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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.

AGENDA

A REGULAR MEETING OF THE JOINT ORGANIZATIONAL GOVERNANCE COMMITTEE AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, FEBRUARY 29, 2024

This meeting will be conducted by the Joint Organizational Governance Committee and the Board of Retirement and Board of Investments 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 and 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.*

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. 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
- IV. ELECTION OF OFFICERS
(Election of Chair and Vice Chair)
- V. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of November 16, 2023

VI. 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 instructions as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment requests 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.)

VII. NON-CONSENT ITEMS

A. **Ethics and Compliance as Strategic Priorities:**

LACERA Ethics and Compliance Program Framework

Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee 1) Provide input on the proposed Ethics and Compliance Program Charter, which is a goal of the Board of Retirement Strategic Plan, and 2) Recommend to the Board of Retirement and Board of Investments that they forward the proposed Charter to the Audit Committee for further development to be returned to the Boards for final approval. (Presentation)
(Memo dated February 21, 2024)

B. **2024 Joint Organizational Governance Committee Proposed Meeting Calendar and Agenda Items**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Committee schedule the 2024 calendar year meetings and provide input on the proposed agenda items.
(Memo dated February 12, 2024)

VIII. 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 Committee, which can only be made separately by motion on an agenda item at a future meeting.)

IX. 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 Committee's Charter.)

X. GOOD OF THE ORDER

(For Information Purposes Only)

XI. ADJOURNMENT

The Board of Retirement and Board of Investments have each adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five (5) or more members of the Board of Retirement or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board or Boards for which a quorum is present. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of the 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 subsequent meetings of the Board of Retirement and Board of Investments.

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 members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m., Monday through Friday.

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

MINUTES OF THE REGULAR MEETING OF THE JOINT ORGANIZATIONAL
A REGULAR MEETING OF THE JOINT ORGANIZATIONAL GOVERNANCE
COMMITTEE AND BOARD OF RETIREMENT AND
BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, NOVEMBER 16, 2023

This meeting was conducted by the Joint Organizational Governance Committee and the Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Sections 54953 (f).

PRESENT:

Herman Santos, Chair

Alan Bernstein

Onyx Jones

Ronald Okum

Gina Sanchez

ABSENT:

Shawn R. Kehoe

David Green

Elizabeth Greenwood

OTHER BOARD OF RETIREMENT/BOARD OF INVESTMENTS TRUSTEES

Elizabeth Ginsberg, Alternate Ex-Officio
(Teleconference Due to Just Cause under Section 54953 (f))

STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Carly Ntoya, Human Resources Director

I. CALL TO ORDER

The meeting was called to order by Chair Santos at 9:00 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Trustee Santos led the Trustees and staff in the Pledge of Allegiance.

III. 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

A physical quorum was present at the noticed meeting location. A request was also received by Trustee Ginsberg related to Just Cause (A) due to caregiving needs of a designated person. Trustee Ginsberg confirmed that there were no individuals 18 years or older present at the teleconference location. No requests were received for Emergency Circumstances (B).

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of August 17, 2023

IV. APPROVAL OF THE MINUTES (Continued)

Trustee Santos made a motion, Trustee Sanchez seconded, to approve the Minutes of the Regular Meeting of August 17, 2023. The motion passed by the following roll call vote:

Yes: Bernstein, Jones, Okum, Sanchez, Santos

Absent: Green, Greenwood, Kehoe

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. **Revised Trustee Education and Travel Policies**

Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee consider the attached revised Trustee Education and Travel Policies and provide further direction, including a recommendation to the Board of Retirement and Board of Investments for approval of the revised policies. (Memo dated November 9, 2023)

Trustee Santos made a motion, Trustee Okum seconded, to approve this item. The motion passed by the following roll call vote:

Yes: Bernstein, Jones, Okum, Sanchez, Santos

Absent: Green, Greenwood, Kehoe

B. **Document Processing Center Classification and Compensation Study**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Committee approve the proposed classification and compensation changes for implementation: Title change, description revision and salary change for the Document Processing Coordinator, LACERA classification; and title change, description revision and salary change for the Document Processing Assistant, LACERA classification. (Memo dated November 3, 2023)

VI. NON- CONSENT ITEMS (Continued)

Trustee Okum made a motion, Trustee Bernstein seconded, to approve this item. The motion passed by the following roll call vote:

Yes: Bernstein, Jones, Okum, Sanchez, Santos

Absent: Green, Greenwood, Kehoe

C. **Chief Executive Officer Salary Designation Authority Upon Appointment of External Candidates**

Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee recommend that the Board of Retirement and Board of Investments approve amendments to the LACERA portion of the Los Angeles County Salary Ordinance, Sections 6.127.040 M 1 for Tier I and 6.127.040 P 1 for Tier II, to permit LACERA's Chief Executive Officer to designate a Salary upon appointment of persons not employed by the County or LACERA to positions at any rate or step within the applicable Salary range, provided that for Tier I, as is currently provided for Tier II, the CEO makes a written finding based on factors to justify hiring above the minimum Salary range and with periodic reporting to the Boards, and further recommend implementation of the amendments.

(Memo dated November 9, 2023)

Trustee Jones made a motion, Trustee Bernstein seconded, to approve this item. The motion passed by the following roll call vote:

Yes: Bernstein, Jones, Okum, Sanchez, Santos

Absent: Green, Greenwood, Kehoe

D. **Discuss Cancelling December 7, 2023 Joint Organizational Governance Committee Meeting**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Committee cancel the December 7, 2023 Joint Organizational Governance Committee meeting.

(Memo dated November 8, 2023)

Trustee Okum made a motion, Trustee Santos seconded, to approve this item. The motion passed by the following roll call vote:

VI. NON-CONSENT ITEMS (Continued)

Yes: Bernstein, Jones, Okum, Sanchez, Santos

Absent: Green, Greenwood, Kehoe

VII. REPORTS

A. **Fiscal Year 2023-2024 Mid-Year Budget Adjustments**

Laura Guglielmo, Assistant Executive Officer
(Presentation) (Memo dated November 8, 2023)

Ms. Guglielmo provided a presentation and answered questions from the Committee. This item was received and filed.

B. **Fiscal Year 2022-2023 Final Budget Control Report**

Laura Guglielmo, Assistant Executive Officer
(For Information Only) (Memo dated November 9, 2023)

This item was received and filed.

VIII. ITEMS FOR STAFF REVIEW

There were no items for staff review.

IX. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

X. **GOOD OF THE ORDER**
(For Information Purposes Only)

There was nothing to report.

XI. EXECUTIVE SESSION

A. **Potential Threats to Public Services or Facilities**
(Pursuant to Subdivision (a) of California Government Code Section 54957)

XI. EXECUTIVE SESSION (Continued)

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

There was nothing to report at this time.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:54 a.m.



February 21, 2024

TO: Each Trustee,
Joint Organizational Governance Committee

FROM: Steven P. Rice, *SPR*
Chief Counsel

Allison E. Barrett, *AEB*
Senior Staff Counsel

FOR: February 29, 2024 Joint Organizational Governance Committee Meeting

SUBJECT: Ethics and Compliance as Strategic Priorities:
LACERA Ethics and Compliance Program Framework

RECOMMENDATION

That the Committee (1) provide input on the proposed Ethics and Compliance Program Charter, which is a goal of the Board of Retirement's approved Strategic Plan, and (2) recommend to the Board of Retirement and Board of Investments that they forward the proposed Charter to the Audit Committee for further development to be returned to the Boards for final approval.

LEGAL AUTHORITY

Establishment of LACERA's Ethics and Compliance Program is one of the goals of the 2023-2028 Board of Retirement Strategic Plan. Ethics and compliance impact the entire organization. Therefore, the authority for the approval of the Ethics and Compliance Program Charter includes several of LACERA's governing bodies. The Board of Retirement reviewed and discussed the proposed Charter at its January 3, 2024 meeting and referred the issue to the Joint Organizational Governance Committee (JOGC) for consideration.

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

The Audit Committee Charter was established to:

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

- A. Internal Audit Activity
- B. Professional Service Provider Activity
- C. Financial Reporting Process

- D. Values and Ethics, and
- E. Organizational Governance
- F. Audit Committee and Internal Audit Budget

(Audit Committee Charter, Section II.)

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

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

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

Taking the mandate of each of these committees into account, staff proposes that the JOGC review the Charter and then recommend to both Boards that they refer it to the Audit Committee for further development. This proposal is in line with the Audit Committee Charter's delegation of responsibility for reviewing the effectiveness of compliance controls. The Audit Committee will then be responsible for finalizing the Program Charter and recommending to the joint Boards that they approve a revised Audit Committee Charter incorporating the Committee's new responsibility for oversight of the Ethics and Compliance Program.

This review process will include both Boards and their joint committees in the approval of the Ethics and Compliance Program with respect to their respective areas of authority and oversight. The process will support the ethics and compliance needs of the entire organization, building upon and expanding the existing organizational responsibilities of the Audit Committee (which will be renamed the Audit, Compliance, Risk, and Ethics Committee (ACRE)). This approach is based on the belief that ethics and compliance are most appropriately and effectively addressed at the organizational level, as already provided in the current Audit Committee Charter with respect to Internal Audit.

DOCUMENTS

The supporting documents for the JOGC's consideration of this item are:

Attachment A – Presentation

Attachment B – Proposed Ethics and Compliance Program Charter

Attachment C – Redlined Charter. The redline shows changes from the version of the Charter considered by the Board of Retirement at its January 3, 2024 meeting. The changes were made to address comments made by the Board of Retirement and also incorporate discussions with management and staff following the meeting.

DISCUSSION

Discussion of the issues is set forth in detail in the staff presentation (Attachment A). The presentation includes:

1. Management's Perspective
2. Ethics and Compliance are Strategic Concepts
 - A. Ethics Comes First
 - B. Compliance is a Requirement
 - C. Authority supporting Need for an Ethics and Compliance Risk Management Process
3. LACERA's Proposed Ethics and Compliance Program
4. Outside Counsel Comments
5. Internal Audit Comments
6. Next Steps

The presentation explains that ethics and compliance are strategic concepts for LACERA that create significant risks if not addressed and that, if addressed, will have tangible business value to LACERA in performing its Mission for our members. The presentation reviews the supporting research and legal authority to demonstrate an ethics and compliance program is a best practice in not only the pension industry but across mature organizations. The presentation reviews the proposed LACERA Ethics and Compliance Program Charter. Finally, the presentation includes information from LACERA's Executive Office, outside ethics and compliance counsel Rebecca Walker, of Kaplan & Walker LLP, and Chief Audit Executive Richard Bendall as to their perspectives.

At its January 3, 2024 meeting, the comments by the Board of Retirement focused on three primary areas.

First, the Board of Retirement asked questions concerning the placement of the Ethics and Compliance Office in the Legal Division, with the Chief Ethics and Compliance Officer (CECO) reporting *administratively* to the Chief Counsel. The revised Charter expands and clarifies the CECO will report *functionally* to the ACRE Committee and the Chief Executive Officer (CEO). The CEO will be the CECO's appointing authority, and the CEO will seek the ACRE Committee's input on hiring, firing, and disciplining, and on the CECO's annual performance evaluation. The CECO will have the independent ability to directly report to the CEO, ACRE Committee, and Boards. The reporting relationship to Chief Counsel is for administrative support.

The presentation (at Attachment A – Slide 22) includes information showing that many of LACERA's peer systems provide a much larger oversight role for General Counsel than proposed for LACERA's program. Slide 22 also shows that, in some systems, the reporting relationship runs to the CEO, the Deputy CEO, or Chief Operating Officer. In certain of these systems, the line of reporting is combined with other functions, including Legal, and still involves counsel.

Regarding the reporting issue, the Board of Retirement requested a clear and simple organizational chart for the CECO and Ethics and Compliance Office illustrating their place and reporting relationships. A new organizational chart is included in the presentation. (Attachment A – Slide 19.)

LACERA staff believes there are synergies with the Legal Office given the highly legal nature of LACERA's business, and therefore, the Ethics and Compliance Office will be best situated in Legal at the outset of the Program's implementation. The proposed Charter provides for annual review until the Program is fully operational and mature, so there will be opportunity to adjust the reporting relationship if indicated.

Second, the Board of Retirement asked whether the ethics and compliance function is duplicative of Internal Audit or could weaken Internal Audit. At the January 2024 Board of Retirement meeting, Mr. Bendall stated that an ethics and compliance program is a necessary part of a mature risk management system and additive to Internal Audit. The JOGC presentation includes slides from Mr. Bendall further explaining Internal Audit's perspective. (Attachment A – Slides 28-29.) In addition, the proposed Charter has been revised to clarify that ethics and compliance is a management responsibility, not an independent assurance function like Internal Audit.

Third, the Board of Retirement asked whether it is necessary to incur the cost of an ethics and compliance function. The JOGC presentation (Attachment A – Slides 12-16) includes the legal and authority providing that a dedicated ethics and compliance function is a best practice in organizational governance and should be adequately resourced. This authority includes (1) the fiduciary duties of loyalty and prudence owed by the Boards under the California Constitution and CERL (Slide 12), (2) The Institute of Internal Auditors' *Three Lines Model* of risk management (Slide 13), (3) the Federal Sentencing Guidelines for Organizations (Slide 14), (4) the Securities and Exchange Commission in its investigation of public pension systems (Slide 15), and (5) the trend among peer pension systems (Slide 16). LACERA's ethics and compliance counsel and advisor Rebecca Walker will be present at the JOGC meeting to provide her input to the Committee (see Attachment A – Slides 25-27). The cost of the Program is necessary to comply with these best practices in the management of LACERA's ethics and compliance risks. Additionally, the Program is a form of organizational protection as the Federal Sentencing Guidelines provide that a well-designed, adequately resourced Program may serve to mitigate any potential liability in the event of an investigation (Slide 14).

The proposed Charter has been revised to further confirm its alignment with fiduciary duty, legal and other authorities, and best practices.

CONCLUSION

Creation of an organization-wide LACERA Ethics and Compliance Program is a step in the development of a separate formal and independent ethics and compliance function within management and in the maintenance of a strong culture of ethics and compliance as provided in the Board of Retirement's Strategic Plan. The Program will assist the CEO, senior leaders, the Audit Committee, and the Boards in their oversight of ethics and compliance. The Program will be subject to regular review and evaluation, particularly in its initial stages. The Program will be complementary to the separate independent assurance responsibilities of Internal Audit.

Staff recommends that the JOGC (1) provide input on the proposed LACERA Ethics and Compliance Program Charter, which is a goal of the Board's approved Strategic Plan, and (2) recommend to the Board of Retirement and Board of Investments that they forward the proposed Charter to the Audit Committee for further development to be returned to the Boards for final approval.

Attachments

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan

**ATTACHMENT A
PRESENTATION**



Ethics and Compliance as Strategic Priorities: LACERA Ethics and Compliance Program Framework

Joint Organizational Governance
Committee
February 29, 2024

Board of Retirement Strategic Plan



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



Strategic Priority 4: Compliance and Enterprise Risk Management

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

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

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

On January 3, 2024, the Board of Retirement reviewed the proposed Ethics and Compliance Program Charter, provided input, and referred it to the JOGC as the next step in achieving this priority of the Strategic Plan.

Today, staff will present the framework for the LACERA Ethics and Compliance Program in service to members and beneficiaries.



1. Introduction and Management's Perspective
2. Ethics and Compliance are Strategic Concepts
 - A. Ethics Comes First
 - B. Compliance is a Requirement
 - C. Authority supporting Need for an E&C Risk Management Process
3. LACERA's Proposed Ethics and Compliance Program
4. Outside Counsel Comments
5. Internal Audit Comments
6. Next Steps
7. Management's Concluding Comments



Ethics and Compliance are Strategic Concepts

- > Ethics**
- > Compliance**
- > Authority for E&C Program**

Ethics and Compliance are Strategic in Three Dimensions



Ethics and Compliance are:

 **Ways of Thinking and Acting** that are essential to LACERA's fiduciary duties of prudence and loyalty and its Mission to produce, protect, and provide the promised benefits to our members

 **Risks** to LACERA

 **Process** to support the Boards and management in:

- Oversight of important aspects of LACERA's operations
- Encouragement and support to the entire organization
- Risk mitigation

Ethics Comes First



“Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to always **do the right thing**, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and its Mission to produce, protect, and provide the promised benefits to our members.

Ethics comes first because decisions must be based on what *should* be done under applicable standards, not just what *can* be done.



Ethics is the **compass** when navigating decisions.

Values

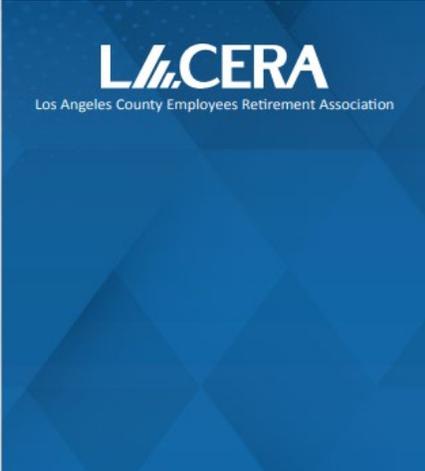
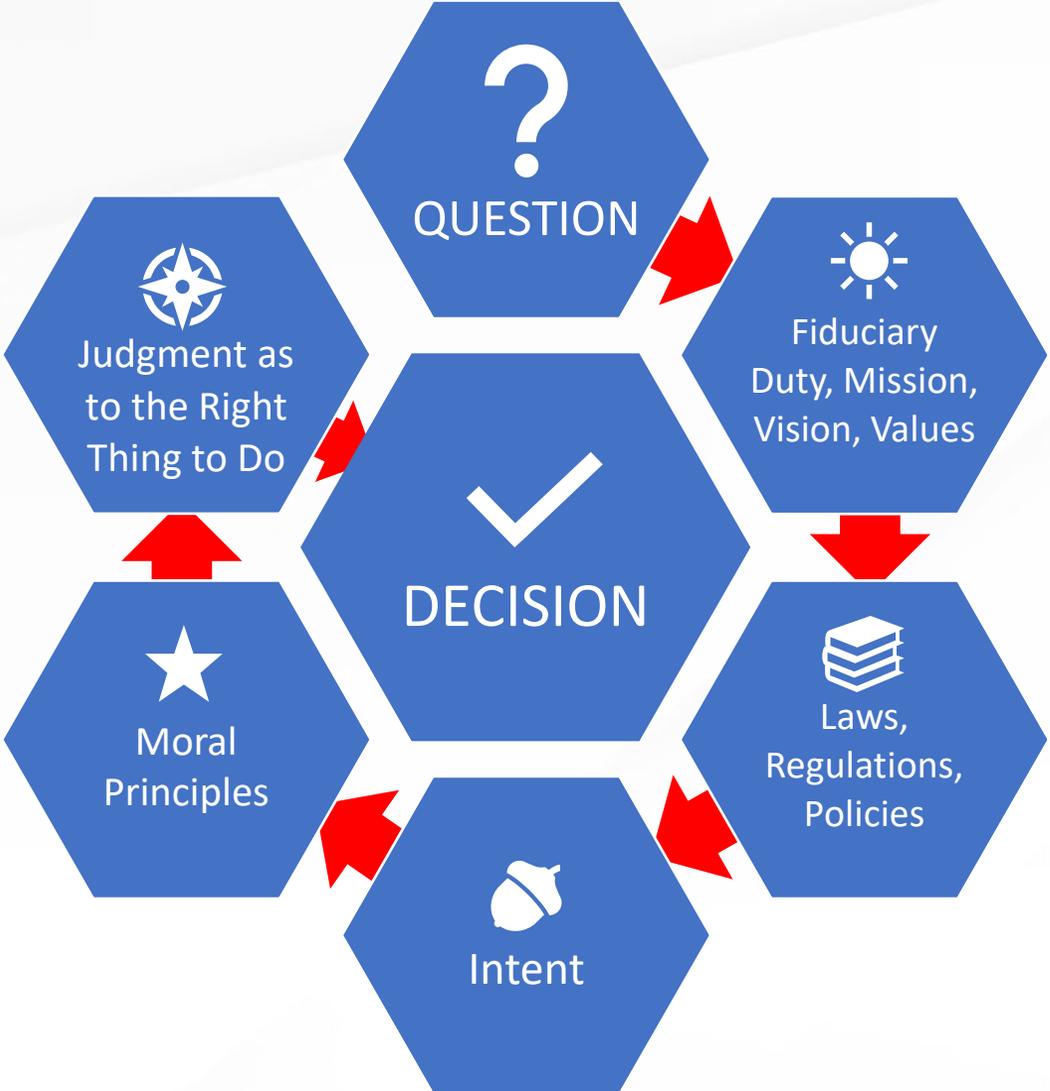
- Accountability**
We take responsibility for our actions and operate with the highest standards of professionalism and respect in fulfilling our mission and duty as prudent stewards of the pension funds.
- Collaboration**
We are One LACERA. We promote unity by successfully working together across all levels of the organization to deliver on our strategic priorities and objectives.
- Inclusivity**
We welcome all individuals, honoring and respecting their unique stories and perspectives, and celebrating the value that diversity adds to the organization in meeting our mission and strategic priorities.
- Innovation**
We cultivate a creative, forward-thinking approach in seeking out new ideas and novel solutions to continually improve our operations and the member experience.
- Integrity**
We earn trust by our dedication to honesty, fairness, and ethical conduct in the service of our members and each other.
- Transparency**
We clearly communicate our knowledge, ideas, and expertise in an open, fair, and honest environment, resulting in better organizational outcomes and decision-making.

Ethical Decision-Making

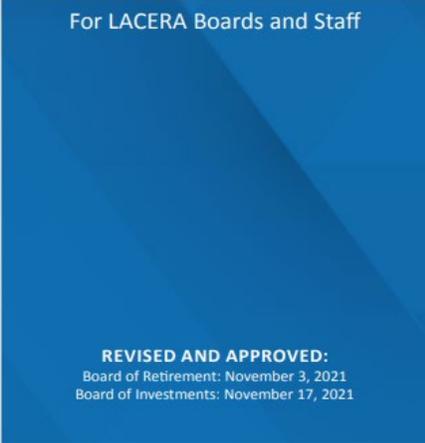


“Ethics is knowing the difference between what you have a right to do and what is right to do.”

-U.S. Supreme Court Justice Potter Stewart



CODE OF ETHICAL CONDUCT





Misconduct/Violations of Laws, Regulations, Policies, and Procedures

Shading of Standards

- Just within the line of compliance, but not consistent with ethical standards and norms
- Such conduct:
 - Increases the perception of being unethical,
 - Increases the risk of claims of violations, and
 - Weakens the fabric of ethics in the organization, and
 - Increases the risk of misconduct or substandard conduct in the performance of LACERA's fiduciary duty to members and beneficiaries
- Examples of Being Compliant but Unethical
 - Taking an allowed advantage or benefit that is not necessary to achieve business objective as fiduciaries

Acting Contrary to Public Service and Fiduciary Duty to Members and Beneficiaries

Business Case for Ethics as a Priority



Research* supports that strong ethics programs result in:

- ✓ Improved staff experience because an ethical culture fosters feelings of trust, purpose, and teamwork:
 - Enhanced staff morale and engagement
 - Aid in staff retention/loyalty and recruitment
- ✓ Improved organizational performance following from the positive effect on staff:
 - Improved productivity and efficiency
 - Increased member service and satisfaction
 - More innovation and adaptability to new initiatives
 - Reputational gains with all stakeholders
- ✓ Reduced misconduct, claims, and lawsuits; protection for trustees/management; increased internal reporting that in turn reinforces the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Improved Board and management oversight of and response to ethical issues

*Harvard Business Review, Gartner, numerous industry organizations, and other sources

Compliance is a Requirement



“Compliance” means adhering to the laws, regulations, policies, and procedures that govern LACERA – following the rules.

Compliance Risks

✘ Misconduct/Violation of Applicable Legal and Policy Standards

↑↓ Inconsistent Adherence and Interpretation of Standards

👤 Absence of Board and Management Awareness of Noncompliance

🧭 Lack of Understanding of Role of Ethics, Leading to Compliant but Unethical Conduct

Business Case for Compliance as a Priority



Research* supports that strong compliance structures lead to:

- ✓ Reduced misconduct, claims, and lawsuits; trustees/management protected when claims do arise; increased internal reporting reinforcing the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Greater Board and management knowledge and oversight of and response to compliance issues; proactive risk identification and mitigation, rather than reacting to problems after they have occurred, leading to improved organizational performance
- ✓ Improved staff experience from trust based on understanding and uniformity of standards and consistent treatment
- ✓ Additional benefits when compliance is linked to ethics as described on Slide 9

*Harvard Business Review, KPMG, Gartner, numerous industry organizations, and other sources



The Boards have “plenary authority and fiduciary responsibility for investment of moneys and administration of the system,” subject to:



DUTY OF LOYALTY “(b) ... solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries ...”



DUTY OF PRUDENCE “(c) ... with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use ...” in the conduct of a public pension system.

-- California Constitution, Art. XVI, Section 17; see CERL, Government Code §31595

Loyalty and Prudence require that the Boards have a process to oversee the ethical and compliant operation of LACERA and the response to ethics and compliance issues. The fiduciary duty of oversight also applies to management and staff.

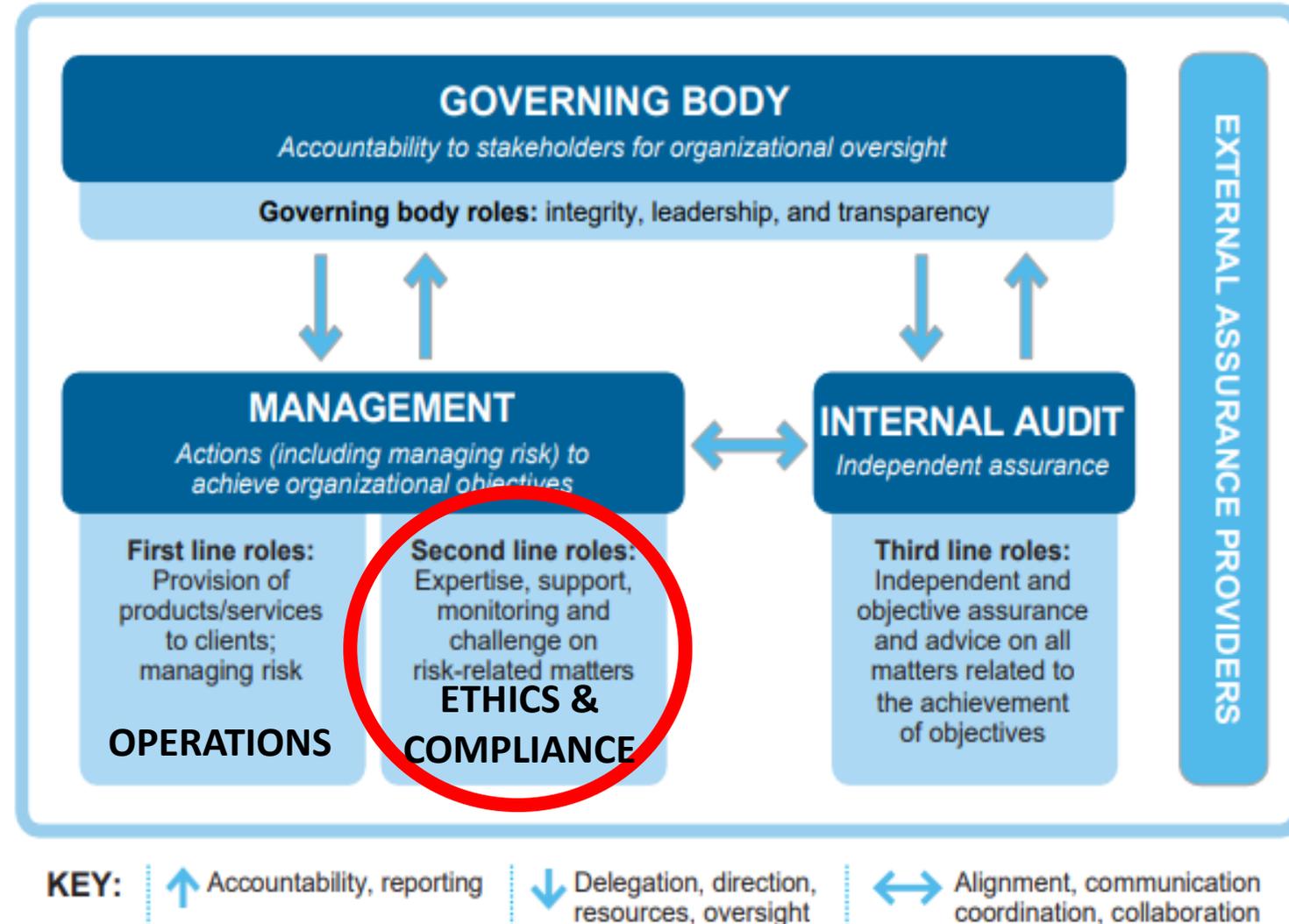
Authority for Ethics and Compliance Program –

(2) The Institute of Internal Auditors' *Three Lines Model*



The Institute of Internal Auditors' *Three Lines Model*:

- Under this model, compliance is the second line under management as a separate function to provide support in the management of risk associated with ethical conduct and compliance in LACERA's operations.
- The first line under management is delivery of services in LACERA's divisions ethically and in compliance with applicable requirements.
- The third line is Internal Audit, which provides independent assurance as to LACERA's controls in addressing risk and is complementary to the first and second lines.



Based on IIA's Three Lines Model (2020)

13

Authority for Ethics and Compliance Program –

(3) Guidance under Federal Sentencing Guidelines



In 1991, Federal Sentencing Guidelines for Organizations were promulgated, creating the first broad-based incentive for organizations to establish ethics and compliance programs. The Guidelines promise reduced fines following criminal violations if an organization has an effective ethics and compliance program. The Department of Justice continues to issue guidance in this area, most recently in 2023. This guidance is recognized as a best practices roadmap:



Is the Program Well-Designed?

- Risk Assessment
- Policies and Procedures
- Training and Communication
- Reporting
- Investigation Process
- Third-Party Management



Is the Program Adequately Resourced?

- Commitment and Oversight by Boards and Management
- Autonomy and Resources
- Consequence Management



Does the Program Work in Practice?

- Continuous Improvement, Testing, and Review of Program
- Investigation of Misconduct
- Identification, Analysis, and Remediation of Misconduct

As the Department of Justice has stated, “Beyond compliance structures, policies, and procedures, it is important for a company to **create and foster a culture of ethics and compliance** with the law. The effectiveness of a compliance program requires a high-level commitment by company leadership to implement a culture of compliance from the top.”

Authority for Ethics and Compliance Program –

(4) Securities and Exchange Commission



In 2008, the SEC issued a report of its investigation of potential securities laws violations by The Retirement Systems of Alabama (RSA) relating to use of material, nonpublic information (MNPI). The report reminded pension funds of their responsibilities under federal laws and warned them that they assume a greater risk of violations if they do not have adequate compliance policies and procedures in place.

“We issue this Report to remind investment managers, public and private, of their obligation to comply with the federal securities laws and the risks they undertake by operating without an adequate compliance program. **RSA's conduct could have been prevented with appropriate policies, procedures and training.**”

Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The Retirement Systems of Alabama, <https://www.sec.gov/litigation/investreport/34-57446.htm>.

Authority for Ethics and Compliance Program – (5) Developing Practice among Peer Public Pensions



Systems

An increasing number of LACERA's peer public pension systems have ethics and compliance programs, plans, and staff. For example:



37 Act Systems:

CCCERA

OCERS

SDCERA



Other California Systems:

CalPERS

CalSTRS

SDCERS



Other Systems:

Florida State Board of Administration

Iowa Public Employees' Retirement System

MassPRIM

Oregon Public Employees Retirement System

State of Michigan Investment Board

State of Wisconsin Investment Board

Teacher Retirement System of Texas

Tennessee Consolidated Retirement System

Virginia Retirement System

Washington State Investment Board

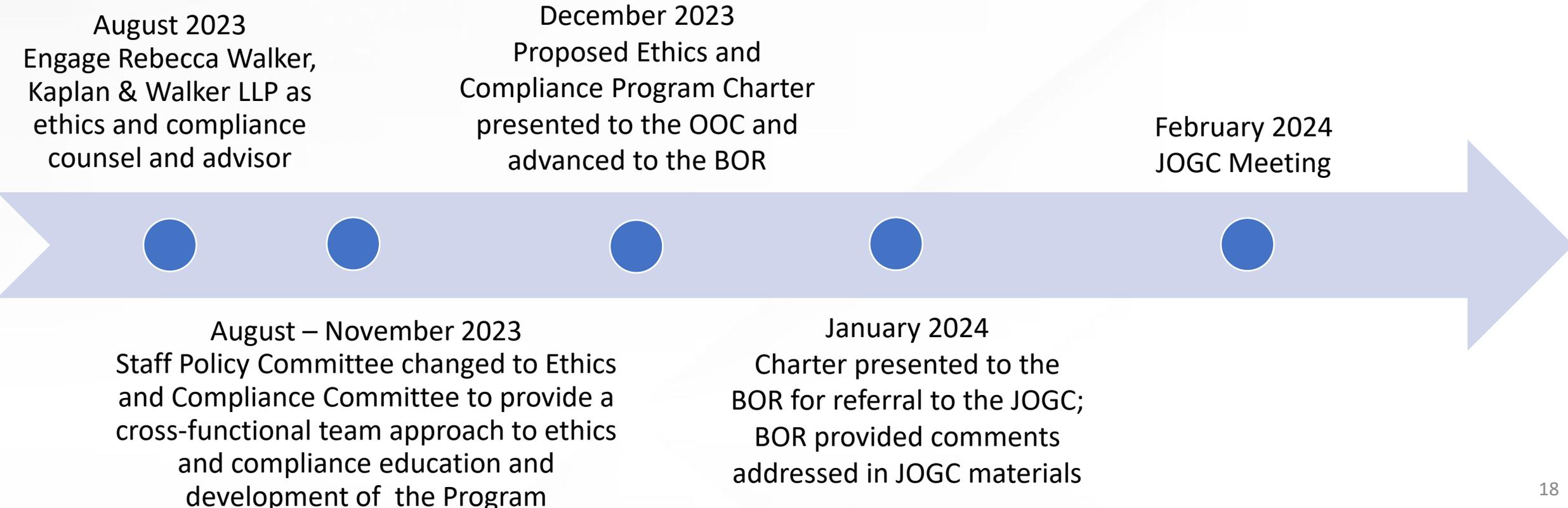


LACERA's Proposed Ethics and Compliance Program

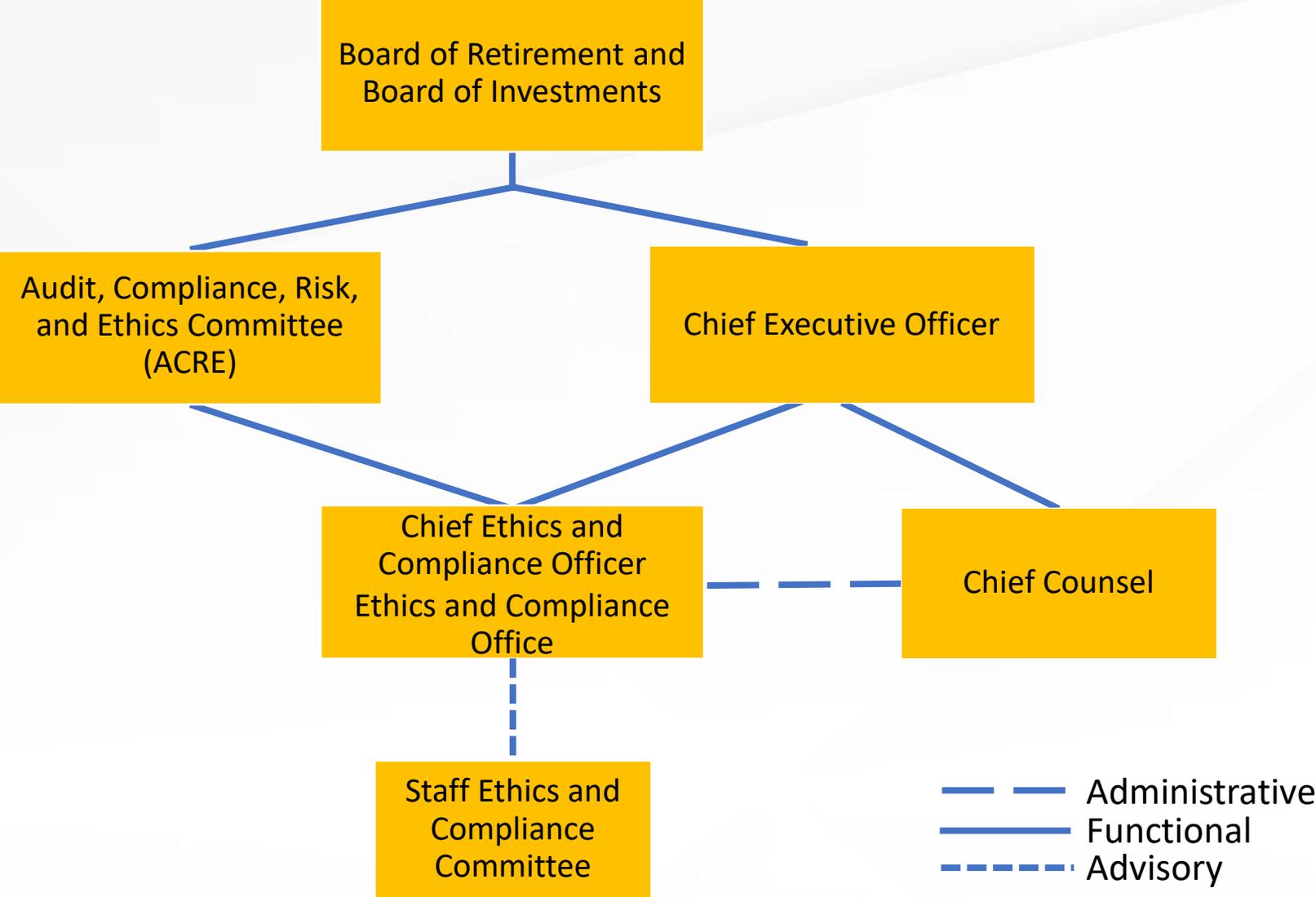
Progress



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



Proposed Ethics and Compliance Structure



Under the attached proposed Program Charter:

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

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

Roles of ACRE Committee, Boards, CEO, and Chief Counsel



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

Roles of Managers, Supervisors, and Staff



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

Peer System Reporting Lines for E&C



General Counsel is also Chief Compliance Officer:

SDCERS

Teacher Retirement System of Texas

State of Michigan Investment Board

Compliance Reports to General Counsel or in Legal Office:

OCERS

SDCERA (also has direct CEO involvement)

CalPERS

CalSTRS

Iowa Public Employees' Retirement System

(compliance officers in Legal Division)

State of Wisconsin Investment Board

Compliance Reports to Executive Director/CEO:

CCCERA

Florida State Board of Administration

Oregon Public Employees Retirement System

(combined with Internal Audit and Risk)

Virginia Retirement System

Compliance Overseen by Deputy Director/COO:

MassPRIM (General Counsel oversees legal compliance)

Tennessee Consolidated Retirement System

(counsel leads combined Legal, Compliance, and Internal Audit unit)

Washington State Investment Board

Scope of Program Activities



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

Program Responsibilities and Accountability



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

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

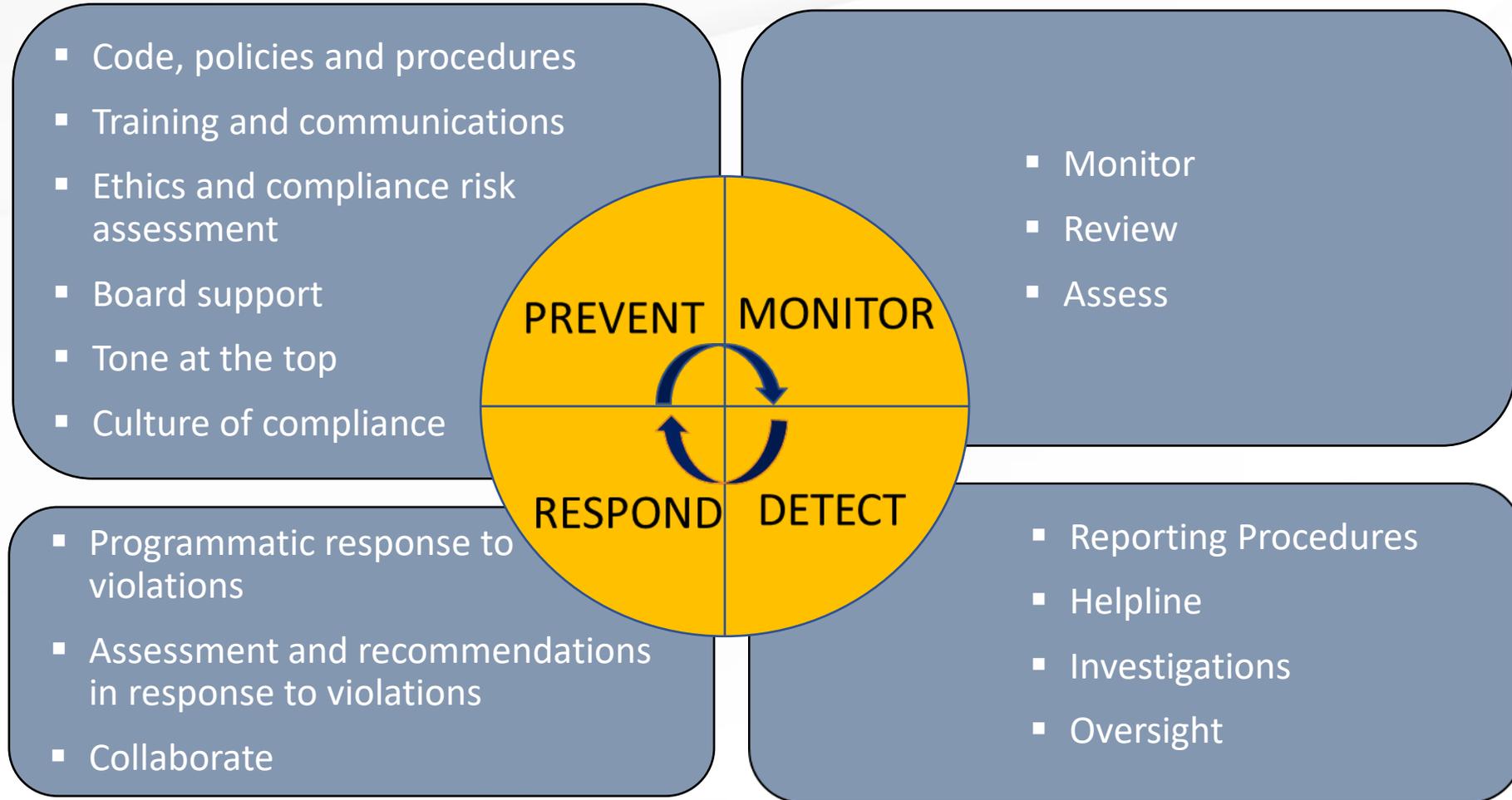


Outside Counsel Comments

Rebecca Walker, Kaplan & Walker LLP

Ethics and Compliance Counsel and Advisor

Ethics and Compliance Program Structure





Level of Oversight Will Vary with Risk Ownership

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



Direct Ownership

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



Shared Ownership

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



Moderate Oversight

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



Minimal Oversight

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

When EC assumes direct or shared ownership of compliance risks

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



Internal Audit Comments

Richard Bendall

Chief Audit Executive

Internal Audit Perspective on the Additive Value of a Formal Ethics and Compliance Function



1. Governance Risk and Control (GRC) Maturity

- Moving the mark from Initial/Repeatable to Defined/Managed and ultimately to Optimized
- Other specific enhancements to the control environment include:
 - ✓ Enhanced risk assessment
 - ✓ Improved control environment
 - ✓ Increased transparency and accountability
 - ✓ Early detection of issues
 - ✓ Regulatory alignment
 - ✓ Stakeholder confidence
 - ✓ Cost savings
 - ✓ Continuous improvement
 - ✓ Strategic alignment

2. Support for Audit Activities

- A well-established ethics and compliance function provides valuable documentation and evidence that can support Internal Audit activities, helping to focus and streamline audit processes and enhance their effectiveness



Next Steps

Next Steps



Staff requests that the JOGC recommend to both Boards that they forward the proposed Ethics and Compliance Program Charter to the Audit Committee for further development to be returned to the Boards for approval.



Thank You!



Discussion & Questions

ATTACHMENT B
CLEAN COPY
PROPOSED ETHICS AND
COMPLIANCE PROGRAM CHARTER

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. “Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund’s fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. “Compliance” means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA’s compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure for assessment, mitigation, and reporting of LACERA’s ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA’s operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA’s ethics and compliance controls.

II. AUTHORITY

LACERA’s Program is established under [Article XVI, Section 17 of the California Constitution](#) and [California Government Code Section 31595 of the County Employees Retirement Law of 1937 \(CERL\)](#) in furtherance of the Boards’ fiduciary duty of prudence and loyalty, which requires oversight of the organization’s ethics and compliance. The Program is consistent with LACERA’s Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the [Board of Retirement’s “2023-2028 Strategic Plan”](#) for LACERA and is supported by best practices in the public pension community.

The Program is consistent with [The Institute of Internal Auditors’ “Three Lines Model” publication \(2020\)](#), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA’s operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the [United States Sentencing Commission's Sentencing Guidelines for Organizations \(2023\)](#), which is the most influential of applicable compliance program standards. The [U.S. Department of Justice "Evaluation of Corporate Compliance Programs" \(March 2023\)](#), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.
- The ACRE Committee and the Chief Executive Officer (CEO) oversee the Program, with reporting to the Boards as provided in this Charter and in the ACRE Committee Charter.
- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee and the CEO.
 - Functionally, the CECO reports to the ACRE Committee and CEO with respect to the activities of the Program as provide in this Charter to facilitate the CEO and ACRE Committee's oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, firing, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; and approve the Ethics and Compliance Office budget for inclusion by the Boards in LACERA's annual administrative budget.
 - Administratively, Chief Counsel reports to the Chief Counsel, who will serve as a resource and provide guidance to the CECO on ethics and compliance issues as requested by the CECO and support the day to day operations of the Ethics and Compliance Office. The CECO has direct and independent access to the CEO, ACRE, and both Boards.
- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**

The Program independently and objectively performs the following functions:

- A. Establish and maintain the Program as a sound and durable structure in LACERA;
- B. Conduct ethics and compliance risk assessments;
- C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
- D. Review and provide input on ethics and compliance-related policies and procedures;
- E. Promote third-party/vendor risk management practices;
- F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession.
- G. Provide ethics and compliance training and communications;
- H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
- I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
- J. Measure and promote an organizational culture of ethics and compliance;
- K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
- L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**

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

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- Charters. The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.
- Best Practices and Education. The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- Independence and Objectivity. The Program operates independently and objectively. Annually, the CECO will assure the CEO and the ACRE Committee that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO and the ACRE Committee all actual or attempted interference with the Program and all conflicts of interest.
- Collaboration. The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

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

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

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee.

- Ethics and Compliance Program Framework. The Program will be appropriately staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other

methods to promote and obtain staff input, involvement, and engagement.

- B. *Ethics and Compliance Risk Assessment*. The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, and the ACRE Committee, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.
- C. *Monitoring*. The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.
- D. *Review of Policies and Procedures*. The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:
1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
 2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
 3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
 4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.
- E. *Vendor/Third-Party Ethics, Compliance, and Risk Management*. The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.
- F. *Privacy*. The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other

information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.

- G. *Training, Communications, and Incentives.* The Program will provide risk-based compliance training and communications on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.
- H. *Channels for Staff to Report Ethics and Compliance Concerns.* The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.
- I. *Program Investigation, Response, and Commitment to Non-Retaliation.* The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.
- J. *Measure Organizational Culture of Ethics and Compliance.* The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.
- K. *Reporting.* The Program will report to the ACRE Committee and CEO concerning the Program's status and operations, including information to facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to the Boards and senior leaders as needed relating to ethics and compliance issues under their authority.
- L. *Self-Assessment and Review of Program.* The Program will conduct an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators to provide quality assurance and improvement of the Program. The ACRE Committee will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems

appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

Under the leadership of the CECO, the Program shall be accountable to the ACRE Committee, Boards, and the CEO for the following:

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

approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.

- J. Annual Privacy Report. Provide a written annual report to the ACRE Committee and the Boards regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.
- K. Work Papers. The Program will preserve its work papers and other documentation pursuant to a protocol approved by the ACRE Committee and the CEO.
- L. Self-Assessment and Program Review. Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

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

- A. Managers and Supervisors. Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or violations; monitoring for retaliation; and ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the

Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

- B. *Staff Members*. Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

X. RESOURCES

- A. [Board of Retirement's "2023-2028 Strategic Plan"](#)
B. [Article XVI, Section 17 of the California Constitution](#)
C. [California Government Code Section 31595](#)
D. [The Institute of Internal Auditors' "Three Lines Model" publication \(2020\)](#)
E. [United States Sentencing Commission's *Sentencing Guidelines for Organizations* \(2023\)](#)
F. [U.S. Department of Justice "Evaluation of Corporate Compliance Programs" \(March 2023\)](#)

XI. CHARTER REVIEW

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

ATTACHMENT C
REDLINE
PROPOSED ETHICS AND
COMPLIANCE PROGRAM CHARTER

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. **STATEMENT OF PURPOSE**

The ~~purpose of the LACERA~~ Ethics and Compliance Program (Program) ~~is to promote~~promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures. ~~The Program provides an independent, objective, proactive, and durable structure of across the organization-wide.~~

At LACERA, ethics comes first. "Ethics" means the application of sound judgment and the diligent practice of LACERA's Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. "Compliance" means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA's compliance risk assessment; policy review; monitoring; training; communication channels (with no retaliation); investigation; response to ethics and compliance concerns; recommendations for remediation; privacy oversight; vendor/third party management; reporting to the Chief Executive Officer (CEO), senior leaders, – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, and the Boards regarding ethics and compliance; and continuous evaluation, self-assessment, the Board of Retirement and improvement Board of Investments, and management in performing their duty of oversight by providing an independent structure for assessment, mitigation, and reporting of LACERA's ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA's operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement ~~in~~of LACERA's ethics and compliance controls. ~~The Program furthers LACERA's Mission, Vision, Values, and the fiduciary duty owed to its members and their beneficiaries by facilitating oversight of ethics and compliance.~~

II. **AUTHORITY**

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

- ~~• LACERA's fiduciary duty of loyalty and prudence under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595.~~
- ~~• The County Employees Retirement Law of 1937 (CERL), under which~~

~~LACERA was formed and operates:~~

- ~~• The Public Employees' Pension Reform Act of 2013 (PEPRA).~~
- ~~• LACERA's Code of Ethical Conduct.~~
- ~~• LACERA's Conflict of Interest Code, as required by the Political Reform Act.~~
- ~~• LACERA's Mission, Vision, Values, and Guiding Principles of the Values approved by the Board of Retirement and Board of Investments.~~
- ~~• All other applicable laws and regulations and LACERA's policies and procedures.~~

LACERA's Program is established under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595 of the County Employees Retirement Law of 1937 (CERL) in furtherance of the Boards' fiduciary duty of prudence and loyalty, which requires oversight of the organization's ethics and compliance. The Program is consistent with LACERA's Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the Board of Retirement's "2023-2028 Strategic Plan" for LACERA and is supported by the listed authority and by best practices in the public pension community and is one of the primary objectives of LACERA's 2023-2028 Strategic Plan. The Program is consistent with the Institute of Internal Auditors' *Three Lines Model*.

The Program is consistent with The Institute of Internal Auditors' "Three Lines Model" publication (2020), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA's operational divisions, working in conjunction with the. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the United States Sentencing Commission's *Sentencing Guidelines for Organizations (2023)*, which is the most influential of applicable compliance program standards. The U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- ~~• The Program is established by the Chief Executive Officer (CEO) with the approval and oversight of the Audit, Compliance, Risk, and Ethics (ACRE) Committee. The ACRE Committee's oversight role is defined in the committee's approves this Charter, as approved under authority granted by the Board of Retirement and ~~the~~ Board of Investments (Boards.) in the ACRE Committee~~

Charter.

- The ACRE Committee and the Chief Executive Officer (CEO) oversee the Program, with reporting to the Boards as provided in this Charter and in the ACRE Committee Charter.
- The Program resides in a separate Ethics and Compliance ~~Unit~~Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ~~CEO and the~~ACRE Committee and the CEO.
- ~~The~~Functionally, the CECO will provide information reports to the CEO, ~~senior leaders, and/or the~~ACRE Committee and ~~Boards~~CEO with respect to the activities of the Program as provide in this Charter to facilitate (1) ~~the~~CEO and ACRE Committee's oversight of ~~the Program and~~(2) ~~their~~ability to ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee will respond to substantive ethics and compliance ~~concerns~~issues presented by the CECO; approve the CEO's hiring, firing, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; and approve the Ethics and Compliance Office budget for inclusion by the Boards in LACERA's annual administrative budget.
- ~~Administratively,~~ Chief Counsel reports to the Chief Counsel, who will serve as a resource and provide guidance to the CECO on ethics and compliance issues as requested by the CECO and support the day to day operations of the Ethics and Compliance Office. The CECO has direct and independent access to the CEO, ACRE, and both Boards.
- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict ~~on the part of,~~ the CECO ~~on any matter~~will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel ~~– or the CEO if Chief Counsel has a conflict –~~ will confer with the ~~CEO and the Audit~~ACRE Committee ~~Chair~~as to the proper handling of the matter.

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IV. OBJECTIVES

- **Ethics and Compliance Objectives.**
The Program independently and objectively performs the following functions:
 - A. Establish and maintain the Program as a sound and durable structure in LACERA;
 - B. Conduct ethics and compliance risk assessments;

C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;

D. Review and provide input on ethics and compliance-related policies and procedures;

E. Promote third-party/vendor risk management practices;

F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession.

E-G. Provide ethics and compliance training and communications;

F-H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;

G-I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;

J. Measure and promote an organizational culture of ethics and compliance;

H-K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and

I-L. Annually self-assess, ~~seek and adjust as needed~~, subject to periodic independent review of the Program, ~~and adjust as needed~~.

- **Consulting and Advisory Objectives.**

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

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- Charters. The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.

- Best Practices and Education. The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented in light of considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- Independence and Objectivity. The Program operates independently and objectively, ~~seeking continuous improvement in LACERA's ethical conduct and compliance with laws, regulations, policies, and procedures. Independence and objectivity mean that the Program will remain free from interference and internal or external conflicts of interest.~~ Annually, the CECO will assure the CEO and the ACRE Committee that the Program is operating independently

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and ~~with~~without interference or conflicts of interest. The CECO will immediately disclose to the CEO and the ACRE Committee all actual or attempted interference with the Program and all conflicts of interest.

- Collaboration. The Program will ~~employ~~ employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

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

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the ~~Ralph M. Brown Act~~Brown Act and other applicable laws, regulations, policies, and procedures.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders, ~~the ACRE Committee,~~. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and Boards procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee.

- A. Ethics and Compliance Program Framework. The Program will be appropriately staffed within the Ethics and Compliance ~~Unit of the Legal Division~~Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO ~~and the~~, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and otherwise by providing staff input and support ~~to the Program~~. The Program will also use other methods to promote and obtain

staff input, involvement, and engagement.

- B. *Ethics and Compliance Risk Assessment*. The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and gaps-key risk indicators. Assessment findings -will be reported to the CEO, other senior leaders, and the ACRE Committee, along with guidance recommendations on upgrading current or establishing new controls to mitigate- any identified ethics and compliance risks.
- C. *Monitoring*. The Program will review and monitor LACERA's relevant operations ~~and~~, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. -The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.
- D. *Review of Policies and Procedures*. The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:
1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
 2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
 3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures; and recommend new policies and procedures as indicated.
 4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.
- E. *Vendor/Third-Party Ethics, Compliance, and Risk Management*. The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, ~~monitoring of background checks~~, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.
- F. *Privacy*. The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other

information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.

- G. Training, Communications, and Incentives. The Program will provide risk-based compliance training and communications on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.
- H. Channels for Staff to Report Ethics and Compliance Concerns. -The Program will provide and monitor channels, ~~including but not limited to promoting and assisting with the Ethics Hotline,~~ through which staff and others ~~are~~will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.
- I. Program Investigation, Response, and Commitment to Non-Retaliation. -The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.
- J. Measure Organizational Culture of Ethics and Compliance. Reporting. -The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.
- J.K. Reporting. ~~regularly~~-The Program will report to the ~~CEO, senior leaders, and the ACRE Committee~~ and CEO concerning ~~its~~the Program's status and ~~efforts~~operations, including information to facilitate ~~the CEO, other leaders, and the ACRE Committee's~~ oversight of ~~the~~ Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to the Boards and senior leaders as needed relating to ~~matters~~ethics and compliance issues under their authority.
- K.L. Self-Assessment and Review of Program. The Program will annually conduct ~~a~~an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators ~~in order~~ to provide quality

assurance and improvement of the Program. The ACRE Committee will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

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

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

quarterly reports on vendor/third-party ethics and compliance risks and organizational management and response.

H.I. *Annual Ethics and Compliance Report.* Provide a written annual report to the ACRE Committee and the Boards regarding the status of the Program, the approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.

H.J. *Annual Privacy Report.* Provide a written annual report to the ACRE Committee and the Boards regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.

K. *Work Papers.* The Program will preserve its work papers and other documentation pursuant to a protocol approved by the ACRE Committee and the CEO.

J.L. *Self-Assessment and Program Review.* Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written ~~annual~~ report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

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

A. *Managers and Supervisors.* Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or

violations; monitoring for retaliation; and ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

B. Staff Members. Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not ~~comport~~comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

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X. X. RESOURCES

- A. Board of Retirement's "2023-2028 Strategic Plan"
- B. Article XVI, Section 17 of the California Constitution
- C. California Government Code Section 31595
- D. The Institute of Internal Auditors' "Three Lines Model" publication (2020)
- E. United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023)
- F. U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023)

XI. CHARTER REVIEW

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

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February 12, 2024

TO: Each Trustee,
Joint Organizational Governance Committee

FROM: Santos H. Kreimann ^{SKC}
Chief Executive Officer

FOR: February 29, 2024 Joint Organizational Governance Committee Meeting

SUBJECT: 2024 Joint Organizational Governance Committee Proposed Meeting
Calendar and Agenda Items

RECOMMENDATION

That the Joint Organizational Governance Committee (JOGC) schedule the 2024 calendar year meetings and provide input on the proposed agenda items.

DISCUSSION

In addition to the February meeting, the JOGC is scheduled to meet two additional times in calendar year 2024. A draft of the 2024 schedule of topics for your review is provided below.

Staff would like the Committee's input on any additional topics and/or educational sessions that can be added to the remaining meetings for 2024. In addition to these items, the committee will hold closed sessions meetings as needed on matters within the JOGC's scope under its Charter. The Charter provides for meetings in February to elect officers, in April for budget review, and such further meetings as needed with the concurrence of the Board Chairs or the JOGC committee Chair.

Month	Potential Meeting Dates to Consider	Item Description
April 2024	Mon., 4/15, Tues., 4/16, Wed., 4/17, Thurs., 4/18 Wed., 4/24, Thurs., 4/25	LACERA Budget Policy, Conflict of Interest Code Review, FY 24-25 Proposed Preliminary Budget
November 2024	Thurs., 11/7, Thurs., 11/14 Wed., 11/20, Thurs., 11/21	Mid-Year Budget Adjustment, Final Budget Control Report, Code of Ethical Conduct

Staff looks forward to the Committee's discussion and agenda input at the JOGC meeting on Thursday, February 29, 2024 at 9 a.m.

SK:bn