
AGENDA

BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

January 7, 2016

8:35 a.m. or immediately following the Governance Committee

Los Angeles Times Building
202 W. First Street, Suite 500
Los Angeles, CA 90012

Commissioner Diannitto will participate telephonically from
4612 El Reposo Drive, Los Angeles, CA 90065

An opportunity for the public to address the Board or Committee about any item on today's agenda for which there has been no previous opportunity for public comment will be provided before or during consideration of the item. Members of the public who wish to speak on any item on today's agenda are requested to complete a speaker card for each item they wish to address, and present the completed card(s) to the commission executive assistant. Speaker cards are available at the commission executive assistant's desk.

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board or applicable Committee of the Board in advance of their meetings may be viewed at the office of the Los Angeles Fire and Police Pension System (LAFPP), located at 360 East 2nd Street, 4th Floor, Los Angeles, California 90012, or by clicking on LAFPP's website at www.lafpp.com, or at the scheduled meeting. Non-exempt writings that are distributed to the Board or Committee at a scheduled meeting may be viewed at that meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the commission executive assistant, at (213) 978-4555 or by e-mail at rhonda.ketay@lafpp.com.

Sign language interpreters, communication access real-time transcription, assistive listening devices, 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 the Department of Fire and Police Pensions, (213) 978-4545 voice or (213) 978-4455 TDD.

A. ITEMS FOR BOARD ACTION

1. [TRANSFER OF FUNDS FOR PAYMENT OF FY 2015-16 MEDICAL SERVICES INVOICES AND POSSIBLE BOARD ACTION](#)
2. [REQUEST TO BEGIN SEARCH FOR AN EXTERNAL FINANCIAL STATEMENTS AUDITOR AND POSSIBLE BOARD ACTION](#)
3. [CONTRACT AMENDMENT WITH KEENAN & ASSOCIATES FOR HEALTH CONSULTING SERVICES AND POSSIBLE BOARD ACTION](#)
4. [AMENDMENT TO BOARD POLICIES AND PROCEDURES SECTION 3.7: SURVIVOR BENEFIT APPLICATIONS AND SECTION 3.10: CORRECTION OF ERRONEOUS PAYMENTS AND POSSIBLE BOARD ACTION](#)

B. REPORTS TO THE BOARD

1. Has any Board Member made any expenditure to influence State legislative or administrative action?
2. Miscellaneous correspondence from money managers, consultants, etc. – Received and Filed.
3. General Manager's Report
 - a. Benefits Actions approved by General Manager on December 17, 2015
 - b. Other business relating to Department operations

C. COMMITTEE CALENDAR

1. Audit Committee – Last met: 10/01/15; next meeting: 01/21/16
2. Benefits Committee – Last met: 10/01/15; next meeting: 02/04/16
3. Governance Committee – Last met: 08/06/15; next meeting: 01/07/16

D. CONSENT ITEMS

1. [APPROVAL OF TRAVEL AUTHORITY \(NAVARO\) – INTERNATIONAL FOUNDATION EMPLOYEE BENEFIT PLANS \(IFEFP\), PUBLIC SECTOR BENEFITS INSTITUTE](#)

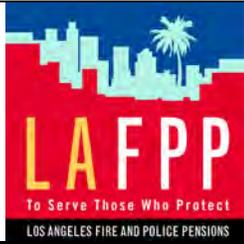
E. CONSIDERATION OF FUTURE AGENDA ITEMS

F. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION

G. DISABILITY CASE

Alternative 2

Detective III Maria E. Montoya. Detective Montoya will be represented by Thomas J. Wicke, Esq. of Lewis, Marenstein, Wicke, Sherwin and Lee.



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 7, 2016 **ITEM:** A.1

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: TRANSFER OF FUNDS FOR FISCAL YEAR 2015-16 MEDICAL SERVICES
INVOICES AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board authorize a transfer of \$150,000 from Account 3040 – Contractual Services to Account 4230 - Medical Services to pay medical services invoices.

DISCUSSION

Account 4230 - Medical Services is used to pay for medical exams and physician reports for members that apply for disability pensions. The amount budgeted in Account 4230 has gradually been reduced over the past several fiscal years given the Account's expenditure pattern. However, Staff has identified a shortfall in the Account this fiscal year that can be attributed to: 1) approximately \$24,000 in medical invoices from last year that had to be paid in FY 2015-16; 2) a substantial increase in disability claims processed in FY 2015-16; 3) an increase in supplemental physicians' reports due to additional medical information required such as file clarification or as a result of surveillance; and, 4) the increased cost of doing business with physicians in the medical community as many of our longstanding (and less expensive) physicians have retired.

The FY 2015-16 Budget allocates \$200,000 in Account 4230. Of this amount, \$122,339 has been expended through November 2015 and the balance (\$77,661) has already been encumbered for pending medical bills. The Disability Pension Section anticipates needing an additional \$150,000 in the Account this fiscal year to pay for medical exams and physician reports. As such, staff is recommending transferring \$150,000 between accounts to cover all medical invoices in FY 2015-16. Staff has identified projected budgetary savings within Account 3040 – Contractual Services that can be reprogrammed to Account 4230, without significantly impacting operations.

BUDGET

There will be no impact to the overall LAFPP budget after the transfer is completed.

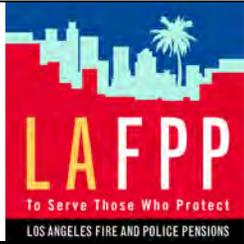
POLICY

There is no policy change associated with this request.

This report was prepared by:

Diana Pointer
Administrative Services Section

RPC:WSR:SHC:DP



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 7, 2016

ITEM: A.2

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: REQUEST TO BEGIN SEARCH FOR AN EXTERNAL FINANCIAL STATEMENTS
AUDITOR AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board authorize the General Manager to issue a Request for Proposals for the Department's external financial statements auditor.

BACKGROUND

According to the United States Government Accountability Office, "competition is the cornerstone of a sound acquisition process and a critical tool for achieving the best return on investment..." The issuance of Requests for Proposals for contracted services ensures competition and provides opportunity to address current standards and to clarify expectations and responsibilities.

The Department's most recent Request for Proposals for external financial statements auditor was issued in March 2012. As a result, on April 20, 2012, the Board approved a three-year contract with Brown Armstrong Certified Public Accountants (Brown Armstrong), thereby replacing Simpson & Simpson, LLC as the Department's external financial statements auditor. On May 7, 2015, the Board authorized a contract amendment with Brown Armstrong to extend the contract for one additional year in order to ensure successful implementation of Governmental Accounting Standards Board (GASB) Statements No. 67 (*Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*) and No. 68 (*Accounting and Financial Reporting for Pension Plans*).

The Board has successfully implemented these statements. On September 3, 2015, the Board approved the Governmental Accounting Standards 68 Actuarial Valuation as of June 30, 2015; and, Statement No. 68 Report for the Fiscal Year Ended June 30, 2014. On November 19, 2015, the Board approved the Audited Financial Statements, including the notes and required supplementary information pursuant to GASB Statement No. 67.

DISCUSSION

Audited financial statements are necessary to comply with the State of California Government Code Section 7501-7504 provisions that all California Public Retirement Systems furnish audited financial statements to the State Controller annually within six months of the close of each fiscal

year. The City also requires information from the Department's financial statements to include in its annual Comprehensive Annual Financial Report (CAFR).

The primary duties of the external financial statements auditor are:

- Audit the Department's financial statements in accordance with generally accepted auditing standards and procedures as stipulated in the *Minimum Audit Requirements and Reporting Guidelines of Public Retirement Systems* issued by the State of California Office of the Controller, and *Government Auditing Standards* issued by the Comptroller General of the United States.
- Communicate audit observations (whether caused by error or fraud) during the course of the audit in accordance with the *Statements on Auditing Standards* issued by the American Institute of Certified Public Accountants.
- Verify actuarial matters pertaining to the pension system and perform an examination by testing the accuracy of census data used in the actuarial valuation rendered by the Board's actuary and work with the actuary in the implementation and reporting of applicable provisions of GASB Statements.
- Examine investments to ascertain the documented existence of securities, to verify the cost data with accounting records, to review the accumulation of cost, book value, and market value of the various investment portfolios, and to verify compliance and adherence to the Board's investment policy and asset allocation plan.
- Perform a subsequent events audit of each fiscal year to comply with the City of Los Angeles' independent auditor's requirement.
- Work with the City's financial statements auditor and actuary to ensure required information is provided timely to comply with federal and state requirements and GASB provisions, and including that related to pension benefits and other postemployment benefits.

Firms submitting proposals must have previous experience in auditing large governmental pension/retirement systems with at least five billion dollars in plan net assets.

Staff anticipates conducting a preliminary review of proposals to determine each respondent's compliance with the mandatory requirements and to evaluate technical qualifications. Consistent with the prior selection process and pursuant to the Duties and Responsibilities – Audit Committee, staff anticipates presenting respondents and/or finalists to the Audit Committee for interview and/or recommendation to the Board.

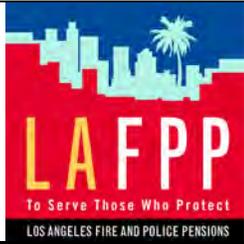
BUDGET

The cost of financial statements auditing services for Fiscal Year June 30, 2015 was \$79,568.00 pursuant to the contract extension. Sufficient funds are included in the 2016-2017 Proposed Budget for this purpose.

This report was prepared by:

Erin J. Kenney
Departmental Audit Manager
Internal Audit Section

RPC:EJK



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 7, 2016 **ITEM:** A.3

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: CONTRACT AMENDMENT WITH KEENAN & ASSOCIATES FOR HEALTH CONSULTING SERVICES AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board:

- 1) Determine that conducting a new search for health consulting services at this time would not be productive, practicable or advantageous to the Plan; and,
- 2) Authorize the General Manager to negotiate and execute the terms and conditions of a contract amendment for an additional one-year period with Keenan & Associates; and
- 3) Authorize the President of the Board, on its behalf, to execute the contract amendment, subject to the approval of the City Attorney as to form.

DISCUSSION

Keenan & Associates (Keenan) has served as LAFPP's health consultant since March 2013, as a result of a RFP process in 2012. For the past three years, Keenan has assisted staff on an as-needed basis in areas such as health legislation (e.g., review of the impact of Affordable Care Act provisions on Plan administration), regulatory changes and requirements, and related issues. Keenan has provided high quality, professional services and has been very responsive to our requests. The current contract will expire on February 29, 2016.

At this time, Keenan is continuing to work with staff to explore alternative health and dental plan options for LAFPP members enrolled in Los Angeles City Employees' Retirement System-sponsored (LACERS) plans, as discussed at the Board meeting on November 19, 2015. Staff believes that engaging a new health consultant at this point in time would be disruptive and cause the milestones of Project No. 8 of the 2015-16 LAFPP Business Plan concerning Health Care Benefit Option Development and Education, to not be met.

Keenan has agreed to the one-year extension at the same rates as stated in the current contract.

BUDGET

Funding for health consulting services is included in the budget for FY 2015-16 and will be included in subsequent budget requests.

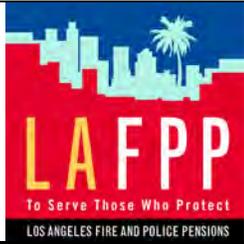
POLICY

No policy changes as recommended.

This report was prepared by:

Robyn L. Wilder, Chief Benefits Analyst
Pensions Division

RPC:JS:RLW



DEPARTMENT OF FIRE AND POLICE PENSIONS

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Los Angeles, CA 90012
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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 7, 2016 **ITEM:** A.4

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: AMENDMENT TO BOARD POLICIES AND PROCEDURES SECTION 3.7: SURVIVOR BENEFIT APPLICATIONS AND SECTION 3.10: CORRECTION OF ERRONEOUS PAYMENTS AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board approve the proposed amendments to Board Policy Section 3.7: Survivor Benefit Applications, and Section 3.10: Correction of Erroneous Payments (Attachment).

DISCUSSION

Section 3.7: Survivor Benefit Applications

The Los Angeles City Charter and Administrative Code define a Minor Child as a person who is a child or an adopted child of a deceased Plan Member or a Retired Plan Member, but such person shall be a Minor Child only until such person shall attain the age of 18 years or shall marry, whichever shall be earlier.

The child of a deceased Tier 3, 4, 5, or 6 member who has attained age 18 is also identified as a Surviving Child. Such person may further qualify for the benefits provided for a Minor Child until he or she reaches the age of 22 years, if enrolled in school on a full-time basis as determined by the Board, but such person's marriage terminates entitlement to the benefits of a Minor Child. The proposed amendment to Section 3.7 provides the Board the opportunity to define "enrollment on a full-time basis."

The City Attorney's Office advises that a person "enrolled in school on a full-time basis" is defined in statutory and case law as one who is:

- 1) registered at a school (academic or vocational), and
- 2) attending classes on a substantial basis (as defined by the school attended and registration alone is not sufficient to be a full-time student).

Staff recommends clarifying the first criteria such that a child must be registered at a school (academic or vocational) for the minimum number of units required for full-time student status as determined by the educational institution. In practice, students will provide proof of registration for each term and staff can utilize the school's website to determine the units required for full-time student status. Generally, most schools require 12 or 16 units per term.

With regard to the second criteria (i.e., attendance), staff has not found a reasonable or efficient means to ensure that a student attends classes on a "substantial basis." Attendance requirements

vary not just by the school but also by courses within a school, and are not always disclosed on school websites. For example, there may be courses where attendance is necessary only for the purposes of examination; where classroom attendance is not required because both instruction and examination are online; or attendance is required for credit. While staff has requested transcripts to verify that the student has maintained the required units through the end of the quarter/semester, these documents do not necessarily translate to attendance. Therefore, staff recommends that verifying proof of full-time registration each term is sufficient to qualify for and pay benefits. On occasion, staff may request transcripts from the Surviving Child should there be report of discontinuance as a full-time student by a person other than the beneficiary.

Section 3.10: Correction of Erroneous Payments

Pursuant to the Internal Revenue Service (IRS) Employee Plans Compliance Resolution System (EPCRS) Section 6.06(3), the current Board Policy Section 3.10 allows the plan to recover an overpayment or make whole an underpayment, adjusted for interest if the erroneous payment period is greater than six months, at the rate credited to active member accounts during the same period.

Repayment Options

The existing Policy outlines two repayment options for overpayments:

- 1) Total amount paid in one lump sum.
- 2) Total amount paid via deduction from future monthly benefit payments, not to exceed 20 years. The General Manager may prescribe a minimum payment amount.

Staff recommends expanding Option 1 to provide flexibility for repayment in two installments within a 6-month period. Staff further recommends that Option 2 be modified to use the individual pensioner's life expectancy instead of 20 years as the maximum repayment period.

The individual life expectancy can be calculated utilizing the *Retirement & Survivors Benefits - Life Expectancy Calculator* available on the Social Security Administration website. This calculator produces the average number of additional years an individual can expect to live, based on gender and date of birth. Use of this calculator will allow staff to apply a consistent method to arrive at the maximum repayment period based on the initial repayment date; construct the repayment plan, to the extent possible, to meet the member/beneficiary's minimum pension benefit needs; and reasonably ensure recoupment of fund assets.

Existing pensioner repayment plans would remain unchanged. Only future long-term repayment plans would utilize the Life Expectancy Calculator, should the Board adopt the proposed amendment today.

Recoupment of Overpayments to Deceased Members/Survivors

This type of overpayment generally occurs due to delayed notification of the death of the pensioner, and the Plan is not able to 1) reverse direct deposits before the pensioner's bank account is closed or frozen, or 2) effectuate a stop payment before the pension checks are negotiated. On occasion, staff may discover an overpayment was made to a deceased member while calculating the survivor's benefit.

EPCRS allows for the correction of overpayments by having the recipient return the overpayment to the plan. If the recipient does not return the entire overpayment amount, EPCRS provides that another person or the employer can contribute the difference to the plan.

In terms of “another person,” the City Attorney’s Office has opined that the recoupment of an overpayment be made only from the overpaid recipient (e.g., the Plan member), and not by taking an offset against a different person’s benefit (e.g., the surviving spouse). Offsetting would defeat the purpose of the City Charter in providing and not diminishing, a living allowance to qualified survivors. Further, the City Attorney has advised that offsetting a person’s benefits to recoup overpayments to another (deceased) pensioner exposes the Plan to risk of litigation.

Therefore, Staff recommends memorializing that recoupment efforts extend only to the overpayment recipient (i.e., via the decedent’s last check or from their estate). Staff will continue to consult with the City Attorney’s Office for advice on unrecoverable overpayments.

Recoupment of Overpayments to Surviving Children and Related Recalculations

Surviving Children may withdraw from classes or school resulting in a discontinuance of full-time student status. However, the Department may receive notification of this status change only after benefits have been paid. Nonetheless, the Surviving Child is responsible for repayment of any benefits paid while they were not full-time students and ineligible to receive benefits. Overpayment is calculated beginning with the month subsequent to the date of discontinuance as a full-time student. The Surviving Child will have the same repayment options as other pensioners. However, if the Surviving Child is unable to repay, the Department may recoup the overpayment by offsetting against any reinstated benefits should the child become eligible for benefits at a later date (i.e., re-enroll in school on a full-time basis).

BUDGET

No significant impact to the budget as recommended.

POLICY

The City Attorney’s Office has reviewed and approved Sections 3.7 and 3.10, as amended.

This report was prepared by:

Myo Thedar, Manager
Retirement Services Section

RPC:JS:RLW:MT

Attachment: Proposed Amendments to Board Operating Policies and Procedures 3.7 and 3.10

Los Angeles Fire & Police Pension System

3.0 - PENSION PROCESSING

APPLICATIONS AND DOCUMENTATION

- 3.1 All pension applications shall be filed in writing on forms prescribed by the Department of Fire and Police Pensions. Applicants shall be responsible for furnishing all required documents needed to process and verify pension eligibility. Pensioners, surviving spouses and legally appointed guardians/conservators of pension beneficiaries shall be responsible for notifying the Department of Fire and Police Pensions of any change of status which affects pension eligibility. Failure to provide required documentation or cooperate with processing requirements shall be the basis for denial of an application or suspension of pension payments.

DEFERRED RETIREMENT OPTION PLAN (DROP)

3.2 CREDITING OF INTEREST

DROP accounts shall earn interest in the amount of 5%, compounded annually (i.e., compounding after 12 DROP payments have been deposited in the member's account). Interest will be calculated each month using a monthly factor of 0.004167 (1/12 of 5%), applied to the prior end of month inception-to-date deposits balance. Interest will be credited to member accounts semi-annually on June 30 and December 31. For members exiting DROP between the semi-annual interest-crediting dates, the account shall be credited with the monthly interest earned as of the exit date.

3.2.1 ACTIVE DUTY STATUS

Effective November 1, 2008, in addition to the age and/or service requirements to enter DROP, a member must also be on active duty status on the DROP entry date. For purposes of this provision active duty status shall include members working on light-duty status, but exclude members on sick, vacation, injured-on-duty, administrative leave, and all other types of non-working status.

- A. The City Administrative Officer has been authorized to classify payroll codes as "active" or "not active" for the purposes of DROP.
- B. At least one of the prescribed active duty payroll codes must be recorded on a member's timesheet on their DROP entry date.
- C. Verification of active duty status shall be made using the City's payroll system (PaySR) at the time of entry.
- D. In the event a member elects a DROP entry date and is not on active duty status on the DROP entry date as defined above, the member's DROP entry date will automatically be advanced to the next qualifying entry date. The revised entry date will not be subject to further adjustment by the member. The DROP

Program Administrator shall notify the member of the approved DROP entry date in writing.

3.2.2 REVOCATION OF DROP ENROLLMENT

A member may revoke participation in DROP by submitting a DROP Revocation Notice (hereafter, "the Notice") in-person or by facsimile no later than the day prior to the DROP entry effective date. The Notice must be received before the close of business at 5:00 p.m., or if faxed, by 11:59 p.m. The effective date of revocation shall be established upon receipt of the Notice and signature thereupon by LAFPP administrative staff. The member is responsible for confirming timely receipt by LAFPP. If the member does not revoke his/her application for DROP as specified above, the DROP agreement will become final and binding, and thereafter be irrevocable. (Amended 05/21/15)

3.2.3 DISTRIBUTION OF DROP ACCOUNT

A member shall receive a distribution of the funds in his/her DROP account as either: (a) a lump sum cash payment, (b) a direct rollover to a qualified plan, or (c) a combination lump sum payment and direct rollover to a qualified plan. Members may not leave a portion of their DROP account on deposit with LAFPP.

The DROP Distribution Election Form must be completed and returned to LAFPP no later than 90 days following the member's DROP exit date; otherwise, the member will receive distribution as a single lump sum taxable cash payment. A member may directly rollover the taxable portion of his/her DROP distribution to only one eligible financial institution. Members may not rollover any non-taxable DROP funds unless they also rollover all of their taxable DROP funds. A member may directly rollover the non-taxable portion of his/her DROP distribution to only one eligible financial institution.

For members exiting DROP on or after January 1, 2014 who complete and return the DROP Distribution Form no later than 90 days following the member's DROP exit date, the member may recover his/her pre-1987 after-tax basis entirely from the lump sum DROP distribution. Any post-1986 after-tax basis will be allocated pro-rata between the lump sum DROP distribution and the member's ongoing monthly pension annuity. (Section added 12/19/2013)

AUTHORITY OF BOARD AND GENERAL MANAGER

3.3 The General Manager shall present to the Board all eligible pension applications. The Board as a ministerial act shall approve all properly qualified service pension and surviving spouse applications. On August 7, 2003 the Board adopted Resolution 04008 delegating authority to the General Manager to perform this function. The General Manager's actions are reported to the Board at the next subsequent Board meeting. The General Manager shall adopt procedures for the submission, verification and withdrawal of applications and shall determine whether applicants meet the qualifications specified in the Charter and Administrative Code.

3.3.1 The Board has delegated authority to the General Manager to adjust the effective date of a Declaration of Domestic Partnership, provided the following criteria are met:

Pension Processing

- A. The Member completes LAFPP's Declaration of Domestic Partnership prior to his/her retirement effective date or DROP entry date; and,
- B. The Member makes a written request to accept the filing date with the Personnel Department, Employee Benefits Office's (EBO) as the effective date of the Domestic Partnership; and,
- C. Staff has verified with the Personnel Department, Employee Benefits Office (EBO) the following: a) the date that the parties filed an Affidavit of Domestic Partnership with the EBO; b) the fact that this partnership has not been terminated subsequent to the filing date.

If the General Manager determines that any of the above criteria is not met, then the matter will be referred to the Board along with staff's analysis and recommendation. (Section added 11/15/2012, Revised 05/01/14)

DISABILITY APPLICATION PROCESS

- 3.4 The Board shall conduct hearings on disability pension applications. Active Members have the option of having their hearing conducted in open or closed session, either of which must be specifically requested in writing by the applicant/attorney. Should no completed election form be received by staff, the hearing will be continued until such election form is received. During Closed Session hearings, all witnesses would be excused from the room until their testimony is needed. Also, family members, the public and non-essential Staff would be prohibited from attending. Open sessions will be open to all members of the general public. In order to expedite the hearing process, the Board may appoint a hearing examiner to conduct preliminary hearings as it deems necessary. The applicant has the burden of proof as to the existence of disability.
 - A. The General Manager shall provide all relevant evidence and records, including doctor reports that the Board requires for the hearing process, and shall make a written recommendation to the Board on whether applicants should be granted or denied disability or survivor benefits.
 - B. The General Manager shall be responsible for selecting physicians to examine applicants. Physicians, preferably Board certified in their specialty, shall whenever possible be rotated considering geographical and availability constraints. Refusal by an applicant to be examined will cause suspension of disability application processing. The General Manager may consider applicant objections to physicians made for good cause to select a different physician.
 - C. Charges by physicians for missed appointments by an applicant or for new or updated reports caused by the delay of an applicant shall be paid by the applicant, unless the applicant can show good cause for the missed appointment or delay. Failure to pay for missed appointments may cause a suspension of processing.
 - D. Appeals to the Board of the General Manager's decision regarding the selection of a physician or physician charges to an applicant must be made in writing, within 14 days of the Manager's decision.
 - E. All communication with pension physicians relating to any aspect of an

Pension Processing

examination performed on behalf of the Department of Fire and Police Pensions shall only be through Department staff. Under no circumstances shall an applicant, an applicant representative or operating department directly contact or provide materials or documents to a pension physician without prior approval of Department of Fire and Police Pensions staff. All materials or documents to be reviewed by pension physicians shall first be submitted to staff for inclusion in the administrative record and then forwarded to the physicians.

- F. Physicians who have performed disability examinations shall provide report clarification or additional evidence as required by the applicant or Department of Fire and Police Pensions staff. Such clarification shall be submitted in writing to the Department of Fire and Police Pensions. This step may be repeated as often as reasonable and necessary. If the applicant does not accept the written response, the applicant may then request a deposition of a pension physician. Staff and a City Attorney shall attend each deposition, arranged by Department of Fire and Police Pensions staff. The cost for the physician and court reporter shall be paid solely by the party requesting the deposition. The Department of Fire and Police Pensions will be responsible for the cost of the transcription service and deposition documents provided by the court reporter. Staff will provide copies of the deposition material. If the applicant fails to accept the results of the deposition, a pension physician may be subpoenaed to appear for questioning at the time the claim is considered by the Board.

SUSPENSION OF DISABILITY PENSION PAYMENTS

- 3.5 It shall be the pensioner's duty to cooperate with the Board and Staff and to comply with reasonable requests when the disability pensioner's medical status is under review. Failure to cooperate or some other action that impedes or prevents completion of the review process may constitute cause for a suspension of disability pension payments by the Board. Suspended pension payments will be deposited in an escrow account.
 - A. Staff shall first ascertain if a hardship exists which prevents the pensioner from cooperating with the review process. If there is no apparent hardship, the pensioner shall be provided the opportunity to appear before the Board to present reasons or evidence justifying the lack of cooperation or failure to comply with requests made in conjunction with the review process. If the pensioner fails to appear at this hearing or is unable to demonstrate good cause for noncompliance, the Board may suspend pension payments for a period of one to three months pending compliance.
 - B. If the pensioner continues to refuse or fails to cooperate again, a second hearing will be scheduled for the purpose of suspending disability pension payments until the review process is completed.

RESTORATION OF DISABILITY PENSIONERS TO ACTIVE DUTY

- 3.6 A pensioner on service connected or non-service connected disability pension who is found by the Board to be no longer disabled shall have the pension terminated upon restoration to active duty, or failure to be restored as ordered by the Fire or Police Department, or upon the date of the Board's determination if the retired member had previously been terminated or resigned.

SURVIVOR BENEFIT APPLICATIONS

- 3.7 Applications for surviving spouse, minor or dependent children or dependent parent benefits when members are deceased while on active duty due to indisputably service connected causes shall be processed automatically by staff for service connected benefits.
- A. When there is an issue whether the death is service connected, the application shall automatically be processed as non-service connected, without prejudice (recognizing that this is the minimum pension entitlement resulting from the death of an active member.)
 - B. A hearing shall be conducted by the Board to determine whether the deceased member's death was service connected, at which time the Board shall review the autopsy report, if available, and a report of at least one qualified physician.

3.7.1 A surviving child of a Tier 3, 4, 5 or 6 member may qualify for benefits provided for a minor child until he or she reaches the age of 22 years, if such person is enrolled in school full-time, but such person's marriage terminates entitlement to these benefits. Such person must provide proof of registration at an academic or vocational school, with enrollment in the number of units required of a full-time student as determined by the educational institution. Submission of transcripts may be required should there be a dispute regarding continued full-time student status.

POST RETIREMENT SURVIVOR BENEFIT PURCHASE PROGRAM

- 3.8 Application for post retirement survivors shall be processed automatically by staff.
- A. A Retired Plan Member (Retiree) may elect percentage choices of 30% to 100% continuances in 5% increments (service retirees and disability retirees) provided the election does not exceed any limitations imposed by federal law. The cost factors used to provide the continuance percentage elected shall be based upon the mortality tables as adopted by the Board in the most recent actuarial experience study.
 - B. A Retired Plan Member may make an election to provide a survivor benefit pursuant to Charter Section 1236 on the first day of any given month, provided that all the documents necessary to make this election are provided to the Plan no later than the fifth day of that month, and the Retiree's monthly benefit shall be reduced beginning with the payment due for that month. If the necessary documents are not received by Plan by the fifth day, the election to provide this benefit shall be made on the first day of the following month and the Retiree's monthly benefit shall be reduced beginning with the payment due that month.
 - C. In the event that a Retiree dies less than one year from the date that the Retiree made an election to provide this benefit, as determined pursuant to the prior provision, then no survivor benefit shall be provided unless the Board shall determine that the Retiree's death was accidental. A Retiree's death shall be determined to be accidental if the preponderance of the evidence establishes that an accident resulting in bodily injury caused the Retiree's death. A death

Pension Processing

due to sickness, bodily infirmity, suicide or an intentionally inflicted injury shall not be considered accidental. If no survivor benefit is provided, a lump sum shall be paid as provided in Charter Section 1236.

- D. The Retiree's entire benefit, to the extent such constitutes his/her separate property, must be payable entirely to him/her at the time that he/she makes an election under this program. A Retiree whose benefit is subject to a wage assignment for support, a tax lien, a workers' compensation offset, or any other lien that may legally be imposed on his/her retirement benefit shall not be eligible to elect to provide a survivor benefit.
- E. A Retiree shall not be precluded from electing this benefit due to a prior community property division awarding a portion of his/her benefit to a former spouse/domestic partner, as that person's separate property, and the balance of his/her benefit to the Retiree as the Retiree's separate property. However, only the Retiree's separate property interest in his/her pension shall be subject to this election. The Retiree's election to provide this benefit shall have no impact upon the former spouse/domestic partner's interest in the Retiree's pension benefit or the payment of other survivor benefits from the Plan. Since the Retiree is paying the full actuarially determined cost of this survivor benefit through a reduction in the Retiree's separate property interest in his/her benefit, the Board shall not subject this survivor benefit to a community property claim from a prior spouse/domestic partner.
- F. A Retiree receiving a disability pension from the Plan may elect to provide a survivor benefit, but should be advised that this benefit will not be paid if his/her disability pension is discontinued and he/she is returned to duty. Also, because his/her disability pension could be subject to reduction in the future, only such portion of the Retiree's disability pension that represents the minimum that he/she could be awarded shall be subject to reduction to provide for a survivor benefit and any balance of his/her disability pension in excess of this minimum amount shall continue to be payable to the Retiree in full.
- G. Because a disability Retiree's benefit may be subject to a Workers' Compensation offset in the future, a disability Retiree shall provide an authorization, signed by both the Retiree and his/her spouse/domestic partner, allowing the Plan, in the event of the Retiree's death, to continue to offset any Workers' Compensation paid to the Retiree from the survivor's benefit until recouped in full. This authorization is required because the survivor's benefit is funded by a reduction in the disability benefit payable during the Retiree's lifetime, which reduced the amount of the offset recoverable directly from the Retiree.
- H. The election to provide a survivor benefit must be signed by the Retiree unless someone else has the legal authority to act for the Retiree in this regard. When the Retiree lacks the capacity to make this election and there is no one else legally authorized to act on the Retiree's behalf, staff shall prepare a report explaining the situation for the Board's consideration prior to taking any final action by the Board.

REINSTATEMENT OF SERVICE PENSIONERS

- 3.9 The General Manager shall provide a written recommendation to the Board on all applications for reinstatement to active duty from a service pension and the Board shall conduct a hearing on such applications.

CORRECTION OF ERRONEOUS PAYMENTS

- 3.10 The Department of Fire and Police Pensions shall recover any payments made in error exceeding \$100, pursuant to the IRS Employee Plans Compliance Resolution System Section 6.06(3), or as a result of failure of a beneficiary to notify the Department of discontinuation of entitlement to benefits (e.g. due to death of a pensioner or surviving spouse, attainment of Charter/Administrative Code specified age for a minor, or discontinuation of full-time student status of a minor).

An additional amount equivalent to the interest that would have been earned in accordance with Section 5.1 (i.e., the amount credited to member accounts) during the period of overpayment shall also be charged to the member or beneficiary. The member/beneficiary shall be notified of the amount of the overpayment, including interest, and provided an opportunity to pay the total amount due in a lump sum or in two installments within a six-month period from the notification. If the member/beneficiary elects to have the overpayment collected out of future monthly benefit payments, the payment period, not to exceed ~~twenty years~~the individual's life expectancy per the Social Security Administration's Retirement & Survivors Benefits – Life Expectancy Calculator, shall be determined in advance by the member/beneficiary, except however, the General Manager may prescribe a minimum payment amount. The entire balance may be paid at any time.

If the member/beneficiary who received the overpayment is deceased, reasonable recoupment efforts shall be taken, including an offset against the decedent's last check and request for payment from the decedent's estate.

If the overpayment is a result of delayed notification of a surviving child's (between age 18 and 22) discontinuation as a full-time student, the funds to be recovered are effective the month subsequent to the date of discontinuation. Recoupment may be made by offsetting against any reinstated benefits should the surviving child later re-enroll in school on a full-time basis.

If the error results in an underpayment, an additional amount equivalent to the interest that would have been earned in accordance with Section 5.1 (i.e., the amount credited to member accounts) during the period of underpayment shall also be paid to the member/beneficiary. (Amended ~~12/06/2014~~201/07/16)

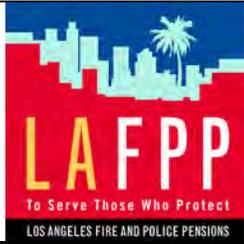
HISTORY

- 3.11 Adopted: Circa June 13, 1996; Amended 11/02/06, 12/04/08, 05/07/09, 01/21/10, 12/16/10, 08/04/11, 01/05/12, 11/15/12, 12/06/12, 12/19/13, 05/01/14, ~~and 05/21/15,~~ and 01/07/16.

REVIEW

Pension Processing

- 3.12 This policy shall be reviewed by the Board as needed and may be amended by the Board at any time.



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 7, 2016 **ITEM:** D.1

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: APPROVAL OF TRAVEL AUTHORITY (NAVARRO) – INTERNATIONAL FOUNDATION EMPLOYEE BENEFIT PLANS (IFEBP), PUBLIC SECTOR BENEFITS INSTITUTE

RECOMMENDATION

That the Board approve Commissioner Ruben Navarro's request to attend the IFEBP, Public Sector Benefits Institute on February 14 – 17, 2016 in Lake Buena Vista (Orlando), FL (February 14th is a travel day).

DISCUSSION

Commissioner Navarro expressed interest in participating in the following conference:

Conference:	International Foundation Employee Benefit Plans
Sponsor:	Public Sector Benefits Institute
Dates:	February 15 – 17, 2016
Location:	Lake Buena Vista (Orlando), FL
Mode of transportation:	Commercial Airline

BUDGET

Sufficient funds are available in the Fiscal Year 2015-16 Travel Account. Listed below is an estimated cost to travel for Commissioner Navarro.

Registration	\$1,495.00
Airfare	264.00
Hotel	638.00
Per Diem	177.00
Incidentals (mileage, parking, baggage & ground transportation)	<u>321.00</u>
TOTAL	\$2,895.00

POLICY

If approved by the Board, the proposed expenditures would be within the Board's Travel and Education Policy.

All information regarding the conference is contained in the attached agenda.

This report was prepared by:

Evangelina Masud, Executive Administrative Assistant
Administrative Operations Division

RPC:WSR:EM

Attachment: Conference agenda

Public Sector Benefits Institute

February 15-17, 2016

Buena Vista Palace | Lake Buena Vista (Orlando), Florida

SUNDAY, FEBRUARY 14, 2016

4:00-6:00 p.m.

Registration/Exhibit Hall Open/Welcome Reception

Refreshments and light hors d'oeuvres will be served.

MONDAY, FEBRUARY 15, 2016

6:30-7:30 a.m.

Registration/Continental Breakfast/Exhibit Hall Open

7:30-8:45 a.m.

Opening Session: Economic Outlook

As trustees, you know that many decisions that impact plans are driven by economic conditions. This session provides an overview of:

- Investment markets
- Labor statistics
- Key economic indicators.

9:00-10:15 a.m.

Concurrent Sessions

ACA Compliance

- Dealing with part-time, seasonal, freelance, educational employees
- Active and retiree options
- Creative ancillary and supplemental benefits
- Flexible plan design
- Cadillac tax
- Penalties
- Administrative burden and calculations

Fiduciary Responsibility in Public Funds

- ERISA standards and does that matter?
- How much can be delegated?
- Duty to monitor
- Conflicts of interest
- Recent litigation

Public Sector Benefits Institute

February 15-17, 2016

Buena Vista Palace | Lake Buena Vista (Orlando), Florida

MONDAY, FEBRUARY 15, 2016

10:30-11:45 a.m.

Concurrent Sessions

Key Pension Decisions Part 1: Making Realistic Plan Assumptions

Assumptions really do matter and have implications for your fund. This session will focus on the key considerations when setting your assumptions and how assumption rates impact your unfunded liabilities. Topics include:

- Why do assumptions matter?
- What assumptions should be made?
- Who is responsible for making assumptions?
- Questions the DOL may ask
- How to make your assumptions realistic.

ROUNDTABLE: Dealing With the Cadillac Tax

This session will help you understand options for dealing with the Cadillac tax and give you the opportunity to hear how other funds are strategizing and dealing with this looming tax.

11:45 a.m.-1:15 p.m.

Lunch/Exhibit Hall Open

1:15-2:30 p.m.

Concurrent Sessions

Key Pension Decisions Part 2: Advanced Investment Strategies

In the postrecession era, asset allocation continues to be a key factor in maximizing return and mitigating risk. This session will look at asset allocation models and consider risk/reward, time frame, performance and funding policy.

Alternatives to Traditional Medical Insurance and Plan Design

Whether you are in a rural area with limited provider access or a large metropolitan area with many options, plan sponsors are continuing to explore alternatives for access and cost. This session will focus on innovative approaches including:

- Clinics
- Closed networks
- Self-insured indexed fee-based plans
- Patient-centered medical homes/accountable care organizations
- Coalitions, co-ops and private exchanges.

2:45-4:00 p.m.

Concurrent Sessions

Changing Longevity and Its Impact on Benefits

Increasing longevity has many implications for society. This session will discuss the risk that comes with increased longevity, new mortality tables, implications for benefits and what can be done to mitigate the challenges.

Insourcing/Outsourcing Investment Expertise

- Levels of outsourcing
- Reasons for and against
- Who does it?
- Liabilities/responsibilities
- Overview of a real case study

Public Sector Benefits Institute

February 15-17, 2016

Buena Vista Palace | Lake Buena Vista (Orlando), Florida

TUESDAY, FEBRUARY 16, 2016

6:30-7:30 a.m.

Continental Breakfast/Exhibit Hall Open

7:30-8:45 a.m.

A Legal and Legislative Update for Government Plans

This session will provide an overview of pending issues, new regulations and likely outcomes of legislation impacting governmental plans.

9:00-10:15 a.m.

Best Practices in Board Governance

- Agenda development
- Who is on the board?
- Roles/responsibilities
- Delegation
- Effective committees
- Emerging issues

10:30-11:45 a.m.

Specialty Drugs

- What's happening in the specialty drug scene
- How to deal with costs
- Plan design options

Concurrent Sessions

Shared Risk Plans in the Public Sector

- What risks are there to share?
- Why share risk?
- How to share risk?
- Who is sharing risk and how did they get there?

11:45 a.m.-1:15 p.m.

Lunch/Exhibit Hall Open

1:15-2:30 p.m.

Dealing With Retiree Health

Many plan sponsors have changed their approach to retirees in recent years. From taking a defined contribution approach to setting up a voluntary employees' beneficiary association, there are many options for retirees. This session will focus on plan options for retirees including:

- Retiree premiums
- Contributions
- Prefunding, seeding and health reimbursement arrangements
- Communications.

Concurrent Sessions

Environmental, Social and Governance (ESG) Factors in Investing

- Latest DOL guidance
- How might investment policies/strategies be impacted?
- What does it mean for trustees and decision makers?
- How do you monitor and assess economically targeted investments (ETI)?

Public Sector Benefits Institute

February 15-17, 2016

Buena Vista Palace | Lake Buena Vista (Orlando), Florida

TUESDAY, FEBRUARY 16, 2016

2:45-4:00 p.m.

Concurrent Sessions

Data Breaches, Hacking and Privacy

- Your fiduciary responsibility
- Due diligence
- Liability and insurance
- Best practices
- Dealing with vendor and business partners
- Communicating with participants

Funding Policy: A Long-Term Look

- Why have a funding policy?
- Tools for trustees:
 - Historical risk assessments
 - Financial trends
- What variables are within trustee control?
- What metrics should be monitored?
- Examine one fund's approach

WEDNESDAY, FEBRUARY 17, 2016

6:30-7:30 a.m.

Continental Breakfast/Exhibit Hall Open

7:30-8:45 a.m.

A Case Study in Web Self-Service

This session will look at New York State Teachers' Retirement System (NYSTRS) approach to retirement counseling and use of technology.

- Why self-service?
- Using mobile technology
- Employer self-service
- Educational opportunities
- Retirement consultations

9:00-10:15 a.m.

Training the Next Generation of Trustees

- Mentoring programs
- Succession planning
- Recruitment
- Educational policy
- Training

10:30-11:45 a.m.

Closing Session: Trustees and Administrators Working Together

This session will feature a panel of trustees and administrators discussing:

- Trustees' expectations of administrators
- Administrators' expectations of trustees
- Common areas of concern
- Best practices to promote communication and productivity.