

August 17, 2026

TO: Each Trustee,
ACRE Committee Members

SUBJECT: ACRE Committee Meeting on August 19, 2026 – Agenda Item VII. A.

Please note the presentation was inadvertently not included in the Board material

Ethics and Compliance Program Foundational Work Plan Status Report

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(Presentation) (Memo dated August 6, 2026)



2025 Ethics & Compliance Foundational Work Plan Status Report

Audit, Compliance, Risk and Ethics Committee

August 2026

Foundational Work Plan Elements

- 
- 01** **Education & Training**
 - 02** **Policy Management**
 - 03** **Ethics & Compliance Baseline Risk Assessment**
 - 04** **Ethics & Compliance Baseline Culture Survey**
 - 05** **Code of Ethical Conduct**
 - 06** **CECO Recruitment**

Education & Training

An effective Program has appropriately tailored communications and training based on employees' roles and responsibilities to integrate the program into daily operations. Under the ACRE Charter, the Committee oversees Program training plans.

- ✔ Education is a critical component to foster a culture of integrity, accountability, and transparency, and create risk awareness. The ECC is a central component of the Program's internal education structure.
- ✔ ECC is comprised of a cross-section of leadership from each division and all three lines of the IIA's Three Lines Model. The ECC meets monthly to discuss Ethics and Compliance program activities.
- ✔ ECC members undergo regular ethics and compliance education and serve as subject matter experts in building the foundation for the Program and to serve as an advisory body to the CECO.
- ✔ ECC members attend educational conferences, including the SCCE Academy for certification (CCEP). Certified staff recently attended the SCCE Orange County Regional Compliance and Ethics Conference and will attend the PLI Advanced Compliance and Ethics Workshop in the fall.
- ✔ ECC education series "Message of the Quarter," supports a multi-directional flow of communication from the ECC to each division, supporting ethics and compliance education and culture. Messages to date have included: 1) Risk Awareness; 2) Ethics vs. Compliance; 3) New Code Socialization.

Policy Management

An effective Program has established standards of conduct such as policies and procedures capable of reducing risk or preventing misconduct. Under the ACRE Charter, the Committee reviews reports about Program policy governance and reviews new or updated policies under Committee purview.

- ✓ Ethics and Compliance Policy Subcommittee (ECPS) meets every two weeks when new or updated policies and procedures are submitted by SME's throughout the organization for review.
- ✓ After vetting and discussion with the ECPS, the policies and procedures are forwarded to the full ECC for final discussion and approval.
- ✓ Policies and procedures under current review: *Workplace Violence Prevention Plan; Artificial Intelligence Governance Program Charter; Bonus Policies and Procedures.*
- ✓ Policies, procedures, and charters ripe for review (and awaiting CECO input): *Policy on Policies, Procedures, and Charters; ECC Charter; Ethics and Compliance Program Charter.*
- ✓ Recommended stand-alone policies (for the CECO) to strengthen controls, risk mitigation and reporting channels: *Nonretaliation Policy; Investigation Policy and Procedures; Reporting Procedures; Risk Identification and Assessment Policies and Procedures.*

Ethics & Compliance Risk Assessment

An effective Program periodically assesses risks and takes steps to implement or modify controls or modify the Program framework to mitigate identified risk. Under the ACRE Charter, the Committee reviews Program risk assessments of organization-wide operations, with recommendations to update current or establish new controls.



When the DOJ evaluates whether a Program is “well designed,” the risk assessment process is the starting point, considering: 1) how the organization has *identified* and defined its risk profile; 2) the *controls* in place to mitigate identified risk; and 3) the degree to which the program devotes *resources* to residual risk. The risk assessment is also the primary tool to develop the other Program elements.



Per best practices, a Program’s infrastructure is generally established prior to conducting a *comprehensive* risk assessment to ensure there are dedicated resources and personnel to remediate identified risk and develop response plans.



The Foundational Work Plan included a *baseline* risk assessment which primarily served to identify risks and provide foundational information for the CECO who will ultimately recommend a remediation plan.

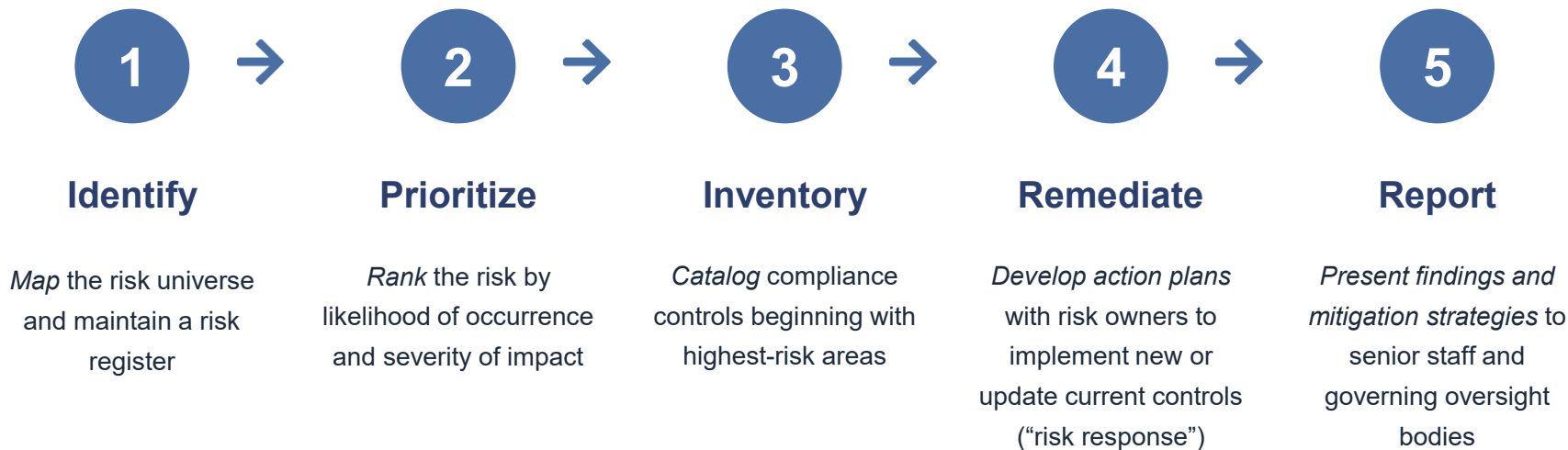


In May 2026, the Ethics and Compliance Team completed a foundational risk assessment report identifying five primary risks from the 2025 assessment, with proposed follow up. The report was provided to the Executive Office and will be part of the CECO’s onboarding package to determine next steps to present the findings and proposed recommendations to the ACRE Committee and Boards.

Ethics & Compliance Risk Assessment Process in Established Programs



An effective ethics and compliance risk assessment in a *mature program* follows a 5-step continuous cycle



These five steps form an *ongoing cycle*, requiring *dedicated personnel and resources* as the risk landscape evolves, new risks emerge, or misconduct occurs. *At the current stage of LACERA's Program, in 2025, the team conducted step one, while awaiting the hiring of the CECO.* The Ethics and Compliance team has again partnered with Internal Audit for the 2026 assessment (now underway), and those findings and recommendations will also be provided to the CECO, along with the 2025 baseline risk assessment report.

Baseline Ethics & Compliance Culture Survey

An effective Program promotes an organizational culture that fosters ethical judgment and conduct as well as a commitment to compliance with the law, regulations, policies and procedures. Under the ACRE Charter, the Committee reviews periodic surveys of LACERA's culture of ethics and compliance.

- ✓ Culture is a top risk in all organizations. Employees are more likely to be engaged (and have a strong work ethic) in a culture that values integrity, accountability, and transparency; and with leaders that model those values. Employees are also more likely and feel a responsibility to report misconduct.
- ✓ A culture survey (organized around LACERA's I-ACT Values) was issued in July 2025, followed by organization-wide focus groups in November. The focus groups were asked: *"Whether there are gaps between what we say our values are and how we practice living them?"* The answer was yes.
- ✓ The Survey and Focus groups identified issues with *accountability; values-driven leadership; people development and workforce planning; inclusive engagement and transparency; and execution.*
- ✓ The results were presented to ACRE in November 2025 and the Boards in April 2026. The Executive Office and leadership are committed to taking measurable action in response to the results and continuing to evaluate LACERA's culture with regular surveys and focus groups to determine progress.
- ✓ The culture survey results and focus group feedback will be provided to the CECO for incorporation into their culture, education, remediation, and other relevant Program work plans.

Code of Ethical Conduct

An effective Program establishes standards to identify, prevent, mitigate, detect, and respond to misconduct, beginning with the Code of Ethical Conduct. The ACRE Charter provides for Committee review of updates to the Code.

- ✓ LACERA's Code states our fiduciary duty, mission, vision, values; serves as a decision-making guide; expresses LACERA's commitment to ethical judgment and compliance with laws, regulations, policies and procedures. It also serves as a foundational document for the Program.
- ✓ The reshaped Code was presented to the ACRE Committee in November 2025 and February 2026, with final approval by the Boards in May 2026.
- ✓ The Code has been posted on *Compass* and announced to all staff via CEO email (and at an all-staff meeting), launching the formal Code roll-out campaign.
- ✓ Roll-out includes a week (beginning August 17, 2026) of in-person coffee discussions and on-line educational messages, prompting user interface with the Code and engagement with the Ethics and Compliance Team. Code champions throughout the organization have been appointed.
- ✓ Code Orientation for Trustees and all LACERA employees will follow, along with quarterly education, annual training and attestation, which will be included in the CECO's education plan.

Chief Ethics & Compliance Officer Recruitment

An effective Program requires designated individuals responsible for the daily operations of the Program. The Ethics & Compliance Program Charter provides for an independent CECO appointed by the CEO, to oversee the Program and regularly report on its activities. Under the ACRE Charter, the Committee provides input on and approval of the CECO's appointment, termination, and discipline by the CEO.

- ✓ In June 2026, the recruiting firm Conselium was engaged to run a nationwide search for LACERA's first CECO. Conselium's practice focuses on ethics and compliance personnel.
- ✓ A resume canvass was posted in June, initial interviews conducted in July, followed by Ad-Hoc Committee and final selection interviews in the first week of August.
- ✓ The CEO made the final selection of the CECO with recommendation to the ACRE Committee (in today's closed session) and Boards (on their September agendas).
- ✓ The Goal is to onboard the CECO on November 2, 2026, and introduce them to the ACRE Committee at its November meeting.
- ✓ The Ethics and Compliance team is now shifting its focus to transition from strategic objective, foundational implementation to the establishment of the formal ethics and compliance office, which will be managed by the CECO.

CECO Onboarding Package and Proposed Roadmap

1

Introduction to LACERA

- Mission, vision, values;
- Fiduciary duty (Art. XVI; Sec. 17)
- Board and Committee Governance
- 15 Divisional Operations and Objectives
- 2023-2028 Strategic Plan

2

Introduction to Program

- Governing Documents: ECP Charter, ACRE Charter, ECC Charter; Code of Conduct.
- Foundational Work Plan: 2025 Baseline Risk Assessment report and 2026 assessment findings, Culture Assessment, ACRE Committee Status Reports (2025-2026).

3

Proposed Roadmap

- *Meet with key stakeholders*: establish Program authority; foster engagement; observe divisional culture and risks.
- Develop education, remediation, and other work plans identified from the foundational activities.
- Prioritize outstanding Ethics and Compliance policies, procedures, and Charters (*see slide 4*).

Conclusion



LACERA's Ethics and Compliance Program's Foundational Work Plan activities have been ongoing since work plan adoption in October 2024. The work to date will provide the CECO with substantive data from which to continue to build and implement the Program, and measure its growth and value added to the organization.

The Program is designed in accordance with federal standards and best practices to identify, prevent, mitigate, detect, and respond to ethics and compliance risk and to promote a culture where every LACERA employee understands their role in exercising ethical judgment and identifying and reporting ethics and compliance risk.

At the November 2026 ACRE meeting, the Ethics and Compliance team plans to pass the baton and introduce the CECO, who will assume Program management and further its development and implementation. The Legal Office will serve as compliance counsel and provide advisory support to the CECO as requested.