



Governance Committee Agenda

REGULAR MEETING

TUESDAY, AUGUST 25, 2020

TIME: 9:00 A.M.

MEETING LOCATION:

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Governance Committee's, August 25, 2020, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to participate:

Dial: (669) 900-6833 or (253) 215-8782

Meeting ID# 943 5602 1230

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Nilza R. Serrano

Committee Members: Annie Chao
Cynthia M. Ruiz

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, **five** or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at ani.ghoukassian@lacers.org.

Disclaimer to participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

[**CLICK HERE TO ACCESS BOARD REPORTS**](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – **THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

- II. [APPROVAL OF MINUTES FOR THE SPECIAL MEETING OF MAY 26, 2020 AND POSSIBLE COMMITTEE ACTION](#)
- III. [REVIEW OF BOARD PROCEDURES ON OFFICER ELECTIONS AND POSSIBLE COMMITTEE ACTION](#)
- IV. [PROPOSED REVISION TO THE LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY AND POSSIBLE COMMITTEE ACTION](#)
- V. [DISCUSSION OF PROPOSED AMENDMENTS TO THE LACERS PROXY VOTING POLICY AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Governance Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT

Board of Administration Agenda

SPECIAL MEETING

TUESDAY, AUGUST 25, 2020

TIME: 9:00 A.M.

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President: Cynthia M. Ruiz
Vice President: Sung Won Sohn

Commissioners: Annie Chao
Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
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- VIII. ADJOURNMENT

MINUTES OF THE SPECIAL MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In conformity with the Governor's Executive Order N-29-20
(March 17, 2020) and due to the concerns
over COVID-19, the LACERS Governance Committee's
May 26, 2020, meeting was conducted
via telephone and/or videoconferencing.

May 26, 2020

9:15 a.m.

PRESENT via Zoom Meeting:	Chair:	Nilza R. Serrano
	Committee Members:	Annie Chao Cynthia M. Ruiz
	Commissioners:	Michael R. Wilkinson Sandra Lee Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
PRESENT at LACERS Offices:	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

Commissioners Wilkinson, Sandra Lee, and Sohn were present at this meeting, this is considered a Special Meeting of the Board of Administration. Any votes taken will be taken by Governance Committee Members only.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT – PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD – Chair Serrano asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response and no public comment cards received.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF DECEMBER 10, 2019 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval of the minutes for the Regular Meeting of December 10, 2019, and adopted by the following vote: Ayes, Committee Members Chao, Ruiz and Chair Serrano -3; Nays, None.

III

PROPOSED LACERS CITY ATTORNEY CONFLICT OF INTEREST POLICY AND POSSIBLE COMMITTEE ACTION – Edeliza Fang, Senior Management Analyst II with Administrative Services Division and Miguel Bahamon, Deputy City Attorney, presented this item to the Committee, the discussion lasted 8 minutes. – Committee Member Ruiz moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Ruiz and Chair Serrano -3; Nays, None.

Commissioners Wilkinson, Sandra Lee, and Sohn joined this meeting at 9:48 a.m., 9:51 a.m., and 9:58 a.m., respectively.

IV

REVIEW OF BOARD PROCEDURES ON OFFICER ELECTIONS AND POSSIBLE COMMITTEE ACTION – Presented by Dale Wong Nguyen, Chief Benefits Analyst with Administrative Services and Anya Freedman, Assistant City Attorney, discussion brought up by Committee member Chao on best practices recommendation by staff on term limits for officer positions; requested survey on other systems practices on frequency of election of officers, differences between president, vice president and division between elected/appointed officer positions. Discussion of proposed change to language.

After a robust discussion Committee Member Ruiz moved approval of Staff’s recommendation with caveat to mirror charter language, seconded by Committee Member Chao, and adopted by the following vote: Ayes, Committee Members Chao, Ruiz and Chair Serrano -3; Nays, None.

V

OTHER BUSINESS – There was no other business.

VI

NEXT MEETING: The next Governance Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.

VII

ADJOURNMENT – There being no further business before the Committee, Chair Serrano adjourned the Meeting at 10:00 a.m.

Nilza R. Serrano
Chair

Neil M. Guglielmo
Manager-Secretary



REPORT TO GOVERNANCE COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 25, 2020
ITEM: III

Neil M. Guglielmo

SUBJECT: REVIEW OF BOARD PROCEDURES ON OFFICER ELECTIONS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee review the survey information and provide direction to staff.

Executive Summary

During the Governance Committee meeting held on May 26, 2020, the Committee requested staff to further research the policy term limit length for the positions of Board President and Vice President of other retirement systems.

Discussion

Staff reviewed policies of 18 public retirement systems, of which 16 were from California and 2 were out-of-state (Arizona and Ohio). These policies were drawn from various city, county, and state retirement systems, including participants in the 2019 CEM Pension Administration Benchmarking Report. All policies specifically state an annual election of Board Officers and a one year term of office for the positions of Board President/Chair and Vice President/Vice Chair. The term limit length varied between the retirement systems or was not specified in their policies.

Listed below are the various term limit lengths and conditions for Board President/Chair and Vice President/Vice Chair from the policies surveyed:

Three terms

- Serve no more than three consecutive terms in one of the Board officer positions but may serve an unlimited number of non-consecutive terms.
- May hold office for up to three consecutive terms. Term limits may be extended if it is deemed to be disruptive or imprudent to rotate officers at that time and provided that the incumbents are willing to continue in their roles.

Two terms

- A board member may be elected to the position of Chair for up to two consecutive terms, unless approved for additional terms by a two-thirds vote of the entire Board.
- Board Members may serve only two consecutive terms. Board members serving two consecutive terms cannot be elected as Board President until a year has passed since their second term in office. Service of a partial term of less than six months for purposes of filling a vacant Board President position is not considered a full term for purposes of reelection.

One term

- Shall not serve more than one term consecutively as President or Vice President.
- The President is prohibited from being elected to the Office of Vice President immediately upon completion of their term as President.

Annual Rotation

- One year on a rotational basis in ascending order by succession by the number assigned to the Retirement Board member. If a member has not served at least two (2) years on the Retirement Board, that member shall skip the normal rotation and the next successor shall be appointed to Chair or Vice Chair.
- Annually select a Vice Chair and will rotate to become Chair the following year. Eligibility for Office: For a Vice Chair, a Board member must have served at least one full year as a member of the Board before taking office and have at least two years remaining in his/her term. The Board member must be serving in an elected position on the Board.

Unlimited terms

- Members may be re-elected as Chair or Vice Chair without limitation. No member shall be elected to the position of Chair until he or she has served on the Board for a minimum of one year.
- Unlimited number of terms to serve as Board Chair or Board Vice Chair.

Unspecified

- A term limit is not stated.

Strategic Plan Impact Statement

The review of Board Policies conforms to the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Chhintana Kurimoto, Management Analyst

NG/TB:DWN:CK

Attachment: Various Pension Systems Board Officers Election Terms Matrix

Various Pension Systems - Board Officers Election Terms

Governance Committee Meeting: 08/25/2020
Attachment

PENSION SYSTEM		TOTAL MEMBERS as of 6/30/2019	DURATION OF TERM (PRESIDENT/VICE PRESIDENT)	TERM LIMITS (PRESIDENT/VICE PRESIDENT)	TOTAL BOARD MEMBERS	DOCUMENT LINK
1	Alameda County <i>ACERA</i>	24,262	1 year In the Chair's absence or inability to act, the First or Second Vice Chair shall take their place.	Unspecified.	11 (9 + 2 alternates)	https://www.acera.org/sites/main/files/regulations_of_the_board_of_retirement_rev_12-20-2018.pdf
2	Arizona State <i>ASRS</i>	608,150	1 year Vacancies that otherwise occur before the expiration of a term will be filled by the Board for the balance of the term in a manner agreed upon by the Board. The Vice Chair will act as temporary Chair in the absence of the Chair.	3 terms. Serve no more than three consecutive terms in one of the Board Officer positions but may serve an unlimited number of non-consecutive terms.	9	https://www.acera.org/sites/main/files/regulations_of_the_board_of_retirement_rev_12-20-2018.pdf
3	Contra Costa County <i>CCERA</i>	23,357	1 year Should an officer for any reason fail to complete his/her term, the Board shall select a successor for the balance of the expired term at its next regular meeting.	Unspecified.	12 (9 + 3 alternates)	https://www.cccera.org/sites/main/files/file-attachments/25_-_ccera_board_regulations_-_revised_01-14-15.pdf?1586966677
4	Fresno County <i>FCERA</i>	19,205	1 year If a Board Officer fails for any reason to complete his or her term, the Board shall select a successor for the balance of the unexpired term at its next regular meeting. If the Chair is absent from a board meeting, the Vice Chair shall preside. If the Chair and Vice Chair are both absent from a board meeting, the Board shall elect a Chair pro tem for the meeting.	2 terms for Chair (Vice Chair not specified). A Board Member may be elected to the position of Chair for up to two consecutive terms, unless approved for additional terms by a two-thirds vote of the entire Board.	11 (9 + 2 alternates)	https://fresnocountyretirement.org/wp-content/uploads/2019/07/20190717-4H-BoardOperationsPolicy-1Clean.pdf

Various Pension Systems - Board Officers Election Terms

PENSION SYSTEM		TOTAL MEMBERS as of 6/30/2019	DURATION OF TERM (PRESIDENT/VICE PRESIDENT)	TERM LIMITS (PRESIDENT/VICE PRESIDENT)	TOTAL BOARD MEMBERS	DOCUMENT LINK
5	Kern County KCERA	19,211	1 year Should a vacancy occur in the Chair position, the Vice Chair will be the successor. Should a vacancy occur in the Vice Chair position, the Board shall select a successor for the balance of the unexpired term at its next regular meeting.	Unspecified.	11 (9 + 2 alternates)	https://www.kcera.org/board-of-retirement/governance-policies/
6	Los Angeles County Employees Retirement Association LACERA	174,316	1 Election of Chair Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. Election of Vice Chair Board of Retirement Retirement shall elect one of its members vice chair for a term of one year or until his or her successor is duly elected and qualified.	Unspecified.	11 (9 + 2 alternates)	https://www.lacera.com/about_lacera/bor/BOR_Regulations.pdf
7	Los Angeles Fire and Police Pensions LAFPP	13,097	1 President and Vice President shall hold office for a term of one year or until a successor has been elected.	1 term. Shall not serve more than one term consecutively as President or Vice President; The President is prohibited from being elected to the Office of Vice President immediately upon completion of their term as President.	9	https://www.lafpp.com/sites/default/files/file-attachments/section_i_board_governance_policies.pdf?1585336589

Various Pension Systems - Board Officers Election Terms

Governance Committee Meeting: 08/25/2020
Attachment

PENSION SYSTEM		TOTAL MEMBERS as of 6/30/2019	DURATION OF TERM (PRESIDENT/VICE PRESIDENT)	TERM LIMITS (PRESIDENT/VICE PRESIDENT)	TOTAL BOARD MEMBERS	DOCUMENT LINK
8	Marin County <i>MCERA</i>	6,670	1 year Assumes and discharges the Chair's duties when the Chair is absent or otherwise unable to perform them, or when directed by the Chair;	3 terms. May be renewed for no more than three consecutive terms.	12 (9 + 3 alternates)	https://www.mcera.org/-/media/files/sites/retirement/governance/election_duties.pdf?la=en https://www.mcera.org/-/media/files/sites/retirement/governance/bylaws.pdf?la=en
9	Sacramento County <i>SCERS</i>	28,661	1 year If either the President or Vice President for any reason fails to complete a term, the Retirement Board shall elect a successor for the balance of the unexpired term at its next regular meeting, or as soon thereafter as possible.	Unspecified.	11 (9 + 2 alternates)	https://www.scers.org/sites/main/files/file-attachments/amended_scers_bylaws_27feb18.pdf?1583957352
10	San Diego City <i>SDCERS</i>	20,780	1 year Vacancy in Office: If the Board President resigns, dies, or otherwise permanently vacates the office during their term, the sitting Vice President shall ascend to the position of Board President.	2 terms. Board Members may serve only two consecutive terms. Board Members serving two consecutive terms cannot be elected as Board President until a year has passed since their second term in office. Service of a partial term of less than six months for purposes of filling a vacant Board President position is not considered a full term for purposes of reelection.	13	https://www.sdcers.org/CorporateSite/media/PDF/Full_Board-Binder_Clean_March-2020_w-App.pdf

Various Pension Systems - Board Officers Election Terms

PENSION SYSTEM		TOTAL MEMBERS as of 6/30/2019	DURATION OF TERM (PRESIDENT/VICE PRESIDENT)	TERM LIMITS (PRESIDENT/VICE PRESIDENT)	TOTAL BOARD MEMBERS	DOCUMENT LINK
11	San Joaquin County SJCERA	14,108*	1 year Should any officer fail for any reason to complete a full term, the Board shall elect a successor for the balance of the unexpired term at its next meeting.	Unspecified.	11 (9 + 2 alternates)	https://www.sjcera.org/new_website/15board-retirement/documents/BOR%20Policies%20March%202018/%20Bylaws.pdf
12	San Jose City FCERS (Federated City Employee's Retirement System)	5,401	1 year In a vacancy: the Board Vice Chair shall assume the position of Board Chair for the balance of the term, and the Board Vice Chair vacancy will then be filled for the balance of the term. For the Board Vice Chair position, nominations for a replacement member will be taken at the next possible regular meeting.	Unlimited. Unlimited number of terms to serve as Board Chair or Board Vice Chair.	7	https://sjretirement.atlassian.net/wiki/spaces/FCERS/pages/2129990/15.+Policy+on+Election+of+Board+Officers?preview=/2129990/943521928/5g(2)%20-%20FED%20Election%20Board%20Officers-CLEAN.pdf
13	San Mateo County SAMCERA	12,369	1 year In the Chair's absence or inability to act, the Vice Chair shall take the place and perform the duties of that office. In the Chair's and Vice Chair's absence or inability to act, the Secretary shall take the place and perform the duties of the Chair. Vacancy in Office: In the event of a vacancy in the office of Chair, Vice Chair or Secretary, the Board of Retirement shall, at its next regular meeting, elect one of its members to fill such vacancy for the remainder of the term.	Unspecified.	11 (9 + 2 alternates)	https://www.samcera.org/sites/main/files/file_attachments/samcera_board_regulations_0.pdf?1569460152

Various Pension Systems - Board Officers Election Terms

PENSION SYSTEM		TOTAL MEMBERS as of 6/30/2019	DURATION OF TERM (PRESIDENT/VICE PRESIDENT)	TERM LIMITS (PRESIDENT/VICE PRESIDENT)	TOTAL BOARD MEMBERS	DOCUMENT LINK
14	Santa Barbara County SBCERS	10,547	1 year If a vacancy occurs in the office of Chair, Vice Chair, or Secretary, the Board shall, at its next regular meeting, elect a successor for the balance of the unexpired term.	Unspecified. Each officer of the Board shall serve for a term of one year, unless reelected.	11 (9 + 2 alternates)	https://www.sbcers.org/wp-content/uploads/Bylaws-2018.pdf
15	Sonoma County SCERA	10,685	1 year Vice Chair shall automatically assume the position of Chair during the Chair's absence. Should the Vice Chair also be unavailable, the Board may appoint any Committee Chair to assume the position of Chair for that particular Board meeting. If a vacancy should occur in the offices of the Board for any reason, the Board shall select a successor for the balance of the term at its next regular meeting.	3 terms. May hold office for up to three consecutive terms. Term limits may be extended if it is deemed to be disruptive or imprudent to rotate officers at that time and provided that the incumbents are willing to continue in their roles.	10 (9 + 1 alternate)	http://scretire.org/Administration/Governance-and-Policies/
16	Stanislaus County STANCERA	9,914	1 year Should any officer fail for any reason to complete his or her term, the normal successor shall perform the balance of the unexpired term. If the unexpired term is for less than nine (9) months, then the successor shall also hold office for their normal term immediately following the completion of the unexpired term. If the unexpired term is for nine (9) months or more, the successor shall only hold office for the completion of the unexpired term.	Annual Rotation. One year on a rotational basis in ascending order by succession by the number assigned to the Retirement Board Member. *If a member has not served at least two (2) years on the Retirement Board, that member shall skip the normal rotation and the next successor shall be appointed to chair or Vice Chair.	9	https://www.stancera.org/wp-content/uploads/2020/02/2018-COVER-PAGE-Bylaw-11-14-2018.pdf

Various Pension Systems - Board Officers Election Terms

Governance Committee Meeting: 08/25/2020
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17	STRS Ohio	516,518	1 The Vice Chair will act as temporary chair in the absence of the regular chair; and develop and/or update, in consultation with the Board a long-term plan to be followed during the year he/she serves as chair of the Board.	Annual Rotation. Annually select a Vice Chair and will rotate to become Chair the following year. Eligibility for Office: For a Vice Chair, a Board Member must have served at least one full year as a member of the Board before taking office and have at least two years remaining in his/her term. The Board Member must be serving in an elected position on the Board.	11	https://www.strsoh.org/pdfs/board/board-policies.pdf
18	Ventura County VCERA	19,017	1 The Vice Chair will assume the duties of the Chair in the event the Chair is unable to fulfill the duties of the position.	Unlimited Members may be re-elected as Chair or Vice Chair without limitation. No member shall be elected to the position of Chair and Vice Chair until he or she has served on the Board for a minimum of one year.	12 (9 + 3 alternates)	https://www.vcera.org/sites/main/files/file-attachments/20160912_chart3vicechair.pdf?149556654&

*Per Valuation Report as of 1/1/2019



REPORT TO GOVERNANCE COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 25, 2020
ITEM: IV

Neil M. Guglielmo

SUBJECT: PROPOSED REVISION TO THE LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee consider the proposed revision to the Board Education and Travel Policy, Appendix B – Travel Expense Reimbursement Policy and Appendix C – Board Travel Reimbursement Checklist, of the LACERS Board Administrative Policies.

Executive Summary

Revision of the LACERS Travel Expense Reimbursement Policy and the Board Travel Reimbursement Checklist is proposed. The recommended changes relate to the use of the CalTravelStore, the City’s authorized business travel agency, as the sole source for air travel reservations. Use of CalTravelStore eliminates the need for LACERS travelers to seek reimbursement for expenses related to air travel since they will no longer be making airline reservations and paying for related expenses upfront.

Discussion

Staff proposes revising the LACERS Travel Expense Reimbursement Policy, Appendix B; and the Board Travel Reimbursement Checklist, Appendix C, which are both contained in the Board Education and Travel Policy of the LACERS Board Administrative Policies. The appendices serve as guidelines to Board members and staff seeking reimbursement for travel expenses. The main change involves the method used for booking of air travel. It is proposed that all airline reservations related to LACERS business travel be made exclusively with the City’s authorized business travel agency, CalTravelStore. LACERS staff shall be responsible for contacting CalTravelStore for travel arrangements and to make payments for all related expenses. Travelers will no longer be allowed to book flights on their own through another travel agency or directly with an airline carrier. This avoids the need for travelers to advance the airfare cost and submit related receipts and documents for reimbursement. This proposed change will lessen the administrative burden on both the traveler and staff not only in dealing with airline reservations, airfare payment, and reimbursement but also in situations wherein air travel changes, cancellations, and associated charges, refunds or credits of air travel costs are involved. Since air travel

arrangements will be handled entirely by CalTravelStore and LACERS staff, it will limit the number of parties involved; thus, resulting in a more efficient process.

The proposed changes are in the following areas:

Appendix B – Travel Expense Reimbursement Policy

Section II – Transportation (pages 2-3)

A. Air Travel

The addition of language stating, “LACERS shall book and pay directly for all air travel through the City’s authorized business travel service, CalTravelStore.” Consequently, with this suggested policy change, staff proposes the removal of all language in this subsection related to the reservation of air travel using another travel agency or directly with an airline carrier, as well as any references to the reimbursement of associated expenses.

Appendix C – Board Travel Reimbursement Checklist

Section I – Steps for Travel Approval and Reimbursement (page 9)

Step 4: Book flight

The removal of language referencing the securing of three fare quotes as well as the need to submit said quotes and the airline ticket purchase receipt for reimbursement.

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President

The deletion of language requiring the traveler to provide justification for airfare that exceeds the lowest regular fare.

Section II – Reimbursement Checklist (page 10)

Air Travel Table

The removal of the table section containing language related to allowable air travel costs and required documents for reimbursement.

There are two attachments to this report: (A) a red-line version of the policy appendices showing the proposed changes, and (B) a clean version of the proposed policy appendices accepting the changes to the red-line version. Upon the Committee’s finalization of the proposed revised Board Education and Travel Policy section of the Board Administrative Policies, it will be presented to the Board for further consideration and approval.

Strategic Plan Impact Statement

The revision of the Board Administrative Policies of the LACERS Board Manual conforms to the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Edeliza Fang, Senior Management Analyst II

NG/TB:DWN:EF

- Attachments: 1. Board Education and Travel Policy, Appendix B and Appendix C – Red-line Version
2. Board Education and Travel Policy, Appendix B and Appendix C – Clean Version

Section 1.0 GUIDANCE FOR BOARD MEMBERS

**APPENDIX B
 LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY
 AND RELATED PROVISIONS OF CITY TRAVEL POLICY
 (LAAC Chapter 5, Article 4, §§ 4.242.1-4.242.9)**

Approved: March 11, 2014;
 Revised: September 23, 2014; January 22, 2019; **August 25, 2020**

H. GENERAL GUIDELINES

A copy of the Travel and Education Policy including the Guidelines for Travel and Personal Expenses will be provided to new Board Members and staff before processing their first travel request.

- A. LACERS considers an individual traveling if:
 - i) the travel is outside the geographic boundaries of Los Angeles County [LAAC §4.242.2]; and more than 50 miles away from both LACERS' offices and the traveler's home; and
 - ii) the duties require the individual to be away from the general area of the individual's primary residence substantially longer than an ordinary day's work; or
 - iii) the individual needs to sleep or rest to meet the demands of work while away from the primary residence.

- B. Costs incurred on travel days which are not conference days are allowable (subject to limitations covered in the applicable sections of the guidelines): (i) on the day before the first educational session of the conference or seminar if transportation on the first conference day would require the traveler to leave his/her point of departure (e.g., home) earlier than 9:00 a.m.; or (ii) on the day after the last educational session of the conference or seminar if transportation on the last conference day would cause the traveler to get to his/her final destination (e.g., home) after 8:00 p.m.

- C. Board approval of travel is required prior to payment of any related fees. If a Traveler elects to personally incur travel-related fees prior to the Board's approval, the Traveler assumes personal financial liability that his or her expenses may not be reimbursed.

II. TRANSPORTATION

A. AIR TRAVEL	
LAAC Requirement	LACERS Policy
<p>Except in the case of official necessity, air travel expenses are allowable only for the lowest regular fare available for regularly scheduled airlines for the date and time selected [§4.242.2(a)(1)]</p> <p>Claims for reimbursement of higher fare or extra charges for transportation by schedule airlines are allowable only if certified by the Department Head¹ that</p>	<ol style="list-style-type: none"> 1. Air travel may be used when it is the most efficient means of travel. 2. LACERS shall book and pay directly for all air travel through the City's authorized business travel service, CalTravelStore. 3. Air travel shall be at coach or economy fare. Coach or economy fare is presumed to be the lowest regular fare available for regularly scheduled airlines. Airfare quotes from several airlines are not necessary.

¹ Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p>he or she has reviewed and concurs with the facts constituting the official necessity. [§4.242.2(a)(1)]</p>	<ol style="list-style-type: none"> 4. When the airfare receipt shows The traveler may request an upgrade to business or first class accommodation, by providing <ol style="list-style-type: none"> a. Without further justification, the traveler may be reimbursed at the lower of the lowest regular fare rate available² and actual cost, or b. the traveler shall provide a memo stating the case of official necessity, for approval by the Department Head¹. 5. LACERS will pay directly for airfare booked with the City's authorized business travel service, CalTravelStore. 6. If CalTravelStore is not used, LACERS travelers must use their personal credit card to book flights or other modes of transportation. 7. Consistent with Federal and City travel standards, coupons, or promotional mileage credits earned by the traveler during the course of LACERS business travel may be used for LACERS or personal business. The traveler will not be reimbursed for such coupons or promotional mileage credits used for LACERS travel. 8. Fees for the first checked baggage will be reimbursed. Fees for additional checked baggage may be reimbursed if a justification for an official business need is provided. 9. The cost of air flight insurance is not eligible for reimbursement. 10. With pre-approval of the Department Head, refundable airline tickets may be purchased if the traveler provides acceptable justification that the benefit of booking a refundable ticket outweighs the risk of changes in travel plans.
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B. PERSONAL VEHICLE OR NON-AIR TRANSPORTATION	
LAAC Requirement	LACERS Policy
<p>In all instances where a mode of transportation other than regularly scheduled airlines is chosen, the Department Head¹ shall authorize such alternate mode of transportation in advance and the allowable cost shall be the actual cost of the alternate mode of transportation or the cost allowable under Subsection (a)1, whichever is less. [§4.242.3.(a)(2)]</p> <p>In the case of travel by modes of transportation other than regularly scheduled airlines, transportation costs shall be the regular fare for the mode of transportation chosen. [§4.242.3(a)]</p> <p>In the instance of the use of private automobile, mileage shall be in accordance with mileage provisions of Division 4, Chapter 5, Article 2 of the Administrative Code. [§4.242.3.(a)(2)]</p>	<p>11. Pre-approval by the Department Head¹ is required for all non-air travel in advance of travel. Travelers must submit the following items for pre-approval:</p> <ul style="list-style-type: none"> a. For travelers using personal automobiles for business purposes – Provide proof of automobile insurance at minimum coverage levels as follows: \$25,000 injury to or death of one person; and, \$50,000 injury to or death of more than one person; and, \$5,000 property damage for any one accident. b. Cost comparisons are required for all non-air travel, with exceptions listed below: Traveler shall submit: a quote for the lowest regular fare available for regularly scheduled airlines to the destination for the date and time selected; and the cost for regular fare on the alternative mode of transportation. <u>Exceptions</u> (no cost comparison is required): If traveling by vehicle to neighboring counties of Orange, Riverside, San Diego, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo, or to the San Francisco Employees Retirement System to transport sensitive computer equipment for the LACERS emergency hot/warm site. <p>12. Receipts for alternate modes of travel are required. Reimbursement will be for the lower of the actual cost of transportation or lowest regular airfare verified by Accounting prior to encumbrance of the travel request.</p> <p>13. Mileage reimbursement</p> <ul style="list-style-type: none"> a. Mileage reimbursement for the Board will be calculated on a roundtrip basis between official's residence and official destination. b. Mileage reimbursement for staff will be

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~~²The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.~~

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	<p>based on the distance in excess of home to City office for travels during regular work days; for other days, reimbursement will be based on a roundtrip between staff's residence and official destination.</p> <p>14. Additional travel time and expenses (such as meals and lodging) incurred in choosing other than the fastest and most direct mode of transportation are at the traveler's own personal time and expense.</p> <p>15. Claims for repairs, replacements, towage, gas and car insurance are not reimbursable.</p> <p>16. Ground transportation refers to transportation from home to airport, airport to hotel and/or conference/ meeting/seminar location, and back. This includes taxis, shuttles, limousines, and private vehicles.</p> <p>17. Mileage reimbursement is provided when personal vehicle is used for ground transportation to/from airport. Commissioner's mileage reimbursement will be computed based on roundtrip miles from residence to airport. Staff mileage reimbursement will be computed based on the distance in excess of home to City office for travels during regular work day; and roundtrip miles from residence to airport on non-work days.</p>
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C. GROUND TRANSPORTATION	
LAAC Requirement	LACERS Policy
<p>The least expensive and most practical form of public transportation shall be used, taking into consideration such factors as time, availability, and personal safety or health. [§4.242.3.(c)]</p>	<p>18. Reimbursement for airport parking is actual amount, not to exceed \$20 per day. Pre-approval is not required. Reimbursement for actual amounts in excess of \$20 per day requires the traveler submitting a memo to justify the expense based on time, availability, and personal safety or health.</p> <p>19. Reimbursement for use of taxi, shuttle, private car or limousine service is limited to the lesser of roundtrip taxi fare (http://www.taxifarefinder.com)² or shuttle fare (http://www.shuttlefare.com)².</p>
D. AUTOMOBILE RENTAL	
LAAC Requirement	LACERS Policy
<p>Such expenses are allowable if traveling by car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. [§4.242.3.(d)]</p>	<p>20. Pre-approval by the Department Head¹ is required. Travelers must provide written justification that the traveling by car is less expensive or more efficient in conducting LACERS business than by use of taxi or bus.</p> <p>21. The traveler will not be reimbursed for car rental insurance within the United States. Car rental insurance costs required in foreign countries may be claimed for reimbursement.</p>

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² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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III. LODGING, MEALS AND INCIDENTAL EXPENSE ALLOWANCE

A. LODGING	
LAAC Requirement	LACERS Policy
<p>This section is not intended to preclude an employee or elected official from staying in a hotel where the meeting or convention to be attended is held. [§4.242.3.(b)(1)]</p>	<p>22. Acceptable documentation shall include original itemized hotel receipt marked 'Paid in Full' or showing a zero balance; otherwise, proof of payment is also required.</p> <p>23. Reimbursement for lodging in a hotel where the meeting or convention to be attended is deemed the most practical accommodation and permissible.</p> <p>24. A traveler may elect to stay in a hotel sponsored by the conference as it is presumed to be the most practical or convenient. The reimbursement will be limited to the lesser of the actual hotel costs incurred or the conference hotel rate.</p> <p>25. For any official System travel for training, due diligence trips, meetings with investment managers, or training where hotels are not pre-designated, the traveler should select the most economical lodging taking into consideration the proximity of the selected place to conduct the official System business, traveler's safety, time and transportation costs and other relevant factors. Any of the following methods are acceptable for determining "moderately priced establishments of acceptable quality", "the most economical and practical accommodations", and those which would be presumed not to meet the IRS definition of "lavish and extravagant" accommodations:</p> <ul style="list-style-type: none"> (i) Lodging does not exceed the highest Federal domestic lodging per diem rate; cost comparison is not necessary; or (ii) The most economical hotel identified using the City traveler provider website (www.concursolutions.com/), with availability, with at least a 3 star rating on a 5 star scale travel, and within walking distance or no less than ½ mile radius of the first business location; or

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<p>In the selection of restaurants and hotel rooms, it is expected that individuals will seek moderately priced establishments of acceptable quality. [LAAC §4.242.3.(b)]</p> <p>An employee or elected official must consider transportation costs, time, and other relevant factors in selecting the most economical and practical accommodations. [§4.242.3.(b)(1)]</p>	<p>(iii) The most practical hotel on the above list with acceptable written justification; or</p> <p>(iv) Any lodging expenses may be reimbursed provided that the expense does not exceed 300% of the lodging per diem and traveler must clearly demonstrate no other acceptable alternative lodging was available, as in the event of a state of emergency, or other justifiable reason reviewed and certified by the Department Head¹ as reasonable and proper, and incurred in the pursuit of System business.</p> <p>26. Reimbursement is limited to single occupancy room rate, as documented on hotel letterhead or the hotel's room rates listing, plus applicable taxes and charges unless additional occupants are LACERS trustees/staff on official LACERS business.</p>
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B. MEALS AND INCIDENTAL EXPENSES (M&IE)

LAAC Requirement	LACERS Policy
<p>Expenses incurred by an employee or elected official for food and beverage served at meals, scheduled receptions, or other functions necessary for the conduct of City business are allowable to a maximum of three meals a day. [§4.242.3.(b)(2)]</p>	<p>27. LACERS intends to be compliant with IRS accountable plan rules, therefore M&IE allowance will be provided only when business travel results in a necessity for lodging. LACERS will provide travelers with a standard meal allowance at the Federal per diem rate per locale. The allowance, in lieu of providing receipts, is acceptable under the IRS accountable plan rules. The IRS (Publication 463) defines meals and incidental expenses include: meals, transportation to acquire meals, fees/tips to porters, baggage carriers, bellhops, hotel maids, wait staff, and other service providers.</p> <p>28. No meal allowance will be paid when meals are provided throughout the day by the host or at the conference.</p> <p>29. Prorating the standard meal allowance – The IRS permits LACERS to adopt its own</p>

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	<p>rules for prorating the standard meal allowance on partial days of travel so long as we consistently apply the method in accordance with reasonable business practice.</p> <p>The meal and incidental expense allowance will be prorated from a daily allowance to a per meal period allowance on partial days of travel; and when some meals are prepaid/to be paid by LACERS (complimentary breakfast provided at the hotel, meals at the conference, or pre-paid to comply with the City/LACERS gift restrictions.</p> <p>The M&IE allowance = incidental expense + breakfast allowance (if traveling between 1AM – 9AM) + lunch allowance (if traveling between 9AM – 5PM) + dinner allowance (if traveling between 5PM – 1AM).</p> <p>Utilize the M&IE per travel locale and provide an allowance for each meal period the traveler is away from home (based on the current Federal General Services Agency six tiered M&IE allowance):</p> <table border="1" data-bbox="857 1144 1417 1373"> <thead> <tr> <th>Total</th> <th>Breakfast</th> <th>Lunch</th> <th>Dinner</th> <th>IE</th> </tr> </thead> <tbody> <tr> <td>\$46</td> <td>\$7</td> <td>\$11</td> <td>\$23</td> <td>\$5</td> </tr> <tr> <td>\$51</td> <td>\$8</td> <td>\$12</td> <td>\$26</td> <td>\$5</td> </tr> <tr> <td>\$56</td> <td>\$9</td> <td>\$13</td> <td>\$29</td> <td>\$5</td> </tr> <tr> <td>\$61</td> <td>\$10</td> <td>\$15</td> <td>\$31</td> <td>\$5</td> </tr> <tr> <td>\$66</td> <td>\$11</td> <td>\$16</td> <td>\$34</td> <td>\$5</td> </tr> <tr> <td>\$71</td> <td>\$12</td> <td>\$18</td> <td>\$36</td> <td>\$5</td> </tr> </tbody> </table>	Total	Breakfast	Lunch	Dinner	IE	\$46	\$7	\$11	\$23	\$5	\$51	\$8	\$12	\$26	\$5	\$56	\$9	\$13	\$29	\$5	\$61	\$10	\$15	\$31	\$5	\$66	\$11	\$16	\$34	\$5	\$71	\$12	\$18	\$36	\$5
Total	Breakfast	Lunch	Dinner	IE																																
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<p>Gratuities. Such expenses, not exceeding 15%, are allowable where reasonable and customary. [§4.242.3.(h)]</p>	<p>30. Gratuities are included in the IRS definition of “incidental” expenses and are therefore subject to per diem limits. Reimbursement for restaurant gratuities are calculated as up to 15 percent of the restaurant bill exclusive of taxes, except when the gratuity percentage is required and the amount is added on the bill by the service provider.</p>																																			

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IV. OTHER EXPENSES

LAAC Requirement	LACERS Policy
<p>(j) Other Expenses. Expenses not specifically set forth in other subsections of this section that are incurred by an employee or an elected official are allowable where deemed necessary in the conduct of City business; provided that such expenses have been reviewed and certified by the Department Head¹ as reasonable and proper and incurred in pursuit of City business. Wherever the type of expenditure is not specifically listed in this section, the employee or elected official should be prepared to absorb the cost as a personal expenditure in the event that such expense is not certified by the Department Head¹. [§4.242.3.(j)]</p>	<p>31. Other travel expenses are allowable when deemed necessary in the conduct of System business provided such expenses are reviewed and certified by the Department Head¹ as reasonable, proper, and incurred in pursuit of System business. Otherwise, these expenses become personal expenditures.</p> <p>32. Travel Interruptions – When there is an interruption or deviation from planned travel due to bona fide public emergencies outside of the traveler’s control such as weather or shutdown of air travel, travelers may be reimbursed at full cost for emergency lodging, meals, and incidental expenses.</p> <p>33. Indirect Travel - whether for the traveler’s personal leave or for convenience, expenses allowable will not exceed those that would have been incurred for uninterrupted travel utilizing the direct travel route or travel days. Supporting documentation showing the cost for direct travel and the deviation should be provided by the traveler.</p>

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IV. NON-REIMBURSABLE TRAVEL EXPENSES

LAAC Requirement	LACERS Policy
<p>Expenditures which are incurred by an employee or elected official that are of a purely personal nature will not be reimbursed by the City.</p> <ul style="list-style-type: none"> a) Auto repairs, replacement or towage to personal vehicle when such use has been authorized (see established City procedures for repair to City vehicle); b) Flight insurance; c) Personal telephone calls (except those specified in Section 4.242.3 (g) of this article); d) Expenses for persons other than the employee or elected official, except as specified in Section 4.242.3 (b) 2. [§4.242.4] 	<p>34. Expenditures which are not substantive to LACERS business will not be reimbursed by LACERS, such as:</p> <ul style="list-style-type: none"> a) Any expenses related to entertainment and recreational activities; b) Flight upgrade fees for seats other than coach or economy; c) Internet usage fees (unless the internet is used for City business); d) Any expenses related to alcohol and tobacco. <p>35. The traveler must submit reimbursement for personal expenditures paid by LACERS.</p> <p>If there are portions of the conference or seminar that are entertainment in nature and not business-related (e.g., golf tournaments, musical performances or concerts, etc.), the traveler is required to reimburse LACERS for the cost of these recreational activities.</p>

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V. OTHER RULES AND RESTRICTIONS

A. DOCUMENTATION OF EXPENSES - PERSONAL EXPENSE STATEMENTS	
LAAC Requirement	LACERS Policy
<p>All expenses claimed shall be listed on separate forms provided and used for required documentation of travel expense.</p> <p>Completed travel expense forms shall be forwarded to the Controller within thirty (30) days of the conclusion of the trip.</p> <p>The Department Head¹ shall certify that all expenditures were incurred in pursuit of City business. Falsification of such certification shall be grounds for appropriate disciplinary action and such other sanctions provided by law.</p> <p>Receipts shall be provided for transportation costs incurred under Section 4.242.3(a), lodging, and for any single item of expenditure in excess of \$25.00. Receipts for expenditures under \$25.00 should be presented when available. [LAAC § 4.242.7]</p>	<p>36. All expenses claimed for reimbursement must be itemized on the Personal Expense Statement (PES - Form Gen. 16).</p> <p>37. The traveler is responsible for verifying all charges on receipts before making payment. Charges made in error will not be reimbursed.</p> <p>38. Original receipts are required for any single expenditure in excess of \$25. Receipts are not required for a meal and incidental expense allowance, regardless of amount, when the Federal per diem rate per locale is provided to the traveler and prorated in accordance with LACERS' policy.</p>
B. TRAVEL ADVANCES	
LAAC Requirement	LACERS Policy
<p>Requests for an advance for funds shall be submitted to the Controller, where feasible, at least ten (10) days in advance of the beginning of the planned expenditure of funds and such request shall include the persons traveling, period covered, and the destination. In addition, the request should state the purpose of the trip, the nature of the City business to be conducted on the trip, and the proposed total estimated expenditure. Documentation of actual expenses incurred shall be submitted to the Controller in conformance with Section 4.242.7.</p>	<p>39. For trips of one night or more, a travel advance may be requested. The amount advanced is limited to the lodging, meal and incidental expenses per diem.</p> <p>40. Written requests for the travel advance are to be submitted by the Traveler to the CEA/travel coordinator for approval at least thirty (30) days prior to the date of travel. The request must include a statement certifying that the traveler has no outstanding cash advance.</p> <p>41. A cash advance request will be denied if a traveler has an outstanding cash advance for past travel with does not comply with the procedures.</p> <p>42. Regular travel advances will be released no earlier than one (1) week before travel.</p>

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	<p>43. Outstanding travel advances not accounted for and delinquent over 120 days will be included as part of an employee's wages on the first payroll period of the subsequent calendar quarter following the end of the 120 calendar days; and, for non-City employees, IRS Form 1099-Misc will be issued per IRS Federal, State, Local Government Taxable Fringe Benefit Guide. Nothing herein eliminates the traveler's obligation to return to the Fund any excess monies that were received that were not used for approved travel expenses.</p> <p>44. Future travel advances will not be processed for traveler(s) with delinquent PES over 30 days. Requests for reimbursement may be processed in advance of the travel for expenditures such as registration fees, airfare and/or one-night hotel deposit. To ensure timely processing of the reimbursement, such requests along with supporting documents and proof of payment (credit card statement, etc.) must be submitted to the CEA/travel coordinator, in writing, at least fifteen (15) working days before the date of travel.</p> <p>45. Advanced payment for cancelled travel: Any amount that was paid by department in advance of travel is considered an advance. In the event of the need to cancel the trip, the traveler is responsible for notifying all payees to as soon as possible to avoid/minimize cancellation fees</p> <p>a. If cancellation was due to personal reasons, the traveler must personally reimburse the department for any amount not recovered (net of cancellation fees). If the refund or credit was issued directly to the traveler, traveler must pay LACERS the entire amount of credit received within 14 calendar days from the credit issued date.</p> <p>b. If travel was cancelled due to the business or public reason, traveler is</p>
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	<p>responsible to submit a justification along with the proper documentation to the General Manager within 14 calendar days from the cancelled date.</p> <p>c. Unrecovered amounts are reported as taxable income to the traveler. The traveler may be required to pay for future airfare using their own credit card, and LACERS will reimburse airfare upon completion of travel.</p>
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APPENDIX C BOARD TRAVEL REIMBURSEMENT CHECKLIST

Adoption Date: May 26, 2009

Revised Dates: June 22, 2010; December 13, 2011; March 11, 2014; **July 28, 2020**

I. STEPS FOR TRAVEL APPROVAL AND REIMBURSEMENT:

Step 1: Provide details of the educational event to the Commission Executive Assistant (CEA)

Step 2: Submit information on estimated expenses to the CEA

Fees Paid Directly By LACERS:

Step 3: Register for the Conference

- Conference registration and registration fees can be arranged through the CEA prior to the conference date. Registration fees are paid directly by LACERS with no out-of-pocket expenses for the traveler;
 - Under State and City gift laws, complimentary conferences or conference-related events could be considered gifts. LACERS will evaluate the circumstances with the assistance of the City Ethics Commission and may be required to pay a pro-rata share of conference expenses provided by the hosting organization.
- Or, after the fact, submit a receipt showing a zero balance as proof of payment.

Step 4: Book flight

- Provide desired flight numbers, dates, and times to the CEA. The CEA will book the flight. ~~Flights booked through the City's travel service negate the need to secure three fare quotes.~~ The City's travel service will also provide a flight credit if the traveler is unable to fly and proper notification is given.
- ~~Or after the fact, submit a receipt for the purchase of the airline ticket and three fare quotes generated on the same day the flight was booked. Reimbursement is limited to the lowest regular fare.~~

Items Requiring Pre-Approval for Expenditure Reimbursement:

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President. If approval is not secured prior to incurring the expense, reimbursement may not be granted.

- ~~Requests for reimbursement of airfare which exceeds the lowest regular fare — justification should demonstrate the official necessity of the selected flight. Attach to the request three air fare quotes generated on the same day the flight was booked.~~
- Requests for transportation other than air flight – justification should indicate reasons for use of the alternate mode of transportation.
- Requests for cash advances to cover lodging and per diem for meals must be submitted 30 days prior to the commencement of travel. See further instructions below.

After the Travel has been completed, submit report and receipts:

Step 6: Submit an Event Evaluation Report within thirty (30) days of the conclusion of the trip

- The report is required prior to reimbursement

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- Step 7: Submit a Personal Expense Statement (PES) within thirty (30) days of the conclusion of the trip:
- Itemize all reimbursable daily expenses for lodging, transportation, and miscellaneous expenses; list the per diem for meals and incidentals.
 - Report expenses paid directly by LACERS as a deduction to the total reimbursable amount
 - See further instructions on the following checklist

II. REIMBURSEMENT CHECKLIST:

ALLOWABLE TRAVEL COSTS	REQUIRED DOCUMENTS
AIR TRAVEL	
<p><u>Air Travel</u> Air travel expenses are only allowable for the lowest regular fare available. If the flight with the lowest regular fare is not booked, reimbursement will only be for the lowest regular fare.</p> <p>If three fare quotes are not submitted, the lowest regular fare will be determined by a quote from the City's travel agent for a direct flight, coach class, 14 days prior to the date of business travel. The CEA will determine the reasonable flights to be quoted which best meet the conference dates and times.</p> <p>Exceptions allowing reimbursement for a higher cost fare may be approved by the General Manager for "official necessity." Official necessity means there is a bona fide benefit to LACERS for taking the selected flight which outweighs the cost of the higher fare.</p>	<p><u>Transportation Expenses</u></p> <p><input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment for airfare</p> <p><input type="checkbox"/> Provide three air fare quotes from the same date as the booked flight, demonstrating that the selected flight is the lowest regular fare practically available</p> <p><input type="checkbox"/> Provide written justification of the "official necessity" for any higher cost fare if seeking reimbursement above the lowest fare rate. The General Manager must concur for the expense to be submitted for reimbursement.</p>
OTHER TRANSPORTATION	
<p><u>Bus or Rail Travel</u> The allowable cost shall be the actual cost for the regular fare for the bus/rail travel.</p> <p><u>Automobile Rental</u> Automobile rental expenses are allowable if traveling by automobile is less expensive or more appropriate than by other modes of transportation.</p>	<p><input type="checkbox"/> Submit request for pre-approval from the General Manager for all modes of transportation other than regularly scheduled airlines.</p> <p><input type="checkbox"/> Submit request for pre-approval from the General Manager demonstrating that traveling by rental car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus.</p>

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<p><u>Private Automobile</u> The allowable cost shall be the actual total mileage rate allowance as determined by the Internal Revenue Service (IRS).</p>	<p><input type="checkbox"/> Submit request for pre-approval from the General Manager, and include a satisfactory liability insurance policy covering the full use and operation of the vehicle. The limits of liability on any such policy shall not be less than \$25,000 in the case of injury to or death of one person, and \$50,000 in the case of injury to or death of more than one person; and in the case of property damage, not less than \$5,000 in any one accident</p> <p><input type="checkbox"/> Submit airfare confirmation (provided by CalTravelStore), rail travel confirmation notice or transportation receipt from taxi, shuttle, or private car service.</p>
<p>REGISTRATION FEES</p>	
<p><u>Registration Fees</u> Reimbursable if paid by the Trustee</p>	<p><input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment</p>
<p>LODGING</p>	
<p>Hotels generally offer specially rated room blocks for conference participants. The Trustee may stay at an “off-site” hotel if the room blocks are exhausted.</p> <p>Transportation costs, time, and other relevant factors must be considered in selecting the most economical and practical accommodations.</p> <p>An extra-night stay is allowable if it sufficiently reduces the airfare, or if the conference commences early in the morning or adjourns late in the evening.</p>	<p><input type="checkbox"/> Submit receipt showing a zero balance as proof of payment. Personal credit card information must be redacted from the receipt.</p> <p><input type="checkbox"/> If lodging is for other than single occupancy, secure a rate sheet or other documentation of the single occupancy rate.</p>
<p>MEALS & INCIDENTAL EXPENSES</p>	
<ul style="list-style-type: none"> ○ The meal and incidental per diem for domestic travel is currently \$71 per day. ○ Incidental expenses are fees and gratuities provided to service workers, and for transportation costs in acquiring meals. ○ The daily allowance is prorated at 75% on days of travel, and if some meals are provided by the hotel or conference. 	<p>Receipts for meals and incidental expenses are not required.</p> <p><input type="checkbox"/> Submit justification letter if claiming reimbursement for expenses exceeding the per diem allowance.</p>

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<ul style="list-style-type: none"> ○ No meal allowance is provided when meals are provided throughout the day by the hosting organization. ○ The rate for international travel is in accordance with current Federal per diem rate guidelines. 	
<p>MISCELLANEOUS EXPENSES</p>	
<p><u>Checked Baggage Fees</u> Such expenses are allowable when the Trustee is charged for the first checked bag.</p> <p><u>Laundry Service</u> Such expenses are allowable if the duration of the trip, traveling conditions, or some other special circumstances dictate.</p> <p><u>City Business Telephone Calls</u> Such expenses are allowable if the telephone calls are relevant to appropriate City business.</p> <p><u>Personal Telephone Calls</u> Such expenses are allowable for one call to the Trustee’s immediate family if they are located within the locale of their residence.</p> <p>If travel is in excess of three (3) days, one such call is permitted for each successive three (3) days thereafter.</p> <p>Each call should last a reasonable amount of time, such as 10 minutes per call.</p> <p><u>Ground Transportation</u> Transportation between the traveler’s residence and airport, and transportation between the airport and conference location.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Baggage fees for second and additional items require a justification memo that it meets a business purpose. <input type="checkbox"/> Submit receipts for all miscellaneous expenses.

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**APPENDIX B
 LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY
 AND RELATED PROVISIONS OF CITY TRAVEL POLICY
 (LAAC Chapter 5, Article 4, §§ 4.242.1-4.242.9)**

Approved: March 11, 2014;
 Revised: September 23, 2014; January 22, 2019; August 25, 2020

H. GENERAL GUIDELINES

A copy of the Travel and Education Policy including the Guidelines for Travel and Personal Expenses will be provided to new Board Members and staff before processing their first travel request.

- A. LACERS considers an individual traveling if:
 - i) the travel is outside the geographic boundaries of Los Angeles County [LAAC §4.242.2]; and more than 50 miles away from both LACERS' offices and the traveler's home; and
 - ii) the duties require the individual to be away from the general area of the individual's primary residence substantially longer than an ordinary day's work; or
 - iii) the individual needs to sleep or rest to meet the demands of work while away from the primary residence.

- B. Costs incurred on travel days which are not conference days are allowable (subject to limitations covered in the applicable sections of the guidelines): (i) on the day before the first educational session of the conference or seminar if transportation on the first conference day would require the traveler to leave his/her point of departure (e.g., home) earlier than 9:00 a.m.; or (ii) on the day after the last educational session of the conference or seminar if transportation on the last conference day would cause the traveler to get to his/her final destination (e.g., home) after 8:00 p.m.

- C. Board approval of travel is required prior to payment of any related fees. If a Traveler elects to personally incur travel-related fees prior to the Board's approval, the Traveler assumes personal financial liability that his or her expenses may not be reimbursed.

II. TRANSPORTATION

A. AIR TRAVEL	
LAAC Requirement	LACERS Policy
<p>Except in the case of official necessity, air travel expenses are allowable only for the lowest regular fare available for regularly scheduled airlines for the date and time selected [§4.242.2(a)(1)]</p> <p>Claims for reimbursement of higher fare or extra charges for transportation by schedule airlines are allowable only if certified by the Department Head¹ that</p>	<ol style="list-style-type: none"> 1. Air travel may be used when it is the most efficient means of travel. 2. LACERS shall book and pay directly for all air travel through the City's authorized business travel service, CalTravelStore. 3. Air travel shall be at coach or economy fare. Coach or economy fare is presumed to be the lowest regular fare available for regularly scheduled airlines. 4. The traveler may request an upgrade to

¹ Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

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<p>he or she has reviewed and concurs with the facts constituting the official necessity. [§4.242.2(a)(1)]</p>	<p>business or first class accommodation, by providing a memo stating the case of official necessity, for approval by the Department Head¹.</p> <ol style="list-style-type: none"> 5. Fees for the first checked baggage will be reimbursed. Fees for additional checked baggage may be reimbursed if a justification for an official business need is provided. 6. The cost of air flight insurance is not eligible for reimbursement. 7. With pre-approval of the Department Head, refundable airline tickets may be purchased if the traveler provides acceptable justification that the benefit of booking a refundable ticket outweighs the risk of changes in travel plans.
<p>B. PERSONAL VEHICLE OR NON-AIR TRANSPORTATION</p>	
<p>LAAC Requirement</p>	<p>LACERS Policy</p>

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<p>In all instances where a mode of transportation other than regularly scheduled airlines is chosen, the Department Head¹ shall authorize such alternate mode of transportation in advance and the allowable cost shall be the actual cost of the alternate mode of transportation or the cost allowable under Subsection (a)1, whichever is less. [§4.242.3.(a)(2)]</p> <p>In the case of travel by modes of transportation other than regularly scheduled airlines, transportation costs shall be the regular fare for the mode of transportation chosen. [§4.242.3(a)]</p> <p>In the instance of the use of private automobile, mileage shall be in accordance with mileage provisions of Division 4, Chapter 5, Article 2 of the Administrative Code. [§4.242.3.(a)(2)]</p>	<p>8. Pre-approval by the Department Head¹ is required for all non-air travel in advance of travel. Travelers must submit the following items for pre-approval:</p> <ul style="list-style-type: none"> a. For travelers using personal automobiles for business purposes – Provide proof of automobile insurance at minimum coverage levels as follows: \$25,000 injury to or death of one person; and, \$50,000 injury to or death of more than one person; and, \$5,000 property damage for any one accident. b. Cost comparisons are required for all non-air travel, with exceptions listed below: Traveler shall submit: a quote for the lowest regular fare available for regularly scheduled airlines to the destination for the date and time selected; and the cost for regular fare on the alternative mode of transportation. <u>Exceptions</u> (no cost comparison is required): If traveling by vehicle to neighboring counties of Orange, Riverside, San Diego, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo, or to the San Francisco Employees Retirement System to transport sensitive computer equipment for the LACERS emergency hot/warm site. <p>9. Receipts for alternate modes of travel are required. Reimbursement will be for the lower of the actual cost of transportation or lowest regular airfare verified by Accounting prior to encumbrance of the travel request.</p> <p>10. Mileage reimbursement</p> <ul style="list-style-type: none"> a. Mileage reimbursement for the Board will be calculated on a roundtrip basis between official's residence and official destination. b. Mileage reimbursement for staff will be based on the distance in excess of home to City office for travels during regular work days; for other days, reimbursement will be based on a roundtrip between staff's residence and official destination. <p>11. Additional travel time and expenses (such as</p>
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¹Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

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	<p>meals and lodging) incurred in choosing other than the fastest and most direct mode of transportation are at the traveler's own personal time and expense.</p> <p>12. Claims for repairs, replacements, towage, gas and car insurance are not reimbursable.</p> <p>13. Ground transportation refers to transportation from home to airport, airport to hotel and/or conference/ meeting/seminar location, and back. This includes taxis, shuttles, limousines, and private vehicles.</p> <p>14. Mileage reimbursement is provided when personal vehicle is used for ground transportation to/from airport. Commissioner's mileage reimbursement will be computed based on roundtrip miles from residence to airport. Staff mileage reimbursement will be computed based on the distance in excess of home to City office for travels during regular work day; and roundtrip miles from residence to airport on non-work days.</p>
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C. GROUND TRANSPORTATION	
LAAC Requirement	LACERS Policy
<p>The least expensive and most practical form of public transportation shall be used, taking into consideration such factors as time, availability, and personal safety or health. [§4.242.3.(c)]</p>	<p>15. Reimbursement for airport parking is actual amount, not to exceed \$20 per day. Pre-approval is not required. Reimbursement for actual amounts in excess of \$20 per day requires the traveler submitting a memo to justify the expense based on time, availability, and personal safety or health.</p> <p>16. Reimbursement for use of taxi, shuttle, private car or limousine service is limited to the lesser of roundtrip taxi fare (http://www.taxifarefinder.com)² or shuttle fare (http://www.shuttlefare.com)².</p>
D. AUTOMOBILE RENTAL	
LAAC Requirement	LACERS Policy
<p>Such expenses are allowable if traveling by car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. [§4.242.3.(d)]</p>	<p>17. Pre-approval by the Department Head¹ is required. Travelers must provide written justification that the traveling by car is less expensive or more efficient in conducting LACERS business than by use of taxi or bus.</p> <p>18. The traveler will not be reimbursed for car rental insurance within the United States. Car rental insurance costs required in foreign countries may be claimed for reimbursement.</p>

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² The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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III. LODGING, MEALS AND INCIDENTAL EXPENSE ALLOWANCE

A. LODGING	
LAAC Requirement	LACERS Policy
<p>This section is not intended to preclude an employee or elected official from staying in a hotel where the meeting or convention to be attended is held. [§4.242.3.(b)(1)]</p>	<p>19. Acceptable documentation shall include original itemized hotel receipt marked 'Paid in Full' or showing a zero balance; otherwise, proof of payment is also required.</p> <p>20. Reimbursement for lodging in a hotel where the meeting or convention to be attended is deemed the most practical accommodation and permissible.</p> <p>21. A traveler may elect to stay in a hotel sponsored by the conference as it is presumed to be the most practical or convenient. The reimbursement will be limited to the lesser of the actual hotel costs incurred or the conference hotel rate.</p> <p>22. For any official System travel for training, due diligence trips, meetings with investment managers, or training where hotels are not pre-designated, the traveler should select the most economical lodging taking into consideration the proximity of the selected place to conduct the official System business, traveler's safety, time and transportation costs and other relevant factors. Any of the following methods are acceptable for determining "moderately priced establishments of acceptable quality", "the most economical and practical accommodations", and those which would be presumed not to meet the IRS definition of "lavish and extravagant" accommodations:</p> <ul style="list-style-type: none"> (i) Lodging does not exceed the highest Federal domestic lodging per diem rate; cost comparison is not necessary; or (ii) The most economical hotel identified using the City traveler provider website (www.concursolutions.com/), with availability, with at least a 3 star rating on a 5 star scale travel, and within walking distance or no less than ½ mile radius of the first business location; or

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<p>In the selection of restaurants and hotel rooms, it is expected that individuals will seek moderately priced establishments of acceptable quality. [LAAC §4.242.3.(b)]</p> <p>An employee or elected official must consider transportation costs, time, and other relevant factors in selecting the most economical and practical accommodations. [§4.242.3.(b)(1)]</p>	<p>(iii) The most practical hotel on the above list with acceptable written justification; or</p> <p>(iv) Any lodging expenses may be reimbursed provided that the expense does not exceed 300% of the lodging per diem and traveler must clearly demonstrate no other acceptable alternative lodging was available, as in the event of a state of emergency, or other justifiable reason reviewed and certified by the Department Head¹ as reasonable and proper, and incurred in the pursuit of System business.</p> <p>23. Reimbursement is limited to single occupancy room rate, as documented on hotel letterhead or the hotel's room rates listing, plus applicable taxes and charges unless additional occupants are LACERS trustees/staff on official LACERS business.</p>
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B. MEALS AND INCIDENTAL EXPENSES (M&IE)

LAAC Requirement	LACERS Policy
<p>Expenses incurred by an employee or elected official for food and beverage served at meals, scheduled receptions, or other functions necessary for the conduct of City business are allowable to a maximum of three meals a day. [§4.242.3.(b)(2)]</p>	<p>24. LACERS intends to be compliant with IRS accountable plan rules, therefore M&IE allowance will be provided only when business travel results in a necessity for lodging. LACERS will provide travelers with a standard meal allowance at the Federal per diem rate per locale. The allowance, in lieu of providing receipts, is acceptable under the IRS accountable plan rules. The IRS (Publication 463) defines meals and incidental expenses include: meals, transportation to acquire meals, fees/tips to porters, baggage carriers, bellhops, hotel maids, wait staff, and other service providers.</p> <p>25. No meal allowance will be paid when meals are provided throughout the day by the host or at the conference.</p> <p>26. Prorating the standard meal allowance – The IRS permits LACERS to adopt its own</p>

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	<p>rules for prorating the standard meal allowance on partial days of travel so long as we consistently apply the method in accordance with reasonable business practice.</p> <p>The meal and incidental expense allowance will be prorated from a daily allowance to a per meal period allowance on partial days of travel; and when some meals are prepaid/to be paid by LACERS (complimentary breakfast provided at the hotel, meals at the conference, or pre-paid to comply with the City/LACERS gift restrictions.</p> <p>The M&IE allowance = incidental expense + breakfast allowance (if traveling between 1AM – 9AM) + lunch allowance (if traveling between 9AM – 5PM) + dinner allowance (if traveling between 5PM – 1AM).</p> <p>Utilize the M&IE per travel locale and provide an allowance for each meal period the traveler is away from home (based on the current Federal General Services Agency six tiered M&IE allowance):</p> <table border="1" data-bbox="859 1144 1417 1373"> <thead> <tr> <th>Total</th> <th>Breakfast</th> <th>Lunch</th> <th>Dinner</th> <th>IE</th> </tr> </thead> <tbody> <tr> <td>\$46</td> <td>\$7</td> <td>\$11</td> <td>\$23</td> <td>\$5</td> </tr> <tr> <td>\$51</td> <td>\$8</td> <td>\$12</td> <td>\$26</td> <td>\$5</td> </tr> <tr> <td>\$56</td> <td>\$9</td> <td>\$13</td> <td>\$29</td> <td>\$5</td> </tr> <tr> <td>\$61</td> <td>\$10</td> <td>\$15</td> <td>\$31</td> <td>\$5</td> </tr> <tr> <td>\$66</td> <td>\$11</td> <td>\$16</td> <td>\$34</td> <td>\$5</td> </tr> <tr> <td>\$71</td> <td>\$12</td> <td>\$18</td> <td>\$36</td> <td>\$5</td> </tr> </tbody> </table>	Total	Breakfast	Lunch	Dinner	IE	\$46	\$7	\$11	\$23	\$5	\$51	\$8	\$12	\$26	\$5	\$56	\$9	\$13	\$29	\$5	\$61	\$10	\$15	\$31	\$5	\$66	\$11	\$16	\$34	\$5	\$71	\$12	\$18	\$36	\$5
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<p>Gratuities. Such expenses, not exceeding 15%, are allowable where reasonable and customary. [§4.242.3.(h)]</p>	<p>27. Gratuities are included in the IRS definition of “incidental” expenses and are therefore subject to per diem limits. Reimbursement for restaurant gratuities are calculated as up to 15 percent of the restaurant bill exclusive of taxes, except when the gratuity percentage is required and the amount is added on the bill by the service provider.</p>																																			

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IV. OTHER EXPENSES

LAAC Requirement	LACERS Policy
<p>(j) Other Expenses. Expenses not specifically set forth in other subsections of this section that are incurred by an employee or an elected official are allowable where deemed necessary in the conduct of City business; provided that such expenses have been reviewed and certified by the Department Head¹ as reasonable and proper and incurred in pursuit of City business. Wherever the type of expenditure is not specifically listed in this section, the employee or elected official should be prepared to absorb the cost as a personal expenditure in the event that such expense is not certified by the Department Head¹. [§4.242.3.(j)]</p>	<p>28. Other travel expenses are allowable when deemed necessary in the conduct of System business provided such expenses are reviewed and certified by the Department Head¹ as reasonable, proper, and incurred in pursuit of System business. Otherwise, these expenses become personal expenditures.</p> <p>29. Travel Interruptions – When there is an interruption or deviation from planned travel due to bona fide public emergencies outside of the traveler’s control such as weather or shutdown of air travel, travelers may be reimbursed at full cost for emergency lodging, meals, and incidental expenses.</p> <p>30. Indirect Travel - whether for the traveler’s personal leave or for convenience, expenses allowable will not exceed those that would have been incurred for uninterrupted travel utilizing the direct travel route or travel days. Supporting documentation showing the cost for direct travel and the deviation should be provided by the traveler.</p>

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IV. NON-REIMBURSABLE TRAVEL EXPENSES

LAAC Requirement	LACERS Policy
<p>Expenditures which are incurred by an employee or elected official that are of a purely personal nature will not be reimbursed by the City.</p> <ul style="list-style-type: none"> a) Auto repairs, replacement or towage to personal vehicle when such use has been authorized (see established City procedures for repair to City vehicle); b) Flight insurance; c) Personal telephone calls (except those specified in Section 4.242.3 (g) of this article); d) Expenses for persons other than the employee or elected official, except as specified in Section 4.242.3 (b) 2. [§4.242.4] 	<p>31. Expenditures which are not substantive to LACERS business will not be reimbursed by LACERS, such as:</p> <ul style="list-style-type: none"> a) Any expenses related to entertainment and recreational activities; b) Flight upgrade fees for seats other than coach or economy; c) Internet usage fees (unless the internet is used for City business); d) Any expenses related to alcohol and tobacco. <p>32. The traveler must submit reimbursement for personal expenditures paid by LACERS.</p> <p>If there are portions of the conference or seminar that are entertainment in nature and not business-related (e.g., golf tournaments, musical performances or concerts, etc.), the traveler is required to reimburse LACERS for the cost of these recreational activities.</p>

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V. OTHER RULES AND RESTRICTIONS

A. DOCUMENTATION OF EXPENSES - PERSONAL EXPENSE STATEMENTS	
LAAC Requirement	LACERS Policy
<p>All expenses claimed shall be listed on separate forms provided and used for required documentation of travel expense.</p> <p>Completed travel expense forms shall be forwarded to the Controller within thirty (30) days of the conclusion of the trip.</p> <p>The Department Head¹ shall certify that all expenditures were incurred in pursuit of City business. Falsification of such certification shall be grounds for appropriate disciplinary action and such other sanctions provided by law.</p> <p>Receipts shall be provided for transportation costs incurred under Section 4.242.3(a), lodging, and for any single item of expenditure in excess of \$25.00. Receipts for expenditures under \$25.00 should be presented when available. [LAAC § 4.242.7]</p>	<p>33. All expenses claimed for reimbursement must be itemized on the Personal Expense Statement (PES - Form Gen. 16).</p> <p>34. The traveler is responsible for verifying all charges on receipts before making payment. Charges made in error will not be reimbursed.</p> <p>35. Original receipts are required for any single expenditure in excess of \$25. Receipts are not required for a meal and incidental expense allowance, regardless of amount, when the Federal per diem rate per locale is provided to the traveler and prorated in accordance with LACERS' policy.</p>
B. TRAVEL ADVANCES	
LAAC Requirement	LACERS Policy
<p>Requests for an advance for funds shall be submitted to the Controller, where feasible, at least ten (10) days in advance of the beginning of the planned expenditure of funds and such request shall include the persons traveling, period covered, and the destination. In addition, the request should state the purpose of the trip, the nature of the City business to be conducted on the trip, and the proposed total estimated expenditure. Documentation of actual expenses incurred shall be submitted to the Controller in conformance with Section 4.242.7.</p>	<p>36. For trips of one night or more, a travel advance may be requested. The amount advanced is limited to the lodging, meal and incidental expenses per diem.</p> <p>37. Written requests for the travel advance are to be submitted by the Traveler to the CEA/travel coordinator for approval at least thirty (30) days prior to the date of travel. The request must include a statement certifying that the traveler has no outstanding cash advance.</p> <p>38. A cash advance request will be denied if a traveler has an outstanding cash advance for past travel with does not comply with the procedures.</p> <p>39. Regular travel advances will be released no earlier than one (1) week before travel.</p>

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	<p>40. Outstanding travel advances not accounted for and delinquent over 120 days will be included as part of an employee's wages on the first payroll period of the subsequent calendar quarter following the end of the 120 calendar days; and, for non-City employees, IRS Form 1099-Misc will be issued per IRS Federal, State, Local Government Taxable Fringe Benefit Guide. Nothing herein eliminates the traveler's obligation to return to the Fund any excess monies that were received that were not used for approved travel expenses.</p> <p>41. Future travel advances will not be processed for traveler(s) with delinquent PES over 30 days. Requests for reimbursement may be processed in advance of the travel for expenditures such as registration fees, and/or one-night hotel deposit. To ensure timely processing of the reimbursement, such requests along with supporting documents and proof of payment (credit card statement, etc.) must be submitted to the CEA/travel coordinator, in writing, at least fifteen (15) working days before the date of travel.</p> <p>42. Advanced payment for cancelled travel: Any amount that was paid by department in advance of travel is considered an advance. In the event of the need to cancel the trip, the traveler is responsible for notifying all payees to as soon as possible to avoid/minimize cancellation fees</p> <p>a. If cancellation was due to personal reasons, the traveler must personally reimburse the department for any amount not recovered (net of cancellation fees). If the refund or credit was issued directly to the traveler, traveler must pay LACERS the entire amount of credit received within 14 calendar days from the credit issued date.</p> <p>b. If travel was cancelled due to the business or public reason, traveler is</p>
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	<p>responsible to submit a justification along with the proper documentation to the General Manager within 14 calendar days from the cancelled date.</p> <p>c. Unrecovered amounts are reported as taxable income to the traveler.</p>
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APPENDIX C BOARD TRAVEL REIMBURSEMENT CHECKLIST

Adoption Date: May 26, 2009

Revised Dates: June 22, 2010; December 13, 2011; March 11, 2014; July 28, 2020

I. STEPS FOR TRAVEL APPROVAL AND REIMBURSEMENT:

Step 1: Provide details of the educational event to the Commission Executive Assistant (CEA)

Step 2: Submit information on estimated expenses to the CEA

Fees Paid Directly By LACERS:

Step 3: Register for the Conference

- Conference registration and registration fees can be arranged through the CEA prior to the conference date. Registration fees are paid directly by LACERS with no out-of-pocket expenses for the traveler;
 - Under State and City gift laws, complimentary conferences or conference-related events could be considered gifts. LACERS will evaluate the circumstances with the assistance of the City Ethics Commission and may be required to pay a pro-rata share of conference expenses provided by the hosting organization.
- Or, after the fact, submit a receipt showing a zero balance as proof of payment.

Step 4: Book flight

- Provide desired flight numbers, dates, and times to the CEA. The CEA will book the flight. The City's travel service will also provide a flight credit if the traveler is unable to fly and proper notification is given.

Items Requiring Pre-Approval for Expenditure Reimbursement:

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President. If approval is not secured prior to incurring the expense, reimbursement may not be granted.

- Requests for transportation other than air flight – justification should indicate reasons for use of the alternate mode of transportation.
- Requests for cash advances to cover lodging and per diem for meals must be submitted 30 days prior to the commencement of travel. See further instructions below.

After the Travel has been completed, submit report and receipts:

Step 6: Submit an Event Evaluation Report within thirty (30) days of the conclusion of the trip

- The report is required prior to reimbursement

Step 7: Submit a Personal Expense Statement (PES) within thirty (30) days of the conclusion of the trip:

- Itemize all reimbursable daily expenses for lodging, transportation, and miscellaneous expenses; list the per diem for meals and incidentals.
- Report expenses paid directly by LACERS as a deduction to the total reimbursable amount
- See further instructions on the following checklist

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II. REIMBURSEMENT CHECKLIST:

ALLOWABLE TRAVEL COSTS	REQUIRED DOCUMENTS
OTHER TRANSPORTATION	
<p><u>Bus or Rail Travel</u> The allowable cost shall be the actual cost for the regular fare for the bus/rail travel.</p> <p><u>Automobile Rental</u> Automobile rental expenses are allowable if traveling by automobile is less expensive or more appropriate than by other modes of transportation.</p> <p><u>Private Automobile</u> The allowable cost shall be the actual total mileage rate allowance as determined by the Internal Revenue Service (IRS).</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit request for pre-approval from the General Manager for all modes of transportation other than regularly scheduled airlines. <input type="checkbox"/> Submit request for pre-approval from the General Manager demonstrating that traveling by rental car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. <input type="checkbox"/> Submit request for pre-approval from the General Manager, and include a satisfactory liability insurance policy covering the full use and operation of the vehicle. The limits of liability on any such policy shall not be less than \$25,000 in the case of injury to or death of one person, and \$50,000 in the case of injury to or death of more than one person; and in the case of property damage, not less than \$5,000 in any one accident <input type="checkbox"/> Submit airfare confirmation (provided by CalTravelStore), rail travel confirmation notice or transportation receipt from taxi, shuttle, or private car service.
REGISTRATION FEES	
<p><u>Registration Fees</u> Reimbursable if paid by the Trustee</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit a receipt showing a zero balance as proof of payment
LODGING	

Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p>Hotels generally offer specially rated room blocks for conference participants. The Trustee may stay at an “off-site” hotel if the room blocks are exhausted.</p> <p>Transportation costs, time, and other relevant factors must be considered in selecting the most economical and practical accommodations.</p> <p>An extra-night stay is allowable if it sufficiently reduces the airfare, or if the conference commences early in the morning or adjourns late in the evening.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Submit receipt showing a zero balance as proof of payment. Personal credit card information must be redacted from the receipt. <input type="checkbox"/> If lodging is for other than single occupancy, secure a rate sheet or other documentation of the single occupancy rate.
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MEALS & INCIDENTAL EXPENSES

<ul style="list-style-type: none"> ○ The meal and incidental per diem for domestic travel is currently \$71 per day. ○ Incidental expenses are fees and gratuities provided to service workers, and for transportation costs in acquiring meals. ○ The daily allowance is prorated at 75% on days of travel, and if some meals are provided by the hotel or conference. ○ No meal allowance is provided when meals are provided throughout the day by the hosting organization. ○ The rate for international travel is in accordance with current Federal per diem rate guidelines. 	<p>Receipts for meals and incidental expenses are not required.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Submit justification letter if claiming reimbursement for expenses exceeding the per diem allowance.
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MISCELLANEOUS EXPENSES

<p><u>Checked Baggage Fees</u> Such expenses are allowable when the Trustee is charged for the first checked bag.</p> <p><u>Laundry Service</u> Such expenses are allowable if the duration of the trip, traveling conditions, or some other special circumstances dictate.</p> <p><u>City Business Telephone Calls</u> Such expenses are allowable if the telephone calls are relevant to appropriate City business.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Baggage fees for second and additional items require a justification memo that it meets a business purpose. <input type="checkbox"/> Submit receipts for all miscellaneous expenses.
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Section 1.0 GUIDANCE FOR BOARD MEMBERS

<p><u>Personal Telephone Calls</u> Such expenses are allowable for one call to the Trustee's immediate family if they are located within the locale of their residence.</p> <p>If travel is in excess of three (3) days, one such call is permitted for each successive three (3) days thereafter.</p> <p>Each call should last a reasonable amount of time, such as 10 minutes per call.</p> <p><u>Ground Transportation</u> Transportation between the traveler's residence and airport, and transportation between the airport and conference location.</p>	
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REPORT TO GOVERNANCE COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 25, 2020
ITEM: V

Neil M. Guglielmo

SUBJECT: DISCUSSION OF PROPOSED AMENDMENTS TO THE LACERS PROXY VOTING POLICY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee consider and provide comments regarding the proposed amendments to the LACERS Proxy Voting Policy.

Executive Summary

As good corporate governance practices are widely believed to increase shareholder value, LACERS Proxy Voting Policy (Policy) requires Board-review of the Policy on a bi-annual basis. For the 2020 policy review, staff proposes several revisions, based on an analysis conducted in conjunction with Institutional Shareholder Services (ISS), LACERS' current proxy voting agent.

Discussion

The Policy was first adopted in 1985 to vote company proxies in a manner that promotes good corporate governance practices with the intent of protecting shareholder value. The Policy is routinely reviewed by the Board, Committee, and staff to ensure it addresses matters pertinent to LACERS and the current market environment.

Under the purview of staff, ISS conducted a gap analysis between the Policy and the ISS 2020 benchmark proxy policy, which is updated annually to address evolving shareholder views. The gap analysis indicated several important issues that are not currently addressed by the Policy. Accordingly, staff recommends adding or revising the following items:

1. No. 1.14 – Lack of Women Representation on Corporate Boards
LACERS generally supports the election of women directors to corporate boards and will generally vote against or withhold voting from a nominating committee chair on a board with no women or plan for gender diversification. (Page 235 of Attachment 1)
2. No. 1.15 – Director Attendance at Board and Committee Meetings
LACERS generally supports attendance of board directors of at least 75 percent of meetings unless compelling reasons exist for absences. (Page 236 of Attachment 1)

3. No. 5.8 – Reverse Stock Splits
LACERS supports reverse stock splits when the number of authorized shares is proportionally reduced. (Page 247 of Attachment 1)
4. No. 8.8 – Gender, Race, or Ethnicity Pay Gap
LACERS supports shareholder requests for companies to provide reports on pay data categorized by gender, race, and ethnicity and reports on policies and goals to reduce pay gaps. (Page 251 of Attachment 1)
5. No. 8.9 – Reports on Employee Diversity
LACERS supports shareholder requests for companies to prepare diversity reports according to gender and race based on Equal Employment Opportunity Commission job categories. (Page 251 of Attachment 1)

In addition, staff recommends administrative changes to the Policy as follows:

1. Section 8. Social & Environmental
Modification of the introduction of this section to reflect LACERS' current PRI Signatory Status and renumbering of Issues column to accommodate inclusion of new policy items. (Page 250 of Attachment 1)
2. Section 9. Issues Not Addressed by Policy
Revision of all references to "Corporate Governance Committee" to "Governance Committee" and other minor edits. (Page 252 of Attachment 1)
3. Entire Policy Document
Deletion of all outdated and unnecessary footnotes.

Staff requests that the Committee provide comments to the attached proposed Policy (Attachment 1). Subsequently, staff will incorporate the Committee's feedback with the intent of finalizing the Policy for Board adoption at a future meeting.

Strategic Plan Impact Statement

Revising the Proxy Policy will assist LACERS with optimizing long-term risk adjusted investment returns (Goal IV); upholding good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V); and maximizing organizational effectiveness and efficiency (Goal VI).

Prepared By: Ellen Chen, Investment Officer I, Investment Division

RJ/BF/EC:jp

Attachments: 1. Proxy Voting Policy – Proposed Revisions (Redline Version)
 2. Proxy Voting Policy – Original Version as of February 12, 2019

Section 9 PROXY VOTING POLICY

XIV. PROXY VOTING POLICY

A. Introduction

As good corporate governance practices are widely believed to increase shareholder value, public retirement systems across the country are becoming more active in encouraging good corporate governance practices among companies in which they own stock.

As such the core objectives of LACERS Proxy Policy are:

1. Manage proxy voting rights with the same care, skill, diligence and prudence as is exercised in managing other assets.
2. Exercise proxy voting rights in the sole interest of the System's members and beneficiaries in accordance with all applicable statutes consistent with the Board proxy policy.
3. Provide a framework for voting shares responsibly and in a well-reasoned manner.
4. Align the interests of shareowners and corporate management to build long-term sustainable growth in shareholder value for the benefit of the System.

These primary objectives shall be considered whenever the Board and/or Corporate Governance Committee considers policy, reviews proxy voting issues, recommends corporate governance investment activities, or takes other corporate governance-related actions.

B. Statement of Purpose

The Board has formulated this policy to provide a guideline for proxy voting. This policy is set forth in the best interest of LACERS investment program to support sound corporate governance practices that maximize shareholder value.

All applications of this policy are executed by an outside proxy voting agent. The policy will be reviewed on a bi-annual basis. The proxy voting agent provides quarterly voting reports summarizing all votes cast during that time period. These reports are reviewed for compliance with the proxy voting policy.

Section 9 PROXY VOTING POLICY

1. BOARD OF DIRECTORS

Electing directors is the single most important stock ownership right that shareholders can exercise. Shareholders can promote healthy corporate governance practices and influence long-term shareholder value by electing directors who share shareholder views. In evaluating proxy items related to a company’s board, director accountability, independence and competence are of prime importance to ensure that directors are fit for the role and best able to serve shareholders’ interests.

No.	Issue	LACERS Position	Rationale
1.1	ELECTION OF DIRECTORS IN UNCONTESTED ELECTIONS	LACERS supports company management in principle VOTING AGENT’S DISCRETION	It is prudent to vote for the prescribed full slate of directors as long as the slate of directors will conduct themselves in the best interest of the shareholders. Director nominees should be evaluated based on accountability, responsiveness to shareholders, independence from company management, and competence and performance.
1.2	BOARD INDEPENDENCE	FOR	At a minimum, a majority of the board should consist of directors who are independent. Corporate boards should strive to obtain board composition made up of a substantial majority (at least two-thirds) of independent directors. ⁵
1.3	MAJORITY THRESHOLD VOTING FOR THE ELECTION OF DIRECTORS	LACERS supports this issue in principle VOTING AGENT’S DISCRETION	Under a plurality system, a board-backed nominee in an uncontested election needs to receive only a single affirmative vote to claim his or her seat in the boardroom. Even if holders of a substantial majority of the votes cast “withhold” support, the director nominee wins the seat. Under the majority vote standard, a director nominee must receive support from holders of a majority of the votes cast in order to be elected (or re-elected) to the board. In contested elections where there are more nominees than seats, a carve-out provision for plurality should exist.
1.4	SEPARATE CHAIR AND CEO	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A CEO who also heads a board is less accountable than one who must answer to an independent chairman as well as fellow directors. However, there could be times when it makes sense for one person to wear two hats. On balance, there appears to be more gained and less lost from separating the two jobs at major companies. The Board generally favors the separation of the chairman and CEO. However, the Board believes it may be in the best interests of a corporation and the shareholders to have one person fulfilling both positions in smaller companies.

⁵ CalPERS, Global Principles of Accountable Corporate Governance, February 16, 2010, 8.

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
1.5	LIMITING BOARD SIZE	FOR	Proposals that allow management to increase or decrease the size of the board at its own discretion are often used by companies as a takeover defense. Shareholders should support management proposals to fix the size of the board at a specific number of directors, thereby preventing management (when facing a proxy contest) from increasing the size of the board without shareholder approval.
1.6	COMMITTEE INDEPENDENCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The key board committees – audit, compensation, and nominating committees – should be composed exclusively of independent directors if they currently do not meet that standard. The company's board (not the CEO) should appoint the committee chairs and members. Committees should be able to select their own service providers to assist them in decision making.
1.7	DIRECTOR QUALIFICATIONS AND RESTRICTIONS Requires directors to own a minimum amount of stock; impose tenure limits; establishing a minimum or maximum age requirement	AGAINST	Establishing a minimum amount of stock ownership could preclude very qualified candidates from sitting on the board. Tenure limits and age restrictions could force out experienced and knowledgeable board members.
1.8	LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS	CASE-BY-CASE VOTING AGENT'S DISCRETION	This indemnifies corporate officers and directors against personal liability suits as a result of their official status. This indemnification is necessary to attract and keep the best-qualified individuals. However, officers' and directors' liability should not be limited or fully indemnified for acts that are serious violations of fiduciary obligations such as gross negligence or intentional misconduct.
1.9	OBLIGATION OF BOARDS TO ACT ON SHAREHOLDER PROPOSALS RECEIVING MAJORITY SUPPORT To ensure that the voices of the owners of the firm are heard.	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Boards are responsible for ensuring that the voices of the owners of the firm are heard. If the majority of shareholders have indicated they desire a particular governance change, the board should support the proposal in question.
1.10	DIRECTOR REMOVAL BY SHAREHOLDERS	FOR	Shareholders should have the right to remove directors or fill director vacancies. Lack of such a policy could allow management to protect themselves from various shareholder initiatives.

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
1.11	SHAREHOLDER ADVISORY COMMITTEES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	It is often difficult for directors to communicate to and hear from shareholders, because shareholders tend to be numerous, unidentified, dispersed, and silent. This proposal establishes committees of shareholders to make communication easier and more effective. However, establishment of such committees can be time consuming and expensive. The Board prefers the establishment of such committees where there is no other available mechanism to communicate with the company boards.
1.12	PROXY CONTESTS	CASE-BY-CASE VOTING AGENT'S DISCRETION	A proxy contest is a strategy that involves using shareholders' proxy votes to replace the existing members of a company's board of directors. By removing existing board members, the person or company launching the proxy contest can establish a new board of directors that is better aligned with their objectives. Proxy contests should be examined on a case-by-case basis considering factors such as the company's performance relative to peers, strategy of incumbents vs. dissidents, experience of director candidates, current management's track record, etc.
1.13	REIMBURSEMENT OF PROXY SOLICITATION EXPENSES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Most expenditures incurred by incumbents in a proxy contest are paid by the company. In contrast, dissidents are generally reimbursed only for proxy solicitation expenses, if they gain control of the company. Dissidents who have only gained partial representation may also be reimbursed in cases where the board and a majority of shareholders approve. In successful proxy contests, new management will often seek shareholder approval for the use of company funds to reimburse themselves for the costs of proxy solicitation.
<u>1.14</u>	<u>LACK OF WOMEN REPRESENTATION ON CORPORATE BOARDS</u>	<u>CASE-BY-CASE</u> <u>VOTING AGENT'S DISCRETION</u>	<u>LACERS supports the election of women directors to corporate boards. For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board unless the company has provided a firm commitment, with measurable goals, to achieve gender diversity by the following year.</u>

Section 9 PROXY VOTING POLICY

<u>1.15</u>	<u>DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS</u>	<u>CASE-BY-CASE VOTING AGENT'S DISCRETION</u>	<u>Absent compelling, publicly disclosed reasons, directors who attend fewer than 75 percent of board and board-committee meetings for two consecutive years should not be renominated. Companies should disclose individual director attendance figures for board and committee meetings.</u>
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Section 9 PROXY VOTING POLICY

2. AUDIT-RELATED

Shareholders must rely on company-produced financial statements to assess company performance and the values of their investments. External auditors play an important role by certifying the integrity of these financial reports provided to shareholders. To ensure that an external auditor is acting in shareholders' best interest, the auditor must be independent, objective, and free of potential conflicts of interest.

No.	Issue	LACERS Position	Rationale
2.1	RATIFYING AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The Board generally supports a company's choice of audit firms unless an auditor has a financial interest in or association with the company and is therefore not independent; there is reason to believe that the independent auditor has rendered an inaccurate opinion of the company's financial position; or fees are excessive as defined by ISS (Non-audit fee > audit fees + audit related fees + tax compliance/preparation fees).
2.2	LIMITING NON-AUDIT SERVICES BY AUDITORS	FOR	Auditor independence may be impaired if an auditor provides both audit-related and non-audit related services to a company and generates significant revenue from these non-audit services. The Board believes that a company should have policies in place to limit non-audit services and prevent conflicts of interest.
2.3	ROTATION OF AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A long-standing relationship between a company and an audit firm may compromise auditor independence for various reasons including an auditor's closeness to client management, lack of attention to detail due to staleness and redundancy, and eagerness to please the client. ⁶ Enron and Anderson is a prime example of this situation. The Board believes it may be prudent to rotate auditors every 5 to 7 years.
2.4	ELECTION OF THE AUDIT COMMITTEE Section 404 of the Sarbanes-Oxley Act requires that companies document and assess the effectiveness of their internal controls. The Audit Committee should be comprised of the independent directors	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies with significant material weaknesses identified in the Section 404 disclosures potentially have ineffective internal financial reporting controls, which may lead to inaccurate financial statements, hampering shareholder's ability to make informed investment decisions, and may lead to the destruction in public confidence and shareholder value. The Audit Committee is ultimately responsible for the integrity and reliability of the company's financial information, and its system of internal controls, and should be held accountable.

⁶ Arel, Barbara, Brody, Richard G. & Pany, Kurt. "Audit Firm Rotation and Audit Quality." The CPA Journal (January 2005). November 12, 2010.

Section 9 PROXY VOTING POLICY

3. COMPENSATION

The Board endorses executive compensation plans that align management and shareholders' interest. Executive pay programs should be fair, competitive, reasonable, and appropriate. Pay-for-performance plans should be a central tenet of executive compensation and plans should be designed with the intent of increasing long-term shareholder value. Executives should not be incentivized to take excessive risks that could threaten long-term corporate viability and shareholder value.

No.	Issue	LACERS Position	Rationale
3.1	EXECUTIVE COMPENSATION APPROVED BY THE BOARD OF DIRECTORS	FOR	While some corporations allow compensation issues to be left to management, it is more prudent to have a compensation committee, composed of independent directors, approve, on an annual basis, executive compensation, including the right to receive any bonus, severance or other extraordinary payment. If a company does not have a compensation committee, then executive compensation should be approved by a majority vote of independent directors. The Board normally prefers to support the company's recommendation of executive compensation issues.
3.2	INDEPENDENT COMPENSATION CONSULTANT	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A company's board and/or compensation committee should have the power to hire an independent consultant – separate from the compensation consultants working with corporate management – to assist with executive compensation issues to avoid conflicts of interest. Disclosure should be provided about the company's, board's, and/or compensation committee's use of compensation consultants, such as company name, business relationship(s) and fees paid.
3.3	PAY FOR PERFORMANCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A significant portion of an executive's pay should be tied to performance over time through the use of short and long-term performance-based incentives to align management and shareholders' interests. From a shareholders' perspective, performance is gauged by the company's stock performance over time. The attainment of executives' incentive goals should ultimately translate into superior shareholder returns in the long-term. Standard stock options and time-vested restricted stock are not considered performance-based since general market volatility alone can increase their value.
3.4	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – SHAREHOLDER PROPOSALS	FOR	A non-binding "say on pay" vote would encourage the board's compensation committee to be more careful about doling out unduly rich rewards that promote excessive risk-taking. It also would be a quick and effective way for a board to gauge whether shareowners think the company's compensation practices are in their best interests. ⁷

⁷ ~~“Executive Compensation.” Council of Institutional Investors. 2008. November 12, 2010.~~

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
3.5	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – MANAGEMENT PROPOSALS	CASE-BY-CASE VOTING AGENT'S DISCRETION	<p>The advent of "say on pay" votes for shareholders in the U.S. is providing a new communication mechanism and impetus for constructive engagement between shareholders and managers/directors on pay issues.</p> <p>In general, the management say on pay (MSOP) ballot item is the primary focus of voting on executive pay practices -- dissatisfaction with compensation practices can be expressed by voting against MSOP rather than withholding or voting against the compensation committee.⁸</p>
3.6	SAY ON PAY BALLOT FREQUENCY	FOR	<p>The Board supports an annual MSOP for many of the same reasons it supports annual director elections rather than a classified board structure: because it provides the highest level of accountability and direct communication by enabling the MSOP vote to correspond to the information presented in the accompanying proxy statement for the annual shareholders' meeting. Having MSOP votes only every two or three years, potentially covering all actions occurring between the votes, would make it difficult to create meaningful and coherent communication that the votes are intended to provide.</p>
3.7	STOCK OPTION PLANS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	<p>Stock options align the interests of management with the interests of shareholders. The Board prefers that options should be issued at or above fair market value. There should be no re-pricing of underwater options (stock options with little or no value due to poor performance), nor should there be a replenishment feature (automatic increases in the shares available for grant each year). Management must monitor the amount of dilution that stock options create. The total cost of the stock option plan should be reasonable relative to peer companies. The Board normally supports the use of stock options as a part of executive and management compensation.</p>
3.8	HOLDING PERIOD FOR EQUITY COMPENSATION AWARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	<p>Executives should be required to hold a substantial portion of their equity awards, including shares received from option exercises, while they are employed at a company or even into retirement. Equity compensation awards are intended to align management interests with those of shareholders, and allowing executives to sell or hedge these shares while they are employees of the company undermines this purpose.⁹</p>
3.9	EXCLUDING PENSION FUND INCOME	FOR	<p>Earnings generated by a pension plan should not be included for executive compensation purposes.</p>

⁸ Institutional Shareholder Services. 2010 U.S. Proxy Voting Guidelines Summary. February 25, 2010. 38.

⁹ Institutional Shareholder Services. 2010 Public Fund U.S. Proxy Voting Guidelines. 25.

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
3.10	CLAWBACK OF INCENTIVE PAY	FOR	A company should recoup incentive payments made to executives and former executives if it is determined that the incentives were calculated from erroneous data, such as fraudulent or misstated financial results, and these incentive payments would not have been earned if correctly calculated.
3.11	GOLDEN PARACHUTES Golden parachutes are compensation arrangements that pay corporate managers after they leave their positions.	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	Golden parachutes can have a number of positive results: they can reduce management resistance to change, they help attract and retain competent talent, and they provide appropriate severance. Excessive golden parachutes not offered to other employees can damage their morale and can have a dilutive effect on shareholder wealth. A general rule is that the parachute should not exceed three times base salary. The Board is opposed to the payment of excessive executive compensation. Therefore, golden parachute agreements should be submitted to shareholders for ratification.
3.12	CHANGE OF CONTROL TRIGGERING UNJUSTIFIED ACCRUAL OF BENEFITS	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	A change of control event should not result in an acceleration of vesting of all unvested stock options or lapsing of vesting/performance requirements on restricted stock/performance shares, unless there is a loss of employment or substantial change in job duties for an executive.
3.13	GOLDEN COFFINS	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	Golden coffins are death-benefit packages awarded to the heirs of high ranking executives who die during employment with a company. Benefits awarded can include, but are not limited to, unearned salary and bonuses, accelerated stock options and perquisites. The Board is against excessive executive compensation, but recognizes that offering golden coffin benefits may be necessary to attract top talent.
3.14	SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS (SERPS)	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	SERPs are executive-only retirement plans designed as a supplement to employee-wide plans. These plans may be structured to contain special provisions not offered in employee-wide plans such as above market interest rates and excess service credits. Incentive compensation may also be used in calculating retirement benefits, resulting in better benefit formulas than employee-wide plans and increased costs to the company. The Board supports SERPs if these plans do not contain excessive benefits beyond what is offered under employee-wide plans.
3.15	PROPOSALS TO LIMIT EXECUTIVE COMPENSATION OR OTHER BENEFITS	AGAINST	Executive pay should not have a blanket limit such as being capped at a specified multiple of other workers' pay. There should not be an absolute limit to retirement benefits, nor a mandate that stipulates that there be salary reductions based on corporate performance.

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
3.16	DIRECTOR COMPENSATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	This is normally automatically approved unless the program is exceptional or abusive. Directors should be compensated with a mix of cash and stock, with the majority, but not all, of the compensation in stock to align their interests with shareholders. There should be no blanket limits on directors' compensation, but pay should be commensurate with expected duties and experience. The Board normally prefers to support company management's decision. The Board prefers that compensation issues be decided by a majority vote of the independent directors.
3.17	NON-EMPLOYEE DIRECTOR RETIREMENT BENEFITS	AGAINST	Since non-employee directors are elected representatives of shareholders and not company employees, they should not be offered retirement benefits, such as defined benefit plans or deferred stock awards, nor should they be entitled to special post-retirement perquisites. ⁴⁰
3.18	DISCLOSURE OF EXECUTIVE COMPENSATION	FOR	The Board supports shareholder proposals seeking additional disclosure of executive compensation.
3.19	EMPLOYEE STOCK OWNERSHIP PROGRAMS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	On one hand, ESOPs have the potential for motivating and rewarding employees. On the other hand, there is concern about their use as management entrenchment devices and their potential dilutive effects on existing shareholder value. The Board believes that future purchasers must bear the same risk as current shareholders. Employee wealth obtained through stock ownership should be tied to shareholder value. The Board prefers no retroactive compensation. The Board supports the use of ESOPs.
3.20	401(K) EMPLOYEE BENEFIT PLANS	FOR	A 401(k) plan provides a highly visible benefit to employees that can be used to attract and retain quality personnel. The Board supports proposals to implement a 401(k) savings plan for employees.
3.21	OMNIBUS BUDGET RECONCILIATION ACT (OBRA) OF 1993 - RELATED COMPENSATION PROPOSALS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	IRS Section 162(m) of OBRA, prohibits a company from deducting more than \$1 million of an executive's compensation for tax purposes unless certain prescribed actions are taken to link compensation to performance such as establishment of performance goals by a compensation committee of outside directors and shareholder approval of the compensation plan. The Board generally supports proposals to approve new compensation plans or amend existing compensation plans to comply with Section 162(m) if the company can obtain tax benefits and increase shareholder value, and the plans do not result in excessive executive compensation.

⁴⁰ ~~Council of Institutional Investors. Corporate Governance Policies. 22.~~

Section 9 PROXY VOTING POLICY

4. SHAREHOLDER RIGHTS & TAKEOVER DEFENSES

Companies should feature shareholder rights in their corporate governance principles to allow shareholders the opportunity to participate directly in monitoring management. A 2003 study by the National Bureau of Economic Research found that “firms with weaker shareholder rights earned significantly lower returns, were valued lower, had poor operating performance, and engaged in greater capital expenditure and takeover activity.”¹¹

No.	Issue	LACERS Position	Rationale
4.1	ACCESS TO PROXY PROCESS	FOR	Access proposals allow shareholders who own a significant number of shares to access management’s proxy material to evaluate and propose voting recommendations on proxy proposals and director nominees, and to nominate their own candidates to the board. These proposals are based on the belief that shareholder access rights provide for increased corporate accountability and healthy communication.
4.2	ADVANCE NOTICE REQUIREMENTS	LACERS supports this issue in principle. VOTING AGENT’S DISCRETION	Advance notice bylaws, holding requirements, disclosure rules and any other company imposed regulations on the ability of shareholders to solicit proxies beyond those required by law should not be so onerous as to deny sufficient time or otherwise make it impractical for shareholders to submit nominations or proposals and distribute supporting proxy materials. ¹²
4.3	CLASSIFIED BOARDS AND STAGGERED BOARDS A structure for a board of directors in which a portion of the directors serve for different term lengths.	LACERS opposes this issue in principle. VOTING AGENT’S DISCRETION	Although shareholders need some form of protection from hostile takeover attempts, and boards need tools and leverage in order to negotiate effectively with potential acquirers, a classified board tips the balance of power too much toward incumbent management at the price of potentially ignoring shareholder interests.
4.4	CONFIDENTIAL VOTING A shareholder’s voting position is kept confidential.	FOR	Shareholders over whom management have some power (for example, employee shareholders, money managers who stand to gain or lose company business, banks, insurance companies and companies with interlocking boards) may be deterred from voting against management if they know their votes will become known to management. Companies that can discover who is voting in which way prior to the meeting also have an advantage not enjoyed by any shareholder supporting or opposing any issue on the ballot, and in targeting those shareholders who vote against management and pressuring them to change their votes.

¹¹ Gompers, Paul, Ishii, Joy & Metrick, Andrew. 2003. "Corporate Governance and Equity Prices," *The Quarterly Journal of Economics*, MIT Press, vol. 118(1), pages 107-155, February.

¹² Council of Institutional Investors. *Corporate Governance Policies*. 8.

Section 9 PROXY VOTING POLICY

No.	Issue	LACERS Position	Rationale
4.5	<p>CUMULATIVE VOTING</p> <p>Allows each shareholder to take the voting rights he or she has with respect to director candidates and accumulates them to vote for only one director, or for a smaller number of directors.</p>	FOR	Cumulative voting enhances shareholders' abilities to elect a single director or a small number of directors, thus increasing their ability to have a voice on the board even when they lack the voting power to affect change-in-control or other major decisions. Some fear that allowing cumulative voting can allow or encourage disruptive or predatory shareholders.
4.6	<p>SHAREHOLDER'S RIGHT TO ACT INDEPENDENTLY OF MANAGEMENT -- CALLING SPECIAL MEETINGS AND ACTING BY WRITTEN CONSENT</p>	FOR	These include giving shareholders the ability to call a special meeting of shareholders without management's consent, and the ability to act by written consent (saving the costs and difficulties of holding a meeting). Most corporations support the retention, restoration, or creation of these rights. Shareholders need realistic mechanisms to protect their interests in situations where their interests are not aligned with management interest.
4.7	<p>SUPERMAJORITY PROVISIONS</p> <p>Voting majority that is higher than those set by state law.</p>	AGAINST	Sets a level of approval for specified actions that is higher than the minimum set by state law. These requirements often exceed the level of shareholder participation at a meeting, making action that requires a supermajority all but impossible.
4.8	<p>LINKED (BUNDLED) PROPOSALS</p> <p>Combining more than one proposal.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	Linked proposals often include "sweeteners" to entice shareholders to vote for a proposal (that includes other items) that may not be in the shareholders' best interest. The Board normally opposes linked proposals where one or more of the linked proposals is in opposition to the Board's proxy position.
4.9	<p>VOTES TO ABSTAIN MEANS A CASTED VOTE</p>	FOR	Counting abstained votes in the total pool of all votes cast.
4.10	<p>BROKER VOTING RESTRICTIONS</p>	FOR	Broker non-votes and abstentions should be counted only for purposes of a quorum.
4.11	<p>FAIR PRICING</p>	FOR	Fair price provisions prevent two-tier tender offers in which a buyer offers a premium price for only enough shares to obtain a controlling interest. It is unfair to pay some shareholders (those that did not tender in the first group) less than other shareholders.
4.12	<p>GREEN MAIL</p> <p>Greenmail is the practice of shareholders accumulating a large block of stock in a company, then selling the stock back to the company at an above market price in exchange for agreeing not to attempt to take control for a lengthy period of time.</p>	AGAINST	A vote of the holders of a majority of the outstanding shares of common stock, regardless of class, shall be required to approve any corporate decision related to the finances of a company which will have a material effect upon the financial position of the company and the position of the company's shareholders.

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No.	Issue	LACERS Position	Rationale
4.13	<p>POISON PILLS</p> <p>A method used by boards, which prevent anyone from acquiring a large portion of the company stock for a corporate takeover.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Poison pills can consist of a wide variety of provisions adopted by boards without shareholder approval, designed to make it financially unattractive – indeed, often financially devastating – for a shareholder to purchase more than a small percentage of the company's stock, often by triggering the creation of a large number of new stocks or warrants that dilute the offending shareholder's interest to the point of making it virtually valueless. The Board is normally opposed to the use of poison pills.</p>
4.14	<p>NET OPERATING LOSS (NOL) POISON PILLS</p> <p>See 4.13 for poison pill definition.</p>	<p>CASE-BY-CASE</p> <p>VOTING AGENT'S DISCRETION</p>	<p>NOLs may be used to reduce future income tax payments and have become valuable assets to many corporations. If a corporation experiences an ownership change as defined by Section 382 of the tax code, then its ability to use a pre-change NOL in a post-change period could be substantially limited or delayed.¹³ NOL pills are adopted as a takeover deterrent to preserve the tax benefit of NOLs.</p>
4.15	<p>POISON PILLS – ALLOW FOR SHAREHOLDER VOTE</p>	<p>FOR</p>	<p>Since poison pills ultimately impact the wealth of shareholders, the Board supports voting measures that allow for the shareholders to vote on matters pertaining to the use of poison pills.</p>
4.16	<p>RE-INCORPORATION</p>	<p>LACERS supports company management in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Corporations may wish to reincorporate in another state to take advantage of favorable corporate law, while providing maximized shareholder values and operational flexibility. On the other hand, reincorporation laws of other states could be such as to limit shareholder rights or reduce shareholder wealth. The Board normally supports company management's decisions on re-incorporation matters.</p>
4.17	<p>STATE ANTI-TAKEOVER LAWS</p>	<p>CASE-BY-CASE</p> <p>VOTING AGENT'S DISCRETION</p>	<p>State anti-takeover laws seek to deter hostile takeover attempts of state-based corporations with the intent of keeping target companies locally based and preserving jobs. These laws may also complicate friendly mergers and impose great costs and delays on shareholders and stakeholders in the corporation. Most state anti-takeover provisions allow companies to "opt in" or "opt out" of coverage via shareholder vote.</p>
4.18	<p>TARGETED SHARE PLACEMENTS</p> <p>Placing stock in the hands of friendly investors</p>	<p>LACERS supports company management in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Targeted share placements (or "White Squire" placements) occur when a company puts large blocks of stock or convertible securities into the hands of a friendly investor or group of investors. This is often an inexpensive method of raising cash for a company. The Board prefers that company management seeks</p>

¹³ Nathan, Charles. "Recent Poison Pill Development and Trends." May 12, 2009. The Harvard Law School Forum on Corporate Governance and Financial Regulation.

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			authorization before establishing a targeted share placement but supports this corporate action.
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5. CAPITAL STRUCTURE

Corporate financing decisions can have a significant impact on shareholder value, particularly when these decisions may result in common share dilution. As a result, shareholders must analyze all management proposals to modify capital structure to determine whether these financing decisions are in their best interests.

No.	Issue	LACERS Position	Rationale
5.1	INCREASES IN THE NUMBER OF AUTHORIZED SHARES OF STOCK	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies need the flexibility of issuing additional shares for stock splits, stock dividends, financings, acquisitions, employee benefit plans and general corporate purposes. The Board prefers that increases should not exceed three times the number of existing outstanding shares and that the company specify a purpose for the proposed increase.
5.2	ONE SHARE, ONE VOTE Each share of common stock, regardless of its class, shall be entitled to vote in proportion to its relative share of the total common stock equity of the corporation.	FOR	The right to vote is inviolate and may not be abridged by any circumstances or by any action of any person. Each share of common stock, regardless of its class, shall be treated equally in proportion to its relative share in the total common stock equity of the corporation, with respect to any dividend, distribution, redemption, tender or exchange offer. In matters reserved for shareholder action, procedural fairness and full disclosure are required.
5.3	PAR VALUE ADJUSTMENT OF COMMON STOCK	FOR	In extraordinary cases when a stock price falls below its par value, a company wishing to issue additional stock would be unable to do so without reducing par value. Companies may also propose reductions in par value to conform to state legislative changes in the required minimum level of par value. ¹⁴
5.4	PREEMPTIVE RIGHTS Provides current stockholders an option to maintain their relative ownership position.	AGAINST	Preemptive rights require a company issuing new shares to offer them to their existing shareholders first, in proportion to their existing holdings. This gives current shareholders the ability to maintain their relative equity position as a shareholder. Preemptive rights generally have limited importance, given the increase in the size and liquidity of the secondary market and their potential for abuse.
5.5	DEBT RESTRUCTURING	CASE-BY-CASE VOTING AGENT'S DISCRETION	As part of a debt restructuring plan, a company may propose to increase and issue common and/or preferred shares. These proposals should be evaluated considering dilution to existing shareholders, potential changes in company control, the company's current financial position, terms of the offer, whether bankruptcy is imminent and alternatives.

¹⁴ ~~Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.~~

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No.	Issue	LACERS Position	Rationale
5.6	CONVERSION OF SECURITIES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Proposals to convert securities, such as converting preferred stock to common shares, should be evaluated based on the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.
5.7	SHARE REPURCHASES Corporations buy back a portion of the outstanding shares.	FOR	The Board normally favors of share repurchase plans if the company boards feel that the stock is undervalued or there is a legitimate corporate purpose.
5.8	REVERSE STOCK SPLITS	FOR <u>ONLY IF THE NUMBER OF AUTHORIZED SHARES IS PROPORTIONATELY REDUCED.</u> <u>OTHERWISE, VOTING AGENT'S DISCRETION.</u>	A reverse stock split reduces the number of shares owned and increases the share price proportionately. A reverse stock split has no effect on the value of what shareholders own. Companies often reverse split their stock when they believe the price of their stock is too low to attract investors to buy their stock or to avoid being delisted. ¹⁵ If the number of authorized shares is not proportionately reduced with a reverse stock split, then LACERS treats these proposals as a request to increase authorized shares.
5.9	BLANK CHECK PREFERRED STOCK Blank check preferred stock is authorized stock over which the board has complete discretion to set voting rights, dividend rates, and redemption and conversion privileges.	AGAINST	There is the potential for abusing this kind of stock by the board. Although some guidelines note that blank check preferred stock gives management great flexibility, and this might be valuable and in the corporate interest, in general it is felt that this kind of flexibility, free of shareholder control, is insufficient justification for the creation of this type of stock.

¹⁵ ~~“Reverse Stock Splits.” Securities and Exchange Commission. 2000. November 12, 2010. <<http://www.sec.gov/answers/reversesplit.htm>>.~~

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6. CORPORATE RESTRUCTURINGS

Corporate restructurings, such as mergers and leveraged buyouts, can have a major effect on shareholder value. Many of these transactions require shareholder approval and must be examined carefully to determine whether they are in the best financial interests of the shareholders.

No.	Issue	LACERS Position	Rationale
6.1	ASSET SALES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Asset sales should be evaluated based on the impact on the balance sheet/working capital, value received for the asset, and potential elimination of inefficiencies. The Board generally supports management decisions to sell assets.
6.2	GOING PRIVATE TRANSACTIONS (LEVERAGED BUYOUTS AND MINORITY SQUEEZEOUTS)	CASE-BY-CASE VOTING AGENT'S DISCRETION	Going private transactions such as leveraged buyouts and minority squeezeouts should be evaluated on a case-by-case basis taking into account the following: offer price and imbedded premium, fairness opinion, how the deal was negotiated, conflicts of interest, other alternatives/offers considered, and the risk to shareholders if the attempt to take the company private fails.
6.3	LIQUIDATIONS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Liquidation proposals are generally bad news for long-term investors. They usually occur after a prolonged period of declines in earnings and share prices. However, liquidation may be an attractive option if the sale of the firm's assets on a piece-meal basis can be accomplished at a higher-than-market price. Liquidation proposals should be evaluated based on management's efforts to pursue other alternatives, appraised value of assets, the compensation plan for executives managing the liquidation, and the likelihood of bankruptcy if the liquidation proposal is not approved. ¹⁶
6.4	MERGERS AND ACQUISITIONS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Case-by-case votes are recommended on mergers or acquisitions since the circumstances by which they arise are unique. The Board supports the company management's decision on mergers and acquisitions when such decision is based upon the findings of a thorough due diligence process and is in the best interest of the shareholders.
6.5	SPIN-OFFS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Corporations may seek to streamline their operations by spinning off less productive or unrelated subsidiary businesses. The spun-off companies are expected to be worth more as independent entities than as parts of a larger business. Spin-offs are evaluated case-by-case depending on the tax and regulatory advantages, planned use of sale proceeds, managerial incentives, valuation of spinoff, fairness opinion, benefits to the parent company, conflicts of interest, corporate governance changes, and changes in the capital structure.

¹⁶ Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.

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7. MISCELLANEOUS CORPORATE GOVERNANCE			
No.	Issue	LACERS Position	Rationale
7.1	ANNUAL MEETING DATE & LOCATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	Mandatory rotation of the annual meeting would not significantly increase stockholders' access to management since there are convenient alternatives available to interested stockholders. It would decrease the company's flexibility without a material benefit to stockholders. The Board normally supports company management's decision on this issue.
7.2	CORPORATE NAME CHANGE	FOR	A company may seek a name change to better portray its strategic image or re-brand itself. The Board supports company management's decision on this issue.
7.3	CORPORATION CHARTER & BYLAW AMENDMENTS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Charters and bylaws should not be amended without shareholder approval unless the changes are of a housekeeping nature such as minor corrections or updates.

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8. SOCIAL & ENVIRONMENTAL

~~On November 13, 2007, the Board adopted the United Nations Principles for Responsible Investment ("Principles"), a policy of global best practices for environmental, social, and governance ("ESG") investing. On April 9, 2019, the Board of Administration approved becoming a signatory of the Principles for Responsible Investing ("PRI"), a policy of global best practices for environmental, social, and governance ("ESG") investing. LACERS officially became a PRI signatory on September 3, 2019.~~ LACERS current proxy voting agent, Institutional Shareholder Services, ("ISS"), is a signatory to the Principles-PRI and incorporates them into its proxy analysis process. Therefore, when considering how to vote on most ESG proposals, investment staff relies on the research expertise and voting recommendations of ISS.

No.	Issue	LACERS Position	Rationale
8.1	DIVERSIFICATION OF BOARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Women and minorities have played major and responsible roles not only in government, higher education, law and medicine, but also in communications, electronics, and finance. The Board normally prefers to support diversification on company boards. However, the Board recognizes that such a mandate carried out without regard to the selection of the most highly qualified candidates might not be in the best interest of these companies.
8.2	CORPORATE BOARD MEMBERS SHOULD WEIGH SOCIO-ECONOMIC, LEGAL AND FINANCIAL FACTORS WHEN EVALUATING TAKEOVER BIDS	CASE-BY-CASE BASIS. VOTING AGENT'S DISCRETION	While broad social and environmental issues are of concern to everyone, institutional shareholders acting as representatives of their beneficiaries must consider, specifically, the impact of the proposal on the target company. A decision on whether to support or oppose such proposals shall focus on the financial aspects of social and environmental proposals. If a proposal would have a negative impact on the company's financial position or adversely affect important operations, LACERS would oppose the resolution. Conversely, if a proposal would have a clear and beneficial impact on the company's finances or operations, LACERS would support the proposal.
8.3	INDEPENDENT REVIEW OF COMPANY OR PLANT OPERATIONS	AGAINST	An independent review of company or plant operations which will be provided at company expense to the shareholders to consider the cost of and alternatives to the present or proposed projects on the primary operation. This process would be costly and time-consuming.
8.4	DISCLOSURE OF OFFICERS, DIRECTORS AND INVOLVED OUTSIDERS' GOVERNMENTAL AFFILIATIONS	AGAINST	Miscellaneous issues include disclosures of lists of officers, directors and involved outsiders who have served in any governmental capacity during the previous five years. In addition, disclosure includes the lists of law firms employed by the companies, rundowns on fees and the revelation as to whether any elected or appointed official have partnership interest in the retained law firms. To the extent that potential conflicts of interest cannot be controlled by corporate procedures, professional ethics, and law, these disclosures will make no difference.

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No.	Issue	LACERS Position	Rationale
8.5	CORPORATE AFFIRMATION OF ITS NON-COERCIVE POLITICAL PRACTICES	AGAINST	This affirmation is intended to ensure that the corporation avoids a number of coercive political practices such as distribution of contribution cards in favor of one political party. Since these practices are illegal, the issue is moot.
8.6	LIMITING CORPORATE PHILANTHROPY	AGAINST	These proposals place restrictions and additional reporting obligations upon management's right to make corporate contributions to charitable, educational, community or related organizations. Most companies give money to charity. Because most companies must compete, those that do not contribute to charity risk damaging their good names.
8.7	STAKEHOLDERS' INTEREST BEFORE OR EQUAL WITH SHAREHOLDERS' INTEREST	ABSTAIN	Stakeholders include customers, suppliers, employees, communities, creditors and shareholders. Stakeholders are important to the success of the corporation and therefore the interests of each must be considered by directors and management. However, boards should not put the non-shareholder/stakeholder interests ahead of or on an equal footing with shareholders in terms of the corporation's ultimate purpose.
<u>8.8</u>	<u>GENDER, RACE, OR ETHNICITY PAY GAP</u>	<u>FOR</u>	<u>Companies should provide reports on its pay data categorized by gender, race, or ethnicity and reports on a company's policies and goals to reduce any gender, race, or ethnicity pay gaps.</u>
<u>8.9</u>	<u>REPORTS ON EMPLOYEE DIVERSITY</u>	<u>FOR</u>	<u>Companies should provide diversity reports identifying employees according to their gender and race in each of the nine Equal Employment Opportunity Commission (EEOC) defined job categories.</u>
8.10 8	ALL OTHER ESG ISSUES	VOTING AGENT'S DISCRETION	Investment staff relies on the research expertise and voting recommendations of ISS for other ESG issues not addressed by this policy.

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9. ISSUES NOT ADDRESSED BY POLICY

For proxy issues not addressed by this policy that are market specific, operational or administrative in nature, and likely non-substantive in terms of impact, LACERS gives ISS discretion to vote these items.

Substantive issues not covered by this policy and which may potentially have a significant economic impact for LACERS shall be handled accordingly:

- 1) ISS shall alert investment staff of substantive proxy issue not covered by policy as soon as practicable;
- 2) Investment staff and/or the General Manager shall determine whether the item requires ~~Corporate~~ Governance Committee ("Committee") and/or Board of Administration ("Board") consideration;
- 3) If the issue does not require Committee and Board consideration, then staff will vote the issue based on available research;
- 4) If the issue requires Committee and Board consideration, then the item will be prepared and presented to the Committee and Board for consideration. Following Committee and Board action, staff will then have the issue voted accordingly.
- 5) If time constraints prevent a formal gathering of the Committee and Board, then LACERS Board approved Corporate Governance Actions Protocol, as reprinted below, shall apply and staff will then have the issue voted accordingly.

CORPORATE GOVERNANCE ACTIONS POLICY
Board Adopted December 2008

From time to time LACERS receives requests from other pension funds or from affiliated organizations for support of various corporate governance actions. Many of the actions requested, such as requests to sign action letters, would otherwise appear to be consistent with existing Board policy. However, occasionally there is not adequate time to convene a Committee or Board meeting in advance to consider the matter.

The proposed Corporate Governance Actions Policy requires that one staff member plus one Board member both agree that the subject to be voted/acted on falls within the letter or spirit of adopted Board policy. If both agree, the measure will be executed by the General Manager or ~~authorized~~her-designee.

The designated staff person will be the Chief Investment Officer (CIO). The designated Board member will be the Chair of the ~~Corporate~~ Governance Committee. In the absence of the CIO, the General Manager will become the designated staff member. In the absence of the Chair of the ~~Corporate~~ Governance Committee, the Board Chair will become the designated Board member.

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XIV. PROXY VOTING POLICY

A. Introduction

As good corporate governance practices are widely believed to increase shareholder value, public retirement systems across the country are becoming more active in encouraging good corporate governance practices among companies in which they own stock.

As such the core objectives of LACERS Proxy Policy are:

1. Manage proxy voting rights with the same care, skill, diligence and prudence as is exercised in managing other assets.
2. Exercise proxy voting rights in the sole interest of the System's members and beneficiaries in accordance with all applicable statutes consistent with the Board proxy policy.
3. Provide a framework for voting shares responsibly and in a well-reasoned manner.
4. Align the interests of shareowners and corporate management to build long-term sustainable growth in shareholder value for the benefit of the System.

These primary objectives shall be considered whenever the Board and/or Corporate Governance Committee considers policy, reviews proxy voting issues, recommends corporate governance investment activities, or takes other corporate governance-related actions.

B. Statement of Purpose

The Board has formulated this policy to provide a guideline for proxy voting. This policy is set forth in the best interest of LACERS investment program to support sound corporate governance practices that maximize shareholder value.

All applications of this policy are executed by an outside proxy voting agent. The policy will be reviewed on a bi-annual basis. The proxy voting agent provides quarterly voting reports summarizing all votes cast during that time period. These reports are reviewed for compliance with the proxy voting policy.

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1. BOARD OF DIRECTORS

Electing directors is the single most important stock ownership right that shareholders can exercise. Shareholders can promote healthy corporate governance practices and influence long-term shareholder value by electing directors who share shareholder views. In evaluating proxy items related to a company’s board, director accountability, independence and competence are of prime importance to ensure that directors are fit for the role and best able to serve shareholders’ interests.

No.	Issue	LACERS Position	Rationale
1.1	ELECTION OF DIRECTORS IN UNCONTESTED ELECTIONS	LACERS supports company management in principle VOTING AGENT’S DISCRETION	It is prudent to vote for the prescribed full slate of directors as long as the slate of directors will conduct themselves in the best interest of the shareholders. Director nominees should be evaluated based on accountability, responsiveness to shareholders, independence from company management, and competence and performance.
1.2	BOARD INDEPENDENCE	FOR	At a minimum, a majority of the board should consist of directors who are independent. Corporate boards should strive to obtain board composition made up of a substantial majority (at least two-thirds) of independent directors. ⁵
1.3	MAJORITY THRESHOLD VOTING FOR THE ELECTION OF DIRECTORS	LACERS supports this issue in principle VOTING AGENT’S DISCRETION	Under a plurality system, a board-backed nominee in an uncontested election needs to receive only a single affirmative vote to claim his or her seat in the boardroom. Even if holders of a substantial majority of the votes cast “withhold” support, the director nominee wins the seat. Under the majority vote standard, a director nominee must receive support from holders of a majority of the votes cast in order to be elected (or re-elected) to the board. In contested elections where there are more nominees than seats, a carve-out provision for plurality should exist.
1.4	SEPARATE CHAIR AND CEO	LACERS supports this issue in principle VOTING AGENT’S DISCRETION	A CEO who also heads a board is less accountable than one who must answer to an independent chairman as well as fellow directors. However, there could be times when it makes sense for one person to wear two hats. On balance, there appears to be more gained and less lost from separating the two jobs at major companies. The Board generally favors the separation of the chairman and CEO. However, the Board believes it may be in the best interests of a corporation and the shareholders to have one person fulfilling both positions in smaller companies.

⁵ CalPERS. Global Principles of Accountable Corporate Governance. February 16, 2010. 8.

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No.	Issue	LACERS Position	Rationale
1.5	LIMITING BOARD SIZE	FOR	Proposals that allow management to increase or decrease the size of the board at its own discretion are often used by companies as a takeover defense. Shareholders should support management proposals to fix the size of the board at a specific number of directors, thereby preventing management (when facing a proxy contest) from increasing the size of the board without shareholder approval. ⁶
1.6	COMMITTEE INDEPENDENCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The key board committees – audit, compensation, and nominating committees – should be composed exclusively of independent directors if they currently do not meet that standard. The company's board (not the CEO) should appoint the committee chairs and members. Committees should be able to select their own service providers to assist them in decision making.
1.7	DIRECTOR QUALIFICATIONS AND RESTRICTIONS Requires directors to own a minimum amount of stock; impose tenure limits; establishing a minimum or maximum age requirement	AGAINST	Establishing a minimum amount of stock ownership could preclude very qualified candidates from sitting on the board. Tenure limits and age restrictions could force out experienced and knowledgeable board members.
1.8	LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS	CASE-BY-CASE VOTING AGENT'S DISCRETION	This indemnifies corporate officers and directors against personal liability suits as a result of their official status. This indemnification is necessary to attract and keep the best-qualified individuals. However, officers' and directors' liability should not be limited or fully indemnified for acts that are serious violations of fiduciary obligations such as gross negligence or intentional misconduct.
1.9	OBLIGATION OF BOARDS TO ACT ON SHAREHOLDER PROPOSALS RECEIVING MAJORITY SUPPORT To ensure that the voices of the owners of the firm are heard.	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Boards are responsible for ensuring that the voices of the owners of the firm are heard. If the majority of shareholders have indicated they desire a particular governance change, the board should support the proposal in question.
1.10	DIRECTOR REMOVAL BY SHAREHOLDERS	FOR	Shareholders should have the right to remove directors or fill director vacancies. Lack of such a policy could allow management to protect themselves from various shareholder initiatives.

⁶ LACERA. Domestic Proxy Voting Guidelines. April 22, 2009. 21.

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No.	Issue	LACERS Position	Rationale
1.11	SHAREHOLDER ADVISORY COMMITTEES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	It is often difficult for directors to communicate to and hear from shareholders, because shareholders tend to be numerous, unidentified, dispersed, and silent. This proposal establishes committees of shareholders to make communication easier and more effective. However, establishment of such committees can be time consuming and expensive. The Board prefers the establishment of such committees where there is no other available mechanism to communicate with the company boards.
1.12	PROXY CONTESTS	CASE-BY-CASE VOTING AGENT'S DISCRETION	A proxy contest is a strategy that involves using shareholders' proxy votes to replace the existing members of a company's board of directors. By removing existing board members, the person or company launching the proxy contest can establish a new board of directors that is better aligned with their objectives. Proxy contests should be examined on a case-by-case basis considering factors such as the company's performance relative to peers, strategy of incumbents vs. dissidents, experience of director candidates, current management's track record, etc.
1.13	REIMBURSEMENT OF PROXY SOLICITATION EXPENSES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Most expenditures incurred by incumbents in a proxy contest are paid by the company. In contrast, dissidents are generally reimbursed only for proxy solicitation expenses, if they gain control of the company. Dissidents who have only gained partial representation may also be reimbursed in cases where the board and a majority of shareholders approve. In successful proxy contests, new management will often seek shareholder approval for the use of company funds to reimburse themselves for the costs of proxy solicitation.

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2. AUDIT-RELATED

Shareholders must rely on company-produced financial statements to assess company performance and the values of their investments. External auditors play an important role by certifying the integrity of these financial reports provided to shareholders. To ensure that an external auditor is acting in shareholders' best interest, the auditor must be independent, objective, and free of potential conflicts of interest.

No.	Issue	LACERS Position	Rationale
2.1	RATIFYING AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The Board generally supports a company's choice of audit firms unless an auditor has a financial interest in or association with the company and is therefore not independent; there is reason to believe that the independent auditor has rendered an inaccurate opinion of the company's financial position; or fees are excessive as defined by ISS (Non-audit fee > audit fees + audit related fees + tax compliance/preparation fees).
2.2	LIMITING NON-AUDIT SERVICES BY AUDITORS	FOR	Auditor independence may be impaired if an auditor provides both audit-related and non-audit related services to a company and generates significant revenue from these non-audit services. The Board believes that a company should have policies in place to limit non-audit services and prevent conflicts of interest.
2.3	ROTATION OF AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A long-standing relationship between a company and an audit firm may compromise auditor independence for various reasons including an auditor's closeness to client management, lack of attention to detail due to staleness and redundancy, and eagerness to please the client. ⁷ Enron and Anderson is a prime example of this situation. The Board believes it may be prudent to rotate auditors every 5 to 7 years.
2.4	ELECTION OF THE AUDIT COMMITTEE Section 404 of the Sarbanes-Oxley Act requires that companies document and assess the effectiveness of their internal controls. The Audit Committee should be comprised of the independent directors	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies with significant material weaknesses identified in the Section 404 disclosures potentially have ineffective internal financial reporting controls, which may lead to inaccurate financial statements, hampering shareholder's ability to make informed investment decisions, and may lead to the destruction in public confidence and shareholder value. The Audit Committee is ultimately responsible for the integrity and reliability of the company's financial information, and its system of internal controls, and should be held accountable.

⁷ Arel, Barbara, Brody, Richard G. & Pany, Kurt. "Audit Firm Rotation and Audit Quality." The CPA Journal (January 2005). November 12, 2010.

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3. COMPENSATION

The Board endorses executive compensation plans that align management and shareholders' interest. Executive pay programs should be fair, competitive, reasonable, and appropriate. Pay-for-performance plans should be a central tenet of executive compensation and plans should be designed with the intent of increasing long-term shareholder value. Executives should not be incentivized to take excessive risks that could threaten long-term corporate viability and shareholder value.

No.	Issue	LACERS Position	Rationale
3.1	EXECUTIVE COMPENSATION APPROVED BY THE BOARD OF DIRECTORS	FOR	While some corporations allow compensation issues to be left to management, it is more prudent to have a compensation committee, composed of independent directors, approve, on an annual basis, executive compensation, including the right to receive any bonus, severance or other extraordinary payment. If a company does not have a compensation committee, then executive compensation should be approved by a majority vote of independent directors. The Board normally prefers to support the company's recommendation of executive compensation issues.
3.2	INDEPENDENT COMPENSATION CONSULTANT	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A company's board and/or compensation committee should have the power to hire an independent consultant – separate from the compensation consultants working with corporate management – to assist with executive compensation issues to avoid conflicts of interest. Disclosure should be provided about the company's, board's, and/or compensation committee's use of compensation consultants, such as company name, business relationship(s) and fees paid.
3.3	PAY FOR PERFORMANCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A significant portion of an executive's pay should be tied to performance over time through the use of short and long-term performance-based incentives to align management and shareholders' interests. From a shareholders' perspective, performance is gauged by the company's stock performance over time. The attainment of executives' incentive goals should ultimately translate into superior shareholder returns in the long-term. Standard stock options and time-vested restricted stock are not considered performance-based since general market volatility alone can increase their value.
3.4	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – SHAREHOLDER PROPOSALS	FOR	A non-binding "say on pay" vote would encourage the board's compensation committee to be more careful about doling out unduly rich rewards that promote excessive risk-taking. It also would be a quick and effective way for a board to gauge whether shareowners think the company's compensation practices are in their best interests. ⁸

⁸ "Executive Compensation." Council of Institutional Investors. 2008. November 12, 2010.

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No.	Issue	LACERS Position	Rationale
3.5	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – MANAGEMENT PROPOSALS	CASE-BY-CASE VOTING AGENT'S DISCRETION	<p>The advent of "say on pay" votes for shareholders in the U.S. is providing a new communication mechanism and impetus for constructive engagement between shareholders and managers/directors on pay issues.</p> <p>In general, the management say on pay (MSOP) ballot item is the primary focus of voting on executive pay practices -- dissatisfaction with compensation practices can be expressed by voting against MSOP rather than withholding or voting against the compensation committee.⁹</p>
3.6	SAY ON PAY BALLOT FREQUENCY	FOR	<p>The Board supports an annual MSOP for many of the same reasons it supports annual director elections rather than a classified board structure: because it provides the highest level of accountability and direct communication by enabling the MSOP vote to correspond to the information presented in the accompanying proxy statement for the annual shareholders' meeting. Having MSOP votes only every two or three years, potentially covering all actions occurring between the votes, would make it difficult to create meaningful and coherent communication that the votes are intended to provide.</p>
3.7	STOCK OPTION PLANS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	<p>Stock options align the interests of management with the interests of shareholders. The Board prefers that options should be issued at or above fair market value. There should be no re-pricing of underwater options (stock options with little or no value due to poor performance), nor should there be a replenishment feature (automatic increases in the shares available for grant each year). Management must monitor the amount of dilution that stock options create. The total cost of the stock option plan should be reasonable relative to peer companies. The Board normally supports the use of stock options as a part of executive and management compensation.</p>
3.8	HOLDING PERIOD FOR EQUITY COMPENSATION AWARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	<p>Executives should be required to hold a substantial portion of their equity awards, including shares received from option exercises, while they are employed at a company or even into retirement. Equity compensation awards are intended to align management interests with those of shareholders, and allowing executives to sell or hedge these shares while they are employees of the company undermines this purpose.¹⁰</p>
3.9	EXCLUDING PENSION FUND INCOME	FOR	<p>Earnings generated by a pension plan should not be included for executive compensation purposes.</p>

⁹ Institutional Shareholder Services. 2010 U.S. Proxy Voting Guidelines Summary. February 25, 2010. 38.

¹⁰ Institutional Shareholder Services. 2010 Public Fund U.S. Proxy Voting Guidelines. 25.

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No.	Issue	LACERS Position	Rationale
3.10	CLAWBACK OF INCENTIVE PAY	FOR	A company should recoup incentive payments made to executives and former executives if it is determined that the incentives were calculated from erroneous data, such as fraudulent or misstated financial results, and these incentive payments would not have been earned if correctly calculated.
3.11	GOLDEN PARACHUTES Golden parachutes are compensation arrangements that pay corporate managers after they leave their positions.	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	Golden parachutes can have a number of positive results: they can reduce management resistance to change, they help attract and retain competent talent, and they provide appropriate severance. Excessive golden parachutes not offered to other employees can damage their morale and can have a dilutive effect on shareholder wealth. A general rule is that the parachute should not exceed three times base salary. The Board is opposed to the payment of excessive executive compensation. Therefore, golden parachute agreements should be submitted to shareholders for ratification.
3.12	CHANGE OF CONTROL TRIGGERING UNJUSTIFIED ACCRUAL OF BENEFITS	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	A change of control event should not result in an acceleration of vesting of all unvested stock options or lapsing of vesting/performance requirements on restricted stock/performance shares, unless there is a loss of employment or substantial change in job duties for an executive.
3.13	GOLDEN COFFINS	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	Golden coffins are death-benefit packages awarded to the heirs of high ranking executives who die during employment with a company. Benefits awarded can include, but are not limited to, unearned salary and bonuses, accelerated stock options and perquisites. The Board is against excessive executive compensation, but recognizes that offering golden coffin benefits may be necessary to attract top talent.
3.14	SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS (SERPS)	LACERS opposes this issue in principle VOTING AGENT'S DISCRETION	SERPs are executive-only retirement plans designed as a supplement to employee-wide plans. These plans may be structured to contain special provisions not offered in employee-wide plans such as above market interest rates and excess service credits. Incentive compensation may also be used in calculating retirement benefits, resulting in better benefit formulas than employee-wide plans and increased costs to the company. The Board supports SERPs if these plans do not contain excessive benefits beyond what is offered under employee-wide plans.
3.15	PROPOSALS TO LIMIT EXECUTIVE COMPENSATION OR OTHER BENEFITS	AGAINST	Executive pay should not have a blanket limit such as being capped at a specified multiple of other workers' pay. There should not be an absolute limit to retirement benefits, nor a mandate that stipulates that there be salary reductions based on corporate performance.

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No.	Issue	LACERS Position	Rationale
3.16	DIRECTOR COMPENSATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	This is normally automatically approved unless the program is exceptional or abusive. Directors should be compensated with a mix of cash and stock, with the majority, but not all, of the compensation in stock to align their interests with shareholders. There should be no blanket limits on directors' compensation, but pay should be commensurate with expected duties and experience. The Board normally prefers to support company management's decision. The Board prefers that compensation issues be decided by a majority vote of the independent directors.
3.17	NON-EMPLOYEE DIRECTOR RETIREMENT BENEFITS	AGAINST	Since non-employee directors are elected representatives of shareholders and not company employees, they should not be offered retirement benefits, such as defined benefit plans or deferred stock awards, nor should they be entitled to special post-retirement perquisites. ¹¹
3.18	DISCLOSURE OF EXECUTIVE COMPENSATION	FOR	The Board supports shareholder proposals seeking additional disclosure of executive compensation.
3.19	EMPLOYEE STOCK OWNERSHIP PROGRAMS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	On one hand, ESOPs have the potential for motivating and rewarding employees. On the other hand, there is concern about their use as management entrenchment devices and their potential dilutive effects on existing shareholder value. The Board believes that future purchasers must bear the same risk as current shareholders. Employee wealth obtained through stock ownership should be tied to shareholder value. The Board prefers no retroactive compensation. The Board supports the use of ESOPs.
3.20	401(K) EMPLOYEE BENEFIT PLANS	FOR	A 401(k) plan provides a highly visible benefit to employees that can be used to attract and retain quality personnel. The Board supports proposals to implement a 401(k) savings plan for employees.
3.21	OMNIBUS BUDGET RECONCILIATION ACT (OBRA) OF 1993 - RELATED COMPENSATION PROPOSALS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	IRS Section 162(m) of OBRA, prohibits a company from deducting more than \$1 million of an executive's compensation for tax purposes unless certain prescribed actions are taken to link compensation to performance such as establishment of performance goals by a compensation committee of outside directors and shareholder approval of the compensation plan. The Board generally supports proposals to approve new compensation plans or amend existing compensation plans to comply with Section 162(m) if the company can obtain tax benefits and increase shareholder value, and the plans do not result in excessive executive compensation.

¹¹ Council of Institutional Investors. Corporate Governance Policies. 22.

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4. SHAREHOLDER RIGHTS & TAKEOVER DEFENSES

Companies should feature shareholder rights in their corporate governance principles to allow shareholders the opportunity to participate directly in monitoring management. A 2003 study by the National Bureau of Economic Research found that “firms with weaker shareholder rights earned significantly lower returns, were valued lower, had poor operating performance, and engaged in greater capital expenditure and takeover activity.”¹²

No.	Issue	LACERS Position	Rationale
4.1	ACCESS TO PROXY PROCESS	FOR	Access proposals allow shareholders who own a significant number of shares to access management’s proxy material to evaluate and propose voting recommendations on proxy proposals and director nominees, and to nominate their own candidates to the board. These proposals are based on the belief that shareholder access rights provide for increased corporate accountability and healthy communication.
4.2	ADVANCE NOTICE REQUIREMENTS	LACERS supports this issue in principle. VOTING AGENT’S DISCRETION	Advance notice bylaws, holding requirements, disclosure rules and any other company imposed regulations on the ability of shareholders to solicit proxies beyond those required by law should not be so onerous as to deny sufficient time or otherwise make it impractical for shareholders to submit nominations or proposals and distribute supporting proxy materials. ¹³
4.3	CLASSIFIED BOARDS AND STAGGERED BOARDS A structure for a board of directors in which a portion of the directors serve for different term lengths.	LACERS opposes this issue in principle. VOTING AGENT’S DISCRETION	Although shareholders need some form of protection from hostile takeover attempts, and boards need tools and leverage in order to negotiate effectively with potential acquirers, a classified board tips the balance of power too much toward incumbent management at the price of potentially ignoring shareholder interests.
4.4	CONFIDENTIAL VOTING A shareholder’s voting position is kept confidential.	FOR	Shareholders over whom management have some power (for example, employee shareholders, money managers who stand to gain or lose company business, banks, insurance companies and companies with interlocking boards) may be deterred from voting against management if they know their votes will become known to management. Companies that can discover who is voting in which way prior to the meeting also have an advantage not enjoyed by any shareholder supporting or opposing any issue on the ballot, and in targeting those shareholders who vote against management and pressuring them to change their votes.

¹² Gompers, Paul, Ishii, Joy & Metrick, Andrew. 2003. "Corporate Governance and Equity Prices," The Quarterly Journal of Economics, MIT Press, vol. 118(1), pages 107-155, February.

¹³ Council of Institutional Investors. Corporate Governance Policies. 8.

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No.	Issue	LACERS Position	Rationale
4.5	<p>CUMULATIVE VOTING</p> <p>Allows each shareholder to take the voting rights he or she has with respect to director candidates and accumulates them to vote for only one director, or for a smaller number of directors.</p>	FOR	Cumulative voting enhances shareholders' abilities to elect a single director or a small number of directors, thus increasing their ability to have a voice on the board even when they lack the voting power to affect change-in-control or other major decisions. Some fear that allowing cumulative voting can allow or encourage disruptive or predatory shareholders.
4.6	<p>SHAREHOLDER'S RIGHT TO ACT INDEPENDENTLY OF MANAGEMENT -- CALLING SPECIAL MEETINGS AND ACTING BY WRITTEN CONSENT</p>	FOR	These include giving shareholders the ability to call a special meeting of shareholders without management's consent, and the ability to act by written consent (saving the costs and difficulties of holding a meeting). Most corporations support the retention, restoration, or creation of these rights. Shareholders need realistic mechanisms to protect their interests in situations where their interests are not aligned with management interest.
4.7	<p>SUPERMAJORITY PROVISIONS</p> <p>Voting majority that is higher than those set by state law.</p>	AGAINST	Sets a level of approval for specified actions that is higher than the minimum set by state law. These requirements often exceed the level of shareholder participation at a meeting, making action that requires a supermajority all but impossible.
4.8	<p>LINKED (BUNDLED) PROPOSALS</p> <p>Combining more than one proposal.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	Linked proposals often include "sweeteners" to entice shareholders to vote for a proposal (that includes other items) that may not be in the shareholders' best interest. The Board normally opposes linked proposals where one or more of the linked proposals is in opposition to the Board's proxy position.
4.9	<p>VOTES TO ABSTAIN MEANS A CASTED VOTE</p>	FOR	Counting abstained votes in the total pool of all votes cast.
4.10	<p>BROKER VOTING RESTRICTIONS</p>	FOR	Broker non-votes and abstentions should be counted only for purposes of a quorum.
4.11	<p>FAIR PRICING</p>	FOR	Fair price provisions prevent two-tier tender offers in which a buyer offers a premium price for only enough shares to obtain a controlling interest. It is unfair to pay some shareholders (those that did not tender in the first group) less than other shareholders.
4.12	<p>GREEN MAIL</p> <p>Greenmail is the practice of shareholders accumulating a large block of stock in a company, then selling the stock back to the company at an above market price in exchange for agreeing not to attempt to take control for a lengthy period of time.</p>	AGAINST	A vote of the holders of a majority of the outstanding shares of common stock, regardless of class, shall be required to approve any corporate decision related to the finances of a company which will have a material effect upon the financial position of the company and the position of the company's shareholders.

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No.	Issue	LACERS Position	Rationale
4.13	<p>POISON PILLS</p> <p>A method used by boards, which prevent anyone from acquiring a large portion of the company stock for a corporate takeover.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Poison pills can consist of a wide variety of provisions adopted by boards without shareholder approval, designed to make it financially unattractive – indeed, often financially devastating – for a shareholder to purchase more than a small percentage of the company's stock, often by triggering the creation of a large number of new stocks or warrants that dilute the offending shareholder's interest to the point of making it virtually valueless. The Board is normally opposed to the use of poison pills.</p>
4.14	<p>NET OPERATING LOSS (NOL) POISON PILLS</p> <p>See 4.13 for poison pill definition.</p>	<p>CASE-BY-CASE</p> <p>VOTING AGENT'S DISCRETION</p>	<p>NOLs may be used to reduce future income tax payments and have become valuable assets to many corporations. If a corporation experiences an ownership change as defined by Section 382 of the tax code, then its ability to use a pre-change NOL in a post-change period could be substantially limited or delayed.¹⁴ NOL pills are adopted as a takeover deterrent to preserve the tax benefit of NOLs.</p>
4.15	<p>POISON PILLS – ALLOW FOR SHAREHOLDER VOTE</p>	<p>FOR</p>	<p>Since poison pills ultimately impact the wealth of shareholders, the Board supports voting measures that allow for the shareholders to vote on matters pertaining to the use of poison pills.</p>
4.16	<p>RE-INCORPORATION</p>	<p>LACERS supports company management in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Corporations may wish to reincorporate in another state to take advantage of favorable corporate law, while providing maximized shareholder values and operational flexibility. On the other hand, reincorporation laws of other states could be such as to limit shareholder rights or reduce shareholder wealth. The Board normally supports company management's decisions on re-incorporation matters.</p>
4.17	<p>STATE ANTI-TAKEOVER LAWS</p>	<p>CASE-BY-CASE</p> <p>VOTING AGENT'S DISCRETION</p>	<p>State anti-takeover laws seek to deter hostile takeover attempts of state-based corporations with the intent of keeping target companies locally based and preserving jobs. These laws may also complicate friendly mergers and impose great costs and delays on shareholders and stakeholders in the corporation. Most state anti-takeover provisions allow companies to "opt in" or "opt out" of coverage via shareholder vote.</p>
4.18	<p>TARGETED SHARE PLACEMENTS</p> <p>Placing stock in the hands of friendly investors</p>	<p>LACERS supports company management in principle</p> <p>VOTING AGENT'S DISCRETION</p>	<p>Targeted share placements (or "White Squire" placements) occur when a company puts large blocks of stock or convertible securities into the hands of a friendly investor or group of investors. This is often an inexpensive method of raising cash for a company. The Board prefers that company management seeks authorization before establishing a targeted share placement but supports this corporate action.</p>

¹⁴ Nathan, Charles. "Recent Poison Pill Development and Trends." May 12, 2009. The Harvard Law School Forum on Corporate Governance and Financial Regulation.

Section 9 PROXY VOTING POLICY

5. CAPITAL STRUCTURE

Corporate financing decisions can have a significant impact on shareholder value, particularly when these decisions may result in common share dilution. As a result, shareholders must analyze all management proposals to modify capital structure to determine whether these financing decisions are in their best interests.

No.	Issue	LACERS Position	Rationale
5.1	INCREASES IN THE NUMBER OF AUTHORIZED SHARES OF STOCK	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies need the flexibility of issuing additional shares for stock splits, stock dividends, financings, acquisitions, employee benefit plans and general corporate purposes. The Board prefers that increases should not exceed three times the number of existing outstanding shares and that the company specify a purpose for the proposed increase.
5.2	ONE SHARE, ONE VOTE Each share of common stock, regardless of its class, shall be entitled to vote in proportion to its relative share of the total common stock equity of the corporation.	FOR	The right to vote is inviolate and may not be abridged by any circumstances or by any action of any person. Each share of common stock, regardless of its class, shall be treated equally in proportion to its relative share in the total common stock equity of the corporation, with respect to any dividend, distribution, redemption, tender or exchange offer. In matters reserved for shareholder action, procedural fairness and full disclosure are required.
5.3	PAR VALUE ADJUSTMENT OF COMMON STOCK	FOR	In extraordinary cases when a stock price falls below its par value, a company wishing to issue additional stock would be unable to do so without reducing par value. Companies may also propose reductions in par value to conform to state legislative changes in the required minimum level of par value. ¹⁵
5.4	PREEMPTIVE RIGHTS Provides current stockholders an option to maintain their relative ownership position.	AGAINST	Preemptive rights require a company issuing new shares to offer them to their existing shareholders first, in proportion to their existing holdings. This gives current shareholders the ability to maintain their relative equity position as a shareholder. Preemptive rights generally have limited importance, given the increase in the size and liquidity of the secondary market and their potential for abuse.
5.5	DEBT RESTRUCTURING	CASE-BY-CASE VOTING AGENT'S DISCRETION	As part of a debt restructuring plan, a company may propose to increase and issue common and/or preferred shares. These proposals should be evaluated considering dilution to existing shareholders, potential changes in company control, the company's current financial position, terms of the offer, whether bankruptcy is imminent and alternatives.

¹⁵ Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.

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No.	Issue	LACERS Position	Rationale
5.6	CONVERSION OF SECURITIES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Proposals to convert securities, such as converting preferred stock to common shares, should be evaluated based on the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.
5.7	SHARE REPURCHASES Corporations buy back a portion of the outstanding shares.	FOR	The Board normally favors of share repurchase plans if the company boards feel that the stock is undervalued or there is a legitimate corporate purpose.
5.8	REVERSE STOCK SPLITS	FOR	A reverse stock split reduces the number of shares owned and increases the share price proportionately. A reverse stock split has no effect on the value of what shareholders own. Companies often reverse split their stock when they believe the price of their stock is too low to attract investors to buy their stock or to avoid being delisted. ¹⁶ If the number of authorized shares is not proportionately reduced with a reverse stock split, then LACERS treats these proposals as a request to increase authorized shares.
5.9	BLANK CHECK PREFERRED STOCK Blank check preferred stock is authorized stock over which the board has complete discretion to set voting rights, dividend rates, and redemption and conversion privileges.	AGAINST	There is the potential for abusing this kind of stock by the board. Although some guidelines note that blank check preferred stock gives management great flexibility, and this might be valuable and in the corporate interest, in general it is felt that this kind of flexibility, free of shareholder control, is insufficient justification for the creation of this type of stock.

¹⁶ "Reverse Stock Splits." Securities and Exchange Commission. 2000. November 12, 2010. <<http://www.sec.gov/answers/reversesplit.htm>>.

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6. CORPORATE RESTRUCTURINGS

Corporate restructurings, such as mergers and leveraged buyouts, can have a major effect on shareholder value. Many of these transactions require shareholder approval and must be examined carefully to determine whether they are in the best financial interests of the shareholders.

No.	Issue	LACERS Position	Rationale
6.1	ASSET SALES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Asset sales should be evaluated based on the impact on the balance sheet/working capital, value received for the asset, and potential elimination of inefficiencies. The Board generally supports management decisions to sell assets.
6.2	GOING PRIVATE TRANSACTIONS (LEVERAGED BUYOUTS AND MINORITY SQUEEZEOUTS)	CASE-BY-CASE VOTING AGENT'S DISCRETION	Going private transactions such as leveraged buyouts and minority squeezeouts should be evaluated on a case-by-case basis taking into account the following: offer price and imbedded premium, fairness opinion, how the deal was negotiated, conflicts of interest, other alternatives/offers considered, and the risk to shareholders if the attempt to take the company private fails.
6.3	LIQUIDATIONS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Liquidation proposals are generally bad news for long-term investors. They usually occur after a prolonged period of declines in earnings and share prices. However, liquidation may be an attractive option if the sale of the firm's assets on a piece-meal basis can be accomplished at a higher-than-market price. Liquidation proposals should be evaluated based on management's efforts to pursue other alternatives, appraised value of assets, the compensation plan for executives managing the liquidation, and the likelihood of bankruptcy if the liquidation proposal is not approved. ¹⁷
6.4	MERGERS AND ACQUISITIONS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Case-by-case votes are recommended on mergers or acquisitions since the circumstances by which they arise are unique. The Board supports the company management's decision on mergers and acquisitions when such decision is based upon the findings of a thorough due diligence process and is in the best interest of the shareholders.
6.5	SPIN-OFFS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Corporations may seek to streamline their operations by spinning off less productive or unrelated subsidiary businesses. The spun-off companies are expected to be worth more as independent entities than as parts of a larger business. Spin-offs are evaluated case-by-case depending on the tax and regulatory advantages, planned use of sale proceeds, managerial incentives, valuation of spinoff, fairness opinion, benefits to the parent company, conflicts of interest, corporate governance changes, and changes in the capital structure.

¹⁷ Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.

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7. MISCELLANEOUS CORPORATE GOVERNANCE			
No.	Issue	LACERS Position	Rationale
7.1	ANNUAL MEETING DATE & LOCATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	Mandatory rotation of the annual meeting would not significantly increase stockholders' access to management since there are convenient alternatives available to interested stockholders. It would decrease the company's flexibility without a material benefit to stockholders. The Board normally supports company management's decision on this issue.
7.2	CORPORATE NAME CHANGE	FOR	A company may seek a name change to better portray its strategic image or re-brand itself. The Board supports company management's decision on this issue.
7.3	CORPORATION CHARTER & BYLAW AMENDMENTS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Charters and bylaws should not be amended without shareholder approval unless the changes are of a housekeeping nature such as minor corrections or updates.

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8. SOCIAL & ENVIRONMENTAL

On November 13, 2007, the Board adopted the United Nations Principles for Responsible Investment ("Principles"), a policy of global best practices for environmental, social, and governance ("ESG") investing. LACERS current proxy voting agent, Institutional Shareholder Services, ("ISS"), is a signatory to the Principles and incorporates them into its proxy analysis process. Therefore, when considering how to vote on most ESG proposals, investment staff relies on the research expertise and voting recommendations of ISS.

No.	Issue	LACERS Position	Rationale
8.1	DIVERSIFICATION OF BOARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Women and minorities have played major and responsible roles not only in government, higher education, law and medicine, but also in communications, electronics, and finance. The Board normally prefers to support diversification on company boards. However, the Board recognizes that such a mandate carried out without regard to the selection of the most highly qualified candidates might not be in the best interest of these companies.
8.2	CORPORATE BOARD MEMBERS SHOULD WEIGH SOCIO-ECONOMIC, LEGAL AND FINANCIAL FACTORS WHEN EVALUATING TAKEOVER BIDS	CASE-BY-CASE BASIS. VOTING AGENT'S DISCRETION	While broad social and environmental issues are of concern to everyone, institutional shareholders acting as representatives of their beneficiaries must consider, specifically, the impact of the proposal on the target company. A decision on whether to support or oppose such proposals shall focus on the financial aspects of social and environmental proposals. If a proposal would have a negative impact on the company's financial position or adversely affect important operations, LACERS would oppose the resolution. Conversely, if a proposal would have a clear and beneficial impact on the company's finances or operations, LACERS would support the proposal.
8.3	INDEPENDENT REVIEW OF COMPANY OR PLANT OPERATIONS	AGAINST	An independent review of company or plant operations which will be provided at company expense to the shareholders to consider the cost of and alternatives to the present or proposed projects on the primary operation. This process would be costly and time-consuming.
8.4	DISCLOSURE OF OFFICERS, DIRECTORS AND INVOLVED OUTSIDERS' GOVERNMENTAL AFFILIATIONS	AGAINST	Miscellaneous issues include disclosures of lists of officers, directors and involved outsiders who have served in any governmental capacity during the previous five years. In addition, disclosure includes the lists of law firms employed by the companies, rundowns on fees and the revelation as to whether any elected or appointed official have partnership interest in the retained law firms. To the extent that potential conflicts of interest cannot be controlled by corporate procedures, professional ethics, and law, these disclosures will make no difference.

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No.	Issue	LACERS Position	Rationale
8.5	CORPORATE AFFIRMATION OF ITS NON-COERCIVE POLITICAL PRACTICES	AGAINST	This affirmation is intended to ensure that the corporation avoids a number of coercive political practices such as distribution of contribution cards in favor of one political party. Since these practices are illegal, the issue is moot.
8.6	LIMITING CORPORATE PHILANTHROPY	AGAINST	These proposals place restrictions and additional reporting obligations upon management's right to make corporate contributions to charitable, educational, community or related organizations. Most companies give money to charity. Because most companies must compete, those that do not contribute to charity risk damaging their good names.
8.7	STAKEHOLDERS' INTEREST BEFORE OR EQUAL WITH SHAREHOLDERS' INTEREST	ABSTAIN	Stakeholders include customers, suppliers, employees, communities, creditors and shareholders. Stakeholders are important to the success of the corporation and therefore the interests of each must be considered by directors and management. However, boards should not put the non-shareholder/stakeholder interests ahead of or on an equal footing with shareholders in terms of the corporation's ultimate purpose.
8.8	ALL OTHER ESG ISSUES	VOTING AGENT'S DISCRETION	Investment staff relies on the research expertise and voting recommendations of ISS for other ESG issues not addressed by this policy.

Section 9 PROXY VOTING POLICY

9. ISSUES NOT ADDRESSED BY POLICY

For proxy issues not addressed by this policy that are market specific, operational or administrative in nature, and likely non-substantive in terms of impact, LACERS gives ISS discretion to vote these items.

Substantive issues not covered by this policy and which may potentially have a significant economic impact for LACERS shall be handled accordingly:

- 1) ISS shall alert investment staff of substantive proxy issue not covered by policy as soon as practicable;
- 2) Investment staff and/or the General Manager shall determine whether the item requires Corporate Governance Committee ("Committee") and/or Board of Administration ("Board") consideration;
- 3) If the issue does not require Committee and Board consideration, then staff will vote the issue based on available research;
- 4) If the issue requires Committee and Board consideration, then the item will be prepared and presented to the Committee and Board for consideration. Following Committee and Board action, staff will then have the issue voted accordingly.
- 5) If time constraints prevent a formal gathering of the Committee and Board, then LACERS Board approved Corporate Governance Actions Protocol, as reprinted below, shall apply and staff will then have the issue voted accordingly.

CORPORATE GOVERNANCE ACTIONS POLICY
Board Adopted December 2008

From time to time LACERS receives requests from other pension funds or from affiliated organizations for support of various corporate governance actions. Many of the actions requested, such as requests to sign action letters, would otherwise appear to be consistent with existing Board policy. However, occasionally there is not adequate time to convene a Committee or Board meeting in advance to consider the matter.

The proposed Corporate Governance Actions Policy requires that one staff member plus one Board member both agree that the subject to be voted/acted on falls within the letter or spirit of adopted Board policy. If both agree, the measure will be executed by the General Manager or her designee.

The designated staff person will be the Chief Investment Officer (CIO). The designated Board member will be the Chair of the Corporate Governance Committee. In the absence of the CIO, the General Manager will become the designated staff member. In the absence of the Chair of the Corporate Governance Committee, the Board Chair will become the designated Board member.