any potential funding strategies should the Board want to consider.</p>			



for Los Angeles County and LAC-ERA'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.

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Financial & Accounting Services Division	January 2021	June 2022
	Project Lead(s): Ted Granger			
	Completed			
Actuarial Valuation Reports – Retirement Fund: 2022 Retirement Benefits - Risk Assessment.	2022 Pension – Annual Risk Assessment Milliman prepared the 2022 Annual Risk Assessment report based upon the most recently completed valuation report and presented a final report to the Board of Investments (BOI) at their June 2022 meeting.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Financial & Accounting Services Division	May 2023	December 2023
	Project Lead(s): Ted Granger			
	Completed			
Annual Financial Statement Preparation and Audit: Government code sections require that LACERA prepare annual financial statements including footnotes and	2023 – Annual Financial Statements/Audit Staff kicked off the June 30, 2023, financial statement reporting season. Plante Moran, LACERA's external financial statement auditor, completed part of their interim fieldwork in May and will finish the interim fieldwork in June. The interim audit testing focused on member data, benefit calculations, internal control			



<p>disclosures, obtain an external audit opinion of those statements, and transmit these reports to the Los Angeles County Board of Supervisors within six-months following the fiscal year end.</p>	<p>assessments and fraud interviews. Plante Moran is scheduled to meet with the Audit Committee in June.</p> <p>In July, staff will complete the annual closing process, begin preparing the Annual Financial Statements (AFS) and note disclosures, and preparing for the audit. Plante Moran is planning to complete final fieldwork during September and October. Staff expects to complete the AFS and audit opinion by mid-October and provide LACERA’s AFS to Los Angeles County.</p>
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	Type	Project Sponsor	Start Date	Target Date
Project / Issue Title Brief Description	BSG	Financial & Accounting Services Division	May 2023	December 2023
Project Lead(s): Ted Granger				
Completed				
<p>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 these reports to the Los Angeles County Board of Supervisors within six-months following the fiscal year end.</p>	<p>2023 – Annual Financial Statements/Audit Staff kicked off the June 30, 2023, financial statement reporting season. Plante Moran, LACERA’s external financial statement auditor, completed part of their interim fieldwork in May and will finish the interim fieldwork in June. The interim audit testing focused on member data, benefit calculations, internal control assessments and fraud interviews. Plante Moran is scheduled to meet with the Audit Committee in June.</p> <p>In July, staff will complete the annual closing process, begin preparing the Annual Financial Statements (AFS) and note disclosures, and preparing for the audit. Plante Moran is planning to complete final fieldwork during September and October. Staff expects to complete the AFS and audit opinion by mid-October and provide LACERA’s AFS to Los Angeles County.</p>			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Administrative Services	April 2022	June 2022
	Project Lead(s): James Beasley			
Completed				
Annual Insurance Renewal – Phase I: After the Insurance Team’s completion of a successful solicitation, the BOR approved the replacement of LACERA’s current insurance brokerage firm. Alliant Insurance Services, Inc. (Alliant) was selected as the new Broker of Record for LACERA effective April 29, 2022.	LACERA’s new Broker of Record, Alliant Services, Inc., has obtained quotes and is binding policies with carriers for the June 30 th insurance renewal period. The Insurance Renewal Team and brokers provided an update on the insurance policy selection at the August Operations Oversight Committee meeting.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Administrative Services	July 2022	October 2022
	Project Lead(s): James Beasley			
Completed				
Annual Insurance Renewal – Phase II: After the Insurance Team’s completion of a successful solicitation, the BOR approved the replacement of LACERA’s current insurance brokerage firm. Alliant Insurance Services, Inc. (Alliant) was selected as the Broker of Record for LACERA effective April 29, 2022.	The Risk Management Unit has completed the 2022-2023 Fiduciary, Cyber, and Crime Insurance renewals. At the September 7, 2022, Board of Retirement (BOR) meeting, staff provided the Trustees with an overview of the current insurance marketplace and discussed the challenges with purchasing Fiduciary Liability, Cyber Liability, and Crime Protection Insurance for LACERA. The Risk Management Unit provided the BOR with preliminary premium indications for each line of coverage, which was approved by the BOR, with a caveat that the final annual premiums would not exceed the estimated premium. Alliant presented the final insurance premium quotes for each line of coverage to LACERA, which was \$251,144 less than what was presented to the BOR. The			



overall cost for Fiduciary Liability, Cyber Liability, and Crime Protection insurance premiums for FY 2022-2023 is \$870,162. This is a 1% decrease from FY 2021-2022 and is \$126,580 less than what was approved for FY 2022-2023. This information will be provided to the BOR at the November 2, 2022, meeting.

2022-23 Fiduciary/Cyber/Crime Renewal Final Cost Breakdown

Coverage	Carrier	Actual Premium	Quoted to BOR	Difference of actual vs BOR approved
Fiduciary Liability	Hudson Insurance Company/ RLI Insurance Company/ Westchester Fire Insurance Company	\$396,723	\$408,890	(\$12,167)
Cyber Liability	Tokio Marine/ Homeland Insurance Company/ Ambridge/ Corvus Insurance	\$399,464	\$622,774	(\$223,310)
Fiduciary Liability OPEB	Hudson Insurance Company	\$52,189	\$64,012	(\$11,823)
Crime Protection	Great American Insurance	\$21,786	\$25,630	(\$3,844)



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Exec (MOG)	06/01/2022	09/16/2022
	Project Lead(s): JJ Popowich & Cookie Jaranilla (PM)			
	Completed			
Call Center Improvements: Phase I – Call Wait Time – Call Back: Phase I focuses on implementing a call back request feature to allow members on hold to request a call back between the hours of 10-3. Additionally, this phase will include the ability to announce call wait times.	The Call Back feature was introduced into production effective September 30, 2022. Since then, we have been evaluating the impacts of the Call Back feature and adjusting how the feature works to try to maximize the member experience. We are not ready to make a final assessment but, based on early data, the Call Back feature, as designed, may not be having the beneficial impact hoped for. As explained before deploying this project, the AWS Call Back feature is not a “hold your place” feature. Thus, we had to assign specific agents to work a new Call Back queue on a priority basis or as a full-time assignment. This has reduced the number of Specialists available to answer the main Member Services queue. This has led to increases in the wait time in the main queue. Additionally, because the feature is popular, we have experienced an extremely long “return call” wait time and complaints from members appear to be increasing. We have tweaked the messaging to prepare members for the long response time, but we are also seeing many members calling back before we are able to return their call. Essentially, this increases call volumes, and exasperates the increased wait times. We will continue to evaluate the features. We anticipate better results once trainees can take calls on their own. We anticipated these customer service level results based on current staffing levels but will look to reassess when we on-board the new trainees.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Exec (MOG)	06/01/2022	10/20/2022
	Project Lead(s): JJ Popowich & Cookie Jaranilla (PM)			
	Completed			
Call Center Improvements: Phase III – Holiday Scheduling Automation	Currently the Systems team manually turns on the holiday messaging and voicemail boxes. This phase will allow them to pre-set holidays eliminating confusion as to the availability of the call center staff during holidays.			



Automates the scheduling of holidays for the call centers, eliminating the risk of human error and accidentally opening the call center on a holiday with no staff.	This phase of the project is completed and will be in production by October 20, 2022.
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		MOG	Exec (MOG)	06/01/2022
Project Lead(s): JJ Popowich & Cookie Jaranilla				
Completed				
Call Center Improvements: Phase IV – Emergency Access Console Provide ability to enable/disable an emergency announcement for each respective queue MS or RHC when all agents are logged out as well as during specified date/time range as may be set.	This phase of the project is completed and entered in production by October 20, 2022.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		MOG	Exec (MOG)	06/01/2022
Project Lead(s): JJ Popowich & Cookie Jaranilla (PM)				
Completed				
Call Center Improvements: Phase V – After Call Service Survey Members will be provided with the chance to complete an “after-call” survey for Call Center interactions.	Call Center surveys are a key component of the Call Center KPI. This allows us to gain insight into the member experience. This feature was added to the current enhancement projects because we felt it was critical to gain member feedback on the changes, we are making to the Call Center, which include the call back feature as well as introduction of the My LACERA Support queue. UAT was completed on October 18, 2022, and this feature went into production on October 20, 2022.			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Exec (BSG)	January 2022	August 2022
	Project Lead(s): Jude Perez & Esmeralda Del Bosque			
	Completed			
<p>Custodian Bank Search: In accordance with LACERA's Procurement Policy, vendor contracts for investment and custodian banking services must be re-bid every ten years. LACERA's current custodian bank, State Street Bank, was hired in July 2013.</p>	<p>The Board of Investments approved the minimum qualifications at their December meeting. The Investment Office finalized and released the Request for Proposal (RFP) in January with proposals due at the end of March. Financial Accounting Services Division and other LACERA staff are evaluating the information received and conducting due diligence. In June, LACERA staff conducted an on-site visit at State Street's Sacramento offices and expects to provide a recommendation to the Board of Investments in August. The Board of Investments approved the staff recommendation to retain State Street Bank. Staff is working with the Legal Office to negotiate and finalize the contract.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Exec (BSG)	03/01/2022	08/01/2022
	Project Lead(s): Laura Guglielmo, Budget Team, & Cookie Jaranilla (PM)			
	Completed			
<p>Enterprise Budget Application: Per a recommendation by Budget staff, the Operations Oversight Committee (OOC) on March 2, 2022, authorized an RFP for software and professional services to procure, configure, and implement an enterprise budget application for the Budget Unit in the Administrative Services Division. The RFP was published on LACERA.com on March 7, 2022.</p>	<p>On April 14, 2022, LACERA received proposals from nine vendors. LACERA's evaluation team, with guidance from the consultant, reviewed all the proposals and based on the ratings, narrowed down the list to the top two vendors. The finalists have been invited to demonstrate their solutions following a detailed proof of capabilities script. These demonstrations were completed in July. The final vendor has been identified by the selection team, and a recommendation will be made to the Board of Retirement for its consideration in October 2022. If approved, the team will negotiate an agreement with the selected vendor. The project implementation timeline is 26 weeks, depending on staff subject matter expert availability.</p> <p>The Board of Retirement approved the selected vendor, Questica, and staff are currently finalizing the contract and statement of work with the vendor. Once the</p>			



	contract is fully executed, staff will engage with the vendor and begin the kick-off and discovery meetings in preparation for implementation of the software.
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	BSG	Exec (BSG)	01/2021	06/2022
	Project Lead(s): Summy Voong			
	Completed			
Enterprise Wi-Fi Project: Approved in the Fiscal Year 2020-21 budget adjustments by the BOR, the Systems Division is currently installing an enterprise Wi-Fi network.	All fiber, cables, access points, and switches have been installed on all LACERA floors and five segmented networks have been configured and tested. The Systems Division will deploy the final segmented network to on-site staff on August 1, 2022.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	EXEC	Executive (MOG)	10/01/2022	03/01/2023
	Project Lead(s): Cynthia Martinez			
	Completed			
Member Experience: Celebrating a Lifetime of Public Service – Member Spotlight The working title for a new effort to increase the LACERA communities' awareness of the lifetime of service that some of our members contribute to the public through a variety of communication channels with our members.	Many of our members devote most of their working lives to serving the community through their employment as County employees. This new project will set in place a selection process to highlight the service of a retiring member with a significant number of years of service. The goal is to share a bit about their journey and recognize their accomplishments and contributions. These highlights will be shared on a scheduled basis (currently envisioned to be quarterly) across multiple channels (newsletters, and at Board of Retirement meetings [with the consent of the trustees]). The team has completed the first phase of this project including developing a process for soliciting member participation, creating interview questions, and legal release documents so we can use the member's name and image for the program. The program has been re-branded the Member Spotlight initiative to			



	<p>broaden the focus from members retiring to members at different stages of their careers.</p> <p>The team has completed articles released in the PostScript, March 2023 issue, highlighting four of our long-serving members. The team also debuted the first Member Spotlight in the March 2023 Board of Retirement meeting.</p> <p>This completes Phase I of this program and is just the beginning of the program to spotlight our members. We will be continuing our efforts to fine tune the process as we work to create a sustainable program.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
		Legal	Legal	08/16/2022
Project Lead(s): Jessica Rivas				
Completed				
Form 700 Project (Granicus): Implementing the Granicus Form 700 electronic filing system. This will allow us to improve our efficiency and tracking of the annual mandated form 700 filing process.	Onboarding was completed in February. The FPPC certified LACERA's new e-filing system on March 2 nd , and the system went live for filing staff (except the CEO and CIO), consultants, and managers on March 3, 2023. Trustees and the CEO and CIO should continue to file using the County's system or by emailing their forms to LACERA's Legal Division (although if they use the new LACERA system, LACERA will print the form in pdf and submit it to the County). The deadline for annual Forms 700 was April 3, 2023. Use of the new system for the filing of Forms 700 this season is under review.			



Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Exec (MOG)	06/01/2022	12/31/2022
	Project Lead(s): JJ Popowich, Alex Ochoa, & Iveta Brecko (PM)			
	Completed			
<p>My LACERA Multi-Factor Authentication: Registered users of My LACERA can now use multi-factor authentication to reset passwords and to access My LACERA from an unrecognized device.</p>	<p>My LACERA previously relied on user selected challenge questions to authenticate users who forgot their password or attempted to access My LACERA from an unrecognized device. LACERA has implemented multi-factor authentication to replace the use of challenge questions. This feature was Beta Tested from November 16, 2022, to December 24, 2022, and went into production on December 29, 2022.</p> <p>Since the production implementation of this feature, multi-factor authentication has been used 1,577 times to reset passwords and 13,050 times to access My LACERA from an unrecognized device.</p>			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	MOG	Exec	08/01/2022	08/02/2022
	Project Lead(s): Allan Cochran			
	Completed			
<p>My LACERA Support Queue: As part of our effort to address Call Wait times a new queue was created to provide specific My LACERA support.</p>	<p>The My LACERA member portal is designed to provide members with secure access to information about their retirement benefits and is a key part of our efforts to provide members with self-service capability. As an online portal there is an expectation that it is securely and easily accessible 24/7.</p> <p>Occasionally, members forget their passwords or their challenge questions, or need assistance using functionality within the portal, including viewing documents and uploading documents so LACERA can process their requests. When members need assistance for an online capability, there is an increased expectation that the assistance will be available on demand during normal business hours.</p>			



	<p>As part of our efforts to improve the member experience, reduce wait time and frustration, we created a new priority call center queue specifically to assist members with My LACERA. Members now have four options when they call the LACERA 800 number: My LACERA Support Queue, Retiree Healthcare, Check Mailing Date Announcement, and Member Services.</p> <p>The new queue went live on August 10, 2022.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Strategic	Exec (MOG)	03/03/2022	12/31/2022
	Project Lead(s): Bonnie Nolley & Linda El-Farra			
	Completed			
<p>OneMeeting (PrimeGov) Implementation: The Board of Retirement approved a more effective meeting management tool to help streamline the planning and conducting of Board/Committee meetings while improving transparency and public access.</p>	Trustees and staff have been trained on the functionality and use of the new system. OneMeeting will be going live in January 2023.			

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	Legal	Legal	07/08/2022	02/24/2023
	Project Lead(s): Jessica Rivas			
	Completed			
<p>Privacy Policy Review, Update, and Training Update of the agency's Privacy policy and training slides, which have not been updated since 2011 and 2017, respectively. This will provide clearer</p>	Revised versions of the policy and training slides have been drafted, gone through numerous revisions, and were reviewed for a final time by the Policy Committee on January 26, 2023. The final, approved policy is completed, in effect, and posted on LACERA Connect under Legal Division policies. The training slides are also finalized, including a separate version with trainer notes, and are available. In addition, Legal coordinated with HR and Systems and successfully			



<p>guidance to staff on how to protect confidential information.</p>	<p>completed a video training module based on the final slides on February 24, 2023. The video module is under review, and once finalized it will be posted internally with the completed training slides and available to all staff, to be followed by live training. Structured all-staff training will begin in July,</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	<p>Retirement University: Options Videos: The Retirement Options videos are a series of six videos located under the Retirement University section of LAC-ERA.com and hosted on YouTube. Each video provides an overview of the retirement option, the retiree healthcare tiers, and a peak at the type of members who have chosen the option over the last 10 years.</p>	MOG	Exec	03/23/2022
Project Lead(s): Erika Heru				
Completed				

Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date
	<p>Return to the Office: LACERA's Administrative Services Division's Health and Safety Unit have been working hard to ensure a smooth return to the office for LACERA's staff.</p>	BSG	Exec	01/04/2022
Project Lead(s): Luis A. Lugo & Carly Ntoya				
Completed				



	<p>The team also worked side by side with the PEP Team and the Executive Team to provide a warm welcome to returning staff. Working together with the PEP Team they decorated the Workshop room, where staff were encouraged to stop by and receive a small welcome back token and a welcome by the Executive Team, managers, and staff from Administrative Services.</p>
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Project / Issue Title Brief Description	Type	Project Sponsor	Start Date	Target Date	
		Strategic	Exec (MOG)	07/01/2022	12/31/2022
		Project Lead(s): Kevin Hawkins			
		Completed			
<p>Tax Table Changes for 2022: New Tax Withholding Form 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), in early 2022. The IRS is not requiring the new form be used until the 2023 tax year.</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>Member Communication:</p> <p>We've completed the following actions to ensure members are adequately informed of the new Federal Tax table and revised W-4P.</p> <ul style="list-style-type: none"> LACERA.com was updated with an announcement that the new tables may cause a slight change to some members' net benefit amount. LACERA will no longer accept the prior forms as we have transitioned to using the 2022 form exclusively. A Q & A section was added to LACERA.com (also accessible through My LACERA) to explain how LACERA is adjusting the new withholding guidance. As of January 1, 2023, LACERA staff can process tax elections directly on Workspace, and Workspace can calculate federal withholding based on 2022 or later forms and pre-2022 forms if no new form has been received. My LACERA has been updated and members are able to use the new tax election process. 				

DATE RECEIVED	REQUESTER	DOCS REQUESTED
04-17-23	R. Inchody, PitchBook	<p>Request: Information on Investment consultants providing consultation to LACERA re Private Equity, venture capital, mezzanine, distressed, Real Estate, REIT, debt, and infrastructure partnerships being considered by LACERA for investment.</p> <p><i>On April 22, 2023, via telephone conference, Requester was informed that responsive information was being generated which would take longer than the 10-day PRA time period. Requester would be granted access to SharePoint Public Records site when information is available.</i></p> <p><i>On May 5, via email, Computer Systems was asked to provide link to Share Point Public Records site.</i></p> <p><i>On May 9, 2023, via email, Computer Systems provided to Requester the link access to SharePoint Public Records site.</i></p>
04-17-23	K. Reinhart, PEI	<p>Request: Quarterly cash flow reports from Q3 2022 for all private capital investments, including real estate.</p> <p><i>Transmitted 1 document.</i></p> <p><i>On April 18, 2023, via email, the document shown below was sent to Requester.</i></p> <p><i>Private Markets 3Q22 Data Request.xlsx</i></p>
04-19-23	B. Jackson, University of Florida	<p>Request: Performance of external real estate, private equity, and venture capital fund investments that relate to compensation of investment professionals employed by your organization for the years 2000 through 2020.</p> <p><i>Transmitted 1 document.</i></p> <p><i>On April 28, 2023, via email, Requester was sent the document shown below.</i></p> <p><i>University of Florida – FOIA Request.xlsx.</i></p>
04-25-23	A. Hassan, Preqin	<p>Request: Performance metrics for private equity/venture capital funds records as of December 31, 2022, or March 31, 2023.</p> <p><i>Transmitted 1 document.</i></p> <p><i>On April 28, 2023, via email, Requester was sent the document shown below.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>FOIA Request – Q4 2022 Private Markets Data.slsx.</i>
05-02-23	FOIA Data Aggregation	Request: Quarterly basis information regarding alternative assets information. <i>Transmitted 2 documents.</i> <i>On May 9, 2023, via email, Requester was sent the 2 documents shown below.</i> <i>Hedge Funds 3Q22-4Q22.xlsx and Q4 2022 Private Markets Data.xlsx.</i>
05-03-23	C. Siverson, Fire, HR, LA County and 5 other Recipients	Per monthly request: <i>Transmitted 1 document.</i> <i>Sent, on May 3, 2023, Board of Retirement Meeting on May 3, 2023, Benefit Approval List.pdf</i>
05-04-23	LA County Sheriffs Department and 3 other Recipients	Per monthly request: <i>Transmitted 2 documents.</i> <i>Sent, on May 4, 2023, via email: Monthly Agenda Reports for Sheriff Department Listing and Fire Department listing each dated May 3, 2023.</i>
05-04-23	H. Ahaiwe, HR, LA County and 1 other Recipient	Per monthly request: <i>Transmitted 1 document.</i> <i>Sent on May 4, 2023, via email: MonthlyAgenda.csv for May 4, 2023.</i>
05-11-23	S. Laxmidhar, eVestment	Request: Digital copies of contributed capital to Private Equity, Private Debt, and/or Real Assets. Would like data for Q4 2021. <i>Transmitted 1 document.</i> <i>On May 15, via email, Requester was sent the document shown below.</i> <i>FOIA Request – Private Funds Data Q3 & Q4 2021.xlsx.</i>

REPORT OF FELONY FORFEITURE CASES

May 30, 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
64	RIDLEY-THOMAS	MARK	BOS	3/31/2023	3/31/2023			PEND		
61	SHEPOS	THOMAS	CEO	1/23/2023	2/14/2023			PEND		
57	ANTRIM	MARC	LASD	4/1/2021	5/12/2021	5/26/2023		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
- WITHDRAN: Member withdrew prior to conviction – no impact.



L.A. CERA
Los Angeles County Employees Retirement Association

Mass Communication Process: Online and Email

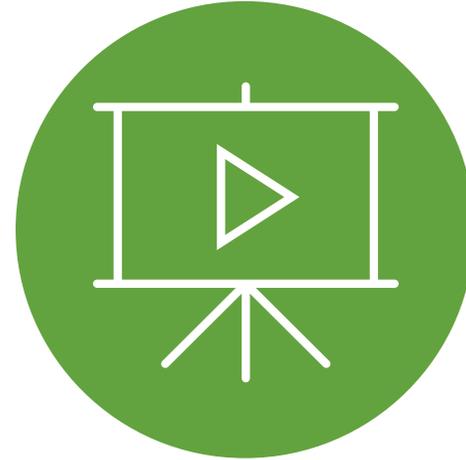
Media Outlets



Online



Print



Video



Email

Work Products



Ongoing

- Lacera.com content creation and maintenance
- Intranet content creation and maintenance; Kbase updates
- Correspondence
- Email blasts and broadcast messages
- Recruitment brochures
- Slideshow presentations
- Executive office communications and articles for peer organization publications

Online



Kick off

- Business Partners contact Communications with project scope.
- Assigned Creative Coordinator debriefs with creative team.

Content

- Subject Matter Expert (SME) provides vetted content.
- Writer proofs and adjusts content, where applicable.

Publication Approval

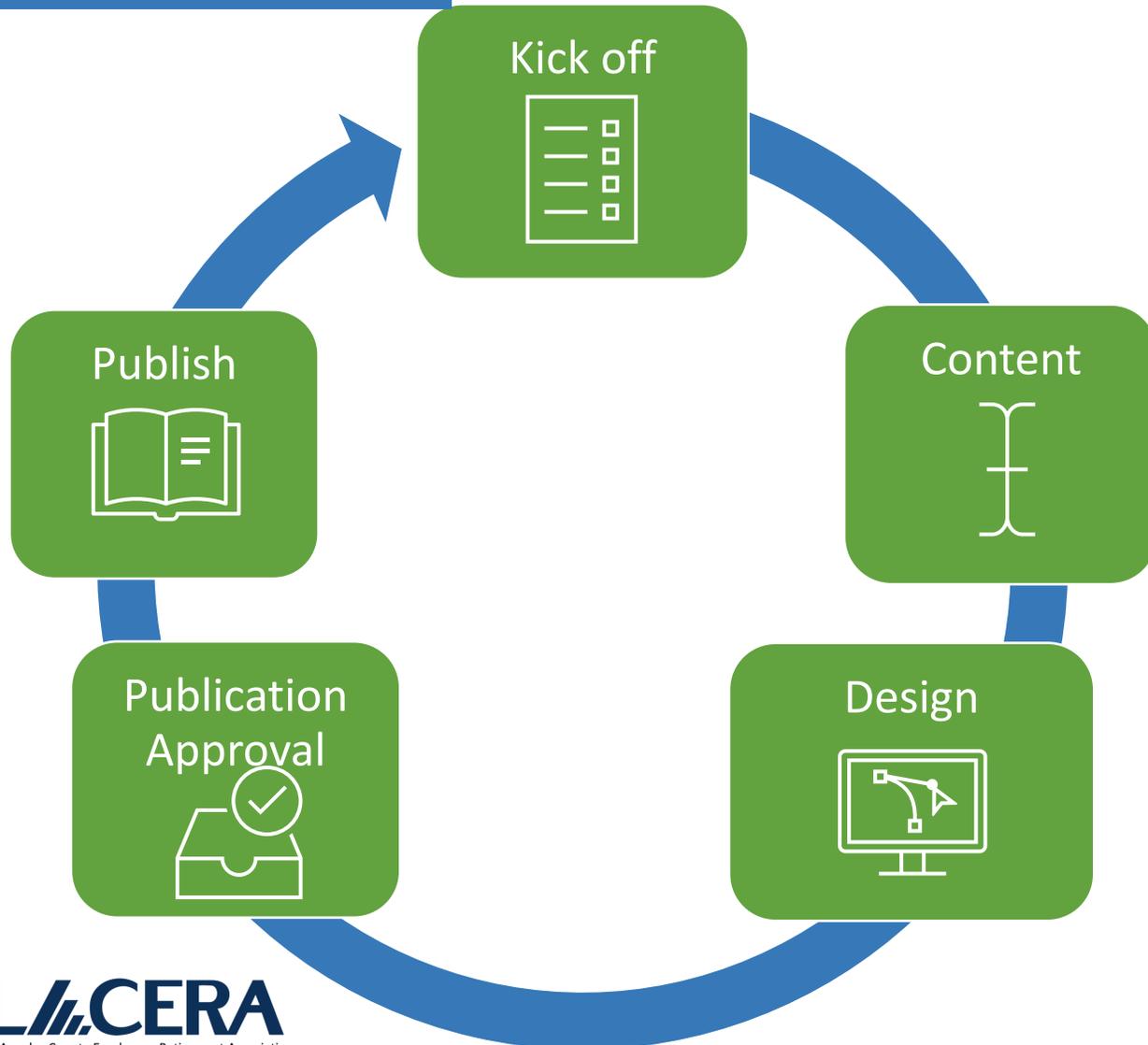
PDF version of webpage is routed:

- Creative Coordinator sends to Chief of Communications for internal approval.
- Creative Coordinator sends to SME for external approval from business partner.
- Creative Coordinator sends to Executive Office (generally the Member Operations Group AEO) for final approval.

Publish

- Web Support Technician publishes.
- Writer proofs published content to ensure accuracy.
- Creative Coordinator alerts SME and Executive Office via email that the content has been published and issues a link to the published page(s).

Print



Kick off

- Business Partners contact Communications with project scope.
- Assigned Creative Coordinator debriefs with creative team.

Content

- Subject Matter Expert (SME) provides vetted content.
- Writer proofs and adjusts content, where applicable.

Design

- Media artist designs print component.

Publication Approval

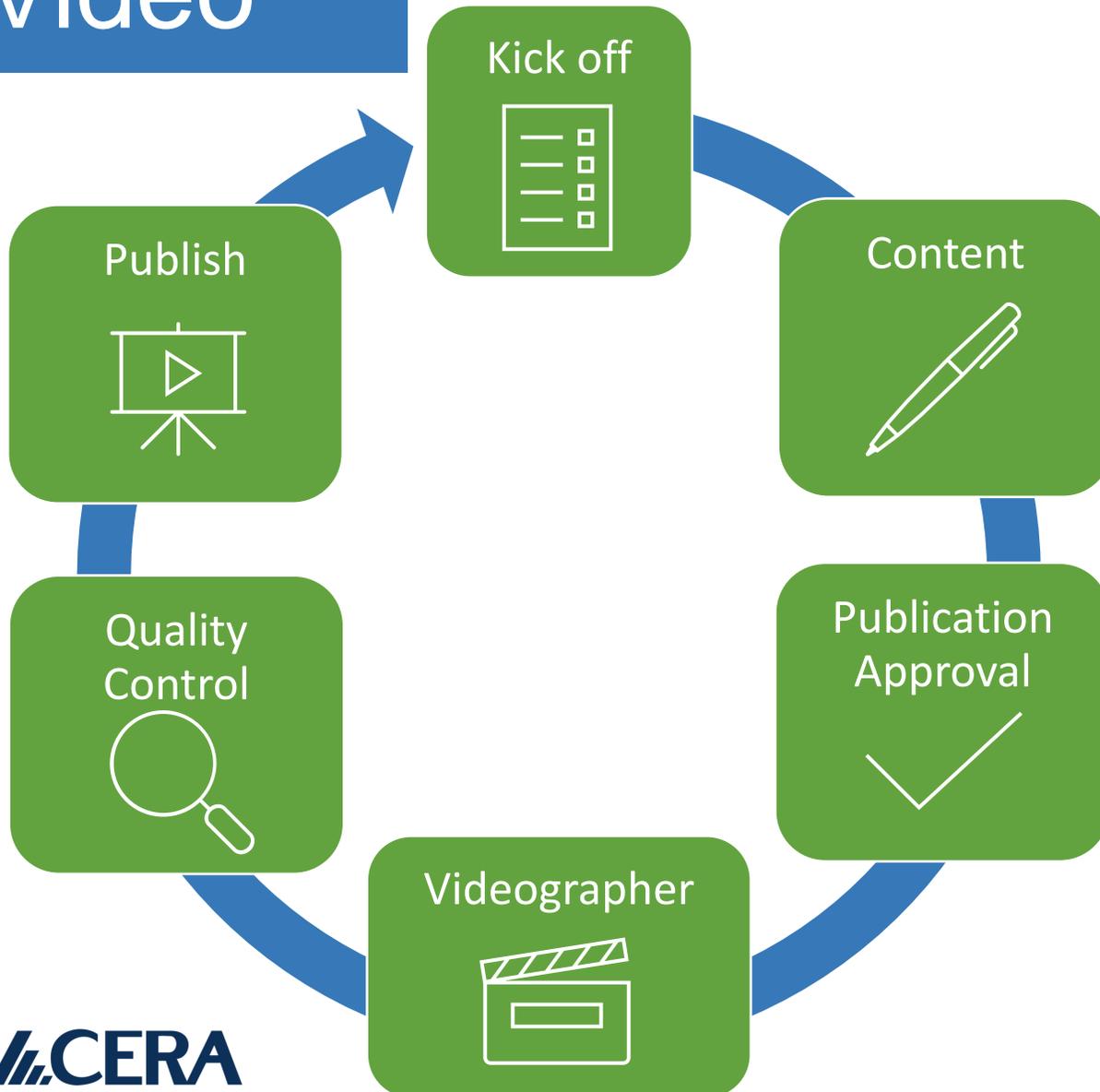
PDF version of print collateral is routed:

- Creative Coordinator sends to Chief of Communications for internal approval.
- Creative Coordinator sends to SME for external approval from business partner.

Print

- Vendor provides digital/physical proofs.
- Writer proofs to ensure accuracy.
- Creative Coordinator alerts Admin and SME via email that the print collateral has been printed and delivered.

Video



Kick off

- Business Partners contact Communications with project scope.
- Assigned Creative Coordinator debriefs with creative team.

Content

- Subject Matter Expert (SME) provides vetted content.
- Writer develops script.

Publication Approval

Script is routed for review:

- Creative Coordinator sends to Chief of Communications for internal approval.
- Creative Coordinator sends to SME for external approval from business partner.
- Creative Coordinator sends to Executive Office (generally the Member Operations Group AEO) for final approval.

Videographer

- Media Artist develops storyboard for internal approval to determine style.
- Media Artist develops video.

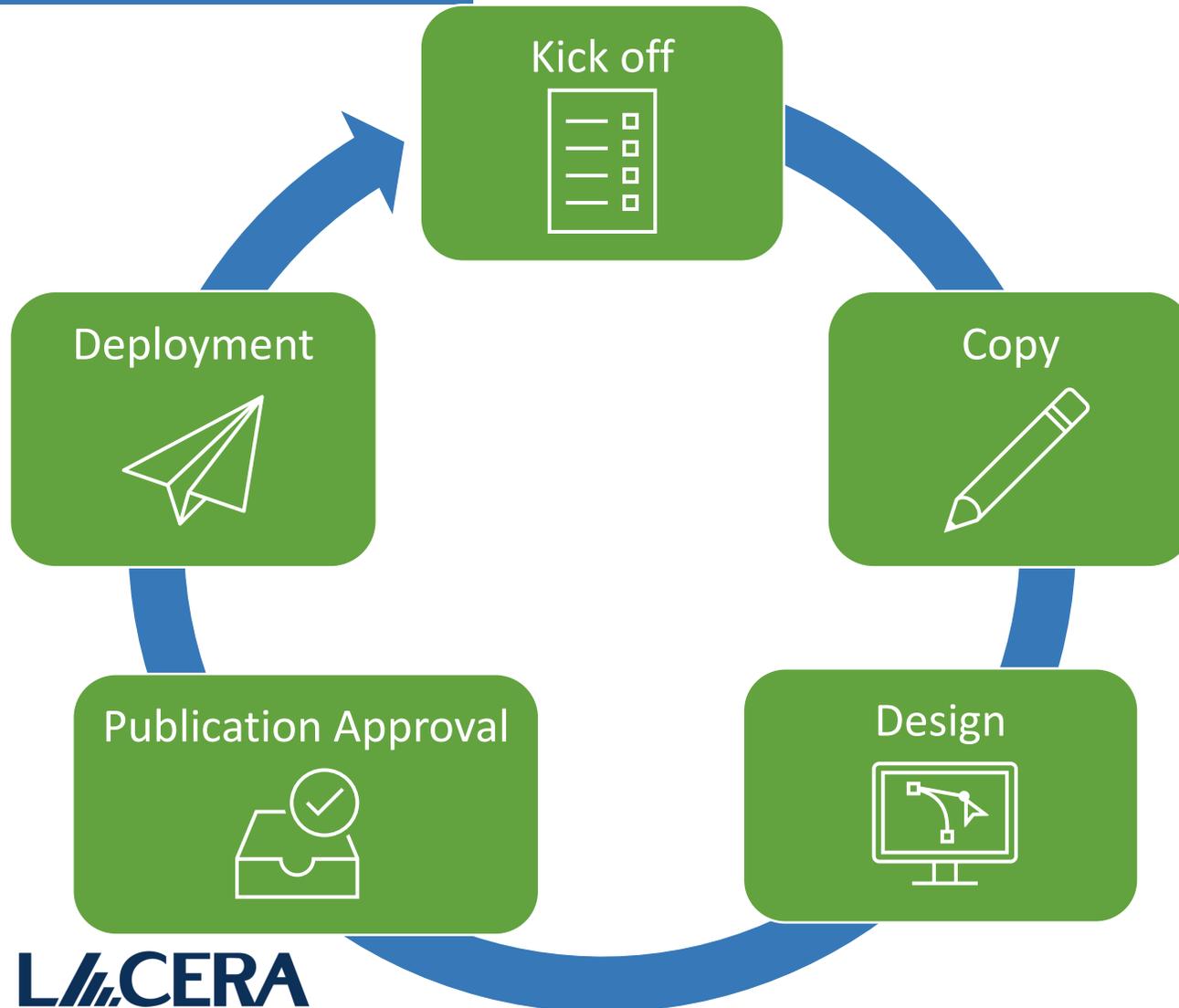
Quality Control

- Writer proofs video content to ensure accuracy.
- Creative Coordinator alerts SME and Executive Office via email to review final video.

Publish

- Web Support Technician publishes video and issues a link to the published page(s).

Email



Kick off

- Business Partners contact Communications with project scope.
- Assigned Creative Coordinator debriefs with creative team.

Copy

- Writer develops copy for email and news and announcement (all-text version).
- Coordinator sends email and news and announcement to Subject Matter Expert (SME) and Executives for final approval (generally the Member Operations Group AEO).

Design

Media artist designs the template:

- Shaded boxes are used to enhance the design and allow for the text to arrive in-tact and viewable.
- Limited graphics are used, due to technology limitations or security settings.
- A hyperlink is placed above the email template that directs to the news and announcements (all-text version).

Publication Approval

Test email is routed for review:

- Creative Coordinator sends to Chief of Communications for internal approval.
- Creative Coordinator sends to SME for external approval from business partner.
- Creative Coordinator sends to Executive for final approval.

Deployment

- Email is scheduled in Constant Contact for deployment by Web Support Technician.



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**



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