IN PERSON & VIRTUAL BOARD MEETING

MAY 18, 2026 AT 9:00 AM

BOARD OF RETIREMENT OFFSITE

TO VIEW VIA WEB

https://lacera.com/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, please visit the above link and complete the request form.

Attention: If you have any questions, you may email PublicComment@lacera.com.

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

AGENDA

A SPECIAL MEETING OF THE BOARD OF RETIREMENT

AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

HYATT REGENCY | 200 S. PINE AVE., LONG BEACH, CA 90802

MONDAY, MAY 18, 2026 | 9:00 A.M.

This meeting will be conducted by the Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953.8.3. Any person may view the meeting online at https://LACERA.gov/leadership/board-meetings

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

9:00 a.m. Call to Order

Pledge of Allegiance

Procedure for Teleconference Meeting Attendance Under Senate Bill 707

A. Just Cause (California Government Code Section 54953.8.3)
B. Statement of Persons Present at Teleconference Locations (Senate Bill 707)

Public Comment
(Members of the public may address the Committee and Boards orally and in writing. To provide Public Comment, you should visit

https://LACERA.gov/leadership/board-meetings and complete the request form.

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 and Boards. 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 within the form 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.gov.)

9:05 a.m. Welcome & Opening Remarks
Luis A. Lugo, Chief Executive Officer

9:10 a.m. Strategic Direction: Organizational Alignment
Luis A. Lugo, Chief Executive Officer

LACERA will align structure, roles, and processes to strategic priorities, strengthening coordination, accountability, and efficiency, while advancing the Member Empowerment initiative to enhance digital access and member experience.

10:00 a.m. AI Governance and Risk Management
Meredith Jackson, Independent Consultant at the Fronty Group

An expert-led session on establishing effective AI governance and oversight to manage risk, ensure accountability, and support responsible adoption.

10:45 a.m. ***Break***

11:00 a.m. The Future of AI
Mike Smucny, Senior Director, Microsoft
Jeremy Mathurin, Solutions Engineering Director, Microsoft

A practical, educational briefing on where AI is, where it's going, and what it means for LACERA.

11:30 a.m. AI Fireside Chat

Kathy Delino, Chief, Information Technology
Chait Errande, Information Security Officer
Meredith Jackson, Independent Consultant, the Fronty Group
Mike Smucny, Senior Director, Microsoft
Jeremy Mathurin, Solutions Engineering Director, Microsoft

A conversation with LACERA leaders and industry experts exploring AI governance, emerging opportunities, and the path to responsible innovation in public-sector retirement administration.

Noon	***Lunch***

1:00 p.m. Navigation, Not Autopilot: AI-Enabled Disability Retirement with Human Judgment

Tamara Caldwell, Disability Retirement Division Manager
Hernan Barrientos, Disability Retirement Specialist Supervisor
Amabelle Delin, Senior Disability Retirement Specialist
Maritza Perez, Disability Retirement Specialist
Shay Matsuura, Disability Retirement Specialist
David Gharibian, Disability Retirement Specialist

Disability Retirement Services (DRS) is modernizing how members enter and move through a highly regulated, sensitive process by using AI to reduce mechanical workload (like indexing and triage) while keeping human-in-the-loop. The goal is a smoother, clearer member journey without sacrificing accuracy, due process, or the investigative nature of the work.

2:00 p.m. Legal Office's Support for Key Board and Organizational Processes

Introduction
Steven Rice, Chief Counsel

Legal Office's Support for Key Board and Organizational Processes (Continued)

The history, organization, and role of the Legal Office reflect support for Boards, management, and staff in complying with fiduciary duties and applicable law. The following presentations by a broad cross-section of LACERA's in-house lawyers will review Legal's collaboration in the development and implementation of key organizational processes.

Designing Core Education and Training for Boards and Staff
Allison Barrett, Senior Staff Counsel
Jessica Rivas, Staff Counsel

This presentation proposes a structure and regular defined cadence for trustees and staff to receive internally provided training on core subjects consistent with legal requirements and best practices among pension systems and other public agencies, such as fiduciary training, the Brown Act, ethics, conflict of interest and Form 700s, and fiscal and financial legal training. These core subjects are broadly relevant to trustees and staff in prudently performing their duties to members and their beneficiaries.

2:30 p.m. ***Break***

2:45 p.m. ***LACERA's Error Correction and Recovery Policy***
Michael Herrera, Senior Staff Counsel
Jean Kim, Senior Staff Counsel

Counsel will review LACERA's current policy for the recovery of member overpayments and underpayments designed to ensure compliance with the Board's fiduciary duty to safeguard pension fund assets, and preview future recommended changes aimed at continuing to fulfill this objective.

Administrative Appeals and Felony Forfeitures
Eugenia Der, Senior Staff Counsel
Michael Herrera, Senior Staff Counsel
Jason Waller, Senior Staff Counsel
Jessica Rivas, Staff Counsel

Legal Office's Support for Key Board and Organizational Processes (Continued)

This presentation will review legal principles underlying LACERA's current administrative appeals policies and discuss the multi-phased procedures designed to effectively process benefits, disability, and felony forfeiture-related cases.

From Intake to Execution: Legal Contracting Process
Christine Roseland, Senior Staff Counsel

LACERA's commercial contracting process is in transition. This presentation offers a high-level look at the Legal Office's role – where we are today and where we are headed – highlighting how contracts move through the organization, the roles and responsibilities of key stakeholders, and how legal risk is identified and managed. Counsel will touch on how agreements are categorized by risk, how playbooks and templates reduce friction while protecting the organization and how the contracting process functions as a risk mitigation tool. Counsel will conclude with a view of the future state, including improved reporting, transparency, and executive level insight.

Fiduciary Counsel as a Strategic Advisor
Steven Rice, Chief Counsel

The role of fiduciary counsel is to provide independent advice and perspective, assurance, and knowledge of best practices to assist the Boards, management, and staff on important issues and initiatives. This presentation will address the use of fiduciary counsel jointly with internal legal resources in addressing LACERA's legal needs.

4:00 p.m. **Closing Remarks & Good of the Order**

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement 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 Board of Retirement Trustees 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.gov, but no later than 48 hours prior to the time the meeting is to commence.

LACERA

Los Angeles County Employees Retirement Association

BRINGING THE FUTURE INTO FOCUS

BOARD OF RETIREMENT OFFSITE

Day One | May 18, 2026

DAY ONE AGENDA

Nine Sessions, One Mission

01	**Strategic Direction: Organizational Alignment**	Member empowerment, organizational structure, and a look ahead to emerging opportunities.
02	**Risk, Governance, and the Future of AI**	A practical, educational briefing on where AI is, where it's going, and what it means for LACERA.
03	**Disability Retirement**	Navigation, not autopilot — AI to reduce mechanical workload while keeping human judgment central.

Legal Office's Support for Key Board and Organizational Processes

04	**Trustee & Staff Education**	Designing a core education framework — authority, peer benchmarks, recommended topics, and delivery.
05	**Error Correction & Recovery**	Protecting members and plan integrity — fiduciary duty, federal tax law, and recovery policy.
06	**Appeals & Felony Forfeitures**	Administrative review processes — disability, retirement benefits, healthcare, and felony forfeitures.
07	**Legal Contracting**	From intake to execution — the contract lifecycle, key provisions, and a centralized model.
08	**Fiduciary Counsel**	Outside counsel as strategic advisors — policy, scope of work, and standards of use.
09	**Closing Remarks**	Good of the Order — wrapping up the day's discussions and looking ahead.

STRATEGIC DIRECTION – ORGANIZATIONAL ALIGNMENT

Member Empowerment

Meeting Members Where They Are

LUIS A. LUGO
Chief Executive Officer

Member Empowerment

Every channel remains and every channel matters.

LOUD AND CLEAR: No channel will be eliminated or diminished.

IN-PERSON

In-Person Counseling

CONTINUES

Pasadena office remains open. Face-to-face counseling for members who want it.

PHONE

Phone Counseling

CONTINUES

Member services team available by phone for personalized guidance, questions, and appointments.

VIRTUAL

Virtual Counseling

CONTINUES

Video and web-based counseling appointments — expanded post-pandemic and still in high demand.

WEB

MyLACERA Web Portal

CONTINUES

Members manage accounts, view statements, and access services online. Remains fully operational.

MOBILE

Mobile Application

NEW CHANNEL

Expanded channel — MyLACERA's services on a phone. Full-suite access, 24/7.

Scale Prudently. Serve Excellently.

LACERA's vision: empowering members to enjoy a healthy and secure retirement.

200,000+

LACERA Members

Active, inactive, and retired

Demand is growing. Our service model must grow with it.

Growing Member Demand

Members increasingly expect self-service, digital access, and 24/7 availability.

Equity in Service Delivery

Some members can't take time off for appointments. Mobile access ensures no member is disadvantaged by geography, schedule, or mobility.

Empowering Better Decisions

Self-service reduces inbound call volume and in-person queues — freeing the centers for complex, high-value member interactions.

The Mobile Revolution Is Already Here

American consumers — including pension-age cohorts — have moved to mobile-first.

91%

of U.S. adults own smartphones

Pew Research Center, 2025

55%

of U.S. bank customers use mobile apps as their #1 banking method

ABA / Morning Consult, 2024

78%

of mortgage applicants prefer digital application processes over in-person or paper-based methods

ZipDo Mortgage Industry Statistics, 2026

96%

of digital banking users rate their mobile app experience as excellent or very good

American Bankers Association, 2024

Members already live in this world — and increasingly expect their pension to meet them there.

MyLACERA Web Portal

LACERA Members and Generational Cohorts

65%*

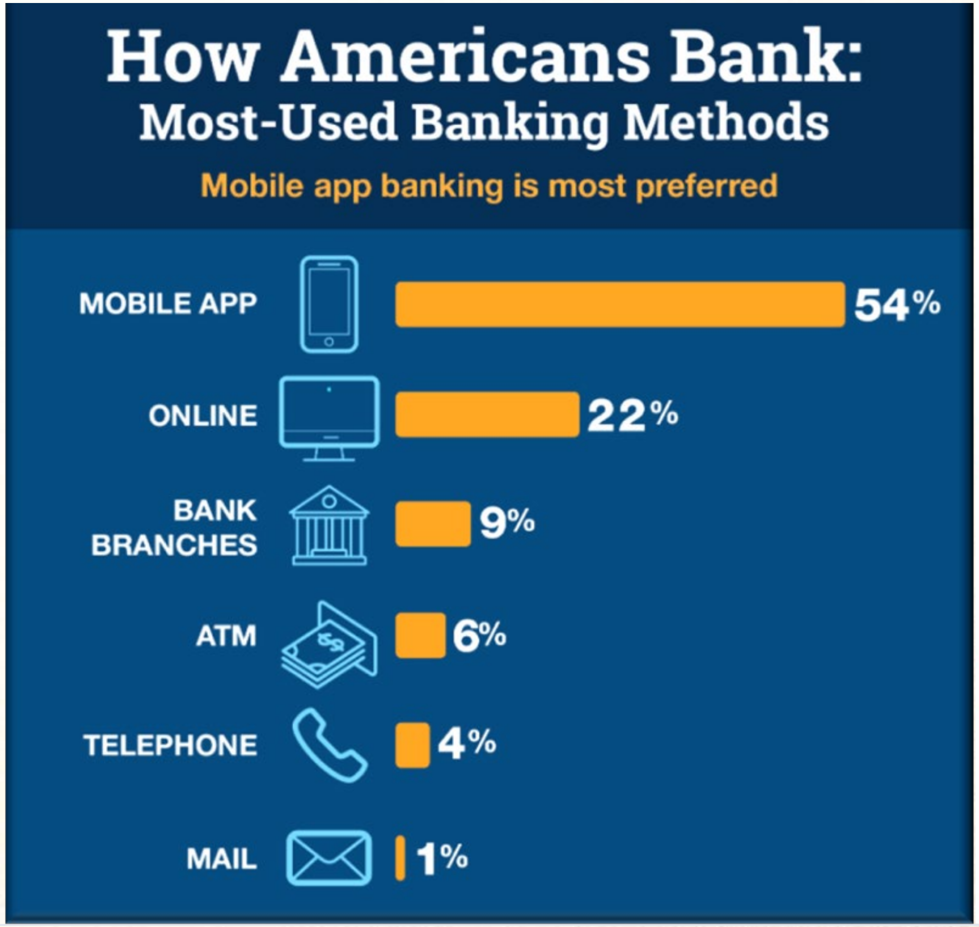
% of Total Members with MyLACERA Accounts | *Approx. 117,000*

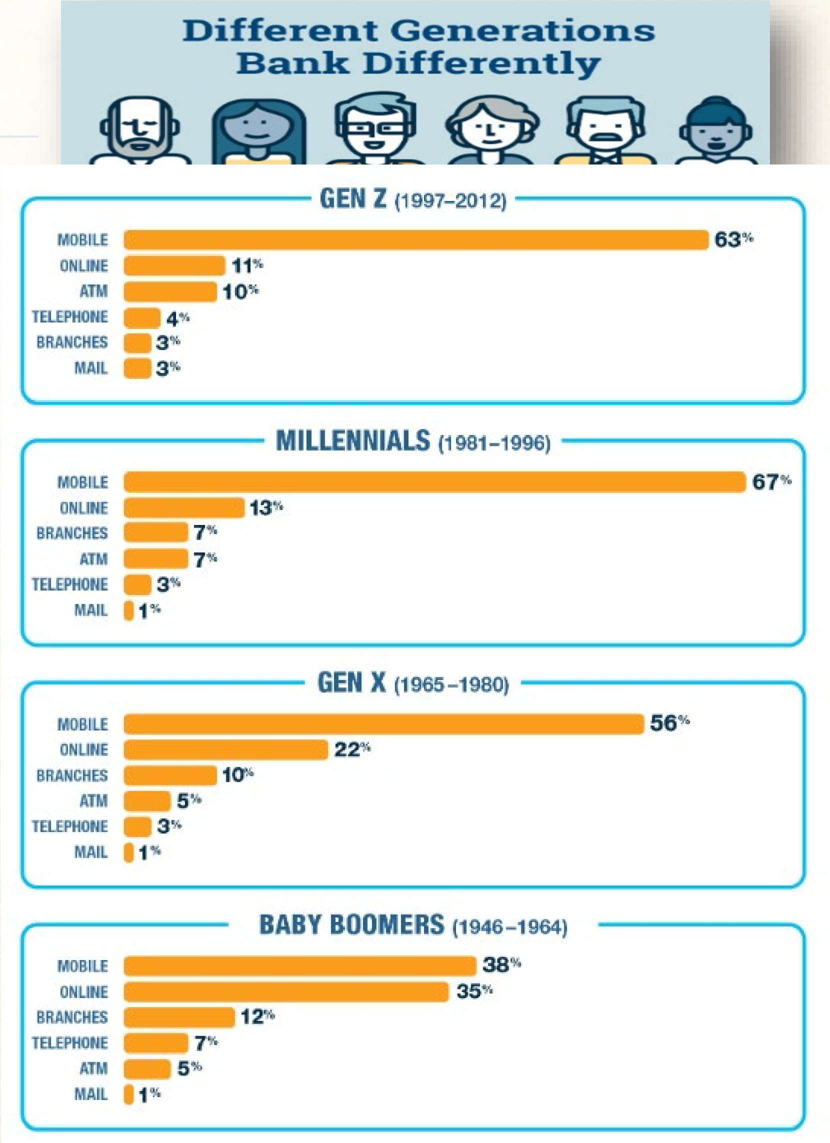
53,109

LACERA retirees & survivors with a MyLACERA account | 39.5%

68%

% of LACERA Members (Gen X and Baby Boomers – 1946-1980)





**Excludes Non-Members (legal split payees and withdrawn members (As of May 15, 2026)*

2025 Preferred Banking Methods | American Bankers Association

Pension Mobile Application Landscape

01. U.S. PUBLIC PENSION SYSTEMS

System / Fund	Platform	Key Features	Status & Notes
LACERA	MyLACERA web portal (no native member app)	Secure document upload, benefit estimates, beneficiary management, retirement application start, 1099-R access	Web-only; mobile-responsive. No iOS/Android app currently in market.
CalPERS	my|CalPERS web portal (browser-based, mobile responsive)	Account balance, service credit, retirement estimates, health enrollment, 1099-R, beneficiary updates	Separate CalPERS 457 Plan app (Voya) covers the supplemental DC plan — NOT the pension. No native pension app.
CalSTRS	my|CalSTRS web portal	Account summary, service credit, retirement estimates, Pension2 (supplemental) view, 1099-R	Web-only. No native member app for pension benefits.
SamCERA	Member Portal on PensionX platform (Digital Deployment / Planeteria)	MFA login, benefit estimates, document upload, beneficiary management, payment history	Modern web platform; mobile-responsive. No standalone native app.
SBCERA	Legacy Android app (SBCERA Member)	Account view, contact info, basic benefit info	APK last updated March 2018 — appears unmaintained. Members primarily directed to web portal.
NYCERS	MyNYCERS — native iOS + Android	Pension estimate calculator, loan eligibility & application, account summary, secure messaging, document upload	Android 50K+ downloads; updated April 2026. One of few U.S. public pensions with active native app.
TRS NYC	MyTRS web portal	Loan management, retirement estimates, TDA account view, beneficiary updates, secure messaging	Web-only; mobile-responsive. No native app.

02. U.S. TAFT-HARTLEY / MULTIEMPLOYER PENSION FUNDS

Fund	Platform	Key Features	Status & Notes
1199SEIU National Benefit & Pension Funds	1199SEIU MyAccount — native iOS + Android	Real-time pension estimate, online pension application, beneficiary updates, claim status, EOB viewing, dependent enrollment	Strongest U.S. Taft-Hartley example. iOS v2.7; Android 10K+ downloads, updated March 2026.
Teamsters H&W and Pension Funds of Philadelphia & Vicinity	Native iOS app (Administrative Service Professionals)	Provider search, personal benefit info, in-app document submission via device camera	App Store v5.1. Regional multiemployer; demonstrates app-based document intake.
Central Pension Fund of the IUOE	Web portal only (cpfiuoe.org)	Participant lookup, plan documents, forms download; benefit changes require mailed forms	3rd-largest U.S. multiemployer DB plan (~223,000 participants). No native app.
Western Conference of Teamsters Pension Trust	Web member portal + separate Prudential retiree portal	Benefit statements, pension estimate, retirement application start	Largest area-wide multiemployer plan in U.S. (200K–231K participants). Split portals by population.
IAM National Pension Fund	Participant Self-Service (PSS) web portal	Account view, statement access, benefit estimate request	Industrial / machinist multiemployer segment. No native app.

03. INTERNATIONAL BENCHMARK — AUSTRALIAN SUPERANNUATION

Fund	Platform	Key Features	Status & Notes
AustralianSuper	Native iOS + Android (AustralianSuper app)	Balance, investments, contributions, insurance, beneficiaries, biometric login	~3.4M members; largest super fund. Mature native UX.
Cbus (Construction & Building)	Native iOS + Android (Cbus app)	Balance, investment switching, insurance, statements, contributions	Industry super for construction. Comparable to U.S. Taft-Hartley.
Rest Super	Native iOS + Android (Rest App)	Balance, investment choice, insurance, contributions, retirement projection	~1.9M members; retail/services industry fund. Strong self-service.

Building on the Right Foundation

A member-empowerment mobile application is only as strong as the infrastructure beneath it.

Knowledge Management System

IN PROGRESS

Ensures the AI counselor, member facing content, and staff responses draw from a single, authoritative, up-to-date source of truth — without it, AI produces inconsistent guidance.

Data Integrity & Infrastructure

IN PROGRESS

Clean, validated, well-governed member data fuels personalized services — benefit projections, document retrieval, and account reviews depend on data accuracy and system integration.

Security & System Architecture

IN PROGRESS

Mobile handling pension data, identity verification, and transactions requires hardened architecture — zero-trust, MFA, encrypted APIs, mobile-specific threat modeling, and Legacy Pension System (Workspace) integration.

AI & Risk Governance Framework

IN PROGRESS

Before deploying AI-assisted member interaction, LACERA must establish AI use policies, bias review, human-in-the-loop requirem and board-approved guardrails.

Expanding MyLACERA: Web Portal to Mobile

Members already use MyLACERA online. The app brings the full suite to their phone — on their schedule.

01 Online Retirement Application

02 AI Retirement Counselor

TurboTax-style guidance

03 Educational Tutorials & Guides

04 Document Upload & Management

05 Personalized Letters & Notices

06 SMS & Push Notifications

07 Connect to Live Counselor

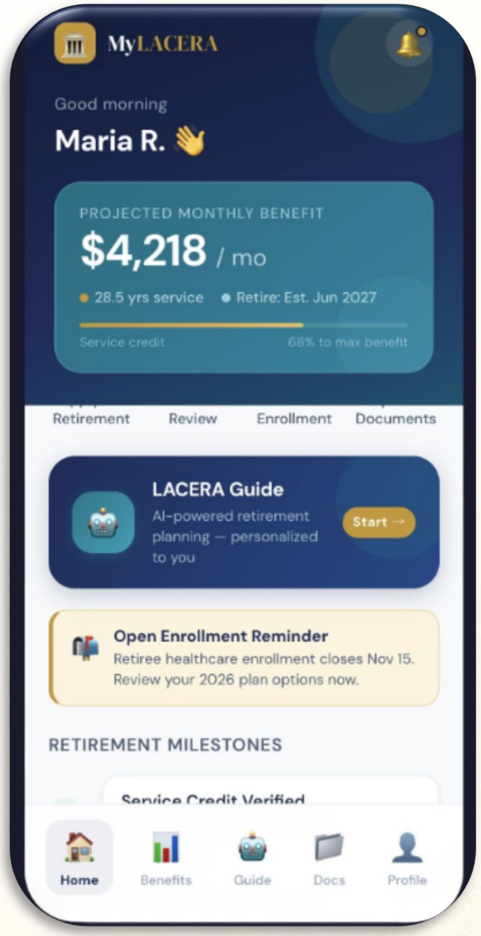
08 Account Reviews & Projections

09 Retiree Healthcare Enrollment & Disability Retirement Online Application

10 Secure Chat Feature

What Members May See

Illustrative — final design subject to user research and accessibility testing.



1 Smart Notifications

Personalized alerts for COLA, healthcare open enrollment, and annual statements.

2 LACERA Guide AI

Step-by-step retirement planning — TurboTax simplicity with pension-grade accuracy.

3 Live Counselor

One tap to a real person during business hours. Chat, video, or callback.

4 Healthcare Enrollment & Online Application for Disability Retirement

Online application for disability retirement, retiree healthcare options, comparisons, and enrollment all in one flow.

STRATEGIC DIRECTION – ORGANIZATIONAL ALIGNMENT

Organizational Structure Realignment

Flatter, Faster, and Focused on Outcomes.

Why Now? Strategic Imperative

Flat Structures = Faster Outcomes

McKinsey research shows organizations with fewer management layers respond 25–40% faster to strategic shifts. Public institutions face increasing complexity — speed of leadership response is critical.

CEO Direct Oversight Strengthens Accountability

NASRA governance frameworks emphasize clear lines of authority between the CEO and functional leaders. Intermediary layers can dilute accountability and slow board-level decisions.

Modern C-Suite Titles Attract Talent

CAO, CBO, and functional C-suite titles are standard across CalPERS, CalSTRS, TRS-TX, and NYCERS. Outdated titles create competitive disadvantage in recruiting.

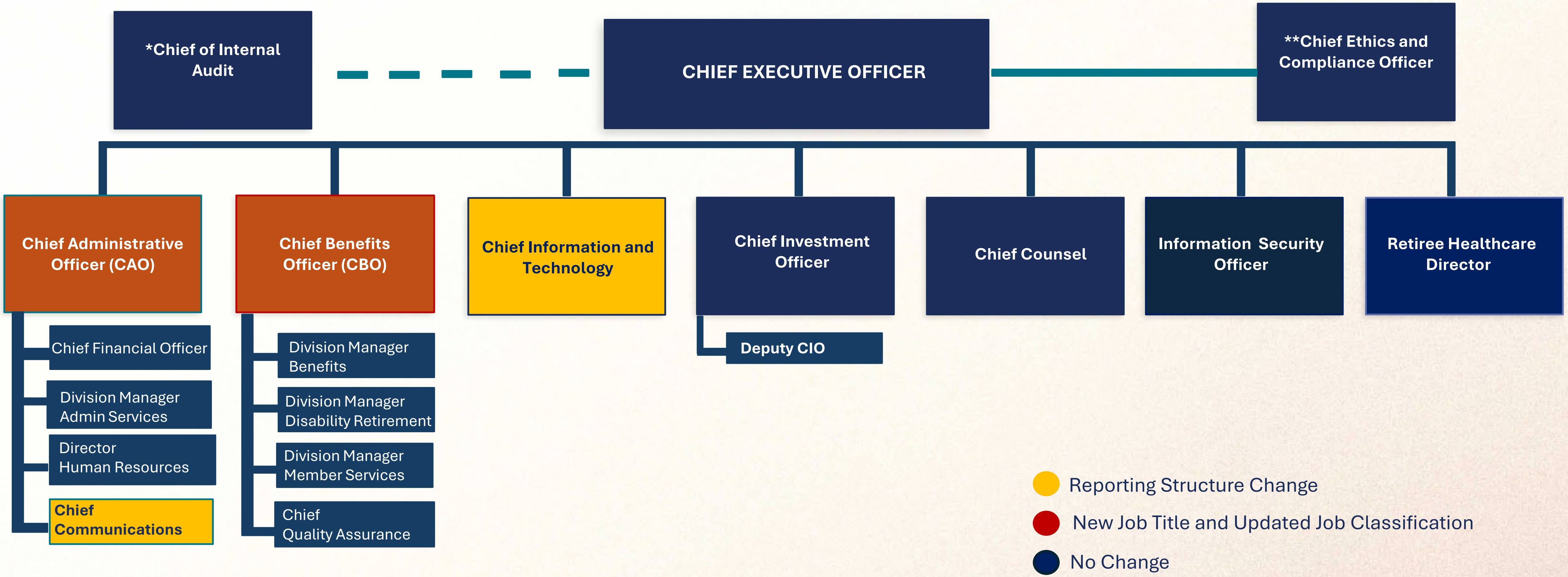
Flatter Structure, Stronger Bench

Pausing the DCEO position — while preserving it for potential future use — enables a flatter structure, deeper bench, and sharper functional oversight across the organization.

Peer Comparison: CEO Direct Reports

System	AUM	Staff	CEO Direct Reports	Structure Notes
CalPERS	~$556B	3,000+	10	CIO, GC, CFO, COO, CISO, CTO, Chief Actuary + others
CalSTRS	~$368B	1,400+	9	CIO, CAO, GC, CTO, Chief Actuary, CFO, COO, CBO, Public Affairs
TRS Texas	~$225B	1,300+	8–10	CIO, COO, GC, CISO, CFO, HR, Comms, Benefits
NYCERS	~$90B	560+	7–9	Deputy, GC, CFO, CIO, CIA, CISO, Benefits, Member Svcs
LACERA (Current)	*~$92B*	*540+*	*3–4*	*CEO → DCEO → layered structure; limited direct C-suite visibility*
LACERA	**~$92B**	**540+**	**9**	**CAO, CBO, CIO, CIT, Chief Counsel, ISO, CAE, RHC Director, CECO**

CEO Reporting Structure: New Model



** Chief of Internal Audit reports administratively to the CEO and functionally to the ACRE. ** CECO reports administratively to the Chief Counsel; functionally to the CEO, ACRE, and both LACERA boards.*

DCEO Position Paused (Preserved for Future Use) · Flatter structure, stronger bench, sharper functional oversight.

CHIEF EXECUTIVE OFFICER · CLOSING

Thank You

Questions and discussion welcome.

AI Governance & Risk Management

LACERA Board of Retirement

Presentation by Meredith Jackson, Fronty Group Advisors
May 18, 2026

Overview

AI is a tremendously powerful corporate tool that is fundamentally changing the way many companies conduct business. While AI is creating great efficiencies, it is also introducing unprecedented risks.

What are the responsibilities of the Board in light of these foundational changes?

This presentation summarizes a Board oversight framework for AI risk management and governance.

Agenda

The AI Landscape

72%

of companies now use AI in at least one business function

$390B

projected global AI market value by 2026

3x

increase in AI-related regulatory actions since 2023

Sources: McKinsey Global Survey on AI, May 2024; Grand View Research AI Market Report, 2025; Stanford HAI AI Index Report, April 2025

Oversight Structure

Board of Directors

- Strategic AI governance direction and risk tolerance
- Fiduciary duty and stakeholder accountability
- Regular inquiry of management and advisors
- Approval of AI policies and risk frameworks
- Compliance and regulatory oversight

AI Governance Committee

- Cross-functional oversight of AI initiatives
- Risk assessment review and escalation
- Policy development and compliance monitoring
- Vendor AI evaluation and due diligence
- Reporting to the Board on AI risk posture

Management & Operations

- Day-to-day AI implementation and operations
- Audits, testing, and performance monitoring
- Incident response and breach notification
- Employee training and documentation
- Compliance reporting to committee and Board

Board Strategic Oversight and Accountability

A continuous four-phase framework guiding board-level AI governance responsibility

01

Set Direction

- Define AI strategy aligned with organizational mission
- Establish risk appetite and governance principles
- Approve policies and resource allocation

02

Evaluate

- Assess AI risks and review management reports
- Challenge assumptions and question AI deployment decisions
- Inquire if management's policies and procedures meet industry standards and best practices

03

Oversee

- Monitor compliance with policies and regulations
- Check accountability across management layers
- Review incident response readiness and escalation paths

04

Report

- Ensure transparent disclosure to stakeholders
- Document governance decisions and rationale
- Communicate AI risk posture to regulators and beneficiaries as needed

Inquiry Checklist

To fulfill their management inquiry responsibilities, Board members should conduct regular inquiries to monitor management's progress in the following areas:

Auditing AI use cases	Assessing risks	Reviewing disclosures	Evaluating vendors
Checking privacy requirements	Verifying insurance	Implementing policies	Planning incident response
Monitoring actual AI usage	Tracking regulatory change	Training employees	Documenting compliance

Board Inquiry Protocols

01

Prepare

Lay the groundwork before each board inquiry session to ensure focused, informed oversight

- Review management AI risk reports, audit summaries, and incident logs well in advance of each session
- Set a focused agenda tied to priority AI governance areas and known risk exposures
- Identify emerging risks, new regulatory developments, or recent incidents requiring board attention
- Consult with management, and if needed, with external advisors, legal counsel, or independent auditors
- Review prior meeting action items and assess progress on outstanding commitments

02

Inquire

Conduct rigorous, evidence-based questioning during board governance sessions

Board Inquiry Protocols

- Ask targeted questions on AI inventory, risk classification, and current compliance status
- Challenge management assumptions and request supporting evidence for AI deployment decisions
- Probe vendor AI practices, data privacy safeguards, and incident response readiness
- Verify accuracy of public AI disclosures and marketing claims against internal realities
- Evaluate whether insurance coverage and contractual protections adequately address AI-specific risks

03

Follow Up

Close the loop with documentation, accountability, and continuous improvement

Board Inquiry Protocols

- Document findings, formal board resolutions, and the rationale behind governance decisions
- Assign action items with clear owners, deadlines, and success criteria
- Track open items and escalate unresolved risks at subsequent board meetings
- Schedule the next review cycle and update the governance calendar accordingly
- Communicate key outcomes and directives to management and relevant stakeholders

Typical Risk Assessment Framework

High Risk	Medium Risk	Low Risk
Autonomous decisions	Internal analytics	Productivity tools
Client-facing AI	Workflow automation	Data formatting
Regulated processes	Content generation	Scheduling assistance

Tools for Management: the NIST AI RMF

Govern is a cross-cutting function that informs and is infused throughout Map, Measure, and Manage — which operate iteratively across the AI system lifecycle.

Govern

Establish organisational culture, policies, accountability structures, and risk tolerance. Cross-cutting function that informs Map, Measure, and Manage.

Map

Identify context, stakeholders, intended uses, and potential impacts. Produces the go/no-go decision foundation for AI system development.

Measure

Quantify and assess risks using metrics, bias testing, explainability evaluation, adversarial testing, and continuous monitoring.

Manage

Allocate resources for risk treatment, implement controls, establish incident response, and maintain post-deployment oversight.

Preventing "AI Washing"

The SEC has focused on accuracy of AI disclosures. The Board could exercise its oversight role by inquiring if management is taking steps like the following :

- Review all marketing materials and client communications for accurate AI capability claims
- Ensure disclosures clearly describe how AI is actually used — no exaggeration or misrepresentation
- Audit public-facing statements to confirm consistency with internal AI deployment realities

Insurance Coverage

Management should report to the Board on insurance coverage for AI usage. The Board should consider information relating to the following:

- Review existing E&O, D&O, and cyber policies for AI exclusions
- Identify coverage gaps for AI-specific risks such as algorithmic bias or model failure
- Assess whether current policy limits are adequate for AI-related claims

- Explore dedicated AI liability insurance products emerging in the market
- Negotiate endorsements or riders to address AI-specific exposures
- Coordinate with legal counsel on indemnification provisions

Incident Response Planning

1	**Detect**	Automated monitoring flags AI anomalies and failures
2	**Assess**	Evaluate severity, scope, and potential regulatory implications
3	**Contain**	Isolate affected systems and prevent further impact
4	**Notify**	Use pre-prepared templates including Reg S-P requirements
5	**Recover**	Restore operations and document lessons learned

Including requirements for AI-related cyber incidents under Regulation S-P

Regulatory Updates

New laws, regulations, and requirements are under consideration at the global, federal, and state levels

Example: California AB316 holds that companies that **develop, modify or use** AI may be accountable for any injury caused.

The Board is responsible for ensuring that management is taking the appropriate monitoring and preparation actions, including:

- Monitoring SEC and FINRA guidance on AI use in investment management
- Tracking global, federal and state-level AI legislation that may impact operations
- Updating incident response templates as notification requirements evolve

Documentation

The Board should ensure that management is keeping appropriate records, such as:

- Comprehensive AI risk governance records documenting all oversight decisions and rationale
- Compliance activity logs and audit trails capturing all AI-related assessments and reviews
- Board inquiry records and management responses maintained for accountability and continuity
- Policy version history and change documentation tracking all updates to AI governance frameworks
- Incident reports and remediation records ensuring lessons learned are captured and applied

Key Takeaways

AI Governance Is a Fiduciary Duty

The Board sets direction, evaluates, oversees, and reports

Structured Inquiry Protocols

Prepare, inquire, and follow up to ensure rigorous board oversight

Leverage the NIST AI RMF

Systematically govern, map, measure, and manage AI risk

Prevent AI Washing

Ensure public disclosures accurately reflect internal AI realities

Insurance & Incident Response

Verify coverage and response plans address AI-specific risks and Reg S-P

Close the Governance Loop

Ongoing regulatory monitoring, staff training, and thorough documentation

Questions & Discussion

LACERA Board of Retirement

May 18, 2026

Links to Related Articles

[Holding AI Accountable: Addressing AI-Related Harms Through Existing Tort Doctrines]

University of Chicago Law Review

[Why AI-Illiterate Directors Are the New Liability for Boards Today]

Forbes

[AI Governance: Do Liability Boards]

Finance AI Insiders

The Future of AI

A practical, educational briefing on where AI is, where it's going, and what it means for LACERA.

LACERA Board of Retirement Offsite

Long Beach, California · Monday, May 18, 2026

Presented by Mike Smucny & Jeremy Mathurin

Why this conversation — and what we'll cover

AI has quietly become a layer underneath the tools we already use. For a fiduciary board, the question is no longer "if" — it's "how, and how responsibly."

Today's three goals

- Demystify AI in plain language
- Orient you to forces shaping the next 2–5 years
- Sharpen the questions a board should be asking

AGENDA

1. **AI's Evolution**
   From tool you open to layer that's always on
2. **Three Things to Understand**
   Software, model choice, cost
3. **Industry Principles**
   Vendor-neutral commercialization standards
4. **Risks & the Governance Bridge**
   Brief map — and a handoff
5. **Where LACERA Can Benefit**
   Practical opportunities
6. **The Board's Role**
   Oversight through communication

This year, AI stopped being a productivity tool.

It became a lifeline.

WHEN LIFE CHANGES

You don't get a tutorial. You get a pile.

11

agencies, forms, and portals I navigated in 90 days

Medicare • Human Resources / Benefits Office • Social Security • County Benefits Administration • Property Deeds

Department of Management Services – Division of Retirement •

Pharmacy benefits • IRS Tax forms

Caregiver resources • Health Insurance Subsidy (HIS) program

DROP (Deferred Retirement Option Program)

AFTER

AI in 2026: From Productivity to Survival

Translated Medicare programs, policies and rules

Plain English, in seconds — no more decoding acronyms at midnight.

Explained Medicaid options, wavers, processes

Eligibility Requirements, Community Spouse rules, etc..

Worked through financial planning

Lump Sum vs. Monthly Annuity — budgeting, financial consolidation, tax mitigation strategies, etc.

Estate Planning

Last Will & Living Will, Trusts, Financial Powers of Attorney, Beneficiary Designations, Transfer Strategy

Surfaced benefits and programs we didn't know existed

Transportation, caregiver support, local programs — all hiding in plain sight.

From a tool you open → a layer that's always on

THEN · AI AS A TOOL

- Opened deliberately, for a specific task
- Required specialists to build and operate
- Narrow — one task, one model
- Outputs treated as final answers
- Measured by accuracy on a benchmark

NOW · AI AS A LAYER

- Embedded in apps you already use
- Accessible to non-technical staff
- General — drafting, summarizing, analysis, search
- Outputs treated as drafts that a human reviews
- Measured by outcomes — time saved, errors avoided, members served

The shift from tool to layer is what makes 2026 different from 2022 — and it's why this is a board conversation.

1. AI is not traditional software

Traditional software has bugs you patch. AI has behavior you have to retrain.

TRADITIONAL SOFTWARE

- Deterministic — same input, same output
- Bugs are fixed by editing code and shipping a patch
- Behavior is fully specified by its rules
- Audited by reading the code

AI SYSTEMS

- Probabilistic — same input, similar but varied output
- Issues are fixed by retraining on cleaner data, better instructions, or guardrails
- Behavior emerges from patterns learned in data
- Audited by testing outputs, monitoring drift, and tracing decisions

"Patching AI" isn't a software update — it's a curriculum change.

2. No single AI model will win every use case

In five years, you will use many models — chosen by job, not by brand.

Drafting & summarizing

Optimize for: fluency, low cost

Frequent, low-stakes, high-volume. A smaller, cheaper model is usually the right fit.

Complex analysis & reasoning

Optimize for: accuracy, transparency

Higher-stakes, lower volume. A larger reasoning model — slower, more expensive, more rigorous.

Sensitive or regulated work

Optimize for: control, data residency

Often a specialized or self-hosted model. Privacy and auditability over raw capability.

The right question isn't "which AI?" — it's "which model for which job, and who decides?"

3. Cost is moving from "seats" to "tokens"

AI is priced like utilities — you pay for what you use, not who has access.

WHAT IS A "TOKEN"?

A token is a small chunk of text — roughly three quarters of a word. Every question you ask an AI, and every answer it gives back, is measured in tokens. You are billed for both directions.

Think of it like a water meter for thinking.

WHY IT MATTERS TO A BOARD

- You pay for usage, not licenses — heavy users cost more than light users
- Costs scale with adoption — success can quietly become expensive
- Unit costs are falling sharply year over year, but volume is rising faster
- Budgeting requires forecasting demand, not headcount

The board question is no longer "what does the license cost?" — it is "how do we manage usage?"

Six categories of risk every board should know exists

Accuracy & hallucination

AI can be confidently wrong. Outputs need human review for any consequential decision.

Bias & fairness

Models reflect their training data. Disparate outcomes are a real and testable risk.

Privacy & confidentiality

Sensitive data sent to AI must be governed like any other data flow.

Security & integrity

New attack surfaces — prompt injection, data exfiltration, model misuse.

Workforce & change

Roles shift. Training, transparency, and trust have to be designed in.

Accountability & explainability

When AI is in the loop, responsibility must still rest clearly with a human or institution.

Each of these deserves real attention — and you'll go deeper with the next presenter.

Our role is to map the terrain. The governance and risk management session that follows will walk it.

Three principles to ask any AI vendor about

1 Enterprise-grade security

Treat AI as a data system

Encryption at rest and in transit, identity and access controls, audit trails, data residency, and clarity on whether your data is ever used to train shared models. The same questions you'd ask of any data system — applied to AI.

2 Model flexibility

Avoid lock-in to a single brain

Architecture that lets the institution swap, mix, or change underlying models as the market evolves. Today's leading model is rarely tomorrow's. Flexibility is not just preference — it is a hedge against vendor concentration risk.

3 A governance layer

Policy enforced in the system, not on paper

Controls that sit between users and models: who can use which model, on which data, for which purpose, with what logging and review. The governance shouldn't live in a binder — it should live in the platform.

Where a system like LACERA can benefit — six areas

Vendor-agnostic. Common to public retirement systems. We'll go deeper on the next two slides.

Member service & self-service

Faster answers to common member questions; staff focused on complex cases.

Knowledge retention & search

Decades of policy, plan documents, and precedent — instantly findable, properly attributed.

Back-office productivity

Summarizing correspondence, drafting routine letters, preparing case files for human review.

Investment research support

Aggregating, summarizing, and surfacing market and manager information — not making decisions.

Fraud, anomaly & quality checks

Flagging unusual patterns in benefits, payments, and operational data for human investigation.

Legacy system modernization

Accelerating documentation, translation, and refactoring of long-lived core systems.

Time, capacity, and institutional knowledge — returned to the people serving members.

Deeper look · Member-facing & operations

Member service & self-service

EXAMPLES

- 24/7 answers to common questions — benefit basics, status of an application, what form is needed
- Plain-language explanations of complex benefit calculations
- Multilingual support, with human escalation built in

Staff focused on complex cases — not Tier-1 lookups.

Knowledge retention & search

EXAMPLES

- Decades of policy memos, board minutes, and plan amendments — searchable in plain English
- Precedent surfaced with citations, not buried in shared drives
- Institutional knowledge no longer locked in any one person's head

Resilience as senior staff retire — a quiet but real risk.

Back-office productivity

EXAMPLES

- Drafting routine correspondence and letters for human review
- Summarizing long member correspondence and case histories
- Preparing case files and packets — minutes instead of hours

The unglamorous work where time savings compound fastest.

Deeper look · Risk, investment & modernization

Investment research support

EXAMPLES

- Aggregating and summarizing manager letters, market commentary, due-diligence packets
- Surfacing relevant historical context and prior staff analysis
- Drafting briefings for staff review before board materials are finalized

AI supports analysts. Investment decisions remain with people.

Fraud, anomaly & quality checks

EXAMPLES

- Flagging unusual patterns in benefit payments and operational data
- Detecting inconsistencies across systems — addresses, beneficiary changes, deductions
- Generating prioritized queues for human review and investigation

More eyes on outliers — without more headcount.

Legacy system modernization

EXAMPLES

- Documenting decades-old pension administration code in plain language
- Translating between programming languages during migrations
- Generating test cases and helping QA reproduce subtle behavior

A real accelerant for the modernization work most funds face.

A simple framework · where should a fund start?

Pick problems that are…	Avoid problems that are…	First-year posture
High volume, repetitive	Rare but high-stakes	Pilot in one team — not the enterprise
Low-risk if wrong (human reviews)	Irreversible without human review	Define metrics before you start
Where staff already feel friction	Where members feel the institution most	Make outcomes visible to the board
Where data is already clean and governed	Where data quality is unknown	Document what you learn — wins and misses

Funds that follow this pattern build momentum. Funds that don't tend to over-promise or stall.

What well-applied AI gives back

1 Time

Routine cognitive work compresses. Hours return to people — for judgment, relationships, and care.

A caseworker who spent 45 minutes preparing a packet now spends 10 — and 35 with the member.

2 Connection

When the administrative load shrinks, the human moments grow. AI handles the paperwork around the conversation — not the conversation itself.

Staff focused on service, not screens.

3 Potential

Expertise becomes more evenly distributed. Junior staff write better; analysts ask better questions; institutional knowledge becomes accessible.

Decades of plan history available to everyone who needs it — not just whoever holds it.

The best technology decisions are ones a member would thank you for — even if they never know you made them.

The board's role: oversight through communication.

"You don't need to become AI experts. You need to ask the right questions, and ensure the organization is following evolving guidance."

1

Ask the right questions

What model are we using, on what data, for what purpose? Who reviews the output? Where could this be wrong? What is our usage trend?

2

Ensure guidance is being followed

Industry principles and regulation will keep evolving. The board's job is to confirm the organization tracks them and adjusts — not to write them.

3

Hold the bar — without slowing the work

Pilot small. Govern the data. Keep humans in consequential loops. Be transparent. Trust compounds; opacity erodes it.

Thank you · Questions welcome here, and through the rest of today's session.

AI Risk and Governance

AI Fireside Chat

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Chief, Information Technology

CHAIT ERRANDE
Information Security Officer

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Senior Director| Microsoft

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DISABILITY RETIREMENT SERVICES (DRS)

Navigation, Not Autopilot

AI-Enabled Disability Retirement with Human Judgment

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Division Manager, Disability Retirement

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Senior Specialist, Disability Retirement

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Our Universe — Agenda & Crew

Charting the course — your mission briefing and crew introductions

The LACERA Universe

The Member is our Sun

The center of everything

DRS is a planet

Orbiting around the member

Our North Star: The Member Experience

Guiding every navigation decision

Flight Plan — Five Sectors

1. **AI & Technology**
2. **Process & Application**
3. **Culture & Engagement**
4. **Human Bridges & Collaboration**
5. **Dream State**

Current State & Pilot Program

Production numbers are up and the Pilot Program continues to chart new territory

01

Current State

Update — trajectory and current status.

02

Pilot Program

Charting new territory, testing, and lessons learned so far.

SECTOR 1

AI & Technology

Navigation, Not Autopilot

Where Technology Helps — and Where It Should Not Lead

Technology serves as navigation instruments — not autopilot replacing human judgment in sensitive disability determinations.

Guiding Principles

1. Human judgment leads. Technology assists.
   Human in the loop: Tech is a navigation tool, not a replacement pilot

2. Staff maintain oversight.
   We do not want AI to QA each other – the crew maintains oversight

3. Tools stay invisible to members and useful to staff.
   Tools should remain invisible to the member but valuable to the crew

AI Navigation Instruments in Development

1. Anticipating and triaging cases – scanning the horizon

2. Flagging risks during case processing
   Raising possible red flags during case processing-early warning systems

3. Surfacing where other divisions should coordinate
   Noting touch points where other divisions should be brought in – cross orbit coordination

4. Performing calculations and data organization
   Computational navigation

SECTOR 2| CLARITY AT LAUNCH

Process & Application

Navigation, Not Autopilot

Innovation in the Application Experience

To innovate is to approach challenges in new ways that lead to better service, efficiency, or outcomes – charting new routes through familiar territory.

AI Innovation

Indexing AI Product

Leveraging AI tools to reduce time-consuming tasks such as medical records indexing.

Crew Focus

Frees the crew to focus on evaluation and counseling — the human-expertise missions.

Innovation Beyond Technology

Better Process Navigation

Improved navigation of existing processes

- P1 Ortho cases and Pilot Program
- Standardization of DRER Reports
    - Building a knowledge repository for common duties and physical demands for high-volume county jobs
    - Class 4 Arduous: Safety, Peace Officers, and Fire members

Online Application | First Contact

The online application is the member's first contact with DRS – like a launch pad, it sets the trajectory for the member's entire journey.

The application functions as both an intake tool and a self-education launch pad.

Successful Trajectories

- Reduced reliance on paper and in-person submission
- Earlier readiness and clearer intent at intake
- Better foundation for staff counseling and case tracking

Course Corrections Needed

- Easier, more intuitive user interface with clearer guidance
- AI intake review and automatic classification (P1, P3, ortho, psyche)
- Easier submission process using AI tools to self-direct physician statements
- As the application improves, counseling becomes more targeted — focused on clarification and support

Readiness & Education

Pre-flight checks and member education so applications arrive ready for evaluation.

The Fundamental Mission

Historically, significant crew time was spent on applications not ready for evaluation — missing documents, indexing bottlenecks.

Shifted toward clearer intake criteria, education upfront, and expediency tools — better pre-flight checks.

This is an investigative process, leaning on qualitative results over expediency.

Member Education — Pre-Flight Briefing

Stronger education embedded in the application: contextual help, short videos, explanations at natural pause points.

Member-facing micro videos (60–120 sec)
Video as an "always-on" education layer supporting the omnichannel model.

Future: short-form content for social media platforms.

SECTOR 3| A PREPARED CREW

Culture & Engagement

Navigation, Not Autopilot

The Crew — Staff Engagement & Member Experience

Staff engagement is the cognitive, emotional, and behavioral connection the crew feels toward their mission — and it directly shapes how members are served.

Enthusiasm for the mission, investment in roles, and willingness to go above and beyond.

Investigator Trainee Program

Training the next generation of navigators.

Investigator Roundtable

Mission debriefs for shared insights and better decisions.

Field Trips

Employees see firsthand the types of jobs members do day-to-day.

Quarterly Coffee Mingle

Building crew cohesion and shared purpose.

Shared Understanding Over Individual Expertise

Standardizing helps ensure institutional knowledge retention.

DRS “Bee in the Know”

Departmental landing page — mission intelligence hub.

SECTOR 4| ONE COORDINATED ORBIT

Human Bridges & Collaboration

Navigation, Not Autopilot

One LACERA | Synchronized Orbits

DRS is intentionally aligning its orbit with other LACERA divisions to create one coordinated member journey.

Omnichannel Service

Consistent message across every channel – same message from every point in the orbit.

DRS historically perceived as a distant planet - bridging communication reduces mystery while preserving accuracy and due process.

Navigation Technology

SOL case management, online application, and Workspace integration form unified instruments.

Genesys speech and text analytics turn communications into searchable training insights.

Joint Counseling with MSC

One shared message regardless of entry point. Members feel supported, not transferred.

Future Vision

Expand joint counseling to the Call Center.

Move from handoff to collaborative engagement — resolving the right issue the first time.

Extending the Orbit | Education & Collaboration

Proactively engaging employers and departments to strengthen readiness, set expectations, and identify opportunities for collaboration.

Employer Education

Help educate employers and HR partners on Disability Retirement so they can better counsel employees and set expectations.

Currently conduct 1-on-1 educational meetings with disability management HR representatives at high-volume departments.

Reinstituting countywide virtual educational
- LACERA HR Conference
- Quarterly educations series

Opportunities for Collaboration

Share trends and common injury types to help departments identify potential improvements.

Each County department has a Disability Management, & Compliance — opportunity for future collaboration informed by data patterns.

SECTOR 5 | DREAM STATE

Dream State

Navigation, Not Autopilot

Charting the Next Frontier

Envisioning the future of DRS — what does this planet look like in 10 years when innovation, engagement, and collaboration fully converge?

Vision

1. *If budget and technology were limitless, how do you see DRS operating in 10 years?*
2. *What does that look like for the members — our sun?*
3. *What does that look like for the crew — our colleagues?*

- *How do we get there?*

Reflection

"Technology is nothing. What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them."

— Steve Jobs

Thank You

Questions and discussion welcome.

LEGAL OFFICE

Legal Review of Key Board & Organizational Processes

Process protects the Mission and provides accountability.

STEVEN P. RICE
Chief Counsel

ROLE OF THE LEGAL OFFICE

Counsel to the Boards and Staff

Advisors on the laws that govern LACERA's fiduciary duty.

LEGAL'S PURPOSE

Provide legal advice and representation to the Boards and staff.

Navigating the laws, regulations, and policies that govern LACERA's fiduciary duty in all the fund's supporting functions and promoting strong processes to protect the integrity of the Mission.

BOARDS

Trusted Counsel

Legal guidance to the Board of Retirement and Board of Investments on fiduciary, governance, and compliance matters.

STAFF

Operational Partner

Day-to-day support to executives and divisions — benefits, contracts, appeals, administrative law, investments, and sound decision-making.

MISSION

Fiduciary Stewardship

Protecting LACERA's ability to deliver promised benefits while safeguarding member rights..

OFFSITE FOCUS

Governance & Fiduciary Process Overview

What we'll cover with the Boards — the legal context behind each topic and how counsel supports the work.

01

FOUNDATION FOR BOARDS AND STAFF

Core Education and Training

Building shared fluency in fiduciary duty, governance, and the laws and legal concepts that frame LACERA's day-to-day decisions.

02

LACERA POLICY IN PRACTICE

Error Correction and Recovery

How LACERA identifies, corrects, and recovers from administrative errors — protecting plan assets and member equity.

03

DUE PROCESS FOR MEMBERS

Administrative Appeals & Felony Forfeitures

Review of LACERA’s three member appeal processes, with a focus on the legal framework governing felony forfeiture determinations.

04

FROM INTAKE TO EXECUTION

Legal Contracting Process

The lifecycle of a LACERA contract — intake, review, negotiation, and execution — and where counsel adds value.

05

BEYOND COMPLIANCE

Fiduciary Counsel as Strategic Advisors

Outside fiduciary counsel as partners in long-horizon strategy, governance evolution, and risk-aware decision-making.

06

WHAT COUNTS — AND WHY

Pensionability Determinations

An overview of how compensation items are evaluated for pensionability and the legal standards that guide the process.

Why Process Matters

Enhances the Mission, Operations, and Organizational Values

- *Good process improves the performance of LACERA's fiduciary duty.*
- *It furthers the efficiency, effectiveness, and efficacy of LACERA's operations.*
- *It is consistent with LACERA's I ACT Values – Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency.*

Inspires Confidence and Trust

- *Good process communicates to stakeholders that LACERA has defined, consistent, understandable methods of performing LACERA's work.*
- *Good process also provides a basis for the Boards, in the exercise of their oversight responsibilities, to have confidence in LACERA's performance of its fiduciary responsibilities.*

LEGAL OFFICE · TRUSTEE AND STAFF EDUCATION

Designing Core Education

A Proposed Framework

ALLISON BARRETT
Senior Staff Counsel

JESSICA RIVAS
Staff Counsel

Establishing the Framework

In partnership with Trustees, designing a core curriculum delivered in-house at a regular cadence.

Objective

Establish a framework for in-house core curriculum delivered at a regular cadence to support Trustees in the exercise of oversight duties. Meet minimum statutory requirements while expanding content, modalities, and accessibility; preserving Trustee flexibility to obtain substantial education to advance a best-in-class pension fund.

Strategic Alignment

This objective advances the Trustee Education Policy (2024) and sets the stage for a companion Staff Education Policy and training on similar core subjects.

Roadmap

01

Authority & Guidance

Constitutional, statutory, and policy foundations.

02

Peer Systems & Best Practices

CERL, California, and other state systems.

03

Recommended Core Topics

Five foundational subjects.

04

Education Philosophy

"The Prudent Trustee" — knowledge for sound judgment and decision-making.

05

Delivery

Cadence, modalities, and educators.

06

Discussion

Trustee feedback and the next phase, including Staff education policy and core training.

Constitutional Authority – Fiduciary Duty

California Constitution Article XVI, sec. 17

"The retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system."

Duty of Loyalty

The Board has the *sole and exclusive* fiduciary responsibility to *administer the system in a manner* that will assure the prompt delivery of benefits to members and their beneficiaries. *Trustees' duty to members takes precedence over all other duties*.

Duty of Prudence

Trustees shall discharge their duties with care, skill, *prudence*, and diligence under the circumstances that a *prudent* person acting in a like capacity would use.

Statutory Authority – Gov't Code §31522.8 (CERL)

The Board shall adopt a policy providing education to Trustees — minimum 24 hours every two years. The Board shall adopt a policy providing education to Trustees; and at a *minimum (a)* identify education topics; (b) establish a means for determining training that qualifies; (c) require a minimum of 24 hours within the first two years of office and every subsequent two-year period; and (d) require each Trustee to maintain a record of training compliance; with an annual report on compliance posted on LACERA's website.

Under CERL, topics may include, but are not limited to:

- 01 **Fiduciary responsibilities**
- 02 **Ethics**
- 03 **Pension fund investments and program**
- 04 **Actuarial matters**
- 05 **Pension funding**
- 06 **Benefits administration**
- 07 **Disability evaluation**
- 08 **Fair hearings**
- 09 **Pension fund governance**
- 10 **New member orientation**

LACERA Policy & The Brown Act

TRUSTEE EDUCATION POLICY (2024)

LACERA's Internal Framework

Aligns Trustee education with LACERA's Mission, Vision, and Values; and provides Trustees with knowledge and relevant information on issues facing LACERA to *prudently* discharge their duties for the sole benefit of members and their beneficiaries.

GOV. CODE §54952.7 · SB 707

The Brown Act

A copy of the Brown Act *shall* be provided to all Trustees. This mandatory provision inherently implies training on the content of the Act — open meetings, public notice, and conduct in public deliberations.

Statutory Guidance – Gov't Code §53234 et. seq. (AB 1234)

*"Local agency officials"** are required to obtain two hours of training in *general ethics principles* and *ethics laws* at least once every two years. *Ethics laws may include*:

Personal Financial Gain

Bribery, conflict-of-interest, and personal financial gain by public servants.

Gifts & Public Resources

Gift and travel restrictions; use of public resources for personal/political purposes; gifts of public funds.

Government Transparency

Government transparency and financial interest disclosures.

Fair Processes

Fair processes; incompatible offices; competitive bidding for public contracts; disqualification from decisions affecting family.

* *"Local agency officials"* refers to city, county, charter city, charter county, or special district officials. This statute is not directly applicable to LACERA nor mandated by CERL but provides guidance.

Statutory Guidance - Gov't Code §53238 et. seq. (SB 827)

"*Local agency officials*"* are required to obtain two hours of fiscal and financial legal training at least once every two years.

Fiscal & Financial Training May Include Laws and Principles Relating to:

1. Fiscal management; roles and responsibilities in overseeing system operations and financial administration
2. Financial policies and budget processes
3. Financial reporting and auditing
4. Procurement and contracting practices and responsibilities

*"*Local agency officials*" refers to city, county, charter city, charter county, or special district officials. This statute is not directly applicable to LACERA nor mandated by CERL but provides guidance.

Peer Systems & Common Best Practices

Trustee education frameworks reviewed across CERL, California, and other state systems.

Systems Reviewed

CERL

SCERS · SDCERA · OCERS

California

CalPERS · CalSTRS · SFERS

Other States

Teacher's Retirement System of Texas

Washington State Investment Board

NYC Retirement Systems

Massachusetts Pension Reserves Investment Management

Common Best Practices

1. Formalized training framework with clear scope (fiduciary duty, investments, actuarial, financial, benefits, ethics, legal, governance)
2. Structured onboarding and orientation
3. Ongoing education embedded into Board agendas

Recommended Core Topics

Five foundational subjects.

01

Fiduciary Training

Duties of loyalty and prudence; standards governing pension fiduciaries.

02

Code of Ethical Conduct/Ethics Laws & Principles

Principles, policies, and procedures in LACERA's Code; general ethical laws and principles.

03

Conflicts of Interest

Form 700, Political Reform Act, and FPPC Regulations.

04

Fiscal & Financial Laws

Principles and laws governing financial oversight, reporting, and stewardship.

05

Brown Act

Open meetings, public notice, and public deliberation.

The Prudent Trustee

Education Objective: To advance current practices by formalizing regularly offered in-house training to deliver the knowledge, skill, and insight on relevant foundational subjects for Trustees to prudently evaluate all matters that come before the Board.

Defining "Prudent"

California Constitution

Trustees shall discharge their duties with care, skill, *prudence*, and diligence that a *prudent* person acting in a like capacity would use.

Webster's Definition

Wise, thoughtful, and careful judgment, decision-making, or conduct.

Prudent Evaluation Based on Core Knowledge

1. *How would a prudent Trustee evaluate the information presented?*
2. *What questions would a prudent Trustee ask?*
3. *How do prudent Trustees exercise independent judgment in the best interest of members?*

Cadence, Modalities & Educators

Recommendations for design, scheduling, and delivery.

Cadence

Onboarding & Orientation

For incoming Trustees.

Ongoing Training

Baked into meeting agendas — related to items presented to the Board or Committee.

Frequency

Depends on subject matter and minimum statutory periods (annual for some; biennial for others).

Modalities

1. **In-House Live**
2. **In-House Online (On Demand)**
3. **External**

Educators

In-House

Executive Office, Legal, Ethics & Compliance, FASD, Administrative Services, Internal Audit, and other relevant Subject Matter Experts.

External

Fiduciary counsel, ethics & compliance, and other relevant expert consultants.

DISCUSSION

Trustee Feedback & Next Phase

Discussing Trustee preferences and next steps.

Trustee Preferences

- **Core Courses**
- **Cadence**
- **Modality**
- **Educators**

Next Phase

- Drafting Board Education Plan
- Drafting Staff Education Policy
- Expanding all-staff core training on fiduciary and ethical responsibilities

Contact for Further Discussion

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LEGAL OFFICE

Error Correction & Recovery Efforts

Protecting members. Restoring Fairness. Preserving plan integrity.

MICHAEL HERRERA
Senior Staff Counsel

JEAN KIM
Senior Staff Counsel

To err is human; ***to correct, divine.***

Policy for Recovery of Member Overpayments & Underpayments

Five core elements defining LACERA's framework.

01

Purpose, Scope & Authority

Defines the policy's reach and the Board's authority to administer corrections.

02

Periods of Limitation

Establishes applicable limitation periods for recovery and adjustment actions.

03

Threshold Limits

Sets de minimis thresholds for when recovery is or is not pursued.

04

Offsets

Governs how overpayments may be recovered through offsets against future benefits.

05

Interest

Addresses the application of interest on amounts recovered.

Fiduciary Duty 101

Why error correction and recovery matter — the trustee's first duty.

PRINCIPLE 01

01

Safeguard Fund Assets

Duty to safeguard fund assets is paramount.

PRINCIPLE 02

02

Claims Are Assets

A claim to recover monies owed is an asset of the fund.

PRINCIPLE 03

03

Pursue Valid Claims

Valid claims must be pursued unless, in the exercise of sounds judgment, the Board determines, among other things, the cost to pursue it could exceed amount to be recovered, or defendant likely to succeed in asserting viable defense.

Govt. Code §§ 31540 & 31541

"Errors & Omissions Statutes" — codify statutes of limitation into CERL for recovering erroneous payments into and out of the retirement system.

OVERPAYMENTS · PAYMENTS "OUT OF"

3 YEARS

From the date of payment.

§ 31540(b)(1)

10 YEARS

From the date of discovery — when arising from:

- Death of retired member or beneficiary, or remarriage of beneficiary (§ 31540(c))
- Result of fraudulent reports by member (§ 31540(d))

UNDERPAYMENTS · PAYMENTS "INTO"

CORRECTIONS · § 31541

Codifies the Board's authority to correct errors in member accounts.

Discretion

§ 31541(a)

Board's discretion to correct errors.

Duty

§ 31541(b)

Board's duty to correct errors in member accounts.

3 years from date of [what]? (§ 31540(b) *Answer: From date of "discovery" CCP (§ 338(d)*

- ➢ *Subject to "Delayed Discovery Rule" – time does not start to run until injured party 1) knew or 2) should have known of injury.*
- ➢ *If action is timely, all under paid contributions can be recovered. If not, three years' worth of under paid contributions, if any.*

County of Marin Association of Firefighters v. Marin County Employees Retirement Association, 30 Cal. App. 4th 1638 (1994).

Fairness & Equity Is Key

Three pillars of LACERA's authority to correct errors.

NO LIMITATION PERIOD

01

Payments Owed to Members

No limitation period applies to payments owing to members.

Gov. Code §31540(b)(2)

FULL CORRECTION

02

Restoring the Status Quo

With certain limitations, corrections shall be such that the status, rights, and obligations of all parties are adjusted to be the same as they would have been but for the error or omission.

Gov. Code §31541(e)

BOARD REVIEW

03

Administrative Appeals

Error correction and recovery determinations are subject to Board review under its Administrative Appeals Procedures.

LACERA Administrative Appeals Procedures

Duty to Correct under Federal Tax Law

- LACERA pension plan is a tax qualified plan under Internal Revenue Code Section 401(a)
- Required to operate in compliance with its plan provisions, including **correct payment of benefits**
- Failure to do so can adversely affect qualified status of the plan, if left uncorrected

IRS Voluntary Correction Program: EPCRS

Employee Plans Compliance Resolution System (EPCRS) - Voluntary correction program permitting plan sponsors to correct certain plan operation errors.

PRINCIPLE 01

01

Full Correction

All members, all plan years

PRINCIPLE 02

02

Restore the Plan

Restore the plan to the position it would have been had the failure not occurred

Parallels CERL: "status, rights, and obligations of all parties are adjusted to be the same as they would have been but for the error or omission" Govt Code Section 31541(e).

PRINCIPLE 03

03

More than One Reasonable Correction

Reasonable & Feasible

When full correction may not be required.

THE GENERAL RULE

Full Correction

The mere fact that correction is inconvenient or burdensome is not enough to relieve a Plan Sponsor of the need to make full correction.

THE EXCEPTION

Unreasonable or Not Feasible

Full correction may not be required in certain situations if it is unreasonable or not feasible to complete.

Source: Revenue Procedure 2021-30, Section 6.02(5)

De Minimis Exception: Delivery of Small Benefits

When full correction may not be required.

THE GENERAL RULE

Full Correction

The mere fact that correction is inconvenient or burdensome is not enough to relieve a Plan Sponsor of the need to make full correction.

THE EXCEPTION

Delivery of Small Benefits

If the total corrective distribution due to a member or beneficiary is $75 or less, and the reasonable direct costs of processing and delivering the distribution would exceed the amount of the distribution, the Plan Sponsor is not required to make the distribution.

Source: Revenue Procedure 2021-30, Section 6.02(5)

Under Review

- Recovery Policy last updated January 2024; up for mandatory review in January 2027
- Revise to address payments owed to members
- Review Policy to align with latest IRS guidance and any updates to EPCRS
- Corrections under Retiree Healthcare Plan – separate policy?

LEGAL OFFICE · CLOSING

Thank You

Questions and discussion welcome.

LEGAL OFFICE

Administrative Appeals & Felony Forfeitures

Fairness, transparency, and due process for LACERA members.

EUGENIA DER
Senior Staff Counsel

MICHAEL HERRERA
Senior Staff Counsel

JASON WALLER
Senior Staff Counsel

JESSICA RIVAS
Staff Counsel

Agenda

Two related areas of LACERA's administrative review framework.

01

Administrative Appeals

Three distinct review pathways

- Disability Retirement
- Retirement Benefits & Healthcare
- Felony Forfeiture

02

Felony Forfeitures

End-to-end lifecycle

- Evaluations
- Determinations
- Challenges

Due Process

Constitutional protection for vested retirement benefits.

> *A person may not be deprived of life, liberty, or property without due process of law.*
>
> *U.S. Const., 14th Amend. · Cal. Const., art. I, § 7(a)*

Property Interest

Retirement benefits are a property interest encompassed within Fourteenth Amendment protection.

Hipsher v. LACERA, 24 Cal.App.5th 740 (2018)

Process Required

Some form of due process is required before the state may reduce a pensioner's vested retirement benefits.

Hipsher v. LACERA, 24 Cal.App.5th 740 (2018)

What's Required?

Notice and opportunity to be heard — the irreducible minimum.

CORE REQUIREMENTS

A Follow Applicable Law

E.g., CERL governs disability cases.

B If Not Prescribed by CERL

Apply baseline due process principles — notice and an opportunity to be heard, calibrated to the competing interests at issue.

CASE LAW GUIDANCE

Flexible standards

Requirements vary with the competing interests at issue, so long as notice and hearing are satisfied.

Rupf v. Yan, 85 Cal.App.4th 411 (2000)

Opportunity to object

Due process requires an opportunity to present objections.

Haas v. County of San Bernardino, 27 Cal.4th 1017 (2002)

Formal hearing not required

A formal hearing with full rights of confrontation and cross-examination is not necessarily required.

Bergeron v. Dept. of Health Svcs., 71 Cal.App.4th 17 (1999)

Disability Retirement Appeals

Prescribed by statute, governed by Board regulation, refined by practice.

STATUTORY AUTHORITY

Govt. Code § 31533 · BOR Regulations, Section VIII

Prescribed by CERL and the Board of Retirement Regulations.

01

Statutory Foundation

Procedures grounded in CERL and the Board of Retirement Regulations.

02

Longstanding Practice

Procedures adopted and applied consistent with case law and Board policy.

03

Fiduciary Alignment

Process reflects LACERA's fiduciary duties to members and beneficiaries.

Retirement Benefits & Healthcare Appeals

Adopted in 2013 following enactment of the Public Employees' Pension Reform Act.

ADOPTED

2013

Formal Three-Level Review Process

Established to address two distinct categories of challenges under PEPRA.

PURPOSE 01

Compensation Enhancement Review

Assess and determine whether an element of compensation was paid to enhance a LACERA member's retirement benefit.

Govt. Code § 31542

PURPOSE 02

Broader Benefit Determinations

Consider challenges to determinations dealing with allowances, benefits, refunds, correction of records, assessment and waiver of interest, health benefits and services, and other benefit issues.

Retirement Benefits & Healthcare Appeals Procedures

Felony Forfeiture Appeals

Adopted in 2022 in response to the Court of Appeal decision in Hipsher v. LACERA.

ADOPTED

2022

Triggered By

Hipsher v. LACERA (2018)

Court of Appeal directed LACERA to provide due process before initiating forfeiture proceedings.

PURPOSE · FORMAL REVIEW PROCESS

Consider a Timely Challenge to a Forfeiture Determination

Provides a structured, formal process for members to challenge an Initial Determination that benefits are subject to forfeiture under the Public Employees' Pension Reform Act of 2013.

Hipsher v. LACERA

24 Cal.App.5th 740 (2018) — the controlling authority for LACERA's forfeiture procedures.

> *"**LACERA, not the County, shall afford the requisite due process.** This process shall conform with LACERA's existing administrative procedures and, at a minimum, provide **(1) notice** of LACERA's intent to initiate forfeiture proceedings, and the reasons therefor, and **(2) an opportunity to present objections** before LACERA's impartial decision maker."*

TWO PILLARS: *Notice of intent and reasons* · *Opportunity to object before an impartial decision maker*

When Forfeiture Applies

The statutory test — a structured IF/THEN analysis.

IF

A member is convicted of a felony —

- For conduct arising out of, or in the performance of, official duties
- In pursuit of the office or appointment
- Or in connection with obtaining salary, disability retirement, service retirement, or other benefits

THEN

*Forfeit **all accrued rights and benefits** in any public retirement system from the earliest date of the commission of the felony, AND **shall not accrue further benefits** in that system.*

Benefits Staff & Legal Review

A structured five-part evaluation, plus an impact assessment.

01

Conviction?

Was there a conviction?

02

Felony?

Was it for a felony?

03

Right Type?

Was it the right type of felony?

04

Earliest Date

What was the earliest date of commission?

05

Calculate Impact

Quantify the forfeiture's effect on benefits.

IMPACT OF THE FORFEITURE

Loss of Service Credit Cascades

Different FAC · Lower pension payments · Lower RHC subsidy

Felony Forfeiture Appeals & Disability Applications

Appealable issues and the disability eligibility analysis.

APPEALABLE ISSUES

1 **Scope of Duty**

Did the felony arise out of — or in the performance of — official duties?

2 **Earliest Date**

What is the earliest date of the commission of the crime?

DISABILITY ELIGIBILITY IMPACT

The "Matured Right" Test

*A member has a matured right to disability retirement when **undisputed or unequivocal evidence** establishes permanent incapacity.*

Smith v. City of Napa, 120 Cal.App.4th 194 (2004)

Disability Analysis

Disability Retirement Services (DRS) gathers medical evidence; Legal Disability evaluates whether it establishes permanent incapacity prior to the earliest date of commission — then provides Benefits Division a legal recommendation on forfeiture of the disability right.

Felony Forfeiture Appeals Process

Administrative Appeals Procedures for Felony Forfeiture — February 2, 2022, Section F.

01

Records Assembled

Felony Forfeiture records are assembled into a packet.

02

Service of Records

Disability Retirement Appeals Unit acts as Clerk of Board and serves records to the Applicant and DLO.

03

Meet & Confer

Parties meet and confer on written argument deadlines, supporting documentation, and the BOR presentation date.

04

Oral Argument

Parties present oral argument to the Board of Retirement.

The Board's Options

In acting upon a member's appeal, the Board may take any of the following actions.

A	**Affirm**	Affirm the forfeiture as stated in the Initial Determination.
B	**Grant the Appeal**	Grant the member's appeal and disallow any forfeiture.
C	**Modify**	Direct that the forfeiture in the Initial Determination be modified.
D	**Refer to Referee**	Refer the matter to a referee for a hearing and recommendation under LACERA's Disability Retirement Hearing procedures.
E	**Other Action**	Take such other action the Board deems appropriate.

Key Takeaways

What LACERA's administrative appeals framework delivers for members.

01

Fairness & Due Process

Procedures for disability, retirement & healthcare benefits, and felony forfeiture matters are designed to ensure fairness, transparency, and due process for members, survivors, and beneficiaries.

02

Multi-Level Review

Multiple levels of review (Division Manager → Assistant CEO → Board of Retirement) provide notice and an opportunity to be heard at each stage.

03

Legally Grounded

Procedures are consistent with and reviewed against applicable law, Board regulations and policies, and LACERA's fiduciary responsibilities.

04

Considered Decision-Making

A clear, robust, structured process supporting thoughtful and considered decision-making at every level.

LEGAL OFFICE · CLOSING

Thank You

Questions and discussion welcome.

LEGAL OFFICE

From Intake to Execution

Legal Contracting Process

CHRISTINE ROSELAND
Senior Staff Counsel

Meet the Transactions Team

Organizational structure across five practice areas.

CHIEF COUNSEL
Steven Rice

TRANSACTIONS TEAM	PRACTICE AREA	PRACTICE AREA	PRACTICE AREA	PRACTICE AREA
Investments & Commercial Contracts	**Litigation & Employment**	**Benefits**	**Disability**	**Disability Litigation**
3.0 Senior Staff Counsel	2.0 Senior Staff Counsel	1.0 Senior Staff Counsel	2.0 Senior Staff Counsel	2.0 Senior Staff Counsel
STAFF	STAFF	STAFF	STAFF	STAFF
3.0 Staff Counsel 3.0 Legal Analyst 1.0 Sr. Legal Sec. 2.0 Legal Secretary	1.0 Staff Counsel 1.0 Sr. Legal Sec.	2.0 Staff Counsel 2.0 Legal Analyst 1.0 Sr. Legal Sec.	1.0 Legal Analyst 1.0 Sr. Legal Sec.	3.0 Sr. Legal Secretary

Christine Roseland
Senior Staff Counsel

Avi Herescu
Staff Counsel

Susan Wang
Staff Counsel

Lisa Garcia
Legal Analyst

Maritza Arizaga
Legal Analyst

Irene Ballestero
Legal Secretary

Fabiola Galindo
Legal Secretary

Anna Muradyan
Legal Secretary

PENDING BOARD APPROVAL *Principal Staff Counsel | Pending positions are not yet approved by the Board of Supervisors.*

Why Commercial Contracting Matters

LACERA enters about 100 commercial agreements each year — every vendor relationship is a legal relationship.

Every vendor relationship is a legal relationship

LACERA enters about 100 commercial agreements each year — covering technology, consulting, and operations.

Risk lives in the fine print

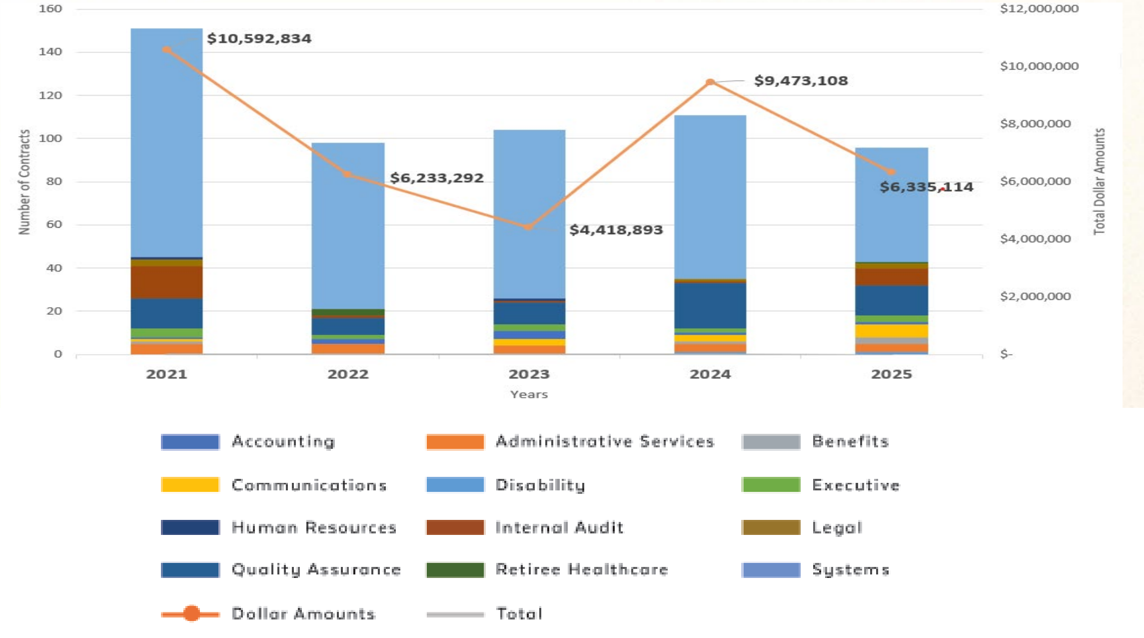
Contract terms govern what happens when things go wrong — liability exposure, data breaches, vendor defaults, and cost overruns.

Legal's role: protect LACERA's interests

Legal identifies risk, negotiates protections, and ensures agreements reflect what LACERA actually agreed to.

Commercial Contract Volume

Non-investment transactions reviewed by Legal, 2021–2025.



What This Means

Steady growth

Commercial vendor activity has increased ~80% over five years.

More complexity

Technology, data, and SaaS vendors account for an increasing share of new agreements.

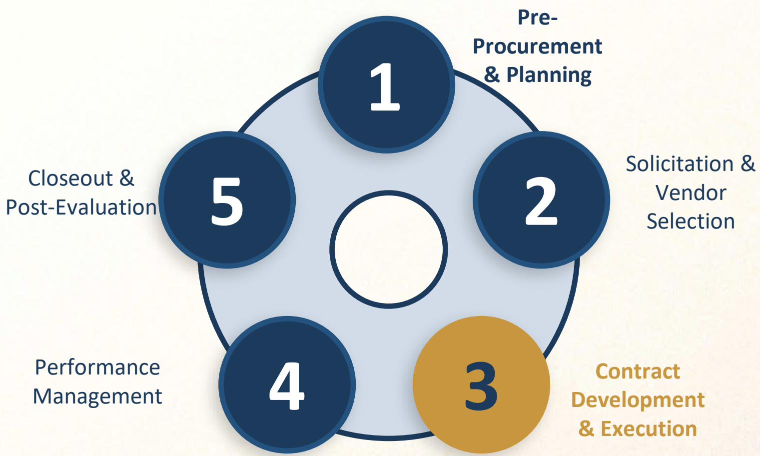
Why Legal scaled the model

Centralized intake, playbooks, and LawVu support the higher volume.

Illustrative figures based on Legal's intake records — final values pending year-end reconciliation.

The Contract Lifecycle

Building on the framework presented to this Board in January 2026.



Legal is active across all five stages — with deepest engagement in Stage 3: Contract Development & Execution.

Legal's Role Across the Lifecycle

Active engagement at every stage, deepest at contract development.

1
Pre-Procurement & Planning

Early issue-spotting on contract structure, data access, and risk factors.

2
Solicitation & Vendor Selection

Review of RFPs and solicitation documents for clarity, scope, and legal requirements; assist in development of the SOW.

3
Contract Development & Execution

Full legal review, negotiation, playbook application, and business term confirmation — primary stage.

4
Performance Management

Advises on amendments, disputes, vendor defaults, escalations, extensions, and renewals.

5
Closeout & Post-Evaluation

Guidance on termination requirements, data return, and offboarding obligations.

★ Cross-Cutting Support

Collaborates on templates (RFPs, NDAs, agreements) · Reviews and helps draft policies and procedures · Provides advice at any stage · Education on legal concepts.

A New Contracting Model

About 18 months ago, LACERA transitioned from a decentralized to a centralized contracting model.

The New Model

1. Legal and Vendor Management partner on every commercial agreement
2. All vendor agreements flow through a single coordinated process
3. Legal and Vendor Management collaborate at every stage
4. Consistent standards applied across all agreement types and divisions

Supporting the Transition

1. Designing templates, processes, and workflows
2. Defining roles and responsibilities between Legal and Vendor Management
3. Education for business owners, staff, and leadership
4. Troubleshooting as the new model continues to mature

Key Provisions Legal Reviews in Every Agreement

These terms determine what happens when things don't go as planned.

Limitation of Liability

Caps the amount LACERA can recover — or be liable for — if something goes wrong.

Indemnification

Who pays if a third party makes a claim arising from the contract.

Arbitration

Whether disputes go to court or private arbitration, and on whose terms.

Governing Law

Which state's law applies and where disputes must be resolved.

Confidentiality

Protections for LACERA's data, member information, and sensitive materials.

Termination for Convenience

LACERA's ability to exit an agreement without cause — protecting flexibility.

Warranties

Vendor's promises about quality, fitness, and performance — and remedies if breached.

Standard of Care

Level of professional skill and diligence expected — typically tied to industry standards.

IP Rights

Who owns work product, data, and deliverables — critical for custom-built solutions.

LawVu — Legal's Contract Management System

Launched 2025 — purpose-built for legal intake, tracking, and repository management.

1
Intake

Business owners and Vendor Management submit agreements through LawVu. Every request is tracked from day one.

2
Matter & Due Date Tracking

Attorneys monitor pending contracts in their queue. Helps users monitor workload and progress.

3
Status Tracking

Real-time visibility into where each agreement is in the legal review process.

4
Repository

All executed agreements stored in one secure, searchable location — no more lost contracts.

5
Renewals & Alerts

Renewal dates, termination windows, and key contract milestones monitored proactively.

LawVu is Legal's system. Vendor Management uses Cobblestone. Both systems support the overall contract lifecycle.

Building a Stronger Process

Improvements underway and planned.

Already in Progress

- Education for business owners and vendor management on roles and why legal terms matter
- LawVu intake and repository live
- Playbook of standard LACERA positions implemented
- Collaboration protocols with Vendor Management being formalized

Coming Next

- Risk-based review tiers in development
- Contract templates for common agreement types (SOWs, IT services, consulting)
- Streamlined renewal process for low-risk, no-change agreements
- Vendor and contract database with history and recurring relationship tracking
- Incorporating AI into the legal review process

Contracting Process — Our Objectives

Five outcomes guiding the centralized contracting model.

1

Efficient & Transparent Process

A predictable, well-coordinated contract review process that business owners and vendors can count on.

2

Right Resource, Right Work

Proper allocation of tasks based on roles and responsibilities — Legal focuses on higher-risk issues.

3

Strong Risk Control

Consistent controls across legal, financial, data/security, and operational dimensions — checks and balances through a centralized system.

4

Clean Repository & Vendor History

All executed agreements and vendor data in Cobblestone — no lost contracts or missing history.

5

Better Outcomes

Improved pricing, vendor performance, and compliance with LACERA's preferred contract terms.

Roles & Responsibilities

Each stakeholder has a defined lane — Legal focuses where risk is highest.

Business Owner

Defines business need, scope, and SOW. Owns vendor performance and renewal decisions; ensures POs match contract caps. Reviews clean drafts only — does not sign before Legal.

Vendor Management

Runs RFP/RFQ processes and vendor comparisons. Negotiates pricing before Legal review. Ensures compliance with procurement policies and procedures.

Contracts Analyst

Intake gatekeeper — ensures complete submissions. Risk triage and routing (Low / Medium / High). First-level review; manages repository in LawVu.

Legal Counsel

Owns preferred terms playbook and clause library. Handles medium and high-risk contracts and provides legal advice. Trains and supports all other roles.

IT / Security

Reviews technical and data protection aspects. Validates security standards and DPAs. Monitors invoices, payment terms, and scope creep.

Accounting / AP

Processes vendor payments through Certify. Maintains vendor spend and performance data. Provides spend data for risk assessment and renewals.

Not Every Agreement Carries the Same Risk

Legal review scales to match the risk profile.

TIER 1

Critical

CRITERIA

High financial value · Complex terms · Data access · Strategic importance

LEGAL RESPONSE

Full legal review, active negotiation, and escalation to leadership.

TIER 2

Important

CRITERIA

Moderate value · Standard services · Some negotiation possible

LEGAL RESPONSE

Standard legal review, playbook applied, key terms negotiated.

TIER 3

Standard

CRITERIA

Low value · Routine services · Established vendors · No changed terms

LEGAL RESPONSE

Streamlined review — low-risk renewals with no material changes may not require full legal review.

Our Commitment

1. We are engaged throughout the contract lifecycle — not just at signature.
2. We use consistent tools and playbooks to identify and manage risk.
3. We collaborate with Vendor Management and business owners for the best outcomes for LACERA.

Our goal: timely, efficient, and legally sound agreements that protect LACERA and support its mission.

Thank You

Questions and discussion welcome.

LEGAL OFFICE

Fiduciary Counsel as Strategic Advisor

External knowledge and experience to supplement internal expertise.

STEVEN P. RICE
Chief Counsel

B R O A D   U S E   O F   E X T E R N A L   R E S O U R C E S

LACERA Uses Many Consultants

Access to outside experts can bring independent information, insight, and perspective that complements internal knowledge, inspires thought and innovation, and elevates outcomes and efficiency. For example:

01 — BOARD OF RETIREMENT

Healthcare Consultant

02 — BOARD OF INVESTMENTS

General and Specialized Investment Consultants

03 — ACRE COMMITTEE

Audit Pool
ACRE Committee Consultant

04 — HUMAN RESOURCES

Investigators
Compensation Consultants

05 — LEGAL DIVISION

Litigation Counsel
Investment Transactions Counsel

06 — JOINT BOARDS

Fiduciary Counsel

List of Professional Consultants — Introductory Section

Consulting Actuary
Milliman

Reviewing Actuary
CavMac

Financial Auditor
Plante Moran

Audit, Compliance, Risk, and Ethics (ACRE) Committee Consultant
Audit & Risk Management Services, LLC

Commercial Banking and Custodian
State Street Bank and Trust Company

Active Member Payroll Data Processing
Los Angeles County Internal Services Department

Governance Consultants
Glass, Lewis & Company, LLC
Institutional Shareholder Services, Inc.
Mosaic Governance Advisors, LLC

Investment Consultants
Albourne America, LLC
Altus Group US, Inc.
Campbell Lutyens & Co., Inc.
Evercore Group, LLC
Jefferies, LLC
Kroll, LLC (US)
Meketa Investment Group
Stepstone Group, LP

Alternative Investment Fees Validation Service Provider
Mercer Investments, LLC

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Retiree Healthcare Consultant and Claims Auditor
Segal Consulting

Legal Consultants
Berman Tabacco
Bernstein Litowitz Berger & Grossman, LLP
Buchalter, A Professional Corporation
Cohen Milstein Sellers & Toll, PLLC
Cox, Castle & Nicholson, LLP
Crowell & Moring, LLP
DLA Piper
Foster Garvey, PC
Glaser Weil Fink Howard Jordan & Shapiro, LLP
Goldstein & Russell, PC
Gordon Rees Scully Mansukhani, LLP
Grant & Eisenhofer
Gutierrez Preciado & House, LLP
Hitchcock Law Firm, PLLC
Kaplan & Walker, LLP
Klausner Kaufman Jensen & Levinson
Labaton Sucharow
Larson, LLP
Latham & Watkins, LLP
Lewis Brisbois Bisgaard & Smith, LLP
Liebert Cassidy Whitmore
Lieff Cabraser Heimann & Bernstein, LLP
Nossaman, LLP
Olson Remcho, LLP
Oppenheimer Investigations Group
Peterson Bradford Burkwitz Gregorio Burkwitz & Su, LLP
Pillsbury Winthrop Shaw Pittman, LLP
Quinn Emanuel Urquhart & Sullivan, LLP
Robbins Geller Rudman & Dowd, LLP
Safarian Choi & Bolstad, LLP
Seyfarth Shaw, LLP
Sheppard Mullin Richter & Hampton, LLP
Spector Roseman & Kodroff, PC
Winet Patrick Gayer Creighton & Hanes
Vivian W. Shultz

Legislative Advocates
Doucet Consulting Solutions
McHugh Koepke Padron
Williams & Jensen, PLLC

Media and Public Relations Consultant
Englander, Knabe & Allen

Please refer to pages 116-119 in the Investment Section for the Schedule of Investment Management Fees and list of investment managers.

6/30/2025 Annual Comprehensive Financial Report

Seeking Outside Input is Prudent

Fiduciary Duty of Prudence:

> Trustees “shall discharge their duties with respect to the system 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 an enterprise of a like character and with like aims.”**

Prudence works together with the fiduciary duty of loyalty to act “solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries.”

--California Constitution, Article XVI, Section 17; Government Code §31595 (CERL)

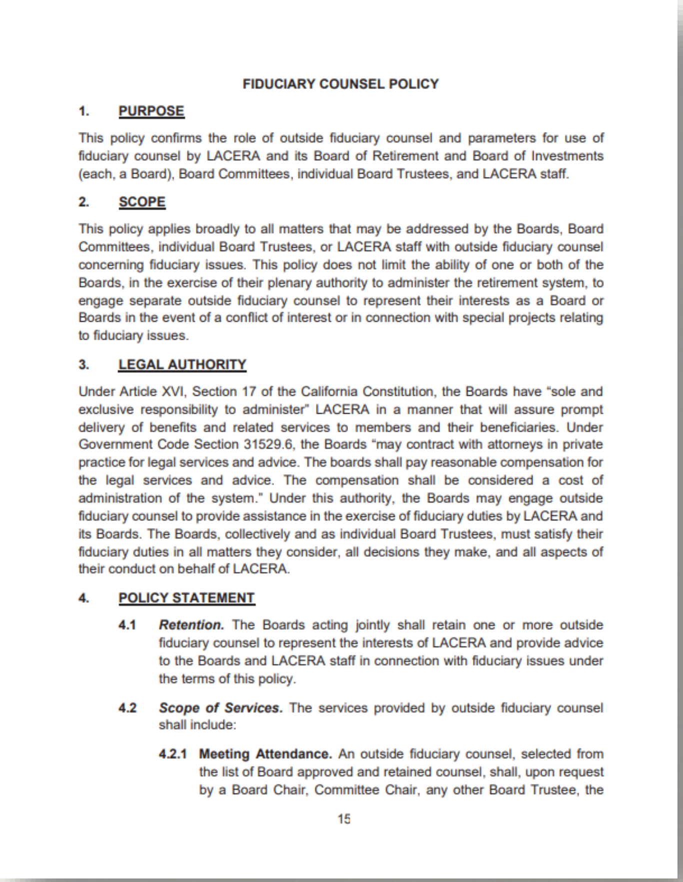
CERL authorizes the Boards “to **contract with attorneys in private practice for legal services and advice**. The boards shall pay reasonable compensation for the legal services and advice. The compensation shall be considered a cost of administration of the system.”

--California Government Code §31529.6 (LACERA-specific)

Peer systems in California and nationally engage fiduciary counsel.

Board Policy Governs Fiduciary Counsel

LACERA has employed fiduciary counsel for at least thirty years. In 2017, the Boards adopted a policy to govern the use of fiduciary counsel, which was updated in 2018 and 2025.



FIDUCIARY COUNSEL POLICY

1. PURPOSE

This policy confirms the role of outside fiduciary counsel and parameters for use of fiduciary counsel by LACERA and its Board of Retirement and Board of Investments (each, a Board), Board Committees, individual Board Trustees, and LACERA staff.

2. SCOPE

This policy applies broadly to all matters that may be addressed by the Boards, Board Committees, individual Board Trustees, or LACERA staff with outside fiduciary counsel concerning fiduciary issues. This policy does not limit the ability of one or both of the Boards, in the exercise of their plenary authority to administer the retirement system, to engage separate outside fiduciary counsel to represent their interests as a Board or Boards in the event of a conflict of interest or in connection with special projects relating to fiduciary issues.

3. LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Boards have "sole and exclusive responsibility to administer" LACERA in a manner that will assure prompt delivery of benefits and related services to members and their beneficiaries. Under Government Code Section 31529.6, the Boards "may contract with attorneys in private practice for legal services and advice. The boards shall pay reasonable compensation for the legal services and advice. The compensation shall be considered a cost of administration of the system." Under this authority, the Boards may engage outside fiduciary counsel to provide assistance in the exercise of fiduciary duties by LACERA and its Boards. The Boards, collectively and as individual Board Trustees, must satisfy their fiduciary duties in all matters they consider, all decisions they make, and all aspects of their conduct on behalf of LACERA.

4. POLICY STATEMENT

4.1 ***Retention.*** The Boards acting jointly shall retain one or more outside fiduciary counsel to represent the interests of LACERA and provide advice to the Boards and LACERA staff in connection with fiduciary issues under the terms of this policy.

4.2 ***Scope of Services.*** The services provided by outside fiduciary counsel shall include:

4.2.1 **Meeting Attendance.** An outside fiduciary counsel, selected from the list of Board approved and retained counsel, shall, upon request by a Board Chair, Committee Chair, any other Board Trustee, the

15

SELECTION

Selected by the Joint Boards

To provide advice to the Boards and individual trustees.

STAFF

Consultation with Staff, with Transparency

CEO and Chief Counsel, or designees, may also seek advice, with a monthly report provided to the Boards of such contacts as well as fees and costs.

SCOPE OF WORK

Fiduciary Issues; Mindful of Cost

Broadly defined to include governance, oversight, and operational matters with fiduciary implications, with due attention to cost:

Fiduciary Duties	Ethical Issues	Board Governance
Organizational Structure	Trustee Disputes	Negotiation and Drafting of Contracts
Benefits-Related Matters	System Funding	Employment-Related Matters
Investigations	Litigation	Investment-Related Matters

Breadth of Fiduciary Counsel

Usage tracks the areas listed in the Boards' Fiduciary Counsel Policy:

- Actuarial Funding Policy
- Benefit Questions
- Brown Act Issues
- Building Reclassification
- CEO Transition
- Conflict of Interest & Ethical Issues
- Employment Investigations
- Fiduciary Training
- Form 700 Issues
- Human Resources Issues
- Interest Crediting Policy
- Marquez 1090 Litigation
- OPEB/STAR Funding Issues
- Organizational Governance

Benefits of Fiduciary Counsel

Breadth of Expertise in an Evolving Landscape

Fiduciary law is a specialized field. While in house counsel are knowledgeable in this field, fiduciary counsel is free of day-to-day operational responsibilities and brings value and additional perspectives based on understanding of a wide range of practices in other systems, trends, and legal developments.

Independent Advice

In house counsel value their independence. However, fiduciary counsel's position outside the allows them to provide objective, independent opinions, which can be helpful when facing sensitive, complex, controversial, or significant decisions. They also have the ability to lead and guide the Boards and staff through challenging issues.

Managing Conflicts of Interests and Other Ethical Issues

Fiduciary counsel can be effective in addressing conflict of interests and ethical issues because they are independent and command respect due to their knowledge and experience.

Training Resource

Fiduciary counsel is experienced at providing trustee training on fiduciary and ethical issues.

ENGAGEMENT CRITERIA

Use of Fiduciary Counsel is also guided by the following factors…

- Assurance of Fiduciary Compliance to Boards and/or Staff
- Best Practices in Peer Universe
- High Value to Stakeholders
- Organizational Importance
- Political Implications

RESULT *Assurance of Fiduciary Compliance to Boards, Management, Staff & Stakeholders*

Standards of Use

- ✓ Use will Comply with the Fiduciary Counsel Policy, Including Type of Work Assigned and Monthly Reports to the Trustees
- ✓ Fiduciary Counsel is not Engaged to Provide General Counsel or for Work that can be Performed by In House Counsel
- ✓ Fiduciary Counsel is Used on Matters Where Clear Value is Added
- ✓ Fiduciary Counsel's Work is Managed for Efficiency and Cost-Effectiveness

LEGAL OFFICE · CLOSING

Thank You

Questions and discussion welcome.