

Section 2.0 GOVERNING STATUTES

2.5 Key Documents by Reference

Added to Board Governance Statement on May 14, 2013; Addendum - September 23, 2014

The following are considered key documents whose guidelines/rules apply to LACERS. These documents are incorporated into the manual only by reference. An introduction to the documents is provided below and a full copy is available to the Board on the Board website and by request.

Board Procedural Rules

“Brown Act”

The Ralph M. Brown Act is California's open meeting law. The law's intent is to promote transparency and public access to government by requiring that the deliberations and actions of public bodies be conducted openly.

This law prohibits such acts as Board members having discussions of a quorum of the Board without public notice and public access; as well as having serial discussions which are conducted outside of a public meeting.

Governmental Ethics

State - California Political Reform Act of 1974 – “Form 700” Filing

Because LACERS Trustees make decisions on investment of fund assets, you are placed in a special category by the California Government Code Section 87200-87210. As an “87200 filer” you must disclose certain financial interests that may pose a potential conflict between your personal interests and your public duties.

LACERS Trustees must file a “California Form 700” by April and October of each year.

- **California Fair Practices Act**
<http://www.fppc.ca.gov/index.php?id=51>
- **California Fair Political Practices Commission (FPPC) Webpage**
<http://www.fppc.ca.gov/>

City of Los Angeles - Governmental Ethics Ordinance

The Governmental Ethics Ordinance overlay California state law, but imposes various additional provisions and restrictions on City officials and employees. Among these are a ban on use of resources for private benefit; misuse of position and resources; the disclosure of economic interests by City officials; and restrictions on gifts, outside income, honorariums for making speeches, post employment lobbying, and political activities.

LACERS Trustees must file a City addendum to their California Form 700, known as the City Ethics Commission Form 11. This form helps Trustees comply with the additional requirements under the City's Governmental Ethics Ordinance.

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- **Governmental Ethics Ordinance (February 2014)**
http://ethics.lacity.org/PDF/laws/law_geo_february2014.pdf
- **City Ethics Commission – Governmental Ethics Webpage**
<http://ethics.lacity.org/govethics/>

City of Los Angeles Code of Ethics

All City Officials and employees must abide by this Code of Ethics.

- **City Code of Ethics** (August 23, 1979)
<http://ethics.lacity.org/PDF/MayorExecDir/CityCodeofEthics.pdf>
- **Mayoral Executive Directive 1 – Ethics in Government** (October 20, 2005)
http://ens.lacity.org/mayor/villaraigosa/mayorvillaraigosa331283115_07032013.pdf
- **Mayoral Executive Directive 7 – Governmental Ethics: Departmental Liaison, Training, and Compliance** (July 12, 2006)
http://ens.lacity.org/mayor/villaraigosa/mayorvillaraigosa331283121_07122006.pdf

Financial and Funding Reports

Comprehensive Financial Annual Report (CFAR)

As a means to demonstrate LACERS' commitment to transparency, LACERS annually produces a CFAR which presents a broad view of our financial condition including the System's financial statements, investment performance results, and actuarial valuations for retirement and health benefits.

The report is prepared in conformance with accounting principles generally accepted in the United States, the reporting guidelines set forth by the Government Accounting Standards Board (GASB), and the Los Angeles City Charter.

Actuarial Valuations for Retirement and Health Benefits (Annual)

An actuarial valuation can be thought of as a financial check-up for a pension or retiree health benefit plan. It measures current costs and contribution requirements to determine how much employers and employees should contribute to maintain appropriate benefit funding progress. The primary purpose of a valuation is to determine how much employers and employees should contribute to the plan during the upcoming year. The second key purpose of a valuation is to determine the plan's funding progress by examining how the plan's assets compare with its liabilities.

The LACERS Board selects the actuary to perform the actuarial studies; approves the actuarial methodologies and certain key assumptions; and monitors the funded status for both retirement benefits and health care benefits.

Section 2.0 GOVERNING STATUTES**Actuarial Experience Study (Triennial)**

The purpose an experience study is to compare the actual experience of the system against the current assumptions and to recommend new actuarial assumptions if necessary. The study reviews retirement rates, termination rates, mortality rates and rates of salary increase.

LACERS Benefits**Summary Plan Description**

A Summary Plan Description is a document written for plan members which contains a comprehensive summary of a retirement plan, including the terms and conditions of participation.

LACERS' prepares and distributes to members separate summary plan descriptions for Tier 1 members and Tier 2 members.

Audit Reports**Annual Financial Audit**

Each year an external auditor retained by the Board will conduct a financial audit of the System in accordance with standards promulgated by the American Institute of Certified Public Accountants (AICPA). An external audit report provides assurances to the Board that LACERS' accounting records are complete and in adherence with generally accepted accounting principles, industry standards and regulatory requirements.

Actuarial Audit

Every five to seven years, the Board may direct an audit of our actuarial findings. A second actuarial firm is retained to validate the results of the retirement and health benefits valuations conducted by the consulting actuary, and to ensure the reasonableness of the underlying actuarial assumptions and the actuarial cost method utilized in performing such actuarial valuations.

City's Management Audit

Pursuant to City Charter Section 1112, the Los Angeles City Controller, the Office of the Mayor, and the Los Angeles City Council jointly cause, once every five years, a management audit to be conducted of LACERS by an independent qualified management auditing firm. The first such management audit report was issued in 2007, and a second management audit report is scheduled in 2013.

The management audit report provides insight into perceived strengths and weaknesses of the pension system in comparison to industry best practices from the management audit firm's perspective.