



Governance Committee Agenda

REGULAR MEETING

TUESDAY, OCTOBER 25, 2022

TIME: 9:30 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Governance Committee's October 25, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and/or participate:

Dial: (669) 254-5252 or (669) 216-1590

Meeting ID# 160 366 1121

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: Janna Sidley

Committee Members: Nilza Serrano
Michael R. Wilkinson

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 MEETING OF APRIL 12, 2022, AND POSSIBLE COMMITTEE ACTION](#)
- III. [TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE COMMITTEE ACTION](#)
- IV. OTHER BUSINESS
- V. 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.
- VI. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, OCTOBER 25, 2022

TIME: 9:30 A.M.

MEETING LOCATION:

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President: Nilza R. Serrano

Vice President: Elizabeth Lee

Commissioners: Annie Chao
Thuy Huynh
Janna Sidley
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
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- II. APPROVAL OF MINUTES FOR THE MEETING OF APRIL 12, 2022
- III. TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE COMMITTEE ACTION
- IV. OTHER BUSINESS
- V. 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.
- VI. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
GOVERNANCE COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Governance Committee's April 12, 2022 meeting will be conducted via telephone and/or videoconferencing.

April 12, 2022

9:16 a.m.

PRESENT via Videoconferencing:	Chair:	Nilza R. Serrano
	Committee Members:	Annie Chao Cynthia M. Ruiz
PRESENT at LACERS Offices:	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
	Executive Assistant:	Ani Ghoukassian

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

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 – Chair Serrano asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF AUGUST 24, 2021 AND POSSIBLE COMMITTEE ACTION – Committee Member Ruiz moved approval of the minutes for the Meeting of August 24, 2021, and adopted by the following vote: Ayes, Committee Members Chao, Ruiz, and Chair Serrano -3; Nays, None.

III

DISCUSSION OF PROPOSED AMENDMENTS TO LACERS PROXY VOTING POLICY AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Investment Officer III, presented and discussed this item with the Committee for 35 minutes. The Committee provided direction to staff with comments and to move this forward to the full Board. Committee Member Ruiz moved approval with the additional

updates, and adopted by the following vote: Ayes, Committee Members Chao, Ruiz, and Chair Serrano -3; Nays, None.

IV

OTHER BUSINESS – There was no other business.

V

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 response to public health concerns relating to the novel coronavirus continue.

VI

ADJOURNMENT – There being no further business before the Committee, Chair Serrano adjourned the Meeting at 9:41 a.m.

Nilza R. Serrano
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: OCTOBER 25, 2022
ITEM: III

Neil M. Guglielmo

SUBJECT: TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee adopt the proposed LACERS Board Governance and Administrative Policies review timeline and recommend to the Board adoption of revisions to the Governance Principles section and the Governance Committee Charter of the LACERS Board Governance Manual.

Executive Summary

All Board Governance and Administrative policies are to be reviewed by the Board at least every three years. While operational needs already triggered the update of a few of these policies since the last full refresh back in 2018-19, most of the policies are now due for review. This report will initiate LACERS' triennial comprehensive review of all Board Governance and Administrative policies.

Discussion

In 2013, the Board established a regular schedule for the review of all Board Governance and Board Administrative policies (collectively referred to as the Board Governance Manual). This schedule requires each policy to be systematically reviewed every three years and brought to the Board for either affirmation or revision.

The proposed review timeline was developed following the basic outline of the Board Governance Manual, while also taking into account the size of each policy document, for the Committee's review and revision.

The first section of the Board Governance Manual to be brought for consideration is the Governance Principles section. This section includes the LACERS Statement of Purpose; Fiduciary Duty; Code of Ethics; and its Mission, Vision, Guiding Principles, and Strategic Goals.

Staff has completed its review and recommends that the LACERS Governance Principles section be affirmed in its entirety with only minor punctuation changes and an update from the Prudent Person Rule to the Prudent Expert Rule. This change in language which is reflected in the California

Constitution and Los Angeles City Charter emphasizes the extremely high standard of care being expected of our Board members to make decisions as a subject matter expert would.

Further update of the Mission, Vision, Guiding Principles, and Strategic Goals section will be performed later as part of the Strategic Plan Update process which LACERS expects to complete next fiscal year.

In addition to the Governance Principles section, LACERS is also bringing the Governance Committee Charter forward for the Committee's review. Staff is recommending minor changes to bring the LACERS Governance Committee Charter more in line with other pension plan Governance Committee Charters.

Each month over the next two years, LACERS will be submitting recommendations for policy revisions for the Board's consideration in accordance with the attached timeline.

In addition to the review of existing Board governance policies, a number of new policies have been identified in the 2022 City Management Audit report for inclusion in this manual. These new policies are being scheduled for consideration in year two of this process.

Attached is the Proposed LACERS Board Governance and Administrative Policies Review Timeline listing the policies to be reviewed in FY 2022-23 and in FY 2023-24.

Strategic Plan Impact Statement

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

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/IC:jk

Attachments: 1. Proposed LACERS Board Governance and Administrative Policies Review Timeline
2. LACERS Governance Principles – Redline Version
3. Governance Committee Charter – Redline Version

PROPOSED LACERS BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES REVIEW TIMELINE
(YEAR 1 - FY 2023 to FY 2024)

		OCT 2022	NOV 2022	DEC 2022	JAN 2023	FEB 2023	MAR 2023	APR 2023	MAY 2023	JUN 2023	JUL 2023	AUG 2023	SEP 2023
BOARD GOVERNANCE STATEMENT													
1.0 Governance Principles													
1.1	LACERS Statement of Purpose												
1.2	Fiduciary Duty												
1.3	Code of Ethics												
1.4	Mission, Vision, Guiding Principles, Strategic Goals												
2.0 Governing Statutes													
2.1	LA City Charter Section 1106												
2.2	CA State Constitution Article XVI, Section 17												
2.3	General Laws												
2.4	Standards of Practice												
2.5	Key Documents by Reference												
3.0 Duties and Responsibilities													
3.1	The Board's Role												
3.2	General Manager												
3.3	Commitment of a LACERS Board Member												
3.4	Committee Protocol												
3.5	Committee Structure												
3.6.1	Audit Committee Charter												
3.6.2	Internal Audit Charter	N/A – To be Reviewed by Audit Committee											
3.7	Benefits Administration Committee Charter												
3.8	Governance Committee Charter												
4.0 Board Procedures													
4.1	General												
4.2	Agendas												
4.3	Minutes												
4.4	Election												
BOARD ADMINISTRATIVE POLICIES													
1.0 Guidance for Board Members													
1.1	Conflict Governance Policy												
1.2	Board Education and Travel Policy												
1.3	Board Communications Policy												

2.0 Contract Administration												
2.1	Ethical Contract Compliance Policy											
2.2	Third Party Marketer Compliance Policy											
3.0 Financial, Actuarial, Audit Administration												
3.1	Actuarial Funding Policy	N/A – Previously Reviewed in 2021										
4.0 Benefits and Member Administration												
4.1	Board Rules	N/A – Previously Reviewed in 2021										
5.0 Other												
5.1	Corporate Governance Actions Response Protocol											
5.2	Strategic Planning Policy											
BOARD INVESTMENT POLICIES (N/A – Reviewed in 2022)												

Note: Timeline is subject to change based on the schedule of the Governance Committee Meetings.

STAGES OF REVIEW AND APPROVAL	
	Staff Review
	Committee Review/Approval
	Board Consideration/Approval

PROPOSED NEW POLICIES REVIEW TIMELINE
(YEAR 2 - FY 2024 to FY 2025)

		OCT 2023	NOV 2023	DEC 2023	JAN 2024	FEB 2024	MAR 2024	APR 2024	MAY 2024	JUN 2024	JUL 2024	AUG 2024	SEP 2024
BOARD ADMINISTRATIVE POLICIES													
6.0 New Policies to be Added													
6.1	Whistleblower Policy												
6.2	Budget Approval Policy												
6.3	Customer Service Policy												
6.4	Staff Compensation Policy												
6.5	Succession Planning Policy												
6.6	Risk Management Policy												
6.7	Information Security Policy												
6.8	Service Provider Monitoring Policy: - Investment Consultant - Legal Counsel - Actuary												
6.9.1	Governance Reporting and Monitoring Policy												
6.9.2	List of Routine Governance Reports Provided to the Board												

Section 1.0 GOVERNANCE PRINCIPLES

1.1 LACERS Statement of Purpose

Adopted: May 14, 2013; Affirmed: March 13, 2018

LACERS' Board and Staff, in the course of their duties for the Retirement System, are expected to adhere at all times to the highest level of ethical conduct. Personal integrity, transparency of action, and ~~the~~ primary dedication to the benefit of ~~the~~ LACERS Members and their beneficiaries will at all times guide the activities of the Board and Staff.

These policies are intended to provide Board members and Staff with a guide to help them conduct their official duties with integrity, transparency, and for the benefit of the System's members, while complying with applicable Federal, State and City laws and regulations. These policies do not attempt to address every possible activity that could present a fiduciary dilemma for a Board or Staff member; it is assumed that a person of integrity will always abide by the spirit of these policies.

These policies shall not be construed as the sole provision of laws and administrative rules which must be observed by Board members and Staff. Nothing in these policies shall exempt any persons from any Federal, State or City law or regulation. When in doubt, affected persons are advised and encouraged to consult directly with the City Attorney's office or the Board's fiduciary counsel.

1.2 Fiduciary Duty

Adopted: May 14, 2013; Affirmed: March 13, 2018

The California Constitution, Article XVI, §17 and the Los Angeles City Charter, Section 1106, assign the Board of Administration Los Angeles City Employees' Retirement System as Fiduciaries of the Trust Fund and the System. The fundamental duties required to be fulfilled by a Fiduciary are:

Duty of Loyalty (or Primary Loyalty Rule)

LACERS Board members and Staff shall discharge their duties with respect to the System and the Plan solely in the interest of the Members and their beneficiaries for the exclusive purposes of providing benefits to Members and beneficiaries, and defraying reasonable expenses of administering the Plan. This duty to System members and their beneficiaries shall take precedence over any other duty.

Duty to Act Prudently (or Prudent ~~Person~~Expert Rule)

Under the California Constitution and Los Angeles City Charter, pension board members must make all decisions involving LACERS "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." This extremely high standard of care is often referred to as the prudent expert rule. ~~LACERS Board members and Staff must discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.~~ Among other things, this requires that the Board:

Section 1.0 GOVERNANCE PRINCIPLES

- Diversify the investments of the System so as to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so;
- Undertake appropriate analysis of proposed courses of action, including determination of the relevant facts, consideration of alternative courses of action, and obtaining expert advice as needed;
- Acting in accordance with the documents and instruments governing the System;
- Provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.

Exclusive Benefit Rule

LACERS assets are trust funds and shall be held for the exclusive purposes of providing benefits to LACERS participants and their beneficiaries and defraying reasonable expenses of administering the system.

Prohibitions Against Self-Dealing

LACERS Board members, officers and employees shall never deal with the assets of the System for their own interest or for their own account, nor in their individual, or any other capacity, act in any transaction involving the System on behalf of a party, or represent a party, whose interest are adverse to the interests of the Plan or the interests of the Plan members and beneficiaries. Board members shall not receive any consideration for their personal account from any party conducting business with the System or seeking to conduct business with the System, in connection with a transaction involving the assets of the Plan.

1.3 Code of Ethics

Revised: May 14, 2013; Affirmed: October 8, 2013; Affirmed: March 13, 2018

Each member of the LACERS Board of Administration is bound by law to act in a fiduciary capacity in the best interest of LACERS Members and their beneficiaries. To supplement their fiduciary duty, the Board of Administration adopts the following Code of Ethics.

- Board members shall maintain high ethical conduct at all times.
- Board members shall conduct themselves with integrity and dignity; strive to understand LACERS objectives; and exercise care, prudence, and diligence in handling confidential information.
- Board members shall not seek or accept any compensation or political contributions that would violate the City's Governmental Ethics Ordinance or California law, including without limitation the Political Reform Act of 1974.
- Board members shall not seek or accept any gifts, or reimbursements for travel or any other activity, that is not specifically permitted in the City's Governmental Ethics Ordinance or California's Political Reform Act of 1974.
- Board members shall take positive steps to prohibit breaches of duty (through negligence or intentional action), unauthorized communication with individuals seeking to influence the Board, and unauthorized communication with individuals who may receive personal gains as

Section 1.0 GOVERNANCE PRINCIPLES

a result of Board actions, such as, but not limited to, the conducting of serial meetings; discussion with any respondents of an RFQ or RFP while the selection process is underway.

- Board members shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member. Specifically, Board members may not participate in decisions which might result in personal economic advantage.
- Board members recognize that all LACERS business transactions are to be based on integrity, competence, financial merit and benefit to LACERS participants and their beneficiaries, and not on personal relationships.
- Board members shall act in accordance with the prudent expert rule.

Related Policy: Conflict Governance Policy

1.4 Mission, Vision, Guiding Principles, Strategic Goals

Adopted: March 12, 2013; Revised: February 12, 2019

Vision Statement

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency.

Mission Statement

To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement service to our Members.

Motto

“Securing Your Tomorrows”

Guiding Principles

Professionalism, Innovation, Respect, Kindness & Caring, and Teamwork

Strategic Goals

- I. Customer Service – To provide outstanding customer service
- II. Benefits Delivery – To deliver accurate and timely Member benefits
- III. Health and Wellness – Improve value and minimize costs of Members’ health and wellness benefits
- IV. Investment – To optimize long-term risk adjusted returns through superior investments
- V. Governance – To uphold good governance practices which affirm transparency, accountability, and fiduciary duty
- VI. Organization – To increase organizational effectiveness, efficiency, and resilience
- VII. Workforce – To recruit, retain, mentor, empower, and promote a high-performing workforce

GC Meeting: 10/25/22
Item III
Attachment 2

ARTICLE I. BOARD GOVERNANCE STATEMENT

Section 1.0 GOVERNANCE PRINCIPLES

Related Policy: Strategic Planning Policy

Section 3.0 DUTIES AND RESPONSIBILITIES

3.8 Governance Committee Charter

Adopted by the Board: January 14, 2014; Revised: September 23, 2014; March 13, 2018

I. PURPOSE/ROLE

The purpose of this Committee is to help ensure good governance internally at LACERS and in the corporations in which LACERS is invested to the extent that the governance impacts shareholder value.

Governance refers to the system by which an organization is directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the organization; specifies the rules and procedures for decision-making; and monitors actions, policies, and decisions of the organization. Good governance practices align interests among key stakeholders, leading to a higher probability that goals and objectives will be attained, maximizing stakeholder value if applicable. A good governance structure helps ensure effective organizational performance and reduce organizational risks.

II. AUTHORITY

The Committee has the authority to:

- Monitor developments in the corporate governance arena that may affect the value of the equity holdings in LACERS' portfolio and to review and make recommendations to the Board regarding corporate governance issues;
- Seek any information it requires from LACERS staff to develop recommendations for the Board on governance policies and for the monitoring of compliance with established governance policies; and,
- Seek information from outside service providers as long as the expense, if any, has been approved by the Board in advance.

III. COMPOSITION OF COMMITTEE

The Committee shall consist of three LACERS Board Members. All members shall be appointed by the LACERS Board President. The LACERS Board President shall appoint a Committee Chair.

The Committee Chair is responsible for setting the agendas for each Committee Meeting. The Chair shall take as an agenda item any matter referred by the LACERS Board. The Chair shall also take as an agenda item any matter submitted by two or more members of the Committee.

IV. FREQUENCY OF MEETINGS

The Committee shall meet no less than twice during the calendar year, or more often as needed.

The General Manager or designee will confer with the Committee Chair on the Committee agenda items. The Commission Executive Assistant shall schedule meetings and prepare meeting agendas and other materials. The General Manager will assign Investment staff members to draft reports, perform research, and render other types of assistance as reasonably requested by the Committee related to Corporate Governance items; and an Administrative Services staff member to draft reports, perform research, and render other

Section 3.0 DUTIES AND RESPONSIBILITIES

types of assistance as reasonably requested by the Committee related to Board Governance and Department Administrative items.

V. DUTIES AND RESPONSIBILITIES

The Board assigns specific duties to the Committee as follows:

Board Governance Policies & Monitoring

- Establish a schedule for review of the LACERS' Board Governance Policies in light of best practices among public retirement systems;
- Consider and recommend to the Board, if appropriate, new governance policies or changes to the existing governance policies;
- Review management audit findings on Board Governance issues and recommend actions if appropriate;
- Monitor and report on compliance with Board Governance Policies;
- Review positions on legislation affecting Board Governance;
- Oversee the development and implementation of the Strategic Plan;
- Make recommendations for an annual schedule of Board Governance education; and,
- Make recommendations for a periodic Board Self-Evaluation.

Consultant Monitoring

- Review and make necessary recommendations to the Board on RFPs, contract awards, and on-going consultant monitoring in areas relating to contracted services except those assigned to Investment Committee, Benefits Administration Committee, and Audit Committee.

Corporate Governance Policies & Monitoring

- Examine the effectiveness of LACERS current corporate governance policies and activities;
- Oversee management of risks related to duties delegated to the Governance Committee;
- Review and recommend modifications of existing Corporate Governance Policies; and,
- Report to the Board on activities of other state and national pension fund associations and of member stakeholder associations regarding corporate governance issues.

Committee Annual Work Plan

- Develop an annual work plan for the Committee;
- Make recommendations to the Board regarding new or continued strategic initiatives related to Governance and make the necessary budgetary requests to support the initiatives; and,
- Request reports to monitor expenditures throughout the year against budgeted amounts.

Miscellaneous

- Address other issues as directed by the Board.

VI. CHARTER REVIEW

The Committee and the Board will review the Charter at least every three years to ensure it remains appropriate. The Committee will recommend any changes to the Board for review and approval. The Board may adjust the Charter at any time.