

CITY OF LOS ANGELES
DEPARTMENT OF WATER AND POWER
INTRADEPARTMENTAL CORRESPONDENCE

Date: November 1, 2018

To: Retirement Board Ad Hoc Committee Members

From: Linda P. Le, Retirement Plan Manager *lpe*

Subject: Ad Hoc Committee Agenda Item No. 1: Discussion of Approval Process for Retirement Board Travel and Education Policy (November 7, 2018, Ad Hoc Committee Meeting)

Recommendation

That the Ad Hoc Committee of the Board of Administration (Retirement Board) of the Water and Power Employees' Retirement Plan (Plan) review and consider alternatives for the Retirement Board member travel and education policy as outlined in this report, and direct staff to prepare a Travel and Education Policy for the Retirement Board's consideration.

It is further recommended that, at a minimum, the Travel and Education Policy contain the following components:

- An annual limit on the type, amount, and cost for Retirement Board member attendance at conferences/seminars/trainings.
- Utilization of the Los Angeles Department of Water and Power's (Department) travel process.

Background

At its Special meeting on September 26, 2018, the Retirement Board approved a motion to form an Ad Hoc Committee for the purpose of reviewing alternative policies that may be used to approve Retirement Board member travel. While there is no existing formal Retirement Board travel policy, staff notes the following practices currently in place:

- As part of the annual budget process, the Retirement Board adopts an Administrative Expense Budget for Travel and Education expenses. For the current budget, the number of trips approved for each Retirement Board member consists of two (2) trips for Elected Retirement Board/Retiree Board members, and one (1) trip for Ex-Officio Retirement Board members. The number of annual trips cannot be exceeded without approval from the Retirement Board. The total system travel budget cannot be exceeded without approval from the Retirement Board.

- Included with the budget item, the Retirement Board adopts a list of organizations that provide relevant conferences and seminars. This list provides the guideline for both staff and Retirement Board member travel. However, travel is not restricted to the list.
- Retirement Board and staff travel follow the Department's Travel Policy and processes.
 - A Travel Plan is submitted at a month prior to the travel. The approval process must be completed before the travel occurs. No expenses are incurred prior to travel approval.
 - The Travel Plan includes a description of the travel and detailed supporting documentation, such as the dates, location, registration costs, hotel/lodging costs, transportation costs, and any other expenses.
 - The most economical method of travel must be utilized to the greatest extent possible.
 - The Extensity System is utilized to process a Travel Authority. Airfare is secured through the Concur program.
 - Travel expenses are made by either an upfront cash travel advance or a reimbursement after submitting the necessary receipt documentation. In either circumstance, an Expense Report must be submitted.

Alternatives for Consideration

It is an industry best practice for public pension systems to maintain a formal training/education/travel policy ("travel policy") that supports the Retirement Board member's ability to meet his/her fiduciary responsibilities to oversee the system. Described below are components provided for the Ad Hoc Committee's information and consideration:

Approvals

- The Retirement Board should continue to approve an annual travel expenditure for the system through the budget process. (See Attachment No. 1 for Fiscal Year 2018-19 Travel and Education budget.)
- Staff should provide an annual list of recommended conferences, seminars, or meetings for the Retirement Board's consideration and approval. (See Attachment No. 2 for 2019 Training List recommendations.)
- The limit per Retirement Board member travel, including frequency and cost, should be included with the travel expenditure budget item and/or the annual list of approved travel.

- Requests to travel to a pre-approved conference or seminar within the cost and frequency allowed are submitted as consent items on the Retirement Board agenda at least one (1) month in advance of the travel date. Only requests for travel not pre-approved or exceeding the annual allowance are submitted to the Retirement Board for action.
- A process should be established for situations where there is not enough time to hold a Retirement Board meeting prior to the date of travel, and/or there is a lack of quorum. In this and other emergency cases, an approval hierarchy should be established wherein the Retirement Board President alone, or with concurrence from the Vice President, Retirement Plan Manager, or other designee, can approve the travel and/or approve individual expenses exceeding those pre-approved in the budget. Travel requests approved by this method would be presented to the Retirement Board at its next meeting.
- Additionally, a process should be established for situations where the Retirement Board member elects to attend more than the annual allowance, or an event not pre-approved by the Retirement Board. In this situation, the travel request should only be submitted to the Retirement Board for approval after concurrence from the Retirement Board President.
- Alternately, the Retirement Board may delegate authority to the Retirement Board President with concurrence from designee(s) for all travel (emergency or pre-planned) within established parameters, i.e., training expenditures up to a certain amount (\$3,000) per person, per event, under other circumstances.

Minimum Requirements

- New Retirement Board members should be required to attend an orientation session prior to sitting at their first Retirement Board meeting, which should include fiduciary responsibility, Brown Act, and the specific system policy, procedures, and rules. (See Attachment No. 3 for a list of the current orientation session provided by Plan staff to all new Retirement Board members prior to their first Retirement Board meeting.)
- All Retirement Board members shall be required to comply with the Department's required training, such as, Ethics and Sexual Harassment Prevention.
- Retirement Board travel shall utilize the Departments travel processes.
- Other alternative minimum requirements may include:
 - Mentoring by an existing Retirement Board member for one (1) year.

- Completion of 24 hours of training or attending one (1) educational session/conference within the first two (2) years.
- Attendance at one (1) educational session or conference per year.

Restrictions

- Maximum number of events/hours per Retirement Board member, per year.
- Maximum budget dollar amount per Retirement Board member, per year.
- Other alternative restrictions may include:
 - Number of Retirement Board members at the same event.
 - Required attendance at certain pre-selected events when a Retirement Board member elects to attend more than one (1) training per year.
 - Limits on attendance at certain pre-selected events for a Retirement Board member electing to attend the same event multiple times.

Other considerations:

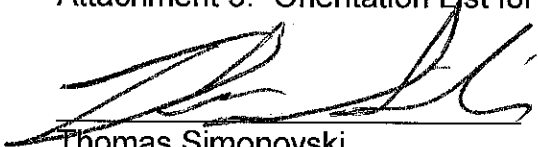
- Evaluation – Retirement Board members to submit an evaluation form of the event to either staff or as a report to the Retirement Board.
- Reporting – Staff to submit an annual report of all educational activities and expenses for the prior period for all Retirement Board members.
- Internal training – Retirement Board meetings dedicated to Board education led by staff.
- Restrictions on specific types of travel for Retirement Board members, such as vendor paid travel.

The following documents are attached:

Attachment 1: Administrative Expense Budget for 2018-19 – Travel and Education

Attachment 2: 2019 Training List

Attachment 3: Orientation List for New Board Members



Thomas Simonovski
Interim Assistant Retirement Plan Manager

LPL/TS/VM:lj

ATTACHMENT B

**WATER AND POWER EMPLOYEES' RETIREMENT DISABILITY
AND DEATH BENEFIT INSURANCE PLAN**

**PROGRAM YEAR 2018-2019
ADMINISTRATIVE EXPENSE BUDGET**

Item	Actual 2016-17	Approved 2017-18	Program Year 2018-19	FY 19 vs. FY 18 Difference
TRAVEL AND EDUCATION	36,300	68,200	60,000	(8,200)
Travel and Lodging	19,800	33,500	30,000	(3,500)
Conferences and Seminars Registration	16,500	34,700	30,000	(4,700)

Note: Actual expenses may fluctuate between travel associated with due diligence reviews and conferences; however, staff will not exceed the budgeted amount, the type, or number of conferences/seminars/due diligence trips listed below, per individual, without expressed approval from the Retirement Board. This will provide some flexibility and ability to address changing operating needs.

	<u>Number of Trips</u>
Elected Board Members	2
Retiree Board Member	2
Ex-Officio	1
Retirement Plan Manager	2
Assistant Retirement Plan Manager	2
Chief Investment Officer	2
Senior Investment Officer	2
Investments Staff	2
Accounting Staff	2
Systems Staff	3
Benefits Staff (Local - Southern California)	1
Due Diligence	6

Organizations include but are not limited to:

IFEBP (International Foundation of Employee Benefit Plans)
 NAPPA (National Association of Public Pension Attorneys)
 GFOA (Government Finance Officers Association)
 CALAPRS (California Association of Public Retirement Systems)
 NCPERS (National Conference on Public Employee Retirement Systems)
 ILPA (Institutional Limited Partners Association)
 PREA (Pension Real Estate Association)
 OPAL Financial Group - Investment Education
 PEI - Private Equity Investments
 CFA (Chartered Financial Analyst)
 CAIA (Chartered Alternative Investment Analyst)
 MILKEN (MICHAEL) FORUMS

INSTITUTIONAL INVESTOR - is a term for entities which pool money to purchase securities, real property and other investment assets or originate loans.

Institutional investors include banks, insurance companies, pensions, hedge funds, investment advisors, endowments and mutual funds.

SALT (SKYBRIDGE ALTERNATIVE) Specialize in funds of Hedge Funds

VIP (Visions, Insights & Perspectives) Real Estate Conference for institutional investors

SACRS (State Association of County Retirement Systems)

2019 Training List

International Foundation of Employee Benefit Plans (IFEBC)		
Training	Dates/Location	Description
Advanced Investments Management (Wharton University) Member Fee: \$5,495	Apr 29 - May 2, 2019 Philadelphia, PA	Advanced bond management, Advanced asset allocation, Evaluation of managers, Real Estate in a pension fund portfolio, Alternative investments: Discussion and overview of hedge funds, Macroeconomy, International investing, Investment policy
Advanced Trustees and Administrators Institutes Member Fee: \$1,515	Feb 18 - 20, 2019 Orlando, FL June 24 - 26, 2019 San Francisco, CA	Economic Update, Legal, legislative and fiduciary update, Health care trends and strategies, Maximizing investment returns, DOL/IRS Audits, Running effective trust fund meetings
Annual Employee Benefits Conference Member Fee: \$1,595	Oct 20 - 23, 2019 San Diego, CA	Conducting a self-audit of your health and welfare plan, Using behavioral finance to improve retirement outcomes, Best practices for productive vendor relationships, Pension innovation in Canada: Where are we, and what is still needed, Mental health in the workplace
Certificate of Achievement in Public Plan Policy (CAPP) - Part I Member Fee: \$1,150	June 18 - 19, 2019 Boston, MA	Governance, Legal environment, Legislative/Regulatory Developments, Actuarial Principles
Certificate of Achievement in Public Plan Policy (CAPP) - Part II Member Fee: \$1,150	June 20 - 21, 2019 Boston, MA	Plan Design, Investments, Business Improvement Strategies, Emerging Issues
International and Emerging Market Investing (Wharton University) Member Fee: \$4,155	July 22 -24, 2019 San Francisco, CA	Globalization and global economic markets, Emerging markets: Opportunities and risks, Emerging markets: A financial force, Mechanics of international diversification, Developed market equities, Emerging market equity, Global bonds and exchange rates, Foreign investment vehicles - Funds, MNCs, ADRs and Exchange-traded funds (ETFs)
Investments Institute Member Fee: \$1,515	April 8 - 10, 2019 Phoenix, AZ	Global Economic Outlook, Asset allocation, understanding currency fluctuation, Advanced concepts in fixed income investing, equity investing, What to know about alternative investments, Investment strategies-implementation, Taking lessons from behavioral finance, Alternative investments - Private credit and private equity
New Trustees Institute - Level I: Core Concepts Member Fee: \$1,515	Feb 18 - 20, 2019 Orlando, FL June 24 - 26, 2019 San Francisco, CA Oct 19 - 21, 2019 San Diego, CA	Trustee Responsibility and Legal Environment, Overview of Health and Welfare Plans, Overview of Retirement Plans, Investing Health and Welfare and Pension Assets, Governance

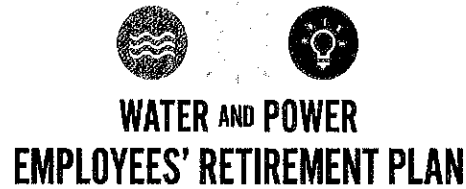
2019 Training List

International Foundation of Employee Benefit Plans (IFEBC) - Continued		
Training	Dates/Location	Description
New Trustees Institute - Level II: Concepts in Practice Member Fee: \$1,515	Feb 16 - 17, 2019 Orlando, FL Oct 19 - 20, 2019 San Diego, CA	Governance/administration, Investments, Health care, Retirement
Public Employee Benefits Institute Member Fee: \$1,515	June 24 - 26, 2019 San Francisco, CA	Legislative/regulatory update for public plans, redesigning retiree health care in the public sector, understanding the Rx industry, the latest in investment strategies in public plans, pension plan redesign in the public sector
Trustees Masters Program Advanced Leadership Summit Member Fee: \$760	Oct 20, 2019 San Diego, CA	The basics of critical thinking, Essential elements of conflict resolution, Distributive and integrative negotiation process
Trustees Master Program Member Fee: \$1,515	Oct 19 - 20, 2019 San Diego, CA	Establishing goals and objectives, Using fund professionals wisely, Attributes of a good trustee, Measuring investment performance, Future challenges, Attendance of 2 specially designated candidate classes during the Annual conference to complete the program
Washington Legislative Update Member Fee: \$1,250	May 20 - 21, 2019 Washington D.C.	Political landscape, Entitlement reform, ACA update, The future of employer-sponsored plans, Labor and employment update

California Association of Public Retirement Systems (CALAPRS)		
Training	Dates/Location	Description
Advanced Principles of Pension Management for Trustees (UCLA) Member Fee: \$3,100 estimated	Mar 27 - 29, 2019 Los Angeles, CA	Sample 2018 topics are: Policy-Based Boards, Effective Planning, Economics Forecasting Methods and the annual forecast of the UCLA Anderson School, Good Governance & the Investment Team, Wearing the Right Hat at the Right Time (The Fiduciary Duties of Public Pension System Board Members), Advanced Actuarial Principles
General Assembly Member Fee: \$100 estimated	Mar 2 - 5, 2019 Monterey, CA	An educational conference for retirement system trustees, senior staff and annual sponsors of CALAPRS. Program includes educational sessions on relevant and timely topics and networking opportunities
Principles of Pension Management for Trustees (Pepperdine University) Member Fee: \$3,000 estimated	Aug 26 - 29, 2019 Malibu, CA	Sample 2018 topics are: Gain insight into public pension policy issues, Discuss alternative solutions to common problems, Understand complexities involved in administering public pension plans, Appreciate the differences and similarities among California public pension plans, Network with other Trustees and pension professionals, Increase familiarity with pension terminology and concepts, Receive the ethics training required for new Trustees

2019 Training List

National Conference of Public Employee Retirement Systems (NCPERS)		
Training	Dates/Location	Description
Annual Conference & Exhibition Member Fee: To Be Determined	May 19 - 22, 2019 Austin, TX	Comprehensive Educational program, speakers and networking opportunities with money managers, investment service providers and public fund colleagues from across the nation



New Board Member Orientation Checklist

1. Plan overview
2. Governing documents
3. Retirement Plan Office
4. Tier 1
5. Tier 2
6. Investment overview
7. Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan – January 1, 2017
8. City of Los Angeles, Water and Power Employees' Retirement Plan **Financial Statements** and Supplementary Information for the Years Ended June 30, 2017 and 2016
9. The Water and Power Employees' Retirement Plan of the City of Los Angeles **Actuarial Valuation** and Review as of July 1, 2018
10. The Water and Power Employees' Retirement Plan of the City of Los Angeles **Actuarial Experience** During the Period July 1, 2012 through June 30, 2015
11. Statement of Investment Objectives, Goals, and Guidelines – Revised September 26, 2018
12. **Management Audit** of the Los Angeles Water and Power Employees' Retirement Plan for the Audit Scope Period July 1, 2010 to June 30, 2015
13. Summary Annual Report June 30, 2018

14. City Attorney's Office:

- Brown Act
- Charter/Ad Code authority
- Fiduciary Duties
- Political Reform Act/City Contracting rules
- Gifts, Travel, Honoraria
- Political activity
- Misuse of position/city resources

BOARD TRAVEL AND EDUCATION POLICY MATRIX

1.0	APPROVAL PROCESS	APPROVED/COMMENTS
1.1	Annual travel expenditure for the system through the budget process (ATTACHMENT 1)	
1.2	Annual list of recommend conferences, seminars, or meetings for the Board's consideration and approval (ATTACHMENT 2)	
1.3	Pre-approved conferences/seminars are submitted as consent items on Board agenda at least one (1) month in advance of the travel date	
1.4	Requests for travel not pre-approved or exceeding the annual allowance are submitted to the Board for action	
1.5	<p>When not enough time to hold a Board meeting prior to the date of travel, there is a lack of quorum, or other emergency cases:</p> <ul style="list-style-type: none"> * Board President alone may approve, or * Board President approves with concurrence from the Vice President, Retirement Plan Manager, or other designee can approve the travel and/or approve individual expenses exceeding those pre-approved in the budget * Travel requests approved by these methods would be presented to the Board at its next meeting 	
1.6	<p>Board member elects to attend an event exceeding the annual allowance, or an event not pre-approved by the Board:</p> <ul style="list-style-type: none"> * Travel request should only be submitted to the Board for approval after concurrence from the Board President 	
1.7	Board may delegate authority to Board President with concurrence from designee(s) for all travel (emergency or pre-planned) within established parameters, i.e., training expenditures up to a certain amount (\$3,000) per person, per event, under other circumstances	

BOARD TRAVEL AND EDUCATION POLICY MATRIX

2.0	MINIMUM REQUIREMENTS	APPROVED/COMMENTS
2.1	<p>New Board members required to attend Orientation (ATTACHMENT 3):</p> <ul style="list-style-type: none"> *Prior to sitting at their first Retirement Board meeting * Fiduciary responsibility * Brown Act * System policy, procedures, and rules 	
2.2	<p>All Board members required to comply with the Department's required training:</p> <ul style="list-style-type: none"> * Ethics * Sexual Harassment Prevention * Other 	
2.3	Utilize LADWP travel processes	
2.4	Mentorship by an existing Board member for one (1) year	
2.5	Completion of 24 hours of training or attend one (1) educational session/conference within the first two (2) years	
2.6	Attendance at one (1) educational session or conference per year	

BOARD TRAVEL AND EDUCATION POLICY MATRIX

3.0	RESTRICTIONS	APPROVED/COMMENTS
3.1	Maximum number of events/hours per Board member, per year	
3.2	Maximum budget dollar amount per Board member, per year	
3.3	Limit number of Board members attending the same event	
3.4	Required attendance at certain pre-selected events when a Board member elects to attend more than one (1) training per year	
3.5	Limits on attendance at certain pre-selected events for a Board member electing to attend the same event multiple times.	

4.0	OTHER CONSIDERATIONS	APPROVED/COMMENTS
4.1	Evaluation – Board member to submit an evaluation form of the event to either: *Staff *As a report to the Board	
4.2	Reporting – Staff to submit an annual report of all educational activities and expenses for the prior period for all Retirement Board members	
4.3	Restriction on vendor paid travel for Board member	
4.4	Staff led training – Dedicated Board Education meeting annually or tri-annually; periodic training regarding key topics at Board meetings	

BOARD TRAVEL AND EDUCATION POLICY MATRIX

5.0	REVIEW FINAL POLICY	APPROVED/COMMENTS
5.1	Future Ad Hoc Meeting or Regular Board Meeting	