

IN PERSON & VIRTUAL BOARD MEETING



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

AGENDA

A REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS
(ACRE) COMMITTEE AND
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., MONDAY, FEBRUARY 23, 2026

This meeting will be conducted by the Audit, Compliance, Risk, and Ethics (ACRE) Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section Code Section 54953.8.3.

*Any person may view the meeting in person at LACERA's offices or online at
<https://LACERA.gov/leadership/board-meetings>*

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

ACRE COMMITTEE TRUSTEES:

Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Aleen Langton, (BOR), Trustee
Trevor Fay, (BOI), Trustee
Debbie Martin (BOI), Trustee
Nicole Mi, (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE COMMITTEE CONSULTANT

Larry Jensen

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. ELECTIONS OF OFFICERS (Election of Chair, Vice Chair, and Secretary)

IV. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707

- A. Just Cause (Section 54953.8.3)
- B. Statement of Persons Present at SB707 Teleconference Locations

V. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the Regular Meeting of November 20, 2025

VI. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit <https://LACERA.gov/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment requests will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.gov.)

VII. NON-CONSENT ITEMS

A. Proposed 2026 ACRE Committee Meeting Dates

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Committee review and approve the proposed 2026 ACRE Committee meeting dates. (Memo dated February 9, 2026)

B. Internal Audit Proposed Fiscal Year 2026 – 2027 Budget Request

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: The Committee approve the Internal Audit's Proposed Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval. (Memo dated February 9, 2026)

VII. NON-CONSENT ITEMS (Continued)

C. **Ethics and Compliance Proposed Fiscal Year 2026 - 2027 Budget Request**

Recommendation as submitted by Steven P. Rice, Chief Counsel: The Committee approve the Ethics and Compliance Proposed Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for approval by the Board of Retirement and Board of Investments. (Memo dated February 9, 2026)

D. **Updating LACERA's Code of Ethical Conduct**

Recommendation as submitted by Jessica Rivas, Staff Counsel: The Committee review the proposed revised and restated Code of Ethical Conduct and recommend it to the Board of Retirement and Board of Investments for their joint approval.

(Presentation) (Memo dated February 10, 2026)

VIII. CONSULTANT COMMENTS

Larry Jensen, Audit Committee Consultant
(Verbal Presentation)

IX. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual Trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agendized item at a future meeting.)

X. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for Trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

XI. GOOD OF THE ORDER

(For Information Purposes Only)

XII. EXECUTIVE SESSION

(For ACRE Committee Members Only Pursuant to Salary Ordinance, Section 6.127.040 S 2 and ACRE Committee Charter, Section VII A 1 j to Consider a Recommendation to the Board of Retirement and Board of Investments)

A. PUBLIC EMPLOYEE APPOINTMENT

(Pursuant to California Government Code Section 54957)

Title: Chief Internal Audit, LACERA

XIII. ADJOURNMENT

The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. Except as set forth in the Committee's Charter, the only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

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

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000 from 8:00 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.

MINUTES OF THE REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK,
AND ETHICS (ACRE) COMMITTEE AND
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., THURSDAY, NOVEMBER 20, 2025

This meeting was conducted by the Audit, Compliance, Risk, and Ethics (ACRE) Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953 (f).

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair
 Nicole Mi (BOI), Vice Chair
 Nancy Durazo (BOR), Trustee
 Jason Green (BOR), Trustee
 Wayne Moore (BOR), Trustee, (Teleconference Due to Just Cause under Section 54953(f))
 Elizabeth Ginsberg, Ex-Officio

ABSENT: Alma K. Martinez, (BOI), Secretary

STAFF, ADVISORS AND PARTICIPANTS:

 Luis A. Lugo, Acting Chief Executive Officer
 Laura Guglielmo, Assistant Executive Officer
 JJ Popowich, Assistant Executive Officer

STAFF, ADVISORS AND PARTICIPANTS:

Steven P. Rice, Chief Counsel

Allison Barrett, Senior Staff Counsel

Jessica Rivas, Staff Counsel

Carly Ntoya, Ph.D., Human Resources Director

Armand Castillon, Human Resources Analyst

Ted Granger, Chief Financial Officer

Cassandra Smith, Director of Retiree Healthcare

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Delfino Aguilar, Senior Internal Auditor

Nathan K. Amick, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Alex Ochoa, Internal Auditor

Larry Jensen, ACRE Committee Consultant

Plante and Moran

Kristin Hunt, Partner

Brandon Henry, Manager

Baker Tilly

Priya Kumar, Senior Manager

Rita Boyle, Senior Manager

STAFF, ADVISORS AND PARTICIPANTS: (Continued)

Weaver

Reema Parapilly, Partner

Trip Hillman, Partner

I. CALL TO ORDER

This meeting was called to order by Chair Martin at 9:01 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Chair Martin led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f)

- A. Just Cause
- B. Action on Emergency Circumstance Requests
- C. Statement of Persons Present at Teleconference Locations

A physical quorum was present at the noticed meeting location. There was one request received from Trustee Moore to attend by teleconference for Just Cause (B) Due to Contagious Illness. Trustee Moore confirmed that there were no individuals 18 years of age or older present at the teleconference location.

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of August 21, 2025

Trustee Green made a motion, Trustee Ginsberg seconded, to approve the Minutes of the Regular meeting of August 21, 2025. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Martin, Mi, Moore

Absent: Martinez

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. Provider Premium Calculations and Payments Audit

Recommendation as submitted by Delfino Aguilar, Senior Internal Auditor and Gabriel Tafoya, Senior Internal Auditor: That the ACRE Committee review and discuss the following engagement report to take the following action(s).

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

(Presentation) (Memo dated November 3, 2025)

Messrs. Aguilar and Tafoya provided a presentation. Messrs. Bendall, Popowich and Ms. Smith were present to answer questions from the Committee.

Trustee Ginsberg made a motion, Trustee Green seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Martin, Mi, Moore

Absent: Martinez

B. CEO Corporate Credit Cards – Fiscal Year End June 30, 2025

Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor and Alex Ochoa, Internal Auditor: That the ACRE Committee review and discuss the following engagement report to take the following action(s).

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

VI. NON-CONSENT ITEMS (Continued)

4. Provide further instruction to staff.
(Presentation) (Memo dated September 11, 2025)

Mr. Ochoa provided a presentation. Messrs. Lugo and Bendall were present to answer questions from the Committee.

Trustee Green made a motion, Trustee Mi seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Martin, Mi, Moore

Absent: Martinez

C. **Fiscal Year 2025 – 2026 Audit Plan Amendment**
Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the ACRE Committee review and approve amendments to Internal Audit's Fiscal Year Ending (FY) 2026 Audit Plan. (Memo dated November 3, 2025)

Mr. Bendall provided a brief presentation. Dr. Ntoya, Ms. Logan and Mr. Jensen were present to answer questions from the Committee.

Trustee Ginsberg made a motion, Trustee Mi seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Martin, Mi, Moore

Absent: Martinez

VII. REPORTS

A. **Plante Moran Financial Audit Reports**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated October 30, 2025)

Ms. Hunt and Mr. Henry provided a presentation. Messrs. Amick, Bendall, Granger and Jensen were present to answer questions from the Committee.

This item was received and filed.

VII. REPORTS (Continued)

B. 2023 – 2028 Quarterly Strategic Plan Update

Luis A. Lugo, Acting Chief Executive Officer
(Presentation) (Memo dated September 29, 2025)

Mr. Lugo provided a presentation and answered questions from the Committee.

This item was received and filed.

C. Updating LACERA's Code of Ethical Conduct

Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
Jessica Rivas, Staff Counsel
(Presentation) (Memo dated November 5, 2025)

Ms. Rivas provided a presentation. Ms. Barrett and Mr. Jensen were present to answer questions from the Committee.

This item was received and filed.

D. Ethics and Compliance Program Foundational Work Plan – Status Report

Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(Presentation) (Memo dated October 24, 2025)

Ms. Barrett provided a presentation and answered questions from the Committee.

This item was received and filed.

E. 2025 Culture Survey Results and Insights

Christina Logan, Principal Internal Auditor
Armand Castillon, Human Resources Analyst
(Presentation) (Memo dated November 3, 2025)

Ms. Logan and Mr. Castillon provided a presentation. Messrs. Lugo and Jensen were present to answered questions from the Committee.

This item was received and filed.

VII. REPORTS (Continued)

F. Internal Audit's Roadmap, Annual Goals, and Key Performance Measures

Christina Logan, Principal Internal Auditor
(For Information Only) (Memo dated October 30, 2025)

This item was received and filed.

G. Fiscal Year 2025 – 2026 Audit Plan Status Report

Nathan K. Amick, Senior Internal Auditor
(For Information Only) (Memo dated November 3, 2025)

This item was received and filed.

H. Recommendation Follow-Up Report

Leisha E. Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated October 31, 2025)

This item was received and filed.

I. Recommendation Follow-Up for Sensitive Information Technology Areas

Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated October 31, 2025)

This item was received and filed.

J. Ethics Hotline Status Report

Leisha E. Collins, Principal Internal Auditor
(For Information Only) (Memo dated November 3, 2025)

This item was received and filed.

K. Internal Audit Staffing Activity Report Update

Richard P. Bendall, Chief Audit Executive
(Verbal Update)

There was nothing to report.

VII. REPORTS (Continued)

L. Status of Other External Audits Not Conducted at the Discretion of Internal Audit

Richard P. Bendall, Chief Audit Executive
(Verbal Update)

Mr. Bendall was present and answered questions from the Committee.

VIII. CONSULTANT COMMENTS

Larry Jensen, ACRE Committee Consultant
(Verbal Presentation)

There was nothing to report.

IX. ITEMS FOR STAFF REVIEW

There was nothing to report.

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

XI. GOOD OF THE ORDER
(For Information Purposes Only)

There was nothing to report.

XI. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities (Pursuant to Subdivision (a) of California Government Code Section 54957(a))
Consultation with: Priya V. Kumar, Senior Manager and Rita Boyle from Baker Tilly, Luis A. Lugo, Acting Chief Executive Officer, Richard P. Bendall, Chief Audit Executive, Christina Logan, Principal Internal Auditor, Kathy Delino, Chief Information Technology, Chaitanya Errande, Information Security Officer and other LACERA Staff.

There was nothing to report.

XI. EXECUTIVE SESSION (Continued)

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

Consultation with: Reema Parappilly, Partner and Trip Hillman, Partner from Weaver, Luis A. Lugo, Acting Chief Executive Officer, Richard P. Bendall, Chief Audit Executive, Christina Logan, Principal Internal Auditor, Kathy Delino, Chief Information Technology, Chaitanya Errande, Information Security Officer and other LACERA Staff.

There was nothing to report.

**C. Performance Evaluation – Chief Audit Executive Goals Report (Pursuant to Government Code Section 54957(b)(1))
(FOR AUDIT COMMITTEE ONLY PER COUNTY SALARY ORDINANCE 6.127.040.S.1)**

There was nothing to report.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 1:12 p.m.

February 9, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Aleen Langton (BOR), Trustee
Trevor Fay (BOI), Trustee
Debbie Martin (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Richard P. Bendall *RPB*
Chief Audit Executive

FOR: February 23, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Proposed 2026 ACRE Committee Meeting Dates**

RECOMMENDATION

Audit, Compliance, Risk, and Ethics (ACRE) Committee review and approve the proposed 2026 ACRE Committee meeting dates.

PROPOSED ACRE COMMITTEE DATES

The current Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting Charter (Attachment A) states that the ACRE Committee “conducts regular meetings with the time frame between meetings not to exceed four months.”

Staff reviewed the Board Calendar (Attachment B) to ensure the proposed meeting dates do not currently conflict with any other Board scheduled events. Internal Audit and Ethics & Compliance are proposing the Committee meet approximately once a quarter on the following days at 9am.

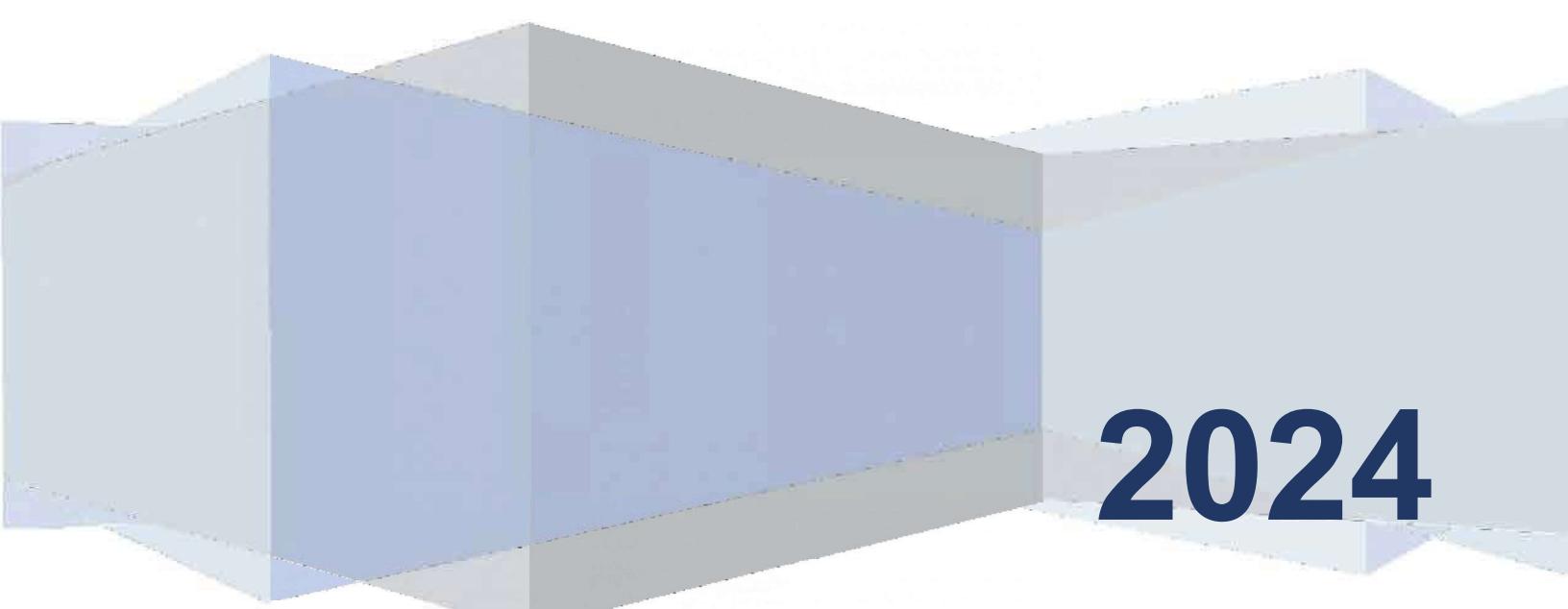
Day	Date
Wednesday	March 18, 2026
Wednesday	June 24, 2026
Wednesday	August 19, 2026
Wednesday	November 18, 2026

Attachments

A: October 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter
B: 2026 Board Calendar



AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE CHARTER

A large, abstract graphic element occupies the bottom half of the page. It consists of several 3D-like geometric shapes, primarily rectangular prisms, rendered in a light blue color. These shapes are arranged in a way that suggests depth and perspective, with some appearing to be in the foreground and others in the background. The overall effect is a modern, minimalist design.

2024

**AUDIT, COMPLIANCE, RISK, AND
ETHICS (ACRE) COMMITTEE CHARTER****Table of Contents**

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AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit, Compliance, Risk and Ethics (ACRE) Committee (Committee), as assigned by the Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The ACRE Committee Charter is a living document which shall be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

In October 9, 2024 LACERA's Boards expanded the Audit Committee's responsibilities to include Compliance, Risk, and Ethics. Subsequently, the Audit Committee was renamed the Audit, Compliance, Risk, and Ethics (ACRE) Committee to encapsulate the Committee's enhanced role in the oversight of LACERA's Ethics and Compliance and Enterprise Risk Management Programs.

The purpose of the ACRE Committee is to provide structured, systematic oversight of LACERA's governance, risk management, ethics and compliance, and internal controls. The Committee assists the Boards in fulfilling their fiduciary oversight duties for LACERA's Audit Activity and Organizational Governance Activities, which include Ethics, Compliance and Enterprise Risk Management.

III. PRINCIPLES OF THE ACRE COMMITTEE

The ACRE Committee conducts itself in accordance with its fiduciary duty of prudence and loyalty to LACERA's members and their beneficiaries pursuant to Article XVI, Sec. 17 of the California Constitution, LACERA's Code of Ethical Conduct, LACERA's Mission, Vision, and Values, all applicable laws, regulations, policies, and procedures, and the principles and standards from The Institute of Internal Auditors' (IIA) Ethics and Professionalism domain of the Global Internal Audit Standards. This Charter is also based on the United States Sentencing Guidelines for Organizations and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (2023). The Committee expects the Boards, Management, staff, and LACERA's consultants and other vendors will also adhere to these requirements.

Integrity - Committee Members perform their work with honesty, diligence, and responsibility. The ACRE Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Management will regularly provide the Committee with updates on recently completed, related findings and follow-up emergent risks.

Independence & Objectivity - The Committee performs its responsibilities in an independent manner and in compliance with its fiduciary duty without exception. Committee Members will disclose any actual or perceived conflicts of interest to the ACRE Committee.

Confidentiality - Committee Members will not use or disclose confidential information. Committee Members are also prudent in the use and protection of other information acquired during the course of their duties, including public information because it relates to LACERA's risk and control environment.

Competency - Committee Members receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Committee Members are also provided regular education and training from the ACRE Consultant and staff on governance, audit (including understanding the annual financial statement reports), ethics and compliance, and enterprise risk management. Committee Members are obligated to diligently prepare for and actively participate in ACRE Committee meetings.

Professional Standards - The ACRE Committee ensures all related work will be handled with the highest professional standards consistent with auditing, ethical, compliance, and risk management standards of practice and industry guidelines.

IV. ACRE COMMITTEE AUTHORITY

The ACRE Committee has unrestricted access to the Boards, Management, and staff, and any relevant information necessary to discharge its duties, subject to certain legal limitations. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Committee, Chief Audit Executive (CAE), and/or Chief Ethics and Compliance Officer (CECO) will work with the Chief Legal Counsel and/or the Chief Executive Officer to resolve the matter.

V. ACRE COMMITTEE COMPOSITION, CONSULTANT, AND OFFICERS

The Committee consists of seven members: three elected annually from each Board, and the ex-officio member of both Boards, the Los Angeles County Treasurer and Tax Collector. If any elected Committee member leaves Board service or resigns from the ACRE Committee prior to the completion of their term, the Board of the departing member will elect a new committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the ACRE Committee Consultant ("Consultant") as an advisor. The Consultant serves as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Consultant also advises the Committee on ethics, compliance, and risk management issues. The Committee conducts an annual performance evaluation of the ACRE Committee Consultant.

At the first Committee meeting of each calendar year, the Committee elects a Chair, Vice Chair and Secretary, each to serve for a term of one year or until their successor is duly elected and qualified, whichever period is shorter. In the event of a vacancy in the office of Chair, the Vice Chair shall immediately assume the office of Chair for the remainder of the term. In the event of a vacancy in the office of Vice Chair or Secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

VI. ACRE COMMITTEE MEETINGS

The Committee conducts regular meetings with the time frame between meetings not to exceed four months. At the first meeting of each calendar year, the Committee will establish a meeting schedule for the year and may set additional meetings as the Committee deems necessary.

All Committee Members are expected to attend each meeting, review all relevant materials in advance, and actively participate. The ACRE Committee Consultant will attend all meetings of the Committee, unless excused by the Committee.

All meetings of the ACRE Committee shall be noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Committee discussions. However, non-committee trustees may not make or second motions or vote. Additionally, closed sessions to discuss the CAE's or CECO's annual performance assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the GAE or CECO shall be noticed for attendance by Committee members only.

Regular meeting notices and agendas are posted at least 72-hours in advance of meetings and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda are made available for review at the office of the staff secretary to the Committee and published on the LACERA website, lacera.com. The Committee invites members of Management, other key staff, Internal Auditors, Financial Auditors, all other Professional Service Providers, and/or any other relevant individuals to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee has such other powers to notice and agendize meetings as provided in the Brown Act.

Except as otherwise provided herein, Robert's Rules of Order shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the Chair. The order of business shall be as determined by formal action of the Committee. Four members of the seven-member Committee constitute a quorum.

Minutes will be prepared recording the time and place of each meeting of the Committee, the names of all members present, all official acts of the Committee, and the votes given by members except when the action is unanimous. The minutes will be written and presented for approval at the next regular meeting. The approved minutes will be signed by the Chair and Secretary.

VII. RESPONSIBILITIES

The ACRE Committee provides oversight over the following:

A. Audit Activity

1. Internal Audit Activity

Oversee and monitor Internal Audit's conformance with the IIA's Global Internal Audit Standards, particularly the described "essential conditions" which establish the foundation for an effective internal audit function and are listed below.

- a. The Internal Audit Activity is independent of Management and reports functionally to the ACRE Committee and administratively to the Chief Executive Officer.
- b. Ensure the CAE has unrestricted access to and communicates directly with the ACRE Committee.
- c. Discuss, review, and approve Internal Audit's Charter, which includes Internal Audit's mandate and the scope and types of internal audit services, at least every three years. Discuss with the CAE and Executive Management if any significant changes to LACERA or the industry, or other topics would impact the Internal Audit Charter and should be addressed.
- d. Review and approve Internal Audit's Three-Year Roadmap, which provides a plan to continue to mature and improve Internal Audit.
- e. Ensure the CAE has established a Quality Assurance and Improvement Program (QAIP). Annually, review the results of the QAIP.
- f. Approve Internal Audit's risk-based Audit Plan, including the budget for resources and funding, to ensure the scope of governance, risk and control processes are adequately evaluated. Make appropriate inquiries of the CAE and Executive Management to determine whether scope or resource limitations are inappropriate.
- g. Monitor Internal Audit's activity relative to its Plan. Approve all major changes to the Audit Plan.
- h. Review, accept, and/or provide Internal Audit with further direction on Internal Audit's engagement reports.
- i. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified.
- j. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the Chief Audit Executive (CAE). Collaborate with Executive Management to determine the qualifications and competencies LACERA expects in a CAE, as described in the IIA's Global Internal Audit Standards.

2. Professional Service Provider Activity

- a. Approve the appointment and compensation of the Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.

- b. Approve the appointments of other Professional Service Providers selected for inclusion in Internal Audit's Audit Pool to perform non-financial statement audits, reviews, or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impact the purpose or methods of the audit. Oversee the compensation of these providers in accordance with LACERA's Policy for Purchasing Goods and Services.
- c. Approve the appointment and compensation of other Professional Service Providers, outside of Internal Audit's Audit Pool, hired to perform non-financial statement audits, reviews, or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impact the purpose or methods of the audit.
- d. Review the Professional Service Providers, including the Financial Auditor's, results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
- e. Resolve any significant disagreements regarding risks, findings and/or compensation between Management and Professional Service Providers.

3. Financial Reporting Process

The ACRE Committee is responsible for oversight of the independent audit of LACERA's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, risk, and ethics.

- a. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- b. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.
- c. Review the annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- d. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- e. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

B. Ethics and Compliance Program Activity

The ACRE Committee oversees LACERA's Ethics and Compliance Program (Program); approves its Program Charter at least every three years (or as provided in the Charter); and takes other actions and makes recommendations and reports to the Board of Retirement and Board of Investments and the CEO as provided in the Program Charter and as the Committee deems appropriate. The Committee provides oversight of Management's ethics and compliance controls to maintain the highest ethical standards and to monitor compliance with laws, regulations, policies, and procedures. The Boards and CEO have responsibilities in connection with the Program as stated in the Program Charter, and nothing in this Committee Charter will be interpreted to change or limit the Boards and CEO's responsibilities under the Program Charter.

The Ethics and Compliance Program is a management function located within the Legal Office, where the CECO oversees the Ethics and Compliance Office and reports administratively to the Chief Counsel. The CECO reports directly to, and the Program is functionally overseen by the CEO, the ACRE Committee, and the Boards.

1. *Ethics and Compliance Personnel*

- a. Provide input on and approval of the CECO's appointment, termination, and discipline by the CEO. Approve and make recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.
- b. Contribute to the CEO's annual performance evaluation of the CECO. Discussion regarding the CECO's annual performance assessment will be made in executive session under Government Code Section 54957(b).

2. *Ethics and Compliance Roadmap of Priorities, Work Plan, Budget, and Expenses*

- a. Review and approve the Ethics and Compliance Program Three-Year Roadmap of priorities and Program management.
- b. Review and approve the Program's annual work plan and quarterly work plan progress reports.
- c. Review and approve the Ethics and Compliance Office annual budget for resources and funding, for inclusion in LACERA's annual administrative Budget approved by the Boards.
- d. Review and approve additional unanticipated expenses necessary (beyond those budgeted) to support the Program in accordance with LACERA's Policy for Purchasing Goods and Services.

3. *Ethics and Compliance Risk Assessments*

- a. Review scheduled Program risk assessments of organization-wide operations and critical business processes, along with recommendations to upgrade current or establish new controls to mitigate identified ethics and compliance risks, control gaps, or other key risk indicators.
- b. Review interim assessment reports regarding mission critical ethics and compliance risks.

4. *Monitoring and Evaluating Ethical Conduct and Compliance*

Review quarterly Program evaluation reports and recommendations regarding LACERA's operations, business practices, and key risk indicators to advance organization-wide ethics and compliance with laws, regulations, policies, procedures, LACERA's Code of Ethical Conduct, and Conflict of Interest Code.

5. *Policies and Procedures*

- a. Review quarterly reports regarding Program policy and procedure review.
- b. Review new or updated policies and procedures within the purview of the Committee, including but not limited to LACERA's Code of Ethical Conduct and Conflict of Interest Code.

6. *Vendor/Third-Party Ethics and Compliance Risk Management*

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

7. *Training and Communications*

a. Oversee the Program's ethics and compliance communication and training plans and quarterly status reports, including the process for communicating LACERA's governing laws, regulations, policies, procedures, Code of Ethical Conduct, and Conflict of Interest Code throughout the organization.

b. Undergo regular ethics and compliance training on LACERA's governing laws, regulations, policies, procedures, Code of Ethical Conduct, and Conflict of Interest Code.

8. *Reporting Channels and Commitment to Non-Retaliation*

Review quarterly reports regarding reported ethics and compliance concerns or violations raised through LACERA's internal and external reporting channels.

9. *Investigations, Recommendations for Mitigation or Remediation*

a. Review written reports regarding detected or alleged ethics and compliance risks or violations, along with the results of investigations and recommendations for mitigation.

b. Oversee the Program's system for prevention and detection of fraud, including quarterly review of a summary of LACERA's Ethics Hotline reports, with Committee recommendations to the Boards as indicated.

10. *Privacy*

Review the annual report on the status of LACERA's efforts to protect the privacy of LACERA member information and the confidentiality of other LACERA information.

11. *Organizational Culture of Ethics and Compliance*

Review reports of the periodic survey of LACERA's culture of ethics and compliance.

12. *Ethics and Compliance Program Assessment and Evaluation*

Annually review an annual report on the status and effectiveness of the Program, Management's Program-related controls, consulting or advisory engagements, any exceptions to control standards and their basis, and the Program's annual self-assessment.

13. *Foundational Program Work Pending Hiring of the CECO*

a. Pending hiring of the CECO, the CEO and Chief Counsel, working in conjunction with Human Resources, will develop a job description and salary recommendation for the CECO to be submitted to the Committee and Boards for approval.

b. The CEO and Chief Counsel will perform additional foundational work for the Program, including but not limited to research, education, internal communication, and baseline ethics and compliance assessments, and will report on such activities to the ACRC Committee and the Boards at each Committee meeting until the CECO is hired.

C. Enterprise Risk Management Program Activity

1. Obtain from the CAE an annual report on the implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
2. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and/or the Boards.

D. Budgets

LACERA will provide appropriate funding, as determined by the Committee, for compensation to the Financial Auditor, ACRE Consultant(s), and to any professional Service Provider that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary and appropriate to carry out its duties.

E. Other Responsibilities

1. Report to the Boards as needed about the ACRE Committee's activities, issues, and related recommendations.
2. Provide an open channel of communication between all Professional Service Providers, including the Financial Auditor, Management, and the Boards.
3. Perform other activities related to this Charter as requested by the Boards.
4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the ACRE Committee on September 19, 2024, and approved by the Board of Retirement on October 2, 2024, and the Board of Investments on October 9, 2024. This Charter is thereby effective October 9, 2024, and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Debbie Martin
Debbie Martin (Nov 12, 2024 19:43 PST)

Debbie Martin
*Chair, Audit, Compliance, Risk, and
Ethics Committee*

11/12/2024

Date

Patrick L. Jones
Patrick L. Jones (Nov 20, 2024 14:57 EST)

Patrick L. Jones
Chair, Board of Investments

11/20/2024

Date

Shawn R. Kehoe
Shawn R. Kehoe (Nov 20, 2024 15:53 PST)

Shawn R. Kehoe
Chair, Board of Retirement

11/20/2024

Date

March 2026

April 2026

Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 BOR	5	6	7
8 Daylight Saving Starts	9	10	11 BOI	12	13	14
15	16	17	18 ACRE MEETING	19	20	21
22	23	24	25	26	27	28
29 Palm Sunday	30 Cesar Chavez Day	31	1	2	3 Good Friday	4

June 2026

July 2026

Su	Mo	Tu	We	Th	Fr	Sa
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
31	1	2	3 BOR	4	5	6
7	8	9	10 BOI	11	12	13
14 Flag Day	15	16	17	18	19 Juneteenth	20
21 Father's Day	22	23	24 ACRE MEETING	25	26	27
28	29	30	1	2	3	4 Independence Day

August 2026

September 2026

Su	Mo	Tu	We	Th	Fr	Sa
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	30	31	1
2	3	4	5 BOR	6	7	8
9	10	11	12 BOI	13	14	15
16	17	18	19 ACRE MEETING	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

November 2026

December 2026

Su	Mo	Tu	We	Th	Fr	Sa
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Daylight Saving Ends All Saints' Day	2	3	4 BOR	5	6	7
8	9	10 BOI	11 Veterans Day	12	13	14
15	16	17	18 ACRE MEETING	19	20	21
22	23	24	25	26 Thanksgiving Day	27 LACERA Holiday	28
29	30	1	2	3	4	5



February 9, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Aleen Langton (BOR), Trustee
Trevor Fay (BOI), Trustee
Debbie Martin (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Richard P. Bendall *RPB*
Chief Audit Executive

FOR: February 23, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Internal Audit Proposed Fiscal Year 2026-2027 Budget Request**

RECOMMENDATION

The ACRE Committee approve Internal Audit's Proposed Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval.

BACKGROUND

According to the Institute of Internal Auditor's (IIA's) Global Internal Audit Standards (Standards), Standard 9.4 states "the Chief Audit Executive (CAE) must discuss the internal audit plan, including significant interim changes, with senior management and the ACRE Committee. The plan and significant changes to the plan must be approved by the ACRE Committee." Furthermore, Standard 9.4 requires that the plan must, "identify the necessary human, financial and technological resources necessary to complete the plan."

Standard 10.1 states, "The CAE must seek budget approval from the ACRE Committee"

The full set of Standards which should be considered by the CAE, senior management and the ACRE Committee in the approval of Internal Audit's budget and annual Audit Plan, are included in **Attachment A**. With the exception of abbreviating chief audit executive to "CAE" and replacing the word board with "ACRE Committee," as I did above, they provide the full text of each applicable standard.

Due to the timing of the organization's budget cycle which begins in December, and Internal Audit's timeline for completing the Risk Assessment and Audit Planning process, which is completed by June, we take an iterative approach to our annual resource planning, risk assessment and audit plan development.

1. To ensure that the ACRE Committee, as per the ACRE Committee Charter and the Standards, have input to and approve the Internal Audit budget request, staff prepared the attached documents for Committee review:
 - **Attachment B** - Proposed Internal Audit Fiscal Year (FY) 2026-2027 Budget Request (Budget) and,
 - **Attachment C** - Draft Fiscal Year 2026-2027 Internal Audit Plan

Upon Committee approval, the Internal Audit Budget will be included in LACERA's Administrative Budget for JOGC and Board approval.

2. At our March meeting, staff will kick-off our annual risk assessment with an overview to the Committee on the process and engage the Committee in a discussion about risk to get any input from the Committee on areas of concern to be considered.
3. The last step in the process will be for staff to complete the risk assessment process and bring a complete final draft Audit Plan for Fiscal Year 2026-2027 to the Committee for further discussion and approval.

BUDGET REQUEST HIGHLIGHTS

Salaries and Employee Benefits (S&EB)

The Budget Unit may make further adjustments to the S&EB numbers in our draft Budget Request. However, these adjustments would be non-discretionary increases such as cost-of-living adjustments and salary step increases. Internal Audit is not requesting any changes that would be subject to discretion by the ACRE Committee this year, such as requests for additional positions.

Services and Supplies (S&S)

Our Services and Supplies (S&S) budget request for Fiscal Year 2026-2027 results in a 7.9 percent reduction from the current year's budget (from \$769,200 to \$708,500). This is primarily due to a \$50,000 net reduction in professional and special services, as well as a \$10,000 reduction in educational expenses to more closely match our anticipated need.

The \$700,000 budget for professional and special services in Fiscal Year 2025-2026 is comprised of \$650,000 for external audit services and \$50,000 for the audit committee consultant. For Fiscal Year 2026-2027, we reduced the external audit component by \$100,000 to \$550,000 but added \$50,000 to hire a consultant to assist us with the strategic plan goal of initiating an enterprise risk management (ERM) process. Including the \$50,000 for the audit committee consultant, the professional and special services budget for Fiscal Year 2026-2027 is \$650,000.

Of the \$550,000 for external audit services, \$250,000 is anticipated to be used for the external financial audit. The remaining \$300,000 will be used to continue leveraging the use of our ACRE Committee approved pool of external audit firms to assist us in completing our risk-based Audit Plan. We anticipate that this will include IT, investment and other operational audits or advisory services where special skills are needed or where we could benefit from an independent perspective.

DRAFT FISCAL YEAR 2026-2027 INTERNAL AUDIT PLAN

As indicated above, we are presenting a draft of the Internal Audit Plan (Plan) to the Committee for purposes of budget approval at this time. The draft only includes the annual continuous projects that we know will be included on the Plan. Specific projects to complete the Plan will be added at the conclusion of our risk assessment process and brought to the Committee for approval at your June meeting. (**Attachment C**).

We anticipate continuing to have two subsections to the Internal Audit Plan (Plan):

A. Enterprise Risk Management (ERM) Development Section

We will dedicate approximately twenty percent of our staffing resources to continuing our efforts at developing a formal ERM Program at LACERA. This is in relation to one of the key strategic goals that resulted from the recent Strategic Planning effort. Whereas the Legal Office is heading up the implementation of a formal Compliance program, Internal Audit is championing the development of a formal ERM program.

B. Traditional Audit Plan Section

This section includes work on assurance, advisory, other value-added projects, as well as Internal Audit's administrative projects planned for the upcoming Fiscal Year. We have populated the plan at this point with those projects that reoccur annually, or that we know are due to be performed, such as the financial audit and actuarial audit oversight projects. Additional projects will be added upon completion of our risk assessment/audit planning process.

Again, staff will complete the annual risk assessment process and provide the final Internal Audit Plan to the Committee for approval at the June 2026 meeting. In alignment with the Standards, we have considered our human resource, financial and technological needs in developing our budget request for Committee approval.

We do not anticipate that the finalization of the Plan will affect our resource needs. However, should that be necessary, we would prepare a budget adjustment request to accompany the Internal Audit Plan for the ACRE Committee approval for inclusion in the organization's mid-year budget request process.

CONCLUSION

The ACRE Committee approve Internal Audit's Proposed Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval.

Attachments:

- A. Applicable IIA Global Standards
- B. Proposed FY 2026-2027 Internal Audit Budget Request
- C. Draft FY 2026-2027 Internal Audit Plan

ATTACHMENT A

Institute of Internal Auditors (IIA) Global Internal Audit Standards related to internal audit resource planning, human, financial and technological:

Standard 8.2 Resources

The CAE must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the CAE must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how resource shortfalls will be addressed.

The related “Essential Conditions” for the ACRE Committee require that the Committee:

- Collaborate with senior management to provide the internal audit function with **sufficient resources** to fulfill the internal audit mandate and achieve the internal audit plan.
- **Discuss with the CAE**, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Consider the **impact of insufficient resources** on the internal audit mandate and plan.
- **Engage with senior management and the CAE** on remedying the situation if the resources are determined to be insufficient.

The related “Essential Conditions” for senior management require that senior management:

- Engage with the ACRE Committee to provide the internal audit function with **sufficient resources** to fulfill the internal audit mandate and achieve the internal audit plan.
- Engage with the ACRE Committee and the CAE on any issues of **insufficient resources** and how to remedy the situation.

Standard 9.4 Internal Audit Plan

The **CAE must** create an internal audit plan that supports the achievement of the organization's objectives.

The **CAE must** base the internal audit plan on a documented assessment of the organization's strategies, objectives and risks. This assessment must be informed by input from the ACRE Committee and senior management as the CAE's understanding of the organization's governance, risk management, and control processes. This assessment must be performed at least annually.

The **internal audit plan must**:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risk operations, programs, systems, controls, and organizational culture.

Standard 10.1 Financial Resource Management

The **CAE must** manage the internal audit function's financial resources.

The **CAE must** develop a budget that enables the successful implementation of the internal audit strategy (3-Year Roadmap) and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools. The CAE must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The **CAE must** seek budget approval from the ACRE Committee. The CAE must communicate promptly the impact of insufficient financial resources to the ACRE Committee and senior management.

Standard 10.2 Human Resources Management

The **CAE must** establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.

The **CAE must** strive to ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. Appropriate refers to the mix of knowledge, skills, and abilities; sufficient refers to the quality of resources; and effective deployment refers to assigning resources in a way that optimizes the achievement of the internal audit plan.

The **CAE must** communicate with the ACRE Committee and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the CAE must determine how to obtain the resources or communicate timely to the ACRE Committee and senior management the impact of the limitations. (See also Standard 8.2, Resources, above).

The **CAE must** evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The CAE must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring.

Standard 10.3 Technological Resources

The **CAE must** strive to ensure that the internal audit function has technology to support the internal audit process. The CAE must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

When implementing new technology, the **CAE must** implement appropriate training for internal auditors in the effective use of technological resources. The CAE must collaborate with the organization's information technology and information security functions to implement technological resources properly.

The **CAE must** communicate the impact of technological limitations on the effectiveness or efficiency of the internal audit function to the ACRE Committee and senior management.



FISCAL YEAR 2026-2027

INTERNAL AUDIT BUDGET

Internal Audit

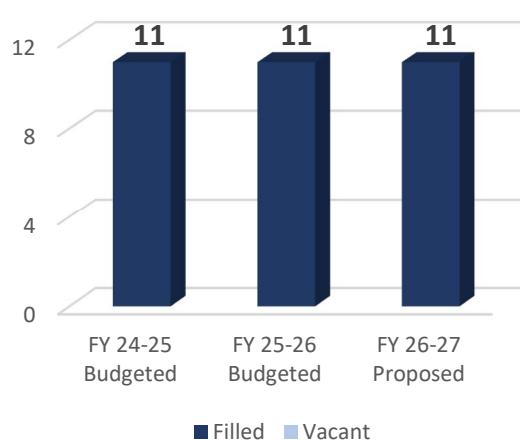
FISCAL YEAR 2026-2027 BUDGET NARRATIVE

The purpose of Internal Audit is to strengthen LACERA's ability to produce, protect, and provide the promised benefits to LACERA's members by providing the Audit, Compliance, Risk, and Ethics (ACRE) Committee and management with independent, risk-based, and objective assurance and advisory services, designed to add value and improve LACERA's operations.

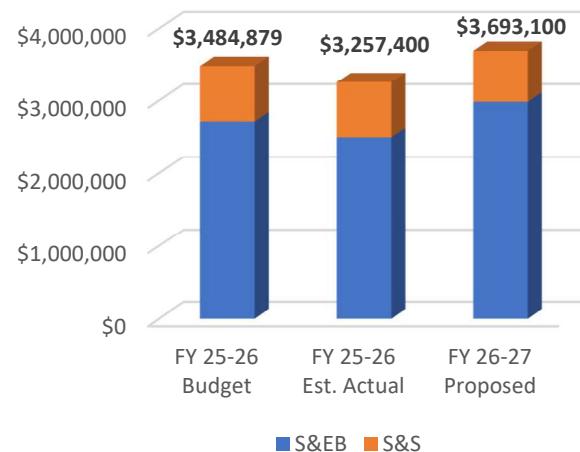
Internal Audit enhances LACERA's:

- Successful achievement of its objectives
- Governance, risk management, and control processes
- Decision-making and oversight
- Reputation and credibility with its stakeholders
- Ability to serve members

Budgeted Positions



Proposed Budget



Summary of Significant Changes

<u>Description</u>	<u>FY 2025-26 Adopted Budget</u>	<u>FY 2026-27 Proposed Budget</u>	<u>Net Change</u>
Audits	\$650,000	\$550,000	(\$100,000)
Strategic Plan	\$0	\$50,000	\$50,000
Registration Fees	\$35,000	\$25,000	(\$10,000)

STATUS OF FY 2025-26 PROJECTS AND INITIATIVES

In April 2025, the Audit, Compliance, Risk, and Ethics (ACRE) Committee approved Internal Audit's 2025–2028 Roadmap. The goal of the Roadmap is to continue advancing Internal Audit's maturity while supporting LACERA's strategic objectives and long-term success.

1. Enhance our processes to position Internal Audit as **Trusted Advisors** who add value and influence operational improvements.
 - a. Execute a risk-based FY 2025-26 Audit Plan that aligns with LACERA's Mission and Strategic Plan.
 - Integrated Information Technology (IT) and Cybersecurity Risk Assessment – This integrated assessment provided a comprehensive view of LACERA's IT and cybersecurity posture, helped identify gaps, guided future investments, and ensured alignment with best practices and regulatory expectations.
 - Hiring of a New Financial Audit Firm and a Readiness Assessment – During the fiscal year, Internal Audit facilitated the selection and hiring of LACERA's new financial audit firm, CLA (CliftonLarsonAllen). To support a smooth transition following nine years with the previous firm, Internal Audit is facilitating a Readiness Assessment.
 - Provider Premium Calculations and Payments Audit – The purpose of the audit was to assess if retiree healthcare premium collections and payments were managed accurately, efficiently, and in compliance with both internal policies and regulatory requirements.

- Business Continuity Audit – Business continuity continues to be a high-priority focus across all industries. The objective of this audit was to assess LACERA’s Business Continuity Program against best practice guidance to identify potential gaps and opportunities for enhancement.
- Public Disclosure Forms Audit – The purpose of the audit was to evaluate the adequacy and effectiveness of controls in place to ensure that the Public Disclosure Forms (i.e., Forms 700, 801, and 806) are collected, reviewed, and reported in a timely, accurate manner and ensure they are in compliance with applicable laws and LACERA policies.
- CEO Credit Card Audit – The audit provided an independent review of the CEO’s credit card expenditures to ensure transparency, accountability, and compliance with LACERA’s Corporate Card Policy.
- Oversight of Financial Audit, Actuarial Audit, and Systems and Organization Controls 1 (SOC-1) Type II Audit – These engagements provide external assurance regarding financial reporting, funding, and IT operational risks, which are critical to LACERA’s mission and operations.

b. Enhance Internal Audit Operations through updates to our Internal Audit Operations guide, audit workflow process, and audit templates for the revised 2025 Institute of Internal Auditors’ (IIA) Standards.

2. Develop **Continuous Learners** to build audit competencies and foster a culture of learning to deliver actionable insights.

a. Continue to enhance Internal Audit’s competencies and efficiencies through training and development requirements.

FY 2026-27 INTERNAL AUDIT INITIATIVES

Internal Audit will lead and execute the following initiatives to strengthen governance, enhance risk-based oversight, and support continuous organizational improvement:

1. Enhance our processes to position Internal Audit as **Trusted Advisors** who add value and influence operational improvements.
 - a. Execute a risk-based FY 2026-27 Audit Plan that aligns with LACERA’s Mission and Strategic Plan.
 - b. Enhance Internal Audit’s Annual Risk Assessment process.
2. Develop **Continuous Learners** to build audit competencies and foster a culture of learning to deliver actionable insights.

- a. Develop and execute a 2027 Divisional Training Plan based on an assessment of Internal Audit's competencies.
- 3. Advance LACERA's risk awareness as **Risk Consultants** who develop strategies to strengthen organizational maturity and resilience.
 - a. Provide risk management awareness to the organization.

FY 2026-27 STRATEGIC GOALS AND OBJECTIVES

In addition to Internal Audit's initiatives, Internal Audit is working on LACERA's Strategic Objective 4.2, Implement a Comprehensive Enterprise Risk Management (ERM) Framework and Structure. Our goals for FY 2026-27 are to:

- a. Assess the maturity of LACERA's current risk management structure.
- b. Establish a baseline understanding of ERM with key stakeholders and determine an action plan to further maturity.
- c. Develop risk awareness educational platforms.

SUMMARY OF PROPOSED BUDGETARY CHANGES: SALARIES & EMPLOYEE BENEFITS (S&EB)

Non-Discretionary Salary Adjustments

The budget reflects negotiated cost-of-living adjustments (COLAs) included in the Memorandum of Understanding (MOU) covering the period of January 1, 2026, through December 31, 2028, as well as salary-step progression and merit pay increases for qualified and/or eligible employees and assumed commensurate increases for employee benefits.

Adjustments to Permanent Staffing

There are currently eleven budgeted full-time positions in Internal Audit. No additional staff positions are requested currently.

Temporary Staffing

Internal Audit is fully staffed so does not anticipate the need to budget for temporary staffing for FY 2026-27.

Overtime Needs

Internal Audit requests 25 hours each of overtime for the Senior Administrative Assistant and Internal Auditor positions. The overtime is necessary for the timely completion of Audit Committee meeting materials.

Interns

Internal Audit does not anticipate any use of interns in FY 2026-27.

Rehired Retirees

Internal Audit does not anticipate any use of rehired retirees in FY 2026-27.

If unanticipated vacancies occur, Internal Audit will consider this option.

SUMMARY OF PROPOSED BUDGETARY CHANGES: SERVICES & SUPPLIES (S&S)

Removal of One-Time Expenditures

Internal Audit does not have any removal of one-time expenditures for FY 2026-27.

Services and Supplies Adjustments

Strategic Initiative – ERM Consultant

We are requesting \$50,000 to hire a consultant to assist us in the strategic goal related to enterprise risk management (ERM).

Auto Mileage

We are requesting a reduction from \$2,000 to \$1,500 to better align the budget with demonstrated need.

Special Orders/Minor Equip

We are requesting a reduction from \$1,200 to \$500 to better align the budget with demonstrated need.

External Audit

We are requesting a reduction in our budget for external audit providers of \$100,000, reducing it from \$650,000 in FY 2025-26 to \$550,000 in FY 2026-27 to better align with actual expenditures in recent years. We will request a mid-year budget adjustment if we anticipate the need for additional budget in this area.

Registration Fees

We are requesting a decrease of \$10,000 to registration fees from \$35,000 to \$25,000 to better reflect actual need.

Miscellaneous

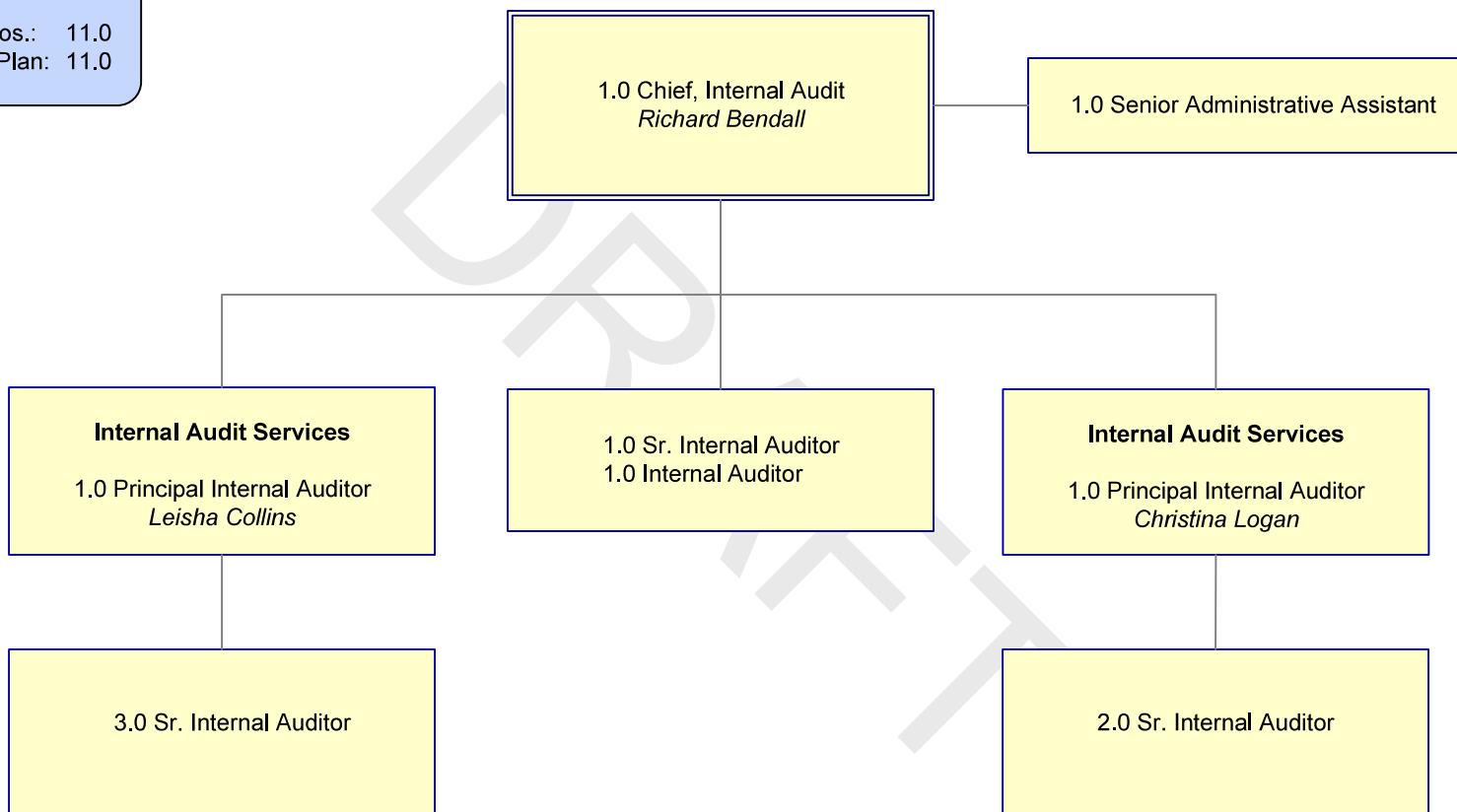
We are requesting an increase from \$500 to \$1,000 to better align with our anticipated need.

INTERNAL AUDIT

FISCAL YEAR 2026-2027

2025-2026 Bud. Pos.: 11.0
2025-2026 Hiring Plan: 11.0

2026-2027 Bud. Pos.: 11.0
2026-2027 Hiring Plan: 11.0



LACERA

FISCAL YEAR 2026-2027

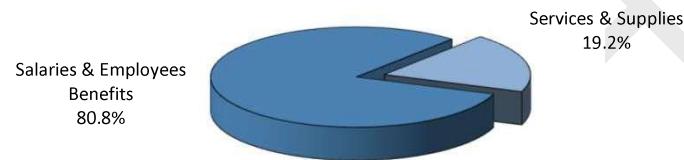
BUDGET SUMMARY

INTERNAL AUDIT

Salaries & Employees Benefits
Services & Supplies
OPERATING BUDGET

PROPOSED BUDGET 2026-2027	CURRENT YEAR 2025-2026		COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
	YTD (01-31-26)		OVER/(UNDER)		\$ CHANGE	% CHANGE
	BUDGET	PROJECTION	BUDGET	% CHANGE		
Salaries & Employees Benefits	\$2,715,679	\$1,188,747	\$2,502,200	(\$213,479)	-7.9%	
Services & Supplies	769,200	287,196	755,200	(\$14,000)	-1.8%	
OPERATING BUDGET	\$3,484,879	\$1,475,944	\$3,257,400	(\$227,479)	-6.5%	
					\$268,921	9.9%
					(60,700)	-7.9%
					\$208,221	6.0%

2026 - 2027 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2026-2027

SALARIES AND EMPLOYEE BENEFITS SUMMARY

INTERNAL AUDIT

PROPOSED BUDGET 2026-2027	CURRENT YEAR 2025-2026		COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
	YTD (01-31-26)		OVER/(UNDER)		\$ CHANGE	% CHANGE
	BUDGET	PROJECTION	BUDGET	% CHANGE		
Total LACERA Salaries	\$1,854,200	\$1,685,619	\$730,611	\$1,495,000	(\$190,619)	-11.3%
Total Agency Temp Salaries	0	0	0	0	0	0.0%
Employee Benefits (Variable)	933,200	848,354	373,818	834,200	(14,154)	-1.7%
Employee Benefits (Other)	109,600	99,644	45,248	97,000	(2,644)	-2.7%
OPEB Contribution	82,300	74,863	38,282	73,000	(1,863)	-2.5%
Stipends	0	0	0	0	0	0.0%
Overtime	3,800	5,700	788	3,000	(2,700)	-47.4%
Bilingual Bonus	0	0	0	0	0	0.0%
Sick Leave Buyback	0	0	0	0	0	0.0%
Rideshare Allowance	1,500	1,500	0	0	(1,500)	-100.0%
Transportation Allowance	0	0	0	0	0	0.0%
ADJUSTED GROSS S&EB	\$2,984,600	\$2,715,679	\$1,188,747	\$2,502,200	(\$213,479)	-7.9%
Salary Differential	-	-	-	-	-	-
TOTAL S&EB	\$2,984,600	\$2,715,679	\$1,188,747	\$2,502,200	(\$213,479)	-7.9%

*All amounts rounded to the nearest dollar.

Note: All YTD Salaries and Employee Benefits totals are as of 01/15/26, with the exception of Agency Temp Salaries, which are as of 01/31/26.

LACERA

FISCAL YEAR 2026-2027

BUDGETED POSITIONS

INTERNAL AUDIT

FILLED POSITIONS

Budget Classification Number	Budget Classification Title	# of Budget Positions	Budget Salary Schedule
0774	CHIEF, INTERNAL AUDIT, LACERA	1	LS12
0762	PRINCIPAL INTERNAL AUDITOR, LACERA	2	119K
0763	SENIOR INTERNAL AUDITOR, LACERA	6	113G
0764	INTERNAL AUDITOR, LACERA	1	107D
0439	SENIOR ADMINISTRATIVE ASSISTANT, LACERA	1	095C
Total Filled Positions =			11

VACANT POSITIONS

Budget Classification Number	Budget Classification Title	# of Budget Positions	Budget Salary Schedule
	Total Vacant Positions =	0	
	TOTAL POSITIONS =	11	

Non-Represented positions shown in black.

Represented positions shown in blue.

Salary schedule as of 01/01/2025.

LACERA
FISCALY YEAR 2026-2027
SERVICES & SUPPLIES ACCOUNT SUMMARY

INTERNAL AUDIT

ACCOUNT CLASSIFICATION	PROPOSED BUDGET 2026-2027	CURRENT YEAR		COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
		2025-2026		OVER/(UNDER)		\$ CHANGE	% CHANGE
		BUDGET	YTD (01-31-26)	PROJECTION	BUDGET		
TRANSPORTATION & TRAVEL	\$16,500	\$17,000	\$12,406	\$17,800	\$800	4.7%	(\$500) -2.9%
OFFICE SUPPLIES & EQUIPMENT	500	1,200	125	400	(800)	-66.7%	(700) -58.3%
PROFESSIONAL & SPEC. SRVCS.	650,000	700,000	260,839	690,000	(10,000)	-1.4%	(50,000) -7.1%
EDUCATIONAL EXPENSES	40,500	50,500	13,826	46,500	(4,000)	-7.9%	(10,000) -19.8%
MISCELLANEOUS	1,000	500	0	500	0	0.0%	500 100.0%
TOTAL	\$708,500	\$769,200	\$287,196	\$755,200	(\$14,000)	-1.8%	(\$60,700) -7.9%

*All amounts rounded to the nearest dollar.

DRAFT FY 2026-2027 INTERNAL AUDIT PLAN				
ENTERPRISE RISK MANAGEMENT (ERM) PLAN			10 - 20 Percent	
ERM TASKS			SOURCE/STATUS	
ERM Program Plan				
	IA	Build ERM Foundation	TBD	Strategic Plan
	IA	ERM Readiness & Risk Culture Assessment	TBD	Strategic Plan
AUDIT PLAN				80 - 90 Percent
	DIVISION	AUDIT / PROJECT NAME	PROJECT TYPE	SOURCE/STATUS
EXECUTIVE/ORGANIZATIONAL/LEGAL				
1	Exec Office	TBD (expect 2 to 4 projects)	TBD	TBD
2	Organizational	Continuous Audit Processing (CAP)	Assurance/Audit	Risk Based
3	Organizational	Recommendation Follow-Up	Other Projects	Annual/Continuous
4	Organizational	Risk Assessment	Other Projects	Annual/Continuous
5	Organizational	TBD	TBD	TBD
6	Legal Office	TBD	TBD	TBD
7	Legal Office	Ethics and Compliance (Hotline)	Value-Added	Risk Based
ADMINISTRATION - Admin Serv, HR, Systems, Info Sec				
8	Admin Serv	TBD (expect 1 to 3 projects)	TBD	TBD
9	HR	TBD (expect 1 to 2 projects)	TBD	TBD
10	Systems	TBD (expect 2 to 3 projects)	TBD	TBD
11	Systems	Oversight of SOC Audits FY 26 & 27	Oversight	Annual/Continuous
12	Info Sec	TBD (expect 1 to 2 projects)	TBD	TBD
INVESTMENTS & FASD				
13	FASD	Oversight of Financial Audit FY 26 & 27	Oversight	Annual/Continuous
14	FASD	TBD (expect 1 to 3 projects)	TBD	TBD
15	FASD/Inv	Oversight of Actuarial Audit FY 26 & 27	Oversight	Annual/Continuous
16	FASD/Inv	TBD (potentially 1 project)	TBD	TBD
17	Investments	THC Financial Audits/Tax - FY 26 & 27	Assurance/Audit	Risk Based
18	Investments	TBD (expect 2 to 3 projects)	TBD	TBD
OPERATIONS - Benefits, DRS, RHC, Member Services				
19	Benefits	TBD (expect 2 to 4 projects)	TBD	TBD
20	Mbr Serv	TBD (expect 1 to 2 projects)	TBD	TBD
21	RHC	TBD (potentially 1 project)	TBD	TBD
22	DRS	TBD (potentially 1 project)	TBD	TBD
INTERNAL AUDIT OPERATIONS				
23	IA	Quality Assurance Improvement Program	Other Projects	Annual/Continuous
24	IA	Audit Committee Support	Other Projects	Annual/Continuous
25	IA	Manage Internal Audit 3-Year Roadmap	Strategic/IA Goal	Annual/Continuous
26	IA	Provide training to MAC and ACRE Committee	Strategic/IA Goal	Annual/Continuous
27	IA	IA Staff Training Plan	Strategic/IA Goal	Annual/Continuous
28	IA	RFP to Expand Audit Pool	Strategic/IA Goal	Annual/Continuous
29	IA	Manage Continuous Audit Process (CAP)	Strategic/IA Goal	Annual/Continuous

February 9, 2026

TO: 2026 ACRE Committee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Aleen Langton (BOR), Trustee
Trevor Fay (BOI), Trustee
Debbie Martin (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg (BOR/BOI), Trustee

ACRE Committee Consultant
Larry Jensen

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

FOR: February 23, 2026 Audit, Compliance, Risk, and Ethics Committee Meeting

SUBJECT: Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request

RECOMMENDATION

That the Audit, Compliance, Risk, and Ethics (ACRE) Committee approve the Proposed Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for approval by the Board of Retirement and Board of Investments.

BACKGROUND

The United States Sentencing Guidelines provide that those with "day-to-day operational responsibility" for an ethics and compliance program shall have "adequate resources." (U.S.S.G. § 8B2.1(b)(2)(C).) This expectation is repeated in the U.S. Department of Justice's "Evaluation of Corporate Compliance Program" (September 2024) (ECCP), which describes the elements of successful best-practice compliance programs under the Sentencing Guidelines.

Consistent with the Sentencing Guidelines and the ECCP, the ACRE Committee Charter provides that the Committee shall, "[r]eview and approve the Ethics and Compliance Office annual budget for resources and funding, for inclusion in LACERA's annual administrative Budget approved by the Boards." (ACRE Charter, Section VII.B.2.c., page 8.) The Charter also provides for the Chief Executive Officer (CEO) and Chief Counsel to prepare a foundational work plan for the Program pending the hiring of the Chief Ethics and Compliance Officer. (ACRE Charter, Section VIII.B.13., page 9.)

In compliance with the above standards and ACRE Committee Charter, staff provides the following attached documents for Committee review in approving the Ethics and Compliance Program's budget request for Fiscal Year 2026-2027:

Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request

February 9, 2026

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- **Attachment A** – Proposed Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request (Budget), and
- **Attachment B** – Foundational Work Plan Status Report, presented at the Committee's November 2025 meeting.

Upon Committee approval, the Ethics and Compliance Program Budget will be included in LACERA's Administrative Budget presented for joint Board approval.

BUDGET REQUEST HIGHLIGHTS

Salaries and Employee Benefits (S&EB)

The staffing of the Ethics and Program Office is currently planned to consist of the Chief Ethics and Compliance Officer (CECO), two Deputy Chief Ethics and Compliance Officers (DCECOs), and one Senior Administrative Assistant. The CECO and DCECO job descriptions and salaries were approved in 2025 by the ACRE Committee; both LACERA Boards, and the Board of Supervisors (BOS). The Senior Administrative Assistant is an existing classification.

Because the positions are now approved, recruiting may begin. The Chief position will be recruited first, which is expected to begin in the fourth quarter of FY 2025-26 and to be completed early in the first quarter of FY 2026-27. The Senior Administrative Assistant is an existing classification and will begin recruitment shortly after the Chief is hired. It is expected that later in FY 2026-27, the Chief will oversee recruitment of the first Deputy, to be completed by the end of the third quarter of the fiscal year. Funding is included to reflect nine months of funding for the CECO, six months of funding for the Senior Administrative Assistant, and three months of funding for the DCECO. However, this amount is subject to change based on the pace of recruiting, the actual salary at which Ethics and Compliance staff is hired, and the date of onboarding.

Services and Supplies (S&S)

The Services and Supplies (S&S) budget request for Fiscal Year 2026-2027 remains similar to the current year's budget, with the addition of increased educational expenses and related travel to accommodate demand from the Ethics and Compliance team and other staff. The S&S budget is also subject to change based on the needs of the Ethics and Compliance Office staff once they are hired.

FOUNDATIONAL WORK PLAN

Pending the hiring of the CECO, the CEO and Legal Office will continue the Foundational Work Plan approved by the ACRE Committee and joint Boards. These activities will position the CECO to quickly begin substantive work after their hiring.

The approved activities, which are described in detail in Attachment B, include:

- Education Plan.

Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request

February 9, 2026

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- Policy Management.
- Baseline Ethics and Compliance Risk Assessment.
- Baseline Ethics and Compliance Culture Survey.
- CECO, DCECO, and Senior Administrative Assistant Classifications, Salary, and Recruiting Efforts.
- Code of Ethical Conduct Review.

Substantial progress has been made on all of these initiatives. Staff will continue to report their status to the ACRE Committee at its regular meetings. Any required funding will come from the Ethics and Compliance Office budget as approved for FY 2025-2026 or as proposed for FY 2026-2027.

CONCLUSION

Staff requests that the ACRE Committee approve the Proposed Ethics and Compliance Program Fiscal Year 2026-2027 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval.

Attachments:

- A. Proposed FY 2026-2027 Ethics and Compliance Program Budget Request
- B. Foundational Work Plan Status Report for the Ethics and Compliance Program (November 2025)

c: Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Leisha Collins
Christina Logan
Allison Barrett

ATTACHMENT A

Proposed Ethics and Compliance Program

Fiscal Year (FY) 2026-2027 Budget Request



FISCAL YEAR 2026-2027

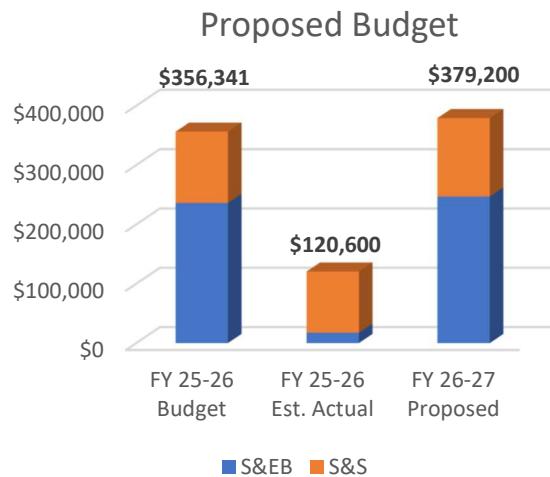
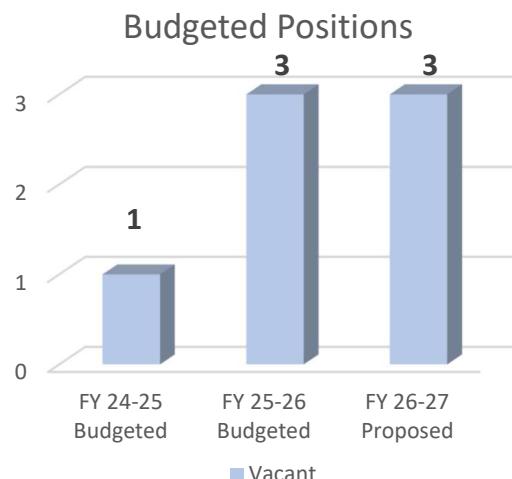
**ETHICS & COMPLIANCE OFFICE
BUDGET**

Ethics and Compliance Office

FISCAL YEAR 2026-2027 BUDGET NARRATIVE

The Ethics and Compliance Office builds and strengthens LACERA's ethical culture and provides dedicated resources to support compliance with laws, regulations, policies, and procedures. It also offers risk assessment, monitoring, investigation, education and training, and other services that increase awareness and help reduce ethics and compliance risks across the organization.

The Office will continue the move from foundational planning to program implementation in FY 2026-27, with the hiring of the first full-time, permanent staff for the Office.



Summary of Significant Changes

<u>Description</u>	<u>FY 2025-26 Adopted Budget</u>	<u>FY 2026-27 Proposed Budget</u>	<u>Net Change</u>
Travel	\$8,000	\$15,000	\$7,000
Registration Fees	\$7,500	\$12,500	\$5,000

REPORTING STRUCTURE

Under the Board-approved Ethics and Compliance Program Charter, the Chief Ethics and Compliance Officer (CECO) will oversee the program and report functionally to the Audit, Compliance, Risk, and Ethics (ACRE) Committee and the Board of Retirement and Board of Investments, and the Chief Executive Officer (CEO). The program supports and will further the fiduciary duty of the ACRE Committee, Boards, and the CEO to provide oversight of ethics and compliance risk management and respond to red flags in these areas.

In December 2024, the ACRE Committee approved and recommended the Chief Ethics and Compliance Officer (CECO) class description and salary; in March 2025, the ACRE Committee approved and recommended a Deputy Chief Ethics and Compliance Officer (DCECO) class description and salary, with two ordinance positions, to assist the CECO by providing subject-matter expertise in particular areas of LACERA's operations. At its April 2025 meeting, the Joint Organizational Governance Committee (JOGC) approved both class descriptions, with one change, and salaries, which was followed by approval by both Boards at their May 2025 meetings. In October 2025, the Board of Supervisors adopted amendments to County Ordinances including the classifications and salaries.

Initially, the Ethics and Compliance Office will be housed administratively within the Legal Services Office. However, all staffing and expenses are being tracked and reported separately to ensure that the Ethics and Compliance Program is adequately resourced and is independent, consistent with best practices.

STATUS OF FY 2025-26 PROJECTS AND INITIATIVES

The Ethics and Compliance Program is a goal in the Board of Retirement's 2023-28 Strategic Plan, and substantial progress is being made to implement the program.

The Ethics and Compliance Program Charter was approved by the Audit Committee and Boards. The Audit Committee was renamed the ACRE Committee, and a new Committee Charter was approved to reflect its increased scope of risk oversight responsibilities.

Pursuant to the new program and ACRE Committee Charters, a foundational work plan was approved and actively implemented, consisting of activities to enhance LACERA's readiness to implement the full program upon arrival of the CECO. In addition to obtaining approval for the CECO and DCECO classifications and salaries (discussed above), the foundational work plan, which continues to be fully implemented, has included:

1. Ethics and Compliance Education: Education has included orientation for the ACRE Committee on the basics of ethics and compliance under the U.S. Sentencing Guidelines and the guidance contained in the U.S. Department of Justice "Evaluation of Corporate Compliance Programs." ACRE Committee orientation was also provided on the importance of organizational culture to ethics,

compliance, and risk management. At the staff level, many staff members have taken external training from the Society of Corporate Compliance and Ethics (SCCE). Some members of the Ethics and Compliance Committee (ECC) and other staff have invested in education and testing to receive Certified Compliance & Ethics Professional (CCEP) certification. The ECC has also received Messages of the Quarter on Risk Management and Ethics, which ECC members have shared with their own divisions and reported back, leading to a feedback loop of discussion and action regarding these subject. Similar quarterly messages will be an ongoing form of education.

2. **Policy Management:** Policy management is a critical element of mitigating ethics and compliance risk. The ECC's Ethics and Compliance Policy Subcommittee reviews and provides initial input on all organizational policies, followed by review by the ECC itself before they can be submitted for approval by the governing authority. Staff implemented *Compass: LACERA's Policy Library* on LACERA's internal intranet in 2025, which continued to be maintained, updated, and expanded throughout FY 2025-26. *Compass* ensures that every LACERA staff member is able to readily locate, apply, and adhere to policies and procedures as they perform their day-to-day operations in compliance with the law and regulations. Training on policy development and management is under development.
3. **Baseline Ethics and Compliance Risk Assessment:** The Ethics and Compliance team joined Internal Audit in its 2025 risk assessment to collect information on organizational ethics and compliance risks. The information gathered is being organized and will be presented to the ACRE Committee.
4. **Baseline Ethics and Compliance Culture Survey:** LACERA conducted an all-staff Culture Survey, which yielded a 67 percent response rate. Focus groups followed the survey to drill deeper and enhance understanding of the survey's results. A Management Offsite was held to discuss the results and explore ideas for an action plan. The action plan is under development.
5. **Update of LACERA's Code of Ethical Conduct:** Throughout 2025, staff worked to update the Code. The Code has been expanded and reformatted in alignment with LACERA's Values to be more complete and effective in its role as an important LACERA standard-setting document. This effort is nearing completion, with the Code brought to the ACRE Committee and the Boards in the first few months of 2026 for final approval. Staff has developed a rollout plan, which includes training for all trustees and staff, and ongoing efforts into the future to keep the Code top of mind.

To assist in these efforts, ethics and compliance counsel and additional consulting services from Gartner were utilized to provide professional expertise.

FY 2026-27 STRATEGIC GOALS AND OBJECTIVES

The first priority for the new fiscal year will be to complete the hiring and integration of the CECO, and then consider filling the first Deputy CECO position and a Senior Administrative Assistant, to provide dedicated program leadership and support staff. In the interim, foundational steps will continue, including:

- Ongoing ethics and compliance risk assessments;
- Follow-up ethical culture assessment during FY 2026-27 based on LACERA's Values and behaviors;
- Taking action to address the risk assessment and culture survey results;
- Evaluation of additional Governance, Risk, and Compliance (GRC) software for compliance, ethics, and privacy;
- Development of processes to support LACERA's Values, ethics and compliance, and organizational culture; and
- Additional and enhanced training on ethics and compliance and promote additional staff CCEP certifications.

SUMMARY OF PROPOSED BUDGETARY CHANGES: SALARIES & EMPLOYEE BENEFITS (S&EB)

Non-Discretionary Salary Adjustments

The budget reflects negotiated cost-of-living adjustments (COLAs) included in the Memorandum of Understanding (MOU) covering the period of January 1, 2026 through December 31, 2028, as well as salary-step progression and merit pay increases for qualified and/or eligible employees and assumed commensurate increases for employee benefits.

Adjustments to Permanent Staffing

In September 2025, the Board of Supervisors gave initial approval to the Chief Ethics and Compliance Officer and Deputy Chief Ethics and Compliance Officer classifications. This action permits LACERA to begin recruiting. The Chief position will be recruited first, which is expected to begin in the fourth quarter of FY 2025-26 and to be completed early in the first quarter of FY 2026-27. The Senior Administrative Assistant is an existing classification and will begin recruitment shortly after the Chief is hired. It is expected that later in FY 2026-27, the Chief will oversee recruitment of the first Deputy, to be completed by the end of the third quarter of the fiscal year.

Funding is included to reflect nine months of funding for the CECO, six months of funding for the Senior Administrative Assistant, and three months of funding for the DCECO. However, this amount is subject to change based on the actual salary authorized and the date of onboarding.

Temporary Staffing

Temporary staffing is not anticipated for this program in FY 2026-27.

Overtime Needs

Overtime is not anticipated for this program in FY 2026-27.

Interns

No interns are requested for this program in FY 2026-27.

Rehired Retirees

The Ethics and Compliance Office is not requesting any rehired retiree assistance in FY 2026-27.

SUMMARY OF PROPOSED BUDGETARY CHANGES – SERVICES & SUPPLIES (S&S)

The budget is refreshed from FY 2025-26 last year, in anticipation of the hiring of the CECO and other Ethics and Compliance Office staff during FY 2026-27, and to continue the momentum developed in implementing the ACRE Committee- and Board-approved foundational work plan.

Removal of One-Time Expenditures

The Ethics and Compliance Office does not have any removal of one-time expenditures for FY 2026-27.

Services and Supplies Adjustments

The following services and supplies are proposed in support of this program in FY 2026-27. Once there is permanent staff in the Ethics and Compliance Office, some of these amounts may be subject to change:

Transportation

Funding totaling \$3,500 is requested to support anticipated auto mileage associated with the Chief Ethics and Compliance Officer, the Deputy Chief Ethics and Compliance Officer, and other staff involved in the program, for business meetings and attendance at training and other events.

Travel

Funding totaling \$15,000 is requested to support all trainings, conferences, and travel-related expenses that relate to Ethics and Compliance. Such expenses for the Ethics and Compliance Office and all other staff will be charged and allocated to the Ethics and Compliance Office.

Special Orders/Minor Equip

Funding totaling \$1,200 is requested for new and developing office special supplies.

Ethics & Compliance Consulting

Funding totaling \$35,000 is requested for additional ethics and compliance consulting services to obtain input on best practices in Ethics and Compliance Program design and implementation.

Outside Legal Counsel

Funding totaling \$27,000 is requested for outside ethics and compliance counsel to support the development and implementation of LACERA's Ethics and Compliance Program.

Memberships

Funding totaling \$8,000 is requested for memberships to support the Chief Ethics and Compliance Officer's professional development and participation in ethics and compliance-related organizations.

Registration Fees

Funding totaling \$12,500 is requested to the level of Ethics and Compliance training expected of the new Ethics and Compliance Office personnel and other staff.

Educational Materials

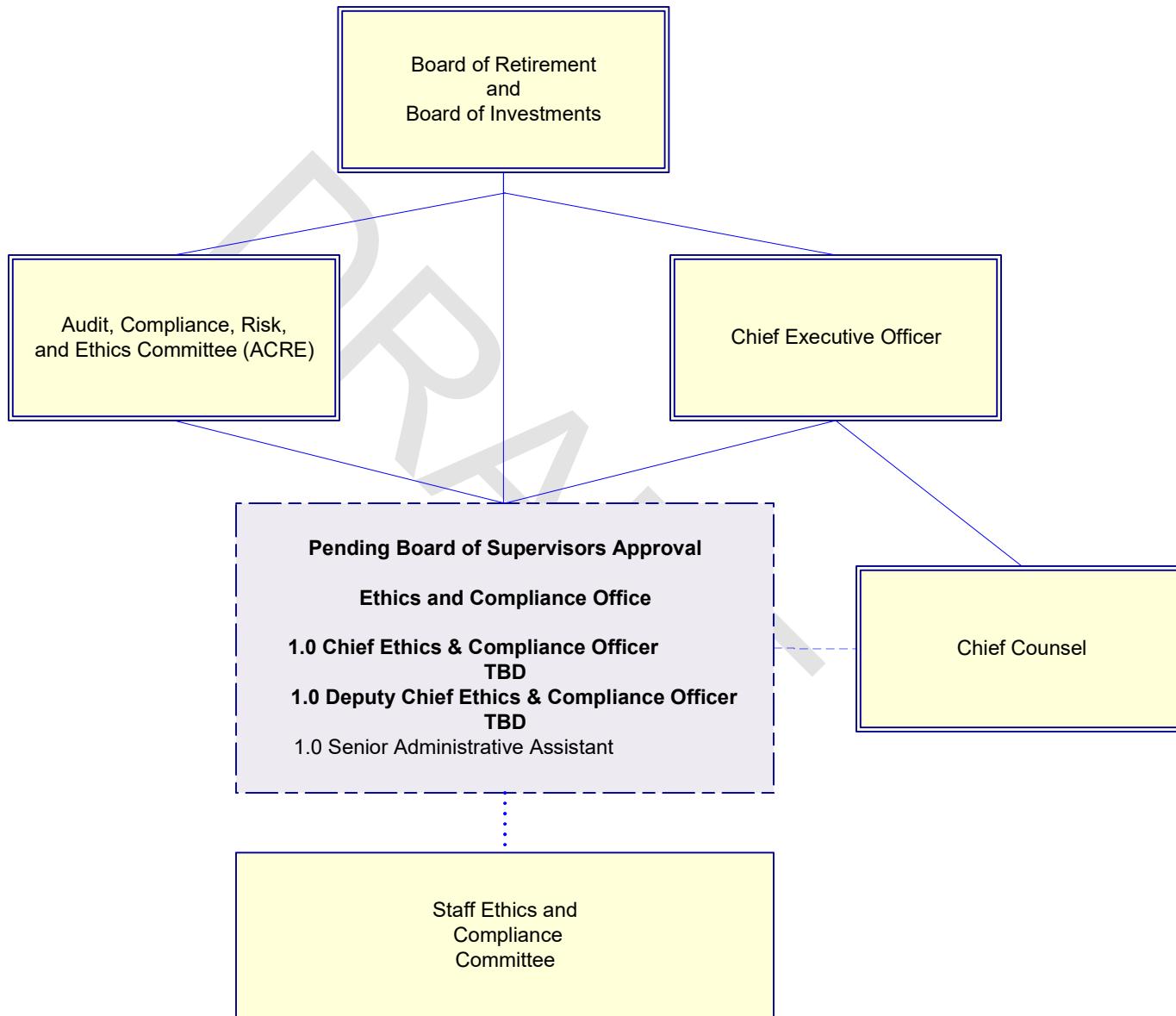
Funding totaling \$30,000 is requested to ensure the program has the educational and professional materials and subscriptions needed to successfully implement LACERA's Ethics and Compliance Program.

ETHICS AND COMPLIANCE OFFICE

FISCAL YEAR 2026-2027

2025-2026 Bud. Pos.: 3.0
2025-2026 Hiring Plan: 3.0

2026-2027 Bud. Pos.: 3.0
2026-2027 Hiring Plan: 3.0



— — — Administrative
— — — Functional
..... Advisory

LACERA

FISCAL YEAR 2026-2027

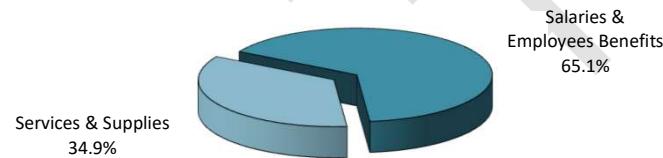
BUDGET SUMMARY

ETHICS AND COMPLIANCE OFFICE

Salaries & Employees Benefits
Services & Supplies
OPERATING BUDGET

PROPOSED BUDGET 2026-2027	CURRENT YEAR 2025-2026		COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
	YTD BUDGET (01-31-26)		OVER/(UNDER) BUDGET PROJECTION		\$ CHANGE	% CHANGE
	BUDGET	PROJECTION	BUDGET	% CHANGE	BUDGET	% CHANGE
\$247,000	\$236,141	\$8,564	\$17,500	-92.6%	\$10,860	4.6%
132,200	120,200	53,302	103,100	(17,100)	12,000	10.0%
\$379,200	\$356,341	\$61,866	\$120,600	(\$235,741)	\$22,860	6.4%

2026 - 2027 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2026-2027

SALARIES AND EMPLOYEE BENEFITS SUMMARY

ETHICS AND COMPLIANCE OFFICE

PROPOSED BUDGET 2026-2027	CURRENT YEAR 2025-2026			COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
	BUDGET	YTD (01-31-26)		PROJECTION	BUDGET	% CHANGE	\$ CHANGE
Total LACERA Salaries	\$180,400	\$172,614	\$0	\$0	(\$172,614)	-100.0%	\$7,786
Total Agency Temp Salaries	0	0	0	0	0	0.0%	0
Employee Benefits (Variable)	47,800	45,656	9	100	(45,556)	-99.8%	2,144
Employee Benefits (Other)	10,700	10,204	4,634	9,900	(304)	-3.0%	496
OPEB Contribution	8,100	7,666	3,921	7,500	(166)	-2.2%	434
Stipends	0	0	0	0	0	0.0%	0
Overtime	0	0	0	0	0	0.0%	0
Bilingual Bonus	0	0	0	0	0	0.0%	0
Sick Leave Buyback	0	0	0	0	0	0.0%	0
Rideshare Allowance	0	0	0	0	0	0.0%	0
Transportation Allowance	0	0	0	0	0	0.0%	0
ADJUSTED GROSS S&EB	\$247,000	\$236,141	\$8,564	\$17,500	(\$218,641)	-92.6%	\$10,860
Salary Differential	0	0	-	-	-	-	-
TOTAL S&EB	\$247,000	\$236,141	\$8,564	\$17,500	(\$218,641)	-92.6%	\$10,860

*All amounts rounded to the nearest dollar.

Note: All YTD Salaries and Employee Benefits totals are as of 01/15/26, with the exception of Agency Temp Salaries, which are as of 01/31/26.

LACERA

FISCAL YEAR 2026-2027

BUDGETED POSITIONS

ETHICS AND COMPLIANCE OFFICE

FILLED POSITIONS

Budget Classification Number	Budget Classification Title	# of Budget Positions	Budget Salary Schedule
	Total Filled Positions =	0	

VACANT POSITIONS

Budget Classification Number	Budget Classification Title	# of Budget Positions	Budget Salary Schedule
99999A	CHIEF, ETHICS & COMPLIANCE OFFICER	1	LS12
99999A	DEPUTY CHIEF, ETHICS & COMPLIANCE OFFICER	1	118J
0439	SENIOR ADMINISTRATIVE ASSISTANT	1	095C
Total Vacant Positions =		3	
TOTAL POSITIONS =			3

Non-Represented positions shown in black.

Represented positions shown in blue.

Salary schedule as of 01/01/2025.

LACERA

FISCAL YEAR 2026-2027

SERVICES & SUPPLIES ACCOUNT SUMMARY

ETHICS AND COMPLIANCE OFFICE

ACCOUNT CLASSIFICATION	PROPOSED BUDGET 2026-2027	CURRENT YEAR 2025-2026			COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2025-2026 BUDGET	
		YTD (01-31-26)		PROJECTION	BUDGET	% CHANGE	\$ CHANGE	% CHANGE
		BUDGET	(01-31-26)	PROJECTION	BUDGET	% CHANGE	\$ CHANGE	% CHANGE
TRANSPORTATION & TRAVEL	\$18,500	\$11,500	\$2,176	\$6,800	(\$4,700)	-40.9%	\$7,000	60.9%
OFFICE SUPPLIES & EQUIPMENT	1,200	1,200	886	1,000	(200)	-16.7%	0	0.0%
PROFESSIONAL AND SPECIALIZED SERVICES	35,000	35,000	0	35,300	300	0.9%	0	0.0%
LEGAL FEES & SERVICES	27,000	27,000	20,770	30,000	3,000	11.1%	0	0.0%
EDUCATIONAL EXPENSES	50,500	45,500	29,470	30,000	(15,500)	-34.1%	5,000	11.0%
MISCELLANEOUS	0	0	0	0	0	0.0%	0	0.0%
TOTAL	\$132,200	\$120,200	\$53,302	\$103,100	(\$17,100)	-14.2%	\$12,000	10.0%

*All amounts rounded to the nearest dollar.

ATTACHMENT B

Foundational Work Plan Status Report for

Ethics and Compliance Program (11/2025)



October 24, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Alma K. Martinez (BOI), Secretary
Nancy Durazo (BOR), Trustee
Jason Green (BOR), Trustee
Wayne Moore (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

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

Allison E. Barrett *KOB*
Senior Staff Counsel

FOR: November 20, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Ethics and Compliance Program Foundational Work Plan - Status Report**

BACKGROUND AND LEGAL AUTHORITY

LACERA's Ethics and Compliance Program is integral to the ACRE Committee's constitutionally mandated fiduciary duty to administer the retirement system with care, skill, prudence, and diligence to ensure the prompt delivery of benefits and related services to members and their beneficiaries.¹ Accordingly, the development and implementation of an Ethics and Compliance Program is an essential part of LACERA's 2023-2028 Strategic Plan. The objective is to build a Program to identify, prevent, detect, monitor, and respond to ethics and compliance risks; to advance a culture of ethics and compliance in alignment with LACERA's values; and to cultivate risk awareness and responsibility as a standard part of operations in every division and at every level of the organization.

¹ Cal. Const., Art. XVI, Sec. 17.

Ethics and Compliance Foundational Work Plan – Status Report

October 24, 2025

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Under the ACRE Charter, the Committee has oversight of LACERA's Ethics and Compliance Program to ensure the organization is operating with the highest ethical standards and in compliance with all applicable laws, regulations, policies, and procedures.² The Committee's oversight duty requires it to ensure adequate controls exist *and* that they are being implemented.³ For oversight to be effective, LACERA's compliance and control functions must have *direct access* to the ACRE Committee and Boards for *regular reporting* about Program activities, ethics and compliance risks, and the controls in place to mitigate those risks.⁴ The Committee receives regular reports on Program activities,⁵ so it can make reasonable inquiry into its effectiveness and ensure the Program is: 1) *well designed*; 2) *applied earnestly* and *in good faith* (*adequately resourced and empowered to function effectively*); and 3) *works in practice*.⁶

The Ethics and Compliance Program Charter was adopted by the ACRE Committee and Boards (just over one year ago) in October 2024, along with the Program's Foundational Work Plan. A team of multi-divisional LACERA employees (including the Legal Office, Executive Office, Internal Audit, and Human Resources) continue to implement the Program, perform foundational work, and report on ethics and compliance activities at each Committee meeting in preparation for the hiring of the CECO and to mitigate risk in the interim.⁷

The following chart summarizes the status of work plan activities, with additional details outlined further below (with references to the United States Sentencing Guidelines, Department of Justice Evaluation of Corporate Compliance Programs, and LACERA's Ethics and Compliance Program and ACRE Charters).

WORK PLAN STATUS

PROGRAM ACTIVITY	UPDATES
<i>Education Plan</i>	<ul style="list-style-type: none">• <i>July - November 2025</i>: In July, the Ethics and Compliance Committee (ECC) launched an in-house education series to support a multi-directional flow of communication on ethics and compliance issues between first line operations and the second line Ethics and Compliance function, and to advance LACERA's culture of ethics and compliance at every level of the organization. <i>Education topics from August – November included: Risk Awareness and Ethics.</i>

² ACRE Committee Charter, sec. VII.B.

³ *United States Sentencing Guidelines*, Ch. 8: 18 USCS Appx. sec. 8B2.1(b)(2)(A): “The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.”

⁴ The 2024 Department of Justice Evaluation of Corporate Compliance Programs (DOJ-ECCP), p. 12, sec. II.B.

⁵ ACRE Committee Charter, sec. VII.B.2b, 3b, 4, 5a, 6, 7a, 8, 9a-b, 11.

⁶ DOJ-ECCP, pp. 1-2.

⁷ ACRE Committee Charter, sec. VII.B.13b.

Ethics and Compliance Foundational Work Plan – Status Report

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	<ul style="list-style-type: none">• September – October 2025: ECC members (including Certified Compliance and Ethics Professionals—“CCEP”) attended Society of Corporate Compliance and Ethics (SCCE) Conferences: <i>24th Annual Compliance and Ethics Institute and Compliance Auditing and Monitoring Workshop</i>. ECC members who attend educational sessions share key takeaways with the committee.• December 2025: 5-7 additional members of the ECC (from Internal Audit, the Executive Office, Legal, and Disability Retirement Services) will attend the SCCE’s “Basic Compliance and Ethics Academy” in preparation for CCEP certification.
Policy Management	<ul style="list-style-type: none">• Ongoing: First-line managers are responsible for monitoring divisional policies and procedures to determine when new policies are needed and to keep existing policies current according to scheduled review cycles. The Ethics and Compliance Policy Subcommittee (ECPS) meets every two weeks when division subject matter experts submit new policies or policies scheduled for review and updating. New or updated policies are then forwarded to the ECC for final review and posting on <i>Compass</i>—LACERA’s Policy Library. The ECC continues to meet monthly.• August - November 2025: The following policies, procedures, and charters are currently under or on deck for review by the ECPS and ECC: <i>Policy for the Procurement of Goods and Services; Policy on Policies, Procedures, and Charters; the Ethics and Compliance Committee Charter; the Ethics and Compliance Program Charter; Intellectual Property Policy; Artificial Intelligence Policy; and Procedures for End-User Device LifeCycle Management</i>.
Ethics and Compliance Risk Assessments	<ul style="list-style-type: none">• June – August 2025: As part of Internal Audit’s regular annual risk assessment and the Ethics and Compliance Program’s foundational assessment of ethics and compliance risks, the “Aligned Assurance” team (Legal and Internal Audit) jointly conducted follow-up interviews with each division manager regarding the 2025 Risk Assessment & Compliance Questionnaire responses.• September – December 2025: The Aligned Assurance Team began analyzing the findings and risk trends for inclusion in a comprehensive report.• First Quarter 2026: Aligned Risk Assessment report will be presented to the ACRE Committee.

Ethics and Compliance Foundational Work Plan – Status Report

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<i>Ethics and Compliance Culture Survey</i>	<ul style="list-style-type: none">• August 2025: 67% of staff responded to the foundational culture survey issued July 25, 2025 and closed August 25, 2025.• September – November 2025: The Executive Office, HR, Ethics & Compliance, and Internal Audit reviewed, analyzed, and compiled the survey results, which were communicated organization wide by the Executive Office at the October brown bag. Organization-wide focus group discussions are being organized to dig deeper into the survey results and to prioritize underdeveloped or vulnerable areas of LACERA's culture. Survey responses are presented under a separate item on the November ACRE Committee agenda.• November – December 2025: Develop and finalize a culture action plan based on survey responses, discussion group feedback, and ethics and compliance consultant input.• First Quarter 2026: Culture action plan presented to ACRE Committee, followed by plan implementation. Follow-up surveys will be conducted on a regular basis thereafter.
<i>Code of Ethical Conduct</i>	<ul style="list-style-type: none">• July - October 2025: The redrafted Code was reviewed and revised by multiple stakeholders, including: the Executive Office, the ECC, Leadership Steering Council (formerly Management Action Committee), ethics and compliance consultants, and fiduciary counsel.• November 2025: A complete draft of the Code with the Communication Division's design is presented under a separate item on the November ACRE Committee agenda.• First Quarter 2026: Once approved by the ACRE Committee and Boards, Code orientation and education will be provided for Trustees and all LACERA staff members.
<i>Chief and Deputy Ethics and Compliance Officer Classifications and Recruitment Planning</i>	<ul style="list-style-type: none">• September – October 2025: On 9/30/25 and 10/7/25, the Board of Supervisors approved an ordinance adding LACERA's Chief Ethics and Compliance Officer and Deputy Chief Ethics and Compliance Officer class specifications and respective salaries to the County Code.• November – Early 2026: Human Resources is collaborating with the Executive Office and the Ethics and Compliance team on the CEO recruitment plan.

Education Plan

An effective Ethics and Compliance Program has appropriately tailored communications and training programs that ensure the compliance program is well-integrated into the organization's day-to-day operations.⁸ Under the ACRE Charter, the Committee oversees the Program's ethics and compliance communication and training plans, including the process for communicating LACERA's governing laws, regulations, policies, procedures, and Code of Ethical Conduct throughout the organization.⁹

The Ethics and Compliance Committee (ECC) is comprised of a cross-section of LACERA staff from each division and all three lines of the Institute of Internal Auditors (IIA) Three Lines Model. In addition to reviewing organization-wide policies forwarded by the Ethics and Compliance Policy Subcommittee, the ECC meets monthly to discuss ethics and compliance program activities such as culture, education, risk assessment, and policy management (all essential elements of an effective ethics and compliance program per the United States Sentencing Guidelines and DOJ Evaluation of Corporate Compliance Programs). The ECC supports program implementation and serves as a central driver in educating LACERA staff on ethics and compliance issues and concepts. Accordingly, members of the ECC continue to undergo regular ethics and compliance education as required in the Ethics and Compliance Program Charter and serve as subject matter experts in building the foundation for the Program and to ultimately serve as an advisory body to the CECO.¹⁰

In September and October, ECC members attended education sessions facilitated by the SCCE including the *24th Annual Compliance and Ethics Institute* and the *Compliance Auditing and Monitoring Workshop*. ECC members who attend educational sessions report back to the committee at large regarding key takeaways; and ECC members share that education with their divisions.

In July, the ECC introduced its in-house focused education and communication ("Ethics and Compliance Message of the Month"). As a result of extensive discussions about ethics and compliance topics both in the ECC meetings and at the divisional level, "messages" are now presented quarterly ("Message of the Quarter") allowing for a deeper dive during the intervening months into the subject matter presented. For example, the August message was "risk awareness." Once risks were identified in the August discussion (which occurred in committee and by committee members in each of their divisions), the committee followed up with discussions including implementing new controls or processes and identifying any barriers thereto (i.e., essential aspects of risk awareness). The discussion of "risk awareness" elevated staff's understanding of risk, focused attention on organizational and divisional risks, and furthered the Ethics and Compliance Program objective that risk awareness become a part of the daily responsibilities for all staff in every division. The discussion produced ideas that will be

⁸ DOJ-ECCP (2024), p. 2; 5-6.

⁹ ACRE Committee Charter, Sec. VII.B7a.

¹⁰ Ethics and Compliance Program Charter, sec. V; VIII.B.

applied to organizational risk awareness training and structure.

Quarterly, ECC members will continue to be provided with educational materials on selected ethics and/or compliance topics to share with their particular divisions to prompt discussion and obtain feedback. ECC members then report back to the committee over the course of the next two months with lessons learned from their divisional discussions. The follow up discussions include consideration of themes identified across divisions as well as action plans for continuous process improvement where identified. Messages to date included: “risk awareness” (discussed above) and “ethics.” (Attachment A). The objective of the in-house quarterly messaging (as well as ECC members reporting out on external education) is to increase the flow of multi-directional communication on ethics and compliance issues between first line operations and the second line Ethics and Compliance function. This inclusive and collaborative process is intended to advance an organization-wide understanding and culture of ethics and compliance.

In December, 5-7 additional members of the ECC (from Internal Audit, the Executive Office, Legal, and Disability Retirement Services) will attend the SCCE’s Basic Compliance and Ethics Academy and obtain the requisite 20 continuing education units required to sit for the CCEP exam. LACERA currently has 3 certified ethics and compliance professionals.

Policy Management

An effective Ethics and Compliance Program has established standards of conduct (such as the Code of Conduct, policies and procedures) and internal controls reasonably capable of reducing the likelihood of misconduct.¹¹ Under the ACRE Charter, the Committee will review reports regarding Program policy governance; and review new or updated policies under Committee purview, such as LACERA’s Code of Ethical Conduct and Conflict of Interest Code.¹²

Front-line managers are responsible for continually monitoring divisional risk and controls to determine when new policies are required or existing policies require updating per regularly scheduled review or strategic, operational, or regulatory change; or when any inefficiencies are identified in the implementation of particular policies and procedures. Accordingly, the Ethics and Compliance Policy Subcommittee is available to meet twice each month as policies and procedures (whether new, scheduled for regular review, or in need of streamlining for effectiveness) are submitted by subject matter experts from divisions organization wide. The subcommittee’s review process includes determining the effectiveness of the proposed or updated policies—whether the policies adequately control particular risks and are drafted in a clear and concise manner to be readily understood to effectively mitigate the risk intended. Following review, discussion (and

¹¹ DOJ-ECCP sec. I.B, p. 4: “Any well-designed compliance program utilizes policies and procedures to give both content and effect to ethical norms and to mitigate risks identified by the company as part of its risk assessment process.”

¹² ACRE Committee Charter, sec. VII.B.5a-b.

additional research or drafting when necessary), completed policies and procedures are forwarded to the ECC for final approval and publishing on *Compass*—LACERA’s policy library.

Since August 2025, the subcommittee has begun rewriting LACERA’s *Policy on Policies, Procedures, and Charters* to advance policy governance. The subcommittee and ECC are also completing revision of the *Policy for the Procurement of Goods and Services* to improve LACERA’s contracting and vendor management process and organization-wide operations. Additionally, the subcommittee began updating the *Ethics and Compliance Committee Charter and the Ethics and Compliance Program Charter* per scheduled review. The updated Program charter will be returned to the ACRE Committee for review, approval, and forwarding to the Boards in early 2026.

Baseline Ethics and Compliance Risk Assessment

An effective Ethics and Compliance Program: 1) periodically assesses risk and takes appropriate steps to design, implement, and modify controls; or 2) modifies the Program framework to mitigate identified risk, depending on the likelihood of occurrence and significance of impact.¹³ Under the ACRE charter, the Committee will review scheduled Program risk assessments of organization-wide operations, along with recommendations to upgrade current or establish new controls to mitigate identified ethics and compliance risks, control gaps, or other key risk indicators.¹⁴

As part of Internal Audit’s regular annual risk assessment and the Ethics and Compliance Program’s foundational assessment of ethics and compliance risks, the Aligned Assurance team (Legal and Internal Audit) jointly conducted interviews with each division manager regarding the 2025 Risk Assessment & Compliance Questionnaire responses. The team began analyzing the findings and risk trends for inclusion in a comprehensive report to be presented to the ACRE Committee in the first quarter of 2026. The assessment identified trends across all divisions as follows:

- 1. Staffing and Succession Planning:** Understaffing and limited succession planning impact business continuity, service, and quality assurance.
- 2. Operational and Process Inefficiencies:** Inefficient vendor management, outdated policies, decentralized records and knowledge management impact workflow and compliance.
- 3. Culture and Leadership:** Inconsistent accountability, ineffective oversight of critical business processes such as hiring, budgeting, and contracting impact operations and employee engagement.

¹³ 18 USCS Appx. sec. 8B2.1(c).

¹⁴ ACRE Committee Charter, sec. VII.B.3a-b.

4. Compliance, Security, and Risk Management: Risks related to data security and project management, including insufficient training, lack of governance, and challenges with third-party vendors impact operations and privacy, creating exposure to liability.

The collaborative approach to risk assessment this year between Internal Audit and the Ethics and Compliance Office has led to ongoing discussions about ways to elevate and advance the annual risk assessment to be a more deliberate tool to identify and discuss organizational risks, including ethics and compliance risks, that will then feed into the annual Ethics and Compliance work plan.

A comprehensive report with findings and analysis from this year's aligned risk assessment will be presented in the first quarter of 2026 by the Aligned Assurance team (Legal and Internal Audit).

Baseline Ethics and Compliance Culture Survey

An effective Ethics and Compliance Program promotes an organizational culture that fosters ethical judgment and conduct as well as a commitment to compliance with the law.¹⁵ Under the ACRE Charter, the Committee will review reports of periodic surveys of LACERA's culture of ethics and compliance.¹⁶

Members of the Executive Office, Legal, Internal Audit, and HR developed a survey to obtain a baseline measurement of LACERA's current culture, which was issued on July 25th, with an August 25th deadline for completion. 67% of LACERA employees responded (345 out of 517).

This initial survey was structured around LACERA's I ACT Values (*integrity, inclusivity, innovation, accountability, collaboration, transparency*), which represent how we expect LACERA employees to act and shape our culture. Ethics and compliance questions in the survey inherently fall under integrity, accountability, and transparency—Values which guide our employees to “do the right thing,” no matter the circumstances in making decisions and performing day-to-day responsibilities. A culture guided by Values, ethics, and compliance promotes risk awareness and motivates employees to bring their best to work every day.

From September – November, survey responses were analyzed and reviewed with all LACERA employees who had the opportunity to provide feedback in discussion focus groups regarding underdeveloped or vulnerable areas of LACERA's culture. The survey and focus group results will assist in identifying cultural strengths, weaknesses, opportunities, and threats. A culture action plan based on survey responses, group discussion feedback, and ethics and compliance consultant input is in development and will serve as an integral part of the management offsite in December 2025. The culture

¹⁵ 18 USCS Appx. sec. 8B2.1(a)(2).

¹⁶ ACRE Committee Charter, sec. VII.B.11.

action plan will be presented to the ACRE Committee in the first quarter of 2026, after which, the plan will be implemented. Surveys will be conducted periodically after implementation of the baseline culture action plan in an ongoing deliberate approach to measure growth as change is implemented.

Code of Ethical Conduct

An effective Ethics and Compliance Program establishes standards to identify, prevent, mitigate, detect, and respond to misconduct. Those standards begin with the Code of Ethical Conduct. LACERA's Code states our fiduciary duty, mission, vision, values; serves as a decision-making guide; and expresses LACERA's commitment to ethical judgment and compliance with applicable laws, regulations, policies, and procedures. The ACRE Charter provides for Committee review of updates to the Code of Ethical Conduct.

The revised Code underwent a comprehensive review by stakeholders, including: the Executive Office, the ECC, the Leadership Steering Council, organization-wide focus groups, fiduciary counsel, and ethics and compliance consultants. There was an elevated level of engagement, input, and discussion regarding the revised Code, all of which was incorporated into Code revision. Once the content was set, Communications contributed the design work.

The Code is presented to the ACRE Committee under a separate agenda item for review, feedback, and forwarding to the Boards for final review and posting on *Compass*. Code orientation for Trustees and all LACERA employees will follow.

Ethics and Compliance Classifications and Recruitment Planning

An effective Ethics and Compliance Program requires designated individuals responsible for the day-to-day operation of the Program.¹⁷ The Ethics and Compliance Program Charter provides for an independent Chief Ethics and Compliance Officer to oversee the Program and regularly report on its activities directly to the ACRE Committee and Boards.¹⁸ Under the ACRE Charter, the Committee provides input on and approval of the CECO's appointment, termination, and discipline by the CEO; and approves and makes recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.¹⁹

On September 30, 2025 and October 7, 2025, the Board of Supervisors approved an ordinance adding LACERA's Chief Ethics and Compliance Officer and Deputy Chief Ethics and Compliance Officer class specifications and attendant salaries to the County Code. (Attachment B). Staff, including the Executive Office, Human Resources, and the Ethics and Compliance team are developing a recruitment plan for the CECO, to be

¹⁷ 18 USCS Appx. sec. 8B2.1(b)(2)(C).

¹⁸ Ethics and Compliance Program Charter, sec. III.

¹⁹ ACRE Committee Charter, VII.B.1.a. Subsection VII.B.1.b further provides for the Committee to contribute to the CEO's annual performance evaluation of the CECO.

Ethics and Compliance Foundational Work Plan – Status Report

October 24, 2025

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presented to the ACRE Committee and Boards in early 2026. Pending completion of the recruitment, the Ethics and Compliance team will continue to perform foundational activities to set the stage for the CECO.

CONCLUSION

LACERA's Ethics and Compliance Program Foundational Work Plan activities continue to be implemented daily in preparation for the arrival of the Chief Ethics and Compliance Officer and the formal establishment of LACERA's Ethics and Compliance Office. The Program is designed to identify, prevent, mitigate, detect, and respond to ethics and compliance risk and to promote a culture where every LACERA employee is supported in their efforts "to do the right thing" in the performance of their day-to-day responsibilities. The Program has resulted, and continues to result, in concrete steps across the organization in each of the Program's areas of focus. The Program is integral to LACERA's Values, mission, and the Boards' fiduciary duty. The ACRE Committee serves an essential role, providing engaged oversight of the Program, remaining well-informed of and making reasonable inquiry into its activities.

The Legal Division's ethics and compliance team will continue to provide the Committee with Foundational Work Plan Status Reports at its regularly scheduled meetings until the CECO is hired.

Attachments

C: Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan
Jessica Rivas



February 10, 2026

TO: 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee:
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Aleen Langton (BOR), Trustee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Trevor Fay (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Steven P. Rice *SPR*
Chief Counsel

Allison E. Barrett *KEB*
Senior Staff Counsel

Jessica Rivas *JR*
Staff Counsel

FOR: February 23, 2026 Audit, Compliance, Risk, and Ethics Committee Meeting

SUBJECT: **Updating LACERA's Code of Ethical Conduct**

RECOMMENDATION

That the ACRE Committee review the proposed revised and restated Code of Ethical Conduct and recommend it to the Board of Retirement and Board of Investments for their joint approval.

INTRODUCTION

LACERA's current Code of Ethical Conduct (Code) was approved in November 2021 and has a three-year review cycle. Since late 2024 and most recently in November 2025, staff has shared with this Committee a vision for an updated code that is comprehensive in scope, has improved clarity, organization, and usefulness, and is accessible through multiple channels. Staff returns to share the final draft and our plan for roll out of and training on the new Code.

BACKGROUND

A code of conduct is a fundamental component of an effective ethics and compliance program. Accordingly, the ACRE Committee and Ethics and Compliance Program

Re: Updating LACERA's Code of Ethical Conduct

February 10, 2026

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Charters provide for Committee oversight of LACERA's Code.¹

The purpose of the Code is to set expectations and norms in alignment with LACERA's Mission, Vision, and Values and serve as an ethical decision-making guide for the entire organization. It also is essential for supporting an organizational culture rooted in ethics and compliance. Finally, maintaining and reviewing LACERA's Code is central to the implementation and success of the Ethics and Compliance Program.

CURRENT STATUS OF PROJECT

A final draft, subject to minor design adjustments and final proofreading, is attached for your review as Exhibit A.

This draft incorporates suggestions received from the ACRE Committee at its November 2025 meeting as well as from a November 2025 staff focus group. Changes made include an additional call out box relating to vendor contacts (p. 10), an expanded definition of accessibility (p. 18), and additional language on how transparency applies both internally and externally (p. 28). Regarding the suggestion to add an attestation form for the Nepotism Policy, this is certainly best practices, and we will continue to explore with Human Resources; it may ultimately be part of a stand-alone policy with separate procedures.

This final draft contains links to relevant policies, but we are working through two related issues. First, as Trustees do not have access to LACERA Connect, we are looking for an alternative solution, which will most likely use Boardvantage. Second, since policies may be updated between Code updates, we request approval to update the links in the document as needed so that readers always have access to the most up to date version of the linked policies.

NEXT STEPS

With the ACRE Committee's recommendation, we will then seek final approval from both Boards, then begin rolling out the Code to the entire organization, which will consist of the following:

Pre-Launch

- Engage with LACERA leadership (Board and ACRE Committee Chairs, Executive Team, Leadership Steering Council, Management Action Team, and Supervisory Action Team) to discuss plans and top-level support for launch activities.
- Identify staff-level champions throughout the organization to assist with Code adoption and ongoing engagement.

¹ ACRE Committee Charter, Section VII, B4; B5b; 7a-b; Ethics and Compliance Program Charter, Sections VII, D2; G; IX,A-B.

Re: Updating LACERA's Code of Ethical Conduct

February 10, 2026

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Launch Week

- Announce
 - On Monday, we will distribute the Code via an e-mail from CEO to each LACERA trustee and staff member. We will also publish a page on our intranet (LACERA Connect).
- Socialize
 - Digital Campaign – We will coordinate with Communications on branding, use of slogan, and daily messages aligned with the five main sections of the Code based on LACERA's Values (We Serve with Integrity, We Are Inclusive and Collaborative, We Hold Ourselves Accountable, We Are Transparent, and We Are Innovative).
 - In Person Event – We will hold engaging activities and teambuilding focused on ethics and compliance. We plan to include distribution of a flyer highlighting key ethics and compliance principles as well as limited distribution of hard copies of the Code.
- Train
 - Legal Staff will work with Communications and Human Resources to prepare a training video for all staff to view on NeoGov within a predetermined timeframe and which will include an attestation. Legal staff will provide live training to both Boards.

Ongoing Programming

- Socialize
 - Digital Campaign – We plan to send quarterly e-mail messages focusing on one of the five sections of the Code based on LACERA's Values.
 - Engagement through Existing Channels – We plan to include items on quarterly Code theme through the Staff Brown Bag Lunches (at least quarterly) and staff newsletter *The Pulse* (same).
- Train
 - Training will continue to be required annually (live for Trustees and through NeoGov for staff) and will include an attestation.

CONCLUSION

Based on this memo and the attached Code, and the prior discussions agendized with the ACRE Committee during the past years, staff recommends that the ACRE Committee review the proposed revised and restated Code of Ethical Conduct and recommend it to the Board of Retirement and Board of Investments for their joint approval

Attachment

C: Luis A. Lugo
Jonathan Grabel
JJ Popowich

Re: Updating LACERA's Code of Ethical Conduct

February 10, 2026

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Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan
Cynthia Martinez
Erika Heru
Veronica Yi-Martinez



CODE OF **ETHICAL** CONDUCT

ETHICS FIRST, COMPLIANCE ALWAYS

LACERA
Los Angeles County Employees Retirement Association



ABOUT LACERA

The Los Angeles County Employees Retirement Association (LACERA) is a public pension plan organized under the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Under the California Constitution, we have a fiduciary duty to serve our members and their beneficiaries above all other interests.

Our Mission is to produce, protect, and provide the promised benefits to our members.

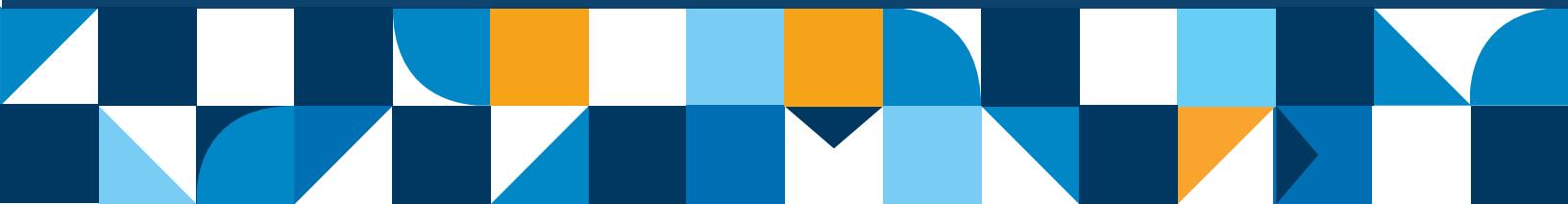
Our Vision is to empower our members to enjoy a healthy and secure retirement.

Our Values are Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency (I ACT).

RESOURCES FOR ETHICS & COMPLIANCE ISSUES

Always ask for help with any questions and consult any of these key resources: Legal Division, Ethics and Compliance Office, Human Resources, your supervisor, your division manager, or the Executive Office.

Anonymously report any concerns about ethical or compliance issues to the LACERA Ethics Hotline (844-794-9416 or lacera.ethicspoint.com).



To LACERA Board Trustees and Staff:

LACERA proudly performs its public service lawfully and ethically. In October 2024, we chartered a new Ethics and Compliance Program to further promote a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures. This Code is a foundational document for the program and our entire organization.

Together, we create a culture of accountability for ethics and compliance. No matter our position at LACERA, we each play a key role in fostering LACERA's institutional integrity and our standing as a well-managed public pension system for our members and their beneficiaries, our plan sponsors (the County of Los Angeles and other participating employers), and other stakeholders.

We have organized the Code around our Values—*Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency (I ACT)*—which guide our work and define our culture. The Code outlines the standards of ethical conduct required of LACERA Trustees and all LACERA staff, including temporary employees and contractors. This ensures that we live up to our Values, ethical responsibility, and comply with the law, regulations, policies, and procedures. *Please read the Code carefully and ask questions whenever something is not clear.*

By holding ourselves and each other accountable, we deliver on our promise to build a strong ethical and compliant culture at LACERA in service of our Mission to produce, protect, and provide the promised benefits to our members and their beneficiaries.

Very truly yours,

Luis A. Lugo
Acting Chief Executive Officer

To LACERA Trustees and Staff:

This Code provides ethical standards for LACERA Trustees and all LACERA staff, including temporary employees and contractors. It provides guidance for common situations that we encounter, serves as an ethical decision-making guide, and establishes a values-based framework for approaching the issues that arise in our diverse roles as we perform our day-to-day operations.

Please review this Code carefully, remember to use it as a resource, and recognize the vital role that you play in promoting LACERA's culture of ethics and compliance in serving our members and meeting our Mission.

Thank you,

J.P. Harris
Chair, Board of Retirement

Shawn R. Kehoe
Chair, Board of Investments

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INTRODUCTION



Purpose and Scope

This Code provides ethical standards for LACERA Board Trustees and all staff, including temporary employees and contractors. It guides us to:

- Use ethical judgment to do the right thing no matter the circumstances.
- Comply with laws, regulations, policies, and procedures.
- Create a culture in which everyone shares responsibility for being ethical and compliant.
- Earn and build trust and respect among LACERA Boards and all staff, members, and other stakeholders.
- Be aware of and take action to reduce risks that may disrupt our operations.
- Accomplish our Mission, Vision, and Values, act in service of our members, and continuously improve.

This Code and our Values are the foundation for everything we do. They provide a framework to guide us when we face challenges or change.

No matter our role at LACERA, we are each responsible for living by our Values and being professional, honest, and ethical. We review the Code, attend Code training, and make sure we understand it. We follow the Code, consult the links to the other policies and references throughout, and ask questions when we are unsure about anything.

We also have a duty to speak up and report issues that do not align with our Mission, Vision, and Values. We listen to those who report problems and take their concerns seriously. We can report concerns or suspected misconduct to our supervisor, division manager, the Legal Division, Ethics and Compliance Office, Human Resources, Internal Audit, or the Executive Office. We can also report issues to the LACERA Ethics Hotline (844-794-9416 or lacera.ethicspoint.com). Reports can be made anonymously. *LACERA absolutely prohibits retaliation for making a good-faith report of suspected misconduct.*

Fiduciary Duties

A fiduciary duty is a responsibility to act in the best interests of another. Each of us has a fiduciary duty to our members and their beneficiaries. This means we always act in the best interests of our members and beneficiaries, ahead of our personal interests and

the interests of other organizations and individuals.

The Board of Retirement (BOR) and Board of Investments (BOI) Trustees' fiduciary duties and other legal duties are set out in the California Constitution

and CERL. LACERA and its staff support the Trustees in fulfilling these duties, which include:

- *Duty of loyalty:* We act in the overall best interest of our members and their beneficiaries when administering LACERA and investing its assets, so as to timely pay their benefits.
- *Duty of prudence:* We use the care, skill, prudence, and diligence that a prudent public pension trustee or employee would use when faced with similar issues or circumstances.
- *Duty to defray reasonable administrative expenses of administering the system and secondary responsibility to minimize employer contributions:* We have processes in place to control administrative expenses and minimize employer contributions. We understand that every dollar spent to administer LACERA is a dollar not invested that may be available to pay benefits.
- *Duty to administer plan in accordance with plan terms and other applicable law:* We follow

plan terms at all times, as found in CERL, PEPRA, Internal Revenue Code, and all other laws, regulations, and LACERA policies and procedures.

- *Duty to diversify investments:* The assets of the retirement system are trust funds. We diversify investments of the system to minimize the risk of loss and to maximize the rate of return, unless it is clearly not prudent to do so under the circumstances.

In addition to the Boards and all LACERA staff, some LACERA contractors have a fiduciary duty to LACERA under applicable law and/or the terms of their contracts.

In short, we always act in the best interests of our members and their beneficiaries, in all circumstances, regarding LACERA's business. This duty is the first and last consideration in every decision that we make. All that we do is in service of our members and their beneficiaries.

Responsibilities of Trustees, Leaders, Managers, and Staff

Every staff member has a responsibility to perform their job with the highest ethical standards, align their actions with LACERA's values, and follow all laws, regulations, policies and procedures. Staff have a duty to understand risk and report activity or behavior that falls below LACERA's standards or may impede its operations.

LACERA trustees, leaders, and managers are responsible for creating a team environment in which

ethics and compliance are recognized and valued as performance expectations. Like our Values, ethics and compliance are not just words we say but are reflected in the decisions we make and actions we take. Our leaders model LACERA's Values, and LACERA's Values shape our culture. Managing risk is a central part of ethics and compliance and a core duty for all LACERA leaders and managers. They are responsible for ensuring that every member of their team is risk aware.

Responsibilities of Contractors

We expect our contractors, vendors, and other business partners to perform to the highest ethical standards and consistent with our Values and the Code in their work with LACERA. In addition, some LACERA vendors have a fiduciary duty to LACERA under applicable law or the terms of their contracts.

Other LACERA Policies

The Code provides standards and expectations but does not address the details of every legal and policy requirement that we follow. *Compass* is LACERA's library where we can access all of LACERA's policies, procedures, charters, forms, and more.



WE ARE GUIDED BY OUR VALUES

At LACERA, our Values guide us every day, in all that we do. Our Values define our culture and represent who we are as an organization. We strive to **do the right thing**, in every situation, following all policies, procedures, laws, and regulations that apply to LACERA and our operations. We always exercise

good judgment in each of our roles as we perform our daily work. Together, through unwavering ethical conduct, we accomplish our Mission to produce, protect, and provide the promised benefits to our members and their beneficiaries.



GUIDE FOR ETHICAL DECISION-MAKING

When making a decision, exercising good ethical judgment requires that we:

1

Identify the issue.

2

Gather necessary information, including all relevant facts, and applicable policies, procedures, laws, and regulations.

3

Consider ethical principles and our Values.

4

Consider our fiduciary and other legal duties to do what is best for our members.

5

Work together with our team and other staff members with knowledge of who may be affected and seek guidance from our supervisor, manager, and other LACERA leadership for any questions.

6

Explore possible solutions and think creatively.

7

Evaluate consequences.

8

Make a decision.

9

Plan, implement, and document our decision and the supporting process with ethics and compliance in mind.

10

Reflect, review, and adjust our course when necessary to continually improve.

Values - I ACT

Our six core Values are not just words, but actions we model in the way we solve problems and interact with each other, members, and other stakeholders and business partners. LACERA's Values form the basis of our culture and guide us in fulfilling our fiduciary duties and accomplishing our Mission. This is why the Code is organized around these ethical guides. Each Value is principles-based. Please be sure to review the Values below and the link to the Organizational Guiding Principles that support each Value. Collectively, they establish expectations for our conduct.

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



[Our Organizational Guiding Principles](#)

Ethics and Compliance

This Code is a foundational document for LACERA's Ethics and Compliance Program. Ethics and compliance support our Values and are an essential part of our fiduciary duties to our members and beneficiaries.

Ethics means using good judgment and applying LACERA's Values to do the right thing, even when it is hard or inconvenient. **Compliance** means following

all applicable laws, regulations, policies, procedures, and LACERA's Code of Ethical Conduct.

Ethics guides compliance because we make decisions based on what should be done, not just on what can be done. We are all, at every level of the organization, responsible for upholding ethics and compliance at LACERA.



BEING ETHICAL AND COMPLIANT IN COMPLEX SITUATIONS

We understand that many situations can be complex. Ethics is *not* an excuse for being non-compliant, and compliance is *not* an excuse for not being ethical. Below are some ways to balance ethics and compliance so that we achieve both, no matter what type of law, rule, policy, or requirement we follow:

- If we are *required* to do something by law or policy, we must abide by that requirement and speak up in advance with our manager, supervisor, or other leadership if we have questions about any ethical issues.
- If we are *allowed* to do something by law or policy and have a choice about whether or how to do it, we must apply ethical judgment and act in the best interest of our members, meaning that we will seek the most efficient and effective alternative in order to best align our conduct with our fiduciary duty and ethical responsibilities without regard to our personal preference.
- If we are *not allowed* to do something, we must obey that prohibition and speak up in advance to discuss any ethical concerns about compliance.



[LACERA Ethics & Compliance Program Charter](#)

General Ethical Guidance

This Code addresses various situations that may arise as we perform our duties. It cannot cover every possible scenario, so always ask for support when needed. The following lists provide general ethical guidance to live up to our Values.

 General Ethical Standards	Unethical Acts or Omissions
<ul style="list-style-type: none">Follow LACERA's Values, and all applicable laws, regulations, LACERA policies, and this CodeAvoid conflicts of interest and the appearance of conflicts of interestBe respectful, professional, and courteous to all LACERA Trustees, staff, members, and all people and entities with which LACERA interacts or does businessMaintain confidentiality of all confidential or privileged informationReport actions of any person or entity that violate or may violate applicable laws, regulations, LACERA policies, or this Code	<ul style="list-style-type: none">Using or allowing others to use any LACERA property, resources, information, or opportunity for personal gain or anything other than LACERA businessEngaging in activities involving dishonesty, fraud, deceit, or misrepresentationFalsifying or failing to record proper entries in any LACERA recordsEngaging in outside employment or activities that interfere with our duties to LACERADiscriminating against, bullying, or harassing anyoneAny other acts or omissions that conflict with our public service

WE SERVE WITH INTEGRITY



Value & Guiding Principles

INTEGRITY: We earn trust by our dedication to honesty, fairness, and ethical conduct in the service of our members and each other.

GUIDING PRINCIPLES

- We choose to do the right thing even when no one is looking.
- When we are aware of something that may be wrong, inappropriate, or create organizational risk, we speak up.
- We make decisions based on facts and the law.
- When presented with two or more valid choices on how to address a challenge or issue, we choose the one that is most beneficial to LACERA's members.
- When we make an error, we own up to it and work to correct it.

Integrity is the primary LACERA Value, on which the other Values depend. Integrity guides all our work and work relationships.

Avoiding Conflicts of Interest

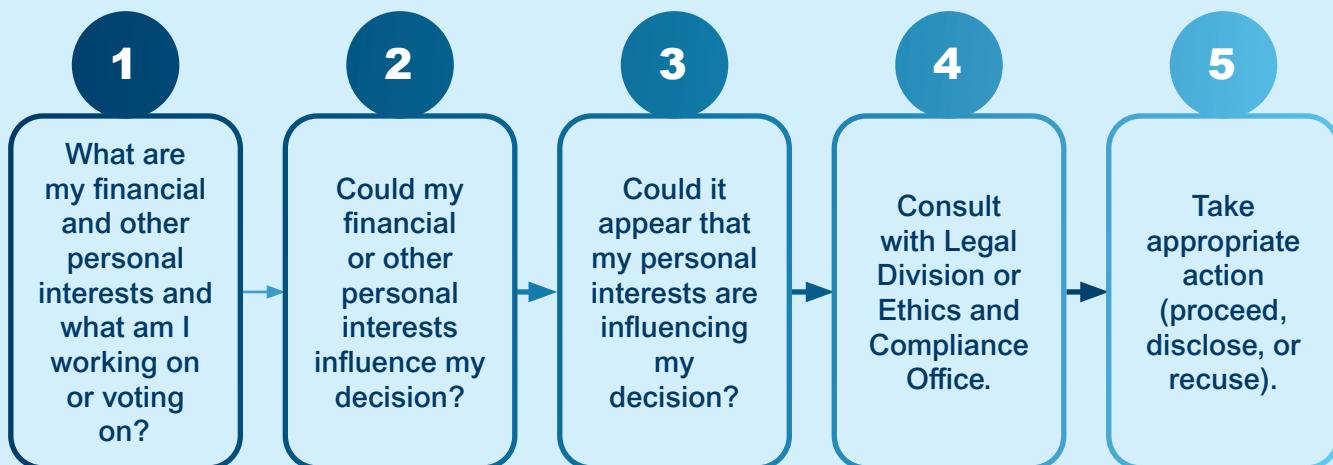
A conflict of interest means putting our financial or other personal interests of any kind ahead of the interests of LACERA, our members, and their beneficiaries. There are *actual* conflicts, *potential* conflicts, or situations that give the *appearance* of a conflict.

LACERA Trustees and staff must avoid all three types of conflict in all aspects of our work so that members and their beneficiaries are confident that we act ethically and in their best interests.

Conflicts of interest are illegal under California law and carry significant penalties.

We remain aware of how our financial or other personal interests (including those of our family members) may interact with our work at LACERA, so we can readily identify conflicts and take appropriate action to evaluate, avoid, or remove the conflict as soon as possible. We look out for conflicts at the beginning and every stage of any project, all the way through to final approval by the Boards or other leadership and through project completion.

How to Avoid Conflicts



Conflicts of interest issues are complex and have high organizational risk, so always consult with the Legal Division or Ethics and Compliance Office about all actual, apparent, or potential conflicts.



[FPPC Overview of Conflicts of Interest under the Political Reform Act](#)

Contracts

We cannot participate in making any LACERA contract in which we have a financial or other personal interest, whether directly or indirectly. This includes any part of the contracting process, such as:

- Developing or identifying the need for the goods or services being purchased or the investment of LACERA funds.
- Issuing a Request for Proposals (RFP), Request for Information (RFI), purchase order, or other solicitation (set out in LACERA's Policy for the Procurement of Goods and Services and the separate Investment-Related Services Procurement Policy).
- Developing criteria used to select the provider of goods or services.
- Evaluating prospective contracting parties, selecting contracting parties, or negotiating the terms of the contract.
- Monitoring the implementation and performance of the contract.

Other conflict of interest issues related to contracts include:

- **Conflicts of Contractors:** We conduct due diligence with every contract and remain aware of contractors' conflicts of interest involving



LACERA, its Trustees and staff, or other parties from solicitation through the entire term of the contract. During the contracting process, we require potential contracting parties to disclose actual and potential conflicts. We also conduct our own due diligence to identify any actual or potential contractor conflicts. LACERA's contracts include provisions requiring the contracting parties to represent there are no actual or potential conflicts of interest during the contracting process and the entire term and performance of a contract and to disclose any conflicts that arise later.



[Policy for the Procurement of Goods and Services and Investment-Related Services Procurement Policy](#)



[FPPC Quick Guide to Section 1090](#)



SERIOUS CONSEQUENCES OF CONFLICT-OF-INTEREST VIOLATIONS WITH CONTRACTS

Conflicts of interest during contracting can have serious consequences, such as:

- Preventing LACERA from entering the contract
- Causing the contract to become void

Undisclosed conflicts may result in staff discipline as well as lead to civil and/or criminal penalties. When in doubt, ask the Legal Division or Ethics and Compliance Office.



Q & A – VENDORS

Q: I am attending a conference and a vendor asks me to promote their company or give them access to other LACERA decisionmakers. What should I do?

A: We should refer the vendor to follow the normal contracting process:

- For investments matters, they should email NewOpportunities@LACERA.gov
- For all other matters, they should email VendorManagement@lacera.gov

Additionally, if there's a pending RFP, the party should be encouraged to follow the process set out in the RFP.

- **No Contact during Contracting Process (Quiet Period):** We avoid all contact with people or companies responding to an RFP, RFI, purchase order, or other contract solicitation to maintain a fair and transparent process. LACERA's RFPs, RFIs, and other contract solicitations explain that a "quiet period" will be in place from the beginning of the contracting process until the selection of the successful party. During the quiet period, Trustees and staff *are not permitted to contact* potential contracting parties, and vice versa. Quiet period lists are available for Trustees and all LACERA staff in monthly Board meeting materials. Contact during the quiet period is only allowed as stated in the published terms of the contracting process or limited to contact necessary to carry out ongoing LACERA business under an existing contract.
- **Follow All Policies and Procedures:** We follow all LACERA policies and procedures and the published terms of the contract process. We avoid any action that could influence or attempt to influence LACERA to enter into a contract with anyone outside of established policies and procedures. Trustees and staff should refer people or companies for consideration for a contract to the LACERA staff responsible for contracting but should not become involved in the due diligence and contracting process.

Gifts, Honoraria, Travel, and Loans

At LACERA, it is our policy to pay our own way for all legitimate business expenses. Trustees and staff may not accept gifts, honoraria, payments for travel, or improper loans from others. We hold ourselves to the highest standards to avoid actual conflicts, potential conflicts, and the appearance of conflicts. We make unbiased decisions to serve our members and their beneficiaries' best interests.

- **Gifts:** Any payment or benefit for which LACERA does not pay or provide services of equal or greater value and that is intended to influence a business decision or could create an appearance of impacting a business decision. While FPPC regulations allow gifts up to a certain amount annually, we do not. However, we follow other FPPC regulations on gifts, such as gifts from family members, how to value gifts, and any exceptions. Always ask the Legal Division and Ethics and Compliance Office regarding FPPC exceptions and any questions concerning gifts.
- **Honoraria:** Any payment or benefit for any speech LACERA Trustees or staff make, article we write, or our attendance at any public or private conference, convention, meeting, social event, meal, or similar gathering. Any questions about whether something is an honorarium should be directed to the Legal Division.



[FPPC Fact Sheet on Limitations and Restrictions on Gifts, Honoraria, Travel and Loans for Local Officials](#)



[Trustee Travel Policy & Staff Travel Policy](#)



Q&A - GIFTS

Q: I am attending a conference and LACERA paid my cost of admission. An individual or organization at the conference offers me food, beverages, or other items. Can I accept?

A: You can accept anything included with the cost of admission to the conference because LACERA has paid for those items. You may also accept small items (pens, notepads, light refreshments, etc.) made available to all attendees without regard to official status. However, you cannot accept anything else. When in doubt, do not accept and consult with the Legal Division or Ethics and Compliance Office before accepting anything more than one of those small items.

- **Travel:** LACERA Trustees and staff only accept payments or reimbursement from a third party for transportation, lodging, and related meals if LACERA is allowed to receive them under relevant Fair Political Practices Commission (FPPC) regulations and if we receive advance approval from the Legal Division, which verifies all legal requirements are met before the trip. In these situations, we complete FPPC Form 801 Payments to Agency Report.
- **Loans:** LACERA Trustees and staff may accept loans from commercial lending institutions made in the lender's regular course of business on terms available to members of the public without regard to our position at LACERA. For any other type of loan, consult the Legal Division.

Investments

LACERA Trustees and staff may not have any direct or indirect financial or other personal interest in any investment made by LACERA. We do not sell or provide any investment product to LACERA, whether directly or indirectly, for ourselves or as an agent or partner of others.

Bribes and Kickbacks

Giving or receiving any payment or gift as a bribe or kickback is absolutely prohibited.

Material Non-Public Information (MNPI)

MNPI is confidential information about a company

that, if disclosed, would likely impact the market value of its securities. Using this type of information to buy or sell securities is illegal. It is "insider trading" and against the law. If circumstances require Trustees or staff to receive any MNPI as part of their LACERA duties, the Trustees and/or staff will receive instructions on their legal obligation to maintain the confidentiality of the MNPI and will be required to sign an acknowledgment form.

Form 700 Statement of Economic Interests

What: The California Fair Political Practices Commission (FPPC) Form 700 Statement of Economic Interests is how many of us are required to disclose our economic interests that could lead to a conflict. Form 700s are public documents and help promote transparency into public officials' potential conflicts. Filers complete their Form 700s on time and accurately.

Why: Form 700 is required by state law and regulations and is an essential tool to identify actual and potential conflicts of interest

Who: Not everyone files a Form 700 or must disclose the same information on their form. Filing depends on our position at LACERA. LACERA's Conflict of Interest Code lists the positions that are required to file and the information that must be disclosed. To see the complete list of positions that file and the information required of each filer, please check



[LACERA Conflict of Interest Code](#)

our Conflict of Interest Code. The list includes all LACERA Trustees, Executive management and division managers, and certain other staff, as well as consultants advising the Boards and most financial managers.

When: Assuming office statements for required filers are due within 30 days of our first day with LACERA. Annual statements are due yearly on April 1. Leaving office statements are due within 30 days of our last day with LACERA. Any late statement can lead to fines of \$10 per day, up to a maximum of \$100, and referral to the FPPC Enforcement Division, which may investigate and impose additional penalties.

How: We use a convenient e-filing system that saves our information, so we do not have to re-enter everything each year. If we are required to file, we will receive timely notices and reminders with filing instructions at our LACERA email address.

Disclosure and Recusal

Trustees and staff always look out for and **disclose** actual and potential conflicts of interest based on our own financial or other personal interests and any matters that we work on (or if we are a Trustee, that come before the Boards). To determine whether recusal or disqualification is required, please consult the Legal Division. LACERA is not allowed to enter into contracts that are impacted by Trustee and/or staff conflicts when such conflicts cannot be dealt with

by disclosure and/or recusal.

Trustees and staff *must* consult with the Legal Division or Ethics and Compliance Office about any actual or potential conflicts of interest to ensure that the right steps are taken.

Outside Activities, Employment, and Offices

LACERA supports Trustees and staff serving as active members of our communities. However, we cannot engage in activities, employment, or hold other offices that are incompatible with our LACERA duties. This is to make sure we uphold our fiduciary duty of loyalty to our members and their beneficiaries. We always act in our members' best interests by avoiding conflicts of interest or any unreasonable interference with the performance of our duties.

- **Incompatible Activities & Employment:** Activities, including outside employment, that are inconsistent, incompatible, in conflict with, or prevent us from performing our LACERA duties to the best of our abilities. An outside activity may be incompatible based on the time commitment required. *Staff should review the Outside Employment and Activities Policy for further information.*
- **Incompatible Offices:** Two public offices (serving as an appointed or elected member of a governmental board, commission, committee, or



Outside Employment and Activities Policy



OUTSIDE ACTIVITIES Q&A

Q: I am a staff member and was asked to serve on the board of a charity, nonprofit, or other community organization. I may also be appointed to, or run for, public office. What should I do?

A: Please use the *Report of Outside Employment and Activities Form* to disclose the potential employment, activity, or office of staff in writing and get approval before you begin. This will ensure there will not be any conflicts with your work at LACERA.

Use of LACERA Position, Resources, and Information

Our fiduciary duties include a responsibility to defray the costs of administering the retirement system. LACERA's commitment to ethical conduct therefore extends to responsible, efficient, and sustainable use of our resources. We are committed to using only the resources necessary, in the judgment of the Boards and management, to administer the system in furtherance of LACERA's fiduciary duty. We avoid excessive costs and expenses when more economic options are available with equal or better quality. These considerations extend to organizational expenses, including agency operations, education and travel, contracts, and supplies procurement.

Our LACERA positions, resources, and information may only be used for LACERA business and not for personal gain or advantage. This includes:

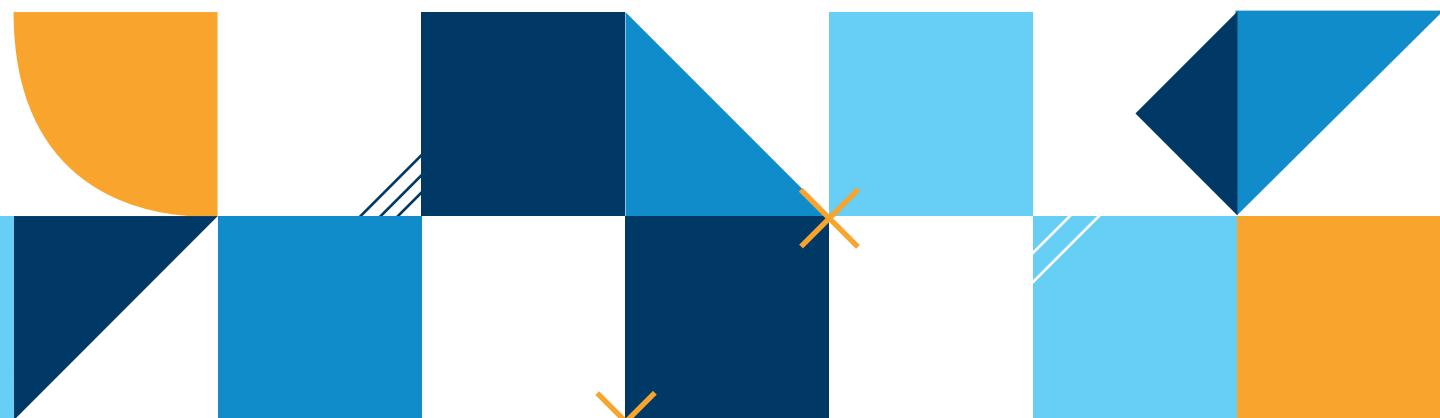
- Our position, title, or status with LACERA;
- LACERA property, funds, or other resources, including LACERA's letterhead, logo and email addresses; and

- LACERA information, including plan member information, investment information (including MNPI), and any other information concerning LACERA's business. LACERA controls the use of and access to its information to support the performance of its fiduciary duty and the best interests of our members.

Trustees may send letters to non-LACERA individuals or entities using LACERA letterhead only if the communication is authorized by the Board on which they serve.

We only use LACERA funds or deposits to make authorized payments of the retirement system.

We do not speak for LACERA or give the appearance of speaking on behalf of LACERA while serving in any non-LACERA roles. *Please see Media Policy and Social Media in section VI. We Are Transparent for more information.*



Political Activities

We are not just public servants, but active participants in our democracy. However, we keep our political activity separate from our LACERA work. Please note that nothing in this section restricts Trustees' and staff's political activities as allowed by California law.

September 2024 Memorandum Re: Permissible Political Activities

 Allowed	Not Allowed
<ul style="list-style-type: none">Work on candidate and ballot campaigns during our <i>personal</i> timeAttend campaign events during our <i>personal</i> timeMake campaign contributions using our <i>personal</i> funds, subject to applicable campaign finance lawsUse our LACERA position only as required to <i>identify</i> ourselves when making an endorsement as long as we do not indicate that we represent LACERA or that the endorsement is the position of LACERA. We also include the disclaimer: "For identification purposes only."	<ul style="list-style-type: none">We may <i>not</i> use LACERA time, funds, property, technology, letterhead, logo, or other resources in our <i>personal</i> political activities.We may not use our influence or make any threats or promises relating to potential or current employment, promotion, or compensation to secure a vote, financial support, or other support for a candidate or ballot campaign.



Nepotism Policy

Nepotism means giving jobs, contracts, or other favorable treatment to someone because they are a relative or based on our personal relationship with them, not on merit. We avoid nepotism and the appearance of nepotism because it is unfair, creates conflicts of interest, and prevents LACERA from being an equitable workplace. Our goal is to select the best candidates, without regard to personal connection or relationship.

Definitions of Personal Relationship and Relative

For the purposes of this policy, **personal relationship** is defined as a current relationship between persons because they live together, have a romantic partnership or are dating, or have a financial partnership unrelated to official job duties.

For purposes of this policy, **relative** is defined as any known relationship formed by blood, marriage, or adoption, such as an individual's:

- Spouse, domestic partner
- Parent, stepparent, adoptive parent, legal guardian, foster parent
- Grandparent, grandchild, step or adoptive grandparent, step or adopted grandchild
- Child (including stepchild, adopted child, child of domestic partner, foster child)
- Sibling (including stepsibling, adoptive sibling, half-sibling)
- First degree aunt, uncle, spouse of aunt or uncle, cousin, niece, or nephew
- Any "step" or "in-law" variant of the above relationships

Trustees and Other LACERA Senior Leadership

LACERA does not employ (in full-time, part-time, or temporary positions) or contract with anyone who has a personal relationship or is a relative of:

- A Trustee
- The Chief Executive Officer
- The Deputy Chief Executive Officer
- Assistant Executive Officer

- Any staff reporting directly to the Chief Executive Officer or Deputy Chief Executive Officer
- Division managers

There are two limited exceptions to this rule. LACERA staff who already serve in a full-time and non-probationary capacity can continue their employment if:

- Their relative or someone they have a personal relationship with later begins serving as a Trustee or in a LACERA senior leadership position; or
- They later become related to a Trustee or an individual in a LACERA senior leadership position.

Even with these exceptions, if a LACERA employee is retained under these circumstances, any actual or potential conflict of interest must still be corrected or sufficiently mitigated.

Other LACERA Staff

LACERA may consider applicants who are a relative of or in a personal relationship with other LACERA staff for employment or as a contractor if the applicant meets all the stated qualifications for employment or the contract. However, we will still ensure there are no conflicts of interest and that the new hire or contractor is not given any preferential or unfair treatment based on any relationship. LACERA will not hire or award a contract to such an applicant if it results in any of the following:

- A direct or indirect supervisor/subordinate relationship with the LACERA staff member they are in a personal relationship with or a relative of; or
- An actual or potential conflict of interest or the appearance of a conflict of interest; or
- The applicant has control or inspection of the work of the person they are in a personal relationship with or a relative of, or vice versa. This includes, but is not limited to, control or inspection of the relative's work through Quality Assurance, Internal Audit, the Legal Division, Ethics and Compliance, or Human Resources.

These criteria are also considered when assigning, transferring, or promoting staff or contractors to another position or division within LACERA.

Participation in Hiring or Contracting Process

Trustees and staff will not participate in any process—or attempt to influence any process—to hire, evaluate, promote, or award a contract to someone they are in a personal relationship with or a relative of under any circumstances. Trustees and staff may participate in the hiring process for any other person only in accordance with established LACERA policies and procedures and shall not participate outside of their individual hiring or contracting authority. Trustees and staff may refer individuals interested in potential employment or contracts to LACERA's Human Resources Division or the LACERA division responsible for a contract.

Leaving LACERA

As public servants, our duties and responsibility to LACERA and our members and their beneficiaries continue after our service with LACERA ends. Trustees and staff will continue to respect the confidentiality of LACERA information and will not share or use it for any purpose. Trustees and staff will comply with the following "revolving door" rules upon leaving our LACERA position:

Prospective Employment After LACERA

If, while still in service with LACERA, Trustees and staff begin looking for new employment with a non-governmental employer, we will *not* make or participate in any LACERA decision that directly relates to that prospective employer.

Additionally, please note that a new state law requires certain Form 700 filers to disclose prospective employment on their Form 700.

If these circumstances arise, contact the Legal Division or Ethics and Compliance Office for guidance.

Lobbying LACERA After Leaving Employment

Additionally, if a LACERA staff member is aware that someone they know (other than a relative or someone with whom they have a personal relationship) is applying for a LACERA position or contract, the staff member should disclose that relationship to Human Resources immediately so that the circumstances can be evaluated. Our goal is to ensure a fair hiring and contracting process, avoid giving unfair preference to anyone, and select the best candidates based on merit and what is in LACERA's best interests.

Late Discovery of Staff Member's Personal Relationship or Relative

If a staff member's personal relationship or relative is not discovered until after an applicant has been hired or promoted, or after a contractor has been engaged, the situation will be addressed as soon as possible to avoid actual or potential conflicts of interests, up to and including separation or termination.

Lobbying means attempting to influence decisions made by LACERA and is specifically defined by California law for these purposes as: *acting as an agent or attorney for, or otherwise representing, any person, by making any formal or informal appearance before, or by making any oral or written communication to LACERA, the Board of Retirement, the Board of Investments, any Trustee, any staff member, for the purpose of influencing action by LACERA, including any action involving the issuance, amendment, awarding, or revocation of a contract or the sale or purchase of goods or property.*

If we served as a Trustee or worked in certain positions, we cannot lobby LACERA for any form of compensation for two years after leaving our position. Those positions are: *Chief Executive Officer, Deputy Chief Executive Officer, Assistant Executive Officers, persons next in line to Assistant Executive Officers, Chief Counsel, Chief Deputy Legal Officers, the Chief Investment Officer, and persons next in line to the Chief Investment Officer.* However, this prohibition does not include acting on behalf of the County of Los Angeles.

WE ARE INCLUSIVE AND COLLABORATIVE



Value & Guiding Principles

INCLUSIVITY: We welcome all individuals, honoring and respecting their unique stories and perspectives, and celebrating the value that diversity adds to the organization in meeting our Mission and strategic priorities.

COLLABORATION: We work together across all levels of the organization to deliver on our strategic priorities and objectives.

GUIDING PRINCIPLES

- We welcome and encourage different views, creating a safe environment to share our thoughts.
- We are professionals and are courteous, patient, and empathetic.
- We recognize that almost no task can be accomplished alone and seek out those with knowledge and skills to help us be successful in our work.
- We work together to reach common goals—the essence of LACERA’s success.

We are inclusive and collaborative because it leads to better solutions and the best outcomes for LACERA and our members and their beneficiaries. These two Values are central to our work culture and speak to the heart of teamwork—we welcome and respect everyone’s contribution and recognize that our different experiences, views, perspectives, and areas of expertise make us stronger, more effective, productive, and innovative.

Diversity, Equity, Inclusion, and Accessibility

Diversity, equity, inclusion, and accessibility directly align with LACERA's Values and support our Mission to produce, protect, and provide the promised benefits to our members and their beneficiaries.

- **Diversity** of background, experience, and ideas promotes well-informed decisions and better solutions, enhances problem solving, and improves our ability to navigate challenging situations, leading to the best operational results and work environment.
- **Equity** ensures that everyone is treated fairly and that Trustees and staff members are empowered

to maximize their strengths and contributions to LACERA.

- **Inclusion** allows teams with diverse backgrounds and perspectives to work together, leading to innovative thought, better performance, and a welcoming and dynamic working environment.
- **Accessibility** means that our working environment, policies, and systems may be used by everyone regardless of ability. We remove barriers that may prevent full participation in the workplace.



Statement of LACERA's Commitment to Inclusion, Diversity, Equity, and Accessibility



Responsiveness

We are a team working together to achieve the best results for our members and their beneficiaries.

We communicate with our colleagues in a timely, professional, and mindful manner. We actively listen and thoughtfully engage when others seek guidance. Whether we are responding to a simple question

via email or working on a larger team project, we are accountable to one another by always being responsive and respectful of each other's time and efforts. We recognize our common goal and serve as each other's advocates in promoting our Mission.

Respectful Communication

We are polite, respectful, thoughtful, and professional in all communications, spoken or written, with everyone—Trustees, staff, members, beneficiaries, contractors, and all other individuals and entities—even when we are expressing different points of view. We treat others as we would like to be treated. In meetings, we are present, engaged, prepared, and have a public service mindset. We are active listeners and encourage all perspectives. We welcome those with different backgrounds and experiences into every conversation. This creates a collaborative and

inclusive environment where we work together to achieve the best results for our members and their beneficiaries in furtherance of our fiduciary duties. Respectful communication applies to all of us, no matter our division or position. We are all held to the same standard of respect and consideration.

Disrespect, profanity, crude language, and other inappropriate and unprofessional conduct are not only ineffective, but also disruptive, contrary to our Values, and interfere with our ability to accomplish our Mission.



DIFFICULT CONVERSATIONS

We sometimes must have difficult conversations, but we are always respectful of differing opinions and viewpoints. We do that by:

- Remaining curious and open minded to make the most informed decisions.
- Being mindful of our language and tone, even in stressful or complex situations.
- Assuming everyone is acting in good faith and raising legitimate issues that should be respectfully considered.
- Recognizing that we may have different perspectives on how to carry out our fiduciary duties to our members and beneficiaries, but we all share the same goal.
- Embracing that vigorous discussion leads to better solutions by ensuring that all perspectives and options are considered.

Anti-Discrimination and Prevention of Harassment Policy

LACERA is an equal opportunity employer. We are committed to providing a work environment where everyone is treated with respect and dignity, free of discrimination, harassment, and retaliation. LACERA does not tolerate discrimination, harassment, retaliation, or any mistreatment of staff or others in the LACERA workplace, including members, beneficiaries, applicants, contractors, volunteers, interns, and visitors. Such behavior goes against our Values.

Any staff member who believes they have been discriminated against, harassed, retaliated against, or subjected to inappropriate conduct or mistreatment is strongly encouraged to make a report (verbally or

in writing) to any supervisor, manager, the *Human Resources Division*, or LACERA's *Internal Audit Division*. The Ethics Hotline (844-794-9416 or lacera.ethicspoint.com), discussed in section V. We Hold Ourselves Accountable, is another way to report.

LACERA has an absolute commitment to non-retaliation. Retaliating against anyone for reporting an incident, filing a complaint, or speaking up about unethical or noncompliant actions is grounds for discipline, up to and including discharge. Upon receiving a report, LACERA will conduct a timely, fair, and thorough investigation. *Please see the following memorandum for additional information on the investigative process.*



[August 2019 Memorandum Re: Anti-Discrimination, Harassment, and Retaliation Policy and Complaint and Investigation Procedures, Including Complaint Form](#)

Safe and Healthy Work Environment

LACERA is committed to providing a safe, healthy, and accessible work environment for everyone, including Trustees, staff, members, beneficiaries, and visitors. We protect each other and our members. Please report any health or safety concerns to Administrative Services.

We do not tolerate any violent behavior or threats of

violence, direct or implied. This applies whether at LACERA, off-site work-related activities, or LACERA-sponsored events. It also applies on any social media, other media, or electronic channel. Engaging in acts or threats of violence is grounds for discipline, up to and including discharge, along with a report to law enforcement if appropriate.



HOW TO REPORT WORKPLACE VIOLENCE

- If we witness, or become aware of a violent incident, threat (direct or implied), or any other workplace violence concern against ourselves or anyone else in the workplace or that arises from or relates to our work, we immediately report it to our Supervisor, Manager, the Executive Office, Workplace Violence Prevention Policy Committee (WorkplaceViolenceCommittee@lacera.gov), the Director of Human Resources, or Human Resources' Employee Center.
- If there is an immediate safety threat or a serious injury has occurred, immediately contact 9-1-1 and report the incident to law enforcement, security, and/or emergency medical services.
- Reports of workplace violence are also covered by LACERA's strict non-retaliation policy.



[Workplace Violence Prevention Plan, Policy, and Procedures, Including Complaint Form](#)

Drug and Alcohol-Free Work Environment

LACERA has a strict, zero-tolerance policy against staff possessing, selling, using, or being under the influence of non-prescription intoxicating or illegal substances on LACERA time or property, including cars used for LACERA business, or abusing prescription medication in the workplace. Substance abuse in the workplace is extremely disruptive and harmful. It negatively affects our work and poses serious safety and health risks. LACERA requires all

staff to report to work fit to perform their job duties (including while teleworking). We cannot use or have alcohol, non-prescription intoxicating drugs, or illegal drugs in the office. We also may not use alcohol, non-prescription intoxicating drugs, or illegal drugs at home or other off-site teleworking location during work hours. Finally, we follow all laws on drug and alcohol use at all times, including while not working.



[Employee Handbook \(Represented\) and \(Non-Represented\)](#)

Professional Attire and Appearance

Professional attire and appearance are essential to maintaining a business image that reflects LACERA's standards. LACERA allows staff members the flexibility to dress and maintain an appearance reflecting personal style as long as it is professional, respectful, and appropriate to the nature of the event and audience. *Please see the policy for more details.*



[Professional Attire and Appearance Policy](#)



WE HOLD OURSELVES ACCOUNTABLE

Value & Guiding Principles

ACCOUNTABILITY: We take responsibility for our actions and operate with the highest standards of professionalism and respect in fulfilling our Mission and duty as prudent stewards of the pension funds.

GUIDING PRINCIPLES

- We always show up for our colleagues and follow through on our promises to provide high-quality, efficient, and accurate service to our members.
- We recognize that we are human and make errors. When we make an error, we recognize it, correct it, learn from it, and look to find ways to prevent future errors.
- We take the initiative to continually develop and improve our skills to get the job done.
- We address performance, inappropriate conduct, or actions not in line with our Values in a timely manner.

Accountability means holding ourselves, and each other, to high standards and taking responsibility if we fall short of those standards. True accountability means we are all held to the same high standards, regardless of title, position, function, or division. Being accountable makes us better teammates, improves operations, and best serves the fiduciary duty we owe to our members and their beneficiaries.

Speak Up, Listen Up

We have a duty to speak up and report issues that do not align with our Mission, Vision, and Values. We have a duty to create a safe space for and listen respectfully to those who report problems and take their concerns seriously. We listen to and observe those around us and speak up to report any inappropriate behavior. This helps identify problems

early so we can perform at the highest level, with the strongest ethical standards, and foster a work culture that embodies our values. We welcome and look for helpful ideas and feedback so we continually improve ourselves and our processes and create an accountable workplace.

Ethics Hotline/Reporting Channels

Our Ethics Hotline and reporting channels help ensure we have a workplace based on integrity, transparency, and accountability. We each have a duty to look out for and report misconduct or conduct unbecoming to the positions of trust we have as fiduciaries for our members and their beneficiaries.

Staff

Report misconduct and illegal acts of any kind (including, but not limited to theft, fraud, embezzlement, extortion, or misappropriation of property, as well as harassment, discrimination, or bullying) as follows:

- Promptly discuss the situation with your manager, supervisor, Human Resources, or other LACERA management, including the Executive Office, Internal Audit, Legal Division, and Ethics and Compliance Office. Managers and supervisors are responsible for handling and escalating staff concerns, reports, and allegations. Managers' and supervisors' failure to follow up on staff reports and allegations may result in disciplinary action depending on the circumstances.
- If you are uncomfortable reporting misconduct or illegal acts to any of the above individuals or offices, or do not feel that your concern is adequately addressed, the following resources are available:

- Call the Toll-Free EthicsPoint Hotline (844-794-9416).* The Ethics Hotline is hosted by EthicsPoint, LACERA's third-party service provider, dedicated to taking calls on an anonymous basis 24 hours a day, 7 days a week.
- File a Report on-line with EthicsPoint (lacera.ethicspoint.com).* You can use an external device to ensure anonymity.
- Reports will be treated confidentially to the extent feasible in light of LACERA's obligation to conduct an investigation or review and otherwise follow up on any concerns.
- Any staff member making a report through the hotline is protected by LACERA's non-retaliation policy.
- Any LACERA staff member engaging in any form of retaliation in response to a report is subject to disciplinary action, up to and including termination.

Trustees

Trustees may make use of the preceding reporting channels and may also report concerns to their Board Chair as well as the Chief Executive Officer, Chief Counsel, Chief Ethics and Compliance Officer, or the Chief Audit Executive. Board Regulations also provide procedures for censuring a Trustee.



[Ethics Hotline Policy](#)

Investigative Process for Misconduct

Management will promptly acknowledge receipt of reports, directly to the complaining party (if known) or through the EthicsPoint website for anonymous reports within five to six business days. All reports will be taken seriously. Actions taken will depend

on the facts and circumstances of each report. The complaining party, and those against whom a complaint was made, will be informed of the outcome when the investigation is completed.



OUR ROLE IN INVESTIGATIONS

If someone reports misconduct and we are asked to participate in the investigation by giving an interview or producing records, we cooperate fully, respond truthfully and completely, and maintain confidentiality. This is part of accountability. Participating in investigations helps ensure LACERA can determine what, if anything, went wrong and how we can fix it or prevent it from happening again. You cannot be retaliated against for participating in any investigation.

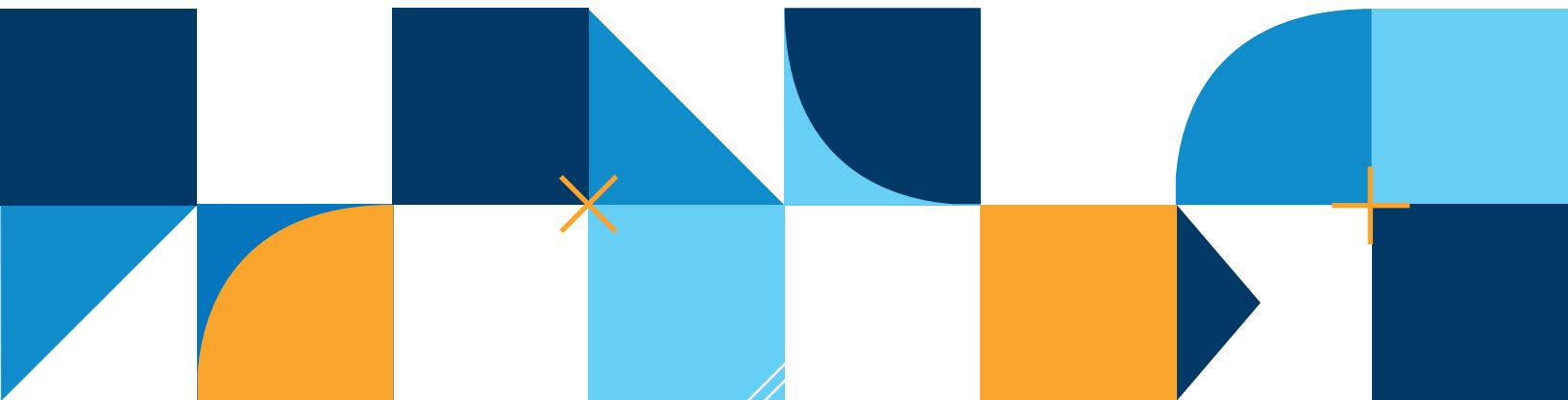
Commitment to Non-Retaliation

Retaliation is *any kind of negative action* against a staff member that takes the form of punishment or creates a hostile, threatening, inequitable, or uncomfortable work environment as a result of the staff member reporting a concern or participating in an investigation. LACERA prohibits and does not tolerate any form of retaliation against staff for making reports in good faith or otherwise cooperating in an investigation. Staff who are found to have

retaliated in any respect will be subject to disciplinary action that may result in termination.

LACERA's commitment to non-retaliation supports our ethical culture. We can confidently uphold our duty to report unethical behavior or illegal conduct, without fear of negative action being taken against us.

If you believe you've been retaliated against, you may file a complaint, and action will be taken where the complaint is substantiated.



Responsible Risk Management

We are accountable to LACERA, our colleagues, and our members by being risk aware. Risk is anything that may interfere with our ability to accomplish our Mission, Vision, and Values, and that undermines our culture and ethical standards. Cutting corners, failing to speak up or act promptly create operational risk.

We are responsible for reducing risks that can disrupt our business or lead to mistakes, misconduct, harm to LACERA's members and their trust in us, or loss of funds. To manage risk, all staff:

- Are risk aware—we know about divisional and organization-wide risks.
- Identify, report, prioritize, and manage risks, and potential process improvements and other controls, related to our role.

- Follow controls and adjust them as needed to address risk. A control is a process, measure, or action that reduces risk. LACERA's Mission, Vision, and Values and its policies and procedures are examples of controls.
- Seek guidance on effectiveness of controls from Internal Audit, the Legal Division, the Ethics and Compliance Office, or the Executive Office.
- Report risks and mitigation efforts to your supervisor and manager, Human Resources, the Executive Office, ACRE Committee, or Boards when appropriate.
- Conduct continuous risk assessments because risks change and require that our controls to address them must also evolve.



Telework

LACERA has embraced hybrid work as a permanent part of our operations. It balances work quality, productivity, staff morale, disaster recovery and business continuity plans, air quality and traffic reduction goals. Telework is a privilege, not a benefit or right. This privilege may be granted, modified, denied, or terminated at LACERA's sole discretion. We hold ourselves accountable when working

outside of the office by following all requirements in our Telework Policy. Whether in the office or working remotely, we work effectively, efficiently, and act in accordance with our Values and this Code. We are reliable team members and provide excellent service to each other and our members no matter where we work.



2022 Telework Policy for LACERA Staff Members



TELEWORK DO'S AND DON'TS

- DO: Follow your telework schedule and use leave for personal activities
- DO: Be available during working hours
- DO: Be responsive to email, Teams calls, and Teams messages whether in the office or teleworking
- DO: Follow LACERA's Privacy and Confidentiality Policy while teleworking
- DON'T: Don't change your telework schedule without your supervisor's approval
- DON'T: Don't forget to immediately tell your supervisor about any connectivity or device issues



WE ARE TRANSPARENT

Value & Guiding Principles

TRANSPARENCY: We clearly communicate our knowledge, ideas, and expertise in an open, fair, and honest environment, resulting in better organizational outcomes and decision-making.

GUIDING PRINCIPLES

- We create a healthy work environment by sharing information, listening to each other's ideas, and giving constructive feedback.
- We recognize that good decisions are made based on knowledge and data and seek to share and provide both freely.
- We recognize that we are a public institution and freely share knowledge (when appropriate) with our peer organizations.

Transparency builds trust. We are transparent with our teams, our members, and all others with whom we interact. A transparent culture best serves our staff, members, their beneficiaries, and the public.

Transparent Communication

We are transparent in our communication and are committed to the free flow of information to the extent permitted by law and our Privacy and Confidentiality Policy, both internally and externally.

Internally, we readily share information between divisions and discuss all sides of an issue to best serve each other, our Mission, our members, and their beneficiaries, and to promote collegiality and collaboration. Transparent communication is an essential component of teamwork and working toward our common Mission.

Externally, we provide accurate, timely, and complete information to the extent allowed and legally required to carry out our important public service for our members and their beneficiaries.

Accurate Information

As fiduciaries, we give members accurate, complete, and understandable information so they can make informed decisions about their benefits. Trustees and staff do not provide information or advice about a member's rights, benefits, or obligations, unless we are knowledgeable about and authorized to communicate with members on such matters.

LACERA has 15 divisions, each with its own roles, responsibilities, knowledge, and skill sets. We consult with or refer members to relevant divisions on any issues outside the scope of our own expertise and day-to-day duties to ensure members always receive the most up-to-date and accurate information from the most reliable source. We may also refer member questions and concerns to the Chief Executive Officer or their designee when necessary.

Specific Guidance for Trustees

When Trustees make or receive any written communications regarding LACERA's business involving a current LACERA service provider or person or entity related to that provider, Trustees will



provide a copy of that communication to the Chief Executive Officer or Chief Investment Officer for distribution to all Trustees of the Board on which the Trustee serves.

All communication with vendors, including meetings and phone calls, should also be disclosed to the Chief Executive Officer or Chief Investment Officer. Trustees do not need to disclose purely personal or social correspondence, routine announcements, generally distributed newsletters, and other similar correspondence.

Board of Retirement Trustees who receive correspondence directly from members should provide



Board of Retirement Correspondence Policy

the original correspondence to the LACERA Executive Office for processing by the appropriate staff.

Media Policy

LACERA accurately communicates the policies and actions of LACERA and the Boards of Retirement and Investments to legitimate representatives of the media.

The general spokesperson for LACERA is the Chief Executive Officer or their designee. For Board of Investments policies and practices, the Chief Investment Officer or their designee is the primary spokesperson. Staff forward all inquiries and requests from the media to the Chief Executive Officer, or to the Chief Investment Officer if the inquiry or request involves LACERA investments. Trustees are encouraged to do the same.

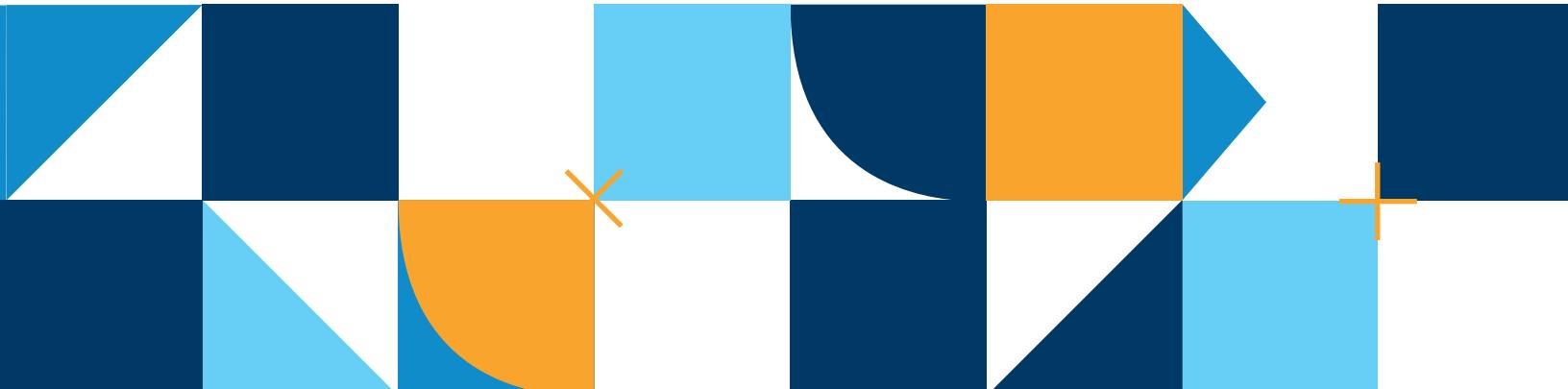
LACERA staff do not initiate any media contact without specific Board direction. LACERA staff share any written press releases with the relevant Board Chair(s) for review. *Please see the full Media Policy for more detail.*

Social Media

Whether we are a Trustee or staff member, we do not hold ourselves out as representatives of LACERA on social media. Our Communications Division is responsible for LACERA's social media presence. We also do not use social media for any workplace discussions. We are mindful that we are public employees and our conduct on social media, even outside of our LACERA roles, can still reflect on LACERA and our reputation.



Media Policy



Confidentiality and Privacy

County of Los Angeles, our other participating employers, and those with whom we do business. We all access confidential information in our work, and we are each responsible for protecting it. Trustees and staff are responsible for reviewing and following the policy that applies to their role.

“Confidential Information” means any information not publicly available that belongs to LACERA or is related to LACERA business operations and includes the following:

- Member Records & Sworn Statements
- Personally Identifiable Information (PII)

- Protected Health Information (PHI)
- Security Information
- Proprietary Information, including Material Non-Public Information (MNPI)
- Privileged Information and Information Exempt from Disclosure under the Public Records Act
- Information shared during closed session meetings of the Board of Retirement and Board of Investments, unless the respective Board takes action to authorize disclosure



Staff Privacy & Confidentiality Policy



BOR & BOI Policy on Board Member Protection of Confidential Information



Q & A – CONFIDENTIAL INFORMATION

Q: I need to discuss confidential information with a colleague. How should I do that?

A: Make sure your colleague has a business reason to know the information, and find an area where you will not be overheard by others (avoiding hallways, restrooms, and other public areas of the building). If you have a conversation over the phone or Teams in the office, close the door to your office or the conference room.

Public Records Act and Other Requests for Information

LACERA complies with the California Public Records Act and all other lawful requests for information (subpoenas, discovery requests, etc.). If we receive one of these requests, immediately refer them to

the Legal Division. Messages on our own personal electronic devices about LACERA business are subject to disclosure under the Public Records Act.

Records Retention

Information and records, in all formats—electronic or physical—are important LACERA assets. They are used for ongoing operations and as a historical record of past business decisions, activities, member information, and transactions. We preserve the right information, in the right place, for the right period of time. We follow the Records & Information Management (RIM) Policy and Retention Schedule, which is another way we uphold our fiduciary duties and manage risk. We do not conduct LACERA business on messaging systems that automatically delete messages (e.g., WhatsApp) before the timeframes set out in our RIM Policy.



[RIM Policy](#)

Brown Act

The Ralph M. Brown Act (Brown Act) governs open meetings for local legislative bodies in California and guarantees the public's right to attend and participate in these meetings. It applies to the Board of Retirement, Board of Investments, and any standing committee of either Board.

The Brown Act requires our Boards and their standing committees to hold meetings in an open forum but recognizes the need to meet in private to carry out their responsibilities in the best interests of the public under limited circumstances (including personnel matters, anticipated and pending litigation, labor negotiation, purchase or sale of pension fund investments, information technology, and security issues). Trustees and staff shall not disclose

information from a closed session of the Board unless the Board takes action to allow disclosure.

A serial meeting is a series of communications, each of which involves less than a quorum of the legislative body, but which taken together involves a majority of the body's members. Trustees should be mindful to avoid serial meetings when communicating amongst themselves, including electronically (via email, text, or social media). Staff are mindful of this as well when communicating with Trustees about agendized items or other issues which may be subject to board deliberation because the Brown Act also prohibits staff and others from being a conduit of information between Board members that results in a serial meeting.

WE ARE INNOVATIVE



Value & Guiding Principles

INNOVATION: We cultivate a creative, forward-thinking approach in seeking out new ideas and novel solutions to continually improve our operations and the member experience.

GUIDING PRINCIPLES

- We challenge ourselves daily to develop new solutions, taking advantage of our diverse knowledge and perspectives.
- We are judicious and willing to take measured risks to test out new ideas.
- We are not afraid to fail, understanding that failure is a step toward better solutions.
- We make an effort to seek out new knowledge, remaining aware of what is happening in our industry and similar industries.

We continually find new and better ways to serve our members. Our culture is open to and welcomes change. We embrace and leverage new technologies and the latest ideas to stay ahead of the curve and evolve our operations.

We Always Bring Our Best

We bring our best ideas, creativity, and introspection to every task, decision, and interaction to fulfill our Mission, Vision, and Values. We make tomorrow our best day and are constantly improving, through our own initiative as well as through continual learning and collaboration with our colleagues.

Artificial Intelligence (AI)

AI is a new and rapidly evolving technology that requires some safeguards. At a minimum, staff need to obtain authorization before using AI for LACERA business. While staff may use AI (if authorized) as a research tool, AI is not a substitute for original thought, ideas, and individual skill sets.

Additionally, do not enter confidential or privileged information into online AI prompts, as it carries serious cybersecurity and privacy risks. *Please see LACERA's AI Policy for more information and contact the Information Security Office with any questions or concerns.*



[LACERA Artificial Intelligence Policy](#)

Information Security and Acceptable Use

As we embrace technology and innovate new ways to effectively serve our members, we protect all confidential or privileged information from unauthorized access, use, or disclosure and manage any associated risk. We follow all applicable policies for using hardware and software. We use LACERA

technological resources like computers, tablets, phones, email, and other systems for LACERA business purposes only, though incidental personal use is allowed as set out in our *Acceptable Use Policy*.



[LACERA End-User Information Security Policies & Standards Manual](#)



[Non-LACERA Managed Devices \(Bring Your Own Device \(BYOD\)\) Acceptable Use Policy](#)



[LACERA Written Information Security Program \(WISP\) Charter](#)



INFORMATION SECURITY DO'S AND DON'TS

- ✓ DO: Have separate and distinct passwords for LACERA systems versus personal accounts. Commit passwords to memory or maintain them in a LACERA approved password management application on a LACERA device. Do not write them down.
- ✓ DO: If you use a personal device to access email or Teams, enroll in the Bring Your Own Device (BYOD) program. Any LACERA communications on a personal device are subject to disclosure under the Public Records Act.
- ✓ DO: If you suspect that your LACERA issued or personal device with access to LACERA information has been compromised, report the incident immediately to the LACERA IT Help Desk and your supervisor or manager.
- ✓ DO: Complete annual Information Security Awareness training.
- ✗ DON'T: Tamper with or change the settings for updates on LACERA issued devices.
- ✗ DON'T: Access personal email from any LACERA electronic equipment.
- ✗ DON'T: Use third-party cloud storage and sharing services such as Dropbox, Box, Google Drive, iCloud, etc.

Training and Education

We are each expected to attend training and educational programs for continuous professional development to improve ourselves, our knowledge, and skills and to effectively contribute to our colleagues, members and their beneficiaries.

LACERA encourages staff to undertake educational opportunities relevant to the performance of their duties and for career development. Travel by staff for education is governed by the *Staff Travel Policy*. LACERA's Employee & Organizational Development (EOD) unit in Human Resources facilitates staff

education and training (eod@lacera.gov). If our position requires us to maintain professional licenses or certifications, those are kept current as well.

CERL requires Trustees to complete at least 24 hours of education biennially on topics relevant to public retirement system trustees in California. Trustees may pursue additional relevant education consistent with performance of their fiduciary duties. Trustees are governed by the *Trustee Education Policy and Trustee Travel Policy*.



[Trustee Education Policy](#), [Trustee Travel Policy](#) & [Staff Travel Policy](#)

CODE ADMINISTRATION

Enforcement

Staff: LACERA's Chief Executive Officer and their designees are responsible for communicating, implementing, and enforcing the Code. Violations of LACERA's Values and any Code provisions, their spirit and intent, may result in disciplinary action as the situation may warrant, up to and including termination of employment.

Trustees and Chief Executive Officer: The Boards are responsible for enforcing the Code with respect to Trustees and the CEO in accordance with Board regulations, policies, and applicable law.

Training and Attestation

The Legal Division and Ethics and Compliance Office will provide training on the Code during each Trustee and staff member's orientation upon joining LACERA and every two years thereafter. Representatives of other divisions may also participate in training to speak on their areas of expertise. With orientation and each training, Trustees and staff will attest to receiving, reading, understanding, and committing to follow the Code.

Review

The Audit, Compliance, Risk, and Ethics (ACRE) Committee, Board of Retirement, and Board of Investments review the Code every three years. The LACERA Legal Division, Ethics and Compliance Office, and Internal Audit monitor applicable laws, regulations, and best practices on an ongoing basis and will recommend amendments to the Code when necessary and appropriate. The Boards may amend the Code at any time. If you have any suggestions for the Code, please contact the Ethics and Compliance Office.

Exceptions

Nothing in this Code frees us from following all applicable federal, state, and local laws and regulations. In any situation where it appears there may be a valid reason for an exception to any requirement in the Code, contact your supervisor or manager, the Executive Office, Human Resources, the Legal Division, or the Ethics and Compliance Office. Final authority to grant exceptions belongs to the Chief Executive Officer or designee.

Any request for an exception to this Code must be in writing and demonstrate that the action taken is ethical, in compliance with applicable federal, state, and local laws and regulations, and would be in the best interest of LACERA, our members, and their beneficiaries, as pertains to LACERA business.

Disclaimer

The Code does not create any rights in members, beneficiaries, staff, Trustees, vendors, other stakeholders, or others.



LICERA

CODE OF
ETHICAL
CONDUCT

ETHICS FIRST, COMPLIANCE ALWAYS



Updating LACERA's Code of Ethical Conduct

Steven Rice, Allison Barrett, and
Jessica Rivas
Legal Office

Background

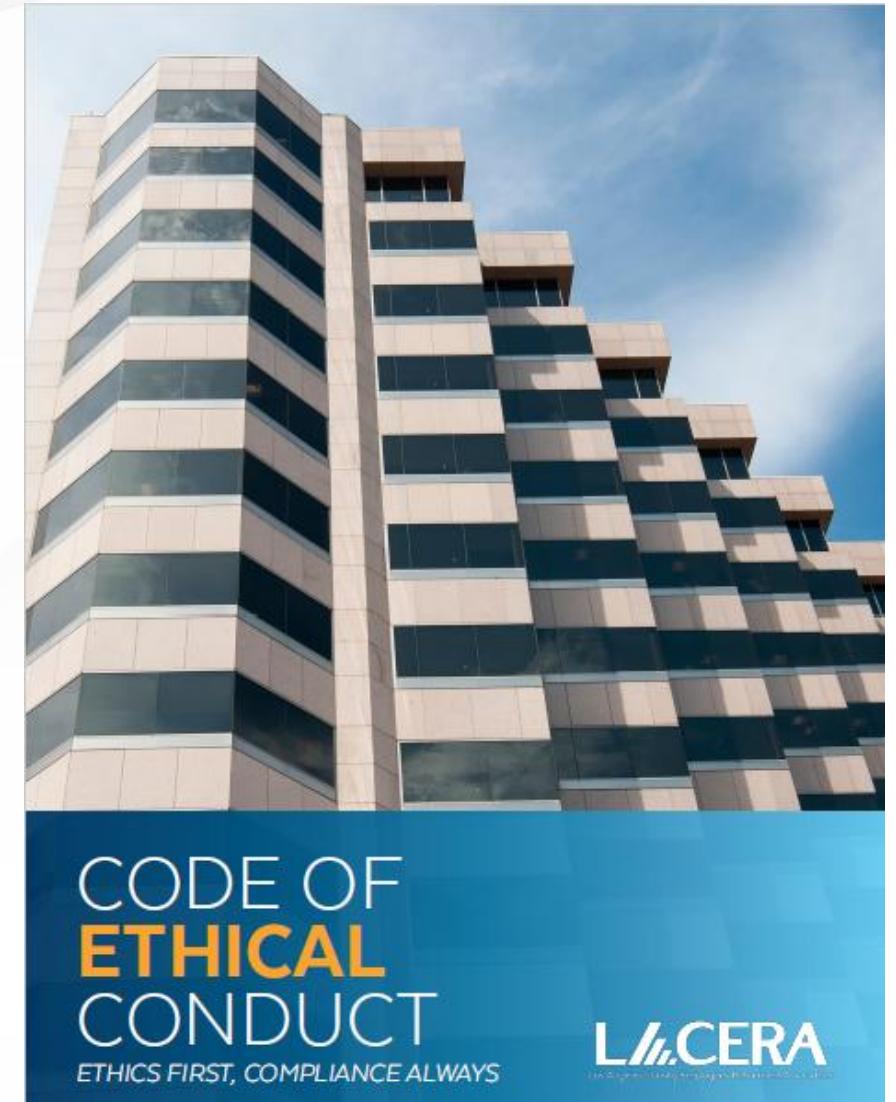


- ***What is a Code of Conduct?***
 - Key document that establishes standards of conduct and internal controls designed to reduce ethics and compliance risk.
- ***Current Code***
 - Last updated in November 2021
- ***Update Process***
 - We presented a draft in November 2025 and now return with a final draft for your recommendation to both Boards.

Final Draft



- Subject to minor design adjustments and final proofreading.
- Incorporates suggestions from the November 2025 staff focus group and November 2025 ACRE Committee meeting.
- Policy Links
 - Trustee version
 - Approval to update links as policies are updated



Next Steps



- ***Board Approval***
- ***Pre-Launch***
 - Engage with LACERA leadership (Board and ACRE Chairs, Executive Team, Leadership Steering Council, Manager and Supervisor Action Teams) to discuss top-level support and participation.
 - Identify staff-level champions throughout the organization to assist with Code adoption and ongoing engagement.
- ***Launch Week***
 - Announce
 - Socialize
 - Train
- ***Ongoing Programming***
 - Socialize
 - Train

Questions



Any questions or additional feedback?



February 12, 2026

TO: Each Trustee,
Audit, Compliance, Risk, And Ethics Committee

SUBJECT: Audit, Compliance, Risk, And Ethics Committee Meeting on February 23, 2026
– Executive Session Agenda Item XII. A.

Agenda materials for Executive Session Item XII.A will be distributed at a later date