

POWERS AND DUTIES OF RETIREMENT BOARD MEMBERS

The Board of Retirement provides this summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting.

INTRODUCTION

The overall responsibility of the Board of Retirement is to oversee the administration of the retirement pension system and the retiree health care program to ensure that members are provided with the promised benefits upon completion of their public service with Los Angeles County and other participating public employers. In total, members of the Board of Retirement can expect to commit approximately 120-140 hours of their time each month to discharging their duties to the retirement system.

As to those elected Board members who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board members will be required to spend a great majority of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of Board members are explained in detail below.

BOARD MEMBER RESPONSIBILITIES

A Board member's duties include:

1. ***Board and Committee Meetings.*** The Board meets twice each month unless otherwise specified, usually on the first Wednesday and second Thursday, with each meeting generally lasting from 6 to 8 hours. In addition, the Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Investments, including the Audit Committee. Some committees meet monthly; others meet less frequently but up to several times per year. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours. In addition to the time required to attend meetings, considerable time is required to prepare for meetings and review relevant materials developed by staff and management.
2. ***General Management.*** The general management of LACERA is under the Board of Retirement's oversight. To exercise this responsibility, the Board establishes policies, procedures, and governance processes, and

receives, discusses, and questions reports on operational activities. A few management functions are shared with the Board of Investments. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and approval of compensation to be provided to LACERA's nonrepresented employees. The Board of Retirement is not responsible for investments or for the adoption of funding policies and the setting of contribution rates. The Legislature assigned those responsibilities to the Board of Investments.

3. ***Payment of Retirement Pension Benefits.*** The Board of Retirement administers a statutory retirement plan; it does not establish retirement benefits. This means that retirement benefits can only be provided if they have been authorized by the State Legislature in the County Employees Retirement Law of 1937, found in the California Government Code beginning at Section 31450, and the California Public Employees' Pension Reform Act of 2013, found in the California Government Code beginning at Section 7522. Retirement benefits not authorized by the retirement laws cannot be implemented by the Board of Retirement; rather, a bill must be processed through the Legislature to amend the retirement laws. With only a few exceptions, the Legislature has required the County Board of Supervisors to adopt a resolution approving benefit enhancements before they can take effect.
4. ***Disability Retirement Applications.*** One of the most important – and by far the most time consuming – duties of a Board member is to review disability retirement applications and to participate in the Board's decision to grant or deny disability retirements according to applicable legal standards. It is anticipated the Board of Retirement will process approximately 30 to 50 disability retirement cases per month. Board members carefully review each application and the medical evidence supporting the application. A Board member will then participate in the Board's deliberations and vote on each application.
5. ***Retiree Healthcare Benefits.*** The Board oversees the administration of retiree healthcare benefits under contract with the County and other participating employers.
6. ***Claims and Litigation.*** The Board decides claims made by members concerning their benefits and related issues. The Board also oversees litigation, other than securities litigation.
7. ***Retention and Oversight of Vendors, Consultants, and Experts.*** The Board approves and oversees the retention and performance of vendors, consultants, and experts to assist in the administration of the system and to aid the Board when appropriate.

8. **Delegation.** The day-to-day operations of the retirement system are delegated to staff and outside service providers. Board members consider what responsibilities will be delegated and to whom delegation is made. Board members ensure that delegated responsibilities are properly performed through monitoring, questioning, and accountability.
9. **Legal Compliance.** The Board ensures that the retirement system maintains compliance with the plan documents and all applicable laws governing the system. Board members comply with this responsibility by conducting a periodic review of plan documents and monitoring changing legal requirements.
10. **Education.** Board members are legally required to educate themselves on appropriate topics, which may include benefits administration, disability evaluation, fair hearings, pension fund governance, new board member orientation, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the member continues on the Board.
11. **Involvement.** Board members may participate in state and national pension and retirement related organizations, including serving as an executive or committee member in these organizations. Board members may also represent LACERA's interests through engagement with the legislative and executive branches of state and federal government.

FIDUCIARY DUTIES

Board members have the following fiduciary duties:

1. **Duty of Loyalty.** The California Constitution provides that Board of Retirement members are fiduciaries and are required to, "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." All Board members, whether elected or appointed, have the same fiduciary duty. The Board members' duty of loyalty at all times is to the participants and beneficiaries as a whole. Board members do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board members have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.
2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of

providing benefits and paying the costs of administering the system. Under the Constitution, members of the Board of Retirement “shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”

The duty of care means that Board members must exercise reasonable effort and diligence in administering and exercising oversight over the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board members must monitor the administration of the system, follow the plan documents and applicable law, and take corrective action when required to ensure the sound administration of the system so that benefits and related services are timely and correctly delivered to participants and their beneficiaries and the other matters under the responsibility of the Board of Retirement are properly performed.

CONFLICTS OF INTEREST

Board members must be free of conflicts of interest in compliance with applicable legal requirements and LACERA’s Conflict of Interest Code and Code of Ethical Conduct. Board members must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board members are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board members are subject to public disclosure of their economic interests and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board members should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

APPROVED BY THE BOARD OF RETIREMENT ON FEBRUARY 14, 2019.