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# AGENDA

## BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

October 20, 2022  
8:30 a.m.

Sam Diannitto Boardroom  
Los Angeles Fire and Police Pensions Building  
701 East 3rd Street, Suite 400  
Los Angeles, CA 90013

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**Important Message to the Public:** 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 October 20, 2022 meeting of the Board of Fire and Police Pension Commissioners will be conducted both in the LAFPP Boardroom and via telephone and/or video conferencing.

Members of the public who wish to attend the Board meeting in person must comply with these requirements: 1) provide proof of COVID-19 vaccination (fully vaccinated) OR negative COVID-19 test results (for test taken within 72 hours prior to building entry); AND 2) provide government issued photo identification. Alternatively, members of the public will have the opportunity to observe the meeting and provide public comment telephonically.

To provide public comment telephonically, please call (669) 900-9128 or (346) 248-7799 and enter Meeting ID 898 405 2575 (Please note: Toll charges may apply).

If you do not want to make a public comment, you may stream the meeting from the website ([www.lafpp.com](http://www.lafpp.com)) or call any of the following numbers to access the Council Phone system and listen to live coverage: (213) 621-CITY (Downtown), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Please refer to [www.lafpp.com](http://www.lafpp.com) for more information.

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 use the telephone number provided above.

**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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

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 by clicking on LAFPP's website at [www.lafpp.com](http://www.lafpp.com). 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) 279-3037 or by e-mail at [evange.masud@lafpp.com](mailto:evange.masud@lafpp.com).

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 the Department of Fire and Police Pensions, (213) 279-3000 voice or (213) 628-7713 TDD.

**A. CALL TO ORDER**

1. Roll Call

**B. GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION**

**C. DISABILITY CASES**

Alternative 1

1. Bobby J. Wagner, Surviving Spouse of Police Officer II Becky V. Strong. Mr. Wagner will be representing himself but will not be present.
2. Police Officer II James W. Brimberry. Officer Brimberry will be represented by Thomas J. Wicke, Esq. of Lewis, Marenstein, Wicke, Sherwin, and Lee.

**D. REPORTS TO THE BOARD**

1. [AD HOC COMMITTEE RECOMMENDATION THAT THE BOARD DETERMINE THAT CONDUCTING A COMPETITIVE BIDDING PROCESS FOR HEALTH, DENTAL, AND VISION INSURANCE PLANS, OR RELATED THIRD-PARTY ADMINISTRATOR SERVICES IS IMPRACTICAL AND/OR UNDESIRABLE AND POSSIBLE BOARD ACTION](#)
2. [PRESENTATION OF PUBLIC EQUITY STRUCTURE EDUCATION BY RVK AND POSSIBLE BOARD ACTION](#)
3. [ANNUAL INVESTMENT POLICIES REVIEW AND POSSIBLE BOARD ACTION](#)
4. [THIRD-PARTY SOLICITATION POLICY](#)
5. [REVIEW OF BOARD GOVERNANCE POLICY SECTION 18.0 AND POSSIBLE BOARD ACTION](#)
6. [FIRST QUARTER UPDATE OF THE 2022-23 BUSINESS PLAN AND POSSIBLE BOARD ACTION](#)

7. [REVIEW OF CITY ATTORNEY PERFORMANCE EVALUATION POLICY SECTION 17.0 AND POSSIBLE BOARD ACTION](#)

**E. INTERIM GENERAL MANAGER'S REPORT**

1. [Monthly Report](#)
2. Marketing Cessation Information
3. Benefits Actions approved by Interim General Manager on October 6, 2022
4. Other business relating to Department operations

**F. CONSENT ITEMS**

1. [DETERMINATION TO CONTINUE TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361 AND POSSIBLE BOARD ACTION](#)
2. [APPROVAL OF THE 2023 BOARD MEETING SCHEDULE](#)
3. [QUARTERLY TRAVEL REPORT FOR COMMISSIONERS AND STAFF](#)
4. [QUARTERLY LEGISLATION TRACKING REPORT](#)

**G. CONSIDERATION OF FUTURE AGENDA ITEMS**

**H. CLOSED SESSION**

1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) AND (D)(1) TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION (ONE CASE): WILLIAMS v. LAFPP ET AL., CASE NO. 2:22-cv-05640-CJC-JC (C.D. Cal) AND POSSIBLE BOARD ACTION
2. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(B)(1): BOARD REVIEW OF THE CITY ATTORNEY ANNUAL PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION
3. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(B)(1) TO CONSIDER GENERAL MANAGER RECRUITMENT AND POSSIBLE BOARD ACTION



# **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022

**ITEM:** D.1

**FROM:** AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM  
**GARRETT ZIMMON, CHAIR**  
**ANDREA AMBRIZ, VICE CHAIR**  
**RIGO ARELLANO**  
**SUMI PAREKH**

**SUBJECT:** **AD HOC COMMITTEE RECOMMENDATION THAT THE BOARD DETERMINE THAT CONDUCTING A COMPETITIVE BIDDING PROCESS FOR HEALTH, DENTAL, AND VISION INSURANCE PLANS, OR RELATED THIRD-PARTY ADMINISTRATOR SERVICES IS IMPRACTICAL AND/OR UNDESIRABLE AND POSSIBLE BOARD ACTION**

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### **RECOMMENDATION**

That the Board:

1. Approve the attached resolution and determine that conducting a competitive bidding process for health, dental, and vision insurance plans, or related third-party administrator services is impractical and/or undesirable; and,
2. Direct staff to begin negotiations with Los Angeles Police Relief Association (LAPRA), Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Protective League (LAPPL), and United Firefighters of Los Angeles City (UFLAC) (collectively referred to as "Associations") for successor contracts for third-party administrative services to be effective July 1, 2023 for a five-year term, containing strong fiduciary oversight and transparency requirements as delineated in the attached resolution.

### **BACKGROUND**

The City Charter and Administrative Code require that a competitive solicitation process be used to secure contracts, including the contracts for health, dental, and vision insurance plans, or related third-party administrator services, necessary for the Board to carry out its legal responsibilities over the retiree healthcare program unless the Board, as the contracting authority, determines that conducting a competitive bidding process would be "undesirable, impractical or impossible." City Charter Section 371(a), concerning the City's competitive bidding requirement for contracts, states in part:

"Except as provided in subsection (e) below, the City shall not be, and is not, bound by any contract unless the officer, board or employee authorized to contract has complied with the procedure for competitive bidding or submission of proposals established by this section and ordinance...."

Charter Section 371(e)(10) provides certain exceptions to competitive bidding requirements: “Subject to the requirements of [Charter] Section 1022, contracts (including without limitation those, as determined by the contracting authority, for the performance of professional, scientific, expert, technical or other special services), where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements.” Administrative Code Section 10.15(a)(10) further states:

“For purposes of this Section, and for construing the same term in Charter Section 371(e)(10), the term “undesirable” shall mean and include only such situations in which the nature of the subject of the contract is such that competitive bidding would work an incongruity or be unavailing or would not produce an advantage, with sole reference to the public interest and in light of the purposes to be accomplished.”

Historically, the lack of access to the information and data the Board has now compiled through the current contracts with the Associations supported a reasonable determination that conducting a Request for Proposal (RFP) would have been impossible. Since this information is now available, it would be possible for the Board to conduct a competitive bidding process.

On June 16, 2022, staff presented the Board with a request to issue RFPs for retiree health, dental, and vision insurance plans and/or third-party administrator services. (Attachment 2) After careful consideration whether such RFPs would be practical and desirable, the Board President formed an Ad Hoc Committee on Retiree Healthcare Program. The Ad Hoc Committee held public meetings on July 21, 2022 and August 5, 2022, during which it received written reports and presentations, as well as public comments from various stakeholders. (Attachments 3 and 4) On October 6, 2022, in light of the information received and reviewed at its prior meetings, the Ad Hoc Committee adopted a motion to recommend to the Board that conducting a competitive bidding process is impractical and/or undesirable for the reasons discussed in this report.

## **DISCUSSION**

To support a finding that a competitive bidding process is impractical and/or undesirable, the Ad Hoc Committee recommends the Board to adopt the attached resolution, finding that the breadth and variety of services provided by the Associations are impossible to replace through a competitive bid process, that the Associations conduct a competitive bidding process or equivalent market check process, and that retired members and beneficiaries are satisfied with the health and dental plans offered by the Associations. (Attachment 1)

On July 21, 2022, the Ad Hoc Committee discussed the goals and objectives of the Committee and requested input from the Associations and stakeholders. At its August 5, 2022 meeting, the Committee received written reports from staff regarding the history of prior RFPs for retiree health, dental, and vision insurance plans. The Ad Hoc Committee also heard reports from LAFPP’s Departmental Audit Manager regarding prior audits, LAFPP’s healthcare consultant, USI, concerning their annual rate renewal review, and the Associations. The Associations provided an overview of their internal RFP and/or market check processes along with a comprehensive list of services they provide to active sworn members, retirees, and beneficiaries. The Associations provide a seamless transition of the health and dental insurance coverage for an active sworn member retiring, which allows members to maintain a continuity of care with their healthcare

providers. In addition to health, dental, and vision insurance plans, the Associations provide services such as long-term care insurance, life insurance, and emergency relief.

As discussed at the prior Ad Hoc Committee meetings, the Associations conduct competitive bidding or equivalent market check processes to ensure that the health, dental, and vision insurance plans offered to our retired members and beneficiaries are competitively priced. LAPRA and LAFRA provided additional information on the scope of their market check processes. (Attachment 5)

Additionally, at the August 5, 2022 meeting, LAPRA and LAFRA discussed with the Committee the results of member satisfaction surveys they conducted in 2020. The survey results showed that the overwhelming majority of retirees were satisfied or extremely satisfied with the retiree health plans, the benefits provided with those plans, and the level of customer service provided by LAPRA and LAFRA. (Attachments 6 and 7)

#### Future Association/LAFPP Contract Requirements

The Committee recommends that the Board direct staff to negotiate new five-year contracts, effective July 1, 2023. The new contracts should include a requirement that the Associations continue to conduct competitive bidding and/or equivalent market checks at regular intervals during the term of the contracts to ensure that the plans made available to LAFPP retirees and subsidized with LAFPP funds are competitive in terms of benefits and cost to the retirees and LAFPP. The contracts should also include the parameters of the public reports to be presented to the Board by the Associations regarding the results of their competitive bidding and/or equivalent market check processes.

The new contracts will build upon the prior contracts with the same or stronger transparency and oversight requirements. The new contracts should include a fiduciary standard of care applicable to all the services provided by the Associations under the contracts, that is consistent with the Associations' role as agents exercising delegated authority to assist the Board in carrying out the Board's legal authority over the retiree healthcare program under the Los Angeles City Charter and Administrative Code. Additionally, the contracts should include a requirement to provide the Board notice if an Association desires to change their membership requirements in any manner that could impact the eligibility of any LAFPP retiree or survivor to enroll in any health, dental, or vision plan approved by the Board. The new contracts should also require that the Associations allow an audit, with the scope and objectives of the audit defined by LAFPP's Departmental Audit Manager and approved by the Board.

#### **BUDGET**

No budget impact is associated with this report.

#### **POLICY**

No policy changes as recommended.

#### **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information with this report.

This report was prepared by:

Greg Mack, Acting Assistant General Manager  
Pensions Division

JS:GM

Attachments (7)

Attachment 1 – Proposed Board Resolution

Attachment 2 – June 16, 2022 Board Report - Approval to Issue RFPs for Retiree Health, Dental,  
and Vision Insurance Plans and/or Third-Party Administrator Services

Attachment 3 – July 21, 2022 Ad Hoc Committee on Retiree Healthcare Program Reports

Attachment 4 – August 5, 2022 Ad Hoc Committee on Retiree Healthcare Program Reports

Attachment 5 – LAPRA and LAFRA Market Check Process Summaries

Attachment 6 – 2020 LAPRA Member Satisfaction Survey Results

Attachment 7 – 2020 LAFRA Member Satisfaction Survey Results

DETERMINATION THAT CONDUCTING A COMPETITIVE BIDDING PROCESS IS IMPRACTICAL AND/OR  
UNDESIRABLE UNDER LOS ANGELES CITY CHARTER SECTION 371(E)(10)

RESOLUTION \_\_\_\_\_

WHEREAS, Under the Los Angeles City Charter and Administrative Code, the Board of Fire and Police Pension Commissioners (Board) has the authority to administer a health and dental insurance program for retired members and eligible beneficiaries of the Los Angeles Fire and Police Pension plan (LAFPP). See L.A. Charter §§1330(a), (d), 1428(a), (d), 1518(a), (d), 1618(a), (d), 1718(a), (d); L.A. Admin. Code §§4.2018, 4.1150-4.1167; and

WHEREAS, consistent with these Charter and Administrative Code provisions, the Board has the legal authority to: (1) contract with health and dental insurers, health plans or third-party administrators to make group health and dental insurance plans available to LAFPP retirees and eligible beneficiaries; (2) approve health and dental insurance plans to be funded with LAFPP subsidy dollars; and (3) set subsidy amounts annually; and

WHEREAS, the Board must exercise its authority over this health and dental insurance program in a manner consistent with its fiduciary duties, including its duties of prudence, loyalty, and impartiality; and

WHEREAS, since 1976, the Board has delegated its authority to contract with health insurers to the Los Angeles Police Relief Association (LAPRA), Los Angeles Firemen's Relief Association (LAFRA), United Firefighters of Los Angeles City (UFLAC) and since 2001 also delegated to Los Angeles Police Protective League (LAPPL) its authority to contract for dental plans (collectively referred to as "Associations"); and

WHEREAS, the Board's duty of prudence includes an ongoing duty to monitor those persons or entities to whom it has delegated its legal authority under the Charter and Administrative Code and to ensure that such delegation of authority remains prudent over time; and

WHEREAS, the Board in 2006 entered Memoranda of Understanding with the Associations, which defined the roles and responsibilities of each party regarding the administration of retiree health and/or dental plans; and

WHEREAS, the Board in 2011 entered into Operations Agreements with the Associations further defining the roles and responsibilities of each party, which Operations Agreements expired in 2017; and

WHEREAS, the Board in 2018 entered formal contracts with the Associations that increased transparency and strengthened the Board's fiduciary oversight and legal compliance, including by requiring one performance audit of the Associations during the term of the contracts, requiring the Associations to provide certain HIPAA compliant claims information to the Board's healthcare consultant to independently validate annual plan renewals, establishing annual public Board presentations by the Associations summarizing claims experience along with health plan information and related trends, and affirming the Board's fiduciary duty to its members in administering the retiree health program and the Board's legal responsibility to approve health and dental plans as suitable for subsidy funding; and



WHEREAS, the Board's 2018 contracts with the Associations expire on June 30, 2023, and the Associations have notified the Board of their intent to enter into subsequent agreements effective July 1, 2023; and

WHEREAS, the Board on June 16, 2022 considered a staff recommendation to issue Requests for Proposals for retiree health, dental, and vision insurance plans and/or third-party administrator services now that the Board's access to summary claims experience make it possible to do so; and

WHEREAS, as on June 16, 2022, to gather additional information to inform the Board's careful consideration whether such a Request for Proposals process would be practical and desirable, the Board President formed an Ad Hoc Committee on the Retiree Healthcare Program ("Ad Hoc Committee"), which was comprised of two elected and two appointed Board members; and

WHEREAS, the Ad Hoc Committee held public meetings on July 21, 2022 and August 5, 2022, during which it received presentations and written reports from LAFPP's Internal Auditor, LAFPP's healthcare consultant, and from the Associations; and

WHEREAS, the Ad Hoc Committee carefully reviewed and considered the detailed information presented and the legal advice provided to the Board regarding the Board's fiduciary duties and statutory authority; and

WHEREAS, the Ad Hoc Committee found that the Associations provide a comprehensive range of services to active and retired LAFPP members and their survivors and beneficiaries, including but not limited to long-term care insurance, life insurance, and emergency relief, and provide a unique personal level of wrap around customer services for LAFPP members and their families; and

WHEREAS, the Ad Hoc Committee found that the Associations serve as third-party administrators for the health and dental plans offered to both active and retired LAFPP members and their eligible beneficiaries, and thus are uniquely positioned to provide a seamless transition of health and dental coverage for active members upon retirement and ensure continuity of medical coverage and providers to LAFPP members; and

WHEREAS, the Ad Hoc Committee found that the Associations conduct competitive bidding processes or equivalent market check processes at regular intervals to ensure that the health and dental insurance plans offered to our retirees are competitively priced for the value and quality of benefits and services provided; and

WHEREAS, the Ad Hoc Committee found that LAPRA and LAFRA—which together administer plans for the majority of LAFPP retired members—conducted member satisfaction surveys in 2020 which show that the majority of retirees are satisfied or extremely satisfied with the retiree health plans, the benefits provided with those plans, and the level of customer service provided by LAPRA and LAFRA; and

WHEREAS, the Los Angeles City Charter generally requires City contracting authorities to conduct a competitive bidding process before entering contracts unless an exception applies; and

WHEREAS, Section 371(e)(10) provides certain exceptions to competitive bidding requirements when the contracting authority determines that the use of competitive bidding would be "undesirable, impractical or impossible or where common law otherwise excuses compliance with competitive bidding requirements;" and

WHEREAS, on October 6, 2022, the Ad Hoc Committee approved a recommendation that the Board determine, based on the information received and evaluated by the Ad Hoc Committee and the Board, and consistent with the Board's legal authority and fiduciary duties, that conducting a competitive bidding process would be impractical and/or undesirable before entering new contracts with health and dental insurers or third-party administrators to make group health and dental insurance plans available to LAFPP retirees and eligible beneficiaries, and that the Board should promptly begin negotiations with the Associations for successor contracts for third-party administrative services to be effective July 1, 2023, containing strong fiduciary oversight and transparency requirements.

NOW THEREFORE, BE IT RESOLVED, that the Board has determined that the use of competitive bidding would be impractical and/or undesirable before entering contracts effective July 1, 2023 to make group health and dental insurance plans available to LAFPP retirees and their eligible beneficiaries.

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023 to include terms requiring the Associations to continue to conduct competitive bidding and/or equivalent market checks at regular intervals during the term of the contracts to ensure that the plans made available to LAFPP retirees and subsidized with LAFPP trust funds are competitive in terms of benefits and cost to the retirees and LAFPP; and

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023 to include terms specifying the parameters of public reports by the Associations to the Board on the result of their competitive bidding and/or equivalent market check process; and

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023 to include the same or stronger transparency and oversight terms as the 2018 contracts between the parties, including but not limited to performance audit(s) by the LAFPP Internal Auditor, annual Board presentations and approvals of suitable plans by resolution, claims data sharing, and independent validation of renewal rates by the Board's health consultant; and

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023 to include a fiduciary standard of care applicable to all services provided by the Associations under the contracts, consistent with the Associations' role as agents exercising delegated authority to assist the Board in carrying out its legal authority over the LAFPP retiree health program under the City Charter and Administrative Code.

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023 to include terms specifying that the Associations must notify the Board no fewer than six (6) months in advance of the proposed change if the Association desires to change their membership requirements in any manner that could impact the eligibility of any LAFPP retiree or survivor to enroll in any health and/or dental plan previously approved by the Board to be administered by the Association; and

BE IT FURTHER RESOLVED, that the Board will require contracts with the Associations effective July 1, 2023, to include that at least once during the term of this contract, the Associations will allow an audit of the Associations' health and/or dental plans related to the LAFPP retiree healthcare program. The scope and objectives of the audit will be defined by LAFPP's Departmental Audit Manager and approved by the Board, subject to all applicable laws and auditing or similar professional standards.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Board of Fire and Police Pension Commissioners at its regular meeting held October 20, 2022.

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Joseph Salazar

Interim General Manager



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

**DATE:** JUNE 16, 2022

**ITEM:** C.7

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** APPROVAL TO ISSUE REQUESTS FOR PROPOSALS FOR RETIREE HEALTH, DENTAL, AND VISION INSURANCE PLANS AND/OR THIRD-PARTY ADMINISTRATOR SERVICES AND POSSIBLE BOARD ACTION

#### **RECOMMENDATION**

That the Board review and approve the attached Requests for Proposals (RFPs) and direct staff to advertise the RFPs for retiree health, dental, and vision insurance plans and/or third-party administrator services effective July 1, 2023.

#### **EXECUTIVE SUMMARY**

The Board is legally responsible for the LAFPP retiree healthcare program (the Program), which has grown since its inception in the 1970s to an approximately \$147 million per year program providing subsidized health and dental insurance plans for approximately 11,000 retired members and survivors, in addition to their covered dependents. Staff is recommending that the Board authorize staff to release RFPs for retiree health, dental, and vision plans for the following reasons:

- The City Charter and Administrative Code require that a competitive solicitation process be used to secure contracts, including the contracts for health, dental, and vision insurance plans, or related third-party administrator services, necessary for the Board to carry out its legal responsibilities over the Program.
- Releasing RFPs would fulfill the Board's fiduciary duties of prudence and loyalty by validating the competitiveness of Program options and identifying potential additional options that may be available to serve the diverse needs of Program participants, including Plan members subject to the subsidy freeze.
- Current contracts with Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), United Firefighters of Los Angeles City (UFLAC), and Los Angeles Police Protective League (LAPPL) (collectively referred to as "Associations") will expire June 30, 2023. The current contracts with the Associations did not result from an RFP. The Associations will be eligible for and are strongly encouraged to respond to the RFPs.

The draft RFPs are requesting that responding health, dental, and vision insurers or third-party administrators offer plan designs that match, as closely as possible, the benefit provisions of the current Board-approved plans. If the Board approves the release of the RFPs, they will be released in August and results of the RFPs will be presented to the Board no later than December 2022.

## BACKGROUND

### LAFPP's Duty to Contract for Health Plans and Fiduciary Authority Over the Program

On May 3, 2018, at the Board's request, the City Attorney provided written advice to the Board regarding its fiduciary obligation to oversee the Program. By resolution on May 17, 2018, the Board waived the attorney-client privilege as to that written advice (Attachment 1).<sup>1</sup> The City Attorney advised that under the Los Angeles City Charter and Administrative Code, the Board is legally responsible for making three critical decisions regarding the Program: (1) approving health, dental, and vision plans to be funded with subsidy dollars; (2) contracting with health/dental insurers or third-party administrators to make those plans available to LAFPP retirees and eligible beneficiaries; and (3) setting subsidy amounts annually.

On December 3, 2020, at the Board's request, the City Attorney provided additional written advice regarding the Board's fiduciary responsibility to provide suitable plan options for members subject to the health subsidy freeze. By resolution on December 3, 2020, the Board waived the attorney-client privilege as to that written advice (Attachment 2). It was recommended that consistent with the Board's fiduciary duties of loyalty, impartiality, and prudence, the Board explore issuing a competitive solicitation to ensure that the Plan is making available through the Program the best quality health care options to all of its members at the lowest possible cost. The Board was reminded that contracts for the provision of healthcare to members and their beneficiaries are subject to the City's contracting requirements, including that they result from a competitive bidding process. Contracts to which the Board is a party must adhere to the provisions of the City Charter and Administrative Code and be approved as to form by the City Attorney. City Charter Section 371(a) and 372 state that a competitive bidding process should be used as part of the contracting process.

In both written advice memoranda, the City Attorney advised that in compliance with the City Charter Section 371(e)(10), the Board may reasonably have found, historically, that conducting a competitive bidding process would be "undesirable, impractical or impossible," because until the Board formalized its contractual relationship with the current health, dental, and vision plan administrators, the minimum necessary information was not available to be used to conduct a solicitation process.

However, under the fiduciary duty of prudence, and to comply with the City Charter, the City Attorney advised that as soon as possible upon obtaining the minimum necessary information to conduct a competitive solicitation process, the Board should do so to validate the competitiveness of the current menu of plan options, and to determine what other health/dental insurance options may be available to members and at what cost.

### History of the Program

In 1973, the City established a health insurance subsidy program for retired civilian members of the Los Angeles City Employees' Retirement System (LACERS). To establish a health insurance subsidy program for LAFPP retirees, a City Charter amendment was required and in 1974, the City Charter was amended to grant the City Council authority to give LAFPP retirees the same health

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<sup>1</sup> The City Attorney also provided a confidential, attorney-client privileged report to the Board on August 1, 2018. That confidential report remains privileged unless and until the Board waives such privilege by majority vote.

subsidy benefit as LACERS retirees. In March 1975, an ordinance was passed creating the health subsidy program for LAFPP retirees. At the time the ordinance was passed, LAFRA, LAPRA, and UFLAC were already providing health insurance plans to LAFPP retirees. With the creation of the retiree health program, the Board authorized the original third-party administrators to continue providing health insurance plans. LAPPL joined as a third-party administrator when dental benefits were added in 2001.

In 2001, an audit performed by the Controller's Office recommended that the City draft agreements with LAPRA and LAFRA detailing the working relationships between LAFPP and the two parties. The audit stated that, at minimum, performance expectations and mandatory periodic reporting of financial and management results should be included in the agreements. In 2006, LAFPP entered into Memoranda of Understanding (MOUs) with the Associations. The MOUs detailed the roles and responsibilities of each party regarding the administration of retiree medical and/or dental insurance plans and subsidies.

In August 2011, LAFPP entered into new Operations Agreements with each of the Associations. The agreements were renamed from "MOU" to "Operations Agreement" to better reflect the nature of the relationship between LAFPP and the Associations. From October 2014 through April 2015, LAFPP entered into updated Operations Agreements with LAFRA, LAPRA and LAPPL, which expired on June 30, 2017 (LAFRA and LAPRA) and July 31, 2017 (LAPPL). The Operations Agreement with UFLAC expired August 31, 2017.

Upon the expiration of the Operations Agreements, the City Attorney advised staff and the Board that any future agreements between LAFPP and the Associations should be memorialized in the form of contracts, in a manner that is consistent with the City Charter and Administrative Code. As a result, the Board directed staff to enter into formal contracts with the Associations.

### Current Contracts

On October 18 and November 1, 2018, the Board approved contracts between LAFPP and the Associations. The contracts formally established the Associations as LAFPP's Board-approved health, dental, and vision plan sponsors. The current contract term is five (5) years, and all four contracts will expire on June 30, 2023. The contracts require that if either party seeks to enter into a subsequent agreement, effective July 1, 2023, that party shall notify the other party no later than January 1, 2023. The contracts can be terminated by either party by providing no less than 365 days' advance notice to the other party unless otherwise agreed to in writing by the parties.

The current contracts were drafted to meet the legal requirements set forth by the Los Angeles City Charter and Administrative Code and allowed the Board to better fulfill its fiduciary obligations. The contracts addressed the scope of the Board's duty to contract and increase transparency and accountability between LAFPP and the Associations.

Under the terms of the contracts, the Associations acknowledged the Board's fiduciary duty to administer the retiree healthcare program for all members. The Associations agreed to comply with one performance audit being completed during the contract term. The Associations also affirmed that they would provide mutually agreed upon HIPAA-compliant claims data to the Board's health care consultant. A summary of data along with plan information and related trends is provided to the Board on an annual basis for the approval of each health and dental plan. As a result of these contracts, LAFPP had access to more health plan data than at any point since the inception of the

subsidy program in the 1970s. Prior to the current contracts, the Board lacked access to aggregated, de-identified information that would be required to conduct a competitive RFP process for retiree health, dental, and vision plans or for third-party administrator services.

## **DISCUSSION**

### Release of RFP

Pursuant to the City Attorney's advice regarding Charter contracting requirements, Staff is requesting that the Board direct staff to release the attached RFPs to secure health, dental, and vision insurance plans, or related third-party administrator services, for the plan year starting July 1, 2023. Due to the Board's formalizing of its historic relationship with the Associations, the Board's cooperative partnership with the Associations to ensure performance of critical contractual responsibilities during the current contract period, and in fulfillment of the Board's fiduciary oversight of the Program, the Board should be in a position to conduct a competitive solicitation process before entering into new contracts for health, dental, and vision provider and/or administration services. A competitive solicitation process would fulfill the Board's fiduciary duties of prudence and loyalty by validating the competitiveness of the current menu of plan options and identifying potential additional options that may be available to serve the diverse needs of Plan members and their eligible beneficiaries, including members subject to the subsidy freeze. A competitive process would also ensure legal compliance with the Charter and Administrative Code.

### Legal Requirements Regarding Ethical Communications with RFP Bidders

With the release of formal RFPs, all communications regarding the RFPs should be directed to the RFP administrator (USI) or stated during the public comment section of the agenda at a public Board meeting.

Pursuant to the City Ethics Ordinance (Los Angeles Municipal Code section 49.5.11(A)), Board members are prohibited from having any involvement in the RFP or contracting process outside of a public Board meeting, including communicating with bidders about the RFP or resulting contracts outside of a public Board meeting. Municipal Code section 49.5.16 provides that violations of the Ethics Ordinance may result in enforcement penalties, including civil actions, criminal enforcement, injunctive relief, administrative penalties, and/or administrative discipline.

### RFP Process Timetable

Once directed by the Board, staff and the Board's health consultant (USI) will advertise the attached RFPs for health, dental, and vision plans, as well as third-party administrator services. The RFP allows for the Associations to submit proposals to continue operating as third-party administrators of retiree health, dental, and vision plans.

Based on preliminary discussions with USI, the RFP process timeline is recommended as follows:

- RFPs approved by the Board released – August 1, 2022
- Responses to the RFPs submitted - October 11, 2022
- Board interviews of finalists/selection of health, dental, and vision plan providers, or third-party administrators – November 17, 2022 & December 1, 2022
- Health, dental, and vision plan contracts signed – December 15, 2022

- Open Enrollment – April 1, 2023 or May 1, 2023

Upon approval, the RFPs will be published on the LAFPP website, on the City's website (Regional Alliance Marketplace for Procurement (RAMP)), and forwarded directly to the Associations and other health, dental, and vision insurance providers.

The RFP responses and a recommendation for the selection of health, dental, and vision plan insurers and/or third-party administration services will be presented to the Board no later than December 2022. At that time, the Board may consider options that consist of plans where LAFPP contracts directly with insurance providers; plans administered by the Associations; or a combination of Association- and LAFPP-administered plans. If LAFPP contracts directly with an insurance provider(s), staff's objective is to provide the same or improved benefits at the same or lower cost to retirees, survivors, and LAFPP.

In the event that the Associations are not selected by the Board to provide health, dental, and vision plan administration services, Staff and the Board's health consultant would need to conduct extensive outreach to prepare members for their transfer to new health and dental plans, effective July 1, 2023. Staff expects that such outreach would need to be robust and ongoing, as most of our retirees and beneficiaries have been enrolled in their Association-sponsored health plans since they were active employees.

However, as the Associations have been providing third-party administrator services to the Board for decades, and retirees and beneficiaries are satisfied with their plans and services, Staff would strongly encourage the Associations to submit bids for each respective RFP.

### RFP Highlights

The RFPs are requesting that responding health, dental, and vision insurers offer plan designs that match, as closely as possible, the benefit provisions of the current Board-approved plans, listed below, offering the overall highest level of benefits:

- LAFRA Fire Medical PPO
- LAPRA Anthem Blue Cross CaliforniaCare Plus HMO (Medical)
- LAFRA Kaiser Permanente HMO (Medical)
- LAPRA Anthem Blue Cross Medicare Advantage HMO (Medical)
- LAFRA Kaiser Permanente Senior Advantage (Medical)
- UFLAC Dental PPO
- UFLAC Dental HMO

During the evaluation of the RFP responses, one aspect that will be given extra consideration will be minimizing any provider disruption of medical and dental plan network options offered by proposers.

### As the Board Has Now Compiled the Necessary Information under Current Contracts, Awarding or Extending Contracts without an RFP Is No Longer Supported Under Charter Exceptions

As discussed above, the City Charter requires the Board to conduct a competitive solicitation process before entering into new contracts with health, dental, and vision providers and/or



administrators unless the Board, as the contracting authority, determines that conducting a competitive bidding process would be “undesirable, impractical or impossible.” City Charter Section 371(a), concerning the City’s competitive bidding requirement for contracts, states in part:

“Except as provided in subsection (e) below, the City shall not be, and is not, bound by any contract unless the officer, board or employee authorized to contract has complied with the procedure for competitive bidding or submission of proposals established by this section and ordinance....”

Charter Section 371(e)(10) provides certain exceptions to competitive bidding requirements: “Subject to the requirements of [Charter] Section 1022, contracts (including without limitation those, as determined by the contracting authority, for the performance of professional, scientific, expert, technical or other special services), where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements.” Administrative Code Section 10.15(a)(10) further states:

“For purposes of this Section, and for construing the same term in Charter Section 371(e)(10), the term “undesirable” shall mean and include only such situations in which the nature of the subject of the contract is such that competitive bidding would work an incongruity or be unavailing or would not produce an advantage, with sole reference to the public interest and in light of the purposes to be accomplished.”

Historically, the lack of access to the information and data the Board has now compiled through the current contracts supported a reasonable determination that conducting an RFP would have been impracticable, if not impossible. Since this information is now available, a competitive bidding process can be conducted in compliance with the City Charter and Administrative Code requirements.

## **BUDGET**

The current fiscal year budget for health and dental insurance subsidy benefits is \$147 million. The current health, dental, and vision plan administrators (Associations), with the exception of dental plans offered by LAPPL and UFLAC’s Direct Reimbursement dental plan, apply an administration fee to their plan premiums ranging from \$1.80 to \$22.92 per member per month. If the Associations were to continue providing third-party administrator services, then the total annual cost of the administration fees would be approximately \$1.9 million per year (assuming no increases in their fees).

If the Board directs staff to issue the RFPs for retiree health, dental, and vision plans, including third-party administrator services effective July 1, 2023, the cost for USI to conduct the RFPs would be approximately \$40,000 (in addition to approximately \$28,000 for USI to prepare the RFP documents).

The cost for LAFPP to directly contract with and administer health, dental, and vision insurance plans is harder to quantify. However, the Los Angeles County Employees Retirement Association (LACERA) currently administers health, dental, and vision plans. LACERA provides health plan coverage to approximately 60,000 members and survivors. The current Board-approved health plans provide coverage to over 11,000 retired members and survivors.

LACERA currently has 31 full-time staff positions involved with the administration of their health, dental, and vision plan program. LAFPP's Medical and Dental Benefits Section currently operates with 7 full-time positions to administer the subsidy program. USI estimates that LAFPP would need to hire eight (8) additional staff to directly administer health, dental, and vision plans. USI based their estimate on staffing levels at other clients providing coverage to similar numbers of members and beneficiaries. In addition to the new full-time staff, LAFPP would also need to hire up to six (6) temporary workers each year to assist with member outreach during open enrollment. At current salary and benefit levels, we estimate that the additional staffing would cost approximately \$1.3 million per year. Additionally, USI estimates that LAFPP could spend \$300,000 per year on consulting fees related to the direct administration of health, dental, and vision plans (LAFPP currently spends approximately \$25,000 annually for USI's health consulting fees, including their analysis of the Associations' plan renewals and other as-needed assignments). LAFPP would also expect to spend approximately \$50,000 annually on the design, printing, and mailing of open enrollment and member outreach materials.

In summary, the total estimated cost for LAFPP to directly administer all health, dental, and vision insurance plans is approximately \$1.7 million per year. This estimated amount would be in addition to our current administration costs for staff to administer the subsidy program.

## **POLICY**

No policy changes as recommended.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Chief Benefits Analyst  
Pensions Division

RPC:JS:GM

Attachments (5)

Attachment 1 – 5/3/2018 Advice Memorandum – Fiduciary Obligation Retiree Healthcare Program

Attachment 2 – 12/3/2020 Advice Memorandum – Health Subsidy Freeze Fiduciary Duties

Attachment 3 – RFP for Retiree Health Insurance Plans and/or Related Third-Party Administrator Services

Attachment 4 – RFP for Retiree Dental Insurance Plans and/or Related Third-Party Administrator Services

Attachment 5 – RFP for Retiree Vision Insurance Plans and/or Related Third-Party Administrator Services

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**MICHAEL N. FEUER**  
City Attorney

**DATE:** June 16, 2022

**TO:** Board of Fire and Police Pension Commissioners

**FROM:** Anya Freedman, Assistant City Attorney *AOF*

**CC:** Raymond P. Ciranna, General Manager  
Department of Fire and Police Pensions

**RE:** Waiver of Attorney-Client Privilege for May 3, 2018 Advice Memorandum

On May 17, 2018, by Resolution 18136, the Board of Fire and Police Pension Commissioners waived the attorney-client privilege as to the enclosed memorandum regarding “*The Board’s Responsibility and Authority to Review Insurance Claims Information for Subsidy-Funded Health Plans.*”

AJF

Encl.

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL**

**DATE:** May 3, 2018

**TO:** Board of Fire and Police Pension Commissioners

**FROM:** Anya J. Freedman, Assistant City Attorney *ADF*  
Joshua M. Geller, Deputy City Attorney *JMG*

**CC:** Raymond P. Ciranna, General Manager  
Department of Fire and Police Pensions

**RE:** The Board's Responsibility and Authority to Review Insurance Claims  
Information for Subsidy-Funded Health Plans

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**INTRODUCTION AND EXECUTIVE SUMMARY**

On April 19, 2018, the Board of Fire and Police Pension Commissioners (the Board) asked our Office for advice regarding its responsibility and authority to review insurance claims information<sup>1</sup> for health plans funded by LAFPP subsidies. We conclude that the Board has both the responsibility and the authority to access aggregated claims information for subsidy-funded health plans. We reach this conclusion for two reasons.

*First*, the Board has a responsibility to access the claims information to fulfill its fiduciary oversight role in administering the LAFPP Retiree Healthcare Program (the Program). The Board is legally responsible for making three critical decisions regarding the Program: (1) approving health plans to be funded with subsidy dollars; (2) contracting with health insurers or third-party administrators to make those plans available to LAFPP retirees and eligible beneficiaries; and (3) setting subsidy amounts annually. The Board must make those decisions in a manner consistent with its fiduciary obligations, including duties of prudence, cost-consciousness, and impartiality, and must continuously monitor its decisions to ensure that they remain prudent in light of changing circumstances. Although the Board may delegate its decision-making authority to an agent, it must do so prudently and must continuously supervise its agent's performance—the "fiduciary buck" ultimately stops with the Board. Since the start of the Program in the 1970s, the Board has delegated its authority to approve health plans and contract with insurance carriers to the same third-party administrators: the Associations<sup>2</sup>. And since the inception of the Program, the healthcare industry and the Program itself has grown dramatically in cost and complexity and has become subject to increasing scrutiny and regulation. For the first full year the Program was in effect, in 1976, LAFPP spent approximately \$349,000; LAFPP is projected to spend \$131 Million in fiscal year 2018-19.

In the last decade, the Board has attempted to formalize its relationship with the Associations and improve its supervision of these agents, but the success of these efforts

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<sup>1</sup> This information would not include anything that is protected from disclosure pursuant to the Health Insurance Portability and Accountability Act (HIPAA).

<sup>2</sup> For convenience and efficiency, we will refer to all third-party plan administrators as "Associations."

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL**

has ultimately been limited by the Board's lack of access to information, which includes insurance claims data as well as other information related to Program administration. The Board is committed to strengthening its oversight role to ensure that the LAFPP's health plan options and contracting partners continue to be prudent choices for all Plan members. Access to claims information is essential to the Board's ability to properly perform this fiduciary oversight role.

*Second*, the Board has the authority to demand access to claims information from the Associations because the Associations are its agents. Given their delegated authority to approve and contract for suitable health plans, and their use of Plan trust funds through the subsidy payments to fund those health plans, the Associations are agents of the Board. As agents, the Associations owe fiduciary duties to their principal, the Board. Pursuant to their duty of full disclosure, the Associations must disclose all material information the Board requests that inform the Board's decisions regarding the scope of the Associations' agency—including claims data. Pursuant to their duty of loyalty, the Associations must not use information or benefits obtained in the course of their agency to compete with the Board or to serve their own interests. This duty of loyalty precludes the Associations from refusing to disclose the claims data to the Board in order to prevent the Board from—if the Board deems it appropriate in order to carry out its fiduciary obligations—soliciting competitive bids directly from insurance carriers or exercising additional control over the approval and pricing of health plans. To date, the Associations have asserted no countervailing legal duty that trumps their fiduciary duties to provide the claims information to the Board.

Our advice follows.

**BACKGROUND**

Because our legal advice must be informed by a detailed and accurate factual understanding, to prepare this memorandum our research included interviewing current and former Los Angeles Fire and Police Pension plan (LAFPP or the Plan) staff, reviewing archival documents concerning the Program, analyzing recent Board meeting materials and meeting audio recordings, reviewing how other California public pension systems provide similar benefits to sworn retirees, and conferring with colleagues at some of those systems.

We first provide an overview of the Program and its benefits, and how it currently is administered. Second, we describe the changes that have impacted the Program since its inception over forty years ago, including membership changes, benefit changes, and cost increases. Third, we outline the attempts the Board has made to provide increased oversight over the Program, and the results to date of those attempts. Finally, we explain why, given the increasingly cost and complexity of healthcare administration, the Board requires additional information—and most critically, claims information—in order to perform its fiduciary oversight duties.

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL****1. The Current Structure of the LAFPP Retiree Healthcare Program*****a. The Benefits Offered Through the Program***

LAFPP retirees are entitled to a monthly subsidy payable when they enroll in approved health insurance plans for themselves and any eligible dependents. A retiree can elect to have subsidy payments made directly to the health insurance plan administrator, up to the maximum allowable subsidy amount. For any premium that LAFPP is paying directly, premium costs that exceed that member's subsidy maximum are paid out of the member's monthly pension. An alternate option is for retirees to submit quarterly reimbursement claims for premiums paid towards insurance procured independently, repaid up to the member's maximum monthly subsidy amount. For retirees that enroll in health insurance plans that cover themselves and dependents, the Board has approved discrete formulas for calculating the total subsidy that is available, depending on whether the retiree is the sole enrollee, if any dependents are covered, and if coverage is provided under a single non-Medicare or Medicare plan, or a combination of plans offering both. The actual amount of subsidy dollars spent by each retiree is based on the total premiums associated with the specific coverage options selected by the retiree. For example, given the option between single-party coverage through an HMO plan and a PPO, a retiree who chooses the HMO will expend less of the available maximum subsidy than one who chooses the PPO.<sup>3</sup>

***b. The Current Structure of Administrative Decision Making***

The Board has been administering the Program since 1975. The Board is charged with administering a healthcare program whereby eligible retired members and beneficiaries of the Plan have subsidy payments made on their behalf towards medical, dental, and vision insurance premiums in approved plans. *See* L.A. Admin. Code § 4.1151. The Board has "the authority to contract for suitable health, medical, hospital, dental or vision plans to be made available to retired members and their eligible beneficiaries. The Board may also contract with third-party administrators that provide or contract for suitable plans (such as health care exchanges)." L.A. Admin. Code § 4.1152. Subsidies may only be paid on behalf of a retired member or beneficiary "enrolled in a plan approved by the Board." L.A. Admin. Code § 4.1153. The Administrative Code places no explicit limitations on the Board's discretion to determine which plans are "suitable" for approval.

The Board's administrative authority over the Program can be broken into three components: (i) contracting with third parties or health insurance carriers to provide health insurance plans; (ii) approving the health plans that can receive subsidy payments towards premium costs; and (iii) determining the subsidy payment amounts. *See* L.A. Charter §§ 1330(a),(d), 1518(a),(d), 1618(a),(d), 1718(a),(d); L.A. Admin. Code §§ 4.2018, 4.1150-4.1167.

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<sup>3</sup> On average, premiums for members' health insurance elections expend approximately 64% of the maximum available subsidy. This proportion has remained relatively constant since the subsidy maximum was de-linked from the active member MOU provisions. It is between 90-100% for non-Medicare coverage.

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Although the Board is legally responsible for these three decisions, the Board has effectively delegated two of them—contracting for group health plans and approving health plans eligible to receive subsidy payments—to third-party administrators.

***(i) Contracting for Health Insurance Plans to be Made Available to LAFPP Retirees***

The original third-party plan administrators authorized by the Board in 1975 continue to serve in those roles today: the Los Angeles Firemen's Relief Association (LAFRA)<sup>4</sup>, the Los Angeles Police Relief Association (LAPRA)<sup>5</sup>, and United Firefighters of Los Angeles (UFLAC). The Los Angeles Police Protective League (PPL) joined the list when dental benefits were added to the Program in 2001. Prior to 1975, the Associations provided health insurance plans to their retiree members, who paid premiums directly to the Associations.

Each Association has its own rules for membership, set forth in its bylaws, and each selects and offers different health insurance plans for eligible LAFPP retirees. Eligibility is based on which City department employed the retiree: LAFRA and UFLAC restrict coverage eligibility to retired Firefighters; LAPRA and PPL generally restrict eligibility to retired Police Officers. LAFPP has entered into written contracts with the Associations to provide health insurance plans since 2006, renewing the contracts in 2011 and 2014. The current contracts expired on June 30, 2017; negotiations for successor agreements are currently underway.

Historically, coverage provided by the Associations was only available to dues-paying members of each Association who met additional eligibility criteria, which meant that some retirees could not participate in those health insurance plans. This group of ineligible retirees (the Independent Group) received health insurance through the City Personnel department and then, beginning in 2000, through LACERS. When LAFPP began admitting members from the Los Angeles Port Police, in 2006, LAFPP anticipated that Port Police members would receive health insurance coverage through LACERS. The same assumption was made for new LAFPP members from the Airport Police, who joined LAFPP in 2018. For a time, LAFPP had administrative agreements with LACERS to provide this coverage to LAFPP retirees in the Independent Group, and paid the insurance carriers the subsidies to be applied towards the premiums for LAFPP retirees in the Independent Group. In 2018, a small sub-group of the Independent Group remains in the

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<sup>4</sup> LAFRA is a non-profit California corporation, organized under Chapter 10-A, Part 2, Division 2 of the California Insurance Code. It maintains a non-profit status pursuant to the Internal Revenue Code, 26 U.S.C. § 501(c)(9). Its stated purpose is to provide certain mutual benefits to its members. We note that UFLAC has designated LAFRA as an administrator for some of the health plans subsidized by the City of Los Angeles for active employees pursuant to applicable Memoranda of Understanding.

<sup>5</sup> LAPRA is a non-profit California corporation, organized under Chapter 10-A, Part 2, Division 2 of the California Insurance Code. It maintains a non-profit status pursuant to the Internal Revenue Code, 26 U.S.C. § 501(c)(9). Its stated purpose is to provide certain mutual benefits to its members. We note that PPL has designated LAPRA as an administrator for some of the health plans subsidized by the City of Los Angeles for active employees pursuant to applicable Memoranda of Understanding.

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LACERS-administered health plans, but the remainder, and all future retirees who will enter the Independent Group going forward, are expected to be allowed to participate in health plans administered by the Associations despite the fact that these retirees are not members of the Associations and are not eligible for membership under the Associations' current bylaws.

*(ii) Approving Health Plans to Receive Subsidy Dollars*

While the Board is only authorized to pay subsidies towards "suitable" plans that it has approved, it has never formally defined what constitutes a suitable plan nor has it established measurable criteria for granting its "approval" over those plans. In effect, it has delegated this determination to the Associations as well, since (with the exception of the LACERS-sponsored plans utilized by the Independent Group) all of the health plans funded by subsidy payments are selected by the Associations, and the Board has never independently evaluated these selections.

*(iii) Subsidy-Setting*

As for the third decision for which the Board is legally responsible—setting the subsidy—the Board has used the following procedure each year since 2006 to approve and adopt subsidy maximums in a manner that is consistent with the limits set under the Administrative Code.<sup>6</sup> The Board adopts a medical trend rate in September or October of the current fiscal year, then LAFPP staff analyzes actual premium changes for all insurance options which are available from the Associations. Sometime the following Spring, prior to the end of the fiscal year, staff recommends the new maximum non-Medicare subsidy amount. The Board either approves the staff recommendation or adopts its own subsidy maximum, according to the terms of Administrative Code section 4.1152. The process for setting the maximum Medicare subsidy is to adopt the subsidy amount negotiated by LACERS with its providers, typically around November. The process is similar for survivor benefit maximums.

Looking at this year's process is instructive: it demonstrates the relationship between the medical trend rate, actual premium increases, and the Board's ultimate determination of the subsidy maximum. As discussed in the May 3, 2018 Board report, since 2007 Segal, LAFPP's actuary, has recommended the Board conduct an annual review of the medical trend rate, in order to accurately reflect the "volatility and constant innovations present in the healthcare marketplace."<sup>7</sup> On September 20, 2017 the Board adopted a medical trend of 7% for fiscal year 2018-19. This translated to Board authority to increase the non-Medicare subsidy maximum by 7% if so warranted; the Board could legally authorize an increase to the non-Medicare subsidy from \$1,627.73 to a maximum of \$1,741.67.

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<sup>6</sup> The means of determining maximum subsidy amounts for Medicare, non-Medicare, and dental insurance coverage for retirees and their eligible survivors have been established by ordinance. The formulas for calculating non-Medicare subsidy maximums for retirees is distinct from the formula for calculating Medicare subsidy maximums, which in turn are both distinct from the formula for calculating subsidy maximums for eligible survivors.

<sup>7</sup> May 3, 2018 Board report, Item A.4.



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However, the Board does not automatically authorize a premium increase simply by applying the adopted medical trend rate. Instead, the premium is based on an analysis of the Associations' proposed premium changes relative to current year premiums and subsidy utilization.

This subsidy-setting process takes place in a vacuum of sorts, because there is currently no way for the Board to independently assess whether or not the proposed premium changes, typically increases but not always, are reasonable. For fiscal year 2018-19, premiums offered for LAFRA non-Medicare PPO plans are *decreasing* by approximately 5% across the board, and the Kaiser rate is *increasing* by 4%.<sup>8</sup> In contrast, premiums for all non-Medicare plans offered by LAPRA are *increasing* between 6-9%; LAPRA's Kaiser plan increasing by 7%.<sup>9</sup> If the Board were to ask, "What accounts for the differences?" or "How was each premium determined?" answers would require the Associations to share the details behind their premium determinations. And under the current timeline and structure, even if the Associations were to disclose their renewal methodologies and the basis for these premium changes, the Board would receive this information only *after* the Associations had contracted with the carriers—it would be too late for the Board to change the outcome for that plan year.

*c. The Current Structure Diverges from LAFPP's Peer Pension Plans*

Our research indicates that LAFPP may be the only California public pension system that provides health insurance benefits to sworn retirees exclusively in this manner. Other systems we examined either contract directly with health insurance carriers to provide benefits to all retirees, regardless of which department employed them during active service, or only allows retired firefighters to opt out of the system's plans and obtain insurance through their unions. (In other words, those systems either pool all retirees together, sworn and non-sworn, or they pool all sworn retirees together with a limited exception for firefighters.)

WPERP retirees have access to insurance plans from the same carriers that are available to active employees, and the insurance is provided through the Department of Water and Power, so the only role WPERP plays is issuing payments towards coverage premiums. LACERS contracts directly with health insurance providers, whose premiums are paid in a similar manner to LAFPP. Unlike LAFPP, LACERS has direct, unfettered access to participant claims data, and both LACERS and DWP work with independent healthcare consultants and use retiree claims data to negotiate with insurance carriers for the lowest possible premiums for a given benefit level.

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<sup>8</sup> May 3, 2018 Board report, Item B.1.

<sup>9</sup> *Id.*

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL****2. Evolution of the Program Since 1975: Benefit Changes, Membership Expansion, Cost Increases*****a. Creation of the Program***

The Board has been administering pension benefits for Los Angeles' sworn personnel for over 100 years. In 1973, the Los Angeles City Council approved a new retiree healthcare benefit for LACERS members, which provided for a monthly subsidy. Following a Charter amendment to authorize a similar benefit for LAFPP members, in 1975, the City Council adopted Ordinance No. 147,014, "to provide a program whereby retired members or beneficiaries ... shall have subsidy payments made on their behalf."<sup>10</sup> Retirees were eligible for this new benefit if they were 60 years old with a minimum of 10 years of service. The amount of the subsidy maximums for non-Medicare coverage was tied to the health insurance subsidy maximums provided to active LAFPP members through their respective collective bargaining agreements (MOUs). \*

On April 17, 1975, the Board unanimously passed the resolution that brought the Program to life. In September of 1975, the City Council amended the formula for calculating the subsidy amount for Medicare coverage available to LACERS to members; three months later the City Council established an identical Medicare benefit for LAFPP members, and capped the amount of the LAFPP subsidy at the highest single-party premium offered by LACERS Medicare plans.

Prior to 1975, nearly 100% of LAFPP retirees received their health care benefits through the relief association or union that had provided those benefits during their careers as active employees. The resolution recognized "certain employee service organizations, including the Fire Relief Association, the Police Relief Association, and the United Firefighters" as "the organizations through which said health insurance is provided by contract with recognized health insurance carriers."<sup>11</sup> This resolution further authorized the expenditure of subsidy funds towards these associations subject to certain conditions, namely the presentation of an invoice for health insurance premiums "provided said invoices are verified against records kept by the Pensions Department and the Controller's Office and found to be correct and proper and that individual subsidy amounts are within the limits set for in ordinance 147,014."<sup>12</sup> The conditions included in the Board resolution represent the Board's first effort to fulfill its fiduciary oversight role in the administration of the Program.

***b. Benefit Changes***

In September 1976, the Board authorized retiree healthcare subsidy payments to be paid towards premiums for insurance policies that also covered dependents of retirees. The City

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<sup>10</sup> City Council Ordinance No. 147,014, adopted March 20, 1975, codified as Los Angeles Administrative Code §§ 4.1150 *et seq.*

<sup>11</sup> April 17, 1975 resolution.

<sup>12</sup> *Id.*

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Council amended the eligibility criteria, effective July 1, 1998, to allow participation in the Program for retired members when they turned 55. In 2000, the City Council further amended the benefit to expand eligibility to surviving spouses and domestic partners. The City Council added a reimbursement option in 2001 (“HIPR”), which allowed retirees to request reimbursement for health insurance premiums paid out of pocket if they were ineligible to participate in Association or Independent Group plans. In 2002, the City Council approved the addition of a dental insurance subsidy.

By this time, the Program had been in effect for nearly twenty years, and members had begun to complain about the long-term impact of tying the non-Medicare subsidy to active employees’ MOUs. Essentially, increases to the non-Medicare subsidy were being held hostage to the bargaining cycle, with the result that subsidies remained the same for years at a time, only to be adjusted retroactively once successor MOUs had been adopted. This was highly disruptive to retirees, LAFPP staff, and the Associations.

In response, the City Council placed a Charter amendment on the March 8, 2005 ballot to authorize a new way of calculating the non-Medicare subsidy amount. Following voter approval, the City Council adopted Ordinance No. 177,630, effective June 19, 2006. This ordinance gave the Board authority to increase the non-Medicare subsidy each year by a maximum of 7% or the actuarially assumed medical trend rate for healthcare costs. L. A. Admin. Code § 4.1154. Any proposed increase in excess of that amount would require City Council approval. *Id.*

In addition to changes to the benefits themselves, LAFPP membership demographics and options for certain retirees have changed. Retirees and their eligible survivors are living longer, and following passage of the Affordable Care Act, coverage is available for dependent children until they turn 26.

***c. LAFPP Membership Expansion***

Port Police joined the Plan in 2006. Following a 2016 Charter amendment, Airport Police began joining the Plan in 2018. Membership in the Independent Group will therefore continue to increase, and LAFPP must continue to provide suitable insurance options for this group. In July 2017, Port and Airport Police bargaining units filed Unfair Employee Relations Practice charges against the City, alleging that it failed to meet and confer before enacting an ordinance that changed their members’ future retiree health plan options, including the elimination of the option to enroll in plans administered by LACERS. The claims were voluntarily withdrawn after some of the Associations agreed to make certain health plans available to Port and Airport Police members beginning in the 2018 plan year.<sup>13</sup>

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<sup>13</sup> For further discussion of the Board’s duties of loyalty and impartiality in approving health plans for all members, please refer to our Attorney-Client Privileged and Confidential Memorandum to the Board, dated September 28, 2017.

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL*****d. Cost Increases and Responses by the Plan Sponsor***

The cost of the subsidy has increased dramatically over the years, and the City and sworn unions have attempted to mitigate the impact of cost increases through the collective bargaining process. The most recent amendment to the Program was the 2011 “Freeze” ordinance, in which the City Council codified an agreement between the City and sworn unions to require an additional 2% payroll contribution in exchange for continued eligibility for subsidy increases. Litigation over this change concluded in 2017 when the Freeze ordinance was upheld as valid on appeal.<sup>14</sup>

**3. The Board’s Historic Oversight Efforts**

The Board has engaged in multiple efforts over time to exercise meaningful oversight over the Program and to formalize its relationship with the Associations. Since 2006, the Board has, among other things: insisted on and adopted written contracts with the Associations; had the Associations audited by an outside auditor; performed a second series of narrowly focused internal audits; explored providing some LAFPP retirees with health insurance coverage outside the Associations; and sought to engage healthcare consultants to support and improve its oversight capabilities and propose cost management strategies.

***a. 2001-2006: The Controller’s Audit and the Execution of Written Operating Agreements***

At the outset, in the 1970s, the relationship between LAFPP and the Associations was informal and issues were addressed on an ad hoc basis. In fact, the relationship was so informal that for the first 30 years the Program was in effect, LAFPP did not have written agreements with any of the Associations. The lack of formal agreements first came into focus following a 2001 Controller’s Audit of the Los Angeles Police Relief Association.<sup>15</sup>

In response to the Controller’s audit, the Associations changed many of their internal practices and the Board resolved to adopt a more formal approach to its oversight of how the Associations administer the Program. To that end, through a period of difficult but ultimately productive negotiations, the Associations signed their first written agreements

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<sup>14</sup> Related litigation is ongoing concerning the interpretation of agreements between the City and UFLAC and LAPPL that granted these unions’ members to option to contribute an additional 2% of their salaries in exchange for an exemption from the freeze. In August 2012, LAPPL and UFLAC brought an action for declaratory relief against the City and the Board, demanding a judicial declaration that members who opted to make contributions have an absolute right to an annual increase of 7% or the medical trend rate—the ceiling of the Board’s authority under the Administrative Code—and that the Board has no discretion to grant less. And, in August 2017, after the Board authorized an annual increase in the subsidy of 6% in July, which was less than the 7% actuarial trend rate the Board had adopted for the year (and therefore less than the ceiling of its authority), LAPPL filed a new complaint against the City and the Board challenging the Board’s subsidy decision. The Board is represented by outside conflict counsel at Reed Smith LLP in both cases.

<sup>15</sup> While the audit did not focus specifically on LAPRA’s administration of LAFPP benefits, many of the issues identified in the audit arose out of LAPRA’s historically informal approach to its global administration of member healthcare benefits.

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with LAFPP in 2006.<sup>16</sup> In addition to accepting the need for written agreements, another major concession by the Associations was their consent to participate in “any FPP internal or external audit ... to the extent it specifically applies to the administration of any retiree medical and/or dental plan subsidized by FPP.”<sup>17</sup>

***b. 2006-2011: the Segal Audit Pursuant to the 2006-09 Operating Agreement***

Pursuant to its obligation to provide oversight of the subsidies paid to the Associations and consistent with the terms of the new agreements, the Board awarded an auditing contract to The Segal Company in October 2006.<sup>18</sup> The stated goal of the audit was “to ensure that the funds provided by FPP were being properly spent for the benefit of those eligible retirees and their dependents as intended by FPP.”<sup>19</sup> Annual subsidy expenditures at the time exceeded \$62 Million.

Unfortunately, the challenges faced during negotiations over the original written agreements resurfaced when it came time for the first round of audits. It appears that LAFPP, the Associations, and Segal spent the first 18 months of the contract negotiating over what data would be provided to Segal and how it would be used.<sup>20</sup> According to all parties, the auditing process was arduous, inconvenient, and extremely time consuming. Audit rights then became a main obstacle to reaching successor agreements.<sup>21</sup>

The results of Segal’s audit were consistently positive. Primary findings by the auditor included, “The plans were all deemed to be competitive with the benchmark universe and were well run with respect to effective plan design and economies of administration” and “The cost to the Pension Board of the benefit that is being offered to retirees is more than competitive than what other employers are charged for the same benefits and meet or exceed market benchmarks for monthly premiums.”<sup>22</sup>

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<sup>16</sup> See Board report dated March 23, 2006, item 8, in which the Board is presented with two options to encourage the Associations to sign the agreements: withhold subsidy payments or freeze Association requests to process new subsidies until the agreement is signed. It appears neither option was formally undertaken.

<sup>17</sup> See, e.g., May 15, 2006 Memorandum of Understanding between LAFPP and LAPRA, §3.4.

<sup>18</sup> The contract provided that Segal would “review all underwriting and claims information that is available from the association plans and the vendors of insurance and HMO coverage for participants. Our review will include an analysis of the last two completed rate renewals for which information is available. This will include an analysis of the funding mechanism, i.e., insured, partially insured or self-insured, capitated, or community rated as may be the case with the Medicare eligible HMO participants. We will include a comparison of any retiree contributions for benefits that are charged by each of the association plans.”

<sup>19</sup> Segal Audit, “Health Fund Audit for Participating Association Health Plans,” released on April 23, 2009, p. 3.

<sup>20</sup> January 24, 2008 Board report, item 3, requesting Board approval to modify the Segal contract to exclude the requirement to produce a report on the feasibility of LAFPP administering its own medical and/or dental plans.

<sup>21</sup> February 17, 2011, Board report, item 1, indicating negotiations had been underway since September 2009 and further discussions over audit rights would only “result in further delays” without moving the parties any closer to resolution.

<sup>22</sup> Segal Audit, p. 2.

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However, these results should be taken with a grain of salt because none of the Associations provided Segal with complete and comprehensive data originally requested by Thomas Morrison, Jr., the auditor.<sup>23</sup> As he stated in a follow-up memorandum to the Board, “Without supporting documentation to the audit, its conclusions are unsupported, specifically with respect to demonstrating that the Board has carried out its responsibilities to review how its funds are dispensed to retirees. The most recent audit report is without such supporting documentation, as the Associations withheld the release of any supporting information.”<sup>24</sup> To address this shortcoming, he recommended that any future auditors should have access to five years’ worth of records from any third-party administrator providing health insurance to retirees. Mr. Morrison recommended these records include, among other things, “...Annual Financial Statement, Rates, Carrier Renewal and Underwriting Information...”<sup>25</sup>

In a separate communication, Mr. Morrison provided a “Document and Data Request Inventory” that included “Monthly financial statements for the last 24 months ... Claim reports for the last 24 months; Retiree contribution rates for the last 24 months; Self-pay contribution rates (including COBRA) for the last 24 months ... All insurance company and service provider renewal actions for the two renewals and a copy of all current contracts for coverage provided to retirees; Summary Plan Descriptions (SPDs) and Evidence of Coverage and Disclosure booklets (ECDs) with all Summary of Material Modifications (SMMs) issued subsequent to release of the SPDs and ECDs...”<sup>26</sup>

***c. 2011: Updated Board Resolution and Second Generation Operating Agreements***

On March 3, 2011, the Board adopted a new resolution to replace the original resolution authorizing the Program. This new resolution reflected changes to the Program to include dental coverage and incorporated some of the feedback from staff reflecting the evolving relationship between LAFPP and the Associations. The draft resolution was included in the same February 17, 2011 Board report that requested direction for finalizing the successor agreements with the Associations. As the report observed, “There ha[d] not been an updated agreement or new Board resolution that encompasses the changes that have come into being in the 35 years since the adoption of the 1975 Resolution.”<sup>27</sup>

The March 3 resolution stated that the Board “will conduct independent audits” of “the administration of any retiree medical and/or dental plan subsidized by the LAFPP.” However, based on the difficulties encountered in carrying out the first audit, the positive results of the first audit, the impasse over including audit rights in the successor agreements, and a strong desire from the Board to maintain positive relationships with the

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<sup>23</sup> July 15, 2009 Memorandum from Thomas Morrison, Jr., p. 4.

<sup>24</sup> *Id.*

<sup>25</sup> *Ibid.*, pp. 2-3.

<sup>26</sup> Attachment to March 19, 2010 email from Thomas Morrison, Jr. to Gregory Mack and Joseph McGlinchey.

<sup>27</sup> February 17, 2011 Board Report, *supra*.

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Associations, no subsequent audit has been performed that could be considered comparable to Segal's original audit. In the interest of peace and ensuring that retirees' subsidy payments would continue without disruption, the Board backed off of its efforts to conduct any more rigorous oversight of how the Associations administered the Program on its behalf.

***d. 2011-2014: The Limited Internal Audit Section Audit and Third Generation Operating Agreements***

In lieu of accepting another audit similar to Segal's and/or enshrining the Board's audit rights in successor agreements, the Associations allowed an audit by LAFPP's Internal Audit Section ("IAS") limited to reviewing the administrative procedures used by LAFPP and the Associations to process, pay, and adjust the subsidies. IAS audited the Associations during 2012-13 and issued positive reports of the processes and procedures used by LAFPP and the Associations to administer those aspects of the Program.

In 2014, LAFPP again negotiated successor agreements with the Associations. Consistent with the 2011 agreements, the 2014 agreements did not include any auditing provisions, and the Associations merely agreed to the same generic provision to "Adopt and keep in effect a records retention policy period."<sup>28</sup> Note this provision does not identify how long records should be retained, which specific records should be retained, nor a commitment to share those records with any other parties.

**4. The Board's Commitment to Fully Exercise Its Oversight Duties Over an Increasingly Costly and Complex Retiree Healthcare Program**

***a. The Program Has Become Increasing Costly and Complex***

Over forty years have passed since the Program was introduced, and the national healthcare industry has grown increasingly more costly and complex in that time. LAFPP is not alone in its experience with continually rising healthcare expenditures.

The Program's costs have increased significantly: the total annual expenditure for subsidy payments in 1976 was approximately \$349,000; in 2017 it was nearly \$123 Million. In the last decade alone the annual projected total subsidy expenditure has risen from \$62 Million in 2006 to \$131 Million projected for fiscal year 2018-19. With respect to complexity, two recent updates from the General Accounting Standards Board (GASB), GASB 74 and 75, now require more detailed annual accounting of Other Post-Employment Benefits, which applies to the Program. In addition, the Affordable Care Act has imposed other accounting and reporting requirements on LAFPP and the Associations.

Despite these changes, the overall manner in which the Board administers the Program has remained essentially the same since 1975. Current conditions require increasingly formal

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<sup>28</sup> See, e.g., July 1, 2014 Operations Agreement between LAFPP and LAPRA, § 3.2(p)

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oversight by the Board, which it has been attempting over the past two years by seeking the information and expertise it requires to meet those challenges.

***b. The Independent Group's Coverage Challenges and the 2017 Request for Proposal***

The most recent agreement between LAFPP and LACERS to provide health insurance plans to members of the Independent Group as approved in May 2015. Shortly after approval, LACERS indicated it would stop providing health insurance to LAFPP members at some point in the near future. On November 19, 2015 Keenan & Associates (Keenan), the Plan's healthcare consultant, presented options to the Board for how to continue providing health insurance to the Independent Group. Recommendations included offering the same reimbursement option to these members as for other members who were not enrolled in an Association plan, having LAFPP administer its own health insurance plan, which would offer similar coverage options as were available to the LACERS small group members, negotiating with the City's Personnel department to offer these members access to the Flex benefits program for active employees, and, for Medicare recipients, implementing a private Medicare Exchange coupled with a Health Reimbursement Account option. The Board directed LAFPP staff to flesh out those recommendations and assess their viability but did not direct staff to negotiate with the Associations to offer insurance plans to these members.

A year later, staff were still exploring those options. In recognition that the Independent Group would grow once Airport Police joined LAFPP, at its meeting on November 17, 2016 the Board directed staff to issue an RFP that would solicit bids from health insurance companies to contract with LAFPP to provide coverage for medical, vision, and dental plans for Independent Group members as well as provide insurance to the entire LAFPP membership. The RFP was released on February 16, 2017.

***c. The Limited Response to 2017 RFP for Health Plans***

At the June 1, 2017 Board meeting, Keenan presented the results of the February 16, 2017 RFP for health insurance providers. LAFPP only received one bid for a non-Medicare PPO plan, from Anthem. Other major health insurance companies, including Aetna, Blue Shield, UHC, and Cigna, declined to bid. In response to questions from the Board about why Anthem was the only respondent for the non-Medicare PPO category, Keenan replied that, as the insurance provider contracting with LAPRA for its PPO plan and contracting with LAFRA to provide access to its provider network, Anthem was the only bidder who had access to any claims data for the prospective coverage.<sup>29</sup>

Throughout the discussion, the Board expressed its desire to improve its ability to manage the ongoing increases to subsidy expenditures, and Board members individually expressed their frustration to Keenan that the RFP process had yielded so few coverage options in

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<sup>29</sup> June 1, 2016 Board meeting audio recording, item A.2. Despite a written request in March from Keenan to LAFRA and LAPRA for claims information, the Associations did not provide this data nor provide any written response to the request.



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response to its stated goals of finding suitable plans for the Independent Group and LAFPP membership at large. The discussion revealed that without claims data, the Board was limited in how it could exercise its authority to administer the Program in order to provide suitable plans to the Independent Group or slow expenditure growth.

At one point during the discussion, Keenan suggested that LAFPP might be able to save between \$12-30 Million per year if members were required to participate in a retiree healthcare program administered exclusively by LAFPP. This savings opportunity was contingent on mandatory participation; in response to the prospect of losing coverage provided through LAFRA, one retiree commented that the “value of the plan” is LAFRA’s customer service and coverage options. This commenter pointed out that competition is a key driver of quality service and proposed that if LAFPP offered a truly competitive “good” plan, he would be willing to sign up. A Board member later suggested that achieving any potential significant savings would be impossible without access to retiree claims data, describing the Board’s process to undertake the effort without claims data as “going at this in a half-baked manner.” At the time, the only available means of providing non-Medicare insurance plans were contracting directly with Anthem or sending members to California’s healthcare exchange.

At its meeting on June 15, 2017 the Board continued its discussion of the RFP responses, and Labor First, one of the bidders for Medicare coverage, made a presentation. At this meeting, the Board also approved the formation of an Ad Hoc Committee on Retiree Healthcare, composed of two elected and two appointed Board members who would be tasked with engaging all stakeholders in resolving the issues raised during the meetings on June 1 and June 15, 2017.

Meanwhile, the Board was still grappling with interim and permanent solutions to providing coverage to Independent Group members, who would be losing their LACERS coverage as of January 1, 2018. At its meeting on July 6, 2017 the Board directed staff to negotiate with Kaiser Permanente and Anthem to provide medical, vision, and dental coverage for those retirees as well as continue discussions with the Associations about “opening up” their plans to these other retiree groups.

***d. Issues Raises by the Ad Hoc Committee on Retiree Healthcare***

The Ad Hoc Committee held its first meeting on August 14, 2017, and it has met periodically since inception through the current date. Nearly all of the meetings have been open to the public, and discussions have focused on how to help the entire Board fulfill its legal obligation to provide suitable health insurance plans to all LAFPP members, satisfy its fiduciary obligation to oversee and monitor the administration of subsidy expenditures, and address the complementary issue of how to reduce healthcare expenditures without diminishing the nature and quality of the health insurance options currently available. On September 20, 2017 the Board directed staff to cease negotiations with Kaiser and Anthem because all of the Associations had agreed to provide various coverage options to the

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Independent Group. The Ad Hoc Committee report discussing these developments described the Associations as “great partners.”<sup>30</sup>

One specific question raised by the Ad Hoc Committee poses how the Board’s fiduciary duties can be squared with discrepancies between the premium costs for the various insurance plans offered by the Associations result in retirees spending different amounts of their subsidy dollars for comparable benefits, according to which department employed them prior to retirement. If the Board’s fiduciary duty were deemed to include an obligation to provide identical benefits to all members, the need for claims data would become acute.

***e. The Board’s Engagement of a New Healthcare Consultant and Current Need for Claims Information to Fulfill its Oversight Role***

In response to a staff presentation at its meeting on March 2, 2017 that included a ten-year review of subsidy expenditures that had nearly doubled over the period, the Board directed staff to prepare another RFP, and at its meeting on March 16, 2017, the Board approved an RFP that sought bids for a range of healthcare consultant services to provide “independent review and measurement of (1) LAFPP health insurance subsidy expenditures and benefits costs, and (2) the efficiency of Board-approved health insurance plan premium negotiations.”<sup>31</sup> Representatives of the Associations were present for the Board discussion of this item, and at one point the Associations offered to support the stated goal of the RFP by providing certain information to LAFPP. The following week, Keenan sent letters to LAPRA and LAFRA requesting claims information for “retiree plans,” specifically requesting three years of “claim experience for Medical and Vision plans” and the supporting data.<sup>32</sup>

The Associations did not provide the claims data requested, nor, according to LAFPP staff, did either Association provide any written response or clear explanation for why it was refusing the request.

In yet another move towards fulfilling its fiduciary responsibilities with respect to overseeing the Program, at its meeting on January 4, 2018 the Board approved an RFP for a healthcare consultant to supplement the services currently provided by Keenan. The top three bidders gave presentations at the April 19, 2018 Board meeting, and each presentation included a question and answer period between the Board and the bidder. The Board asked each bidder whether and how having access to historical member claims data would impact the ability to provide the requested services. The responses were unanimous that not having access to claims data would make it nearly impossible to fulfill the RFP’s stated objectives.

For instance, Bob Cosway, the presenter from Milliman, indicated that in his experience it was common for Associations with similar relationships to share the methodology for how they calculate their premiums and the underlying claims data that would explain the basis

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<sup>30</sup> September 20, 2017 Board report.

<sup>31</sup> March 16, 2017 Board report on the healthcare consultant RFP, item A.7.

<sup>32</sup> March 24, 2017 letter from Steve Gedestad, Keenan’s Municipality Practice Leader.

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for premiums or future cost projections. Mr. Cosway stated, "I know you're [the Board] looking at changing the contract to provide more transparency and I think we could help you provide...some best practices."<sup>33</sup>

Gary Delaney, who presented on behalf of the winning bidder, USI, recommended the Board engage in benchmarking the Association plans in order to "give you [the Board] some perspective to see how it lines up both in cost and in benefits."<sup>34</sup> When asked how USI could help the Board perform its fiduciary duties without access to member claims data, Mr. Delaney stated, "It's unfortunate that you don't have the ability to have some of that information."<sup>35</sup> In the absence of member claims data, he proposed using census data to benchmark the retiree population that participates in Medicare, but he expressed concern that it would be "very difficult" to do that for the non-Medicare population.<sup>36</sup>

The consensus opinion from Keenan and the three RFP finalists who presented on April 19, 2018 is that best practices require LAFPP have access to retiree claims data and that plan administrators in the Board's position typically do have access to the data the Board is seeking.

The agenda item that immediately followed the RFP presentations concerned the ongoing discussions with the Associations to negotiate successor agreements for administering the Program on behalf of LAFPP. In light of the foregoing presentations, the Board expressed concern that the General Manager was not including access to member claims data as a term of any successor agreement. Some commissioners insisted that the Board already had a right to access claims data, others insisted that the Associations had an obligation to share the data, and others insisted that who "owned" the data was still an open question that needed to be resolved prior to putting any requirements in the operating agreements. Regardless of the commissioners' individual perspectives, all agreed that a lack of access to claims data was hindering their ability to carry out their fiduciary duties towards administration of the program. One commissioner summarized the issue by saying, "We need claims data; that's the only thing that matters."<sup>37</sup>

**DISCUSSION**

- 1. The Board Requires Claims Information to Administer the Retiree Healthcare Program in a Manner Consistent With Its Fiduciary Obligations**
  - a. The Board is responsible for making three critical decisions about the retiree healthcare program***

Under the Charter and Administrative Code, as summarized above, the Board is charged with administering a health insurance program for retired members and beneficiaries of the

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<sup>33</sup> April 19 Board meeting audio, Item A.4.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> April 19, 2018 Board meeting audio, Item A.5.

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Plan. See L.A. Charter §§1330(a),(d), 1518(a),(d), 1618(a),(d),1718(a),(d); L.A. Admin. Code §§4.2018, 4.1150-4.1167. In administering this program, the Board is responsible for making three critical decisions, all of which must be made in a manner consistent with the Board's fiduciary obligations:

(1) with whom to "contract" to provide health plans for LAFPP retired members and eligible beneficiaries, including whether to contract directly with insurance carriers or contract with third-party administrators, L.A. Admin. Code § 4.1152;

(2) which health plans to "approve" as "suitable" for Plan members and eligible beneficiaries, given their cost-sharing arrangement, covered benefits, provider network, and premium rates, L.A. Admin. Code § 4.1153; and

(3) what amount of subsidy dollars should be available each year for members and beneficiaries to apply towards their health insurance premiums in these approved health plans, given the premium rates of all approved plans, the medical trend rate adopted by the Board, and other relevant data. L.A. Admin. Code §§ 4.1151, 4.1152.

***b. The Board must make these decisions in a manner consistent with its fundamental fiduciary obligations, including its duties of prudence, cost-consciousness, and impartiality***

Fire and Police Pension Commissioners are trustees for the Plan; all decisions regarding the Plan must be made in a manner consistent with the Board's three fundamental fiduciary obligations.<sup>38</sup> The Board's decisions regarding the Retiree Healthcare Program are no exception—these decisions determine how trust funds are spent and significantly impact current and future LAFPP members and eligible beneficiaries.

First, the exclusive benefit principle grants the Board plenary authority over the Fund and requires it to carry out that authority by managing the Fund for the exclusive purposes of (1) funding the benefits promised to LAFPP's members, retired members, and beneficiaries and (2) defraying the reasonable expenses of administering the system. See Cal. Const. Art. XVI, §17; L.A. Charter §1106. Second, the prudent investor principle requires the Board to make all investment decisions with Fund assets with the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with these matters would use" in a similar situation. See Cal. Const. Art. XVI, §17(c); L.A. Charter §1106(c). Finally, the duty of primary loyalty holds that the Board's "duty to [LAFPP's] participants and their beneficiaries shall take precedence over any other duty." Cal. Const. Art. XVI, §17(b); L.A. Charter §1106(a).

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<sup>38</sup>These three fiduciary principles are drawn from California statutory and constitutional law, particularly Article XVI, section 17 of the California Constitution; the Los Angeles City Charter, particularly Section 1106; federal tax laws and regulations; the common law of trusts and uniform trust laws; and the federal Employee Retirement Income Security Act of 1974, as amended (ERISA), and related Department of Labor regulations implementing ERISA. ERISA does not apply directly to the Board but its provisions concerning pension boards' powers and fiduciary duties are analogous to those that apply directly to the Board and may provide some guidance on certain issues.

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Longstanding principles of trust law also recognize a duty of impartiality as an “extension” of this duty of loyalty. RESTATEMENT (THIRD) OF TRUSTS §79(1), cmt. *b* (2012).

Additionally, “[i]mplicit in a trustee’s fiduciary duties is a duty to be cost-conscious.” RESTATEMENT (THIRD) OF TRUSTS §88, cmt. *a*; *see also id.* at § 90(c)(3) (duty of prudence requires that trustee “incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the trusteeship.”); *id.* at § 90, cmt. *b* (“cost-conscious management is fundamental to prudence in the investment function,” and should be applied “not only in making investments but also in monitoring and reviewing investments); *Donahue v. Donahue*, 182 Cal. App. 4th 259, 273 (2010) (reversing and remanding an award for attorneys’ fees incurred by a trustee because the trial court did not consider whether the trustee fulfilled his duty to be cost-conscious in incurring the fees).

The Board must therefore make each of these three critical decisions regarding the Retiree Healthcare Program prudently in the first instance. But that is not enough: the Board “cannot assume” that a health plan or third-party administrator that was a prudent choice in 1975 remains a prudent selection “indefinitely”—it must gather the information it needs to continuously monitor and reevaluate those decisions “at regular intervals” to ensure that they remain cost conscious uses of trust funds and in the overall best interest of the Plan’s members and beneficiaries as a whole. *Tibble v. Edison Int’l*, 843 F.3d 1187, 1197 (9th Cir. 2016) (*en banc*) (quoting *Tibble v. Edison Int’l*, 135 S. Ct. 1823, 1828 (2015) (quoting A. HESS, G. BOGERT & G. BOGERT, LAW OF TRUSTS AND TRUSTEES § 684, 145-48 (3d ed. 2009) [hereinafter Bogert 3d])).

***c. The Board may delegate some of these decisions to an agent but only if that delegation is prudent and is subject to continuous oversight***

Although the Board may delegate the performance of some of its responsibilities to an agent, trust law and the fiduciary duty of prudence require the Board to delegate only when it is prudent to do so and to continuously supervise and monitor the agent performing the delegated matter. RESTATEMENT (THIRD) OF TRUSTS § 80 (2012); *id.* at §90, cmt. *j* (“The trustee must exercise care, skill, and caution in establishing the scope and specific terms of any delegation, and must keep reasonably informed in order to monitor the execution of investment decisions or plans.”); Cal. Prob. Code §16012. It may well be that the decision concerning which plans to approve as suitable in a given year is a decision, like other complex and specialized ones with which the Board is tasked, that is prudent to delegate to a third-party with the relevant expertise. At a minimum, it is prudent for the Board to seek advice and input from a consultant or other outside expert in order to make these decisions. For example, in making investment decisions concerning the Plan’s private equity program, the Board always receives the advice and recommendation of its expert and experienced private equity consultants, whom it has carefully selected for contract after a competitive process. Other pension plan boards have, alternatively, delegated (within certain policy limits) their decision-making authority to their plans’ private equity consultants to make the investment decision and then inform the board once the decision has been made—granting to the consultant so-called “discretion in a box.”

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The Board's current structure for carrying out its fiduciary responsibility to approve suitable health plans can be understood as the latter: a delegation of authority to the Associations, rather than a contract with the Associations as expert consultants who inform the Board's decisions. The Associations make the decisions regarding which health plans are suitable to be offered each year to LAFPP retired members and eligible beneficiaries, including their plan design, cost-sharing, provider networks, and premium costs. The Board is informed of the final result of the Associations' decisions *after* they have been made—the Associations tell the Board which health plans will be offered. With this limited, after-the-fact information, the Board considers the premium costs of each health plan that will be offered by each Association in the coming year when setting the subsidy. The Board has no opportunity to independently evaluate the plans being considered, to participate in the renewal negotiations with the carriers, to consent to the plans ultimately selected, nor to analyze the competitiveness of the costs of those plans or the impact on members of the plan design decisions made.

By delegating its decision-making authority to approve suitable health plans, the Board has a fiduciary obligation to continuously supervise and monitor the Associations to ensure that the Associations are carrying out that delegated authority prudently, cost-effectively, and in the overall best interest of LAFPP members and eligible beneficiaries.<sup>39</sup>

As the preceding Background section demonstrates, since Segal released its audit in 2009 the Board has been unable to perform truly meaningful, thorough oversight of the Program, not just with respect to premium costs for health insurance plans offered by the Associations. Given the Board's oft-stated concern over subsidy expenditures that have doubled since the Associations and the Board signed their first written agreements, it should come as no surprise that over the past two years the Board has engaged in ongoing, robust efforts to understand and control the rising costs of health insurance. Because subsidy dollars are paid out according to the cost of plan premiums, which are priced to include administrative costs and an insurer's profit margin, examining the data that underlies premium calculations is a logical place for the Board direct its attention.

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<sup>39</sup>We note that the Associations' counsel has argued that a contract term that would give the Board the right to approve or reject health plans, or even benefit changes within those plans, selected by the Associations, would jeopardize the tax exempt status of the Associations as tax exempt Voluntary Employee Benefit Associations (VEBAs) under Internal Revenue Code section 501(a)(9). After conferring with the Plan's outside tax counsel, we do not believe this concern is warranted. The examples cited by the Associations' counsel for this proposition involve facts that are very different from ours. In one case, the association was found not to be a VEBA because it did not have any identity separate from the employer's identity. In the other case, members were found not to control the association where the members did not hold meetings, had no right to elect officers or directors, and no right to replace trustees. These examples are not on point given that LAFRA and LAPRA are sophisticated and longstanding entities with their own management, staffs, and boards of trustees. We disagree that the Board's exercise of its fiduciary oversight responsibilities, including some meaningful right to right to supervise the Associations' recommended selection of health plans that will be eligible to receive subsidy dollars in a given year, would be sufficient to cause the Associations' membership to fail to have control over the VEBA and therefore jeopardize their status as VEBAs under the tax code.

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If its stewardship of LAFPP funds includes seeking ways to reduce the total amount of annual subsidy expenditures, and its obligation is to approve suitable plans for members, the Board should constantly be looking for ways to reduce the costs of premiums without sacrificing member access to benefits. By emphasizing its interest in reducing costs without compromising benefits, the Board has demonstrated its commitment to fulfilling its fiduciary obligations towards members in every facet of its administration of the program.

One area of concern that has not received much attention but poses a credible threat to cost control efforts is the fact that, based on current practices, the Board does not have any practical means to prevent the Associations from pegging premium amounts to the subsidy maximums. While the current average premium payments capture approximately 64% of subsidy maximums, it is conceivable that the Associations could design plan options with premiums that encourage retirees to tap a higher percentage of their subsidy maximum. In one recent example, after receiving a staff briefing on how the Medicare subsidy is administered by LAFPP, one of the Associations subsequently proposed an increase in its Medicare premium that equaled that year's Medicare subsidy maximum. While it is entirely plausible that such a premium increase is a reasonable response to claims data and historical trends, there is no way for the Board to verify the merits of any premium increase without access to retiree claims data.

In a similar vein, although the Associations provide additional services to their members beyond health insurance, even if the Associations have adopted Segal's recommendation to separate health insurance costs according to services provided to active employees versus retirees, without access to claims data, the Board cannot independently verify that subsidies are paid for the exclusive benefit of retirees and not used to amortize other Association expenses.

Whether the issue is proposing alternate health insurance plan options, verifying the Associations' cost of administering benefits, or simply negotiating agreements with Associations, the major obstacle preventing the Board from effectively fulfilling its fiduciary duties appears to be the lack of consistent, unfettered access to member claims data.

The Board was unable to obtain competitive bids for providing alternatives to the Independent group or retirees because it could not provide member claims data to any bidders that did not already have access. The Board was unable to complete an RFP process to retain an outside consultant to evaluate healthcare costs and benefits because it could not provide member claims data to any bidders. The Board has selected a new consultant to assist in its evaluation of Association healthcare costs and benefits with the understanding that it will not get very robust or reliable recommendations because it cannot currently provide member claims data to USI. The Board cannot realistically establish criteria for approving health insurance plans because it cannot access member claims data.

In sum, the current administrative scheme leaves the Board with few options for exerting fiduciary oversight or exercising cost controls over the program: current contracts do not

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allow for audits; it cannot assess the reasonableness or appropriateness of plan design and associated costs; it cannot contract for comparable, competitive insurance plans. To be clear, these issues are not presented in order to insinuate that the Associations are doing anything less than an impeccable job as third-party administrators; we highlight these issues merely to demonstrate the full extent to which the Board should be exerting its fiduciary responsibilities and the limits its lack of access to claims data place on its ability to fulfill those duties.

**2. As Agents and Fiduciaries of the Board, the Associations Must Provide the Board Access to the Claims Information**

The law of agency clearly requires the Associations to allow the Board to access the claims information. "Agency is the relation that results from the act of one person, called the principal, who authorizes another, called the agent, to conduct one or more transactions with one or more third persons and to exercise a degree of discretion in effecting the purpose of the principal." *L. Byron Culver & Associates v. Jaoudi Industrial & Trading Corp.*, 1 Cal. App. 4th 300, 304 (1991) (citations and internal quotation marks omitted). An agency relationship may be implied from the circumstances and conduct of the parties, *see Michelson v. Hamada*, 29 Cal. App. 4th 1566, 1579-80 (1994), and "when one assumes to act as the agent for another, he may not, when challenged for these acts, deny his agency[.]" *People v. Robertson*, 6 Cal. App. 514, 517 (1907).

The Associations are agents of the Board for the purpose of selecting, contracting for, and administering, subsidy-funded health plans for LAFPP retirees and their beneficiaries. As outlined above, the Board has essentially delegated to the Associations its legal authority to approve suitable plans towards which subsidy dollars may be used. By exercising that delegated authority to contract for and administer health plans for LAFPP members and beneficiaries, and by accepting subsidy payments from the Plan to fund those health plans, the Associations act as agents of the Board for this purpose.

As agents, the Associations are fiduciaries. See, e.g., *Chemical Bank v. Security Pacific Nat'l Bank*, 20 F.3d 375, 377 (9th Cir. 1994) ("The very meaning of being an agent is assuming fiduciary duties to one's principal"). A fiduciary relationship imposes "duties of loyalty and full disclosure." *Rookard v. Mexicoach*, 680 F.2d 1257, 1262 (9th Cir. 1982).

***a. The Associations owe the Board a duty of full disclosure of all material information that might influence the Board's decisions regarding the Program***

The Associations have "a fiduciary duty" to the Board "to disclose all information in the agent's possession relevant to the subject matter of the agency." *L. Byron Culver & Associates v. Jaoudi Industrial & Trading Corp.*, 1 Cal. App. 4th 300, 302 (1992); *accord Neel v. Magana, Olney, Levy, Cathcart & Gelfand*, 6 Cal. 3d 176, 189 (1971) ("The duty of a fiduciary embraces the obligation to render a full and fair disclosure to the beneficiary of all facts which materially affect his rights and interests"); *Parsons v. Tickner*, 31 Cal. App. 4th 1513, 1526 (1995) ("The fiduciary relationship carries a duty of full disclosure"); *St. James Armenian Church v. Kurkjian*, 47 Cal.App.3d 547, 552 (1975) (California law



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"charges an agent with the duty of fullest disclosure of all material facts concerning the transaction in question which might affect the principal's decision."); *Ziswasser v. Cole & Cowan*, 164 Cal. App. 3d 417, 421 (1985) ("It almost goes without saying that the general fiduciary duty owed by the agent to his principal includes the duty to make a full and complete disclosure to him of *all* material facts which the agent knows and which *might* influence the principal with respect to the transaction and to his willingness to enter into it.") (internal citations and quotation marks omitted; emphasis in the original); RESTATEMENT (THIRD) OF AGENCY §8.11 (2006) ("Duty to Provide Information: An agent has a duty to use reasonable effort to provide the principal with facts that the agent knows, has reason to know, or should know when (1) subject to any manifestation by the principal, the agent knows or has reason to know that the principal would wish to have the facts or the facts are material to the agent's duties to the principal; and (2) the facts can be provided to the principal without violating a superior duty owed by the agent to another person.").

Here, the subject matter of the agency is the Associations' administration of health plans on behalf of LAFPP members and eligible beneficiaries, including the annual selection of health plans to offer to LAFPP retirees, the renewal of those plans, negotiations with the insurance carriers regarding premium rates, plan design, provider networks and cost sharing, and the claims experience of LAFPP retirees and eligible beneficiaries enrolled in the health plans administered by the Associations. There is no question that claims data is in the Associations' possession and was gathered by the Associations in carrying out the subject matter of their agency.

***b. The Associations' duty of loyalty requires that they not compete with the Board nor use information obtained in carrying out their delegated duties to their own advantage***

"An agent has a fiduciary duty to act loyally for the principal's benefit in all matters connected with the agency relationship." RESTATEMENT (THIRD) OF AGENCY §8.01 (2006). "An agent's failure to provide material information to the principal may facilitate the agent's breach of the agent's duties of loyalty to the principal." *Id.* at § 8.01, *cmt. b.* The Associations' fiduciary duty of loyalty to the Board also requires that the Associations not "compete with" the Board. *Sierra Pacific Industries v. Carter*, 104 Cal. App. 3d 579, 581 (1980) ("An agent may not compete with the principal"). Moreover, since the Associations acquired the claims data precisely by carrying out their delegated duties as agents to contract for and administer health plans for LAFPP retirees and beneficiaries, the Associations' duty of loyalty to the Board bars them from using that data to their own advantage and to the Board's detriment. *Whittaker v. Otto*, 188 Cal. App. 2d 619, 624 (1961) ("In the absence of full knowledge and consent on the part of his principal, an agent may not acquire any right or title in the subject matter of the agency by the use of his position or any information acquired by him during the course of his employment."). And to the extent that the claims data would be a "benefit" or "advantage" to the Board in formulating a solicitation for health plans, it would be a violation of the Associations' fiduciary duty of loyalty to deny that benefit to the Board. *See Savage v. Mayer*, 33 Cal. 2d 548, 551 (1949) ("All benefits and advantages acquired by the agent as an outgrowth of the agency, exclusive of the agent's agreed compensation, are deemed to have been

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acquired for the benefit of the principal, and the principal is entitled to recover such benefits in an appropriate action.”).

***c. The Associations have not asserted any valid legal bar to providing claims data to the Board—and protecting their own pecuniary self-interest is not a valid rationale in light of their fiduciary duty of loyalty.***

In the last several weeks, we have received several e-mail communications from the Associations’ counsel<sup>40</sup> that assert arguments against a contract provision that would require the Associations to disclose claims information to the Board. We briefly summarize those arguments here, along with the reasons—after consulting with the Plan’s outside tax counsel—we do not find them persuasive.

First, the Associations’ attorneys argue that because LAFPP is not now a party to the contracts between the carriers and the Associations, LAFPP does have a contractual right to the information. That argument misses the point. The Board has not taken the position that it has a contractual right to the information under the existing carrier contracts. Rather, the Board, through its direction to staff, is attempting to negotiate a successor contract with the Associations that would provide the Board with a right to access that information. And the Board has every right under agency law to require such a term be included in that contract.

Second, the Associations’ counsel contends that providing the Board with the right to review claims information would be inconsistent with LAFRA and LAPRA’s status as VEBAs insofar as a VEBA must, according to counsel, enter into contracts in its own name. That does not follow. By way of background, in order for a VEBA to maintain its tax-exempt status under Internal Revenue Code (Code) section 501(c)(9), it must satisfy multiple requirements. One requirement is that there must be an entity, such as a corporation or trust, having an existence independent of the member-employees or their employer. Treas. Reg. § 1.501(c)(9)-2(c)(1). In evaluating whether this requirement is satisfied, the IRS Audit Guidelines for VEBAs that are cited by counsel direct the auditor to confirm whether contracts are in the name of the VEBA or the employer, among other items. This audit guideline goes to whether the VEBA’s identity is separate from the employer. In other words, if the VEBA’s contracts were in the name of the employer, it might suggest that the employer and VEBA do not have separate identities. The Associations’ counsel appears to be suggesting that this prohibits the VEBA from providing the Board with access to claims data. We are not persuaded, and do not see how providing the Board with a right to review claims data would cause the VEBA to lose its separate identity.

Third, the Associations’ counsel relies on a case applying the Employee Retirement Income Security Act (ERISA) to argue that LAFPP does not “own” the claims data because the Plan has not accounted for it as a separate financial asset in its Internal Revenue Code

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<sup>40</sup> Robert Macaulay, Esq. (Parker Brown Macaulay & Sheerin, P.C.), who represents both LAFRA and LAPRA.

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section 401(h) account.<sup>41</sup> *Patient Advocates, LLC v. Prysunka*, 316 F. Supp. 2d 46 (D. Me. 2004). Setting aside the fact that this is a case from a trial court in Maine and that the Plan is not bound by ERISA, this case actually hurts the Associations' position that it cannot disclose the claims data to the Board. The plaintiff there, Patient Advocates, was a third-party claims administrator that provides health plan administration services to ERISA plans in Maine. The State of Maine had created an agency charged with maintaining a health information database used to improve the health of State citizens. The state statute required third-party claims administrators to provide claims information to the database. The plaintiff refused, arguing that it was an agent and fiduciary for its ERISA plan clients, that the claims information was a plan asset, and that it therefore would violate its fiduciary duties to disclose the information to the state agency for use in the database. The court rejected all of these arguments—holding that the claims information was not a plan asset since it had no demonstrated financial value and was not held in trust like other plan assets. Moreover, the court was “skeptical” that even if the claims information were deemed to be a plan asset, it would be a breach of fiduciary duty to disclose the information to the database, given that the purpose of the database was to improve the health of state citizens—including the ERISA plans' members and beneficiaries. *Id.* at \*8-\*9. A court would be even more skeptical of the Associations' refusal to disclose claims information here, given that the party requesting access to the data is the Associations' own principal, not an outside entity. Finally, ownership of the data is irrelevant. The Board is not asserting ownership of the claims data or seeking to claim it as an asset of the Plan with any defined financial value; the Board simply wants the right to review and access the claims data so that it may perform its fiduciary oversight responsibilities.

Nor is preventing the Board from issuing a Request for Proposal for health plans a valid rationale. To the extent the claims information has financial value, agency law precludes the Associations from using it to benefit themselves or compete with the Board. As agents and fiduciaries, the Associations are barred by their duty of loyalty from refusing to disclose the claims data to the Board in order to prevent the Board from—if the Board deems it appropriate in order to carry out its fiduciary obligations—soliciting competitive bids directly from insurance carriers or exercising additional control over the approval and pricing of health plans.

**CONCLUSION**

For the reasons discussed above, we conclude that the Board has both the responsibility and the authority to access aggregated claims information for subsidy-funded health plans.

We welcome further discussion of these issues with the Board.

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<sup>41</sup> The Plan uses this account to fund the retiree health program.

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**ATTORNEY-CLIENT PRIVILEGE WAIVED ON DECEMBER 3, 2020 BY  
RESOLUTION OF THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

**DATE:** December 3, 2020

**TO:** Board of Fire and Police Pension Commissioners

**CC:** Raymond Ciranna, General Manager,  
Department of Fire and Police Pensions

**FROM:** Anya Freedman, Assistant City Attorney *AF*  
Miguel Bahamon, Deputy City Attorney *MB*

**SUBJECT:** The Board's Fiduciary Responsibility to Provide Suitable Plans to Members  
Subject to the Health Subsidy Freeze

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## EXECUTIVE SUMMARY

On October 22, 2020, Commissioner Ruben Navarro asked our Office to provide written advice to the Board as to whether the Board owes fiduciary duties to LAFPP members who are subject to the health subsidy freeze.

We advise that the Board's fiduciary duties of loyalty and impartiality require the Board, when exercising its authority to provide suitable health plans, to consider the circumstances and diverse needs of all its members, including members subject to the health subsidy freeze. The Board's fiduciary duty of prudence likewise requires the Board to enter formal contracts for health care administrative and/or insurance services. And, as soon as the minimum necessary information has been compiled to do so successfully, conduct a competitive solicitation process to ensure that the Plan is providing the best quality health care options to all of its members at the lowest possible cost. The Board should carefully consider, including by seeking additional research and data from Staff and its healthcare consultant, whether the current menu of health options available to frozen members is suitable, including the plan options available through the Associations<sup>1</sup> and approved annually by the Board, and the plans available to members through the Health Insurance Premium Reimbursement ("HIPR") program. Although cost may not be the exclusive factor to consider when evaluating suitability, and although the Administrative Code places no explicit limitations on the Board's discretion to determine which plans are "suitable" for approval, cost is an important consideration that impacts members and their families. The Board may consider whether the menu of plan options currently available to members—especially members subject to the health subsidy freeze—is suitable now, and also whether those options are likely to remain suitable in the future. The cost of the current plan offerings is expected to increase each year. But the frozen subsidy will remain just that: frozen. The size of the group of members subject to the freeze will also increase significantly over time as more of these members retire. Therefore, consistent with the Board's fiduciary duties, it should consider: (1) directing Staff and its healthcare consultant to conduct additional research on new plan design options that could offer lower out of pocket costs for members while still providing high quality coverage; and (2) seeking—both through engagement with the Associations and through a competitive solicitation process—additional suitable health plan options that provide the best possible coverage at the lowest possible cost for all members, including members subject to the health subsidy freeze.

## BACKGROUND

In 2011, the City passed a "Freeze Ordinance," Los Angeles Administrative Code ("Ad. Code") section 4.1166, that froze pre-Medicare healthcare subsidies for LAFPP retirees at 2011 levels. Thereafter, the City and certain member unions entered into letters of agreement to exempt from the Freeze Ordinance members who made additional member contributions (the "Letters of Agreement"). Council subsequently codified these Letters of Agreement in Ad. Code

<sup>1</sup> The Associations include Los Angeles Firemen's Relief Association ("LAFRA"), the Los Angeles Police Relief Association ("LAPRA"), United Firefighters of Los Angeles ("UFLAC"), and the Los Angeles Police Protective League ("LAPPL").

section 4.1167 (“Section 4.1167”).<sup>2</sup> However, members<sup>3</sup> who retired or entered DROP after July 15, 2011 and did not take advantage of the Section 4.1167 exemption by making additional healthcare contributions currently receive a frozen non-Medicare maximum subsidy of \$1,097.41 when enrolled in a two-party or family medical plan.<sup>4</sup> In contrast, non-frozen members receive a maximum non-Medicare subsidy of \$1,920.41, a difference of over \$800 per month. Currently, there are approximately 349 retired frozen members, and 2,750 active and DROP members who will receive a frozen subsidy upon retirement.

Today, all LAFPP retired members have two categories of health plan options to choose between. First, they can select plans offered by the Associations. For the most popular plans that the Associations offer, while the maximum frozen subsidy fully covers single party premiums, there can be significant gaps between the frozen subsidy and premiums for two party or family plans. As illustrated in the attached spreadsheet, monthly healthcare deductions for frozen, non-Medicare eligible members enrolled in two party and family plans can range from \$36.85 to \$1,021.89 for members eligible for the UFLAC plans, from \$261.13 to \$1,408 for members eligible to select LAPRA plans, and from \$388.63 to \$1,100.19 for members eligible to enroll in LAFRA plans. As the medical deductions at the high end of these ranges represent significant expenses for members on reduced, fixed retirement incomes, these are not realistic options for many frozen members

Alternatively, frozen members can select individual plans and receive reimbursement through LAFPP’s HIPR program. Since March 2017, HIPR has been available to members regardless of their area of residence as well as to members who are not the primary subscriber on the health plan. LAFPP reimburses HIPR participants up to the maximum monthly health insurance subsidy for which they are eligible. Reimbursement is issued directly to the member, on a quarterly basis, for health insurance premiums paid to a non-Board approved health plan. Because reimbursement is quarterly, members participating in HIPR often must wait several months to recoup their out of pocket expenses. This reimbursement delay may make the HIPR options unaffordable to many frozen members.

<sup>2</sup> A dispute later arose between the unions and the City as to what members would receive in exchange for their additional member contribution. This dispute has resulted in litigation that is still pending.

<sup>3</sup> Excluding service connected disability retirees, survivors receiving service-connected death benefits otherwise eligible for health benefits, deferred retirement-eligible Tier 3 and 5 members who separated from City Service before July 15, 2011, and all Tier 6 members.

<sup>4</sup> Since February 2017, retired members receiving a frozen subsidy who are also enrolled in Medicare Parts A and B have been eligible to receive additional reimbursement subsidies for the coverage of dependents, making these members eligible to receive reimbursement up to the same \$1,097.41 frozen non-Medicare maximum subsidy when they are enrolled in a two-party or family medical plan.

## DISCUSSION

### **1. The Board's Fiduciary Duties Govern All Decisions Regarding Member Health Benefits**

Commissioners are trustees of the Plan who are bound by their fiduciary duties in all Board decisions regarding the Plan. There are three overarching fiduciary principles and duties: the exclusive benefit principle, the duty of primary loyalty, and the duty of prudence.<sup>5</sup> Of these three principles, the last two are most relevant here.

#### **a. The Board's duty of primary loyalty requires the Board to consider the healthcare needs of members subject to the subsidy freeze**

The duty of primary loyalty requires the Board to act in the best interest of the Plan's members and beneficiaries as a whole. Cal. Const. Art. XVI, §17(b); L.A. Charter §1106(a). As the Plan encompasses numerous stakeholders, there are necessarily membership groups within the Plan that may have competing interests. Accordingly, the duty of impartiality is recognized as an "extension" of this duty of loyalty. Rest. 3d of Trusts, §79(1), comment *b* (2012). The duty of impartiality requires the Board to "administer the trust in a manner that is impartial with respect to the various beneficiaries of the trust." *Id.* at §79(1). Specifically, the Board must (a) "act impartially and with due regard for the diverse beneficial interests created by the terms of the [Plan]" in distributing trust funds and otherwise administering the Plan; and (b) "proceed in a manner that fairly reflects the diversity of [Plan beneficiary] concerns and [] interests" when consulting and otherwise communicating with Plan beneficiaries. *See id.* at §79(1)(a, b). While the Board has considerable discretion to balance the competing interests among Plan beneficiaries with regard to a particular decision (*see id.* at § 87), this discretion is constrained by the Board's duty to consider the interests of all its constituencies. The Board is required to "reasonably and without personal bias, [] seek to ascertain and to give effect to the rights and priorities of the various beneficiaries or purposes as expressed or implied by the terms of the [Plan]." *See id.* at §79(1), comment *b*. Finally, this duty of impartiality necessarily applies should "controversies arise among the beneficiaries concerning their rights and beneficial interests in the [Plan]." *See id.* at §79(1), comment *c*.

In practice, the Board's duty of primary loyalty and its duty of impartiality require the Board to consider subgroups of members with unique needs for health plans. As relevant here, the members and beneficiaries subject to the subsidy freeze have unique needs due to their frozen subsidy. While LAFPP's frozen membership group shares the same need for comprehensive health insurance coverage as the unfrozen members, because their health subsidies are often markedly lower than those of their non-frozen peers, plan affordability is a key concern. We recognize that each member made an informed individual decision in 2011 whether to contribute an additional two-percent of their salary in exchange for an exemptions from the subsidy freeze. And we understand that it was each frozen member's own decision not to make these additional contributions that resulted in the disparity between the frozen and non-

<sup>5</sup> We have previously advised the Board in greater detail regarding its fiduciary duties in considering new retiree healthcare plans in our Office's memorandum dated October 13, 2017.

frozen subsidy amounts. The Board's duties of loyalty and impartiality to all members do not require the Board to make the same plans available to non-frozen and frozen members at the same out of pocket cost. It would be "overly simplistic" to translate the duty of impartiality as a rule of "equality" of treatment among the diverse and sometimes conflicting interests of all beneficiaries of the trust. Rest. 3d of Trusts, §79(1), comment *b*. Trust law has evolved to recognize that trustees have considerable discretion in balancing the competing interests among beneficiaries with regard to a particular decision. *See* Rest. 3d of Trusts, § 87 (on judicial review of discretion; describing the range of reasonable fiduciary judgment). But in exercising its fiduciary discretion here, we do advise that the duty of impartiality supports the Board's consideration of the unique financial needs of the frozen group—regardless of the cause for those unique needs.

The Board's fiduciary duties support the Board's exercise of fiduciary judgment to ensure that LAFPP's health coverage options include at least one suitable plan that will allow all members the choice to cover themselves and their eligible beneficiaries with only reasonable out of pocket costs in addition to their subsidy amount. Without such affordable health insurance options, when considered as whole, the Plan may not yet have appropriate options for all members and beneficiaries, including the frozen subgroup. Therefore, the Board has a duty to explore the health insurance marketplace for more affordable plans. This can involve requesting that Staff research whether there are more affordable, suitable options for frozen members that are eligible for HIPR reimbursement. However, this approach alone would not address the needs of members who may not be able to afford to wait months for their HIPR reimbursements. Therefore, we recommend the Board also explore issuing a competitive solicitation for lower cost, Board-approved healthcare plans, as described below. Additionally, and as recommended in Staff's report, the Board may consider seeking legislative changes to the LAFPP retiree healthcare programs that would authorize new plan designs like a Health Reimbursement Arrangement ("HRA").

**b. The Board's duty of prudence requires a competitive bidding process for health plans to meet the frozen group's needs**

The fiduciary duty of prudence requires the Board to make all decisions with Fund assets with the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with these matters would use" in a similar situation. *See* Cal. Const. Art. XVI, §17(c); L.A. Charter §1106(c). Thus, the Board's fiduciary duty of prudence requires that the Board ensure that Plan trust funds are being spent wisely. As we have previously advised, the Board's duty of prudence requires the Board to enter formal contracts for the provision of healthcare to members and their beneficiaries. Such contracts are subject to the City's contracting requirements, including that they result from a competitive bidding process. *See* L.A. Charter §§ 371(a), 372.

The Board has entered into formal contracts with the Associations to administer health insurance plans for LAFPP members and eligible beneficiaries. The Board's relationship with the Associations has been based on the Association's long history of providing health insurance plans to LAFPP members. And until the Board and the Associations entered into the current, formal contracts, the Board lacked access to the aggregated, de-identified information that would be required to conduct a successful and competitive solicitation process for group health care



plans and/or administrators. As a result, we have previously advised that the Board may reasonably have found, historically, that conducting a competitive bidding process would be “undesirable, impractical or impossible.” L.A. Charter §371(e)(10). Nevertheless, in order to carry out its fiduciary duty of prudence, and to comply with the City Charter, we continue to advise that as soon as possible upon obtaining the minimum necessary information to conduct a successful competitive solicitation process, the Board should do so to validate the competitiveness of the current menu of plan options, and to determine what other health insurance options may be available to members, including new plan designs like HRAs, and at what cost.

As described above, the existing healthcare offerings of the Associations may not fully meet the needs of the frozen group. Therefore, the Board should leverage its longstanding beneficial relationships with the Associations to encourage them to create additional health insurance options that better serve the needs of the frozen group. Furthermore, the duty of prudence requires the Board’s engagement in a competitive bidding process as soon as practicable, once the minimum necessary information has been compiled, to determine whether there are additional coverage options that would meet all members’ needs, including the frozen group.

### **CONCLUSION**

In summary, the Board’s fiduciary duties require the Board to consider the needs of the entire LAFPP membership, including the frozen group. Because the current healthcare options may not adequately meet the frozen group’s needs, the Board should consider exercising its fiduciary judgment to look for more affordable options that better match the frozen subsidy. These options may come from multiple sources, which we encourage the Board to work with Staff and the Plan’s healthcare consultant to further explore, including the Associations, HIPR-eligible plans, legislative changes to authorize new plan designs such as HRAs, and a competitive solicitation process.

Encl.

## Current Premiums and Deductions for Frozen Subgroup Members

Code	PPO	LAFRA eff 7/2020			LAPRA eff 7/2020			UFLAC eff 1/2021		
		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	1071.33	1071.33	0.00	962.46	962.46	0.00	1027.29	1027.29	0.00
11	Two-Party	1735.46	1097.41	638.05	2139.76	1097.41	1042.35	1134.26	1097.41	36.85
12	Family	2197.60	1097.41	1100.19	2506.10	1097.41	1408.69	1294.29	1097.41	196.88
30/40	Mem ABD	716.09	480.41	235.68	595.46	480.41	115.05	515.31	480.41	34.90
31/41	Mem ABD + 1 Dep None	1380.22	686.25	693.97	1772.76	800.36	972.40	1316.84	907.02	409.82
33/43	Mem ABD + 1 Dep ABD	1024.98	686.25	338.73	1405.76	800.36	605.40	1004.06	907.02	97.04

Kaiser		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	757.24	757.24	0.00	696.26	696.26	0.00
11	Two-Party	1486.04	1097.41	388.63	1358.54	1097.41	261.13
12	Family	1872.28	1097.41	774.87	1592.68	1097.41	495.27
30/40	Mem ABD	292.36	292.36	0.00	246.60	246.60	0.00
31/41	Mem ABD + 1 Dep None	1021.16	785.41	235.75	908.88	785.41	123.47
33/43	Mem ABD + 1 Dep ABD	556.26	556.26	0.00	465.88	465.88	0.00

HMO		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	895.72	895.72	0.00	1024.82	1024.82	0.00
11	Two-Party	1733.50	1097.41	636.09	1801.42	1097.41	704.01
12	Family	2029.98	1097.41	932.57	2119.30	1097.41	1021.89
30	Mem ABD	682.22	480.41	201.81	377.80	377.80	0.00
31	Mem ABD + 1 Dep None	1520.00	777.60	742.40	1229.82	733.14	496.68
33	Mem ABD + 1 Dep ABD	1306.50	777.60	528.90	730.41	730.41	0.00

Note: Subsidies are based on maximum 25 years of service.

**Current Premiums and Deductions for Frozen Subgroup Members  
Effective July 2022**

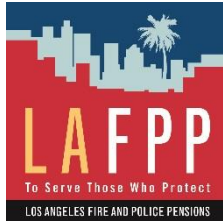
Code	PPO	LAFRA eff 7/2022			LAPRA eff 7/2022			UFLAC eff 1/2022		
		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single-Party	\$ 1,055.33	\$ 1,055.33	\$ -	\$ 1,006.56	\$ 1,006.56	\$ -	\$ 1,051.99	\$ 1,051.99	\$ -
11	Two-Party	\$ 1,709.36	\$ 1,709.36	\$ -	\$ 2,009.70	\$ 2,009.70	\$ -	\$ 1,158.96	\$ 1,158.96	\$ -
12	Family	\$ 2,164.48	\$ 2,046.97	\$ 117.51	\$ 2,714.70	\$ 2,046.97	\$ 667.73	\$ 1,318.99	\$ 1,318.99	\$ -
30/40	Mem ABD	\$ 700.09	\$ 494.67	\$ 205.42	\$ 642.56	\$ 494.67	\$ 147.89	\$ 517.81	\$ 494.67	\$ 23.14
31/41	Mem ABD + 1 Dep None	\$ 1,354.12	\$ 1,148.70	\$ 205.42	\$ 1,645.70	\$ 1,497.81	\$ 147.89	\$ 1,395.06	\$ 1,371.92	\$ 23.14
33/43	Mem ABD + 1 Dep ABD	\$ 998.88	\$ 793.46	\$ 205.42	\$ 1,281.70	\$ 1,133.81	\$ 147.89	\$ 1,007.68	\$ 984.54	\$ 23.14

Kaiser		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single-Party	\$ 877.48	\$ 877.48	\$ -	\$ 737.24	\$ 737.24	\$ -
11	Two-Party	\$ 1,726.50	\$ 1,726.50	\$ -	\$ 1,445.18	\$ 1,445.18	\$ -
12	Family	\$ 2,176.46	\$ 2,046.97	\$ 129.49	\$ 1,685.86	\$ 1,685.86	\$ -
30/40	Mem ABD	\$ 256.30	\$ 256.30	\$ -	\$ 195.64	\$ 195.64	\$ -
31/41	Mem ABD + 1 Dep None	\$ 1,105.32	\$ 1,105.32	\$ -	\$ 903.58	\$ 903.58	\$ -
33/43	Mem ABD + 1 Dep ABD	\$ 484.14	\$ 484.14	\$ -	\$ 361.98	\$ 361.98	\$ -

HMO	
10	Single-Party
11	Two-Party
12	Family
30	Mem ABD
31	Mem ABD + 1 Dep None
33	Mem ABD + 1 Dep ABD

Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
\$ 817.56	\$ 817.56	\$ -	\$ 1,049.52	\$ 1,049.52	\$ -
\$ 1,632.70	\$ 1,632.70	\$ -	\$ 1,826.12	\$ 1,826.12	\$ -
\$ 2,052.70	\$ 2,046.97	\$ 5.73	\$ 2,144.00	\$ 2,046.97	\$ 97.03
\$ 604.06	\$ 494.67	\$ 109.39	\$ 379.56	\$ 379.56	\$ -
\$ 1,419.20	\$ 1,309.81	\$ 109.39	\$ 1,311.90	\$ 1,311.90	\$ -
\$ 1,205.70	\$ 1,096.31	\$ 109.39	\$ 732.97	\$ 732.97	\$ -

Note: Subsidies are based on 25 years of service



Los Angeles Fire and Police Pensions (LAFPP)

**REQUEST FOR PROPOSAL  
FOR  
MEDICAL AND PRESCRIPTION DRUG BENEFIT  
PLANS  
RFP NO. DCFS22-02**

**Release Date**

**August 1, 2022**

**Proposal Due Date**

**October 11, 2022 @ 3:00PM PST**

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com). The [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com) email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

**All questions must be submitted  
in writing no later than**

**August 23, 2022**

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org))

**RFP Administrator**

**USI Insurance Services (on behalf of LAFPP)  
Gary Delaney ([Gary.Delaney@usi.com](mailto:Gary.Delaney@usi.com))**

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS****Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another, all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website:

[www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Board members or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS**



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**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS****I. INTRODUCTION AND BACKGROUND**

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**Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide medical, and prescription drug benefit plans for LAFPP'S eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

LAFPP seeks to partner with Proposers who can demonstrate:

- An understanding of the challenges of managing medical and prescription drug plans, for a Retiree-only population
- An understanding of the challenges of serving LAFPP'S population, consisting of early Retirees (under age 65), Retirees who qualify for Medicare A and B, and Retirees who qualify for Medicare Part B but not Part A
- An established track record of providing high-quality service to medical plan participants
- Effective provider contracting which balances cost, quality and minimum provider disruption
- Innovative, proactive approaches to effective care management that are demonstrated through process and outcome reporting specific to the LAFPP population
- The ability to influence member care purchasing decisions through increased awareness of health management services available from plan vendors as well as the cost-effectiveness of health care service options
- Consistent, responsive, and professional administrative service backed by verifiable performance measurements
- The ability to provide LAFPP with comprehensive reports containing cost, utilization, network and care management effectiveness data that helps LAFPP to understand factors that drive costs and how programs and services offered by each plan vendor help to mitigate cost trends

This RFP will be for plan year July 1, 2023 – June 30, 2024 with options to renew for two additional one-year periods. Should an additional two years be desired at the end of the three-year period, approval by the LAFPP Board of Commissioners is required. Going forward, LAFPP expects to solicit proposals for medical plan underwriters every three to five years. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods after the first year.

LAFPP has engaged USI Insurance Services to solicit and assist in the evaluation of medical plan and prescription benefit drug proposals for this RFP.

**Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Medical and Prescription plans for LAFPP retired members, dependents, and survivors.

LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.



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LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plan to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

**Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for all retiree health plans:

**Los Angeles Police Relief Association (LAPRA)**

- Anthem Blue Cross
  - PPO (Fully insured)
  - CaliforniaCare HMO (Fully insured)
  - Supplement to Medicare PPO plan (Fully insured)
  - Medicare Advantage HMO plan (Fully insured)
- Wellness program through ShareCare
- Kaiser Permanente
  - HMO
  - Senior Advantage HMO plan

**Los Angeles Firemen's Relief Association (LAFRA)**

- Medical (Health Comp TPA)
  - PPO (Self-Funded)
- Wellness Program through ShareCare
- Kaiser Permanente
  - HMO
  - Senior Advantage HMO

**United Firefighters of Los Angeles City**

- Anthem Blue Cross
  - HSA PPO (Fully insured)
  - Select HMO (Fully insured)
  - Medicare Advantage PPO (Fully insured)
  - Medicare Advantage HMO (Fully insured)

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City Fire and Police employees can receive a normal service retirement if they meet specific age and/or service requirements.

In addition, Disability Retirees, current spouses/domestic partners of City retirees, surviving spouses/domestic partners (referred to as Survivors) of City Retirees, and dependent children and grandchildren also participate in the plans.

LAFPP retired members are eligible to receive health subsidies paid by LAFPP toward their health plan premiums if they meet all of the following criteria:

- Must be enrolled in a LAFPP Board-approved health plan
- At least 55 years of age or older (or the deceased member would meet this criteria)
- Receiving a service, disability, or survivorship pension
- Member must have at least 10 years of service
- Enrolled in Medicare (upon reaching age 65) to the fullest extent of the pensioner's entitlement (Parts A and B or Part B-only)

NOTE: Qualification for a health subsidy is different for a member who retired prior to July 1, 1998 or a Tier 6 member who retired on a service-connected disability pension

The City began paying into Medicare on behalf of active employees on April 1, 1986. Employees hired after April 1, 1986 earn credits toward Medicare Hospital Insurance (Part A) coverage. Approximately 6% of LAFPP's retiree population over the age of 65 is not eligible for premium-free Medicare Part A coverage.

The recent LAFPP electronic census file is included on Appendix B  
The enrollment by plan is also found in this file.

All current medical plans, with the exception of the LAFRA PPO plan, are fully insured.

An annual Open Enrollment period is held each year. It allows new enrollments (including Retirees and Survivors who opt out of coverage when first given the opportunity), transfers between the various medical plans, and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual open enrollment period. Additional qualifying events for enrolling outside of open enrollment include: retirement from the City, being added to the retirement payroll as an eligible Survivor, turning age 55, qualifying for Medicare (usually at age 65), and moving outside of an HMO health plan service area. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

Retiree eligibility rules, premium subsidies, and retiree contributions for plan year 2022 can be found in the various *Health Benefits Guides*.

LAFPP requires renewals (other than Medicare-approved plans) to be presented by March 1<sup>st</sup> for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year.

**Future LAFPP Health Benefit Program**

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS**

Proposers are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, member data, and other plan information specific to its population.

Carriers are encouraged to present options for a wellness program initiative. Each Proposer, if available, is encouraged to contribute to the annual open enrollment and wellness campaign initiative.

This RFP seeks proposals for the administration and provision of medical and prescription drug plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plans listed below:

- LAFRA PPO Medical
- LAPRA Anthem HMO Medical
- LAFRA Kaiser HMO Medical
- LAPRA Medicare Advantage HMO
- LAFRA Kaiser Senior Advantage

Note any plan deviations will need to be approved by the LAFPP Board prior to its implementation. LAFPP is very interested in creative plan and program designs that promote: (1) increasing use of generic drugs and higher prescription fill rates for maintenance medications and (2) care management programs that result in greater participation in areas such as wellness, disease management, and health coaching that improve health, avoid adverse health outcomes and demonstrate positive return-on-investment.

**Reservation of Rights**

LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any Proposer responding to this RFP.



## II. MINIMUM QUALIFICATIONS

---

Proposers must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The proposer must have at least five years of experience providing fully insured medical plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## III. SCOPE OF SERVICES

---

**Proposers must specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Labor Union responding to this RFP, respond on behalf of the insurance carrier or Third-Party Administrator you represent. Also, see Appendix G for a listing of required administrative services to be provided by the Relief Association or Union plans.

### A. Medical Plan Underwriting and General Responsibilities

1. Proposer must have the ability to underwrite the medical plan according to the attached Certificate Group Insurance.
2. Proposer must be a medical insurance provider, not a broker representative, and ranked by either Standard and Poor's or Moody's with a rating of "A" or greater to ensure that LAFPP selects providers who have the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
3. Must be experienced with and licensed to provide medical plans in the State of California.
4. Must be able to provide access to medical plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
5. Agree to accept LAFPP's definitions of eligible Retiree, Survivor, and Dependents.
6. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
7. Agree to work collaboratively with other LAFPP vendors on health plan benefit-related projects such as open enrollment wellness programs, data initiatives and member satisfaction surveys.
8. Agree to provide and present renewal underwriting methodology to LAFPP staff and the Board's Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.

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MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS**

9. Provide such other services as requested by LAFPP, for which the Responder has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff at least quarterly to review and evaluate medical plan administration.
2. Upon LAFPP's request, attend various retiree meetings relating to medical plans.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current medical plan design and cost options when requested by LAFPP staff, the Board, and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.
6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, but is not limited to, the following: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.
8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the medical or prescription drug plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the medical plan and LAFPP comply with the new requirements.

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS****C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, including but not limited to fund accounting, claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to open enrollment, wellness and other activities/meetings centered upon educating LAFPP health plan participants and LAFPP staff regarding available benefits.
2. Assist LAFPP staff and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications or letters.
3. Assist LAFPP staff in planning annual open enrollment meetings for Retirees. Planning should include at least one annual meeting with LAFPP staff regarding current open enrollment meeting information needs.
4. Develop video or other electronic media, such as a webinar, explaining medical plan services for the annual open enrollment efforts.
5. Attend and present medical plan information (such as medical plan changes for the following plan year, how to utilize the plan most effectively, etc.) at all annual Open Enrollment seminars for Retirees, Survivors, and Dependents.
6. Assist LAFPP with the development of medical plan benefits documents, such as the LAFPP Health Benefits Guide.
7. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

**E. Wellness**

**REQUEST FOR PROPOSAL – DCFS22-02  
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Provide a comprehensive wellness program for LAFPP Retirees, Survivors, and Dependents.

**F. Data Reporting**

Will assist LAFPP in:

- Reviewing health plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide reports to better understand utilization
- Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format
- Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts
- Monitoring and reporting on the progress of strategies and its effect on cost drivers

**IV. GENERAL DUTIES**

The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with all applicable federal and state medical privacy and information security regulations including, but not limited to, HIPAA. Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.
2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communications that use LAFPP's database through the General Manager or appointed designee.
4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel, and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.

**REQUEST FOR PROPOSAL – DCFS22-02  
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5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues from discussions and meetings.

## **V. INSTRUCTIONS TO PROPOSERS**

LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your only submission.

### **A. Proposal Timeline**

The timeline for the RFP process is as follows:

<u>Activity</u>	<u>Dates</u>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP's office or staff is strictly prohibited during the proposal process.

### **B. Declare Proposal Intentions**

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.



**REQUEST FOR PROPOSAL – DCFS22-02  
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**C. Proposal Sections**

Proposers should complete the components of this RFP according to the following table:

<b>RFP Section</b>	<b>Medical Plans</b>	<b>Disease/Care Management</b>
<b>Plan Pricing</b>	●	●
<b>Questionnaire</b>		
Organization & Account Management	●	●
Administrative Issues	●	●
Member Services	●	
Claims Administration	●	
Medical Management	●	
Disease/Care Management	●	●
Wellness	●	●
Medical Provider Networks	●	
Mental Health Program	●	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●	●
<b>Addenda</b>		
Requested Attachments	●	●
Performance Standards	●	●
Plan Design Deviations	●	●
Pricing Workbooks	●	●
LAFPP Required Forms	●	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS****D. File Naming Conventions**

The following document naming conventions must be followed without exception.

*Template spreadsheet files*

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls

When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

<Vendor Name>-<Section Name>.xls

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

*Additional Attachments*

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>.<file extension>

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

<Vendor Name>-<Short Title>.<file extension>

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

**REQUEST FOR PROPOSAL – DCFS22-02  
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**E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in your response. Be sure that your quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed in the plan design alternatives document provided for that purpose. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company's standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.

Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
Initial contract term:	12 months with options to renew for two additional one-year periods. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured basis. Commercial HMO plans must be quoted on an experience rated basis, and may be quoted on a participating or non-participating basis. PPO, Medicare Supplement, and Indemnity medical plans must be quoted on an experience rated participating basis. Medicare Advantage medical plans may be quoted on a fully-insured, non-participating basis. If available, quote on a participating basis as an option.
Eligibility Provisions:	Duplicate current eligibility provisions
Transfer of Coverage and Transition Provisions:	<ol style="list-style-type: none"> <li>1. No loss, no gain – no one will lose coverage in the transition between carriers</li> <li>2. All pre-existing conditions exclusions/limitations must be waived for all participants currently covered or newly enrolling according to the enrollment periods described in Section I.</li> </ol>

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COBRA:	LAFPP will rely on its medical vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

#### **F. Performance Guarantees**

LAFPP seeks performance standards from its contracted vendors, with portions of the vendor's compensation at risk for failing to meet these standards. Proposers are expected to include performance guarantees in their proposal, and will be assessed on the strength of the performance standards they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon standards.

The basic characteristics of the desired performance agreement are outlined in the following electronic file found in Appendix E

#### **G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C. Develop the projected cost components of your proposed plans using the sheets provided.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B (additional data may be provided at a later date):

- Medical Plan Changes Summary.xls
- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls
- Health Benefits Guide.pdf
- Census.xls

#### **H. Proposed Rates.xls (Appendix C)**

We request that you develop separate sets of rates for the non-Medicare and Medicare populations under each program you are proposing. Provide your fully-insured premium.

#### **I. Plan Design Deviations.xls (Appendix C)**

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

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## **VI. RFP PROCESS**

While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality or infirmity in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract.

### **A. Evaluation Process**

All proposals deemed timely and responsive will be reviewed, evaluated and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).

Any selected proposer(s) must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, and References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.
- **Level II. Administrative Responsiveness**  
Proposer must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer's ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- **Level III. Proposed Services**  
For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

Description	Maximum Points
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Funding arrangement options</li> </ul>	25

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<ul style="list-style-type: none"> <li>Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>Proposer's financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to retirees and their dependents, including availability of live customer service, service hours, Wellness Programs and availability of self-service tools. Self-service tools include Web-based tools that help in determining benefit levels, decision support, member education, and provider/facility selection.</p> <p>The quality rating will include consideration of the following different quality measures: National Committee for Quality Assurance (NCQA) accreditation, Health plan Employer Data and Information Set (HEDIS) results from the California plans, and the Centers for Medicare and Medicaid Services (CMS) Quality Ratings of Medicare Advantage Plans.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive account management services.</b></p> <p>The level of applicable administrative support services will be considered (claims processing, member services, billing and eligibility, contracts, enrollment, and proposer's business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p> <p>Ability to provide detailed utilization data.</p> <p>Ability to provide electronic files.</p>	20
<b>Total</b>	100

- Level IV. Final Approval by the Board**

The Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

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Direct all questions by e-mail to the RFP administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualifications and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP's unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

**F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.

**VII. QUESTIONNAIRE**

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Answer each question contained in this Questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply, write in “not applicable” and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

**A. Organization and Account Management**

**A.1. Proposal Summary**

- A.1.1. Indicate Proposer’s legal business name, address, telephone number, and legal entity type (individual, limited liability partnership, corporation, etc.).
- A.1.2. Indicate the person(s) authorized to represent the proposer in negotiations with LAFPP with respect to the RFP and subsequently awarded contract including contact names, titles, telephone and fax numbers, and e-mail addresses.
- A.1.3. List all the major services provided by your organization.
- A.1.4. Indicate the location of your headquarters and subsidiaries, if any.
- A.1.5. Provide an organizational chart of parent/subsidiary relationships.
- A.1.6. Are ownership changes planned or anticipated at this time?
- A.1.7. Provide an organizational chart of the management team of the organization.
- A.1.8. Describe the turnover in key professional personnel in each of the last five years. Indicate the number of people lost in the following areas: (a) account managers (b) key technical personnel.
- A.1.9. Has any officer or principal of your organization been involved in litigation relating to health plan insurance activities? If so, provide a brief explanation and indicate the current status of the proceedings.
- A.1.10. How many fully-insured health plan accounts does your organization have?
- A.1.11. How many fully-insured health plan accounts are public employee retirement systems?
- A.1.12. How many health plan accounts have been added in the last five years?
- A.1.13. How many health plan accounts were lost in the last five years? What was the reason(s) for each account lost?
- A.1.14. Describe your experience with major disruption(s) of your business and how they impacted your clients. Provide a copy of your Business Continuity Plan (BCP). If you do not have a formal BCP, indicate what contingencies has your organization made to address potential disruptions to client services in the event of a natural or man-made disaster, pandemic, or similar catastrophic event.
- A.1.15. Describe any efforts you have made to outreach to government certified minority-owned, woman-owned, or other-business enterprises.
- A.1.16. Summarize your proposed products/services and explain why your organization is a match for LAFPP’s particular circumstances, and the reasons your organization should be selected over your competitors.
- A.1.17. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

**A.2. Organizational Background**



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- A.2.1. Describe the organization of your company including relationships with any parent companies, subsidiaries, etc. Indicate which entities will administer each of the services requested in this RFP.
- A.2.2. Does your organization have ownership interest in, or management contracts with, any provider of medical, mental health, disease/care management, or pharmaceutical services?
- A.2.3. For each area within your organization that would provide services to LAFPP that is (or would be) separately accredited by NCQA, indicate your organization's NCQA accreditation status.
- A.2.4. Has your organization applied for or received any accreditations from JCAHO and URAC?

**A.3. Operations**

- A.3.1. Discuss any technological improvements your organization has planned for 2023-2025 (e.g., Internet related services, online eligibility determination, etc.) and the anticipated effect on enrolled members.

**A.4. Membership and References**

- A.4.1. Indicate the total members covered in your health plan as of July 2022. Indicate the percentage of your membership population that is commercial (private & public sector), Medicare, Medi-Cal, and Healthy Families.
- A.4.2. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both actives and retirees (include the number of covered lives by actives and retirees).
- A.4.3. How many employer groups offer each of the following products through your organization: Commercial HMO, Medicare Advantage, PPO, Medicare Supplement,

**A.5. Financial History**

- A.5.1. Provide your organization's most recent ratings by AM Best, S&P, Weiss, and Moody's
- A.5.2. Is your organization publicly traded, privately held or other (describe)?
- A.5.3. If your organization is not-for-profit, indicate your net profit/losses over the past 3 years. If not applicable respond with N/A and explain why.

**A.6. Compliance**

- A.6.1. Describe the final results and attach copies of your most recent state and federal regulatory agency audits. Include the executive summary of your most recent CMS audit and any reports resulting from any investigations of your organization regarding Medicare fraud.
- A.6.2. Has your organization undergone any of the following? If yes, explain each.
- Governmental investigations regarding Medicare fraud.
  - Investigations or audits by the Federal Department of Labor or a state licensing agency in the preceding three years.
  - Investigations or audits by the California Department of Insurance, Department of Managed Health Care investigations, or California Department of Health Services.
- A.6.3. Are any of the members of your board of directors, officers, employees assigned to this contract, or consultants affiliated with the Los Angeles Fire and Police Pension (LAFPP) System? If so, describe the relationship. Are any of these

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individuals responsible, in whole or in part, for the preparation of your proposal or would they have any decision-making role if your company were awarded any contract(s)?

- A.6.4. Provide the number of complaints regarding your organization's health benefit products and administration filed with the California Department of Managed Health Care, Department of Insurance, and/or other jurisdictional agencies. Include complaints for all products.

**A.7. Account Management**

- A.7.1. Describe your proposed account management team and structure. Specifically address:

- Name and background of account manager and other key team members
- Who from account team would be 100% dedicated to this account
- Location of staff
- Office hours
- Responsibility for any subcontracted relationships

**B. Plan Administration**

**B.1. Eligibility**

- B.1.1. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?
- B.1.2. Does your health plan offer the option to allow participants to enroll all year-round rather than only during an Open Enrollment period? If so, describe how a year-round enrollment option would work.
- B.1.3. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?

**B.2. Enrollee Communications**

- B.2.1. Indicate the response that matches your practice for member identification:
- Utilize Social Security Number (SSN) exclusively
  - Utilize unique number (NOT SSN)
  - Purchaser option to use SSN or another identifier
  - Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose
- B.2.2. Provide samples of the following communication materials with your proposal. Each set of your proposal should contain a copy of each of these materials.
- Claim forms
  - ID cards
  - Sample EOBs
  - Enrollment forms
  - All pre-enrollment communication materials that would be provided to LAFPP
- B.2.3. Describe any limits to customizing each of the above at no cost to LAFPP.
- B.2.4. Describe the resources you will provide to work with LAFPP in the development of member communication materials (education, open enrollment, formulary changes and ongoing communications).

**B.3. COBRA**

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B.3.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.

B.3.2. How will you track COBRA enrollees?

B.3.3. LAFPP's current third-party administrators extend COBRA provisions to all family members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?

B.3.4. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

#### **B.4. Implementation**

B.4.1. Provide your implementation process recommendations and a detailed timetable assuming notice at the end of January for a July 1, 2023 implementation. Also, assume that LAFPP's specific open enrollment will begin April 1, 2023 if LAFPP is the policy holder or May 1, 2023 if the association/labor union is the policy holder. Be specific with regard to the following:

- Timing of significant tasks
- Names, titles and responsibilities of account manager and key implementation staff
- Percent of time each member will dedicate to LAFPP during implementation
- Responsibilities of LAFPP
- Data requirements (indicate type, format and frequency of data required)
- Transition with incumbent vendors
- Staff assigned to attend open enrollment/educational sessions

#### **B.5. Privacy and HIPAA**

B.5.1. Confirm your compliance with all administrative simplification provisions under HIPAA. Specifically address each of the following regulations:

- Electronic health care transaction and code sets
- Health information privacy
- Unique identifier for employers
- Security requirements
- Unique identifier for providers
- Unique identifier for health plans
- Enforcement procedures

B.5.2. Do you agree to indemnify LAFPP for any liabilities resulting from the improper or unauthorized disclosure of protected health information by you or any of your subcontractors?

B.5.3. Do you agree to indemnify LAFPP for all liabilities resulting from the improper or unauthorized disclosure of information by you or any of your subcontractors that results in identity theft for a LAFPP member?

#### **B.6. Contracts**

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- B.6.1. Where documents must be developed to accommodate LAFPP's performance guarantees, provide a short statement indicating your willingness to draft such documents to the mutual satisfaction of your organization and LAFPP.
- B.6.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.
- B.6.3. Regarding your experience-rated dividend eligible products, address the following: How IBNR reserves will be set, when and how the year-end accounting process will be handled, who has access to the premium stabilization fund, claim stabilization reserve, interest rate, etc. Provide a sample agreement for our review.

**C. Member Services**

**C.1. Staffing & Operations**

- C.1.1. Describe the systems you use to track phone and staff utilization and how you adjust staffing based on call volume.
- C.1.2. Are your customer service representatives authorized to adjust claims?
- C.1.3. Can you offer a dedicated or partially dedicated unit/staff to LAFPP? Describe your proposal in detail and any conditions on that proposal. If you are proposing a partially dedicated unit, indicate the current number of other groups and total membership served by the partially dedicated unit.
- C.1.4. Would you offer a dedicated toll-free phone number?
- C.1.5. Describe your after-hours pharmacist access. Do you provide access to a pharmacist 24 hours a day, 365 days a year? Is access direct or a call-back?
- C.1.6. Can calls be shifted to another customer service/call center if the time on hold or call abandonment rate exceeds the desired thresholds? If so, how often does this occur?
- C.1.7. What percentage of your customer service personnel are U.S. based? Confirm you will provide sufficient notification to LAFPP should customer service personnel ever be located in another country.

**C.2. Telephone Systems**

- C.2.1. Can a member leave a message at your member service line after working hours? If yes, what is the protocol for responding to that call?
- C.2.2. Indicate if your telephone system reports the following measures:
- Average Speed of Answer
  - % of Calls Answered Within Target (e.g., 80% in 30 sec.)
  - Busy Signal Rate
  - Abandonment Rate
  - Number of Calls Transferred
- C.2.3. Specify your four busiest months for handling calls. How do you handle the increased call volume (e.g., hire temporary employees, contract with an outside vendor, etc.)? What is your average speed of answer during these months?
- C.2.4. Indicate if your telephone system tracks the following time intervals.
- First ring to call pick-up (VRU or person)
  - IVR Time
  - Wait Time to speak with CSR
  - Talk Time
  - Hold Time after first CSR contact
  - Total Time

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C.2.5. Does your system allow members to opt to speak to a live person at any time during a call? Is this option, and how to exercise it, made clear to callers initially? Please describe.

C.2.6. Do you offer members the ability to contact the customer service operation after normal working hours? If so, describe what methods are available and how these are communicated to members.

C.2.7. Describe your telephone technology and/or ability to accommodate the hearing impaired.

**C.3. Customer Service System**

C.3.1. Are complaints identified in a discrete field on your system (so as to be reportable as a percentage of member service calls/inquiries)?

C.3.2. Do member service representatives have on-line access to the information & the ability to make changes?

**C.4. Performance**

C.4.1. What was your call abandonment rate or percentage by month for 2021?

C.4.2. Define your process for handling issues that are not resolved in the initial call.

**D. Claim Administration**

**D.1. Staffing & Operations**

D.1.1. Describe the ongoing quality monitoring for Claims Examiners. Address the following:

- What percentage of examiner claims is internally audited?
- What is the scope of the internal audit?
- How do results lead to assessments of examiner performance?
- What are the individual performance standards?

D.1.2. What dollar threshold must be reached before an individual medical payment must be approved by a claims supervisor?

- \$2,000 or less
- \$2,001 - \$4,999
- \$5,000 - \$9,999
- \$10,000 - \$15,000
- >\$15,000

**D.2. Systems & Data Capture**

D.2.1. How is image scanning used in your claims adjudication system?

D.2.2. Describe your preferred way of receiving, integrating and coordinating eligibility data among the purchaser, medical plan and carve-out vendor. Confirm that you accept electronic eligibility files.

D.2.3. Are there any benefits in LAFPP's plan designs that would require manual intervention? If so, identify the plan(s) and the provision(s).

**D.3. Performance**

D.3.1. Provide your targeted performance standards and actual results on financial, processing and payment accuracy for your book of business.

**E. Medical Management**

**E.1. Overview**

E.1.1. Specifically, and concisely state your approach and value proposition for each medical management element (limit 500 words):

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- Precertification – inpatient admission and other services/specialty referrals
- Concurrent review
- Case management

E.1.2. What, if anything, differentiates your medical management programs from those of your competitors?

**E.2. Staffing & Systems**

E.2.1. List the location for each unit that would handle medical management functions (Utilization Review, Disease Management, Demand Management & Case Management) on behalf of the LAFPP population.

**E.3. Utilization Review**

E.3.1. Provide your approach to precertification and concurrent review. Specifically address the following issues in your response:

- What is your current approach to identifying, monitoring and updating services subject to precertification review? Has it undergone basic changes in the past 2 years? Do you contemplate future changes in the next year?
- What specifically do you do to ensure that utilization review is effective rather than cursory?
- Which specific services would you recommend be part of a precertification review program?

E.3.2. Describe the Appeals Process for all denials related to utilization management.

Include:

Levels of review

Timing

Credentials of clinicians involved

Documentation and communication to retiree

Use of external review organizations and/or external physicians

Point at which you specialty-match the reviewing physician to the case type

Point at which cases are referred for external review

E.3.3. How do you define success and report results for utilization review? Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your utilization review services?

**E.4. Quality Assurance**

E.4.1. Describe your Quality Assurance (QA) committee and functions. Include:

- A list of QA committee members (specifying MDs where applicable)
- The frequency of QA committee meetings
- Any recent quality initiatives (i.e., non case-specific) recently identified by the committee and what stage of development/implementation

E.4.2. Describe the notification process for reporting quality management issues.

Address credentialing, quality management committee and customer service involvement.

**F. Disease/Care Management**

**F.1. Disease Management**

F.1.1. List the disease management programs that your organization currently offers and indicate the programs' current stage of development and implementation.

F.1.2. How do you identify members as candidates for disease management programs?

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- F.1.3. Provide samples of member communication materials used to promote your organization's disease/care management programs. Also, indicate if there is an additional cost for these materials.
- F.1.4. For the 12-month period ending 12/31/2021, for your book of business, what is the sum of employees, non-Medicare retirees, and dependents that were screened for eligibility to participate in your disease management program? Provide a similar response for your Medicare-eligible membership.
- F.1.5. What was the participation rate among those invited to participate in your disease management program?
- F.1.6. Provide a brief description (no more than 500 words) on the process used by your program to integrate data from multiple sources (medical claim and encounter, pharmacy claim, HRA, results of diagnostic tests, etc.).
- F.1.7. Describe your use of predictive modeling for the purpose of disease management, specifically addressing:
- the data sources used in the models (e.g., medical claim, pharmacy claim, laboratory results)
  - the modeling methodology used and how frequently the model(s) is/are updated
  - the time from data entry to patient intervention
  - the frequency of data refreshes and model runs
  - how output is transmitted to disease management nurses
  - the use of a predictive modeling vendor; if used, identify the vendor
  - how you assess the validity and performance of the model(s)
- F.1.8. How do you define success and report results for disease management? Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your disease management services to a Non-Medicare Retiree population and a Medicare-eligible Retiree population? Will you guarantee savings from disease management? If so, how do you calculate the ROI?

## **F.2. Care Management**

- F.2.1. Indicate which triggers are used to identify/initiate case management. For each trigger that you use, explain your indicators or threshold points (e.g., specific diagnoses, claim dollar threshold). Indicate whether your triggers are "hard-coded" (e.g., all cases with certain criteria are referred to case management) or discretionary, as well as whether and where systems are programmed to automatically identify cases crossing defined thresholds.
- F.2.2. What percentage of your cases under management is initially identified through your triggers? It is understood that these percentages will be best estimates only.
- F.2.3. Describe your use of predictive modeling for the purpose of case management, specifically addressing:
- the data sources used in the models (e.g., medical claim, pharmacy claim, laboratory results)
  - the modeling methodology used
  - the lag time from data entry to patient intervention
  - the frequency of data refreshes and model runs
  - the use of a predictive modeling vendor; if used, identify the vendor

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- how output is transmitted to case managers
- the percentage of members identified for case management
- whether the modeling methods differ for Non-Medicare eligible retirees and Medicare eligible retirees

F.2.4. How do you define success and report results for case management?

Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your case management services?

## **G. Wellness**

G.1.1. What specific attributes of your wellness programs are designed to attract and engage those whose health habits or status place them at risk, even though they are not presently experiencing adverse health effects, rather than just the “worried well” or those who seek reinforcement of already healthy lifestyles?

G.1.2. What referral sources do you employ to identify members for participation in your wellness programs?

G.1.3. Do you track individual participation in wellness program activities? For example, can you identify members whose HRA responses indicate they are obese and who then participate in your weight loss program and/or take a nutrition class?

G.1.4. Identify what you consider to be the key changes you have made in the past year to any aspect of your wellness programs. What prospective changes are you planning for the next one to two years?

G.1.5. Provide your internal assessment of the return on investment associated with wellness programs. Describe how this assessment informs your decisions about investment in your wellness programs, including program scope and objectives, participation expectations, reporting efforts, etc. Be direct, whether you consider wellness to be essential, of negligible or undetermined value, or anything in between.

G.1.6. Provide a description of how your wellness initiatives tie into disease management initiatives. In your response, be specific as to the ability to identify eligible participants for disease management programs (and what those programs are), how they promote better participation in those programs and how wellness data are used to enhance the effectiveness of other care management initiatives.

G.1.7. Describe your incentive strategies to promote participation in wellness initiatives, use of wellness or health management tools or otherwise promote compliance with disease management protocols among plan participants. In your response, be specific as to programs that are available to retiree populations, either Non-Medicare or Medicare eligible.

G.1.8. Provide samples of all your utilization reports available to LAFPP and identify any associated costs for each report. What is the frequency of these reports?

G.1.9. Are you able to offer incentives to medical plan participants who take steps toward adopting a healthier lifestyle? Provide some examples.

## **H. Medical Provider Networks**

### **H.1. Network Composition**

H.1.1. Provide geographic accessibility reports for the LAFPP population with these stipulations:

- Copies of full GeoAccess (or equivalent) reports should be sent along with your proposal



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- Measure access using member zip code in the file
  - Measure primary care physician and OB/GYN access to open practices only
  - Separate areas into urban/suburban and rural using metropolitan statistical area (MSA) designations, using the software's designation of urban, suburban and rural
  - For specialists, measure by a "Specialist Package" which equals one of each of the following types for urban/suburban areas: allergy/immunology; cardiology; dermatology; endocrinology; gastroenterology; neurology; oncology; orthopedics; urology
  - For rural areas, the Specialist Package equals one of each of the following types: cardiology; neurology; oncology; orthopedic surgery
  - Measure using the access standards defined on the Excel spreadsheet
- H.1.2. Describe your methods for ensuring that your provider directories (on-line) remain current in regard to network participation, affiliations, open practices, office hours and all other relevant information.
- H.1.3. Include separate Excel files that provide a complete listing of HMO physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.4. Include separate Excel files that provide a complete listing of PPO physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.5. Include separate Excel files that provide a complete listing of Medicare Advantage physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.6. Where, if anywhere, would you propose to do supplemental contracting based on the locations of the LAFPP population?
- H.1.7. Where, if anywhere, would you propose to do supplemental contracting based on your disruption analysis? Specify particular hospitals, medical groups, and regions.
- H.2. Network Management**
- H.2.1. Do you provide information (e.g., provider report cards) to members regarding the quality or performance of medical providers?
- H.2.2. How do you notify a member when a physician leaves the network?
- H.2.3. How many days' notice do you provide to a member whose physician is leaving your network?
- H.3. Provider Access**
- H.3.1. Discuss the process when a provider leaves or is removed from your network. Include in your discussion:
- How and when you notify members that the provider is no longer part of the network.
  - At what point would you inform/involve LAFPP (i.e., with what number of affected LAFPP members)?
  - How members are transitioned to new providers – address if this varies depending on whether they are within a course of treatment and how they are assigned to a new provider if they do not actively select one, etc.
- H.3.2. What are your standards and results for appointment wait times?

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H.3.3. Provide the number of Urgent Care centers based on LAFPP's GeoAccess and describe any plans to expand or decrease the number of Urgent Care centers in your network.

**H.4. Centers of Excellence**

H.4.1. Describe your "Centers of Excellence" program applicable to California residents, including:

- The basis for determining eligible COE-type procedures (e.g., only transplants or a broader list of conditions/procedures).
- Whether or not your program is voluntary or required (e.g., heart-lung transplants may be done only at designated COE facilities).
- The basis on which you have selected your COE facilities, addressing both quality and cost considerations.
- The basis of payment for COE services (e.g., global case rate fees).
- How you evaluate the outcomes and ongoing success of the program at individual facilities.

H.4.2. For each product quoted, provide the requested hospital information for inpatient, outpatient, ER, and Urgent Care services.

H.4.3. When LAFPP members enrolled in the HMO or PPO plan receive services out-of-area from providers who are contracted with your organization or an affiliated organization, do you assess the contracted rate for those providers? If yes, is there an additional charge to assess the rate and if so, what is it?

**H.5. Hospice Care**

H.5.1. Describe your hospice program and how it is integrated with hospital services.

H.5.2. What savings, if any, are generated by this program? How do you track utilization and member satisfaction related to this program?

H.5.3. Explain your delivery of care in end-of-life cases, and in particular, patient care services using hospice services.

**I. Prescription Drug Program**

**I.1. Plan Design/Product issues**

I.1.1. Identify where your claims processing system can support the listed plan design options.

- Three-Tier Copays (Generic/Brand Preferred/Brand Non-Preferred)
- Four-Tier Copays
- Coinsurance Plans
- Multi-tiered Coinsurance Plans
- Deductibles with Copays
- Deductibles with Coinsurance
- Out-of-Pocket Maximum with Copays
- Out-of-Pocket Maximum with Coinsurance
- Out-of-Pocket Maximum excluding Non-Preferred Brand Tier
- Coordination of Benefits
- Other (List)

I.1.2. If the actual cost of the prescription that will apply to the plan is less than the copayment, is the member charged the full copayment or the actual cost of the drug? Specify if the answer is the same for both brand and generic drugs.

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**I.2. Pharmacy Networks**

- I.2.1. Do you have a national network? If not, identify those states without network coverage. Is your retail network in California owned or leased? If this answer differs by state, indicate the states where you own the network. For the leased locations, identify the organization(s).
- I.2.2. List your top 20 network pharmacy chains.
- I.2.3. Provide the number of contracted retail pharmacy outlets you have in California, Arizona and Nevada, by listed counties and overall.
- I.2.4. Provide a complete listing of your network pharmacies in California.

**I.3. Generic Drug Programs**

- I.3.1. Describe your generic substitution policy and process for both mail order and retail.
- I.3.2. What is your generic substitution rate, generic utilization rate, and formulary compliance rate for your book of business?
- I.3.3. Describe any programs you offer to promote the use of generics.

**I.4. Formulary**

- I.4.1. What is your policy for transitioning new members who are currently using a drug that is not on your formulary or is in the non-preferred tier?
- I.4.2. Are the mail order and retail formularies the same? If not, explain differences and how you manage them.
- I.4.3. Provide the formulary you are proposing in electronic format.
- I.4.4. Identify the formulary rebate you will guarantee to LAFPP. What percentage of rates is this? Will this be a percentage of the rebates that are specifically attributable to LAFPP membership, or a percentage of the rebates for your book of business?

**I.5. Mail Order**

- I.5.1. Name the primary pharmacy that would provide mail order prescription medication to participants. Do you own this organization?
- I.5.2. Does your online system support an integrated retail and mail service organization?
- I.5.3. Are prescriptions electronically tracked from receipt to release? What process exists to flag and track prescriptions that are not filled within normal turnaround time?
- I.5.4. Is there a customer service department or helpline available at the mail order level? What are the hours of operation (Pacific Standard Time)? Is a pharmacist available to speak to the member? Is there a separate number for physicians to call?

**I.6. Drug Utilization**

- I.6.1. Describe your Drug Utilization Review (DUR) program.
- I.6.2. Describe your step therapy program.
- I.6.3. Have you developed diagnosis-based dose and duration guidelines? If so, how do you identify providers who are under- or over-prescribing? How do you share this information with physicians? With medical vendors?

**I.7. Drug Cost and Reimbursement**

- I.7.1. Provide your California book of business pharmacy trend for 2019, 2020 & 2021.
- I.7.2. Provide your California book of business dollar rebate per prescription for 2021.
- I.7.3. How many Maximum Allowable Cost (MAC) lists do you have for pharmacies and clients? If more than one, which list will you use for LAFPP?

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I.7.4. Which source of Average Wholesale Price (AWP) do you use? How often is the AWP file updated and verified?

I.7.5. Provide the discounts and rebates you are willing to guarantee to LAFPP.

I.7.6. Are there ANY payments you receive from pharmaceutical manufacturers that are not included in your definition of rebates, and therefore not passed along to your clients? If yes, describe fully.

I.7.7. Describe your MAC program for generic substitution in mail order and retail. Do you offer voluntary, mandatory or incentive based MAC programs? How is the MAC price list derived? If Modified HCFA or PBM proprietary MAC, what is your mechanism for including drugs on the list? How often is the MAC list updated?

I.7.8. Provide the average allowed and rebate per script for mail order and retail for the listed drug using calendar year 2020 and 2021 data. Also indicate whether or not the drug is included in your formulary.

I.7.9. If your pricing is not based on AWP or MAC, please describe.

**J. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

J.1.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward an annual LAFPP retiree health fair.

J.1.2. Are you able to offer health screenings at LAFPP Wellness Seminars and Fitness Fairs?

**K. Questions Concerning Your Proposal**

K.1.1. Is your organization requesting any alternatives and/or substitutions to the scope of services required in this RFP or LAFPP standard RFP and contracting provisions? If so, contact the RFP administrator indicating the details.

K.1.2. Provide five references from public agency clients with similar size and characteristics to LAFPP, for whom the primary account manager and principal assistant have provided medical plan services. For each reference include:

- The name of the proposer's account manager for the health plan
- Client name and address
- Client contact person name, phone number, e-mail address
- The time period during which the services were provided
- A brief summary of the services provided

K.1.3. List the name and office location of the primary individual(s) who would be responsible for the LAFPP account and provide brief biographies including titles, functions, academic credentials, relevant experience, past clients served, and number of health plan clients, and the dates they managed each account, anticipated to be assigned to each individual concurrently with this engagement.

K.1.4. What policies are in effect to control the workload as it relates to the number of clients serviced by the account manager? Is there a limit on the number of accounts that an account manager may handle?

K.1.5. Describe your account manager's experience and involvement with public entity client(s) who were in the process of transitioning from one health plan to another.

K.1.6. Describe your organization's ability to provide periodic updates regarding federal legislation and/or IRS Rules that may affect the operation of the LAFPP health program.

K.1.7. Does your organization produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?

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MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS****L. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

L.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.

L.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.

L.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration. Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

L.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

L.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.

L.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

L.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

L.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

L.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the

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California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: “The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor.”

Failure to include such a statement shall constitute a waiver of a Proposer’s right to exemption from this disclosure.

L.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

L.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

L.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance
- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

L.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.



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**Appendix F – Required Contract Language for Third-Party Administrators****Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement, and general pharmaceutical benefit information.
  - ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.

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- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.
- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8<sup>th</sup> of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.
- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.



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- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.
- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.

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- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.
- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

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LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.
- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
  - Eligibility
  - Social Security Numbers or other unique identifiers
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.
- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.

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f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:

- Pensioner Social Security Number or other unique identifier
- Pensioner first name, middle initial, and last name
- Pensioner address
- Pensioner birth date
- Pensioner effective date of pension
- Pensioner years of service
- Pensioner Pension Fund Code & Tier
- Pay period ending date
- Health Deduction Code
- Health Deduction Amount
- Health Plan Code
- Health Part Code
- Health Subsidy Amount
- Health Premium Amount
- Primary Dental Deduction Code
- Primary Dental Deduction Amount
- Primary Dental Plan Code
- Primary Dental Part Code
- Primary Dental Subsidy Amount
- Primary Dental Premium Amount
- Secondary Dental Deduction Code
- Secondary Dental Deduction Amount
- Secondary Dental Plan Code
- Secondary Dental Part Code
- Secondary Dental Subsidy Amount
- Secondary Dental Premium Amount
- Outstanding deductions
- Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans

g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.

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- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.
- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5<sup>th</sup> day of the month following the payroll



period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.

- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
  
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.

DRAFT

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS**



**CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS**

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering self-insured health plans.

Contracts

- PPO Network Access Agreement
- Prescription Drug contracts (including rebates and Admin Fees)
- Stop Loss contracts (aggregate & specific coverages and premiums)
- TPA contract including fees charged for all services
- Disease Management Vendor contract
- Dental contract (most recent)
- Wellness program contract

Summary Plan Descriptions

- PPO Medical and Prescription Drug
- Medicare Supplemental Medical and RX

Financial Reporting

- Medical, RX and Dental claims data for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Top twenty RX by script and by dollar amounts
- Large claims data (individual claims exceeding \$50,000), for last twenty-four months prior to renewal
- Medical pooling point for individual claims
- Aggregate stop loss attachment point for renewal
- Expected Medical and RX claims for renewal
- Statistically valid random sampling of claims sufficient to permit an audit of claims in accordance with industry standards

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering fully insured health plans.

Contracts

- Medical and RX current contracts
- Wellness Program Contract (if applicable)

Summary Plan Descriptions

- Medical and RX
- Medicare Supplement Medical and RX

**REQUEST FOR PROPOSAL – DCFS22-02  
MEDICAL AND PRESCRIPTION DRUG BENEFIT PLANS**



Financial Reporting

- Medical and RX premiums and claims data for last thirty-six months prior to renewal
- Enrollment for each plan by month for last thirty-six months prior to renewal
- Top twenty RX utilization report for last twenty-four months prior to renewal
- Large claims data (individual claims over \$50,000), for last twenty-four months prior to renewal
- Insured pooling point for individual claims
- Renewal underwriting calculations for upcoming renewal including:
  - Credit amount for large claims
  - Resources for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

Contracts

- Current dental contract

Summary Plan Descriptions

- Dental

Financial Reporting

- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fee



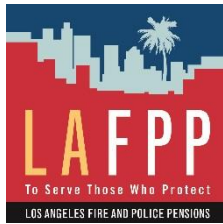


**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications



Los Angeles Fire and Police Pensions (LAFPP)

# REQUEST FOR PROPOSAL (RFP) FOR Dental Plan Benefits RFP NO. DCFS22-03

Release Date August 1, 2022

Proposal Due Date October 11, 2022 @ 3:00PM PST

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com). The [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com) email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

All questions must be submitted in writing no later than:

August 23, 2022

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org))



To RFP Administrator

USI Insurance Services (on behalf of LAFPP)  
Gary Delaney ([Gary.Delaney@usi.com](mailto:Gary.Delaney@usi.com))

**Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another; all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website: [www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Members of the Board of Fire and Police Pension Commissioners (Board) or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services, and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.



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## I. INTRODUCTION AND BACKGROUND

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### **Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide fully-insured dental benefit plans for LAFPP's eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

This RFP will be for plan year July 1, 2023 – June 30, 2024 with options to renew for five additional one-year periods. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods.

LAFPP has engaged their Health and Welfare consultant, USI Insurance Services to solicit and assist in the evaluation of dental plan benefit proposals for this RFP.

### **Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Dental plans for LAFPP retired members, dependents, and survivors.

LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.

LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plans to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

### **Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for all retiree Dental plans:

#### **Los Angeles Police Relief Association (LAPRA)**

- Self-funded Anthem PPO Dental Plan
- Fully insured Anthem HMO Dental Plan

**Los Angeles Police Protective League (LAPPL)**

- Fully insured Delta PPO Dental Plan
- Fully insured Delta HMO Dental Plan

**United Firefighters of Los Angeles City (UFLAC)**

- Fully insured MetLife Dental DPO plan
- Fully insured MetLife Dental HMO plan
- Self-funded MetLife Direct Reimbursement plan

Summaries of all the dental programs are included.

LAFPP Retired Members who are fifty-five (55) years of age or older with at least ten (10) years of City Service are eligible for a dental subsidy benefit. In addition, Disability Retirees, current spouses/domestic partners of retirees, surviving spouses/domestic partners (hereafter referred to as Survivors) of retirees, and dependent children and grandchildren also participate in the plans.

For 2022, the maximum dental subsidy provided to LAFPP Retired Members is \$44.60 per month.

An annual Open Enrollment period is held each year. It allows new enrollments and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual Open Enrollment period. Additional qualifying events for enrolling outside of Open Enrollment include: retirement from the City, being added to the retirement payroll as an eligible Survivor, turning age 55. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

LAFPP requires renewals to be presented by March 1 for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year. Proposers are not allowed to modify the final renewal benefits and rates. Benefit changes are only allowed provided they are due to State or Federal mandates, however, the final rates are not allowed to change.

Vendors are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, Member data, and other plan information specific to its population.

This RFP seeks proposals for the administration and provision of dental plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plans listed below:

- UFLAC Dental PPO
- UFLAC Dental HMO



LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any Proposer responding to this RFP.

## **II. MINIMUM QUALIFICATIONS**

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Proposers must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The Proposer must have at least five (5) years of experience providing fully insured dental plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## **III. SCOPE OF SERVICES**

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**Proposers must specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Third Party Administrator responding to this RFP, respond on behalf of the insurance carrier or TPA you represent. Also see Appendix G for a listing of required administrative services to be provided by the relief association or union plans.

### **A. Dental Plan Underwriting and General Responsibilities**

1. Proposer must be a dental insurance provider, not a broker representative, and ranked by either Standard and Poor's, A.M. Best or Moody's with a rating of "A" or greater to ensure that LAFPP selects providers who have the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
2. Must be experienced with and licensed to provide dental plans in the State of California.
3. Must be able to provide access to dental plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
4. Agree to accept LAFPP's definitions of eligible Retiree, Survivor, and Dependents.





5. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
6. Agree to work collaboratively with other LAFPP vendors on other plan benefit-related projects such as Open Enrollment and data initiatives.
7. Agree to provide and present renewal underwriting methodology to LAFPP staff and the Board's Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.
8. Provide such other services as requested by LAFPP, for which the Proposer has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
9. Notify LAFPP in writing and obtain approval of any changes to their services including, but not limited to, outsourcing of services outside the United States and its territories.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff semi-annually to review and evaluate dental plan administration.
2. Upon LAFPP request, attend various retiree meetings relating to dental plan benefits.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current dental plan design and cost options when requested by LAFPP staff, the Board, and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.
6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, but is not limited to, the following: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.



8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the dental plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the dental plan and LAFPP comply with the new requirements.

**C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, and plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, including but not limited to claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to Open Enrollment, wellness and other activities/meetings centered upon educating LAFPP dental plan participants and LAFPP staff regarding the dental plans.
2. Assist LAFPP and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications guides or letters.
3. Assist LAFPP and LAFPP's Health and Welfare Consultant in drafting communication materials and plan comparison information for Retirees, Survivors, and Dependents.
4. Assist LAFPP staff in planning annual Open Enrollment meetings for Retirees. Planning to include at least one annual meeting with LAFPP staff regarding current Open Enrollment meeting information needs.
5. Develop a video presentation on the dental plan services for the annual Open Enrollment.
6. Attend and present dental information (such as dental plan changes for the following calendar year, how to utilize the plan most effectively, etc.) at all annual Open Enrollment seminars for Retirees, Survivors, and Dependents.



7. Assist LAFPP with the development of dental plan benefits documents, such as the LAFPP Health Benefits Guide.
8. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

**E. Data Reporting**

Will assist LAFPP in the administration of its data reporting, which involves:

1. Reviewing dental plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide drill-down reports to better understand utilization.
2. Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format.
3. Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts.
4. Monitoring and reporting on the progress of strategies and its effect on cost drivers.

**IV. GENERAL DUTIES**

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The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with all applicable federal and state medical privacy and information security regulations including but not limited to HIPAA. Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.
2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communication that use LAFPP's database through the General Manager or appointed designee.



4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel, and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.
5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues arising in discussions and meetings.

## V. INSTRUCTIONS TO PROPOSERS

LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your organization's only submission.

### A. Proposal Timeline

The timeline for the RFP process is as follows:

<u>Activity</u>	<u>Dates</u>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP's office or staff is strictly prohibited during the proposal process.

### B. Declare Proposal Intentions

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.



### C. Proposal Sections

Proposers should complete the components of this RFP according to the following table:

RFP Section	Dental Plans
<b>Plan Pricing</b>	●
<b>Questionnaire</b>	
Organization & Account Management	●
Administrative Issues	●
Member Services	●
Claims Administration	●
Dental Provider Networks	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●
<b>Addenda</b>	
Requested Attachments	●
Performance Standards	●
LAFPP Required Forms	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

### D. File Naming Conventions

The following document naming conventions must be followed without exception.

Template spreadsheet files

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls



When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

*<Vendor Name>-<Section Name>.xls*

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

*Additional Attachments*

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

*<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>. <file extension>*

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

*<Vendor Name>-<Short Title>. <file extension>*

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

**E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in the pricing workbook and in your cover letter. Be sure that your basic quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company's standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.



Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
Initial contract term:	12 months with options to renew for five additional one-year periods. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months Multiple year quotes are encouraged.
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured and self-funded basis.
Eligibility Provisions:	Duplicate current eligibility provisions
Transfer of Coverage and Transition Provisions:	No loss, no gain – no one will lose coverage in the transition between carriers All pre-existing conditions exclusions/limitation must be waived for all participants currently covered or newly enrolling.
COBRA:	LAFPP relies on its vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

#### **F. Performance Guarantees**

LAFPP seeks performance guarantees from its contracted vendors, with portions of the vendor's compensation at risk for failing to meet these guarantees. Proposers are expected to include performance guarantees in their proposal, and will be assessed on the strength of the performance guarantees they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon guarantees.



## **G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B. Additional data may be provided at a later date:

- Plan Changes Summary.xls
- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls

Census/enrollment information and contributions and current benefits can be found in the following electronic files found in Appendix B:

- Health Benefits Guide.pdf
- Census.xls

## **H. Plan Design Deviations.xls (Appendix C)**

Identify any deviations from the stipulated plan designs that you require due to operational, contractual or legal limitations. It is assumed that any required deviations will be reflected in all of the pricing exhibits of this RFP. Be sure that your basic quote includes only those deviations that are absolutely required, and that all of those deviations are listed in this file.

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

## **VI. RFP PROCESS**

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While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality or infirmity in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract.

### **A. Evaluation Process**

All proposals deemed timely and responsive will be reviewed, evaluated, and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).





Any selected proposer(s) must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, and References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.
- **Level II. Administrative Responsiveness**  
Proposer must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer’s ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- **Level III. Proposed Services (“Proposal”)**  
For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

<b>Description</b>	<b>Maximum Points</b>
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Multiple Year Rate Caps</li> <li>• Funding arrangement options</li> <li>• Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>• Proposer’s financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	25
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to Retirees and their dependents, including availability of live customer service representatives and Web-based tools that help in determining benefit levels, decision support, Member education, and provider selection.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive Account Management services.</b></p>	20



<p>The level of applicable administrative support services will be considered (claims processing, Member services, billing and eligibility, contracts, enrollment, and proposer's business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p> <p>Ability to provide detailed utilization data.</p> <p>Ability to provide electronic files.</p>	
<b>Total</b>	<b>100</b>

- **Level IV. Final Approval by the Board**

Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

**B. Proposer Questions & Restricted Contact with LAFPP Personnel**

Direct all questions by e-mail to the RFP Administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualifications and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP's unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may



be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

#### **F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top-ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.

### **VII. QUESTIONNAIRE**

Answer each question contained in this questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply, write in “not applicable” and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

#### **A. General**

- A.1. Provide a brief description and history of your organization and address how your products and services would be a good match for the LAFPP Retirees compared to other competitors.
- A.2. Provide your organization’s most recent financial ratings with AM Best, Moody’s & Standard & Poor’s.
- A.3. Indicate if you expect any operational, systems or organization changes with your company over the next twenty-four (24) months. Attach a high-level project plan.
- A.4. Indicate the total Members covered in your dental plan as of January 2022.
- A.5. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both early and post-65 retirees.
- A.6. Do you agree to all the terms and conditions of this RFP?
- A.7. What is your incurred but not reported (IBNR) claims underwriting policy?
- A.8. What is your retention for each quoted fully insured plan?
- A.9. Provide a participating and nonparticipating quote. What is the methodology (retention, premium stabilization fund timing, etc.) to calculate a refund under the participating contract?
- A.10. Confirm that your proposed rates exclude commissions.
- A.11. Confirm there will be no adjustments to the proposed rates based on actual enrollment or changes in enrollment.
- A.12. The client requires renewals to be presented by the plan year beginning the following July 1st. Confirm your agreement to this requirement.
- A.13. Discuss any technological improvements your organization has planned for 2023 (e.g., Internet related services, online eligibility, etc.) and the effect on enrolled Members.



- A.14. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

### **B. Plan Design**

- B.1. Refer to the dental plan designs.xls files and provide in the column indicated if you are able to match the current benefit levels and if there are any differences, describe what they are.
- B.2. For the dental PPO proposal clearly define and list what is covered under the preventative, basic, and major service categories.
- B.3. For the dental HMO proposal clearly define and list what is covered under the preventative, basic, and major service categories.
- B.4. What is your referral process for the dental HMO plan? Provide average time for referrals.

### **C. Claim Administration**

- C.1. How is image scanning used in your claims adjudication system?
- C.2. Describe your preferred way of receiving, integrating and coordinating eligibility data.
- C.3. Confirm that you accept electronic eligibility files.
- C.4. What percent of total claims are submitted to providers electronically?
- C.5. Do you expect any changes to your claims system over the next 24 months (e.g., upgrades, replacement, location change, etc.)?
- C.6. Provide your performance standards including the targets and actual results for the most recent period for financial, processing and payment accuracy for your book-of-business.
- C.7. Briefly describe your process for administering claims.
- C.8. What percentage of claims are processed without manual processing or human intervention?
- C.9. Describe your disaster recovery plan.

### **D. Reporting**

- D.1. Confirm if monthly as well as annual reports will be provided. How long after the reporting period will the reports be provided?
- D.2. What ad hoc or customized reports are available and what are the costs if any?
- D.3. Will your organization provide and make available utilization data based on the LAFPP plan structure? If not, describe what will be made available.
- D.4. Please submit samples of all available reports and state the frequency of each. Please identify any associated costs for each report.

### **E. Administration**

- E.1. Provide samples of your service agreement including EOCs/SPDs.
- E.2. Will you produce ID cards for mailing? How long will it take after receipt of a clean eligibility file?
- E.3. Are the ID cards customizable for LAFPP? If so, what are the additional costs for doing so?
- E.4. Provide the transition of care benefits for the dental PPO and dental HMO plans separately, and address treatment in progress, orthodontia and other treatments.



- E.5. Describe in detail the implementation timeline assuming a July 1, 2023 effective date and include the assigned tasks for all parties.

## **F. Contracts**

- F.1. How many contracts/EOCs/SPDs will your organization require based on the number of products you are proposing?
- F.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.

## **G. Networks/Providers**

- G.1. Submit a Geo-Access report for each network you are offering based on the following:
- General Dentist
    - Urban: Two (2) providers within ten (10) miles
    - Rural: Two (2) providers within twenty (20) miles
  - Dental Specialist
    - Urban: Two (2) providers within ten (10) miles
    - Rural: Two (2) providers within twenty (20) miles
  - Include the count of General Dentists and Dental Specialists for these standards.
- G.2. Refer to the census data provided as part of this questionnaire and provide Geo-Access analysis based on the zip codes.
- G.3. Provide the average provider discounts of Usual, Customary and Reasonable (UCR) in California for General Dentists and Dental Specialists.
- G.4. How often are contracts renewed with Network Providers?
- G.5. If a Provider drops/leaves your network, how are enrollees notified?
- G.6. What procedures are in place to prevent a Member from being overbilled or balance billed by a participating Provider or Specialist?
- G.7. Do you anticipate any significant changes to the network in the next two (2) years?

## **H. Implementation and Account Management**

- H.1. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?
- H.2. Provide your desired eligibility file format/layout.
- H.3. Describe your proposed account management team and structure.
- H.4. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?
- H.5. What are your termination requirements?
- H.6. Indicate the response that matches your practice for Member identification numbers:



- Utilize Social Security Number (SSN) exclusively
- Utilize unique number (NOT SSN)
- Purchaser option to use SSN or other number
- Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose

H.7. Is your provider information available online? If so, provide website address. How frequently is this information updated?

#### **I. COBRA**

- I.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.
- I.2. LAFPP's current third-party administrators extend COBRA provisions to all family Members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?
- I.3. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow Members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

#### **J. Privacy & HIPAA**

- J.1. Do you agree to indemnify LAFPP for any liabilities resulting from the improper disclosure of protected health information by you or any of your subcontractors?

#### **K. Member Services**

- K.1. Would you propose to offer a dedicated or partially dedicated unit/staff to LAFPP?
- K.2. If you are proposing a partially dedicated unit, indicate the current number of other groups and total Membership served by the partially dedicated unit.
- K.3. Would you offer a dedicated toll-free phone number?
- K.4. Confirm whether your customer service personnel are U.S. based. If so, confirm you will provide sufficient notification to LAFPP should the customer service personnel ever be outsourced to another country.
- K.5. What are the hours of operation?
- K.6. What authority do customer service representatives have to resolve issues over the phone? Are customer service representatives authorized to make real time claim payment adjustments?
- K.7. Do you record customer service calls?
- K.8. What information is the Member required to enter into the VRU system (e.g., group number, SSN, etc.)?
- K.9. Can a Member leave a message at your Member service line after working hours? If yes, what is the protocol for responding to that call?
- K.10. Define your process for handling issues that are not resolved in the initial call.

#### **L. Wellness**

- L.1. How would you propose to integrate your wellness services with the medical wellness program?

#### **M. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

**REQUEST FOR PROPOSAL – DCFS22-03  
DENTAL PLAN BENEFITS**

- M.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward LAFPP annual retiree health and fitness fairs, and wellness seminars.
- M.2. Are you able to offer screenings at LAFPP wellness events?

**N. Questions Concerning Your Proposal**

- N.1. Provide a general outline of your plan for the Data Initiative services described in Section III. Scope of Services.
- N.2. List any additional services you will be providing under your fully insured dental plan which were not requested in this RFP. Include a description of the research and other technical resources, including on-line databases and computer based analytical tools that you make available to your clients.
- N.3. Are there any services which you will not be providing to LAFPP, which were required by this RFP?
- N.4. Describe your proposer's ability to provide periodic updates regarding federal legislation and/or Internal Revenue Service (IRS) Rules that may affect the operation of the LAFPP health program.
- N.5. Does your proposer produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?
- N.6. Include as an addendum item samples of your proposer's reports, including an annual renewal and claims report.

**O. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

O.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.

O.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.

O.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration. Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

O.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

O.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.



O.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

O.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

O.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

O.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: "The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor."

Failure to include such a statement shall constitute a waiver of a Proposer's right to exemption from this disclosure.

O.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

O.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

O.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance





- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

O.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.

#### **Appendix F – Required Contract Language for Third-Party Administrators**

##### **Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement,



- and general pharmaceutical benefit information.
- ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.
- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.
- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8<sup>th</sup> of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month.
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.



- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.
- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.
- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.



- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.
- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

### **Specific Services to be Performed by LAFPP**

LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.



- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
- Eligibility
  - Social Security Numbers or other unique identifier
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.
- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.
- f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:
- Pensioner Social Security Number or other unique identifier
  - Pensioner first name, middle initial, and last name
  - Pensioner address
  - Pensioner birth date
  - Pensioner effective date of pension
  - Pensioner years of service
  - Pensioner Pension Fund Code & Tier
  - Pay period ending date



- Health Deduction Code
  - Health Deduction Amount
  - Health Plan Code
  - Health Part Code
  - Health Subsidy Amount
  - Health Premium Amount
  - Primary Dental Deduction Code
  - Primary Dental Deduction Amount
  - Primary Dental Plan Code
  - Primary Dental Part Code
  - Primary Dental Subsidy Amount
  - Primary Dental Premium Amount
  - Secondary Dental Deduction Code
  - Secondary Dental Deduction Amount
  - Secondary Dental Plan Code
  - Secondary Dental Part Code
  - Secondary Dental Subsidy Amount
  - Secondary Dental Premium Amount
  - Outstanding deductions
  - Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans
- g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.
- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health



and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.
- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5<sup>th</sup> day of the month following the payroll period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.
- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted



by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.

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### CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

#### Contracts

- Current dental contract

#### Summary Plan Descriptions

- Dental

#### Financial Reporting

- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

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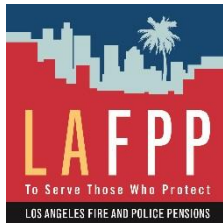


**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications



Los Angeles Fire and Police Pensions (LAFPP)

# REQUEST FOR PROPOSAL (RFP) FOR Vision Plan Benefits RFP NO. DCFS22-04

Release Date August 1, 2022

Proposal Due Date October 11, 2022 @ 3:00PM PST

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to RFPResponse@LAFPP.com. The RFPResponse@LAFPP.com email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

All questions must be submitted in writing no later than: August 23, 2022

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

To RFP Administrator

USI Insurance Services (on behalf of LAFPP)  
Gary Delaney (Gary.Delaney@usi.com)

**Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another; all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website: [www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Board members or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.



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## **I. INTRODUCTION AND BACKGROUND**

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### **Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide fully-insured vision benefits for LAFPP's eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

This RFP will be for plan year July 1, 2023 – June 30, 2024, with options to renew for five additional one-year periods. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods.

LAFPP has engaged their Health and Welfare consultant, USI Insurance Services to solicit vision plan benefit proposals for this RFP.

### **Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Vision plans for LAFPP retired members, dependents, and survivors.



LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.

LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plan to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

### **Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for retiree Vision benefits:

#### **Los Angeles Police Relief Association (LAPRA)**

- Fully insured VSP Vision Plan

#### **Los Angeles Firemen's Relief Association (LAFRA)**

- Fully insured VSP Vision Plan

The vision coverage is packaged with Medical. Summaries of all the vision programs are included.

LAFPP retired members are eligible to receive health subsidies that can be used to provide vision benefits paid by LAFPP toward their health plan premiums if they meet all of the following criteria:

- Must be enrolled in a LAFPP Board-approved health plan
- At least 55 years of age or older (or the deceased member would meet this criteria)
- Receiving a service, disability, or survivorship pension
- Member must have at least 10 years of service
- Enrolled in Medicare (upon reaching age 65) to the fullest extent of the pensioner's entitlement (Parts A and B or Part B-only)

NOTE: Qualification for a health subsidy is different for a member who retired prior to July 1, 1998 or a Tier 6 member who retired on a service-connected disability pension

An annual Open Enrollment period is held each year. It allows new enrollments and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual Open Enrollment period. Additional qualifying events for enrolling outside of Open Enrollment include: retirement from the City, being added to the retirement payroll as an eligible



Survivor or turning age 55. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

LAFPP requires renewals to be presented by March 1<sup>st</sup> for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year. Vendors are not allowed to modify the final renewal benefits and rates. Benefit changes are only allowed provided they are due to State or Federal mandates, however, the final rates are not allowed to change.

Proposers are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, Member data, and other plan information specific to its population.

This RFP seeks proposals for the vision plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plan listed below:

- LAFRA VSP Vision Plan

LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any proposer responding to this RFP.

## II. MINIMUM QUALIFICATIONS

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Organizations must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The proposer must have at least five (5) years of experience providing fully insured vision plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## III. SCOPE OF SERVICES

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**Proposers are asked to specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Labor Union responding to this RFP, respond on behalf of the insurance carrier or TPA you represent. Also see Appendix G for a listing of required administrative services to be provided by the relief association or union plans.

### A. Vision Plan Underwriting and General Responsibilities





1. Proposer must be a vision insurance provider, not a broker representative, and ranked by either Standard and Poor's, A.M. Best or Moody's with a rating of "A" or greater to ensure that LAFPP is working with a provider that has the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
2. Must be experienced with and licensed to provide vision plan benefits in the State of California.
3. Must be able to provide access to vision plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
4. Agree to accept LAFPP definitions of eligible Retiree, Survivor, and Dependents.
5. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
6. Agree to work collaboratively with other LAFPP vendors on other plan benefit-related projects such as Open Enrollment and data initiative.
7. Agree to provide and present renewal underwriting methodology to LAFPP and their Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.
8. Provide such other services as requested by LAFPP, for which the Contractor has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
9. Notify LAFPP in writing and obtain approval of any changes to their services including, but not limited to, outsourcing of services outside the United States and its territories.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff semi-annually to review and evaluate vision plan administration.
2. Upon LAFPP request, attend various retiree meetings relating to vision plan benefits.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current vision plan designs and cost options when requested by LAFPP staff and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.



6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, **but is not limited to, the following**: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.
8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the vision plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the vision plan and LAFPP comply with the new requirements.

**C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, and plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to Open Enrollment, wellness and other activities/meetings centered upon educating LAFPP vision plan participants and LAFPP staff regarding available benefits.
2. Assist LAFPP and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications guides or letters.



3. Assist LAFPP and LAFPP's Health and Welfare Consultant in drafting communication materials and plan comparison information for Retirees, Survivors, and Dependents.
4. Assist LAFPP staff in the planning of annual Open Enrollment meetings for Retirees. Planning to include at least one annual meeting with LAFPP staff regarding current Open Enrollment meeting information needs.
5. Develop a video presentation on the vision plan services for the annual Open Enrollment.
6. Assist LAFPP with the development of vision plan benefits documents, such as the LAFPP Health Benefits Guide.
7. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

#### **E. Data Reporting**

Will assist LAFPP in the administration of its data reporting, which involves:

1. Reviewing vision plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide drill-down reports to better understand utilization.
2. Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format.
3. Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts.
4. Monitoring and reporting on the progress of strategies and its effect on cost drivers.

#### **IV. GENERAL DUTIES**

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The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with [all applicable federal and state medical privacy and information security regulations including, but not limited to, HIPAA](#). Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.



2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communication that use LAFPP's database through the General Manager or appointed designee.
4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.
5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues arising in discussions and meetings.

## V. INSTRUCTIONS TO PROPOSERS

LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your organization's only submission.

### A. Proposal Timeline

The timeline for the RFP process is as follows:

<b><u>Activity</u></b>	<b><u>Dates</u></b>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP office or staff is strictly prohibited during the proposal process.

### B. Declare Proposal Intentions

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form



of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.

**C. Proposal Sections**

Proposers should complete the components of this RFP according to the following table:

RFP Section	Vision Plans
Plan Pricing	●
Questionnaire	
Organization & Account Management	●
Administrative Issues	●
Member Services	●
Claims Administration	●
Vision Provider Networks	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●
Addenda	
Requested Attachments	●
Performance Standards	●
LAFPP Required Forms	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

**D. File Naming Conventions**

The following document naming conventions must be followed without exception.

Template spreadsheet files

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls



When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

*<Vendor Name>-<Section Name>.xls*

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

Additional Attachments

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

*<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>. <file extension>*

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

*<Vendor Name>-<Short Title>. <file extension>*

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

**E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in the pricing workbook and in your cover letter. Be sure that your basic quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company’s standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.

Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
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**REQUEST FOR PROPOSAL – DCFS22-04  
VISION PLAN BENEFITS**



Initial contract term:	12 months with options to renew for five additional one-year periods Multiple year quotes are encouraged. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured and self-funded basis.
Eligibility Provisions:	Duplicate current eligibility provisions

Transfer of Coverage and Transition Provisions:	No loss, no gain – no one will lose coverage in the transition between carriers.  All pre-existing conditions exclusions/limitations must be waived for all participants currently covered or newly enrolling.
COBRA:	LAFPP relies on its vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

#### **F. Performance Guarantees**

LAFPP seeks performance guarantees with its contracted vendors, with portions of the vendor's compensation at risk for failing to meet these standards. Proposers are expected to include performance guarantees in their proposal and will be assessed on the strength of the performance guarantees they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon guarantees.

Indicate how many times in 2021 you did not meet your performance guarantee metrics.

#### **G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B. Additional data may be provided at a later date:

- Plan Changes Summary.xls



- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls

Census/enrollment information and contributions and current benefits can be found in the following electronic files found in Appendix B

- Health Benefits Guide.pdf
- Census.xls

#### **H. Plan Design Deviations.xls (Appendix C)**

Identify any deviations from the stipulated plan designs that you require due to operational, contractual, or legal limitations. It is assumed that any required deviations will be reflected in all of the pricing exhibits of this RFP. Be sure that your basic quote includes only those deviations that are absolutely required, and that all of those deviations are listed in this file.

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

### **VI. RFP PROCESS**

While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract at any time.

#### **A. Evaluation Process**

All proposals deemed timely and responsive will be reviewed, evaluated and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).

The selected proposer must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, & References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.





- **Level II. Administrative Responsiveness**  
Proposer’s proposal must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer’s ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- **Level III. Proposed Services (“Proposal”)**  
For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

<b>Description</b>	<b>Maximum Points</b>
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Multiple Year Rate Caps</li> <li>• Funding arrangement options</li> <li>• Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>• Proposer’s financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	25
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to Retirees and their dependents, including availability of live customer service representatives and Web-based tools that help in determining benefit levels, decision support, Member education, and provider selection.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive Account Management services.</b></p> <p>The level of applicable administrative support services will be considered (claims processing, Member services, billing and eligibility, contracts, enrollment, and proposer’s business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p>	20



Ability to provide detailed utilization data.	
Ability to provide electronic files.	
<b>Total</b>	<b>100</b>

- **Level IV. Final Approval by the Board**

The Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

**B. Proposer Questions & Restricted Contact with LAFPP Personnel**

Direct all questions by email to the RFP Administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualification and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP's unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

**F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the



selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.

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## VII. QUESTIONNAIRE

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Answer each question contained in this Questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply to Proposer, write in “not applicable” and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

### **A. General**

- A.1. Provide a brief description and history of your organization and address how your products and services would be a good match for the LAFPP Retirees compared to other competitors.
- A.2. Provide your organization’s most recent financial ratings with AM Best, Moody’s & Standard & Poor’s
- A.3. Indicate if you expect any operational, systems or organization changes with your company over the next twenty-four (24) months. Attach a high-level project plan.
- A.4. Indicate the total Members covered in your vision plan as of January 2022.
- A.5. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both early and post-65 retirees.
- A.6. Do you agree to all the terms and conditions of this RFP?
- A.7. What is your incurred but not reported (IBNR) claims underwriting policy?
- A.8. What is your retention for each quoted fully insured plan?
- A.9. Provide a participating and nonparticipating quote. What is the methodology (retention, premium stabilization fund timing, etc.) to calculate a refund under the participating contract?
- A.10. Confirm that your proposed rates exclude commissions.
- A.11. Confirm there will be no adjustments to the proposed rates based on actual enrollment or changes in enrollment.
- A.12. The client requires renewals to be presented for the plan year beginning the following July 1st. Confirm your agreement to this requirement.
- A.13. Discuss any technological improvements your organization has planned for 2023 (e.g., Internet related services, online eligibility, etc.) and the effect on enrolled Members.
- A.14. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

### **B. Plan Design**

- B.1. Refer to the vision plan designs.xls files and indicate if you are able to match the current benefit levels and if there are any differences, describe what they are.
- B.2. For the vision proposal clearly define and list what is covered under the frame and contact lens allowance.
- B.3. Clarify the progressive lenses coverage in detail.
- B.4. What is your referral process to an eye specialist, ophthalmologist or retina specialist? Provide average time for these referrals.

### **C. Claim Administration**

- C.1. How is image scanning used in your claims adjudication system?
- C.2. Describe your preferred way of receiving, integrating and coordinating eligibility data.



- C.3. Confirm that you accept electronic eligibility files.
- C.4. What percent of total claims are submitted to providers electronically?
- C.5. Do you expect any changes to your claims system over the next 24 months (e.g., upgrades, replacement, location change, etc.)?
- C.6. Provide your performance standards including the targets and actual results for the most recent period for financial, processing and payment accuracy for your book-of-business.
- C.7. Briefly describe your process for administering claims.
- C.8. What percentage of claims process without manual processing or human intervention?
- C.9. Describe your disaster recovery plan.

#### **D. Reporting**

- D.1. Confirm if monthly as well as annual reports will be provided. How long after the reporting period will the reports be provided?
- D.2. What ad hoc or customized reports are available and what are the costs if any?
- D.3. Will your organization provide and make available utilization data based on LAFPP's plan structure? If not, describe what will be made available.
- D.4. Submit samples of all available reports and state the frequency of each. Identify any associated costs for each report.

#### **E. Administration**

- E.1. Provide samples of your service agreement including EOCs/SPDs.
- E.2. Will you produce ID cards for mailing? How long will it take after receipt of a clean eligibility file?
- E.3. Are the ID cards customizable for LAFPP? If so, what are the additional costs for doing so?
- E.4. Provide the transition of care benefits for the vision plans, and address treatment in progress.
- E.5. Describe in detail the implementation timeline assuming a July 1, 2023 effective date and include the assigned tasks for all parties.

#### **F. Contracts**

- F.1. How many contracts/EOCs/SPDs will your organization require based on the number of products you are proposing?
- F.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.

#### **G. Networks/Providers**

- G.1. Submit a Geo-Access report for each network you are offering based on the following:
  - Optometrist
  - Urban: Two (2) providers within ten (10) miles
  - Rural: Two (2) providers within twenty (20) miles
  - Vision Specialist – Ophthalmologist, Retina Specialist
  - Urban: Two (2) providers within ten (10) miles
  - Rural: Two (2) providers within twenty (20) miles
  - Include the count of Optometrists and Vision Specialists for these standards.
- G.2. Refer to the census data provided as part of this questionnaire and provide Geo-Access analysis based on the zip codes.
- G.3. Provide the average provider discounts of UCR in California for General Providers and Vision Specialists.
- G.4. How often are contracts renewed with Network Providers?



- G.5. If a Provider drops/leaves your network, how are enrollees notified?
- G.6. What procedures are in place to prevent a member from being overbilled or balance billed by a participating Provider or Specialist?
- G.7. Do you anticipate any significant changes to the network in the next two (2) years?

#### **H. Implementation and Account Management**

- H.1. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?
- H.2. Provide your desired eligibility file format/layout.
- H.3. Describe your proposed account management team and structure.
- H.4. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?
- H.5. What are your termination requirements?
- H.6. Indicate the response that matches your practice for Member identification numbers:
- Utilize Social Security Number (SSN) exclusively
  - Utilize unique number (NOT SSN)
  - Purchaser option to use SSN or other number
  - Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose
- H.7. Is your provider information available online? If so, provide website address. How frequently is this information updated?

#### **I. COBRA**

- I.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.
- I.2. LAFPP's current third-party administrators extend COBRA provisions to all family Members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?
- I.3. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow Members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

#### **J. Privacy & HIPAA**

- J.1. Do you agree to indemnify LAFPP for any liabilities resulting from the improper disclosure of protected health information by you or any of your subcontractors?

#### **K. Member Services**

- K.1. Would you propose to offer a dedicated or partially dedicated unit/staff to LAFPP?
- K.2. If you are proposing a partially dedicated unit, indicate the current number of other groups and total Membership served by the partially dedicated unit.
- K.3. Would you offer a dedicated toll-free phone number?
- K.4. Confirm whether your customer service personnel are U.S. based. If so, confirm you will provide sufficient notification to LAFPP should the customer service personnel ever be outsourced to another country.
- K.5. What are the hours of operation?



- K.6. What authority do customer service representatives have to resolve issues over the phone? Are customer service representatives authorized to make real time claim payment adjustments?
- K.7. Do you record customer service calls?
- K.8. What information is the Member required to enter into the VRU system (e.g., group number, SSN, etc.)?
- K.9. Can a member leave a message at your member service line after working hours? If yes, what is the protocol for responding to that call?
- K.10. Define your process for handling issues that are not resolved in the initial call.

#### **L. Wellness**

- L.1. How would you propose to integrate your wellness services with the medical wellness program?

#### **M. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

- M.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward an annual LAFPP retiree health and fitness fair.
- M.2. Are you able to offer screenings at LAFPP wellness events?

#### **N. Questions Concerning Your Proposal**

- N.1. Provide a general outline of your plan for the Data Initiative services described in Section III. Scope of Services.
- N.2. List any additional services you will be providing under your fully insured vision plan which were not requested in this RFP. Include a description of the research and other technical resources, including on-line databases and computer based analytical tools that you make available to your clients.
- N.3. Are there any services which you will not be providing to LAFPP, which were required by this RFP?
- N.4. Describe your proposer's ability to provide periodic updates regarding federal legislation and/or Internal Revenue Service (IRS) Rules that may affect the operation of the LAFPP health program.
- N.5. Does your proposer produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?
- N.6. Include as an addendum, item samples of your proposer's reports, including an annual renewal and claims report.

#### **O. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

- L.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.
- L.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.
- L.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration.



Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

L.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

L.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.

L.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

L.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

L.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

L.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: "The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor."

Failure to include such a statement shall constitute a waiver of a Proposer's right to exemption from this disclosure.

L.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

L.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of





the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

L.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance
- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

L.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.

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## **Appendix F – Required Contract Language for Third-Party Administrators**

### **Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement, and general pharmaceutical benefit information.
  - ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.
- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.



- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8th of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month.
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.
- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.
- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.



- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.
- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.



- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

### **Specific Services to be Performed by LAFPP**

LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.
- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
  - Eligibility
  - Social Security Numbers or other unique identifier
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund



transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.

- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.
- f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:
- Pensioner Social Security Number or other unique identifier
  - Pensioner first name, middle initial, and last name
  - Pensioner address
  - Pensioner birth date
  - Pensioner effective date of pension
  - Pensioner years of service
  - Pensioner Pension Fund Code & Tier
  - Pay period ending date
  - Health Deduction Code
  - Health Deduction Amount
  - Health Plan Code
  - Health Part Code
  - Health Subsidy Amount
  - Health Premium Amount
  - Primary Dental Deduction Code
  - Primary Dental Deduction Amount
  - Primary Dental Plan Code
  - Primary Dental Part Code
  - Primary Dental Subsidy Amount
  - Primary Dental Premium Amount
  - Secondary Dental Deduction Code
  - Secondary Dental Deduction Amount
  - Secondary Dental Plan Code
  - Secondary Dental Part Code
  - Secondary Dental Subsidy Amount
  - Secondary Dental Premium Amount
  - Outstanding deductions



- Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans
  
- g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.
  
- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
  
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
  
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
  
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.



- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5th day of the month following the payroll period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.
- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.





### CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering self-insured health plans.

#### Contracts

- Network Access Agreement
- Prescription Drug contracts (including rebates and Admin Fees)
- Stop Loss contracts (aggregate & specific coverages and premiums)
- TPA contract including fees charged for all services
- Disease Management Vendor contract
- Dental contract (most recent)
- Wellness program contract

#### Summary Plan Descriptions

- PPO Medical and Prescription Drug
- Medicare Supplemental Medical and RX

#### Financial Reporting

- Medical, RX and Dental claims data for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Top twenty RX by script and by dollar amounts
- Large claims data (individual claims exceeding \$50,000), for last twenty-four months prior to renewal
- Medical pooling point for individual claims
- Aggregate stop loss attachment point for renewal
- Expected Medical and RX claims for renewal
- Statistically valid random sampling of claims sufficient to permit an audit of claims in accordance with industry standards

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering fully insured health plans.

#### Contracts

- Medical and RX current contracts
- Wellness Program Contract (if applicable)

#### Summary Plan Descriptions

- Medical and RX
- Medicare Supplement Medical and RX



### Financial Reporting

- Medical and RX premiums and claims data for last thirty-six months prior to renewal
- Enrollment for each plan by month for last thirty-six months prior to renewal
- Top twenty RX utilization report for last twenty-four months prior to renewal
- Large claims data (individual claims over \$50,000), for last twenty-four months prior to renewal
- Insured pooling point for individual claims
- Renewal underwriting calculations for upcoming renewal including:
  - Credit amount for large claims
  - Resources for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

### Contracts

- Current dental contract

### Summary Plan Descriptions

- Dental

### Financial Reporting

- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

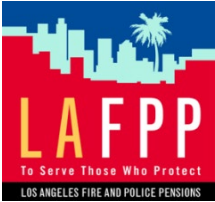


**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications



## **AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM**

### **AGENDA**

#### **Board of Fire and Police Pension Commissioners**

Andrea Ambriz  
Rigo Arellano  
Sumi Parekh  
Garrett Zimmon

July 21, 2022

**10:00 a.m. or as soon thereafter as the  
Board adjourns its regular meeting**

Sam Diannitto Boardroom  
Los Angeles Fire and Police Pensions Building  
701 East 3rd Street, Suite 400  
Los Angeles, CA 90013

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**Important Message to the Public:** 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 July 21, 2022 meeting of the Board of Fire and Police Pension Commissioners will be conducted both in the LAFPP Boardroom and via telephone and/or video conferencing.

Members of the public who wish to attend the Board meeting in person must comply with these FOUR requirements: 1) provide proof of COVID-19 vaccination (fully vaccinated) OR negative COVID-19 test results (for test taken within 72-hours prior to building entry); 2) provide government issued photo identification; 3) submit to take a temperature scan, registering a temperature lower than 100.4 degrees; AND 4) wear appropriate face coverings regardless of vaccination status. Alternatively, members of the public will have the opportunity to observe the meeting and provide public comment telephonically.

To provide public comment telephonically, please call (669) 900-9128 or (346) 248-7799 and enter Meeting ID 898 405 2575 (Please note: Toll charges may apply).

If you do not want to make a public comment, you may stream the meeting from the website ([www.lafpp.com](http://www.lafpp.com)) or call any of the following numbers to access the Council Phone system and listen to live coverage: (213) 621-CITY (Downtown), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Please refer to [www.lafpp.com](http://www.lafpp.com) for more information.

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 use the telephone number provided above.

**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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

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 by clicking on LAFPP's website at [www.lafpp.com](http://www.lafpp.com). 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) 279-3037 or by e-mail at [evange.masud@lafpp.com](mailto:evange.masud@lafpp.com).

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 the Department of Fire and Police Pensions, (213) 279-3000 voice or (213) 628-7713 TDD.

1. CALL TO ORDER
  - a. Roll Call
2. ELECTION OF AD HOC COMMITTEE CHAIR AND VICE-CHAIR
3. GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
4. DISCUSSION OF AD HOC COMMITTEE GOALS AND OBJECTIVES, ITEMS AND ISSUES RELATED TO THE PROPOSED REQUESTS FOR PROPOSALS (RFP) FOR RETIREE HEALTH, DENTAL, AND VISION INSURANCE PLANS AND/OR THIRD-PARTY ADMINISTRATOR (TPA) SERVICES AND POSSIBLE COMMITTEE ACTION



## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM**

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**DATE:** JULY 21, 2022

**ITEM:** 4

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** DISCUSSION OF AD HOC COMMITTEE GOALS AND OBJECTIVES, ITEMS AND ISSUES RELATED TO THE PROPOSED REQUESTS FOR PROPOSALS (RFP) FOR RETIREE HEALTH, DENTAL, AND VISION INSURANCE PLANS AND/OR THIRD-PARTY ADMINISTRATOR (TPA) SERVICES AND POSSIBLE COMMITTEE ACTION

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#### **RECOMMENDATION**

That the Ad Hoc Committee:

1. Determine the goals and objectives of the Committee;
2. Discuss the items and issues presented in this report; and,
3. Request input from LAPPL, UFLAC, LAFRA, LAPRA, LARFPA, and other interested persons related to issues and concerns with the proposed RFPs.

#### **BACKGROUND**

At the June 16, 2022 Board meeting, staff presented a recommendation to release RFPs for retiree health, dental, and vision insurance plans and/or third-party administrator services effective July 1, 2023. (Attachment 1) The Board tabled the report, and the Board President formed an ad-hoc committee to further discuss the RFPs. As detailed in the June 16, 2022 report, the Board is legally responsible for the LAFPP retiree healthcare program (the Program), which has grown since its inception in the 1970s to an approximately \$147 million per year program providing subsidized health and dental insurance plans for approximately 11,000 retired members and survivors, in addition to their covered dependents. The report discussed City Attorney guidance that releasing RFPs would fulfill the Board's fiduciary duties of prudence and loyalty by validating the competitiveness of Program options, and comply with the City Charter requirements for a competitive solicitation process.

The Board discussed the report and received public comments from the current health and dental plan administrators, as well as several LAFPP active members and retirees expressing various concerns with the draft RFPs. After public comment and discussion, the Board President decided to form an Ad Hoc Committee to discuss the RFPs and other related issues and concerns.

#### **DISCUSSION**

Ad Hoc Committee

With the formation of the Ad Hoc Committee on Retiree Healthcare Program, the Committee members should discuss and determine the specific goals and objectives of the Committee. Additionally, the Committee should discuss the timeline and/or expected duration of the Committee. The Committee may also discuss other matters, such as the frequency of meetings and possible parameters of the forthcoming discussion.

### Draft RFPs

During the discussion of the Board report on June 16, 2022, there were multiple public comments and concerns raised regarding the draft RFPs. Listed below are some of the comments and concerns raised at the meeting.

- The specific plan benefits were not mentioned in the RFPs for each retiree group (i.e., Fire vs. Police).
- The draft RFPs appeared vague and/or unclear as to whether the Associations would be able to respond to the RFPs.
- The draft RFPs referred to third-party administrators (TPAs) as possible respondents. Did TPAs refer to the current contractors as well?
- The draft RFPs appeared to request only one provider for a particular health or dental plan. Can bids be accepted that will only service one particular retiree group or subset?
- A question was raised as to whether mental health benefits were included or being requested.
- Concerns by some of the ability to respond to the RFP in a timely fashion.
- Concerns raised in the June 16, 2022 letter from LAPRA and LAFRA (Attachment 2).

Committee members or stakeholders may have additional concerns, issues, or questions that can be added to the above list for resolution. Staff anticipates that the first Committee meeting today will provide an opportunity for input from the current contractors (i.e., Associations) and stakeholders that will result in additional topics or questions being added to the above list. Additionally, Staff anticipates that the Ad Hoc Committee process will provide an interactive setting in which to receive input from retirees and providers regarding the draft RFPs or future contracts.

Staff will assist in gathering information for the Committee's review and consideration. Due to the time required to release the RFPs, review the proposals, and present them to the Board, Staff requests that the Ad Hoc Committee meet as necessary to provide guidance and instruction to Staff to complete the RFPs or future contracts within the prescribed timeline. As a reminder, the current five-year contracts with LAPPL, UFLAC, LAFRA, and LAPRA will expire on June 30, 2023.

### **BUDGET**

No budget impact is associated with this report.

### **POLICY**

No policy changes as recommended.

### **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Chief Benefits Analyst  
Pensions Division

RPC:JS:GM

Attachments (2)

Attachment 1 – 6/16/2022 Board Report – Approval to Issue RFPs for Retiree Health, Dental, and Vision Insurance Plans and/or TPA Services and Possible Board Action

Attachment 2 – 6/16/2022 Letter from LAPRA and LAFRA





## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** JUNE 16, 2022

**ITEM:** C.7

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** APPROVAL TO ISSUE REQUESTS FOR PROPOSALS FOR RETIREE HEALTH, DENTAL, AND VISION INSURANCE PLANS AND/OR THIRD-PARTY ADMINISTRATOR SERVICES AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board review and approve the attached Requests for Proposals (RFPs) and direct staff to advertise the RFPs for retiree health, dental, and vision insurance plans and/or third-party administrator services effective July 1, 2023.

#### **EXECUTIVE SUMMARY**

The Board is legally responsible for the LAFPP retiree healthcare program (the Program), which has grown since its inception in the 1970s to an approximately \$147 million per year program providing subsidized health and dental insurance plans for approximately 11,000 retired members and survivors, in addition to their covered dependents. Staff is recommending that the Board authorize staff to release RFPs for retiree health, dental, and vision plans for the following reasons:

- The City Charter and Administrative Code require that a competitive solicitation process be used to secure contracts, including the contracts for health, dental, and vision insurance plans, or related third-party administrator services, necessary for the Board to carry out its legal responsibilities over the Program.
- Releasing RFPs would fulfill the Board's fiduciary duties of prudence and loyalty by validating the competitiveness of Program options and identifying potential additional options that may be available to serve the diverse needs of Program participants, including Plan members subject to the subsidy freeze.
- Current contracts with Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), United Firefighters of Los Angeles City (UFLAC), and Los Angeles Police Protective League (LAPPL) (collectively referred to as "Associations") will expire June 30, 2023. The current contracts with the Associations did not result from an RFP. The Associations will be eligible for and are strongly encouraged to respond to the RFPs.

The draft RFPs are requesting that responding health, dental, and vision insurers or third-party administrators offer plan designs that match, as closely as possible, the benefit provisions of the current Board-approved plans. If the Board approves the release of the RFPs, they will be released in August and results of the RFPs will be presented to the Board no later than December 2022.

## BACKGROUND

### LAFPP's Duty to Contract for Health Plans and Fiduciary Authority Over the Program

On May 3, 2018, at the Board's request, the City Attorney provided written advice to the Board regarding its fiduciary obligation to oversee the Program. By resolution on May 17, 2018, the Board waived the attorney-client privilege as to that written advice (Attachment 1).<sup>1</sup> The City Attorney advised that under the Los Angeles City Charter and Administrative Code, the Board is legally responsible for making three critical decisions regarding the Program: (1) approving health, dental, and vision plans to be funded with subsidy dollars; (2) contracting with health/dental insurers or third-party administrators to make those plans available to LAFPP retirees and eligible beneficiaries; and (3) setting subsidy amounts annually.

On December 3, 2020, at the Board's request, the City Attorney provided additional written advice regarding the Board's fiduciary responsibility to provide suitable plan options for members subject to the health subsidy freeze. By resolution on December 3, 2020, the Board waived the attorney-client privilege as to that written advice (Attachment 2). It was recommended that consistent with the Board's fiduciary duties of loyalty, impartiality, and prudence, the Board explore issuing a competitive solicitation to ensure that the Plan is making available through the Program the best quality health care options to all of its members at the lowest possible cost. The Board was reminded that contracts for the provision of healthcare to members and their beneficiaries are subject to the City's contracting requirements, including that they result from a competitive bidding process. Contracts to which the Board is a party must adhere to the provisions of the City Charter and Administrative Code and be approved as to form by the City Attorney. City Charter Section 371(a) and 372 state that a competitive bidding process should be used as part of the contracting process.

In both written advice memoranda, the City Attorney advised that in compliance with the City Charter Section 371(e)(10), the Board may reasonably have found, historically, that conducting a competitive bidding process would be "undesirable, impractical or impossible," because until the Board formalized its contractual relationship with the current health, dental, and vision plan administrators, the minimum necessary information was not available to be used to conduct a solicitation process.

However, under the fiduciary duty of prudence, and to comply with the City Charter, the City Attorney advised that as soon as possible upon obtaining the minimum necessary information to conduct a competitive solicitation process, the Board should do so to validate the competitiveness of the current menu of plan options, and to determine what other health/dental insurance options may be available to members and at what cost.

### History of the Program

In 1973, the City established a health insurance subsidy program for retired civilian members of the Los Angeles City Employees' Retirement System (LACERS). To establish a health insurance subsidy program for LAFPP retirees, a City Charter amendment was required and in 1974, the City Charter was amended to grant the City Council authority to give LAFPP retirees the same health

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<sup>1</sup> The City Attorney also provided a confidential, attorney-client privileged report to the Board on August 1, 2018. That confidential report remains privileged unless and until the Board waives such privilege by majority vote.

subsidy benefit as LACERS retirees. In March 1975, an ordinance was passed creating the health subsidy program for LAFPP retirees. At the time the ordinance was passed, LAFRA, LAPRA, and UFLAC were already providing health insurance plans to LAFPP retirees. With the creation of the retiree health program, the Board authorized the original third-party administrators to continue providing health insurance plans. LAPPL joined as a third-party administrator when dental benefits were added in 2001.

In 2001, an audit performed by the Controller's Office recommended that the City draft agreements with LAPRA and LAFRA detailing the working relationships between LAFPP and the two parties. The audit stated that, at minimum, performance expectations and mandatory periodic reporting of financial and management results should be included in the agreements. In 2006, LAFPP entered into Memoranda of Understanding (MOUs) with the Associations. The MOUs detailed the roles and responsibilities of each party regarding the administration of retiree medical and/or dental insurance plans and subsidies.

In August 2011, LAFPP entered into new Operations Agreements with each of the Associations. The agreements were renamed from "MOU" to "Operations Agreement" to better reflect the nature of the relationship between LAFPP and the Associations. From October 2014 through April 2015, LAFPP entered into updated Operations Agreements with LAFRA, LAPRA and LAPPL, which expired on June 30, 2017 (LAFRA and LAPRA) and July 31, 2017 (LAPPL). The Operations Agreement with UFLAC expired August 31, 2017.

Upon the expiration of the Operations Agreements, the City Attorney advised staff and the Board that any future agreements between LAFPP and the Associations should be memorialized in the form of contracts, in a manner that is consistent with the City Charter and Administrative Code. As a result, the Board directed staff to enter into formal contracts with the Associations.

### Current Contracts

On October 18 and November 1, 2018, the Board approved contracts between LAFPP and the Associations. The contracts formally established the Associations as LAFPP's Board-approved health, dental, and vision plan sponsors. The current contract term is five (5) years, and all four contracts will expire on June 30, 2023. The contracts require that if either party seeks to enter into a subsequent agreement, effective July 1, 2023, that party shall notify the other party no later than January 1, 2023. The contracts can be terminated by either party by providing no less than 365 days' advance notice to the other party unless otherwise agreed to in writing by the parties.

The current contracts were drafted to meet the legal requirements set forth by the Los Angeles City Charter and Administrative Code and allowed the Board to better fulfill its fiduciary obligations. The contracts addressed the scope of the Board's duty to contract and increase transparency and accountability between LAFPP and the Associations.

Under the terms of the contracts, the Associations acknowledged the Board's fiduciary duty to administer the retiree healthcare program for all members. The Associations agreed to comply with one performance audit being completed during the contract term. The Associations also affirmed that they would provide mutually agreed upon HIPAA-compliant claims data to the Board's health care consultant. A summary of data along with plan information and related trends is provided to the Board on an annual basis for the approval of each health and dental plan. As a result of these contracts, LAFPP had access to more health plan data than at any point since the inception of the

subsidy program in the 1970s. Prior to the current contracts, the Board lacked access to aggregated, de-identified information that would be required to conduct a competitive RFP process for retiree health, dental, and vision plans or for third-party administrator services.

## **DISCUSSION**

### Release of RFP

Pursuant to the City Attorney's advice regarding Charter contracting requirements, Staff is requesting that the Board direct staff to release the attached RFPs to secure health, dental, and vision insurance plans, or related third-party administrator services, for the plan year starting July 1, 2023. Due to the Board's formalizing of its historic relationship with the Associations, the Board's cooperative partnership with the Associations to ensure performance of critical contractual responsibilities during the current contract period, and in fulfillment of the Board's fiduciary oversight of the Program, the Board should be in a position to conduct a competitive solicitation process before entering into new contracts for health, dental, and vision provider and/or administration services. A competitive solicitation process would fulfill the Board's fiduciary duties of prudence and loyalty by validating the competitiveness of the current menu of plan options and identifying potential additional options that may be available to serve the diverse needs of Plan members and their eligible beneficiaries, including members subject to the subsidy freeze. A competitive process would also ensure legal compliance with the Charter and Administrative Code.

### Legal Requirements Regarding Ethical Communications with RFP Bidders

With the release of formal RFPs, all communications regarding the RFPs should be directed to the RFP administrator (USI) or stated during the public comment section of the agenda at a public Board meeting.

Pursuant to the City Ethics Ordinance (Los Angeles Municipal Code section 49.5.11(A)), Board members are prohibited from having any involvement in the RFP or contracting process outside of a public Board meeting, including communicating with bidders about the RFP or resulting contracts outside of a public Board meeting. Municipal Code section 49.5.16 provides that violations of the Ethics Ordinance may result in enforcement penalties, including civil actions, criminal enforcement, injunctive relief, administrative penalties, and/or administrative discipline.

### RFP Process Timetable

Once directed by the Board, staff and the Board's health consultant (USI) will advertise the attached RFPs for health, dental, and vision plans, as well as third-party administrator services. The RFP allows for the Associations to submit proposals to continue operating as third-party administrators of retiree health, dental, and vision plans.

Based on preliminary discussions with USI, the RFP process timeline is recommended as follows:

- RFPs approved by the Board released – August 1, 2022
- Responses to the RFPs submitted - October 11, 2022
- Board interviews of finalists/selection of health, dental, and vision plan providers, or third-party administrators – November 17, 2022 & December 1, 2022
- Health, dental, and vision plan contracts signed – December 15, 2022

- Open Enrollment – April 1, 2023 or May 1, 2023

Upon approval, the RFPs will be published on the LAFPP website, on the City's website (Regional Alliance Marketplace for Procurement (RAMP)), and forwarded directly to the Associations and other health, dental, and vision insurance providers.

The RFP responses and a recommendation for the selection of health, dental, and vision plan insurers and/or third-party administration services will be presented to the Board no later than December 2022. At that time, the Board may consider options that consist of plans where LAFPP contracts directly with insurance providers; plans administered by the Associations; or a combination of Association- and LAFPP-administered plans. If LAFPP contracts directly with an insurance provider(s), staff's objective is to provide the same or improved benefits at the same or lower cost to retirees, survivors, and LAFPP.

In the event that the Associations are not selected by the Board to provide health, dental, and vision plan administration services, Staff and the Board's health consultant would need to conduct extensive outreach to prepare members for their transfer to new health and dental plans, effective July 1, 2023. Staff expects that such outreach would need to be robust and ongoing, as most of our retirees and beneficiaries have been enrolled in their Association-sponsored health plans since they were active employees.

However, as the Associations have been providing third-party administrator services to the Board for decades, and retirees and beneficiaries are satisfied with their plans and services, Staff would strongly encourage the Associations to submit bids for each respective RFP.

### RFP Highlights

The RFPs are requesting that responding health, dental, and vision insurers offer plan designs that match, as closely as possible, the benefit provisions of the current Board-approved plans, listed below, offering the overall highest level of benefits:

- LAFRA Fire Medical PPO
- LAPRA Anthem Blue Cross CaliforniaCare Plus HMO (Medical)
- LAFRA Kaiser Permanente HMO (Medical)
- LAPRA Anthem Blue Cross Medicare Advantage HMO (Medical)
- LAFRA Kaiser Permanente Senior Advantage (Medical)
- UFLAC Dental PPO
- UFLAC Dental HMO

During the evaluation of the RFP responses, one aspect that will be given extra consideration will be minimizing any provider disruption of medical and dental plan network options offered by proposers.

### As the Board Has Now Compiled the Necessary Information under Current Contracts, Awarding or Extending Contracts without an RFP Is No Longer Supported Under Charter Exceptions

As discussed above, the City Charter requires the Board to conduct a competitive solicitation process before entering into new contracts with health, dental, and vision providers and/or

administrators unless the Board, as the contracting authority, determines that conducting a competitive bidding process would be “undesirable, impractical or impossible.” City Charter Section 371(a), concerning the City’s competitive bidding requirement for contracts, states in part:

“Except as provided in subsection (e) below, the City shall not be, and is not, bound by any contract unless the officer, board or employee authorized to contract has complied with the procedure for competitive bidding or submission of proposals established by this section and ordinance....”

Charter Section 371(e)(10) provides certain exceptions to competitive bidding requirements: “Subject to the requirements of [Charter] Section 1022, contracts (including without limitation those, as determined by the contracting authority, for the performance of professional, scientific, expert, technical or other special services), where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements.” Administrative Code Section 10.15(a)(10) further states:

“For purposes of this Section, and for construing the same term in Charter Section 371(e)(10), the term “undesirable” shall mean and include only such situations in which the nature of the subject of the contract is such that competitive bidding would work an incongruity or be unavailing or would not produce an advantage, with sole reference to the public interest and in light of the purposes to be accomplished.”

Historically, the lack of access to the information and data the Board has now compiled through the current contracts supported a reasonable determination that conducting an RFP would have been impracticable, if not impossible. Since this information is now available, a competitive bidding process can be conducted in compliance with the City Charter and Administrative Code requirements.

## **BUDGET**

The current fiscal year budget for health and dental insurance subsidy benefits is \$147 million. The current health, dental, and vision plan administrators (Associations), with the exception of dental plans offered by LAPPL and UFLAC’s Direct Reimbursement dental plan, apply an administration fee to their plan premiums ranging from \$1.80 to \$22.92 per member per month. If the Associations were to continue providing third-party administrator services, then the total annual cost of the administration fees would be approximately \$1.9 million per year (assuming no increases in their fees).

If the Board directs staff to issue the RFPs for retiree health, dental, and vision plans, including third-party administrator services effective July 1, 2023, the cost for USI to conduct the RFPs would be approximately \$40,000 (in addition to approximately \$28,000 for USI to prepare the RFP documents).

The cost for LAFPP to directly contract with and administer health, dental, and vision insurance plans is harder to quantify. However, the Los Angeles County Employees Retirement Association (LACERA) currently administers health, dental, and vision plans. LACERA provides health plan coverage to approximately 60,000 members and survivors. The current Board-approved health plans provide coverage to over 11,000 retired members and survivors.

LACERA currently has 31 full-time staff positions involved with the administration of their health, dental, and vision plan program. LAFPP's Medical and Dental Benefits Section currently operates with 7 full-time positions to administer the subsidy program. USI estimates that LAFPP would need to hire eight (8) additional staff to directly administer health, dental, and vision plans. USI based their estimate on staffing levels at other clients providing coverage to similar numbers of members and beneficiaries. In addition to the new full-time staff, LAFPP would also need to hire up to six (6) temporary workers each year to assist with member outreach during open enrollment. At current salary and benefit levels, we estimate that the additional staffing would cost approximately \$1.3 million per year. Additionally, USI estimates that LAFPP could spend \$300,000 per year on consulting fees related to the direct administration of health, dental, and vision plans (LAFPP currently spends approximately \$25,000 annually for USI's health consulting fees, including their analysis of the Associations' plan renewals and other as-needed assignments). LAFPP would also expect to spend approximately \$50,000 annually on the design, printing, and mailing of open enrollment and member outreach materials.

In summary, the total estimated cost for LAFPP to directly administer all health, dental, and vision insurance plans is approximately \$1.7 million per year. This estimated amount would be in addition to our current administration costs for staff to administer the subsidy program.

## **POLICY**

No policy changes as recommended.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Chief Benefits Analyst  
Pensions Division

RPC:JS:GM

Attachments (5)

Attachment 1 – 5/3/2018 Advice Memorandum – Fiduciary Obligation Retiree Healthcare Program

Attachment 2 – 12/3/2020 Advice Memorandum – Health Subsidy Freeze Fiduciary Duties

Attachment 3 – RFP for Retiree Health Insurance Plans and/or Related Third-Party Administrator Services

Attachment 4 – RFP for Retiree Dental Insurance Plans and/or Related Third-Party Administrator Services

Attachment 5 – RFP for Retiree Vision Insurance Plans and/or Related Third-Party Administrator Services

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**MICHAEL N. FEUER**  
City Attorney

**DATE:** June 16, 2022

**TO:** Board of Fire and Police Pension Commissioners

**FROM:** Anya Freedman, Assistant City Attorney *AJF*

**CC:** Raymond P. Ciranna, General Manager  
Department of Fire and Police Pensions

**RE:** Waiver of Attorney-Client Privilege for May 3, 2018 Advice Memorandum

On May 17, 2018, by Resolution 18136, the Board of Fire and Police Pension Commissioners waived the attorney-client privilege as to the enclosed memorandum regarding “*The Board’s Responsibility and Authority to Review Insurance Claims Information for Subsidy-Funded Health Plans.*”

AJF

Encl.



**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL**

**DATE:** May 3, 2018

**TO:** Board of Fire and Police Pension Commissioners

**FROM:** Anya J. Freedman, Assistant City Attorney *ADF*  
Joshua M. Geller, Deputy City Attorney *JMG*

**CC:** Raymond P. Ciranna, General Manager  
Department of Fire and Police Pensions

**RE:** The Board's Responsibility and Authority to Review Insurance Claims  
Information for Subsidy-Funded Health Plans

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**INTRODUCTION AND EXECUTIVE SUMMARY**

On April 19, 2018, the Board of Fire and Police Pension Commissioners (the Board) asked our Office for advice regarding its responsibility and authority to review insurance claims information<sup>1</sup> for health plans funded by LAFPP subsidies. We conclude that the Board has both the responsibility and the authority to access aggregated claims information for subsidy-funded health plans. We reach this conclusion for two reasons.

*First*, the Board has a responsibility to access the claims information to fulfill its fiduciary oversight role in administering the LAFPP Retiree Healthcare Program (the Program). The Board is legally responsible for making three critical decisions regarding the Program: (1) approving health plans to be funded with subsidy dollars; (2) contracting with health insurers or third-party administrators to make those plans available to LAFPP retirees and eligible beneficiaries; and (3) setting subsidy amounts annually. The Board must make those decisions in a manner consistent with its fiduciary obligations, including duties of prudence, cost-consciousness, and impartiality, and must continuously monitor its decisions to ensure that they remain prudent in light of changing circumstances. Although the Board may delegate its decision-making authority to an agent, it must do so prudently and must continuously supervise its agent's performance—the "fiduciary buck" ultimately stops with the Board. Since the start of the Program in the 1970s, the Board has delegated its authority to approve health plans and contract with insurance carriers to the same third-party administrators: the Associations<sup>2</sup>. And since the inception of the Program, the healthcare industry and the Program itself has grown dramatically in cost and complexity and has become subject to increasing scrutiny and regulation. For the first full year the Program was in effect, in 1976, LAFPP spent approximately \$349,000; LAFPP is projected to spend \$131 Million in fiscal year 2018-19.

In the last decade, the Board has attempted to formalize its relationship with the Associations and improve its supervision of these agents, but the success of these efforts

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<sup>1</sup> This information would not include anything that is protected from disclosure pursuant to the Health Insurance Portability and Accountability Act (HIPAA).

<sup>2</sup> For convenience and efficiency, we will refer to all third-party plan administrators as "Associations."

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has ultimately been limited by the Board's lack of access to information, which includes insurance claims data as well as other information related to Program administration. The Board is committed to strengthening its oversight role to ensure that the LAFPP's health plan options and contracting partners continue to be prudent choices for all Plan members. Access to claims information is essential to the Board's ability to properly perform this fiduciary oversight role.

*Second*, the Board has the authority to demand access to claims information from the Associations because the Associations are its agents. Given their delegated authority to approve and contract for suitable health plans, and their use of Plan trust funds through the subsidy payments to fund those health plans, the Associations are agents of the Board. As agents, the Associations owe fiduciary duties to their principal, the Board. Pursuant to their duty of full disclosure, the Associations must disclose all material information the Board requests that inform the Board's decisions regarding the scope of the Associations' agency—including claims data. Pursuant to their duty of loyalty, the Associations must not use information or benefits obtained in the course of their agency to compete with the Board or to serve their own interests. This duty of loyalty precludes the Associations from refusing to disclose the claims data to the Board in order to prevent the Board from—if the Board deems it appropriate in order to carry out its fiduciary obligations—soliciting competitive bids directly from insurance carriers or exercising additional control over the approval and pricing of health plans. To date, the Associations have asserted no countervailing legal duty that trumps their fiduciary duties to provide the claims information to the Board.

Our advice follows.

**BACKGROUND**

Because our legal advice must be informed by a detailed and accurate factual understanding, to prepare this memorandum our research included interviewing current and former Los Angeles Fire and Police Pension plan (LAFPP or the Plan) staff, reviewing archival documents concerning the Program, analyzing recent Board meeting materials and meeting audio recordings, reviewing how other California public pension systems provide similar benefits to sworn retirees, and conferring with colleagues at some of those systems.

We first provide an overview of the Program and its benefits, and how it currently is administered. Second, we describe the changes that have impacted the Program since its inception over forty years ago, including membership changes, benefit changes, and cost increases. Third, we outline the attempts the Board has made to provide increased oversight over the Program, and the results to date of those attempts. Finally, we explain why, given the increasingly cost and complexity of healthcare administration, the Board requires additional information—and most critically, claims information—in order to perform its fiduciary oversight duties.

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL****1. The Current Structure of the LAFPP Retiree Healthcare Program*****a. The Benefits Offered Through the Program***

LAFPP retirees are entitled to a monthly subsidy payable when they enroll in approved health insurance plans for themselves and any eligible dependents. A retiree can elect to have subsidy payments made directly to the health insurance plan administrator, up to the maximum allowable subsidy amount. For any premium that LAFPP is paying directly, premium costs that exceed that member's subsidy maximum are paid out of the member's monthly pension. An alternate option is for retirees to submit quarterly reimbursement claims for premiums paid towards insurance procured independently, repaid up to the member's maximum monthly subsidy amount. For retirees that enroll in health insurance plans that cover themselves and dependents, the Board has approved discrete formulas for calculating the total subsidy that is available, depending on whether the retiree is the sole enrollee, if any dependents are covered, and if coverage is provided under a single non-Medicare or Medicare plan, or a combination of plans offering both. The actual amount of subsidy dollars spent by each retiree is based on the total premiums associated with the specific coverage options selected by the retiree. For example, given the option between single-party coverage through an HMO plan and a PPO, a retiree who chooses the HMO will expend less of the available maximum subsidy than one who chooses the PPO.<sup>3</sup>

***b. The Current Structure of Administrative Decision Making***

The Board has been administering the Program since 1975. The Board is charged with administering a healthcare program whereby eligible retired members and beneficiaries of the Plan have subsidy payments made on their behalf towards medical, dental, and vision insurance premiums in approved plans. *See* L.A. Admin. Code § 4.1151. The Board has "the authority to contract for suitable health, medical, hospital, dental or vision plans to be made available to retired members and their eligible beneficiaries. The Board may also contract with third-party administrators that provide or contract for suitable plans (such as health care exchanges)." L.A. Admin. Code § 4.1152. Subsidies may only be paid on behalf of a retired member or beneficiary "enrolled in a plan approved by the Board." L.A. Admin. Code § 4.1153. The Administrative Code places no explicit limitations on the Board's discretion to determine which plans are "suitable" for approval.

The Board's administrative authority over the Program can be broken into three components: (i) contracting with third parties or health insurance carriers to provide health insurance plans; (ii) approving the health plans that can receive subsidy payments towards premium costs; and (iii) determining the subsidy payment amounts. *See* L.A. Charter §§ 1330(a),(d), 1518(a),(d), 1618(a),(d), 1718(a),(d); L.A. Admin. Code §§ 4.2018, 4.1150-4.1167.

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<sup>3</sup> On average, premiums for members' health insurance elections expend approximately 64% of the maximum available subsidy. This proportion has remained relatively constant since the subsidy maximum was de-linked from the active member MOU provisions. It is between 90-100% for non-Medicare coverage.

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL**

Although the Board is legally responsible for these three decisions, the Board has effectively delegated two of them—contracting for group health plans and approving health plans eligible to receive subsidy payments—to third-party administrators.

***(i) Contracting for Health Insurance Plans to be Made Available to LAFPP Retirees***

The original third-party plan administrators authorized by the Board in 1975 continue to serve in those roles today: the Los Angeles Firemen's Relief Association (LAFRA)<sup>4</sup>, the Los Angeles Police Relief Association (LAPRA)<sup>5</sup>, and United Firefighters of Los Angeles (UFLAC). The Los Angeles Police Protective League (PPL) joined the list when dental benefits were added to the Program in 2001. Prior to 1975, the Associations provided health insurance plans to their retiree members, who paid premiums directly to the Associations.

Each Association has its own rules for membership, set forth in its bylaws, and each selects and offers different health insurance plans for eligible LAFPP retirees. Eligibility is based on which City department employed the retiree: LAFRA and UFLAC restrict coverage eligibility to retired Firefighters; LAPRA and PPL generally restrict eligibility to retired Police Officers. LAFPP has entered into written contracts with the Associations to provide health insurance plans since 2006, renewing the contracts in 2011 and 2014. The current contracts expired on June 30, 2017; negotiations for successor agreements are currently underway.

Historically, coverage provided by the Associations was only available to dues-paying members of each Association who met additional eligibility criteria, which meant that some retirees could not participate in those health insurance plans. This group of ineligible retirees (the Independent Group) received health insurance through the City Personnel department and then, beginning in 2000, through LACERS. When LAFPP began admitting members from the Los Angeles Port Police, in 2006, LAFPP anticipated that Port Police members would receive health insurance coverage through LACERS. The same assumption was made for new LAFPP members from the Airport Police, who joined LAFPP in 2018. For a time, LAFPP had administrative agreements with LACERS to provide this coverage to LAFPP retirees in the Independent Group, and paid the insurance carriers the subsidies to be applied towards the premiums for LAFPP retirees in the Independent Group. In 2018, a small sub-group of the Independent Group remains in the

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<sup>4</sup> LAFRA is a non-profit California corporation, organized under Chapter 10-A, Part 2, Division 2 of the California Insurance Code. It maintains a non-profit status pursuant to the Internal Revenue Code, 26 U.S.C. § 501(c)(9). Its stated purpose is to provide certain mutual benefits to its members. We note that UFLAC has designated LAFRA as an administrator for some of the health plans subsidized by the City of Los Angeles for active employees pursuant to applicable Memoranda of Understanding.

<sup>5</sup> LAPRA is a non-profit California corporation, organized under Chapter 10-A, Part 2, Division 2 of the California Insurance Code. It maintains a non-profit status pursuant to the Internal Revenue Code, 26 U.S.C. § 501(c)(9). Its stated purpose is to provide certain mutual benefits to its members. We note that PPL has designated LAPRA as an administrator for some of the health plans subsidized by the City of Los Angeles for active employees pursuant to applicable Memoranda of Understanding.

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LACERS-administered health plans, but the remainder, and all future retirees who will enter the Independent Group going forward, are expected to be allowed to participate in health plans administered by the Associations despite the fact that these retirees are not members of the Associations and are not eligible for membership under the Associations' current bylaws.

*(ii) Approving Health Plans to Receive Subsidy Dollars*

While the Board is only authorized to pay subsidies towards "suitable" plans that it has approved, it has never formally defined what constitutes a suitable plan nor has it established measurable criteria for granting its "approval" over those plans. In effect, it has delegated this determination to the Associations as well, since (with the exception of the LACERS-sponsored plans utilized by the Independent Group) all of the health plans funded by subsidy payments are selected by the Associations, and the Board has never independently evaluated these selections.

*(iii) Subsidy-Setting*

As for the third decision for which the Board is legally responsible—setting the subsidy—the Board has used the following procedure each year since 2006 to approve and adopt subsidy maximums in a manner that is consistent with the limits set under the Administrative Code.<sup>6</sup> The Board adopts a medical trend rate in September or October of the current fiscal year, then LAFPP staff analyzes actual premium changes for all insurance options which are available from the Associations. Sometime the following Spring, prior to the end of the fiscal year, staff recommends the new maximum non-Medicare subsidy amount. The Board either approves the staff recommendation or adopts its own subsidy maximum, according to the terms of Administrative Code section 4.1152. The process for setting the maximum Medicare subsidy is to adopt the subsidy amount negotiated by LACERS with its providers, typically around November. The process is similar for survivor benefit maximums.

Looking at this year's process is instructive: it demonstrates the relationship between the medical trend rate, actual premium increases, and the Board's ultimate determination of the subsidy maximum. As discussed in the May 3, 2018 Board report, since 2007 Segal, LAFPP's actuary, has recommended the Board conduct an annual review of the medical trend rate, in order to accurately reflect the "volatility and constant innovations present in the healthcare marketplace."<sup>7</sup> On September 20, 2017 the Board adopted a medical trend of 7% for fiscal year 2018-19. This translated to Board authority to increase the non-Medicare subsidy maximum by 7% if so warranted; the Board could legally authorize an increase to the non-Medicare subsidy from \$1,627.73 to a maximum of \$1,741.67.

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<sup>6</sup> The means of determining maximum subsidy amounts for Medicare, non-Medicare, and dental insurance coverage for retirees and their eligible survivors have been established by ordinance. The formulas for calculating non-Medicare subsidy maximums for retirees is distinct from the formula for calculating Medicare subsidy maximums, which in turn are both distinct from the formula for calculating subsidy maximums for eligible survivors.

<sup>7</sup> May 3, 2018 Board report, Item A.4.

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However, the Board does not automatically authorize a premium increase simply by applying the adopted medical trend rate. Instead, the premium is based on an analysis of the Associations' proposed premium changes relative to current year premiums and subsidy utilization.

This subsidy-setting process takes place in a vacuum of sorts, because there is currently no way for the Board to independently assess whether or not the proposed premium changes, typically increases but not always, are reasonable. For fiscal year 2018-19, premiums offered for LAFRA non-Medicare PPO plans are *decreasing* by approximately 5% across the board, and the Kaiser rate is *increasing* by 4%.<sup>8</sup> In contrast, premiums for all non-Medicare plans offered by LAPRA are *increasing* between 6-9%; LAPRA's Kaiser plan increasing by 7%.<sup>9</sup> If the Board were to ask, "What accounts for the differences?" or "How was each premium determined?" answers would require the Associations to share the details behind their premium determinations. And under the current timeline and structure, even if the Associations were to disclose their renewal methodologies and the basis for these premium changes, the Board would receive this information only *after* the Associations had contracted with the carriers—it would be too late for the Board to change the outcome for that plan year.

*c. The Current Structure Diverges from LAFPP's Peer Pension Plans*

Our research indicates that LAFPP may be the only California public pension system that provides health insurance benefits to sworn retirees exclusively in this manner. Other systems we examined either contract directly with health insurance carriers to provide benefits to all retirees, regardless of which department employed them during active service, or only allows retired firefighters to opt out of the system's plans and obtain insurance through their unions. (In other words, those systems either pool all retirees together, sworn and non-sworn, or they pool all sworn retirees together with a limited exception for firefighters.)

WPERP retirees have access to insurance plans from the same carriers that are available to active employees, and the insurance is provided through the Department of Water and Power, so the only role WPERP plays is issuing payments towards coverage premiums. LACERS contracts directly with health insurance providers, whose premiums are paid in a similar manner to LAFPP. Unlike LAFPP, LACERS has direct, unfettered access to participant claims data, and both LACERS and DWP work with independent healthcare consultants and use retiree claims data to negotiate with insurance carriers for the lowest possible premiums for a given benefit level.

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<sup>8</sup> May 3, 2018 Board report, Item B.1.

<sup>9</sup> *Id.*

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL****2. Evolution of the Program Since 1975: Benefit Changes, Membership Expansion, Cost Increases*****a. Creation of the Program***

The Board has been administering pension benefits for Los Angeles' sworn personnel for over 100 years. In 1973, the Los Angeles City Council approved a new retiree healthcare benefit for LACERS members, which provided for a monthly subsidy. Following a Charter amendment to authorize a similar benefit for LAFPP members, in 1975, the City Council adopted Ordinance No. 147,014, "to provide a program whereby retired members or beneficiaries ... shall have subsidy payments made on their behalf."<sup>10</sup> Retirees were eligible for this new benefit if they were 60 years old with a minimum of 10 years of service. The amount of the subsidy maximums for non-Medicare coverage was tied to the health insurance subsidy maximums provided to active LAFPP members through their respective collective bargaining agreements (MOUs). \*

On April 17, 1975, the Board unanimously passed the resolution that brought the Program to life. In September of 1975, the City Council amended the formula for calculating the subsidy amount for Medicare coverage available to LACERS to members; three months later the City Council established an identical Medicare benefit for LAFPP members, and capped the amount of the LAFPP subsidy at the highest single-party premium offered by LACERS Medicare plans.

Prior to 1975, nearly 100% of LAFPP retirees received their health care benefits through the relief association or union that had provided those benefits during their careers as active employees. The resolution recognized "certain employee service organizations, including the Fire Relief Association, the Police Relief Association, and the United Firefighters" as "the organizations through which said health insurance is provided by contract with recognized health insurance carriers."<sup>11</sup> This resolution further authorized the expenditure of subsidy funds towards these associations subject to certain conditions, namely the presentation of an invoice for health insurance premiums "provided said invoices are verified against records kept by the Pensions Department and the Controller's Office and found to be correct and proper and that individual subsidy amounts are within the limits set for in ordinance 147,014."<sup>12</sup> The conditions included in the Board resolution represent the Board's first effort to fulfill its fiduciary oversight role in the administration of the Program.

***b. Benefit Changes***

In September 1976, the Board authorized retiree healthcare subsidy payments to be paid towards premiums for insurance policies that also covered dependents of retirees. The City

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<sup>10</sup> City Council Ordinance No. 147,014, adopted March 20, 1975, codified as Los Angeles Administrative Code §§ 4.1150 *et seq.*

<sup>11</sup> April 17, 1975 resolution.

<sup>12</sup> *Id.*

**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL**

Council amended the eligibility criteria, effective July 1, 1998, to allow participation in the Program for retired members when they turned 55. In 2000, the City Council further amended the benefit to expand eligibility to surviving spouses and domestic partners. The City Council added a reimbursement option in 2001 (“HIPR”), which allowed retirees to request reimbursement for health insurance premiums paid out of pocket if they were ineligible to participate in Association or Independent Group plans. In 2002, the City Council approved the addition of a dental insurance subsidy.

By this time, the Program had been in effect for nearly twenty years, and members had begun to complain about the long-term impact of tying the non-Medicare subsidy to active employees’ MOUs. Essentially, increases to the non-Medicare subsidy were being held hostage to the bargaining cycle, with the result that subsidies remained the same for years at a time, only to be adjusted retroactively once successor MOUs had been adopted. This was highly disruptive to retirees, LAFPP staff, and the Associations.

In response, the City Council placed a Charter amendment on the March 8, 2005 ballot to authorize a new way of calculating the non-Medicare subsidy amount. Following voter approval, the City Council adopted Ordinance No. 177,630, effective June 19, 2006. This ordinance gave the Board authority to increase the non-Medicare subsidy each year by a maximum of 7% or the actuarially assumed medical trend rate for healthcare costs. L. A. Admin. Code § 4.1154. Any proposed increase in excess of that amount would require City Council approval. *Id.*

In addition to changes to the benefits themselves, LAFPP membership demographics and options for certain retirees have changed. Retirees and their eligible survivors are living longer, and following passage of the Affordable Care Act, coverage is available for dependent children until they turn 26.

***c. LAFPP Membership Expansion***

Port Police joined the Plan in 2006. Following a 2016 Charter amendment, Airport Police began joining the Plan in 2018. Membership in the Independent Group will therefore continue to increase, and LAFPP must continue to provide suitable insurance options for this group. In July 2017, Port and Airport Police bargaining units filed Unfair Employee Relations Practice charges against the City, alleging that it failed to meet and confer before enacting an ordinance that changed their members’ future retiree health plan options, including the elimination of the option to enroll in plans administered by LACERS. The claims were voluntarily withdrawn after some of the Associations agreed to make certain health plans available to Port and Airport Police members beginning in the 2018 plan year.<sup>13</sup>

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<sup>13</sup> For further discussion of the Board’s duties of loyalty and impartiality in approving health plans for all members, please refer to our Attorney-Client Privileged and Confidential Memorandum to the Board, dated September 28, 2017.



**ATTORNEY-CLIENT PRIVILEGED AND CONFIDENTIAL*****d. Cost Increases and Responses by the Plan Sponsor***

The cost of the subsidy has increased dramatically over the years, and the City and sworn unions have attempted to mitigate the impact of cost increases through the collective bargaining process. The most recent amendment to the Program was the 2011 “Freeze” ordinance, in which the City Council codified an agreement between the City and sworn unions to require an additional 2% payroll contribution in exchange for continued eligibility for subsidy increases. Litigation over this change concluded in 2017 when the Freeze ordinance was upheld as valid on appeal.<sup>14</sup>

**3. The Board’s Historic Oversight Efforts**

The Board has engaged in multiple efforts over time to exercise meaningful oversight over the Program and to formalize its relationship with the Associations. Since 2006, the Board has, among other things: insisted on and adopted written contracts with the Associations; had the Associations audited by an outside auditor; performed a second series of narrowly focused internal audits; explored providing some LAFPP retirees with health insurance coverage outside the Associations; and sought to engage healthcare consultants to support and improve its oversight capabilities and propose cost management strategies.

***a. 2001-2006: The Controller’s Audit and the Execution of Written Operating Agreements***

At the outset, in the 1970s, the relationship between LAFPP and the Associations was informal and issues were addressed on an ad hoc basis. In fact, the relationship was so informal that for the first 30 years the Program was in effect, LAFPP did not have written agreements with any of the Associations. The lack of formal agreements first came into focus following a 2001 Controller’s Audit of the Los Angeles Police Relief Association.<sup>15</sup>

In response to the Controller’s audit, the Associations changed many of their internal practices and the Board resolved to adopt a more formal approach to its oversight of how the Associations administer the Program. To that end, through a period of difficult but ultimately productive negotiations, the Associations signed their first written agreements

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<sup>14</sup> Related litigation is ongoing concerning the interpretation of agreements between the City and UFLAC and LAPPL that granted these unions’ members to option to contribute an additional 2% of their salaries in exchange for an exemption from the freeze. In August 2012, LAPPL and UFLAC brought an action for declaratory relief against the City and the Board, demanding a judicial declaration that members who opted to make contributions have an absolute right to an annual increase of 7% or the medical trend rate—the ceiling of the Board’s authority under the Administrative Code—and that the Board has no discretion to grant less. And, in August 2017, after the Board authorized an annual increase in the subsidy of 6% in July, which was less than the 7% actuarial trend rate the Board had adopted for the year (and therefore less than the ceiling of its authority), LAPPL filed a new complaint against the City and the Board challenging the Board’s subsidy decision. The Board is represented by outside conflict counsel at Reed Smith LLP in both cases.

<sup>15</sup> While the audit did not focus specifically on LAPRA’s administration of LAFPP benefits, many of the issues identified in the audit arose out of LAPRA’s historically informal approach to its global administration of member healthcare benefits.

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with LAFPP in 2006.<sup>16</sup> In addition to accepting the need for written agreements, another major concession by the Associations was their consent to participate in “any FPP internal or external audit ... to the extent it specifically applies to the administration of any retiree medical and/or dental plan subsidized by FPP.”<sup>17</sup>

***b. 2006-2011: the Segal Audit Pursuant to the 2006-09 Operating Agreement***

Pursuant to its obligation to provide oversight of the subsidies paid to the Associations and consistent with the terms of the new agreements, the Board awarded an auditing contract to The Segal Company in October 2006.<sup>18</sup> The stated goal of the audit was “to ensure that the funds provided by FPP were being properly spent for the benefit of those eligible retirees and their dependents as intended by FPP.”<sup>19</sup> Annual subsidy expenditures at the time exceeded \$62 Million.

Unfortunately, the challenges faced during negotiations over the original written agreements resurfaced when it came time for the first round of audits. It appears that LAFPP, the Associations, and Segal spent the first 18 months of the contract negotiating over what data would be provided to Segal and how it would be used.<sup>20</sup> According to all parties, the auditing process was arduous, inconvenient, and extremely time consuming. Audit rights then became a main obstacle to reaching successor agreements.<sup>21</sup>

The results of Segal’s audit were consistently positive. Primary findings by the auditor included, “The plans were all deemed to be competitive with the benchmark universe and were well run with respect to effective plan design and economies of administration” and “The cost to the Pension Board of the benefit that is being offered to retirees is more than competitive than what other employers are charged for the same benefits and meet or exceed market benchmarks for monthly premiums.”<sup>22</sup>

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<sup>16</sup> See Board report dated March 23, 2006, item 8, in which the Board is presented with two options to encourage the Associations to sign the agreements: withhold subsidy payments or freeze Association requests to process new subsidies until the agreement is signed. It appears neither option was formally undertaken.

<sup>17</sup> See, e.g., May 15, 2006 Memorandum of Understanding between LAFPP and LAPRA, §3.4.

<sup>18</sup> The contract provided that Segal would “review all underwriting and claims information that is available from the association plans and the vendors of insurance and HMO coverage for participants. Our review will include an analysis of the last two completed rate renewals for which information is available. This will include an analysis of the funding mechanism, i.e., insured, partially insured or self-insured, capitated, or community rated as may be the case with the Medicare eligible HMO participants. We will include a comparison of any retiree contributions for benefits that are charged by each of the association plans.”

<sup>19</sup> Segal Audit, “Health Fund Audit for Participating Association Health Plans,” released on April 23, 2009, p. 3.

<sup>20</sup> January 24, 2008 Board report, item 3, requesting Board approval to modify the Segal contract to exclude the requirement to produce a report on the feasibility of LAFPP administering its own medical and/or dental plans.

<sup>21</sup> February 17, 2011, Board report, item 1, indicating negotiations had been underway since September 2009 and further discussions over audit rights would only “result in further delays” without moving the parties any closer to resolution.

<sup>22</sup> Segal Audit, p. 2.

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However, these results should be taken with a grain of salt because none of the Associations provided Segal with complete and comprehensive data originally requested by Thomas Morrison, Jr., the auditor.<sup>23</sup> As he stated in a follow-up memorandum to the Board, “Without supporting documentation to the audit, its conclusions are unsupported, specifically with respect to demonstrating that the Board has carried out its responsibilities to review how its funds are dispensed to retirees. The most recent audit report is without such supporting documentation, as the Associations withheld the release of any supporting information.”<sup>24</sup> To address this shortcoming, he recommended that any future auditors should have access to five years’ worth of records from any third-party administrator providing health insurance to retirees. Mr. Morrison recommended these records include, among other things, “...Annual Financial Statement, Rates, Carrier Renewal and Underwriting Information...”<sup>25</sup>

In a separate communication, Mr. Morrison provided a “Document and Data Request Inventory” that included “Monthly financial statements for the last 24 months ... Claim reports for the last 24 months; Retiree contribution rates for the last 24 months; Self-pay contribution rates (including COBRA) for the last 24 months ... All insurance company and service provider renewal actions for the two renewals and a copy of all current contracts for coverage provided to retirees; Summary Plan Descriptions (SPDs) and Evidence of Coverage and Disclosure booklets (ECDs) with all Summary of Material Modifications (SMMs) issued subsequent to release of the SPDs and ECDs...”<sup>26</sup>

***c. 2011: Updated Board Resolution and Second Generation Operating Agreements***

On March 3, 2011, the Board adopted a new resolution to replace the original resolution authorizing the Program. This new resolution reflected changes to the Program to include dental coverage and incorporated some of the feedback from staff reflecting the evolving relationship between LAFPP and the Associations. The draft resolution was included in the same February 17, 2011 Board report that requested direction for finalizing the successor agreements with the Associations. As the report observed, “There ha[d] not been an updated agreement or new Board resolution that encompasses the changes that have come into being in the 35 years since the adoption of the 1975 Resolution.”<sup>27</sup>

The March 3 resolution stated that the Board “will conduct independent audits” of “the administration of any retiree medical and/or dental plan subsidized by the LAFPP.” However, based on the difficulties encountered in carrying out the first audit, the positive results of the first audit, the impasse over including audit rights in the successor agreements, and a strong desire from the Board to maintain positive relationships with the

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<sup>23</sup> July 15, 2009 Memorandum from Thomas Morrison, Jr., p. 4.

<sup>24</sup> *Id.*

<sup>25</sup> *Ibid.*, pp. 2-3.

<sup>26</sup> Attachment to March 19, 2010 email from Thomas Morrison, Jr. to Gregory Mack and Joseph McGlinchey.

<sup>27</sup> February 17, 2011 Board Report, *supra*.

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Associations, no subsequent audit has been performed that could be considered comparable to Segal's original audit. In the interest of peace and ensuring that retirees' subsidy payments would continue without disruption, the Board backed off of its efforts to conduct any more rigorous oversight of how the Associations administered the Program on its behalf.

***d. 2011-2014: The Limited Internal Audit Section Audit and Third Generation Operating Agreements***

In lieu of accepting another audit similar to Segal's and/or enshrining the Board's audit rights in successor agreements, the Associations allowed an audit by LAFPP's Internal Audit Section ("IAS") limited to reviewing the administrative procedures used by LAFPP and the Associations to process, pay, and adjust the subsidies. IAS audited the Associations during 2012-13 and issued positive reports of the processes and procedures used by LAFPP and the Associations to administer those aspects of the Program.

In 2014, LAFPP again negotiated successor agreements with the Associations. Consistent with the 2011 agreements, the 2014 agreements did not include any auditing provisions, and the Associations merely agreed to the same generic provision to "Adopt and keep in effect a records retention policy period."<sup>28</sup> Note this provision does not identify how long records should be retained, which specific records should be retained, nor a commitment to share those records with any other parties.

**4. The Board's Commitment to Fully Exercise Its Oversight Duties Over an Increasingly Costly and Complex Retiree Healthcare Program**

***a. The Program Has Become Increasing Costly and Complex***

Over forty years have passed since the Program was introduced, and the national healthcare industry has grown increasingly more costly and complex in that time. LAFPP is not alone in its experience with continually rising healthcare expenditures.

The Program's costs have increased significantly: the total annual expenditure for subsidy payments in 1976 was approximately \$349,000; in 2017 it was nearly \$123 Million. In the last decade alone the annual projected total subsidy expenditure has risen from \$62 Million in 2006 to \$131 Million projected for fiscal year 2018-19. With respect to complexity, two recent updates from the General Accounting Standards Board (GASB), GASB 74 and 75, now require more detailed annual accounting of Other Post-Employment Benefits, which applies to the Program. In addition, the Affordable Care Act has imposed other accounting and reporting requirements on LAFPP and the Associations.

Despite these changes, the overall manner in which the Board administers the Program has remained essentially the same since 1975. Current conditions require increasingly formal

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<sup>28</sup> See, e.g., July 1, 2014 Operations Agreement between LAFPP and LAPRA, § 3.2(p)

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oversight by the Board, which it has been attempting over the past two years by seeking the information and expertise it requires to meet those challenges.

***b. The Independent Group's Coverage Challenges and the 2017 Request for Proposal***

The most recent agreement between LAFPP and LACERS to provide health insurance plans to members of the Independent Group as approved in May 2015. Shortly after approval, LACERS indicated it would stop providing health insurance to LAFPP members at some point in the near future. On November 19, 2015 Keenan & Associates (Keenan), the Plan's healthcare consultant, presented options to the Board for how to continue providing health insurance to the Independent Group. Recommendations included offering the same reimbursement option to these members as for other members who were not enrolled in an Association plan, having LAFPP administer its own health insurance plan, which would offer similar coverage options as were available to the LACERS small group members, negotiating with the City's Personnel department to offer these members access to the Flex benefits program for active employees, and, for Medicare recipients, implementing a private Medicare Exchange coupled with a Health Reimbursement Account option. The Board directed LAFPP staff to flesh out those recommendations and assess their viability but did not direct staff to negotiate with the Associations to offer insurance plans to these members.

A year later, staff were still exploring those options. In recognition that the Independent Group would grow once Airport Police joined LAFPP, at its meeting on November 17, 2016 the Board directed staff to issue an RFP that would solicit bids from health insurance companies to contract with LAFPP to provide coverage for medical, vision, and dental plans for Independent Group members as well as provide insurance to the entire LAFPP membership. The RFP was released on February 16, 2017.

***c. The Limited Response to 2017 RFP for Health Plans***

At the June 1, 2017 Board meeting, Keenan presented the results of the February 16, 2017 RFP for health insurance providers. LAFPP only received one bid for a non-Medicare PPO plan, from Anthem. Other major health insurance companies, including Aetna, Blue Shield, UHC, and Cigna, declined to bid. In response to questions from the Board about why Anthem was the only respondent for the non-Medicare PPO category, Keenan replied that, as the insurance provider contracting with LAPRA for its PPO plan and contracting with LAFRA to provide access to its provider network, Anthem was the only bidder who had access to any claims data for the prospective coverage.<sup>29</sup>

Throughout the discussion, the Board expressed its desire to improve its ability to manage the ongoing increases to subsidy expenditures, and Board members individually expressed their frustration to Keenan that the RFP process had yielded so few coverage options in

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<sup>29</sup> June 1, 2016 Board meeting audio recording, item A.2. Despite a written request in March from Keenan to LAFRA and LAPRA for claims information, the Associations did not provide this data nor provide any written response to the request.

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response to its stated goals of finding suitable plans for the Independent Group and LAFPP membership at large. The discussion revealed that without claims data, the Board was limited in how it could exercise its authority to administer the Program in order to provide suitable plans to the Independent Group or slow expenditure growth.

At one point during the discussion, Keenan suggested that LAFPP might be able to save between \$12-30 Million per year if members were required to participate in a retiree healthcare program administered exclusively by LAFPP. This savings opportunity was contingent on mandatory participation; in response to the prospect of losing coverage provided through LAFRA, one retiree commented that the “value of the plan” is LAFRA’s customer service and coverage options. This commenter pointed out that competition is a key driver of quality service and proposed that if LAFPP offered a truly competitive “good” plan, he would be willing to sign up. A Board member later suggested that achieving any potential significant savings would be impossible without access to retiree claims data, describing the Board’s process to undertake the effort without claims data as “going at this in a half-baked manner.” At the time, the only available means of providing non-Medicare insurance plans were contracting directly with Anthem or sending members to California’s healthcare exchange.

At its meeting on June 15, 2017 the Board continued its discussion of the RFP responses, and Labor First, one of the bidders for Medicare coverage, made a presentation. At this meeting, the Board also approved the formation of an Ad Hoc Committee on Retiree Healthcare, composed of two elected and two appointed Board members who would be tasked with engaging all stakeholders in resolving the issues raised during the meetings on June 1 and June 15, 2017.

Meanwhile, the Board was still grappling with interim and permanent solutions to providing coverage to Independent Group members, who would be losing their LACERS coverage as of January 1, 2018. At its meeting on July 6, 2017 the Board directed staff to negotiate with Kaiser Permanente and Anthem to provide medical, vision, and dental coverage for those retirees as well as continue discussions with the Associations about “opening up” their plans to these other retiree groups.

***d. Issues Raises by the Ad Hoc Committee on Retiree Healthcare***

The Ad Hoc Committee held its first meeting on August 14, 2017, and it has met periodically since inception through the current date. Nearly all of the meetings have been open to the public, and discussions have focused on how to help the entire Board fulfill its legal obligation to provide suitable health insurance plans to all LAFPP members, satisfy its fiduciary obligation to oversee and monitor the administration of subsidy expenditures, and address the complementary issue of how to reduce healthcare expenditures without diminishing the nature and quality of the health insurance options currently available. On September 20, 2017 the Board directed staff to cease negotiations with Kaiser and Anthem because all of the Associations had agreed to provide various coverage options to the

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Independent Group. The Ad Hoc Committee report discussing these developments described the Associations as “great partners.”<sup>30</sup>

One specific question raised by the Ad Hoc Committee poses how the Board’s fiduciary duties can be squared with discrepancies between the premium costs for the various insurance plans offered by the Associations result in retirees spending different amounts of their subsidy dollars for comparable benefits, according to which department employed them prior to retirement. If the Board’s fiduciary duty were deemed to include an obligation to provide identical benefits to all members, the need for claims data would become acute.

***e. The Board’s Engagement of a New Healthcare Consultant and Current Need for Claims Information to Fulfill its Oversight Role***

In response to a staff presentation at its meeting on March 2, 2017 that included a ten-year review of subsidy expenditures that had nearly doubled over the period, the Board directed staff to prepare another RFP, and at its meeting on March 16, 2017, the Board approved an RFP that sought bids for a range of healthcare consultant services to provide “independent review and measurement of (1) LAFPP health insurance subsidy expenditures and benefits costs, and (2) the efficiency of Board-approved health insurance plan premium negotiations.”<sup>31</sup> Representatives of the Associations were present for the Board discussion of this item, and at one point the Associations offered to support the stated goal of the RFP by providing certain information to LAFPP. The following week, Keenan sent letters to LAPRA and LAFRA requesting claims information for “retiree plans,” specifically requesting three years of “claim experience for Medical and Vision plans” and the supporting data.<sup>32</sup>

The Associations did not provide the claims data requested, nor, according to LAFPP staff, did either Association provide any written response or clear explanation for why it was refusing the request.

In yet another move towards fulfilling its fiduciary responsibilities with respect to overseeing the Program, at its meeting on January 4, 2018 the Board approved an RFP for a healthcare consultant to supplement the services currently provided by Keenan. The top three bidders gave presentations at the April 19, 2018 Board meeting, and each presentation included a question and answer period between the Board and the bidder. The Board asked each bidder whether and how having access to historical member claims data would impact the ability to provide the requested services. The responses were unanimous that not having access to claims data would make it nearly impossible to fulfill the RFP’s stated objectives.

For instance, Bob Cosway, the presenter from Milliman, indicated that in his experience it was common for Associations with similar relationships to share the methodology for how they calculate their premiums and the underlying claims data that would explain the basis

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<sup>30</sup> September 20, 2017 Board report.

<sup>31</sup> March 16, 2017 Board report on the healthcare consultant RFP, item A.7.

<sup>32</sup> March 24, 2017 letter from Steve Gedestad, Keenan’s Municipality Practice Leader.

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for premiums or future cost projections. Mr. Cosway stated, "I know you're [the Board] looking at changing the contract to provide more transparency and I think we could help you provide...some best practices."<sup>33</sup>

Gary Delaney, who presented on behalf of the winning bidder, USI, recommended the Board engage in benchmarking the Association plans in order to "give you [the Board] some perspective to see how it lines up both in cost and in benefits."<sup>34</sup> When asked how USI could help the Board perform its fiduciary duties without access to member claims data, Mr. Delaney stated, "It's unfortunate that you don't have the ability to have some of that information."<sup>35</sup> In the absence of member claims data, he proposed using census data to benchmark the retiree population that participates in Medicare, but he expressed concern that it would be "very difficult" to do that for the non-Medicare population.<sup>36</sup>

The consensus opinion from Keenan and the three RFP finalists who presented on April 19, 2018 is that best practices require LAFPP have access to retiree claims data and that plan administrators in the Board's position typically do have access to the data the Board is seeking.

The agenda item that immediately followed the RFP presentations concerned the ongoing discussions with the Associations to negotiate successor agreements for administering the Program on behalf of LAFPP. In light of the foregoing presentations, the Board expressed concern that the General Manager was not including access to member claims data as a term of any successor agreement. Some commissioners insisted that the Board already had a right to access claims data, others insisted that the Associations had an obligation to share the data, and others insisted that who "owned" the data was still an open question that needed to be resolved prior to putting any requirements in the operating agreements. Regardless of the commissioners' individual perspectives, all agreed that a lack of access to claims data was hindering their ability to carry out their fiduciary duties towards administration of the program. One commissioner summarized the issue by saying, "We need claims data; that's the only thing that matters."<sup>37</sup>

## DISCUSSION

### **1. The Board Requires Claims Information to Administer the Retiree Healthcare Program in a Manner Consistent With Its Fiduciary Obligations**

#### ***a. The Board is responsible for making three critical decisions about the retiree healthcare program***

Under the Charter and Administrative Code, as summarized above, the Board is charged with administering a health insurance program for retired members and beneficiaries of the

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<sup>33</sup> April 19 Board meeting audio, Item A.4.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> April 19, 2018 Board meeting audio, Item A.5.



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Plan. See L.A. Charter §§1330(a),(d), 1518(a),(d), 1618(a),(d),1718(a),(d); L.A. Admin. Code §§4.2018, 4.1150-4.1167. In administering this program, the Board is responsible for making three critical decisions, all of which must be made in a manner consistent with the Board's fiduciary obligations:

(1) with whom to "contract" to provide health plans for LAFPP retired members and eligible beneficiaries, including whether to contract directly with insurance carriers or contract with third-party administrators, L.A. Admin. Code § 4.1152;

(2) which health plans to "approve" as "suitable" for Plan members and eligible beneficiaries, given their cost-sharing arrangement, covered benefits, provider network, and premium rates, L.A. Admin. Code § 4.1153; and

(3) what amount of subsidy dollars should be available each year for members and beneficiaries to apply towards their health insurance premiums in these approved health plans, given the premium rates of all approved plans, the medical trend rate adopted by the Board, and other relevant data. L.A. Admin. Code §§ 4.1151, 4.1152.

***b. The Board must make these decisions in a manner consistent with its fundamental fiduciary obligations, including its duties of prudence, cost-consciousness, and impartiality***

Fire and Police Pension Commissioners are trustees for the Plan; all decisions regarding the Plan must be made in a manner consistent with the Board's three fundamental fiduciary obligations.<sup>38</sup> The Board's decisions regarding the Retiree Healthcare Program are no exception—these decisions determine how trust funds are spent and significantly impact current and future LAFPP members and eligible beneficiaries.

First, the exclusive benefit principle grants the Board plenary authority over the Fund and requires it to carry out that authority by managing the Fund for the exclusive purposes of (1) funding the benefits promised to LAFPP's members, retired members, and beneficiaries and (2) defraying the reasonable expenses of administering the system. See Cal. Const. Art. XVI, §17; L.A. Charter §1106. Second, the prudent investor principle requires the Board to make all investment decisions with Fund assets with the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with these matters would use" in a similar situation. See Cal. Const. Art. XVI, §17(c); L.A. Charter §1106(c). Finally, the duty of primary loyalty holds that the Board's "duty to [LAFPP's] participants and their beneficiaries shall take precedence over any other duty." Cal. Const. Art. XVI, §17(b); L.A. Charter §1106(a).

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<sup>38</sup>These three fiduciary principles are drawn from California statutory and constitutional law, particularly Article XVI, section 17 of the California Constitution; the Los Angeles City Charter, particularly Section 1106; federal tax laws and regulations; the common law of trusts and uniform trust laws; and the federal Employee Retirement Income Security Act of 1974, as amended (ERISA), and related Department of Labor regulations implementing ERISA. ERISA does not apply directly to the Board but its provisions concerning pension boards' powers and fiduciary duties are analogous to those that apply directly to the Board and may provide some guidance on certain issues.

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Longstanding principles of trust law also recognize a duty of impartiality as an “extension” of this duty of loyalty. RESTATEMENT (THIRD) OF TRUSTS §79(1), cmt. *b* (2012).

Additionally, “[i]mplicit in a trustee’s fiduciary duties is a duty to be cost-conscious.” RESTATEMENT (THIRD) OF TRUSTS §88, cmt. *a*; *see also id.* at § 90(c)(3) (duty of prudence requires that trustee “incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the trusteeship.”); *id.* at § 90, cmt. *b* (“cost-conscious management is fundamental to prudence in the investment function,” and should be applied “not only in making investments but also in monitoring and reviewing investments); *Donahue v. Donahue*, 182 Cal. App. 4th 259, 273 (2010) (reversing and remanding an award for attorneys’ fees incurred by a trustee because the trial court did not consider whether the trustee fulfilled his duty to be cost-conscious in incurring the fees).

The Board must therefore make each of these three critical decisions regarding the Retiree Healthcare Program prudently in the first instance. But that is not enough: the Board “cannot assume” that a health plan or third-party administrator that was a prudent choice in 1975 remains a prudent selection “indefinitely”—it must gather the information it needs to continuously monitor and reevaluate those decisions “at regular intervals” to ensure that they remain cost conscious uses of trust funds and in the overall best interest of the Plan’s members and beneficiaries as a whole. *Tibble v. Edison Int’l*, 843 F.3d 1187, 1197 (9th Cir. 2016) (*en banc*) (quoting *Tibble v. Edison Int’l*, 135 S. Ct. 1823, 1828 (2015) (quoting A. HESS, G. BOGERT & G. BOGERT, LAW OF TRUSTS AND TRUSTEES § 684, 145-48 (3d ed. 2009) [hereinafter Bogert 3d])).

***c. The Board may delegate some of these decisions to an agent but only if that delegation is prudent and is subject to continuous oversight***

Although the Board may delegate the performance of some of its responsibilities to an agent, trust law and the fiduciary duty of prudence require the Board to delegate only when it is prudent to do so and to continuously supervise and monitor the agent performing the delegated matter. RESTATEMENT (THIRD) OF TRUSTS § 80 (2012); *id.* at §90, cmt. *j* (“The trustee must exercise care, skill, and caution in establishing the scope and specific terms of any delegation, and must keep reasonably informed in order to monitor the execution of investment decisions or plans.”); Cal. Prob. Code §16012. It may well be that the decision concerning which plans to approve as suitable in a given year is a decision, like other complex and specialized ones with which the Board is tasked, that is prudent to delegate to a third-party with the relevant expertise. At a minimum, it is prudent for the Board to seek advice and input from a consultant or other outside expert in order to make these decisions. For example, in making investment decisions concerning the Plan’s private equity program, the Board always receives the advice and recommendation of its expert and experienced private equity consultants, whom it has carefully selected for contract after a competitive process. Other pension plan boards have, alternatively, delegated (within certain policy limits) their decision-making authority to their plans’ private equity consultants to make the investment decision and then inform the board once the decision has been made—granting to the consultant so-called “discretion in a box.”

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The Board's current structure for carrying out its fiduciary responsibility to approve suitable health plans can be understood as the latter: a delegation of authority to the Associations, rather than a contract with the Associations as expert consultants who inform the Board's decisions. The Associations make the decisions regarding which health plans are suitable to be offered each year to LAFPP retired members and eligible beneficiaries, including their plan design, cost-sharing, provider networks, and premium costs. The Board is informed of the final result of the Associations' decisions *after* they have been made—the Associations tell the Board which health plans will be offered. With this limited, after-the-fact information, the Board considers the premium costs of each health plan that will be offered by each Association in the coming year when setting the subsidy. The Board has no opportunity to independently evaluate the plans being considered, to participate in the renewal negotiations with the carriers, to consent to the plans ultimately selected, nor to analyze the competitiveness of the costs of those plans or the impact on members of the plan design decisions made.

By delegating its decision-making authority to approve suitable health plans, the Board has a fiduciary obligation to continuously supervise and monitor the Associations to ensure that the Associations are carrying out that delegated authority prudently, cost-effectively, and in the overall best interest of LAFPP members and eligible beneficiaries.<sup>39</sup>

As the preceding Background section demonstrates, since Segal released its audit in 2009 the Board has been unable to perform truly meaningful, thorough oversight of the Program, not just with respect to premium costs for health insurance plans offered by the Associations. Given the Board's oft-stated concern over subsidy expenditures that have doubled since the Associations and the Board signed their first written agreements, it should come as no surprise that over the past two years the Board has engaged in ongoing, robust efforts to understand and control the rising costs of health insurance. Because subsidy dollars are paid out according to the cost of plan premiums, which are priced to include administrative costs and an insurer's profit margin, examining the data that underlies premium calculations is a logical place for the Board direct its attention.

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<sup>39</sup>We note that the Associations' counsel has argued that a contract term that would give the Board the right to approve or reject health plans, or even benefit changes within those plans, selected by the Associations, would jeopardize the tax exempt status of the Associations as tax exempt Voluntary Employee Benefit Associations (VEBAs) under Internal Revenue Code section 501(a)(9). After conferring with the Plan's outside tax counsel, we do not believe this concern is warranted. The examples cited by the Associations' counsel for this proposition involve facts that are very different from ours. In one case, the association was found not to be a VEBA because it did not have any identity separate from the employer's identity. In the other case, members were found not to control the association where the members did not hold meetings, had no right to elect officers or directors, and no right to replace trustees. These examples are not on point given that LAFRA and LAPRA are sophisticated and longstanding entities with their own management, staffs, and boards of trustees. We disagree that the Board's exercise of its fiduciary oversight responsibilities, including some meaningful right to right to supervise the Associations' recommended selection of health plans that will be eligible to receive subsidy dollars in a given year, would be sufficient to cause the Associations' membership to fail to have control over the VEBA and therefore jeopardize their status as VEBAs under the tax code.

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If its stewardship of LAFPP funds includes seeking ways to reduce the total amount of annual subsidy expenditures, and its obligation is to approve suitable plans for members, the Board should constantly be looking for ways to reduce the costs of premiums without sacrificing member access to benefits. By emphasizing its interest in reducing costs without compromising benefits, the Board has demonstrated its commitment to fulfilling its fiduciary obligations towards members in every facet of its administration of the program.

One area of concern that has not received much attention but poses a credible threat to cost control efforts is the fact that, based on current practices, the Board does not have any practical means to prevent the Associations from pegging premium amounts to the subsidy maximums. While the current average premium payments capture approximately 64% of subsidy maximums, it is conceivable that the Associations could design plan options with premiums that encourage retirees to tap a higher percentage of their subsidy maximum. In one recent example, after receiving a staff briefing on how the Medicare subsidy is administered by LAFPP, one of the Associations subsequently proposed an increase in its Medicare premium that equaled that year's Medicare subsidy maximum. While it is entirely plausible that such a premium increase is a reasonable response to claims data and historical trends, there is no way for the Board to verify the merits of any premium increase without access to retiree claims data.

In a similar vein, although the Associations provide additional services to their members beyond health insurance, even if the Associations have adopted Segal's recommendation to separate health insurance costs according to services provided to active employees versus retirees, without access to claims data, the Board cannot independently verify that subsidies are paid for the exclusive benefit of retirees and not used to amortize other Association expenses.

Whether the issue is proposing alternate health insurance plan options, verifying the Associations' cost of administering benefits, or simply negotiating agreements with Associations, the major obstacle preventing the Board from effectively fulfilling its fiduciary duties appears to be the lack of consistent, unfettered access to member claims data.

The Board was unable to obtain competitive bids for providing alternatives to the Independent group or retirees because it could not provide member claims data to any bidders that did not already have access. The Board was unable to complete an RFP process to retain an outside consultant to evaluate healthcare costs and benefits because it could not provide member claims data to any bidders. The Board has selected a new consultant to assist in its evaluation of Association healthcare costs and benefits with the understanding that it will not get very robust or reliable recommendations because it cannot currently provide member claims data to USI. The Board cannot realistically establish criteria for approving health insurance plans because it cannot access member claims data.

In sum, the current administrative scheme leaves the Board with few options for exerting fiduciary oversight or exercising cost controls over the program: current contracts do not

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allow for audits; it cannot assess the reasonableness or appropriateness of plan design and associated costs; it cannot contract for comparable, competitive insurance plans. To be clear, these issues are not presented in order to insinuate that the Associations are doing anything less than an impeccable job as third-party administrators; we highlight these issues merely to demonstrate the full extent to which the Board should be exerting its fiduciary responsibilities and the limits its lack of access to claims data place on its ability to fulfill those duties.

**2. As Agents and Fiduciaries of the Board, the Associations Must Provide the Board Access to the Claims Information**

The law of agency clearly requires the Associations to allow the Board to access the claims information. "Agency is the relation that results from the act of one person, called the principal, who authorizes another, called the agent, to conduct one or more transactions with one or more third persons and to exercise a degree of discretion in effecting the purpose of the principal." *L. Byron Culver & Associates v. Jaoudi Industrial & Trading Corp.*, 1 Cal. App. 4th 300, 304 (1991) (citations and internal quotation marks omitted). An agency relationship may be implied from the circumstances and conduct of the parties, *see Michelson v. Hamada*, 29 Cal. App. 4th 1566, 1579-80 (1994), and "when one assumes to act as the agent for another, he may not, when challenged for these acts, deny his agency[.]" *People v. Robertson*, 6 Cal. App. 514, 517 (1907).

The Associations are agents of the Board for the purpose of selecting, contracting for, and administering, subsidy-funded health plans for LAFPP retirees and their beneficiaries. As outlined above, the Board has essentially delegated to the Associations its legal authority to approve suitable plans towards which subsidy dollars may be used. By exercising that delegated authority to contract for and administer health plans for LAFPP members and beneficiaries, and by accepting subsidy payments from the Plan to fund those health plans, the Associations act as agents of the Board for this purpose.

As agents, the Associations are fiduciaries. See, e.g., *Chemical Bank v. Security Pacific Nat'l Bank*, 20 F.3d 375, 377 (9th Cir. 1994) ("The very meaning of being an agent is assuming fiduciary duties to one's principal"). A fiduciary relationship imposes "duties of loyalty and full disclosure." *Rookard v. Mexicoach*, 680 F.2d 1257, 1262 (9th Cir. 1982).

***a. The Associations owe the Board a duty of full disclosure of all material information that might influence the Board's decisions regarding the Program***

The Associations have "a fiduciary duty" to the Board "to disclose all information in the agent's possession relevant to the subject matter of the agency." *L. Byron Culver & Associates v. Jaoudi Industrial & Trading Corp.*, 1 Cal. App. 4th 300, 302 (1992); *accord Neel v. Magana, Olney, Levy, Cathcart & Gelfand*, 6 Cal. 3d 176, 189 (1971) ("The duty of a fiduciary embraces the obligation to render a full and fair disclosure to the beneficiary of all facts which materially affect his rights and interests"); *Parsons v. Tickner*, 31 Cal. App. 4th 1513, 1526 (1995) ("The fiduciary relationship carries a duty of full disclosure"); *St. James Armenian Church v. Kurkjian*, 47 Cal.App.3d 547, 552 (1975) (California law

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"charges an agent with the duty of fullest disclosure of all material facts concerning the transaction in question which might affect the principal's decision."); *Ziswasser v. Cole & Cowan*, 164 Cal. App. 3d 417, 421 (1985) ("It almost goes without saying that the general fiduciary duty owed by the agent to his principal includes the duty to make a full and complete disclosure to him of *all* material facts which the agent knows and which *might* influence the principal with respect to the transaction and to his willingness to enter into it.") (internal citations and quotation marks omitted; emphasis in the original); RESTATEMENT (THIRD) OF AGENCY §8.11 (2006) ("Duty to Provide Information: An agent has a duty to use reasonable effort to provide the principal with facts that the agent knows, has reason to know, or should know when (1) subject to any manifestation by the principal, the agent knows or has reason to know that the principal would wish to have the facts or the facts are material to the agent's duties to the principal; and (2) the facts can be provided to the principal without violating a superior duty owed by the agent to another person.").

Here, the subject matter of the agency is the Associations' administration of health plans on behalf of LAFPP members and eligible beneficiaries, including the annual selection of health plans to offer to LAFPP retirees, the renewal of those plans, negotiations with the insurance carriers regarding premium rates, plan design, provider networks and cost sharing, and the claims experience of LAFPP retirees and eligible beneficiaries enrolled in the health plans administered by the Associations. There is no question that claims data is in the Associations' possession and was gathered by the Associations in carrying out the subject matter of their agency.

***b. The Associations' duty of loyalty requires that they not compete with the Board nor use information obtained in carrying out their delegated duties to their own advantage***

"An agent has a fiduciary duty to act loyally for the principal's benefit in all matters connected with the agency relationship." RESTATEMENT (THIRD) OF AGENCY §8.01 (2006). "An agent's failure to provide material information to the principal may facilitate the agent's breach of the agent's duties of loyalty to the principal." *Id.* at § 8.01, *cmt. b.* The Associations' fiduciary duty of loyalty to the Board also requires that the Associations not "compete with" the Board. *Sierra Pacific Industries v. Carter*, 104 Cal. App. 3d 579, 581 (1980) ("An agent may not compete with the principal"). Moreover, since the Associations acquired the claims data precisely by carrying out their delegated duties as agents to contract for and administer health plans for LAFPP retirees and beneficiaries, the Associations' duty of loyalty to the Board bars them from using that data to their own advantage and to the Board's detriment. *Whittaker v. Otto*, 188 Cal. App. 2d 619, 624 (1961) ("In the absence of full knowledge and consent on the part of his principal, an agent may not acquire any right or title in the subject matter of the agency by the use of his position or any information acquired by him during the course of his employment."). And to the extent that the claims data would be a "benefit" or "advantage" to the Board in formulating a solicitation for health plans, it would be a violation of the Associations' fiduciary duty of loyalty to deny that benefit to the Board. *See Savage v. Mayer*, 33 Cal. 2d 548, 551 (1949) ("All benefits and advantages acquired by the agent as an outgrowth of the agency, exclusive of the agent's agreed compensation, are deemed to have been

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acquired for the benefit of the principal, and the principal is entitled to recover such benefits in an appropriate action.”).

***c. The Associations have not asserted any valid legal bar to providing claims data to the Board—and protecting their own pecuniary self-interest is not a valid rationale in light of their fiduciary duty of loyalty.***

In the last several weeks, we have received several e-mail communications from the Associations’ counsel<sup>40</sup> that assert arguments against a contract provision that would require the Associations to disclose claims information to the Board. We briefly summarize those arguments here, along with the reasons—after consulting with the Plan’s outside tax counsel—we do not find them persuasive.

First, the Associations’ attorneys argue that because LAFPP is not now a party to the contracts between the carriers and the Associations, LAFPP does have a contractual right to the information. That argument misses the point. The Board has not taken the position that it has a contractual right to the information under the existing carrier contracts. Rather, the Board, through its direction to staff, is attempting to negotiate a successor contract with the Associations that would provide the Board with a right to access that information. And the Board has every right under agency law to require such a term be included in that contract.

Second, the Associations’ counsel contends that providing the Board with the right to review claims information would be inconsistent with LAFRA and LAPRA’s status as VEBAs insofar as a VEBA must, according to counsel, enter into contracts in its own name. That does not follow. By way of background, in order for a VEBA to maintain its tax-exempt status under Internal Revenue Code (Code) section 501(c)(9), it must satisfy multiple requirements. One requirement is that there must be an entity, such as a corporation or trust, having an existence independent of the member-employees or their employer. Treas. Reg. § 1.501(c)(9)-2(c)(1). In evaluating whether this requirement is satisfied, the IRS Audit Guidelines for VEBAs that are cited by counsel direct the auditor to confirm whether contracts are in the name of the VEBA or the employer, among other items. This audit guideline goes to whether the VEBA’s identity is separate from the employer. In other words, if the VEBA’s contracts were in the name of the employer, it might suggest that the employer and VEBA do not have separate identities. The Associations’ counsel appears to be suggesting that this prohibits the VEBA from providing the Board with access to claims data. We are not persuaded, and do not see how providing the Board with a right to review claims data would cause the VEBA to lose its separate identity.

Third, the Associations’ counsel relies on a case applying the Employee Retirement Income Security Act (ERISA) to argue that LAFPP does not “own” the claims data because the Plan has not accounted for it as a separate financial asset in its Internal Revenue Code

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<sup>40</sup> Robert Macaulay, Esq. (Parker Brown Macaulay & Sheerin, P.C.), who represents both LAFRA and LAPRA.

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section 401(h) account.<sup>41</sup> *Patient Advocates, LLC v. Prysunka*, 316 F. Supp. 2d 46 (D. Me. 2004). Setting aside the fact that this is a case from a trial court in Maine and that the Plan is not bound by ERISA, this case actually hurts the Associations' position that it cannot disclose the claims data to the Board. The plaintiff there, Patient Advocates, was a third-party claims administrator that provides health plan administration services to ERISA plans in Maine. The State of Maine had created an agency charged with maintaining a health information database used to improve the health of State citizens. The state statute required third-party claims administrators to provide claims information to the database. The plaintiff refused, arguing that it was an agent and fiduciary for its ERISA plan clients, that the claims information was a plan asset, and that it therefore would violate its fiduciary duties to disclose the information to the state agency for use in the database. The court rejected all of these arguments—holding that the claims information was not a plan asset since it had no demonstrated financial value and was not held in trust like other plan assets. Moreover, the court was “skeptical” that even if the claims information were deemed to be a plan asset, it would be a breach of fiduciary duty to disclose the information to the database, given that the purpose of the database was to improve the health of state citizens—including the ERISA plans' members and beneficiaries. *Id.* at \*8-\*9. A court would be even more skeptical of the Associations' refusal to disclose claims information here, given that the party requesting access to the data is the Associations' own principal, not an outside entity. Finally, ownership of the data is irrelevant. The Board is not asserting ownership of the claims data or seeking to claim it as an asset of the Plan with any defined financial value; the Board simply wants the right to review and access the claims data so that it may perform its fiduciary oversight responsibilities.

Nor is preventing the Board from issuing a Request for Proposal for health plans a valid rationale. To the extent the claims information has financial value, agency law precludes the Associations from using it to benefit themselves or compete with the Board. As agents and fiduciaries, the Associations are barred by their duty of loyalty from refusing to disclose the claims data to the Board in order to prevent the Board from—if the Board deems it appropriate in order to carry out its fiduciary obligations—soliciting competitive bids directly from insurance carriers or exercising additional control over the approval and pricing of health plans.

**CONCLUSION**

For the reasons discussed above, we conclude that the Board has both the responsibility and the authority to access aggregated claims information for subsidy-funded health plans.

We welcome further discussion of these issues with the Board.

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<sup>41</sup> The Plan uses this account to fund the retiree health program.



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**ATTORNEY-CLIENT PRIVILEGE WAIVED ON DECEMBER 3, 2020 BY  
RESOLUTION OF THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

**DATE:** December 3, 2020

**TO:** Board of Fire and Police Pension Commissioners

**CC:** Raymond Ciranna, General Manager,  
Department of Fire and Police Pensions

**FROM:** Anya Freedman, Assistant City Attorney *AF*  
Miguel Bahamon, Deputy City Attorney *MB*

**SUBJECT:** The Board's Fiduciary Responsibility to Provide Suitable Plans to Members  
Subject to the Health Subsidy Freeze

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## EXECUTIVE SUMMARY

On October 22, 2020, Commissioner Ruben Navarro asked our Office to provide written advice to the Board as to whether the Board owes fiduciary duties to LAFPP members who are subject to the health subsidy freeze.

We advise that the Board's fiduciary duties of loyalty and impartiality require the Board, when exercising its authority to provide suitable health plans, to consider the circumstances and diverse needs of all its members, including members subject to the health subsidy freeze. The Board's fiduciary duty of prudence likewise requires the Board to enter formal contracts for health care administrative and/or insurance services. And, as soon as the minimum necessary information has been compiled to do so successfully, conduct a competitive solicitation process to ensure that the Plan is providing the best quality health care options to all of its members at the lowest possible cost. The Board should carefully consider, including by seeking additional research and data from Staff and its healthcare consultant, whether the current menu of health options available to frozen members is suitable, including the plan options available through the Associations<sup>1</sup> and approved annually by the Board, and the plans available to members through the Health Insurance Premium Reimbursement ("HIPR") program. Although cost may not be the exclusive factor to consider when evaluating suitability, and although the Administrative Code places no explicit limitations on the Board's discretion to determine which plans are "suitable" for approval, cost is an important consideration that impacts members and their families. The Board may consider whether the menu of plan options currently available to members—especially members subject to the health subsidy freeze—is suitable now, and also whether those options are likely to remain suitable in the future. The cost of the current plan offerings is expected to increase each year. But the frozen subsidy will remain just that: frozen. The size of the group of members subject to the freeze will also increase significantly over time as more of these members retire. Therefore, consistent with the Board's fiduciary duties, it should consider: (1) directing Staff and its healthcare consultant to conduct additional research on new plan design options that could offer lower out of pocket costs for members while still providing high quality coverage; and (2) seeking—both through engagement with the Associations and through a competitive solicitation process—additional suitable health plan options that provide the best possible coverage at the lowest possible cost for all members, including members subject to the health subsidy freeze.

## BACKGROUND

In 2011, the City passed a "Freeze Ordinance," Los Angeles Administrative Code ("Ad. Code") section 4.1166, that froze pre-Medicare healthcare subsidies for LAFPP retirees at 2011 levels. Thereafter, the City and certain member unions entered into letters of agreement to exempt from the Freeze Ordinance members who made additional member contributions (the "Letters of Agreement"). Council subsequently codified these Letters of Agreement in Ad. Code

<sup>1</sup> The Associations include Los Angeles Firemen's Relief Association ("LAFRA"), the Los Angeles Police Relief Association ("LAPRA"), United Firefighters of Los Angeles ("UFLAC"), and the Los Angeles Police Protective League ("LAPPL").

section 4.1167 (“Section 4.1167”).<sup>2</sup> However, members<sup>3</sup> who retired or entered DROP after July 15, 2011 and did not take advantage of the Section 4.1167 exemption by making additional healthcare contributions currently receive a frozen non-Medicare maximum subsidy of \$1,097.41 when enrolled in a two-party or family medical plan.<sup>4</sup> In contrast, non-frozen members receive a maximum non-Medicare subsidy of \$1,920.41, a difference of over \$800 per month. Currently, there are approximately 349 retired frozen members, and 2,750 active and DROP members who will receive a frozen subsidy upon retirement.

Today, all LAFPP retired members have two categories of health plan options to choose between. First, they can select plans offered by the Associations. For the most popular plans that the Associations offer, while the maximum frozen subsidy fully covers single party premiums, there can be significant gaps between the frozen subsidy and premiums for two party or family plans. As illustrated in the attached spreadsheet, monthly healthcare deductions for frozen, non-Medicare eligible members enrolled in two party and family plans can range from \$36.85 to \$1,021.89 for members eligible for the UFLAC plans, from \$261.13 to \$1,408 for members eligible to select LAPRA plans, and from \$388.63 to \$1,100.19 for members eligible to enroll in LAFRA plans. As the medical deductions at the high end of these ranges represent significant expenses for members on reduced, fixed retirement incomes, these are not realistic options for many frozen members

Alternatively, frozen members can select individual plans and receive reimbursement through LAFPP’s HIPR program. Since March 2017, HIPR has been available to members regardless of their area of residence as well as to members who are not the primary subscriber on the health plan. LAFPP reimburses HIPR participants up to the maximum monthly health insurance subsidy for which they are eligible. Reimbursement is issued directly to the member, on a quarterly basis, for health insurance premiums paid to a non-Board approved health plan. Because reimbursement is quarterly, members participating in HIPR often must wait several months to recoup their out of pocket expenses. This reimbursement delay may make the HIPR options unaffordable to many frozen members.

<sup>2</sup> A dispute later arose between the unions and the City as to what members would receive in exchange for their additional member contribution. This dispute has resulted in litigation that is still pending.

<sup>3</sup> Excluding service connected disability retirees, survivors receiving service-connected death benefits otherwise eligible for health benefits, deferred retirement-eligible Tier 3 and 5 members who separated from City Service before July 15, 2011, and all Tier 6 members.

<sup>4</sup> Since February 2017, retired members receiving a frozen subsidy who are also enrolled in Medicare Parts A and B have been eligible to receive additional reimbursement subsidies for the coverage of dependents, making these members eligible to receive reimbursement up to the same \$1,097.41 frozen non-Medicare maximum subsidy when they are enrolled in a two-party or family medical plan.

## DISCUSSION

### **1. The Board’s Fiduciary Duties Govern All Decisions Regarding Member Health Benefits**

Commissioners are trustees of the Plan who are bound by their fiduciary duties in all Board decisions regarding the Plan. There are three overarching fiduciary principles and duties: the exclusive benefit principle, the duty of primary loyalty, and the duty of prudence.<sup>5</sup> Of these three principles, the last two are most relevant here.

#### **a. The Board’s duty of primary loyalty requires the Board to consider the healthcare needs of members subject to the subsidy freeze**

The duty of primary loyalty requires the Board to act in the best interest of the Plan’s members and beneficiaries as a whole. Cal. Const. Art. XVI, §17(b); L.A. Charter §1106(a). As the Plan encompasses numerous stakeholders, there are necessarily membership groups within the Plan that may have competing interests. Accordingly, the duty of impartiality is recognized as an “extension” of this duty of loyalty. Rest. 3d of Trusts, §79(1), comment *b* (2012). The duty of impartiality requires the Board to “administer the trust in a manner that is impartial with respect to the various beneficiaries of the trust.” *Id.* at §79(1). Specifically, the Board must (a) “act impartially and with due regard for the diverse beneficial interests created by the terms of the [Plan]” in distributing trust funds and otherwise administering the Plan; and (b) “proceed in a manner that fairly reflects the diversity of [Plan beneficiary] concerns and [] interests” when consulting and otherwise communicating with Plan beneficiaries. *See id.* at §79(1)(a, b). While the Board has considerable discretion to balance the competing interests among Plan beneficiaries with regard to a particular decision (*see id.* at § 87), this discretion is constrained by the Board’s duty to consider the interests of all its constituencies. The Board is required to “reasonably and without personal bias, [] seek to ascertain and to give effect to the rights and priorities of the various beneficiaries or purposes as expressed or implied by the terms of the [Plan].” *See id.* at §79(1), comment *b*. Finally, this duty of impartiality necessarily applies should “controversies arise among the beneficiaries concerning their rights and beneficial interests in the [Plan].” *See id.* at §79(1), comment *c*.

In practice, the Board’s duty of primary loyalty and its duty of impartiality require the Board to consider subgroups of members with unique needs for health plans. As relevant here, the members and beneficiaries subject to the subsidy freeze have unique needs due to their frozen subsidy. While LAFPP’s frozen membership group shares the same need for comprehensive health insurance coverage as the unfrozen members, because their health subsidies are often markedly lower than those of their non-frozen peers, plan affordability is a key concern. We recognize that each member made an informed individual decision in 2011 whether to contribute an additional two-percent of their salary in exchange for an exemptions from the subsidy freeze. And we understand that it was each frozen member’s own decision not to make these additional contributions that resulted in the disparity between the frozen and non-

<sup>5</sup> We have previously advised the Board in greater detail regarding its fiduciary duties in considering new retiree healthcare plans in our Office’s memorandum dated October 13, 2017.

frozen subsidy amounts. The Board's duties of loyalty and impartiality to all members do not require the Board to make the same plans available to non-frozen and frozen members at the same out of pocket cost. It would be "overly simplistic" to translate the duty of impartiality as a rule of "equality" of treatment among the diverse and sometimes conflicting interests of all beneficiaries of the trust. Rest. 3d of Trusts, §79(1), comment *b*. Trust law has evolved to recognize that trustees have considerable discretion in balancing the competing interests among beneficiaries with regard to a particular decision. *See* Rest. 3d of Trusts, § 87 (on judicial review of discretion; describing the range of reasonable fiduciary judgment). But in exercising its fiduciary discretion here, we do advise that the duty of impartiality supports the Board's consideration of the unique financial needs of the frozen group—regardless of the cause for those unique needs.

The Board's fiduciary duties support the Board's exercise of fiduciary judgment to ensure that LAFPP's health coverage options include at least one suitable plan that will allow all members the choice to cover themselves and their eligible beneficiaries with only reasonable out of pocket costs in addition to their subsidy amount. Without such affordable health insurance options, when considered as whole, the Plan may not yet have appropriate options for all members and beneficiaries, including the frozen subgroup. Therefore, the Board has a duty to explore the health insurance marketplace for more affordable plans. This can involve requesting that Staff research whether there are more affordable, suitable options for frozen members that are eligible for HIPR reimbursement. However, this approach alone would not address the needs of members who may not be able to afford to wait months for their HIPR reimbursements. Therefore, we recommend the Board also explore issuing a competitive solicitation for lower cost, Board-approved healthcare plans, as described below. Additionally, and as recommended in Staff's report, the Board may consider seeking legislative changes to the LAFPP retiree healthcare programs that would authorize new plan designs like a Health Reimbursement Arrangement ("HRA").

**b. The Board's duty of prudence requires a competitive bidding process for health plans to meet the frozen group's needs**

The fiduciary duty of prudence requires the Board to make all decisions with Fund assets with the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with these matters would use" in a similar situation. *See* Cal. Const. Art. XVI, §17(c); L.A. Charter §1106(c). Thus, the Board's fiduciary duty of prudence requires that the Board ensure that Plan trust funds are being spent wisely. As we have previously advised, the Board's duty of prudence requires the Board to enter formal contracts for the provision of healthcare to members and their beneficiaries. Such contracts are subject to the City's contracting requirements, including that they result from a competitive bidding process. *See* L.A. Charter §§ 371(a), 372.

The Board has entered into formal contracts with the Associations to administer health insurance plans for LAFPP members and eligible beneficiaries. The Board's relationship with the Associations has been based on the Association's long history of providing health insurance plans to LAFPP members. And until the Board and the Associations entered into the current, formal contracts, the Board lacked access to the aggregated, de-identified information that would be required to conduct a successful and competitive solicitation process for group health care

plans and/or administrators. As a result, we have previously advised that the Board may reasonably have found, historically, that conducting a competitive bidding process would be “undesirable, impractical or impossible.” L.A. Charter §371(e)(10). Nevertheless, in order to carry out its fiduciary duty of prudence, and to comply with the City Charter, we continue to advise that as soon as possible upon obtaining the minimum necessary information to conduct a successful competitive solicitation process, the Board should do so to validate the competitiveness of the current menu of plan options, and to determine what other health insurance options may be available to members, including new plan designs like HRAs, and at what cost.

As described above, the existing healthcare offerings of the Associations may not fully meet the needs of the frozen group. Therefore, the Board should leverage its longstanding beneficial relationships with the Associations to encourage them to create additional health insurance options that better serve the needs of the frozen group. Furthermore, the duty of prudence requires the Board’s engagement in a competitive bidding process as soon as practicable, once the minimum necessary information has been compiled, to determine whether there are additional coverage options that would meet all members’ needs, including the frozen group.

### **CONCLUSION**

In summary, the Board’s fiduciary duties require the Board to consider the needs of the entire LAFPP membership, including the frozen group. Because the current healthcare options may not adequately meet the frozen group’s needs, the Board should consider exercising its fiduciary judgment to look for more affordable options that better match the frozen subsidy. These options may come from multiple sources, which we encourage the Board to work with Staff and the Plan’s healthcare consultant to further explore, including the Associations, HIPR-eligible plans, legislative changes to authorize new plan designs such as HRAs, and a competitive solicitation process.

Encl.

## Current Premiums and Deductions for Frozen Subgroup Members

Code	PPO	LAFRA eff 7/2020			LAPRA eff 7/2020			UFLAC eff 1/2021		
		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	1071.33	1071.33	0.00	962.46	962.46	0.00	1027.29	1027.29	0.00
11	Two-Party	1735.46	1097.41	638.05	2139.76	1097.41	1042.35	1134.26	1097.41	36.85
12	Family	2197.60	1097.41	1100.19	2506.10	1097.41	1408.69	1294.29	1097.41	196.88
30/40	Mem ABD	716.09	480.41	235.68	595.46	480.41	115.05	515.31	480.41	34.90
31/41	Mem ABD + 1 Dep None	1380.22	686.25	693.97	1772.76	800.36	972.40	1316.84	907.02	409.82
33/43	Mem ABD + 1 Dep ABD	1024.98	686.25	338.73	1405.76	800.36	605.40	1004.06	907.02	97.04

Kaiser		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	757.24	757.24	0.00	696.26	696.26	0.00
11	Two-Party	1486.04	1097.41	388.63	1358.54	1097.41	261.13
12	Family	1872.28	1097.41	774.87	1592.68	1097.41	495.27
30/40	Mem ABD	292.36	292.36	0.00	246.60	246.60	0.00
31/41	Mem ABD + 1 Dep None	1021.16	785.41	235.75	908.88	785.41	123.47
33/43	Mem ABD + 1 Dep ABD	556.26	556.26	0.00	465.88	465.88	0.00

HMO		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single Party	895.72	895.72	0.00	1024.82	1024.82	0.00
11	Two-Party	1733.50	1097.41	636.09	1801.42	1097.41	704.01
12	Family	2029.98	1097.41	932.57	2119.30	1097.41	1021.89
30	Mem ABD	682.22	480.41	201.81	377.80	377.80	0.00
31	Mem ABD + 1 Dep None	1520.00	777.60	742.40	1229.82	733.14	496.68
33	Mem ABD + 1 Dep ABD	1306.50	777.60	528.90	730.41	730.41	0.00

Note: Subsidies are based on maximum 25 years of service.

**Current Premiums and Deductions for Frozen Subgroup Members  
Effective July 2022**

Code	PPO	LAFRA eff 7/2022			LAPRA eff 7/2022			UFLAC eff 1/2022		
		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single-Party	\$ 1,055.33	\$ 1,055.33	\$ -	\$ 1,006.56	\$ 1,006.56	\$ -	\$ 1,051.99	\$ 1,051.99	\$ -
11	Two-Party	\$ 1,709.36	\$ 1,709.36	\$ -	\$ 2,009.70	\$ 2,009.70	\$ -	\$ 1,158.96	\$ 1,158.96	\$ -
12	Family	\$ 2,164.48	\$ 2,046.97	\$ 117.51	\$ 2,714.70	\$ 2,046.97	\$ 667.73	\$ 1,318.99	\$ 1,318.99	\$ -
30/40	Mem ABD	\$ 700.09	\$ 494.67	\$ 205.42	\$ 642.56	\$ 494.67	\$ 147.89	\$ 517.81	\$ 494.67	\$ 23.14
31/41	Mem ABD + 1 Dep None	\$ 1,354.12	\$ 1,148.70	\$ 205.42	\$ 1,645.70	\$ 1,497.81	\$ 147.89	\$ 1,395.06	\$ 1,371.92	\$ 23.14
33/43	Mem ABD + 1 Dep ABD	\$ 998.88	\$ 793.46	\$ 205.42	\$ 1,281.70	\$ 1,133.81	\$ 147.89	\$ 1,007.68	\$ 984.54	\$ 23.14

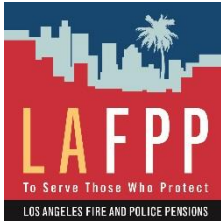
Kaiser		Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
10	Single-Party	\$ 877.48	\$ 877.48	\$ -	\$ 737.24	\$ 737.24	\$ -
11	Two-Party	\$ 1,726.50	\$ 1,726.50	\$ -	\$ 1,445.18	\$ 1,445.18	\$ -
12	Family	\$ 2,176.46	\$ 2,046.97	\$ 129.49	\$ 1,685.86	\$ 1,685.86	\$ -
30/40	Mem ABD	\$ 256.30	\$ 256.30	\$ -	\$ 195.64	\$ 195.64	\$ -
31/41	Mem ABD + 1 Dep None	\$ 1,105.32	\$ 1,105.32	\$ -	\$ 903.58	\$ 903.58	\$ -
33/43	Mem ABD + 1 Dep ABD	\$ 484.14	\$ 484.14	\$ -	\$ 361.98	\$ 361.98	\$ -

HMO	
10	Single-Party
11	Two-Party
12	Family
30	Mem ABD
31	Mem ABD + 1 Dep None
33	Mem ABD + 1 Dep ABD

Premium	Subsidy	Deduction	Premium	Subsidy	Deduction
\$ 817.56	\$ 817.56	\$ -	\$ 1,049.52	\$ 1,049.52	\$ -
\$ 1,632.70	\$ 1,632.70	\$ -	\$ 1,826.12	\$ 1,826.12	\$ -
\$ 2,052.70	\$ 2,046.97	\$ 5.73	\$ 2,144.00	\$ 2,046.97	\$ 97.03
\$ 604.06	\$ 494.67	\$ 109.39	\$ 379.56	\$ 379.56	\$ -
\$ 1,419.20	\$ 1,309.81	\$ 109.39	\$ 1,311.90	\$ 1,311.90	\$ -
\$ 1,205.70	\$ 1,096.31	\$ 109.39	\$ 732.97	\$ 732.97	\$ -

Note: Subsidies are based on 25 years of service





**Los Angeles Fire and Police Pensions (LAFPP)**

**REQUEST FOR PROPOSAL  
FOR  
MEDICAL AND PRESCRIPTION DRUG BENEFIT  
PLANS  
RFP NO. DCFS22-02**

**Release Date** August 1, 2022

**Proposal Due Date** October 11, 2022 @ 3:00PM PST

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com). The [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com) email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

**All questions must be submitted  
in writing no later than**

**August 23, 2022**

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org))

**RFP Administrator**

**USI Insurance Services (on behalf of LAFPP)  
Gary Delaney ([Gary.Delaney@usi.com](mailto:Gary.Delaney@usi.com))**

**Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another, all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website:

[www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Board members or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.

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## **I. INTRODUCTION AND BACKGROUND**

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### **Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide medical, and prescription drug benefit plans for LAFPP'S eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

LAFPP seeks to partner with Proposers who can demonstrate:

- An understanding of the challenges of managing medical and prescription drug plans, for a Retiree-only population
- An understanding of the challenges of serving LAFPP'S population, consisting of early Retirees (under age 65), Retirees who qualify for Medicare A and B, and Retirees who qualify for Medicare Part B but not Part A
- An established track record of providing high-quality service to medical plan participants
- Effective provider contracting which balances cost, quality and minimum provider disruption
- Innovative, proactive approaches to effective care management that are demonstrated through process and outcome reporting specific to the LAFPP population
- The ability to influence member care purchasing decisions through increased awareness of health management services available from plan vendors as well as the cost-effectiveness of health care service options
- Consistent, responsive, and professional administrative service backed by verifiable performance measurements
- The ability to provide LAFPP with comprehensive reports containing cost, utilization, network and care management effectiveness data that helps LAFPP to understand factors that drive costs and how programs and services offered by each plan vendor help to mitigate cost trends

This RFP will be for plan year July 1, 2023 – June 30, 2024 with options to renew for two additional one-year periods. Should an additional two years be desired at the end of the three-year period, approval by the LAFPP Board of Commissioners is required. Going forward, LAFPP expects to solicit proposals for medical plan underwriters every three to five years. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods after the first year.

LAFPP has engaged USI Insurance Services to solicit and assist in the evaluation of medical plan and prescription benefit drug proposals for this RFP.

### **Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Medical and Prescription plans for LAFPP retired members, dependents, and survivors.

LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.

LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plan to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

### **Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for all retiree health plans:

#### **Los Angeles Police Relief Association (LAPRA)**

- Anthem Blue Cross
  - PPO (Fully insured)
  - CaliforniaCare HMO (Fully insured)
  - Supplement to Medicare PPO plan (Fully insured)
  - Medicare Advantage HMO plan (Fully insured)
- Wellness program through ShareCare
- Kaiser Permanente
  - HMO
  - Senior Advantage HMO plan

#### **Los Angeles Firemen's Relief Association (LAFRA)**

- Medical (Health Comp TPA)
  - PPO (Self-Funded)
- Wellness Program through ShareCare
- Kaiser Permanente
  - HMO
  - Senior Advantage HMO

#### **United Firefighters of Los Angeles City**

- Anthem Blue Cross
  - HSA PPO (Fully insured)
  - Select HMO (Fully insured)
  - Medicare Advantage PPO (Fully insured)
  - Medicare Advantage HMO (Fully insured)

City Fire and Police employees can receive a normal service retirement if they meet specific age and/or service requirements.

In addition, Disability Retirees, current spouses/domestic partners of City retirees, surviving spouses/domestic partners (referred to as Survivors) of City Retirees, and dependent children and grandchildren also participate in the plans.

LAFPP retired members are eligible to receive health subsidies paid by LAFPP toward their health plan premiums if they meet all of the following criteria:

- Must be enrolled in a LAFPP Board-approved health plan
- At least 55 years of age or older (or the deceased member would meet this criteria)
- Receiving a service, disability, or survivorship pension
- Member must have at least 10 years of service
- Enrolled in Medicare (upon reaching age 65) to the fullest extent of the pensioner's entitlement (Parts A and B or Part B-only)

NOTE: Qualification for a health subsidy is different for a member who retired prior to July 1, 1998 or a Tier 6 member who retired on a service-connected disability pension

The City began paying into Medicare on behalf of active employees on April 1, 1986. Employees hired after April 1, 1986 earn credits toward Medicare Hospital Insurance (Part A) coverage. Approximately 6% of LAFPP's retiree population over the age of 65 is not eligible for premium-free Medicare Part A coverage.

The recent LAFPP electronic census file is included on Appendix B  
The enrollment by plan is also found in this file.

All current medical plans, with the exception of the LAFRA PPO plan, are fully insured.

An annual Open Enrollment period is held each year. It allows new enrollments (including Retirees and Survivors who opt out of coverage when first given the opportunity), transfers between the various medical plans, and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual open enrollment period. Additional qualifying events for enrolling outside of open enrollment include: retirement from the City, being added to the retirement payroll as an eligible Survivor, turning age 55, qualifying for Medicare (usually at age 65), and moving outside of an HMO health plan service area. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

Retiree eligibility rules, premium subsidies, and retiree contributions for plan year 2022 can be found in the various *Health Benefits Guides*.

LAFPP requires renewals (other than Medicare-approved plans) to be presented by March 1<sup>st</sup> for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year.

### **Future LAFPP Health Benefit Program**

Proposers are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, member data, and other plan information specific to its population.

Carriers are encouraged to present options for a wellness program initiative. Each Proposer, if available, is encouraged to contribute to the annual open enrollment and wellness campaign initiative.

This RFP seeks proposals for the administration and provision of medical and prescription drug plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plans listed below:

- LAFRA PPO Medical
- LAPRA Anthem HMO Medical
- LAFRA Kaiser HMO Medical
- LAPRA Medicare Advantage HMO
- LAFRA Kaiser Senior Advantage

Note any plan deviations will need to be approved by the LAFPP Board prior to its implementation. LAFPP is very interested in creative plan and program designs that promote: (1) increasing use of generic drugs and higher prescription fill rates for maintenance medications and (2) care management programs that result in greater participation in areas such as wellness, disease management, and health coaching that improve health, avoid adverse health outcomes and demonstrate positive return-on-investment.

### **Reservation of Rights**

LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any Proposer responding to this RFP.



## II. MINIMUM QUALIFICATIONS

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Proposers must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The proposer must have at least five years of experience providing fully insured medical plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## III. SCOPE OF SERVICES

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**Proposers must specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Labor Union responding to this RFP, respond on behalf of the insurance carrier or Third-Party Administrator you represent. Also, see Appendix G for a listing of required administrative services to be provided by the Relief Association or Union plans.

### A. Medical Plan Underwriting and General Responsibilities

1. Proposer must have the ability to underwrite the medical plan according to the attached Certificate Group Insurance.
2. Proposer must be a medical insurance provider, not a broker representative, and ranked by either Standard and Poor's or Moody's with a rating of "A" or greater to ensure that LAFPP selects providers who have the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
3. Must be experienced with and licensed to provide medical plans in the State of California.
4. Must be able to provide access to medical plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
5. Agree to accept LAFPP's definitions of eligible Retiree, Survivor, and Dependents.
6. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
7. Agree to work collaboratively with other LAFPP vendors on health plan benefit-related projects such as open enrollment wellness programs, data initiatives and member satisfaction surveys.
8. Agree to provide and present renewal underwriting methodology to LAFPP staff and the Board's Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.

9. Provide such other services as requested by LAFPP, for which the Responder has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff at least quarterly to review and evaluate medical plan administration.
2. Upon LAFPP's request, attend various retiree meetings relating to medical plans.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current medical plan design and cost options when requested by LAFPP staff, the Board, and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.
6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, but is not limited to, the following: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.
8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the medical or prescription drug plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the medical plan and LAFPP comply with the new requirements.

**C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, including but not limited to fund accounting, claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to open enrollment, wellness and other activities/meetings centered upon educating LAFPP health plan participants and LAFPP staff regarding available benefits.
2. Assist LAFPP staff and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications or letters.
3. Assist LAFPP staff in planning annual open enrollment meetings for Retirees. Planning should include at least one annual meeting with LAFPP staff regarding current open enrollment meeting information needs.
4. Develop video or other electronic media, such as a webinar, explaining medical plan services for the annual open enrollment efforts.
5. Attend and present medical plan information (such as medical plan changes for the following plan year, how to utilize the plan most effectively, etc.) at all annual Open Enrollment seminars for Retirees, Survivors, and Dependents.
6. Assist LAFPP with the development of medical plan benefits documents, such as the LAFPP Health Benefits Guide.
7. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

**E. Wellness**

Provide a comprehensive wellness program for LAFPP Retirees, Survivors, and Dependents.

**F. Data Reporting**

Will assist LAFPP in:

- Reviewing health plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide reports to better understand utilization
- Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format
- Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts
- Monitoring and reporting on the progress of strategies and its effect on cost drivers

**IV. GENERAL DUTIES**

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The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with all applicable federal and state medical privacy and information security regulations including, but not limited to, HIPAA. Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.
2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communications that use LAFPP's database through the General Manager or appointed designee.
4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel, and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.

5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues from discussions and meetings.

## **V. INSTRUCTIONS TO PROPOSERS**

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LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your only submission.

### **A. Proposal Timeline**

The timeline for the RFP process is as follows:

<b><u>Activity</u></b>	<b><u>Dates</u></b>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP's office or staff is strictly prohibited during the proposal process.

### **B. Declare Proposal Intentions**

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.

**C. Proposal Sections**

Proposers should complete the components of this RFP according to the following table:

<b>RFP Section</b>	<b>Medical Plans</b>	<b>Disease/Care Management</b>
<b>Plan Pricing</b>	●	●
<b>Questionnaire</b>		
Organization & Account Management	●	●
Administrative Issues	●	●
Member Services	●	
Claims Administration	●	
Medical Management	●	
Disease/Care Management	●	●
Wellness	●	●
Medical Provider Networks	●	
Mental Health Program	●	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●	●
<b>Addenda</b>		
Requested Attachments	●	●
Performance Standards	●	●
Plan Design Deviations	●	●
Pricing Workbooks	●	●
LAFPP Required Forms	●	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

#### D. File Naming Conventions

The following document naming conventions must be followed without exception.

##### Template spreadsheet files

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls

When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

<Vendor Name>-<Section Name>.xls

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

##### Additional Attachments

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>.<file extension>

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

<Vendor Name>-<Short Title>.<file extension>

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

**E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in your response. Be sure that your quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed in the plan design alternatives document provided for that purpose. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company's standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.

Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
Initial contract term:	12 months with options to renew for two additional one-year periods. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured basis. Commercial HMO plans must be quoted on an experience rated basis, and may be quoted on a participating or non-participating basis. PPO, Medicare Supplement, and Indemnity medical plans must be quoted on an experience rated participating basis. Medicare Advantage medical plans may be quoted on a fully-insured, non-participating basis. If available, quote on a participating basis as an option.
Eligibility Provisions:	Duplicate current eligibility provisions
Transfer of Coverage and Transition Provisions:	<ol style="list-style-type: none"> <li>1. No loss, no gain – no one will lose coverage in the transition between carriers</li> <li>2. All pre-existing conditions exclusions/limitations must be waived for all participants currently covered or newly enrolling according to the enrollment periods described in Section I.</li> </ol>



COBRA:	LAFPP will rely on its medical vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

**F. Performance Guarantees**

LAFPP seeks performance standards from its contracted vendors, with portions of the vendor’s compensation at risk for failing to meet these standards. Proposers are expected to include performance guarantees in their proposal, and will be assessed on the strength of the performance standards they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon standards.

The basic characteristics of the desired performance agreement are outlined in the following electronic file found in Appendix E

**G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C. Develop the projected cost components of your proposed plans using the sheets provided.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B (additional data may be provided at a later date):

- Medical Plan Changes Summary.xls
- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls
- Health Benefits Guide.pdf
- Census.xls

**H. Proposed Rates.xls (Appendix C)**

We request that you develop separate sets of rates for the non-Medicare and Medicare populations under each program you are proposing. Provide your fully-insured premium.

**I. Plan Design Deviations.xls (Appendix C)**

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

## VI. RFP PROCESS

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While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality or infirmity in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract.

### A. Evaluation Process

All proposals deemed timely and responsive will be reviewed, evaluated and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).

Any selected proposer(s) must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, and References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.
- **Level II. Administrative Responsiveness**  
Proposer must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer's ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- **Level III. Proposed Services**  
For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

Description	Maximum Points
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Funding arrangement options</li> </ul>	25

<ul style="list-style-type: none"> <li>• Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>• Proposer’s financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to retirees and their dependents, including availability of live customer service, service hours, Wellness Programs and availability of self-service tools. Self-service tools include Web-based tools that help in determining benefit levels, decision support, member education, and provider/facility selection.</p> <p>The quality rating will include consideration of the following different quality measures: National Committee for Quality Assurance (NCQA) accreditation, Health plan Employer Data and Information Set (HEDIS) results from the California plans, and the Centers for Medicare and Medicaid Services (CMS) Quality Ratings of Medicare Advantage Plans.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive account management services.</b></p> <p>The level of applicable administrative support services will be considered (claims processing, member services, billing and eligibility, contracts, enrollment, and proposer’s business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p> <p>Ability to provide detailed utilization data.</p> <p>Ability to provide electronic files.</p>	20
<b>Total</b>	100

• **Level IV. Final Approval by the Board**

The Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

**B. Proposer Questions & Restricted Contact with LAFPP Personnel**

Direct all questions by e-mail to the RFP administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualifications and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP's unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

**F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.

**VII. QUESTIONNAIRE**

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Answer each question contained in this Questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply, write in "not applicable" and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

## **A. Organization and Account Management**

### **A.1. Proposal Summary**

- A.1.1. Indicate Proposer's legal business name, address, telephone number, and legal entity type (individual, limited liability partnership, corporation, etc.).
- A.1.2. Indicate the person(s) authorized to represent the proposer in negotiations with LAFPP with respect to the RFP and subsequently awarded contract including contact names, titles, telephone and fax numbers, and e-mail addresses.
- A.1.3. List all the major services provided by your organization.
- A.1.4. Indicate the location of your headquarters and subsidiaries, if any.
- A.1.5. Provide an organizational chart of parent/subsidiary relationships.
- A.1.6. Are ownership changes planned or anticipated at this time?
- A.1.7. Provide an organizational chart of the management team of the organization.
- A.1.8. Describe the turnover in key professional personnel in each of the last five years. Indicate the number of people lost in the following areas: (a) account managers (b) key technical personnel.
- A.1.9. Has any officer or principal of your organization been involved in litigation relating to health plan insurance activities? If so, provide a brief explanation and indicate the current status of the proceedings.
- A.1.10. How many fully-insured health plan accounts does your organization have?
- A.1.11. How many fully-insured health plan accounts are public employee retirement systems?
- A.1.12. How many health plan accounts have been added in the last five years?
- A.1.13. How many health plan accounts were lost in the last five years? What was the reason(s) for each account lost?
- A.1.14. Describe your experience with major disruption(s) of your business and how they impacted your clients. Provide a copy of your Business Continuity Plan (BCP). If you do not have a formal BCP, indicate what contingencies has your organization made to address potential disruptions to client services in the event of a natural or man-made disaster, pandemic, or similar catastrophic event.
- A.1.15. Describe any efforts you have made to outreach to government certified minority-owned, woman-owned, or other-business enterprises.
- A.1.16. Summarize your proposed products/services and explain why your organization is a match for LAFPP's particular circumstances, and the reasons your organization should be selected over your competitors.
- A.1.17. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

### **A.2. Organizational Background**

- A.2.1. Describe the organization of your company including relationships with any parent companies, subsidiaries, etc. Indicate which entities will administer each of the services requested in this RFP.
- A.2.2. Does your organization have ownership interest in, or management contracts with, any provider of medical, mental health, disease/care management, or pharmaceutical services?
- A.2.3. For each area within your organization that would provide services to LAFPP that is (or would be) separately accredited by NCQA, indicate your organization's NCQA accreditation status.
- A.2.4. Has your organization applied for or received any accreditations from JCAHO and URAC?

### **A.3. Operations**

- A.3.1. Discuss any technological improvements your organization has planned for 2023-2025 (e.g., Internet related services, online eligibility determination, etc.) and the anticipated effect on enrolled members.

### **A.4. Membership and References**

- A.4.1. Indicate the total members covered in your health plan as of July 2022. Indicate the percentage of your membership population that is commercial (private & public sector), Medicare, Medi-Cal, and Healthy Families.
- A.4.2. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both actives and retirees (include the number of covered lives by actives and retirees).
- A.4.3. How many employer groups offer each of the following products through your organization: Commercial HMO, Medicare Advantage, PPO, Medicare Supplement,

### **A.5. Financial History**

- A.5.1. Provide your organization's most recent ratings by AM Best, S&P, Weiss, and Moody's
- A.5.2. Is your organization publicly traded, privately held or other (describe)?
- A.5.3. If your organization is not-for-profit, indicate your net profit/losses over the past 3 years. If not applicable respond with N/A and explain why.

### **A.6. Compliance**

- A.6.1. Describe the final results and attach copies of your most recent state and federal regulatory agency audits. Include the executive summary of your most recent CMS audit and any reports resulting from any investigations of your organization regarding Medicare fraud.
- A.6.2. Has your organization undergone any of the following? If yes, explain each.
- Governmental investigations regarding Medicare fraud.
  - Investigations or audits by the Federal Department of Labor or a state licensing agency in the preceding three years.
  - Investigations or audits by the California Department of Insurance, Department of Managed Health Care investigations, or California Department of Health Services.
- A.6.3. Are any of the members of your board of directors, officers, employees assigned to this contract, or consultants affiliated with the Los Angeles Fire and Police Pension (LAFPP) System? If so, describe the relationship. Are any of these

individuals responsible, in whole or in part, for the preparation of your proposal or would they have any decision-making role if your company were awarded any contract(s)?

- A.6.4. Provide the number of complaints regarding your organization's health benefit products and administration filed with the California Department of Managed Health Care, Department of Insurance, and/or other jurisdictional agencies. Include complaints for all products.

#### **A.7. Account Management**

- A.7.1. Describe your proposed account management team and structure. Specifically address:

- Name and background of account manager and other key team members
- Who from account team would be 100% dedicated to this account
- Location of staff
- Office hours
- Responsibility for any subcontracted relationships

### **B. Plan Administration**

#### **B.1. Eligibility**

- B.1.1. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?
- B.1.2. Does your health plan offer the option to allow participants to enroll all year-round rather than only during an Open Enrollment period? If so, describe how a year-round enrollment option would work.
- B.1.3. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?

#### **B.2. Enrollee Communications**

- B.2.1. Indicate the response that matches your practice for member identification:
- Utilize Social Security Number (SSN) exclusively
  - Utilize unique number (NOT SSN)
  - Purchaser option to use SSN or another identifier
  - Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose
- B.2.2. Provide samples of the following communication materials with your proposal. Each set of your proposal should contain a copy of each of these materials.
- Claim forms
  - ID cards
  - Sample EOBs
  - Enrollment forms
  - All pre-enrollment communication materials that would be provided to LAFPP
- B.2.3. Describe any limits to customizing each of the above at no cost to LAFPP.
- B.2.4. Describe the resources you will provide to work with LAFPP in the development of member communication materials (education, open enrollment, formulary changes and ongoing communications).

#### **B.3. COBRA**

B.3.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.

B.3.2. How will you track COBRA enrollees?

B.3.3. LAFPP's current third-party administrators extend COBRA provisions to all family members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?

B.3.4. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

#### **B.4. Implementation**

B.4.1. Provide your implementation process recommendations and a detailed timetable assuming notice at the end of January for a July 1, 2023 implementation. Also, assume that LAFPP's specific open enrollment will begin April 1, 2023 if LAFPP is the policy holder or May 1, 2023 if the association/labor union is the policy holder. Be specific with regard to the following:

- Timing of significant tasks
- Names, titles and responsibilities of account manager and key implementation staff
- Percent of time each member will dedicate to LAFPP during implementation
- Responsibilities of LAFPP
- Data requirements (indicate type, format and frequency of data required)
- Transition with incumbent vendors
- Staff assigned to attend open enrollment/educational sessions

#### **B.5. Privacy and HIPAA**

B.5.1. Confirm your compliance with all administrative simplification provisions under HIPAA. Specifically address each of the following regulations:

- Electronic health care transaction and code sets
- Health information privacy
- Unique identifier for employers
- Security requirements
- Unique identifier for providers
- Unique identifier for health plans
- Enforcement procedures

B.5.2. Do you agree to indemnify LAFPP for any liabilities resulting from the improper or unauthorized disclosure of protected health information by you or any of your subcontractors?

B.5.3. Do you agree to indemnify LAFPP for all liabilities resulting from the improper or unauthorized disclosure of information by you or any of your subcontractors that results in identity theft for a LAFPP member?

#### **B.6. Contracts**



- B.6.1. Where documents must be developed to accommodate LAFPP's performance guarantees, provide a short statement indicating your willingness to draft such documents to the mutual satisfaction of your organization and LAFPP.
- B.6.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.
- B.6.3. Regarding your experience-rated dividend eligible products, address the following: How IBNR reserves will be set, when and how the year-end accounting process will be handled, who has access to the premium stabilization fund, claim stabilization reserve, interest rate, etc. Provide a sample agreement for our review.

## **C. Member Services**

### **C.1. Staffing & Operations**

- C.1.1. Describe the systems you use to track phone and staff utilization and how you adjust staffing based on call volume.
- C.1.2. Are your customer service representatives authorized to adjust claims?
- C.1.3. Can you offer a dedicated or partially dedicated unit/staff to LAFPP? Describe your proposal in detail and any conditions on that proposal. If you are proposing a partially dedicated unit, indicate the current number of other groups and total membership served by the partially dedicated unit.
- C.1.4. Would you offer a dedicated toll-free phone number?
- C.1.5. Describe your after-hours pharmacist access. Do you provide access to a pharmacist 24 hours a day, 365 days a year? Is access direct or a call-back?
- C.1.6. Can calls be shifted to another customer service/call center if the time on hold or call abandonment rate exceeds the desired thresholds? If so, how often does this occur?
- C.1.7. What percentage of your customer service personnel are U.S. based? Confirm you will provide sufficient notification to LAFPP should customer service personnel ever be located in another country.

### **C.2. Telephone Systems**

- C.2.1. Can a member leave a message at your member service line after working hours? If yes, what is the protocol for responding to that call?
- C.2.2. Indicate if your telephone system reports the following measures:
- Average Speed of Answer
  - % of Calls Answered Within Target (e.g., 80% in 30 sec.)
  - Busy Signal Rate
  - Abandonment Rate
  - Number of Calls Transferred
- C.2.3. Specify your four busiest months for handling calls. How do you handle the increased call volume (e.g., hire temporary employees, contract with an outside vendor, etc.)? What is your average speed of answer during these months?
- C.2.4. Indicate if your telephone system tracks the following time intervals.
- First ring to call pick-up (VRU or person)
  - IVR Time
  - Wait Time to speak with CSR
  - Talk Time
  - Hold Time after first CSR contact
  - Total Time

C.2.5. Does your system allow members to opt to speak to a live person at any time during a call? Is this option, and how to exercise it, made clear to callers initially? Please describe.

C.2.6. Do you offer members the ability to contact the customer service operation after normal working hours? If so, describe what methods are available and how these are communicated to members.

C.2.7. Describe your telephone technology and/or ability to accommodate the hearing impaired.

### **C.3. Customer Service System**

C.3.1. Are complaints identified in a discrete field on your system (so as to be reportable as a percentage of member service calls/inquiries)?

C.3.2. Do member service representatives have on-line access to the information & the ability to make changes?

### **C.4. Performance**

C.4.1. What was your call abandonment rate or percentage by month for 2021?

C.4.2. Define your process for handling issues that are not resolved in the initial call.

## **D. Claim Administration**

### **D.1. Staffing & Operations**

D.1.1. Describe the ongoing quality monitoring for Claims Examiners. Address the following:

- What percentage of examiner claims is internally audited?
- What is the scope of the internal audit?
- How do results lead to assessments of examiner performance?
- What are the individual performance standards?

D.1.2. What dollar threshold must be reached before an individual medical payment must be approved by a claims supervisor?

- \$2,000 or less
- \$2,001 - \$4,999
- \$5,000 - \$9,999
- \$10,000 - \$15,000
- >\$15,000

### **D.2. Systems & Data Capture**

D.2.1. How is image scanning used in your claims adjudication system?

D.2.2. Describe your preferred way of receiving, integrating and coordinating eligibility data among the purchaser, medical plan and carve-out vendor. Confirm that you accept electronic eligibility files.

D.2.3. Are there any benefits in LAFPP's plan designs that would require manual intervention? If so, identify the plan(s) and the provision(s).

### **D.3. Performance**

D.3.1. Provide your targeted performance standards and actual results on financial, processing and payment accuracy for your book of business.

## **E. Medical Management**

### **E.1. Overview**

E.1.1. Specifically, and concisely state your approach and value proposition for each medical management element (limit 500 words):

- Precertification – inpatient admission and other services/specialty referrals
- Concurrent review
- Case management

E.1.2. What, if anything, differentiates your medical management programs from those of your competitors?

## **E.2. Staffing & Systems**

E.2.1. List the location for each unit that would handle medical management functions (Utilization Review, Disease Management, Demand Management & Case Management) on behalf of the LAFPP population.

## **E.3. Utilization Review**

E.3.1. Provide your approach to precertification and concurrent review. Specifically address the following issues in your response:

- What is your current approach to identifying, monitoring and updating services subject to precertification review? Has it undergone basic changes in the past 2 years? Do you contemplate future changes in the next year?
- What specifically do you do to ensure that utilization review is effective rather than cursory?
- Which specific services would you recommend be part of a precertification review program?

E.3.2. Describe the Appeals Process for all denials related to utilization management.

Include:

Levels of review

Timing

Credentials of clinicians involved

Documentation and communication to retiree

Use of external review organizations and/or external physicians

Point at which you specialty-match the reviewing physician to the case type

Point at which cases are referred for external review

E.3.3. How do you define success and report results for utilization review? Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your utilization review services?

## **E.4. Quality Assurance**

E.4.1. Describe your Quality Assurance (QA) committee and functions. Include:

- A list of QA committee members (specifying MDs where applicable)
- The frequency of QA committee meetings
- Any recent quality initiatives (i.e., non case-specific) recently identified by the committee and what stage of development/implementation

E.4.2. Describe the notification process for reporting quality management issues.

Address credentialing, quality management committee and customer service involvement.

## **F. Disease/Care Management**

### **F.1. Disease Management**

F.1.1. List the disease management programs that your organization currently offers and indicate the programs' current stage of development and implementation.

F.1.2. How do you identify members as candidates for disease management programs?

- F.1.3. Provide samples of member communication materials used to promote your organization's disease/care management programs. Also, indicate if there is an additional cost for these materials.
- F.1.4. For the 12-month period ending 12/31/2021, for your book of business, what is the sum of employees, non-Medicare retirees, and dependents that were screened for eligibility to participate in your disease management program? Provide a similar response for your Medicare-eligible membership.
- F.1.5. What was the participation rate among those invited to participate in your disease management program?
- F.1.6. Provide a brief description (no more than 500 words) on the process used by your program to integrate data from multiple sources (medical claim and encounter, pharmacy claim, HRA, results of diagnostic tests, etc.).
- F.1.7. Describe your use of predictive modeling for the purpose of disease management, specifically addressing:
- the data sources used in the models (e.g., medical claim, pharmacy claim, laboratory results)
  - the modeling methodology used and how frequently the model(s) is/are updated
  - the time from data entry to patient intervention
  - the frequency of data refreshes and model runs
  - how output is transmitted to disease management nurses
  - the use of a predictive modeling vendor; if used, identify the vendor
  - how you assess the validity and performance of the model(s)
- F.1.8. How do you define success and report results for disease management? Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your disease management services to a Non-Medicare Retiree population and a Medicare-eligible Retiree population? Will you guarantee savings from disease management? If so, how do you calculate the ROI?

## **F.2. Care Management**

- F.2.1. Indicate which triggers are used to identify/initiate case management. For each trigger that you use, explain your indicators or threshold points (e.g., specific diagnoses, claim dollar threshold). Indicate whether your triggers are "hard-coded" (e.g., all cases with certain criteria are referred to case management) or discretionary, as well as whether and where systems are programmed to automatically identify cases crossing defined thresholds.
- F.2.2. What percentage of your cases under management is initially identified through your triggers? It is understood that these percentages will be best estimates only.
- F.2.3. Describe your use of predictive modeling for the purpose of case management, specifically addressing:
- the data sources used in the models (e.g., medical claim, pharmacy claim, laboratory results)
  - the modeling methodology used
  - the lag time from data entry to patient intervention
  - the frequency of data refreshes and model runs
  - the use of a predictive modeling vendor; if used, identify the vendor

- how output is transmitted to case managers
  - the percentage of members identified for case management
  - whether the modeling methods differ for Non-Medicare eligible retirees and Medicare eligible retirees
- F.2.4. How do you define success and report results for case management?  
Specifically address both cost and quality of care considerations. What is your estimate of the net financial impact of applying your case management services?

## **G. Wellness**

- G.1.1. What specific attributes of your wellness programs are designed to attract and engage those whose health habits or status place them at risk, even though they are not presently experiencing adverse health effects, rather than just the “worried well” or those who seek reinforcement of already healthy lifestyles?
- G.1.2. What referral sources do you employ to identify members for participation in your wellness programs?
- G.1.3. Do you track individual participation in wellness program activities? For example, can you identify members whose HRA responses indicate they are obese and who then participate in your weight loss program and/or take a nutrition class?
- G.1.4. Identify what you consider to be the key changes you have made in the past year to any aspect of your wellness programs. What prospective changes are you planning for the next one to two years?
- G.1.5. Provide your internal assessment of the return on investment associated with wellness programs. Describe how this assessment informs your decisions about investment in your wellness programs, including program scope and objectives, participation expectations, reporting efforts, etc. Be direct, whether you consider wellness to be essential, of negligible or undetermined value, or anything in between.
- G.1.6. Provide a description of how your wellness initiatives tie into disease management initiatives. In your response, be specific as to the ability to identify eligible participants for disease management programs (and what those programs are), how they promote better participation in those programs and how wellness data are used to enhance the effectiveness of other care management initiatives.
- G.1.7. Describe your incentive strategies to promote participation in wellness initiatives, use of wellness or health management tools or otherwise promote compliance with disease management protocols among plan participants. In your response, be specific as to programs that are available to retiree populations, either Non-Medicare or Medicare eligible.
- G.1.8. Provide samples of all your utilization reports available to LAFPP and identify any associated costs for each report. What is the frequency of these reports?
- G.1.9. Are you able to offer incentives to medical plan participants who take steps toward adopting a healthier lifestyle? Provide some examples.

## **H. Medical Provider Networks**

### **H.1. Network Composition**

- H.1.1. Provide geographic accessibility reports for the LAFPP population with these stipulations:
- Copies of full GeoAccess (or equivalent) reports should be sent along with your proposal

- Measure access using member zip code in the file
  - Measure primary care physician and OB/GYN access to open practices only
  - Separate areas into urban/suburban and rural using metropolitan statistical area (MSA) designations, using the software's designation of urban, suburban and rural
  - For specialists, measure by a "Specialist Package" which equals one of each of the following types for urban/suburban areas: allergy/immunology; cardiology; dermatology; endocrinology; gastroenterology; neurology; oncology; orthopedics; urology
  - For rural areas, the Specialist Package equals one of each of the following types: cardiology; neurology; oncology; orthopedic surgery
  - Measure using the access standards defined on the Excel spreadsheet
- H.1.2. Describe your methods for ensuring that your provider directories (on-line) remain current in regard to network participation, affiliations, open practices, office hours and all other relevant information.
- H.1.3. Include separate Excel files that provide a complete listing of HMO physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.4. Include separate Excel files that provide a complete listing of PPO physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.5. Include separate Excel files that provide a complete listing of Medicare Advantage physicians, hospitals/facilities in California as of January 2022. Include TIN, name of physician/hospital/facility, specialty and address.
- H.1.6. Where, if anywhere, would you propose to do supplemental contracting based on the locations of the LAFPP population?
- H.1.7. Where, if anywhere, would you propose to do supplemental contracting based on your disruption analysis? Specify particular hospitals, medical groups, and regions.

## **H.2. Network Management**

- H.2.1. Do you provide information (e.g., provider report cards) to members regarding the quality or performance of medical providers?
- H.2.2. How do you notify a member when a physician leaves the network?
- H.2.3. How many days' notice do you provide to a member whose physician is leaving your network?

## **H.3. Provider Access**

- H.3.1. Discuss the process when a provider leaves or is removed from your network. Include in your discussion:
- How and when you notify members that the provider is no longer part of the network.
  - At what point would you inform/involve LAFPP (i.e., with what number of affected LAFPP members)?
  - How members are transitioned to new providers – address if this varies depending on whether they are within a course of treatment and how they are assigned to a new provider if they do not actively select one, etc.
- H.3.2. What are your standards and results for appointment wait times?

H.3.3. Provide the number of Urgent Care centers based on LAFPP's GeoAccess and describe any plans to expand or decrease the number of Urgent Care centers in your network.

#### **H.4. Centers of Excellence**

H.4.1. Describe your "Centers of Excellence" program applicable to California residents, including:

- The basis for determining eligible COE-type procedures (e.g., only transplants or a broader list of conditions/procedures).
- Whether or not your program is voluntary or required (e.g., heart-lung transplants may be done only at designated COE facilities).
- The basis on which you have selected your COE facilities, addressing both quality and cost considerations.
- The basis of payment for COE services (e.g., global case rate fees).
- How you evaluate the outcomes and ongoing success of the program at individual facilities.

H.4.2. For each product quoted, provide the requested hospital information for inpatient, outpatient, ER, and Urgent Care services.

H.4.3. When LAFPP members enrolled in the HMO or PPO plan receive services out-of-area from providers who are contracted with your organization or an affiliated organization, do you assess the contracted rate for those providers? If yes, is there an additional charge to assess the rate and if so, what is it?

#### **H.5. Hospice Care**

H.5.1. Describe your hospice program and how it is integrated with hospital services.

H.5.2. What savings, if any, are generated by this program? How do you track utilization and member satisfaction related to this program?

H.5.3. Explain your delivery of care in end-of-life cases, and in particular, patient care services using hospice services.

### **I. Prescription Drug Program**

#### **I.1. Plan Design/Product issues**

I.1.1. Identify where your claims processing system can support the listed plan design options.

- Three-Tier Copays (Generic/Brand Preferred/Brand Non-Preferred)
- Four-Tier Copays
- Coinsurance Plans
- Multi-tiered Coinsurance Plans
- Deductibles with Copays
- Deductibles with Coinsurance
- Out-of-Pocket Maximum with Copays
- Out-of-Pocket Maximum with Coinsurance
- Out-of-Pocket Maximum excluding Non-Preferred Brand Tier
- Coordination of Benefits
- Other (List)

I.1.2. If the actual cost of the prescription that will apply to the plan is less than the copayment, is the member charged the full copayment or the actual cost of the drug? Specify if the answer is the same for both brand and generic drugs.

## **I.2. Pharmacy Networks**

- I.2.1. Do you have a national network? If not, identify those states without network coverage. Is your retail network in California owned or leased? If this answer differs by state, indicate the states where you own the network. For the leased locations, identify the organization(s).
- I.2.2. List your top 20 network pharmacy chains.
- I.2.3. Provide the number of contracted retail pharmacy outlets you have in California, Arizona and Nevada, by listed counties and overall.
- I.2.4. Provide a complete listing of your network pharmacies in California.

## **I.3. Generic Drug Programs**

- I.3.1. Describe your generic substitution policy and process for both mail order and retail.
- I.3.2. What is your generic substitution rate, generic utilization rate, and formulary compliance rate for your book of business?
- I.3.3. Describe any programs you offer to promote the use of generics.

## **I.4. Formulary**

- I.4.1. What is your policy for transitioning new members who are currently using a drug that is not on your formulary or is in the non-preferred tier?
- I.4.2. Are the mail order and retail formularies the same? If not, explain differences and how you manage them.
- I.4.3. Provide the formulary you are proposing in electronic format.
- I.4.4. Identify the formulary rebate you will guarantee to LAFPP. What percentage of rates is this? Will this be a percentage of the rebates that are specifically attributable to LAFPP membership, or a percentage of the rebates for your book of business?

## **I.5. Mail Order**

- I.5.1. Name the primary pharmacy that would provide mail order prescription medication to participants. Do you own this organization?
- I.5.2. Does your online system support an integrated retail and mail service organization?
- I.5.3. Are prescriptions electronically tracked from receipt to release? What process exists to flag and track prescriptions that are not filled within normal turnaround time?
- I.5.4. Is there a customer service department or helpline available at the mail order level? What are the hours of operation (Pacific Standard Time)? Is a pharmacist available to speak to the member? Is there a separate number for physicians to call?

## **I.6. Drug Utilization**

- I.6.1. Describe your Drug Utilization Review (DUR) program.
- I.6.2. Describe your step therapy program.
- I.6.3. Have you developed diagnosis-based dose and duration guidelines? If so, how do you identify providers who are under- or over-prescribing? How do you share this information with physicians? With medical vendors?

## **I.7. Drug Cost and Reimbursement**

- I.7.1. Provide your California book of business pharmacy trend for 2019, 2020 & 2021.
- I.7.2. Provide your California book of business dollar rebate per prescription for 2021.
- I.7.3. How many Maximum Allowable Cost (MAC) lists do you have for pharmacies and clients? If more than one, which list will you use for LAFPP?



I.7.4. Which source of Average Wholesale Price (AWP) do you use? How often is the AWP file updated and verified?

I.7.5. Provide the discounts and rebates you are willing to guarantee to LAFPP.

I.7.6. Are there ANY payments you receive from pharmaceutical manufacturers that are not included in your definition of rebates, and therefore not passed along to your clients? If yes, describe fully.

I.7.7. Describe your MAC program for generic substitution in mail order and retail. Do you offer voluntary, mandatory or incentive based MAC programs? How is the MAC price list derived? If Modified HCFA or PBM proprietary MAC, what is your mechanism for including drugs on the list? How often is the MAC list updated?

I.7.8. Provide the average allowed and rebate per script for mail order and retail for the listed drug using calendar year 2020 and 2021 data. Also indicate whether or not the drug is included in your formulary.

I.7.9. If your pricing is not based on AWP or MAC, please describe.

**J. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

J.1.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward an annual LAFPP retiree health fair.

J.1.2. Are you able to offer health screenings at LAFPP Wellness Seminars and Fitness Fairs?

**K. Questions Concerning Your Proposal**

K.1.1. Is your organization requesting any alternatives and/or substitutions to the scope of services required in this RFP or LAFPP standard RFP and contracting provisions? If so, contact the RFP administrator indicating the details.

K.1.2. Provide five references from public agency clients with similar size and characteristics to LAFPP, for whom the primary account manager and principal assistant have provided medical plan services. For each reference include:

- The name of the proposer's account manager for the health plan
- Client name and address
- Client contact person name, phone number, e-mail address
- The time period during which the services were provided
- A brief summary of the services provided

K.1.3. List the name and office location of the primary individual(s) who would be responsible for the LAFPP account and provide brief biographies including titles, functions, academic credentials, relevant experience, past clients served, and number of health plan clients, and the dates they managed each account, anticipated to be assigned to each individual concurrently with this engagement.

K.1.4. What policies are in effect to control the workload as it relates to the number of clients serviced by the account manager? Is there a limit on the number of accounts that an account manager may handle?

K.1.5. Describe your account manager's experience and involvement with public entity client(s) who were in the process of transitioning from one health plan to another.

K.1.6. Describe your organization's ability to provide periodic updates regarding federal legislation and/or IRS Rules that may affect the operation of the LAFPP health program.

K.1.7. Does your organization produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?

**L. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

L.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.

L.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.

L.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration. Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

L.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

L.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.

L.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

L.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

L.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

L.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the

California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: “The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor.”

Failure to include such a statement shall constitute a waiver of a Proposer’s right to exemption from this disclosure.

L.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

L.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

L.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance
- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

L.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.

**Appendix F – Required Contract Language for Third-Party Administrators**

**Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement, and general pharmaceutical benefit information.
  - ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.

- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.
- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8<sup>th</sup> of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.
- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.

- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.
- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.

- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
  
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
  
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.
  
- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

### **Specific Services to be Performed by LAFPP**

LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.
- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
  - Eligibility
  - Social Security Numbers or other unique identifiers
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.
- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.



- f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:
- Pensioner Social Security Number or other unique identifier
  - Pensioner first name, middle initial, and last name
  - Pensioner address
  - Pensioner birth date
  - Pensioner effective date of pension
  - Pensioner years of service
  - Pensioner Pension Fund Code & Tier
  - Pay period ending date
  - Health Deduction Code
  - Health Deduction Amount
  - Health Plan Code
  - Health Part Code
  - Health Subsidy Amount
  - Health Premium Amount
  - Primary Dental Deduction Code
  - Primary Dental Deduction Amount
  - Primary Dental Plan Code
  - Primary Dental Part Code
  - Primary Dental Subsidy Amount
  - Primary Dental Premium Amount
  - Secondary Dental Deduction Code
  - Secondary Dental Deduction Amount
  - Secondary Dental Plan Code
  - Secondary Dental Part Code
  - Secondary Dental Subsidy Amount
  - Secondary Dental Premium Amount
  - Outstanding deductions
  - Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans
- g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.

- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.
- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5<sup>th</sup> day of the month following the payroll

period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.

- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
  
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.

### CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering self-insured health plans.

#### Contracts

- PPO Network Access Agreement
- Prescription Drug contracts (including rebates and Admin Fees)
- Stop Loss contracts (aggregate & specific coverages and premiums)
- TPA contract including fees charged for all services
- Disease Management Vendor contract
- Dental contract (most recent)
- Wellness program contract

#### Summary Plan Descriptions

- PPO Medical and Prescription Drug
- Medicare Supplemental Medical and RX

#### Financial Reporting

- Medical, RX and Dental claims data for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Top twenty RX by script and by dollar amounts
- Large claims data (individual claims exceeding \$50,000), for last twenty-four months prior to renewal
- Medical pooling point for individual claims
- Aggregate stop loss attachment point for renewal
- Expected Medical and RX claims for renewal
- Statistically valid random sampling of claims sufficient to permit an audit of claims in accordance with industry standards

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering fully insured health plans.

#### Contracts

- Medical and RX current contracts
- Wellness Program Contract (if applicable)

#### Summary Plan Descriptions

- Medical and RX
- Medicare Supplement Medical and RX

### Financial Reporting

- Medical and RX premiums and claims data for last thirty-six months prior to renewal
- Enrollment for each plan by month for last thirty-six months prior to renewal
- Top twenty RX utilization report for last twenty-four months prior to renewal
- Large claims data (individual claims over \$50,000), for last twenty-four months prior to renewal
- Insured pooling point for individual claims
- Renewal underwriting calculations for upcoming renewal including:
  - Credit amount for large claims
  - Resources for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

### Contracts

- Current dental contract

### Summary Plan Descriptions

- Dental

### Financial Reporting

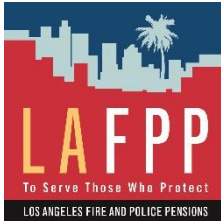
- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fee

**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications



Los Angeles Fire and Police Pensions (LAFPP)

# REQUEST FOR PROPOSAL (RFP) FOR Dental Plan Benefits RFP NO. DCFS22-03

Release Date August 1, 2022

Proposal Due Date October 11, 2022 @ 3:00PM PST

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com). The [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com) email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

All questions must be submitted in writing no later than:

August 23, 2022

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org))

To RFP Administrator

USI Insurance Services\_(on behalf of LAFPP)  
Gary Delaney ([Gary.Delaney@usi.com](mailto:Gary.Delaney@usi.com))

**Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another; all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website: [www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Members of the Board of Fire and Police Pension Commissioners (Board) or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services, and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.



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## **I. INTRODUCTION AND BACKGROUND**

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### **Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide fully-insured dental benefit plans for LAFPP's eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

This RFP will be for plan year July 1, 2023 – June 30, 2024 with options to renew for five additional one-year periods. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods.

LAFPP has engaged their Health and Welfare consultant, USI Insurance Services to solicit and assist in the evaluation of dental plan benefit proposals for this RFP.

### **Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Dental plans for LAFPP retired members, dependents, and survivors.

LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.

LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plans to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

### **Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for all retiree Dental plans:

#### **Los Angeles Police Relief Association (LAPRA)**

- Self-funded Anthem PPO Dental Plan
- Fully insured Anthem HMO Dental Plan

**Los Angeles Police Protective League (LAPPL)**

- Fully insured Delta PPO Dental Plan
- Fully insured Delta HMO Dental Plan

**United Firefighters of Los Angeles City (UFLAC)**

- Fully insured MetLife Dental DPO plan
- Fully insured MetLife Dental HMO plan
- Self-funded MetLife Direct Reimbursement plan

Summaries of all the dental programs are included.

LAFPP Retired Members who are fifty-five (55) years of age or older with at least ten (10) years of City Service are eligible for a dental subsidy benefit. In addition, Disability Retirees, current spouses/domestic partners of retirees, surviving spouses/domestic partners (hereafter referred to as Survivors) of retirees, and dependent children and grandchildren also participate in the plans.

For 2022, the maximum dental subsidy provided to LAFPP Retired Members is \$44.60 per month.

An annual Open Enrollment period is held each year. It allows new enrollments and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual Open Enrollment period. Additional qualifying events for enrolling outside of Open Enrollment include: retirement from the City, being added to the retirement payroll as an eligible Survivor, turning age 55. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

LAFPP requires renewals to be presented by March 1 for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year. Proposers are not allowed to modify the final renewal benefits and rates. Benefit changes are only allowed provided they are due to State or Federal mandates, however, the final rates are not allowed to change.

Vendors are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, Member data, and other plan information specific to its population.

This RFP seeks proposals for the administration and provision of dental plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plans listed below:

- UFLAC Dental PPO
- UFLAC Dental HMO

LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any Proposer responding to this RFP.

## **II. MINIMUM QUALIFICATIONS**

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Proposers must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The Proposer must have at least five (5) years of experience providing fully insured dental plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## **III. SCOPE OF SERVICES**

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**Proposers must specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Third Party Administrator responding to this RFP, respond on behalf of the insurance carrier or TPA you represent. Also see Appendix G for a listing of required administrative services to be provided by the relief association or union plans.

### **A. Dental Plan Underwriting and General Responsibilities**

1. Proposer must be a dental insurance provider, not a broker representative, and ranked by either Standard and Poor's, A.M. Best or Moody's with a rating of "A" or greater to ensure that LAFPP selects providers who have the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
2. Must be experienced with and licensed to provide dental plans in the State of California.
3. Must be able to provide access to dental plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
4. Agree to accept LAFPP's definitions of eligible Retiree, Survivor, and Dependents.

5. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
6. Agree to work collaboratively with other LAFPP vendors on other plan benefit-related projects such as Open Enrollment and data initiatives.
7. Agree to provide and present renewal underwriting methodology to LAFPP staff and the Board's Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.
8. Provide such other services as requested by LAFPP, for which the Proposer has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
9. Notify LAFPP in writing and obtain approval of any changes to their services including, but not limited to, outsourcing of services outside the United States and its territories.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff semi-annually to review and evaluate dental plan administration.
2. Upon LAFPP request, attend various retiree meetings relating to dental plan benefits.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current dental plan design and cost options when requested by LAFPP staff, the Board, and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.
6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, but is not limited to, the following: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.

8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the dental plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the dental plan and LAFPP comply with the new requirements.

**C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, and plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, including but not limited to claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to Open Enrollment, wellness and other activities/meetings centered upon educating LAFPP dental plan participants and LAFPP staff regarding the dental plans.
2. Assist LAFPP and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications guides or letters.
3. Assist LAFPP and LAFPP's Health and Welfare Consultant in drafting communication materials and plan comparison information for Retirees, Survivors, and Dependents.
4. Assist LAFPP staff in planning annual Open Enrollment meetings for Retirees. Planning to include at least one annual meeting with LAFPP staff regarding current Open Enrollment meeting information needs.
5. Develop a video presentation on the dental plan services for the annual Open Enrollment.
6. Attend and present dental information (such as dental plan changes for the following calendar year, how to utilize the plan most effectively, etc.) at all annual Open Enrollment seminars for Retirees, Survivors, and Dependents.

7. Assist LAFPP with the development of dental plan benefits documents, such as the LAFPP Health Benefits Guide.
8. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

**E. Data Reporting**

Will assist LAFPP in the administration of its data reporting, which involves:

1. Reviewing dental plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide drill-down reports to better understand utilization.
2. Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format.
3. Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts.
4. Monitoring and reporting on the progress of strategies and its effect on cost drivers.

**IV. GENERAL DUTIES**

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The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with all applicable federal and state medical privacy and information security regulations including but not limited to HIPAA. Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.
2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communication that use LAFPP's database through the General Manager or appointed designee.



4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel, and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.
5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues arising in discussions and meetings.

## **V. INSTRUCTIONS TO PROPOSERS**

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LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your organization's only submission.

### **A. Proposal Timeline**

The timeline for the RFP process is as follows:

<b><u>Activity</u></b>	<b><u>Dates</u></b>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP's office or staff is strictly prohibited during the proposal process.

### **B. Declare Proposal Intentions**

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.

**C. Proposal Sections**

Proposers should complete the components of this RFP according to the following table:

<b>RFP Section</b>	<b>Dental Plans</b>
<b>Plan Pricing</b>	●
<b>Questionnaire</b>	
Organization & Account Management	●
Administrative Issues	●
Member Services	●
Claims Administration	●
Dental Provider Networks	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●
<b>Addenda</b>	
Requested Attachments	●
Performance Standards	●
LAFPP Required Forms	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

**D. File Naming Conventions**

The following document naming conventions must be followed without exception.

Template spreadsheet files

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls

When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

*<Vendor Name>-<Section Name>.xls*

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

#### Additional Attachments

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

*<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>. <file extension>*

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

*<Vendor Name>-<Short Title>. <file extension>*

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

## **E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in the pricing workbook and in your cover letter. Be sure that your basic quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company's standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.

Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
Initial contract term:	12 months with options to renew for five additional one-year periods. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months Multiple year quotes are encouraged.
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured and self-funded basis.
Eligibility Provisions:	Duplicate current eligibility provisions
Transfer of Coverage and Transition Provisions:	No loss, no gain – no one will lose coverage in the transition between carriers  All pre-existing conditions exclusions/limitation must be waived for all participants currently covered or newly enrolling.
COBRA:	LAFPP relies on its vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

**F. Performance Guarantees**

LAFPP seeks performance guarantees from its contracted vendors, with portions of the vendor’s compensation at risk for failing to meet these guarantees. Proposers are expected to include performance guarantees in their proposal, and will be assessed on the strength of the performance guarantees they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon guarantees.

## **G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B. Additional data may be provided at a later date:

- Plan Changes Summary.xls
- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls

Census/enrollment information and contributions and current benefits can be found in the following electronic files found in Appendix B:

- Health Benefits Guide.pdf
- Census.xls

## **H. Plan Design Deviations.xls (Appendix C)**

Identify any deviations from the stipulated plan designs that you require due to operational, contractual or legal limitations. It is assumed that any required deviations will be reflected in all of the pricing exhibits of this RFP. Be sure that your basic quote includes only those deviations that are absolutely required, and that all of those deviations are listed in this file.

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

## **VI. RFP PROCESS**

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While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality or infirmity in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract.

### **A. Evaluation Process**

All proposals deemed timely and responsive will be reviewed, evaluated, and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).

Any selected proposer(s) must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, and References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.
- **Level II. Administrative Responsiveness**  
Proposer must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer’s ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- **Level III. Proposed Services (“Proposal”)**  
For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

Description	Maximum Points
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Multiple Year Rate Caps</li> <li>• Funding arrangement options</li> <li>• Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>• Proposer’s financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	25
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to Retirees and their dependents, including availability of live customer service representatives and Web-based tools that help in determining benefit levels, decision support, Member education, and provider selection.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive Account Management services.</b></p>	20

<p>The level of applicable administrative support services will be considered (claims processing, Member services, billing and eligibility, contracts, enrollment, and proposer’s business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p> <p>Ability to provide detailed utilization data.</p> <p>Ability to provide electronic files.</p>	
<p><b>Total</b></p>	<p><b>100</b></p>

- **Level IV. Final Approval by the Board**

Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

**B. Proposer Questions & Restricted Contact with LAFPP Personnel**

Direct all questions by e-mail to the RFP Administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles’ bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualifications and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP’s unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may

be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

**F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top-ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.

**VII. QUESTIONNAIRE**

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Answer each question contained in this questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply, write in "not applicable" and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

**A. General**

- A.1. Provide a brief description and history of your organization and address how your products and services would be a good match for the LAFPP Retirees compared to other competitors.
- A.2. Provide your organization's most recent financial ratings with AM Best, Moody's & Standard & Poor's.
- A.3. Indicate if you expect any operational, systems or organization changes with your company over the next twenty-four (24) months. Attach a high-level project plan.
- A.4. Indicate the total Members covered in your dental plan as of January 2022.
- A.5. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both early and post-65 retirees.
- A.6. Do you agree to all the terms and conditions of this RFP?
- A.7. What is your incurred but not reported (IBNR) claims underwriting policy?
- A.8. What is your retention for each quoted fully insured plan?
- A.9. Provide a participating and nonparticipating quote. What is the methodology (retention, premium stabilization fund timing, etc.) to calculate a refund under the participating contract?
- A.10. Confirm that your proposed rates exclude commissions.
- A.11. Confirm there will be no adjustments to the proposed rates based on actual enrollment or changes in enrollment.
- A.12. The client requires renewals to be presented by the plan year beginning the following July 1st. Confirm your agreement to this requirement.
- A.13. Discuss any technological improvements your organization has planned for 2023 (e.g., Internet related services, online eligibility, etc.) and the effect on enrolled Members.



- A.14. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

## **B. Plan Design**

- B.1. Refer to the dental plan designs.xls files and provide in the column indicated if you are able to match the current benefit levels and if there are any differences, describe what they are.
- B.2. For the dental PPO proposal clearly define and list what is covered under the preventative, basic, and major service categories.
- B.3. For the dental HMO proposal clearly define and list what is covered under the preventative, basic, and major service categories.
- B.4. What is your referral process for the dental HMO plan? Provide average time for referrals.

## **C. Claim Administration**

- C.1. How is image scanning used in your claims adjudication system?
- C.2. Describe your preferred way of receiving, integrating and coordinating eligibility data.
- C.3. Confirm that you accept electronic eligibility files.
- C.4. What percent of total claims are submitted to providers electronically?
- C.5. Do you expect any changes to your claims system over the next 24 months (e.g., upgrades, replacement, location change, etc.)?
- C.6. Provide your performance standards including the targets and actual results for the most recent period for financial, processing and payment accuracy for your book-of-business.
- C.7. Briefly describe your process for administering claims.
- C.8. What percentage of claims are processed without manual processing or human intervention?
- C.9. Describe your disaster recovery plan.

## **D. Reporting**

- D.1. Confirm if monthly as well as annual reports will be provided. How long after the reporting period will the reports be provided?
- D.2. What ad hoc or customized reports are available and what are the costs if any?
- D.3. Will your organization provide and make available utilization data based on the LAFPP plan structure? If not, describe what will be made available.
- D.4. Please submit samples of all available reports and state the frequency of each. Please identify any associated costs for each report.

## **E. Administration**

- E.1. Provide samples of your service agreement including EOCs/SPDs.
- E.2. Will you produce ID cards for mailing? How long will it take after receipt of a clean eligibility file?
- E.3. Are the ID cards customizable for LAFPP? If so, what are the additional costs for doing so?
- E.4. Provide the transition of care benefits for the dental PPO and dental HMO plans separately, and address treatment in progress, orthodontia and other treatments.

E.5. Describe in detail the implementation timeline assuming a July 1, 2023 effective date and include the assigned tasks for all parties.

#### **F. Contracts**

F.1. How many contracts/EOCs/SPDs will your organization require based on the number of products you are proposing?

F.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.

#### **G. Networks/Providers**

G.1. Submit a Geo-Access report for each network you are offering based on the following:

- General Dentist
- Urban: Two (2) providers within ten (10) miles
- Rural: Two (2) providers within twenty (20) miles
- Dental Specialist
- Urban: Two (2) providers within ten (10) miles
- Rural: Two (2) providers within twenty (20) miles
- Include the count of General Dentists and Dental Specialists for these standards.

G.2. Refer to the census data provided as part of this questionnaire and provide Geo-Access analysis based on the zip codes.

G.3. Provide the average provider discounts of Usual, Customary and Reasonable (UCR) in California for General Dentists and Dental Specialists.

G.4. How often are contracts renewed with Network Providers?

G.5. If a Provider drops/leaves your network, how are enrollees notified?

G.6. What procedures are in place to prevent a Member from being overbilled or balance billed by a participating Provider or Specialist?

G.7. Do you anticipate any significant changes to the network in the next two (2) years?

#### **H. Implementation and Account Management**

H.1. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?

H.2. Provide your desired eligibility file format/layout.

H.3. Describe your proposed account management team and structure.

H.4. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?

H.5. What are your termination requirements?

H.6. Indicate the response that matches your practice for Member identification numbers:

- Utilize Social Security Number (SSN) exclusively
- Utilize unique number (NOT SSN)
- Purchaser option to use SSN or other number
- Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose

H.7. Is your provider information available online? If so, provide website address. How frequently is this information updated?

**I. COBRA**

- I.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.
- I.2. LAFPP's current third-party administrators extend COBRA provisions to all family Members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?
- I.3. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow Members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

**J. Privacy & HIPAA**

- J.1. Do you agree to indemnify LAFPP for any liabilities resulting from the improper disclosure of protected health information by you or any of your subcontractors?

**K. Member Services**

- K.1. Would you propose to offer a dedicated or partially dedicated unit/staff to LAFPP?
- K.2. If you are proposing a partially dedicated unit, indicate the current number of other groups and total Membership served by the partially dedicated unit.
- K.3. Would you offer a dedicated toll-free phone number?
- K.4. Confirm whether your customer service personnel are U.S. based. If so, confirm you will provide sufficient notification to LAFPP should the customer service personnel ever be outsourced to another country.
- K.5. What are the hours of operation?
- K.6. What authority do customer service representatives have to resolve issues over the phone? Are customer service representatives authorized to make real time claim payment adjustments?
- K.7. Do you record customer service calls?
- K.8. What information is the Member required to enter into the VRU system (e.g., group number, SSN, etc.)?
- K.9. Can a Member leave a message at your Member service line after working hours? If yes, what is the protocol for responding to that call?
- K.10. Define your process for handling issues that are not resolved in the initial call.

**L. Wellness**

- L.1. How would you propose to integrate your wellness services with the medical wellness program?

**M. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

- M.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward LAFPP annual retiree health and fitness fairs, and wellness seminars.
- M.2. Are you able to offer screenings at LAFPP wellness events?

**N. Questions Concerning Your Proposal**

- N.1. Provide a general outline of your plan for the Data Initiative services described in Section III. Scope of Services.
- N.2. List any additional services you will be providing under your fully insured dental plan which were not requested in this RFP. Include a description of the research and other technical resources, including on-line databases and computer based analytical tools that you make available to your clients.
- N.3. Are there any services which you will not be providing to LAFPP, which were required by this RFP?
- N.4. Describe your proposer's ability to provide periodic updates regarding federal legislation and/or Internal Revenue Service (IRS) Rules that may affect the operation of the LAFPP health program.
- N.5. Does your proposer produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?
- N.6. Include as an addendum item samples of your proposer's reports, including an annual renewal and claims report.

**O. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

O.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.

O.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.

O.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration. Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

O.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

O.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.

O.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

O.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

O.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

O.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: "The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor."

Failure to include such a statement shall constitute a waiver of a Proposer's right to exemption from this disclosure.

O.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

O.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

O.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance

- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

O.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.

### **Appendix F – Required Contract Language for Third-Party Administrators**

#### **Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement,

and general pharmaceutical benefit information.

- ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.
- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.
- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8<sup>th</sup> of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month.
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.

- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.
- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.
- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.



- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.
- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

### **Specific Services to be Performed by LAFPP**

LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.

- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
- Eligibility
  - Social Security Numbers or other unique identifier
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.
- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.
- f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:
- Pensioner Social Security Number or other unique identifier
  - Pensioner first name, middle initial, and last name
  - Pensioner address
  - Pensioner birth date
  - Pensioner effective date of pension
  - Pensioner years of service
  - Pensioner Pension Fund Code & Tier
  - Pay period ending date

- Health Deduction Code
  - Health Deduction Amount
  - Health Plan Code
  - Health Part Code
  - Health Subsidy Amount
  - Health Premium Amount
  - Primary Dental Deduction Code
  - Primary Dental Deduction Amount
  - Primary Dental Plan Code
  - Primary Dental Part Code
  - Primary Dental Subsidy Amount
  - Primary Dental Premium Amount
  - Secondary Dental Deduction Code
  - Secondary Dental Deduction Amount
  - Secondary Dental Plan Code
  - Secondary Dental Part Code
  - Secondary Dental Subsidy Amount
  - Secondary Dental Premium Amount
  - Outstanding deductions
  - Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans
- g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.
- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health

and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.
- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5<sup>th</sup> day of the month following the payroll period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.
- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted

by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.

### CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

#### Contracts

- Current dental contract

#### Summary Plan Descriptions

- Dental

#### Financial Reporting

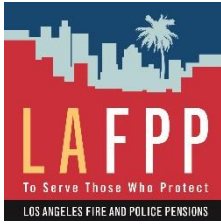
- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications



Los Angeles Fire and Police Pensions (LAFPP)

# REQUEST FOR PROPOSAL (RFP) FOR Vision Plan Benefits RFP NO. DCFS22-04

Release Date August 1, 2022

Proposal Due Date October 11, 2022 @ 3:00PM PST

All proposals must be submitted electronically in a PDF format, and Proposers shall complete and return all applicable documents including forms, appendices, and specifications. LAFPP may deem a proposal nonresponsive if the Proposer fails to provide all required documentation. All proposals must be received by LAFPP by 3:00 PM PST) on October 11, 2022. No proposal will be accepted by LAFPP after that date and time. Proposals should be emailed to [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com). The [RFPResponse@LAFPP.com](mailto:RFPResponse@LAFPP.com) email has a file limit of 150MB. If your file is larger than 150MB please contact the RFP Administrator to make alternative arrangements for your RFP submission.

All questions must be submitted in writing no later than: August 23, 2022

All questions and answers concerning this RFP should be directed to RFP Administrator below and will be posted to the LAFPP website ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

To RFP Administrator USI Insurance Services (on behalf of LAFPP)  
Gary Delaney ([Gary.Delaney@usi.com](mailto:Gary.Delaney@usi.com))



**Official RFP Notices/Addendums**

To ensure that no proposer is provided advantage over another; all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LAFPP website: [www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.

**Prohibited Communications**

From the RFP release date until a contract for these services is fully executed, organizations and their representatives are prohibited from communicating with Board members or LAFPP staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Any communications not directed to the RFP Administrator could be considered attempts to lobby or market services and are therefore prohibited. Organizations will be disqualified from contract consideration if the prohibition is not honored. Communications with Board members about this RFP, other than at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties.

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## I. INTRODUCTION AND BACKGROUND

### **Introduction**

The Los Angeles Fire and Police Pension System (LAFPP) is seeking proposals from qualified Proposers with the necessary expertise to provide fully-insured vision benefits for LAFPP's eligible Retired Members, Survivors (i.e., surviving spouse/domestic partner), and Dependents.

This RFP will be for plan year July 1, 2023 – June 30, 2024, with options to renew for five additional one-year periods. For contracts with Third-Party Administrators there is the options to renew for two additional one-year periods.

LAFPP has engaged their Health and Welfare consultant, USI Insurance Services to solicit vision plan benefit proposals for this RFP.

### **Background**

Los Angeles Fire & Police Pensions is seeking proposals from qualified insurance companies and Third-Party Administrators to provide administration of Vision plans for LAFPP retired members, dependents, and survivors.

LAFPP is a public pension plan providing retirement benefits, survivor benefits, disability retirement benefits, and health insurance benefits to public safety members and their qualified survivors. LAFPP has been serving eligible members and their beneficiaries since 1899.

LAFPP is under the management and control of a Board of Commissioners. LAFPP administers a defined benefit plan providing retirement and retiree health benefits for sworn city employees (Fire, Police, and certain Port Police and Airport Police). In total, LAFPP serves over 12,500 active employees and 13,700 retirees and beneficiaries of the City of Los Angeles.

The purpose of this RFP is to contract with an insurance carrier, Third Party Administrator, Association or Labor union plan to provide LAFPP retirees and their dependents with competitive health benefit programs at affordable premiums that provide excellent service. One of the options of this RFP is to consolidate all plans (by line of coverage) with LAFPP as the sole policyholder. Another option for LAFPP is to contract with a third party, such as a Relief Association or Labor union to provide these health plans. Below are the current health plans and policyholders.

### **Current LAFPP Health Benefit Programs**

Currently, LAFPP contracts with the following organizations (third-party administrators) for retiree Vision benefits:

#### **Los Angeles Police Relief Association (LAPRA)**

- Fully insured VSP Vision Plan

#### **Los Angeles Firemen's Relief Association (LAFRA)**

- Fully insured VSP Vision Plan

The vision coverage is packaged with Medical. Summaries of all the vision programs are included.

LAFPP retired members are eligible to receive health subsidies that can be used to provide vision benefits paid by LAFPP toward their health plan premiums if they meet all of the following criteria:

- Must be enrolled in a LAFPP Board-approved health plan
- At least 55 years of age or older (or the deceased member would meet this criteria)
- Receiving a service, disability, or survivorship pension
- Member must have at least 10 years of service
- Enrolled in Medicare (upon reaching age 65) to the fullest extent of the pensioner's entitlement (Parts A and B or Part B-only)

NOTE: Qualification for a health subsidy is different for a member who retired prior to July 1, 1998 or a Tier 6 member who retired on a service-connected disability pension

An annual Open Enrollment period is held each year. It allows new enrollments and the addition of eligible family members. All Proposers must quote on the basis that there will continue to be an annual Open Enrollment period. Additional qualifying events for enrolling outside of Open Enrollment include: retirement from the City, being added to the retirement payroll as an eligible

Survivor or turning age 55. Eligible participants have 30 - 60 days from the date of these qualifying events from which to elect coverage.

LAFPP requires renewals to be presented by March 1<sup>st</sup> for the plan year beginning the following July 1<sup>st</sup>. The final renewal benefit designs and rates are presented to LAFPP's Board prior to the start of the plan year. Vendors are not allowed to modify the final renewal benefits and rates. Benefit changes are only allowed provided they are due to State or Federal mandates, however, the final rates are not allowed to change.

Proposers are expected to provide complete transparency with information relevant to LAFPP's program. LAFPP is interested in obtaining monthly utilization data, selected plan performance metrics, Member data, and other plan information specific to its population.

This RFP seeks proposals for the vision plans described previously. Plan designs should match, as closely as possible, the benefit provisions of the current plan listed below:

- LAFRA VSP Vision Plan

LAFPP reserves the right to award business in whatever configuration best meets its needs, at its sole discretion. These configurations include, for example, awarding coverage for all plans to a single vendor or awarding each plan to separate vendors. If the Proposer submits alternatives and/or substitutions to the terms and conditions, LAFPP reserves the right to determine if the alternatives/substitutions are acceptable.

LAFPP reserves the right to withdraw this RFP at any time without prior notice and the right to reject any and all responses to this RFP. The rejection of any or all proposals shall not render LAFPP liable for costs or damages. LAFPP makes no representation that any contract will be awarded to any proposer responding to this RFP.

## **II. MINIMUM QUALIFICATIONS**

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Organizations must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

1. The proposer must have at least five (5) years of experience providing fully insured vision plan benefits to assist public sector clients. A public sector client, for these purposes, must be a United States federal, state, municipal, or other local government client.

## **III. SCOPE OF SERVICES**

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**Proposers are asked to specify their ability to provide the following services listed below.** If a Proposer cannot provide any of the following services, the Proposer must so indicate in their response to this RFP. If you are a Relief Association or Labor Union responding to this RFP, respond on behalf of the insurance carrier or TPA you represent. Also see Appendix G for a listing of required administrative services to be provided by the relief association or union plans.

### **A. Vision Plan Underwriting and General Responsibilities**

1. Proposer must be a vision insurance provider, not a broker representative, and ranked by either Standard and Poor's, A.M. Best or Moody's with a rating of "A" or greater to ensure that LAFPP is working with a provider that has the financial stability to maintain a multi-year contract with LAFPP in support of LAFPP's retiree population.
2. Must be experienced with and licensed to provide vision plan benefits in the State of California.
3. Must be able to provide access to vision plan coverage to LAFPP members who reside in the state of California, out-of-state (outside California) or internationally.
4. Agree to accept LAFPP definitions of eligible Retiree, Survivor, and Dependents.
5. Agree to work collaboratively with LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
6. Agree to work collaboratively with other LAFPP vendors on other plan benefit-related projects such as Open Enrollment and data initiative.
7. Agree to provide and present renewal underwriting methodology to LAFPP and their Health and Welfare Consultant as needed. In addition, agree to attend LAFPP Board meetings as required to present renewals and proposals.
8. Provide such other services as requested by LAFPP, for which the Contractor has the technical capability and capacity to render, to parties that include but are not limited to LAFPP staff, the LAFPP Board, and LAFPP's Health and Welfare Consultant.
9. Notify LAFPP in writing and obtain approval of any changes to their services including, but not limited to, outsourcing of services outside the United States and its territories.

**B. Program Evaluation, Reports, and Data Services**

1. Meet with LAFPP staff semi-annually to review and evaluate vision plan administration.
2. Upon LAFPP request, attend various retiree meetings relating to vision plan benefits.
3. Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by LAFPP and/or LAFPP's Health and Welfare Consultant.
4. Recommend alternatives to current vision plan designs and cost options when requested by LAFPP staff and/or LAFPP's Health and Welfare Consultant.
5. Accept eligibility reporting on a monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.

6. Maintain full and accurate records with respect to all matters and services provided to LAFPP for a minimum of seven (7) years from June 30<sup>th</sup> of the affected plan year.
7. Maintain compliance with all applicable federal and state medical privacy and information security regulations. This includes, **but is not limited to, the following**: (1) Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules as a Covered Entity. Individuals, organizations, and agencies that meet the definition of a Covered Entity or Business Associate under HIPAA must comply with the Rules' requirements to protect the privacy and security of health information and must provide individuals with certain rights with respect to their health information. (2) California Medical Information Act rules and regulations. (3) California Information Privacy Act disclosure requirements.
8. Inform LAFPP staff and LAFPP's Health and Welfare Consultant of any pending legislation affecting the administration of the vision plans. If relevant legislation is enacted, provide LAFPP staff and its consultant with a cost analysis and an implementation plan to ensure that the vision plan and LAFPP comply with the new requirements.

**C. Customer Support Services**

1. Provide financially-based Performance Guarantee(s) to assure a high level of service to LAFPP and its Retirees.
2. Provide a dedicated Account Manager, Claims Issue, and Eligibility Contact and agree to change those contacts upon request by LAFPP.
3. Provide day-to-day consultation on matters pertaining to claim status, discrepancies, disputes, and plan interpretation.
4. Perform research and provide responses to technical questions from LAFPP staff.
5. Provide training for LAFPP staff regarding the plan and/or internal plan systems.
6. Provide administrative services for the plan, claims processing, research and resolution of any issues, complaints, or problems.
7. Investigate and resolve administrative and claims problems.

**D. Open Enrollment and Communication Services**

1. Participate in various events related to Open Enrollment, wellness and other activities/meetings centered upon educating LAFPP vision plan participants and LAFPP staff regarding available benefits.
2. Assist LAFPP and LAFPP's Health and Welfare Consultant in preparing (open and special) enrollment and plan documents for use in retiree communications guides or letters.

3. Assist LAFPP and LAFPP's Health and Welfare Consultant in drafting communication materials and plan comparison information for Retirees, Survivors, and Dependents.
4. Assist LAFPP staff in the planning of annual Open Enrollment meetings for Retirees. Planning to include at least one annual meeting with LAFPP staff regarding current Open Enrollment meeting information needs.
5. Develop a video presentation on the vision plan services for the annual Open Enrollment.
6. Assist LAFPP with the development of vision plan benefits documents, such as the LAFPP Health Benefits Guide.
7. Provide electronically formatted participant communications to be used in LAFPP newsletters and flyers.

#### **E. Data Reporting**

Will assist LAFPP in the administration of its data reporting, which involves:

1. Reviewing vision plan data and working with LAFPP staff and LAFPP's Health and Welfare Consultant to develop and provide drill-down reports to better understand utilization.
2. Assisting LAFPP's Health and Welfare Consultant in the preparation of semi-annual utilization data in summary report and/or dashboard format.
3. Identifying cost drivers within each plan and collaborating with LAFPP to develop strategies to mitigate the impact of these cost drivers, which may involve value-based benefit plan design changes, consideration of new programs or plan offerings, or changes to the existing health benefits program, and communications efforts.
4. Monitoring and reporting on the progress of strategies and its effect on cost drivers.

#### **IV. GENERAL DUTIES**

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The Proposer is expected to perform/handle the following general duties:

1. Treat all of LAFPP's information as confidential as defined in LAFPP's Release of Member Personal Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of services provided. Sensitive information inclusive of, but not limited to, LAFPP members and beneficiaries must be kept confidential in accordance with all applicable federal and state medical privacy and information security regulations including, but not limited to, HIPAA. Proposers shall notify LAFPP immediately if there are any breaches to the confidentiality of LAFPP's confidential information. The breach of this requirement may result in contract termination and liability for damages.



2. Maintain confidential any information resulting from this engagement except with written consent from the General Manager of LAFPP or designee, prior to the release of any such information. This includes, but will not be limited to, press releases, research, reports, and any publicity given to the selected Proposer for work provided under the resulting contract. LAFPP shall be credited as the sponsoring agency.
3. Refer all requests, reports, and all other communication that use LAFPP's database through the General Manager or appointed designee.
4. Notify LAFPP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The proposer shall submit resumes of any proposed replacement personnel and obtain prior written approval from LAFPP for any change in the personnel assigned to the work.
5. Notify LAFPP staff in writing in the event that any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
6. Document discussion ideas, issues, and extended services. Share responsibility with LAFPP for documenting in writing all ideas and issues arising in discussions and meetings.

## **V. INSTRUCTIONS TO PROPOSERS**

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LAFPP and its designated representatives will evaluate all proposals submitted according to this RFP. The proposal submitted will be considered to be your organization's only submission.

### **A. Proposal Timeline**

The timeline for the RFP process is as follows:

<b><u>Activity</u></b>	<b><u>Dates</u></b>
Release RFP	August 1, 2022
Proposer Question Submission Date	August 23, 2022
Final Responses to Vendor Questions	September 9, 2022
Declare Proposal Intentions	September 15, 2022
Proposals Due	October 11, 2022
Selection of Finalists	TBD
Finalist Interviews	TBD
Award of Business	TBD
Effective Date	July 1, 2023

All questions should be directed only to Mr. Gary Delaney at USI Insurance Services. Any questions or contacts related to the RFP with LAFPP office or staff is strictly prohibited during the proposal process.

### **B. Declare Proposal Intentions**

To confirm your intent to submit a proposal in response to this RFP, notify the RFP Administrator no later than September 15, 2022. Your confirmation should be in the form

of a signed letter, to the address provided on the cover of this RFP. Email your letter by the above date. LAFPP reserves the right to disregard submissions from Proposers who have not provided a declaration by the deadline.

**C. Proposal Sections**

Proposers should complete the components of this RFP according to the following table:

<b>RFP Section</b>	<b>Vision Plans</b>
<b>Plan Pricing</b>	●
<b>Questionnaire</b>	
Organization & Account Management	●
Administrative Issues	●
Member Services	●
Claims Administration	●
Vision Provider Networks	●
Commitment to LAFPP Wellness Seminars and Fitness Fairs	●
<b>Addenda</b>	
Requested Attachments	●
Performance Standards	●
LAFPP Required Forms	●

Refer to **Section VII. Questionnaire** for the content of the proposal sections.

**D. File Naming Conventions**

The following document naming conventions must be followed without exception.

Template spreadsheet files

For questions requiring an attached Excel file, there will be one Excel file per questionnaire section (e.g., Member Services). Individual questions will be identifiable as individual worksheets within the file. The naming convention for the posted templates is simply:

<Section Name>.xls

When you download the file and populate it with information, you must rename the file by adding your company name and a hyphen separator to the beginning, as shown:

*<Vendor Name>-<Section Name>.xls*

You may use an abbreviation for your company name. However, **you must use exactly the same company name for each and every file**. Sections completed by a subcontracting entity must carry the name of the principal bidding entity.

Additional Attachments

When submitting documents (either requested or unsolicited) which are not based on a template file provided with the RFP, your files should be named using the following convention, if the attachment is associated with a specific question:

*<Vendor Name>-<Section Name>-<Section Subheading>-<Question #>.<file extension>*

Remember, as noted above, an unsolicited attached file may NOT be provided as a substitute for answering the question fully in the space and manner provided.

Alternatively, if the attachment is not associated with a specific question, the naming should be:

*<Vendor Name>-<Short Title>.<file extension>*

Submit only Microsoft Office documents; other formats cannot be read by all users, and will not be reviewed.

**E. Basis of Quotation**

Any deviations from the stipulated plan design that you require due to operational, contractual or legal limitations must be fully described in the pricing workbook and in your cover letter. Be sure that your basic quote includes only those deviations that are absolutely required.

Any deviations from the stipulated plan design that you suggest as alternatives for consideration should be detailed. This may include cost-sharing differences, changes to covered and excluded items (reflecting your company's standards), or similar deviations; it should not include major structural differences. Providing such alternatives is purely optional; however, if you quote on such alternatives, that quote will be considered binding in the same way as your quote on the stipulated plan design. Any alternative quote is in addition to, and not in lieu of, your quote on the stipulated plans. Proposals that quote only on alternatives will not be considered.

Other Financial and Contract provisions for the proposal include:

Effective date:	July 1, 2023
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Initial contract term:	12 months with options to renew for five additional one-year periods Multiple year quotes are encouraged. For contracts with TPAs there is the options to renew for two additional one-year periods.
Policyholder/ Contract holder:	Los Angeles Fire and Police Pensions (LAFPP)
State of contract:	California
Rate/fee guarantee:	12 months
Rate/fee and benefit change:	Upon renewal date only, with notification of benefit and rate change by 120 days prior to the effective date.
Rate Tiers:	All rates must be quoted using the pre-established rate tiers identified in this RFP. If a rate guarantee is not available, actuarial and underwriting renewal component fees are desired.
Funding:	All programs must be quoted on a fully-insured and self-funded basis.
Eligibility Provisions:	Duplicate current eligibility provisions

Transfer of Coverage and Transition Provisions:	No loss, no gain – no one will lose coverage in the transition between carriers.  All pre-existing conditions exclusions/limitations must be waived for all participants currently covered or newly enrolling.
COBRA:	LAFPP relies on its vendors to administer COBRA. You must agree to provide this service.
Regulatory Compliance:	You must certify that you are compliant with all federal and state regulations (e.g., HIPAA, PPACA, CMIA, etc.)
Commissions:	None

**F. Performance Guarantees**

LAFPP seeks performance guarantees with its contracted vendors, with portions of the vendor’s compensation at risk for failing to meet these standards. Proposers are expected to include performance guarantees in their proposal and will be assessed on the strength of the performance guarantees they are willing to implement. For finalists, negotiations will take place before an award of business to ensure that there is a final and complete understanding of the agreed upon guarantees.

Indicate how many times in 2021 you did not meet your performance guarantee metrics.

**G. Plan Pricing**

Review and complete the attached pricing workbooks found in Appendix C.

Available claims experience and current rates and benefits can be found in the following electronic files contained in Appendix B. Additional data may be provided at a later date:

- Plan Changes Summary.xls

- Renewal Rate History.xls
- Current Rates.xls
- Claims Reports.xls

Census/enrollment information and contributions and current benefits can be found in the following electronic files found in Appendix B

- Health Benefits Guide.pdf
- Census.xls

#### **H. Plan Design Deviations.xls (Appendix C)**

Identify any deviations from the stipulated plan designs that you require due to operational, contractual, or legal limitations. It is assumed that any required deviations will be reflected in all of the pricing exhibits of this RFP. Be sure that your basic quote includes only those deviations that are absolutely required, and that all of those deviations are listed in this file.

Confirm that you can offer and/or administer the current LAFPP plan designs. For any designs you cannot offer and/or administer, be specific as to the benefit that can or cannot be offered/administered and your proposed alternative.

### **VI. RFP PROCESS**

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While LAFPP has retained the services of USI to facilitate the RFP process, LAFPP at all times retains ultimate responsibility and sole discretion over the evaluation of proposals and award of any contract(s). Selected and non-selected Proposers will be notified in writing at the conclusion of the process. Selection is contingent on satisfactory completion of appropriate agreements which will be negotiated. LAFPP reserves the right to reject any and/or all proposals, to waive any informality in such proposals, to request new proposals, to revise the RFP prior to proposal submission, to withdraw this RFP, to not award the contract, or to not award a portion of the contract at any time.

#### **A. Evaluation Process**

All proposals deemed timely and responsive will be reviewed, evaluated and a short list of the most qualified Proposer(s) will be developed. An evaluation panel consisting of a committee of LAFPP staff members and USI will interview the qualified Proposer(s) on the short list. After the completion of the interview process, LAFPP will rank the short-listed Proposers and negotiate a contract with the highest ranked, qualified Proposer(s).

The selected proposer must successfully pass all the following levels of review:

- **Level I. Review of Qualifications, Experience, & References**  
Proposer must demonstrate it meets the minimum qualifications (see Section II.); must demonstrate a positive record as a responsible contractor; and must have the resources and experience to perform the required services.

- Level II. Administrative Responsiveness**  
 Proposer’s proposal must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Proposer’s ability to adhere to LAFPP/City of Los Angeles standard contract provisions will also be considered.
- Level III. Proposed Services (“Proposal”)**  
 For the purposes of evaluation, the responsive proposals will be evaluated, ranked, and scored based on the criteria below. Interviews may also be conducted.

Description	Maximum Points
<p><b>Financial Cost and Value – Reasonableness of costs to services and best overall value to LAFPP based on the following:</b></p> <ul style="list-style-type: none"> <li>• Ability to deliver the RFP scope of services</li> <li>• Premium rates</li> <li>• Rate adequacy</li> <li>• Retention charges</li> <li>• Performance guarantees</li> <li>• Multiple Year Rate Caps</li> <li>• Funding arrangement options</li> <li>• Resource commitments to innovative ideas, programs, tools, and/or coverage that would improve quality and cost for the health care program</li> <li>• Proposer’s financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract</li> </ul>	25
<p><b>Provider Disruption and Retiree Access – Ability to duplicate the current network and maximize retiree access.</b></p>	30
<p><b>Quality and Member Service – Demonstrated ability to deliver high-quality services and Wellness Programs to public agencies of similar size and/or scope based on past performance and the following:</b></p> <p>The Service rating will be based upon the ability to deliver high-quality customer service to Retirees and their dependents, including availability of live customer service representatives and Web-based tools that help in determining benefit levels, decision support, Member education, and provider selection.</p>	25
<p><b>Administration Support and Account Management and Service Team – Ability to provide excellent administration support, and proactive and highly responsive Account Management services.</b></p> <p>The level of applicable administrative support services will be considered (claims processing, Member services, billing and eligibility, contracts, enrollment, and proposer’s business operation, etc.).</p> <p>The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the LAFPP account necessary to deliver the services outlined in the scope of services.</p>	20

Ability to provide detailed utilization data.	
Ability to provide electronic files.	
<b>Total</b>	<b>100</b>

- **Level IV. Final Approval by the Board**

The Proposer(s) deemed to be the most qualified to provide the required services at the best overall value to LAFPP, as determined by the evaluation panel, will be recommended for contract award to the LAFPP Board. The Board, at its sole discretion, makes all final award determinations.

**B. Proposer Questions & Restricted Contact with LAFPP Personnel**

Direct all questions by email to the RFP Administrator identified on the RFP cover page. Questions from all proposers and LAFPP answers will be posted on the LAFPP website and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)).

**C. Proposal Deadline**

All RFP responses are due at LAFPP by the date and time indicated on the cover of this RFP. All requested documents must be electronically submitted by the due date to be considered. Only electronic submissions will be accepted.

**D. Evaluation Criteria**

LAFPP will select finalists based on the following criteria:

- Qualification and experience of the proposer and the key personnel assigned to the project
- Demonstrated understanding and ability to address LAFPP's unique needs
- Strength of client service orientation
- Reasonableness of costs and value
- Positive contracting history

**E. Finalist Interviews**

LAFPP expects to conduct oral interviews with selected finalists. This will be the sole opportunity for selected Proposers to present their proposals personally, to engage in an interactive dialogue, and to answer questions. The meeting will be in Los Angeles or may be conducted virtually (over Zoom or Teams). Proposers will be responsible for all travel and related expenses in the event that interviews take place in Los Angeles.

**F. Contracting Process**

If, for any reason, a contract cannot be successfully negotiated with any top ranked Proposer, LAFPP may choose to negotiate with any next most qualified Proposer. The final terms and conditions will be determined during contract negotiations following the

selection process. Upon satisfactory negotiation, LAFPP Management will return to the Board with a recommendation to award the contract. No contract shall be considered final until approved by the Board.



## **VII. QUESTIONNAIRE**

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Answer each question contained in this Questionnaire. Each question of the RFP shall be repeated in its entirety before the corresponding answer. Proposers must respond to each question contained in the questionnaire. If a question does not apply to Proposer, write in "not applicable" and state the reasons why the question does not apply. In order to be considered a valid response to this RFP, all proposers will need to respond to questions in the Questionnaire Section VII, as well as the required forms in the Appendix.

### **A. General**

- A.1. Provide a brief description and history of your organization and address how your products and services would be a good match for the LAFPP Retirees compared to other competitors.
- A.2. Provide your organization's most recent financial ratings with AM Best, Moody's & Standard & Poor's
- A.3. Indicate if you expect any operational, systems or organization changes with your company over the next twenty-four (24) months. Attach a high-level project plan.
- A.4. Indicate the total Members covered in your vision plan as of January 2022.
- A.5. List five of your largest public sector clients and, to the extent possible, clients who are located in California or who have significant populations there. Preferably, these clients cover both early and post-65 retirees.
- A.6. Do you agree to all the terms and conditions of this RFP?
- A.7. What is your incurred but not reported (IBNR) claims underwriting policy?
- A.8. What is your retention for each quoted fully insured plan?
- A.9. Provide a participating and nonparticipating quote. What is the methodology (retention, premium stabilization fund timing, etc.) to calculate a refund under the participating contract?
- A.10. Confirm that your proposed rates exclude commissions.
- A.11. Confirm there will be no adjustments to the proposed rates based on actual enrollment or changes in enrollment.
- A.12. The client requires renewals to be presented for the plan year beginning the following July 1st. Confirm your agreement to this requirement.
- A.13. Discuss any technological improvements your organization has planned for 2023 (e.g., Internet related services, online eligibility, etc.) and the effect on enrolled Members.
- A.14. Does your organization have a robust cyber security policy? If so, briefly describe the measures that your organization undertakes to prevent and respond to data breaches?

### **B. Plan Design**

- B.1. Refer to the vision plan designs.xls files and indicate if you are able to match the current benefit levels and if there are any differences, describe what they are.
- B.2. For the vision proposal clearly define and list what is covered under the frame and contact lens allowance.
- B.3. Clarify the progressive lenses coverage in detail.
- B.4. What is your referral process to an eye specialist, ophthalmologist or retina specialist? Provide average time for these referrals.

### **C. Claim Administration**

- C.1. How is image scanning used in your claims adjudication system?
- C.2. Describe your preferred way of receiving, integrating and coordinating eligibility data.

- C.3. Confirm that you accept electronic eligibility files.
- C.4. What percent of total claims are submitted to providers electronically?
- C.5. Do you expect any changes to your claims system over the next 24 months (e.g., upgrades, replacement, location change, etc.)?
- C.6. Provide your performance standards including the targets and actual results for the most recent period for financial, processing and payment accuracy for your book-of-business.
- C.7. Briefly describe your process for administering claims.
- C.8. What percentage of claims process without manual processing or human intervention?
- C.9. Describe your disaster recovery plan.

#### **D. Reporting**

- D.1. Confirm if monthly as well as annual reports will be provided. How long after the reporting period will the reports be provided?
- D.2. What ad hoc or customized reports are available and what are the costs if any?
- D.3. Will your organization provide and make available utilization data based on LAFPP's plan structure? If not, describe what will be made available.
- D.4. Submit samples of all available reports and state the frequency of each. Identify any associated costs for each report.

#### **E. Administration**

- E.1. Provide samples of your service agreement including EOCs/SPDs.
- E.2. Will you produce ID cards for mailing? How long will it take after receipt of a clean eligibility file?
- E.3. Are the ID cards customizable for LAFPP? If so, what are the additional costs for doing so?
- E.4. Provide the transition of care benefits for the vision plans, and address treatment in progress.
- E.5. Describe in detail the implementation timeline assuming a July 1, 2023 effective date and include the assigned tasks for all parties.

#### **F. Contracts**

- F.1. How many contracts/EOCs/SPDs will your organization require based on the number of products you are proposing?
- F.2. Indicate when your contracts/EOCs/SPDs are issued in the plan year.

#### **G. Networks/Providers**

- G.1. Submit a Geo-Access report for each network you are offering based on the following:
  - Optometrist
  - Urban: Two (2) providers within ten (10) miles
  - Rural: Two (2) providers within twenty (20) miles
  - Vision Specialist – Ophthalmologist, Retina Specialist
  - Urban: Two (2) providers within ten (10) miles
  - Rural: Two (2) providers within twenty (20) miles
  - Include the count of Optometrists and Vision Specialists for these standards.
- G.2. Refer to the census data provided as part of this questionnaire and provide Geo-Access analysis based on the zip codes.
- G.3. Provide the average provider discounts of UCR in California for General Providers and Vision Specialists.
- G.4. How often are contracts renewed with Network Providers?

- G.5. If a Provider drops/leaves your network, how are enrollees notified?
- G.6. What procedures are in place to prevent a member from being overbilled or balance billed by a participating Provider or Specialist?
- G.7. Do you anticipate any significant changes to the network in the next two (2) years?

#### **H. Implementation and Account Management**

- H.1. What are the required data elements for eligibility feeds from LAFPP? What are your capabilities for loading and correcting data? Do you have the capability to enter corrections to eligibility records in real time?
- H.2. Provide your desired eligibility file format/layout.
- H.3. Describe your proposed account management team and structure.
- H.4. How do you handle retroactive enrollment and cancellations? What are your time limitations relative to processing retroactive eligibility adjustments?
- H.5. What are your termination requirements?
- H.6. Indicate the response that matches your practice for Member identification numbers:
  - Utilize Social Security Number (SSN) exclusively
  - Utilize unique number (NOT SSN)
  - Purchaser option to use SSN or other number
  - Utilize SSN, but able to make individual exceptions and use non-SSN for those unwilling to utilize SSN for this purpose
- H.7. Is your provider information available online? If so, provide website address. How frequently is this information updated?

#### **I. COBRA**

- I.1. Describe your capabilities and any restrictions related to the administration of COBRA for any plans you are awarded.
- I.2. LAFPP's current third-party administrators extend COBRA provisions to all family Members eligible under the Group Insurance Regulations even though COBRA does not specifically cover them (for example, same-sex domestic partners and grandchildren). Do you agree to extend COBRA Continuation and conversion privileges to all individuals LAFPP deems eligible?
- I.3. LAFPP's current third-party administrators extend COBRA coverage to those who it deems eligible for 36 months, even though under certain circumstances, federal rules would allow for a shorter coverage period. Do you agree to allow Members who LAFPP deems eligible to maintain coverage under COBRA for up to 36 months?

#### **J. Privacy & HIPAA**

- J.1. Do you agree to indemnify LAFPP for any liabilities resulting from the improper disclosure of protected health information by you or any of your subcontractors?

#### **K. Member Services**

- K.1. Would you propose to offer a dedicated or partially dedicated unit/staff to LAFPP?
- K.2. If you are proposing a partially dedicated unit, indicate the current number of other groups and total Membership served by the partially dedicated unit.
- K.3. Would you offer a dedicated toll-free phone number?
- K.4. Confirm whether your customer service personnel are U.S. based. If so, confirm you will provide sufficient notification to LAFPP should the customer service personnel ever be outsourced to another country.
- K.5. What are the hours of operation?

- K.6. What authority do customer service representatives have to resolve issues over the phone? Are customer service representatives authorized to make real time claim payment adjustments?
- K.7. Do you record customer service calls?
- K.8. What information is the Member required to enter into the VRU system (e.g., group number, SSN, etc.)?
- K.9. Can a member leave a message at your member service line after working hours? If yes, what is the protocol for responding to that call?
- K.10. Define your process for handling issues that are not resolved in the initial call.

**L. Wellness**

- L.1. How would you propose to integrate your wellness services with the medical wellness program?

**M. Commitment to LAFPP Wellness Seminars and Fitness Fairs**

- M.1. If your organization is selected, indicate if you are willing to be a co-sponsor and contribute money toward an annual LAFPP retiree health and fitness fair.
- M.2. Are you able to offer screenings at LAFPP wellness events?

**N. Questions Concerning Your Proposal**

- N.1. Provide a general outline of your plan for the Data Initiative services described in Section III. Scope of Services.
- N.2. List any additional services you will be providing under your fully insured vision plan which were not requested in this RFP. Include a description of the research and other technical resources, including on-line databases and computer based analytical tools that you make available to your clients.
- N.3. Are there any services which you will not be providing to LAFPP, which were required by this RFP?
- N.4. Describe your proposer's ability to provide periodic updates regarding federal legislation and/or Internal Revenue Service (IRS) Rules that may affect the operation of the LAFPP health program.
- N.5. Does your proposer produce a newsletter specifically for public retirement plans or is the material produced for both public and private plans?
- N.6. Include as an addendum, item samples of your proposer's reports, including an annual renewal and claims report.

**O. GENERAL CONDITIONS AND REQUIRED COMPLIANCE DOCUMENTS**

- L.1. General Conditions - Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.
- L.2. Valid Period of RFP - All proposals shall be firm and final offers and may not be withdrawn for a period of one hundred eighty (180) days following the announced deadline for the submission of proposals under this RFP. A response to this RFP is an offer to contract with LAFPP based upon the terms, conditions, service level agreement and specifications contained in the proposal submitted.
- L.3. Proposal Submission - All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Proposer is liable for all errors or omissions incurred by the Proposer in preparing the proposal. The Proposer will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration.

Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

L.4. Proposer Assumes RFP Costs. LAFPP shall not be liable for any expenses incurred by any Proposer prior to issuing any contract that may result from this RFP.

L.5. Proposer's Right to Withdraw Proposal. The Proposer may withdraw a submitted proposal in writing at any time prior to the specified due date and time. Emailed withdrawals will be accepted. A written request, signed by an authorized representative of the company, must be submitted to the RFP administrator. After withdrawing a previously submitted proposal, the Proposer may submit another proposal at any time, up to the specified due date and time.

L.6. Prohibited Use of the City Seal or LAFPP Logo and Alteration of RFP. The Proposer is prohibited from using, copying or replicating in any form the City seal or LAFPP logo. In addition, the Proposer shall not change any wording in the RFP or associated documents.

L.7. Amendments to RFP. LAFPP retains the right to amend this RFP and will make reasonable attempts to notify prospective Proposers of any changes. However, it is the Proposer's responsibility to monitor the RFP page on the LAFPP Web site ([www.lafpp.com/requests-proposals](http://www.lafpp.com/requests-proposals)) and the City of Los Angeles' bid opportunities website ([www.rampla.org](http://www.rampla.org)) for any amendments pertaining to this RFP. LAFPP will not be liable for the Proposer's failure to receive such notice and any consequential non-responsiveness or noncompliance. LAFPP reserves the right to extend the deadline for submission. Proposers will have the right to revise their response in the event the deadline is extended.

L.8. Right to Reject Proposal and Withdraw RFP. LAFPP reserves the right to withdraw this RFP or reject any or all proposals at any time without prior notice; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any Contractor who has previously failed to perform competently in any prior business relationship with LAFPP. The withdrawal of this RFP or rejection of any or all proposals shall not render LAFPP liable for costs or damages.

L.9. Confidential Information/Public Records Law. All responses to the RFP will be kept confidential until the Board adopts a recommendation for award of a contract. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. Proposers must clearly and conspicuously identify all copyrighted material, trade secrets or other proprietary information that the Proposer claims are exempt from the California Public Records Act (CPRA) – California Government Code Section 6250 et seq.

In the event a Proposer claims that any of its documents are exempt from inspection under the CPRA, the Proposer is required to state in the proposal the following: "The Contractor will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose copyrighted material, trade secrets or other proprietary information to any person making a request therefor."

Failure to include such a statement shall constitute a waiver of a Proposer's right to exemption from this disclosure.

L.10. Ownership of Documents. All reports, tables, charts and other contract documents prepared under this RFP by the Proposer shall be and remain the property of LAFPP upon LAFPP compensation of the Contractor for its services as herein provided. Contractor shall not release to others information furnished by LAFPP or any other City agency, Commission or Board without prior written approval from LAFPP.

L.11. Award of Contract. Proposers awarded a contract pursuant to this RFP will be required to enter into a written contract with the Board of Fire and Police Pension Commissioners of

the City of Los Angeles as to form by the City Attorney. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. LAFPP reserves the right to negotiate the terms and conditions of any contract resulting from this RFP.

L.12. Standard Provisions. Proposers must comply with the *Standard Provisions for City Contracts (Rev. 10/21, v.4)*, provided in the Appendix, except for the following:

- PSC 29 Service Contractor Worker Retention Ordinance
- PSC-31 Contractor Responsibility Ordinance
- PSC-32 Business Inclusion Program (Replaced by 6.15)
- PSC-33 Slavery Disclosure Ordinance
- PSC-34 First Source Hiring
- PSC-35 Equal Benefits Ordinance
- PSC-36 Iran Contracting Act
- PSC-41 Compliance with California Public Resources

L.13. Solicitation of Contributions. Any Proposer awarded a contract pursuant to this RFP must comply with the *LAFPP Solicitation of Contributions Policy*, provided in the Appendix. Failure to comply shall result in termination of any contract resulting from this RFP.

**Appendix F – Required Contract Language for Third-Party Administrators**

**Specific Services to be Performed by TBD**

TBD agrees to:

- a. For each month for the term of the contract, provide Health Insurance Portability and Accountability Act (HIPAA) compliant claims data, as defined by Appendix D, that is required for each health and dental insurance plan. Claims data is to be submitted to and held by LAFPP. LAFPP will ensure that its storage and use of the data complies with any applicable federal and California data privacy and security laws. LAFPP is not a covered entity nor a business associate under HIPAA and thus will not agree to enter into Business Associate Agreements.
- b. Conduct an annual open enrollment of the health and dental insurance plans, as applicable, for eligible sworn pensioners and their dependents. TBD shall also provide LAFPP with copies of all open enrollment materials, which include material benefit changes, if any, sent to eligible sworn police pensioners at the same time or prior to distributing open enrollment materials to the pensioners. Open enrollment shall be conducted in May of each year and plan year will be July 1 to June 30.
- c. Utilize open enrollment information to update its database of covered group members and verify this information with LAFPP's data.
- d. Present annually to the Board at least sixty (60) days prior to the start of the plan year the following:
  - i. An annual report regarding health plan provisions, member demographic data, cost trend information, Medicare plan pricing and cost reimbursement, and general pharmaceutical benefit information.
  - ii. Plan design, premium, and administrative fee changes regarding its health and dental plans.
  - iii. Open enrollment materials for the upcoming plan year.
- e. Notify LAFPP of TBD's data processing requirements.
- f. Maintain pensioner eligibility and subsidy/deduction data in a secure electronic format.

- g. Submit all reports to LAFPP in electronic format via secure electronic transmission.
- h. Report to LAFPP, monthly retiree enrollment records for the health and dental insurance programs that TBD administers, including the pensioners' names, social security numbers, deduction codes, part codes, health plan codes, and number of dependents.
- i. Consult with LAFPP regarding any proposed change impacting the subsidy transaction process.
- j. Submit to LAFPP, a quarterly report providing the names, ages, and relationship types of all dependents covered on the pensioner's health and/or dental plan (e.g., spouse, domestic partner, children).
- k. Submit to LAFPP, by the 8th of each month, in a format that complies with LAFPP system requirements and containing data as required by LAFPP, a listing of each pensioner to add, change or delete with Fund code, previous and new plan codes, effective dates, date of death if applicable, and premium amounts for their health and/or dental insurance. If requiring an override of a retroactive deduction, provide the reason. TBD shall maintain this information in electronic format. If not provided by the 8<sup>th</sup> of each month the preceding transactions will be held to the following month.
- l. Discuss the phase-out of part codes used for underutilized or non-subsidized plan tiers. Discuss the creation of new codes for qualified surviving spouses/domestic partners.
- m. Reconcile any discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies in a timely manner as the information becomes available to TBD.
- n. Provide LAFPP with reports of all retroactive adjustments for pensioner health and/or dental premiums. The monthly reports shall be maintained in electronic format and made available to LAFPP in a secure manner.
- o. Provide LAFPP a copy of each pensioner's Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner's dependent, upon receipt by TBD.
- p. Require that members, spouses, dependents and qualified survivors are compliant with LAFPP's Medicare Part B enrollment requirements. Require that upon attaining age 65, members, spouses and qualified survivors are placed in the appropriate Medicare plan or non-compliant plan within two months.



- q. Provide LAFPP a copy of TBD publications and mass correspondence (mail or electronic) that provide subsidy information to pensioners and include LAFPP in the distribution of such publications and correspondence.
- r. Administer health and/or dental insurance programs in accordance with the provisions of all applicable regulatory requirements including, but not limited to, HIPAA, Health Information Technology for Economic and Clinical Health Act (HITECH Act), the HIPAA Privacy Rule and the HIPAA Security Rule, and the Confidentiality of Medical Information Act, California Civil Code sections 56 - 56.16 to the extent applicable to TBD.
- s. Maintain written and/or electronic documentation of any family status change for a period of not less than two years beyond the current plan year.
- t. Use reasonable efforts to verify eligibility of all dependents upon enrollment in pensioners' medical and/or dental plans. TBD must conduct a dependent eligibility verification, during the term of the contract, to verify the eligibility of the pensioners' spouse, domestic partner, children, stepchildren and domestic partner's children enrolled in health and/or dental plans. During the term of the contract each pensioner will be required to verify the eligibility of their dependents.
- u. Adopt and keep in effect a records retention policy.
- v. Once during the term of this contract, allow an audit/examination of the health and/or dental plans related to the subsidy program, the scope and objectives to be defined by LAFPP and/or LAFPP's Departmental Audit Manager subject to all applicable laws and auditing or similar professional standards. The audit/examination may examine the effectiveness, economy, efficiency, internal controls, compliance or prospective analysis of the health and dental plans as administered by TBD.
- w. Subject to other provisions of this Agreement, any or all of the above listed services may be provided through the use of third-party contractors engaged for such purposes by TBD.
- x. Provide LAFPP with the health and dental insurance carriers' retroactive periods. Subsidy adjustments and reimbursements will be limited to those that fall within the insurance carriers' retroactive periods.

- y. Remit payment of any health or dental reimbursement, to which LAFPP or pensioner is legally entitled, be it subsidy or deduction, due to LAFPP or pensioners as determined by LAFPP's database, including acceptable changes submitted by transmittal in Section 3.2(m) within 30 calendar days of receipt of an invoice from LAFPP requesting such reimbursement.

Health and dental reimbursements include subsidy and/or deduction amounts owed to LAFPP by TBD due to:

- Retroactive health and/or dental plan changes submitted by TBD on its monthly transmittals;
- Payment remitted by LAFPP to TBD for any coverage period starting with the month following the pensioner's date of death; OR
- Subsidy payment errors reported to TBD within 60 days of the payment error.

### **Specific Services to be Performed by LAFPP**

LAFPP agrees to:

- a. Provide administration and payment of health and dental subsidies to TBD pursuant to the Administrative Code, City Charter, and the policies and procedures set forth by the Board of Fire & Police Pension Commissioners and the terms and provisions of this Agreement.
- b. Health and dental plans listed in the contract appendix are approved for the contract term. Any new health and dental plans will be presented in conjunction with the presentation of 3.2d for approval by the Board of Fire & Police Pension Commissioners.
- c. With respect to article 3.2(h), LAFPP agrees to notify TBD, within twenty (20) days of receipt of any TBD electronic file, of any discrepancies, including, but not limited to:
  - Eligibility
  - Social Security Numbers or other unique identifier
  - Premiums
  - Subsidies
  - Deduction Codes
  - Health plan Codes
  - Part Codes
- d. Remit electronic payment of TBD's monthly health and/or dental subsidy amounts in full, as determined per LAFPP's database and including acceptable changes submitted by transmittal pursuant to Section 3.2(k) of this Agreement, to TBD via electronic fund

transfers through LAFPP's custodian bank on the last working day of the month of the pay period ending date.

- e. Provide monthly electronic reports to TBD with a complete detailed breakdown and summary of all subsidy payments, including any and all adjustments to each health and/or dental plan for all pensioners and their dependents covered by TBD by the last working day of each month. The monthly reports shall be maintained in electronic format and transmitted to TBD via secure electronic transmission.
  
- f. Provide the following data to TBD, as applicable, via secure electronic transmission on a monthly basis:
  - Pensioner Social Security Number or other unique identifier
  - Pensioner first name, middle initial, and last name
  - Pensioner address
  - Pensioner birth date
  - Pensioner effective date of pension
  - Pensioner years of service
  - Pensioner Pension Fund Code & Tier
  - Pay period ending date
  - Health Deduction Code
  - Health Deduction Amount
  - Health Plan Code
  - Health Part Code
  - Health Subsidy Amount
  - Health Premium Amount
  - Primary Dental Deduction Code
  - Primary Dental Deduction Amount
  - Primary Dental Plan Code
  - Primary Dental Part Code
  - Primary Dental Subsidy Amount
  - Primary Dental Premium Amount
  - Secondary Dental Deduction Code
  - Secondary Dental Deduction Amount
  - Secondary Dental Plan Code
  - Secondary Dental Part Code
  - Secondary Dental Subsidy Amount
  - Secondary Dental Premium Amount
  - Outstanding deductions

- Any other available data determined necessary by mutual agreement to accurately and effectively administer the plans
- g. Provide TBD with a copy of the pensioner's Medicare Identification Card upon receipt by LAFPP. Also, provide TBD with a copy of any Medicare Identification Cards received by LAFPP for dependents known by LAFPP to be enrolled in a TBD health plan.
- h. Include TBD in the distribution of any mass correspondence (mail or electronic) related to health or dental plans that is sent to all pensioners and provide TBD with reasonable advance notice of any such mass correspondence.
- i. Provide to TBD a monthly electronic file of all new pensioners to the Pension roll no later than the 25th of each month. The file shall include the pensioner's fund code, name, social security number (or other unique identifier), subsidy eligibility, years of service, pension effective date, whether the pensioner's subsidy is frozen (should a subsidy freeze be in effect), and DROP exit date.
- j. Notify TBD of any pensioner health or dental subsidy eligibility change or potential pensioner status change resulting in a pensioner no longer being entitled to any health and/or dental insurance subsidy and/or a pension payment. This notification will take place at least five (5) working days prior to the first day of the month for which the payment, or record of payment, is being held. All notifications shall include pensioner name, reason for/outcome of payment notification hold, and the effective date of the action/outcome. All notifications will include the type of change and the effective date. In cases where pension payments and/or subsidies are being held, any retroactive cancellation of premium deduction and/or subsidy payment to TBD, resulting from such notification may not exceed sixty (60) days.

In all other cases where there is any plan or part code change that affects a pensioner's retroactive health and/or dental premium and/or subsidy amount(s), any retroactive premium and/or subsidy adjustments must be made in accordance with applicable carrier time period retroactivity adjustment rules.

- k. Comply with reasonable requests to address TBD's data processing requirements, including but not limited to altering existing subsidy adjustment forms into an electronic format that may be used by TBD to calculate related deduction adjustments.
- l. Upon notification by TBD, LAFPP agrees to review and consider the need to program and establish any new Part Code and premiums required by TBD in the administration of the health and/or dental programs, within thirty (30) days of being notified by TBD.

- m. Adopt and keep in effect a records retention policy period pursuant to City of Los Angeles records retention policy.
- n. Provide to TBD a reconciliation of deductions and subsidies on the output file to the cash deductions and cash subsidy receipts by the 5th day of the month following the payroll period ending date. Any discrepancies will be corrected by LAFPP on the following payroll period ending reports.
- o. Provide to TBD a copy of the pensioner's marital dissolution judgment or similar court order by the last day of each month (provided the documentation is in LAFPP's possession) after the pensioner's status is changed to "divorced" in the LAFPP system if pensioner is enrolled in a TBD health or dental plan and pensioner has two-party or family coverage.
- p. Remit payment of any health and/or dental subsidy and/or deduction reimbursement, to which TBD or pensioner is legally entitled, be it subsidy or deduction, due to TBD or pensioners as determined per TBD's database; including acceptable changes submitted by transmittal within 30 calendar days of receipt of an invoice from TBD requesting such reimbursement.

### CLAIMS DATA REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering self-insured health plans.

#### Contracts

- Network Access Agreement
- Prescription Drug contracts (including rebates and Admin Fees)
- Stop Loss contracts (aggregate & specific coverages and premiums)
- TPA contract including fees charged for all services
- Disease Management Vendor contract
- Dental contract (most recent)
- Wellness program contract

#### Summary Plan Descriptions

- PPO Medical and Prescription Drug
- Medicare Supplemental Medical and RX

#### Financial Reporting

- Medical, RX and Dental claims data for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Top twenty RX by script and by dollar amounts
- Large claims data (individual claims exceeding \$50,000), for last twenty-four months prior to renewal
- Medical pooling point for individual claims
- Aggregate stop loss attachment point for renewal
- Expected Medical and RX claims for renewal
- Statistically valid random sampling of claims sufficient to permit an audit of claims in accordance with industry standards

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering fully insured health plans.

#### Contracts

- Medical and RX current contracts
- Wellness Program Contract (if applicable)

#### Summary Plan Descriptions

- Medical and RX
- Medicare Supplement Medical and RX

Financial Reporting

- Medical and RX premiums and claims data for last thirty-six months prior to renewal
- Enrollment for each plan by month for last thirty-six months prior to renewal
- Top twenty RX utilization report for last twenty-four months prior to renewal
- Large claims data (individual claims over \$50,000), for last twenty-four months prior to renewal
- Insured pooling point for individual claims
- Renewal underwriting calculations for upcoming renewal including:
  - Credit amount for large claims
  - Resources for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

The following aggregate de-identified claims data shall be provided to LAFPP for third-party administrators offering dental plans.

Contracts

- Current dental contract

Summary Plan Descriptions

- Dental

Financial Reporting

- Dental premiums and claims for last thirty-six months prior to renewal
- Month by month number of retirees covered for last thirty-six months prior to renewal
- Renewal underwriting calculations prior to renewal including:
  - Credit amount for large claims
  - Reserves for IBNR
  - Trend factors
  - Commissions/fees
  - Insurance carrier retention
  - Premium taxes
  - ACA fees

**Appendix G - Addendum to Proposed Contract Language (TPA Admin Services)**

## **TPA Administration Services**

Below is a listing of the services association and/or union plans would need to provide to LAFPP covered retired members.

- Member self-service portal
- Enrollment and eligibility processing and analysis
- Annual Enrollment
- COBRA administration
- Direct Bill administration
- Payroll file exports
- Carrier file exports
- Vendor billing
- Beneficiary administration
- Secure member communications, for example:
  - Miscellaneous letters
  - Beneficiary letters
  - Dependent verification reminders
  - Age 26 notices
  - Age 65 Medicare notices
  - Mass emails
- Dependent verification documentation
- Fields all customer service calls
- Accounting reconciliation between the benefit plans and LAFPP
- Researches and responds to multiple questions from LAFPP staff and Board Members
- Engages in Member initiated claims disputes and resolution
- Assists members with understanding their EOBs
- Assists Members with Medicare enrollment
- Works with carriers to identify appropriate provider solutions
- Manages all open enrollment communications





Los Angeles Police Relief Association  
600 N. Grand Avenue  
Los Angeles, CA 90012  
[www.lapra.org](http://www.lapra.org)



Los Angeles Fire Relief Association  
7470 N. Figueroa Street  
Los Angeles, CA 90041  
[www.lafra.org](http://www.lafra.org)

June 16, 2022

Los Angeles Fire and Police Pensions  
Attn: Mr. Ray Ciranna  
701 East 3rd Street, Suite 200  
Los Angeles, CA 90013

Re: Your Letter of June 10, 2022 Relating to an RFP

Dear Ray:

Thank you for the above letter. We have reviewed it with our advisers. Here is our response:

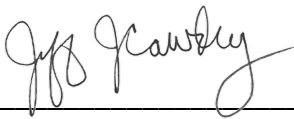
1. We do not consent to the use of any of our Claims Information in connection with any RFP. Our Contract with LAFPP and related BAA require such consent and we decline to give it. We have no duty-fiduciary or otherwise- to provide such consent. Pipefitters Local 636 v. Blue Cross Blue Shield of Michigan, 2007 WL 128773 (6th Cir. 2007). Oddly, this directly-on-point case is not cited in the City Attorney's Memorandum of May 3, 2018.
2. The BAA entitles us to an injunction if any of our Claims Information is disclosed without our consent. We intend to exercise that right if any of our Claims Information is disclosed. BAA, Exhibit A, Paragraph 3. (USI & LAFPP agree that we may be entitled to injunctive relief to prevent disclosure of our Claims Information).
3. LAFPP has no fiduciary duty to obtain an RFP since USI has validated the competitiveness of our rates and services. In a recent case the court refused to order fiduciaries to undertake an RFP despite not having done one in 19 years! Ramos v. Banner Health, 2021 WL 2387909 (10th Cir. 2021)

Mr. Ray Ciranna  
June 16, 2022  
Page 2

4. For retirees who have elected to contribute the 2%, they are vested in the “retiree health benefits” in effect on June 30, 2011. LAFRA and LAPRA were obviously an integral part of those benefits on that date (i.e., part of the “same ball of wax”) *Bastian -Blessing v. NLRB*, 474 F.2d 49 (6th Cir. 1973); and therefore, an RFP can only affect the relatively small number of individuals who have not elected to contribute the 2%. Clearly, our Members have been contributing the 2% with the expectation and understanding that LAPRA and LAFRA would be available to them upon retirement. *Bastian-Blessing*, supra.
5. The City of Los Angeles in 2021 was forced to abandon its RFP for health benefits because of practical difficulties with the Best and Last Offer (BAFO) requirement. JLMBC Proposed Minutes (7/1/21) We respectfully ask why that won’t present the same “practical” (see discussion below) problem for LAFPP, assuming the RFP will include the usual BAFO provision? If the City is not required to conduct an RFP in the same situation, why is LAFPP so obligated?
6. In light of the above, we do not believe an RFP is necessary, particularly since USI has repeatedly validated our program both in terms of services and costs. Thus, an RFP appears an unnecessary waste of the Plan’s assets and the time of all concerned.

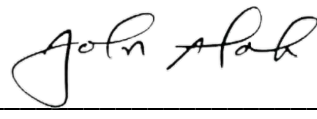
Therefore, we respectfully urge the Board does not proceed with an unnecessary and not “practical” (within the meaning of Section 371(e) of the City Charter and Section 10.15(a)(10) of the Administrative Code, which do not require an RFP in that situation) attempt at an RFP, but rather devote its time, energies, and resources into promptly negotiating a subsequent agreement with us to be effective on July 1, 2023.

Sincerely,



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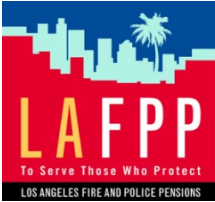
Jeff Cawdrey, President  
Los Angeles Firemen’s Relief Association



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John Shah, President  
Los Angeles Police Relief Association

Cc: Anya Freedman, Esq.  
Michael Kanne  
Robert Macaulay  
Brian Macaulay



## **AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM**

### **AGENDA**

#### **Board of Fire and Police Pension Commissioners**

Garrett Zimmon, Chair  
Andrea Ambriz, Vice Chair  
Rigo Arellano  
Sumi Parekh

August 5, 2022  
**10:30 a.m.**

Sam Diannitto Boardroom  
Los Angeles Fire and Police Pensions Building  
701 East 3rd Street, Suite 400  
Los Angeles, CA 90013

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**Important Message to the Public:** 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 August 5, 2022 meeting of the Board of Fire and Police Pension Commissioners will be conducted both in the LAFPP Boardroom and via telephone and/or video conferencing.

Members of the public who wish to attend the Board meeting in person must comply with these FOUR requirements: 1) provide proof of COVID-19 vaccination (fully vaccinated) OR negative COVID-19 test results (for test taken within 72-hours prior to building entry); 2) provide government issued photo identification; 3) submit to take a temperature scan, registering a temperature lower than 100.4 degrees; AND 4) wear appropriate face coverings regardless of vaccination status. Alternatively, members of the public will have the opportunity to observe the meeting and provide public comment telephonically.

To provide public comment telephonically, please call (669) 900-9128 or (346) 248-7799 and enter Meeting ID 898 405 2575 (Please note: Toll charges may apply).

If you do not want to make a public comment, you may stream the meeting from the website ([www.lafpp.com](http://www.lafpp.com)) or call any of the following numbers to access the Council Phone system and listen to live coverage: (213) 621-CITY (Downtown), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Please refer to [www.lafpp.com](http://www.lafpp.com) for more information.

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 use the telephone number provided above.

**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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

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 by clicking on LAFPP's website at [www.lafpp.com](http://www.lafpp.com). 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) 279-3037 or by e-mail at [evange.masud@lafpp.com](mailto:evange.masud@lafpp.com).

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 the Department of Fire and Police Pensions, (213) 279-3000 voice or (213) 628-7713 TDD.

1. CALL TO ORDER
  - a. Roll Call
2. GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
3. DISCUSSION OF ISSUES RAISED DURING THE PRIOR AD HOC COMMITTEE MEETING AND POSSIBLE COMMITTEE ACTION
4. SUBSIDY PROGRAM AUDIT REPORTS
5. ANNUAL RATE RENEWAL REVIEW BY USI
6. ASSOCIATION RESPONSES REGARDING PROPOSED RFP'S, INTERNAL RFP PROCESSES, AND SERVICES PROVIDED



## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM**

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**DATE: AUGUST 5, 2022**

**ITEM: 3**

**FROM: RAYMOND P. CIRANNA, GENERAL MANAGER**

**SUBJECT: DISCUSSION OF ISSUES RAISED DURING THE PRIOR AD HOC COMMITTEE MEETING AND POSSIBLE COMMITTEE ACTION**

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#### **RECOMMENDATION**

That the Ad Hoc Committee direct staff to continue to research and report back on issues related to the proposed Requests for Proposals (RFPs) for retiree health, dental, and vision insurance plans and/or third-party administrator services.

#### **DISCUSSION**

At its July 21, 2022 meeting, the Ad Hoc Committee solicited public comments from the current health and dental plan administrators regarding the proposed retiree health, dental, and vision insurance and/or third-party administrator services RFPs. At today's meeting there will be additional reports that discuss the Associations' [i.e., Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), United Firefighters of Los Angeles City (UFLAC), and Los Angeles Police Protective League (LAPPL)] internal RFP processes and the variety of services they provide to LAFPP retirees, the scope of the annual rate renewal analysis performed by the Board's health consultant (USI), and the prior subsidy program audits performed by the Internal Audit Section. Additionally, pursuant to some of the comments and the Committee's discussion, staff is providing the Committee information on the prior RFP that LAFPP conducted for retiree health, dental, and vision insurance plans.

#### Prior RFPs

On November 17, 2016, the Board authorized the release of RFPs for retiree health, dental, and vision insurance plans (Attachment 1). The purpose of the RFPs was to find suitable plans for a small group of pensioners that were losing access to their current Los Angeles City Employees' Retirement System (LACERS) plans, future Port and Airport Police officers as they retired, as well as retired firefighters and police officers (and their survivors) who either chose not to enroll in the Association-sponsored health plans while active or were not eligible to participate in their plans for a variety of reasons. At the time, Port and Airport Police officers were not permitted to enroll in one of the Association plans. At the July 6, 2017 Board meeting, Kaiser Permanente and Anthem Blue Cross were selected as the approved insurance carriers for LAFPP-managed health and dental plans for the small group of pensioners (Attachment 2). On September 20, 2017, the Board directed staff to discontinue contract negotiations with Kaiser Permanente and Anthem Blue Cross, as the Associations agreed to modify their enrollment requirements to allow the affected pensioners access to existing Association retiree health and dental plans (Attachment 3).

On June 21, 2018, due to continuing difficulties for some retirees and surviving spouses to enroll in Association plans, the Board directed staff to work with USI on the feasibility and requirements of establishing a Kaiser health plan and dental plan options available to all retirees (Attachment 4). USI solicited Kaiser for quotes for all retirees enrolled in an Association-sponsored Kaiser plan with benefits that duplicated LAFRA's Kaiser plan. LAFPP only provided Kaiser with current census data of the retired Kaiser enrollees and due to the limited data available, Kaiser quoted based on their "break-in/break-away" policy. Kaiser's policy was intended to be revenue neutral and used the existing LAFRA and LAPRA rates as the base rate, plus a small rate adjustment for the first year. However, Kaiser warned USI that the rates for the first year would not accurately reflect the early retiree (under age 65) population when they were rated on their own after the first coverage year. Kaiser estimated that the first renewal could result in an increase of 30-40% in the rates for the early retirees. Due to the prospect of a large increase in Kaiser rates, the Board directed staff to work with the Associations to reduce the barriers that some retirees and survivors experienced in enrolling in Association plans.

Attachment 5 provides the current enrollment eligibility options for all LAFPP retirees and beneficiaries. Under the terms of the current Association contracts, the Board annually approves the health and dental plans as suitable plans eligible for the subsidy program. The contracts also require the Associations to present an annual report to the Board on their plans and any plan design, premium, or administrative fee changes.

## **BUDGET**

No budget impact is associated with this report.

## **POLICY**

No policy changes as recommended.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Chief Benefits Analyst  
Pensions Division

RPC:JS:GM

Attachments (5)

Attachment 1 – November 17, 2016, Report to the Board Authorizing the Release of an RFP

Attachment 2 – July 6, 2017, Report to the Board Approving Selection of Kaiser and Anthem

Attachment 3 – September 20, 2017, Report to the Board Discontinuing Contract Negotiations with Kaiser and Anthem

Attachment 4 – June 21, 2018, Report to the Board on Status of Association Contracts

Attachment 5 – Enrollment Eligibility Options for LAFPP Retirees and Beneficiaries



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** NOVEMBER 17, 2016 **ITEM:** 1

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** APPROVAL TO ISSUE REQUESTS FOR PROPOSALS FOR GROUP MEDICAL, DENTAL AND VISION PLANS AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board:

- 1) Authorize the General Manager to issue Requests for Proposals (RFPs) for group medical, dental and vision plans; and,
- 2) Direct staff to provide a report back to the Board with recommendations for contract award(s) upon completion of the competitive proposal and evaluation process.

#### **DISCUSSION**

In addition to LAFPP's core role of administering pension benefits, our services also include retiree health and dental subsidy administration. As stated in the Los Angeles Administrative Code, "In furtherance thereof, the Board shall provide suitable health, medical, hospital or other plans as may be authorized by ordinance and shall have the power to adopt such rules as it deems necessary to administer the program." While the vast majority of our pensioners are enrolled in retiree medical and dental plans through either the Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), Los Angeles Police Protective League (LAPPL), or United Firefighters of Los Angeles City (UFLAC), a small group of LAFPP pensioners (73 pensioners currently enrolled; 107 total covered lives) receive their coverage through a Los Angeles City Employees' Retirement System-sponsored (LACERS) health or dental plan since LACERS took over civilian retiree health plan administration from the City's Personnel Department in 1999.

Through an agreement with LACERS, LAFPP has continued to offer coverage through LACERS health plans for both Harbor Port Police who retired from LAFPP, as well as retired firefighters and police officers (and their qualified survivors) who either chose not to enroll in the Association-sponsored health plans while active, or are not eligible to participate in their plans for a variety of reasons. LACERS has informed LAFPP that it will end all LAFPP pensioner enrollment in its medical and dental plans as soon as June 30, 2017.

While this small group currently includes only 73 members, it will continue to grow larger as more Port Police retire from the Harbor Department. Furthermore, Measure SSS on the November 8, 2016 Special Municipal Election ballot appears to have passed by a narrow majority of City voters. This



change will allow current Airport Police Officers to transfer into LAFPP and enroll all new Airport Police Officers hired after a certain date to become members of LAFPP Tier 6. LAFPP will need to provide retiree health and dental coverage options for these new members when they begin to retire in the future.

To address this issue, LAFPP's FY 2016-17 Business Plan includes a project<sup>1</sup> to explore alternative medical and dental insurance coverage options for not only the small group of pensioners currently enrolled in LACERS plans, but for other LAFPP members, as there continues to be enrollment eligibility issues for retired firefighters who are unable to enroll in LAFRA and UFLAC plans, in addition to the Harbor Port Police and future Airport Police.

On July 21, 2016, the Board directed staff to continue researching alternative medical and dental insurance coverage options for these LAFPP members as delineated in the Business Plan.

Upon approval by the Board to release the RFPs, staff proposes the following timeline:

<u>Action</u>	<u>Date</u>
Release RFPs	February 2017
Proposal Deadline	March 2017
Finalist Selection/Interviews	April – May, 2017
Negotiation of Terms/Costs	June – July, 2017
Award Contracts	August 2017
Open Enrollment	October – November, 2017
Effective Date of Plans	January 1, 2018

The RFP process will include examination of proposals and due diligence performed by both staff and LAFPP's health consultant. The RFPs will be published on the LAFPP website and on the City's Business Assistance Virtual Network (BAVN) website. In addition to the web postings, it is anticipated that a separate invitation to submit proposals will be sent to various organizations as determined by staff and the consultant. The finalists will then be selected and presented to the Board for consideration.

## **BUDGET**

As recommended, there is sufficient funding in the FY 2016-17 Budget to cover the estimated costs for LAFPP's health consultant to assist staff in preparing, issuing and evaluating proposals for the group medical, dental and vision coverage RFPs.

## **POLICY**

No policy changes as recommended.

This report was prepared by:

Kyle Susswain, Manager  
Medical & Dental Benefits Section

RPC:JS:GM:KS

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<sup>1</sup> Project 6: Health Care Education and Research/Implement Options for Members



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** JULY 6, 2017

**ITEM:** A.2

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** CONTINUATION OF MEDICAL, DENTAL AND VISION INSURANCE PLANS  
OFFERED BY LAFPP AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board:

- 1) Direct staff to work with United Firefighters of Los Angeles City (UFLAC) to amend the Operations Agreement with UFLAC to allow pensioners currently enrolled in the LACERS health plans to enroll in UFLAC's Anthem PPO and HMO health plans;
- 2) Approve Staff's selection of Kaiser Permanente to provide health and vision insurance services to the pensioners currently enrolled in the LACERS health plans effective January 1, 2018;
- 3) Approve Staff's selection of Anthem Blue Cross to provide dental insurance services to the pensioners currently enrolled in the LACERS dental plans effective January 1, 2018;
- 4) Authorize the General Manager to negotiate and execute the terms and conditions of the contracts; and,
- 5) Authorize the President of the Board, on behalf of the Board, to execute the contracts, subject to the approval of the City Attorney as to form.

#### **BACKGROUND**

The majority of Los Angeles Fire and Police Pensions (LAFPP) pensioners are enrolled in retiree medical and dental insurance plans administered by the Los Angeles Firemen's Relief Association (LAFRA), the Los Angeles Police Relief Association (LAPRA), the Los Angeles Police Protective League (LAPPL), or the United Firefighters of Los Angeles City (UFLAC). A small group of pensioners consisting of retired Port Police officers as well as some Los Angeles Fire Department (LAFD) members are currently enrolled in Los Angeles City Employees' Retirement System (LACERS) plans.

On March 31, 2017, the City Council adopted a change to the Administrative Code impacting retired sworn members' eligibility for LACERS health insurance coverage. Some members within the group of LAFPP pensioners who are currently enrolled in a health insurance plan through LACERS, will lose their LACERS health insurance coverage effective January 1, 2018 ("small group"). This change also affects all future Airport Police and Port Police retirees. However, pensioners who enrolled in LACERS medical and dental plans before 1999 remain unaffected and may continue to receive their health insurance coverage through LACERS.

## **DISCUSSION**

On November 17, 2016, the Board authorized the release of Requests for Proposals (RFPs) for group medical, dental and vision insurance plans. The purpose of the RFPs was to find suitable medical, dental and vision insurance plans for the group of LAFPP pensioners losing access to their current LACERS plans, as well as for future Airport Police and Port Police Officers as they retire.

On February 16, 2017, the Board authorized Keenan & Associates (Keenan), the Plan's health consultant, to include specific plan design options in the RFPs and to secure rate quotes for plans covering the small group of LACERS-insured pensioners, and for plans covering all LAFPP retired members and surviving spouses. Keenan presented preliminary information regarding the results of the RFPs on June 1, 2017.

When the item was brought back to the Board on June 15, 2017, the need to find an immediate solution for the small group was reiterated and a motion was passed to form a working group to evaluate current pensioner enrolled plans and if LAFPP could provide comparable plans. The Board was also presented with a sample of premium quotes for four enrollment scenarios: 1) small group only, 2) pensioners over 65 only, 3) small group and voluntary enrollment of any pensioner, 4) enrollment of all pensioners; as well as a comparison of benefits of current and proposed plans.

## **PROPOSED HEALTH INSURANCE PLANS**

### Medical

Timely Board approval is critical to the implementation of new LAFPP-managed health insurance plans and the successful enrollment of affected retirees and dependents by January 1, 2018. A total of 73 retirees are currently insured by LACERS, of which 21 will be required to enroll in a non-LACERS health plan for 2018. This small group consists of 10 LAFD and 11 Port Police retirees, as well as 10 dependents combined. Of the total number of possible enrollees, 20 are under the age of 65 or enrolled in Medicare Part B only.

The proposed LAFPP-managed health plan will consist of medical and vision coverage through Kaiser Permanente (Kaiser), open access to the LAFPP Health Insurance Premium Reimbursement Program (HIPR), and dental coverage for the small group and any future Port and Airport Police retirees and their respective dependents. The Kaiser plan will include both medical and vision coverage based on the 2017 LACERS plan and will be negotiated on an annual basis. Current retirees who plan to re-enroll in Kaiser for 2018 will continue to have zero out-of-pocket cost for their monthly premiums. However, retirees who are under the age of 65 and are enrolled in a multi-party plan could expect to see a three percent increase in their medical premium or an additional minimum \$50.00 deduction per month.

The chart below is a comparison of Kaiser rates for 2017 and 2018.

<b>Kaiser Permanente Monthly Premiums</b>			
	<b>2017 Current Rates</b>	<b>2018 Proposed Rates</b>	<b>Change</b>
<b>Under 65 Plans</b>			
Single-Party	\$ 826.43	\$ 851.86	+\$25.43
Two-Party	\$ 1,652.86	\$ 1,703.72	+\$50.86
Family	\$ 2,148.72	\$ 2,214.84	+\$66.12
<b>Over 65 Plans</b>			
Single-Party	\$ 245.25	\$ 259.97	+\$14.72
Two-Party (Both Medicare)	\$ 490.50	\$ 519.94	+\$29.44
Family (Child Non-Medicare)	\$ 986.36	\$ 779.91	-\$206.45

In 2019, premiums for Kaiser may increase up to 22% for retirees under the age of 65 or enrolled in Medicare Part B only. The impact of which would be minimal for enrollees in a single-party plan. However, those enrolled in a two-party or family plan could experience up to an 87% increase in out-of-pocket costs.

While most of the small group are currently enrolled in a Kaiser plan (14 of the 21 pensioners), some are enrolled in a PPO or HMO plan through a different carrier. It was originally proposed to offer PPO and HMO plans through Anthem Blue Cross (Anthem), however, with very few current enrollees, the anticipated premiums would result in significantly higher out-of-pocket costs. UFLAC has offered to accept these pensioners and allow them access to their Anthem medical plans. The annual premiums are competitive and allow those pensioners to enroll in an Anthem PPO or HMO plan (Attachment 7). The terms of the current Operations Agreement between LAFPP and UFLAC would need to be updated to effectuate these additional plan options.

One final option for pensioners wanting to enroll in an alternate plan is to take advantage of HIPR. Pensioners may find alternate plans on the individual market and get reimbursed for their qualifying health insurance premiums up to the maximum available subsidy amount on a quarterly basis.

### Dental

Dental coverage will be provided through Anthem to the small group. The proposed dental plan is comparable to current Association/Union plans offered. Due to the limited number of eligible enrollees, some of the negotiated rates are higher than the current rates available through LACERS. Dental premiums will nearly double for retirees enrolled in the proposed Anthem DPPO single-party plan. Those enrolled in a two-party plan would see an approximate 33 percent increase in monthly premiums. However, the premium for those enrolled in a family plan will only increase by only \$0.14

per month. The table below shows the current LACERS dental premiums and the proposed LAFPP Anthem DPPO rates. Delta Dental provided a quote that was only applicable if all pensioners were enrolled.

<b>Plans</b>	<b>Current 2017 Delta Dental PPO</b>	<b>Proposed 2018 Anthem Blue Cross DPPO</b>	<b>Change</b>
Single-Party	\$49.43	\$89.24	+\$39.81
Two-Party	\$98.02	\$131.00	+\$32.98
Family	\$141.60	\$141.74	+\$0.14

## **BUDGET**

If the proposed LAFPP-managed health plans are approved, the impact to the budget would be minimal. It is expected members will want to remain subscribers to their current health insurance carriers requiring similar premium deductions. While those seeking to enroll independently in an alternate plan could expect to require the full subsidy payment. The total cost in subsidies for the small group medical and vision plans would be approximately \$118,326 for January 2018 through June 2018 based on members' current plans and health subsidy, which is a 12% increase from the current amount. There is no anticipated increase in subsidies for dental coverage and subsidy payments will be approximately \$7,000 for January 2018 through June 2018. Assuming Kaiser subscribers re-enroll in a Kaiser plan and PPO and HMO subscribers require the full subsidy amount, total fiscal year subsidy costs for the small group for 2018 will be approximately \$125,252.

## **POLICY**

If the staff recommendations are approved, the Department will be administering medical and dental plans in-house for this first time.

This report was prepared by:

Eunice Zordilla, Manager  
Medical & Dental Benefits Section

RPC:JS:GM:EZ

Attachments (7)

Attachment 1 – Medical Premium Overview

Attachment 2 – Kaiser Permanente Medical & Vision Summary Plan Description

Attachment 3 – Kaiser Permanente Senior Advantage Summary Plan Description

Attachment 4 – Anthem Blue Cross Dental Rate Quotation

Attachment 5 – Anthem Blue Cross Dental Summary Plan Description

Attachment 6 – Current Small Group Dental Plan Design

Attachment 7 – UFLAC Benefits Guide – Anthem PPO & HMO

# Medical Premiums - Financial Overview

## Small Group Under 65 Retirees

### PPO

TIER
Non-Medicare Retiree - Member Only
Non-Medicare Retiree - Member + 1
Non-Medicare Retiree - Family

Annual Subtotal

### HMO

TIER
Non-Medicare Retiree - Member Only
Non-Medicare Retiree - Member + 1
Non-Medicare Retiree - Family

Annual Subtotal

### Kaiser

TIER
Non-Medicare Retiree - Member Only
Non-Medicare Retiree - Member + 1
Non-Medicare Retiree - Family

Annual Subtotal

### LACERS 2017 Rates

#### Anthem PPO

EE	
2	\$1,174.34
0	\$2,348.68
0	\$2,759.70

2 \$28,184

#### Anthem CA Care

EE	
2	\$973.87
1	\$1,947.73
0	\$2,532.04

3 \$46,746

#### Kaiser

EE	
5	\$826.43
2	\$1,652.86
1	\$2,148.72

8 \$115,039

### LAFPP 2018 Rates

#### Anthem PPO

\$1,998.48
\$4,196.81
\$5,995.44

\$47,964

#### Anthem CA Care

\$1,294.13
\$2,717.67
\$3,882.39

\$63,671

#### Kaiser

\$851.86
\$1,703.72
\$2,214.84

\$118,579

# Medical Premiums - Financial Overview

## Small Group Over 65 Retirees

### Medicare Supplement/PPO

TIER
Medicare Retiree - Member Only
Medicare Retiree - Member + 1
Medicare Retiree - Family (2 Dependents Non-Medicare)

Annual Subtotal

### Medicare/Hybrid

TIER
Medicare Retiree - Member Only
Medicare Retiree - Member + 1
Medicare Retiree - Family

Annual Subtotal

### Kaiser

TIER
Medicare Retiree - Member Only
Medicare Retiree - Member + 1 (Both Medicare)
Medicare Retiree - Family (Child Non-Medicare)

Annual Subtotal

### LACERS 2017 Rates

Anthem Medicare Supp.

EE	
3	\$497.78
0	\$995.56
0	\$1,493.34

3 \$17,920

United

EE	
3	\$252.67
0	\$505.34
0	\$758.01

3 \$9,096

Kaiser

EE	
4	\$245.25
3	\$490.50
0	\$986.36

7 \$29,430

### LAFPP 2018 Rates

Anthem PPO/COB

\$1,559.00
\$3,273.89
\$4,676.99

\$56,124

Anthem CA Care

\$1,012.79
\$2,306.92
\$3,038.37

\$36,460

Kaiser

\$259.97
\$519.94
\$779.91

\$31,196



# Medical Premiums - Financial Overview

<b>Small Group Total Retirees</b>		<b>2016-17 Rates</b>	<b>Fully Insured</b>
		PREMIUM	PREMIUM
Annual Premium - Under 65 Retirees	EE 13	\$189,969	\$230,214
Annual Premium - Over 65 Retirees	<u>13</u>	\$56,446	\$123,781
Annual Premium - Total Retirees	26	\$246,415	\$353,994

225576 LOS ANGELES CITY EMPLOYEES' RETIREMENT

**Principal Benefits for  
Kaiser Permanente Traditional Plan (1/1/17—12/31/17)**

Health Plan believes this coverage is a "grandfathered health plan" under the Patient Protection and Affordable Care Act. If you have questions about grandfathered health plans, please call our Member Service Contact Center.

**Accumulation Period**

The Accumulation Period for this plan is 1/1/17 through 12/31/17 (calendar year).

**Out-of-Pocket Maximum(s) and Deductible(s)**

For Services that apply to the Plan Out-of-Pocket Maximum, you will not pay any more Cost Share for the rest of the Accumulation Period once you have reached the amounts listed below.

Amounts Per Accumulation Period	Self-Only Coverage (a Family of one Member)	Family Coverage Each Member in a Family of two or more Members	Family Coverage Entire Family of two or more Members
Plan Out-of-Pocket Maximum	\$500	\$500	\$1,500
Plan Deductible	None	None	None
Drug Deductible	None	None	None

**Professional Services (Plan Provider office visits)**

**You Pay**

Most Primary Care Visits and most Non-Physician Specialist Visits.....	\$20 per visit
Most Physician Specialist Visits.....	\$20 per visit
Routine physical maintenance exams, including well-woman exams .....	\$20 per visit
Well-child preventive exams (through age 23 months).....	\$5 per visit
Family planning counseling and consultations.....	\$20 per visit
Scheduled prenatal care exams .....	\$5 per visit
Routine eye exams with a Plan Optometrist .....	\$20 per visit
Urgent care consultations, evaluations, and treatment .....	\$20 per visit
Most physical, occupational, and speech therapy.....	\$20 per visit

**Outpatient Services**

**You Pay**

Outpatient surgery and certain other outpatient procedures .....	\$20 per procedure
Allergy injections (including allergy serum) .....	No charge
Most immunizations (including the vaccine) .....	No charge
Most X-rays and laboratory tests.....	No charge
Most individual health education counseling .....	\$20 per visit
Covered health education programs .....	No charge

**Hospitalization Services**

**You Pay**

Room and board, surgery, anesthesia, X-rays, laboratory tests, and drugs.....	No charge
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**Emergency Health Coverage**

**You Pay**

Emergency Department visits.....	\$100 per visit
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Note: This Cost Share does not apply if you are admitted directly to the hospital as an inpatient for covered Services (see "Hospitalization Services" for inpatient Cost Share).

**Ambulance Services**

**You Pay**

Ambulance Services.....	No charge
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**Prescription Drug Coverage**

**You Pay**

Covered outpatient items in accord with our drug formulary guidelines:

Most generic items at a Plan Pharmacy .....	\$15 for up to a 30-day supply
Most generic refills through our mail-order service.....	\$30 for up to a 100-day supply
Most brand-name items at a Plan Pharmacy .....	\$35 for up to a 30-day supply
Most brand-name refills through our mail-order service.....	\$70 for up to a 100-day supply
Most specialty items at a Plan Pharmacy .....	\$100 for up to a 30-day supply

**Durable Medical Equipment (DME)**

**You Pay**

DME items in accord with our DME formulary guidelines .....	No charge
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**Mental Health Services**

**You Pay**

Inpatient psychiatric hospitalization.....	No charge
Individual outpatient mental health evaluation and treatment .....	\$20 per visit
Group outpatient mental health treatment .....	\$10 per visit

<b>Chemical Dependency Services</b>	<b>You Pay</b>
Inpatient detoxification .....	No charge
Individual outpatient chemical dependency evaluation and treatment.....	\$20 per visit
Group outpatient chemical dependency treatment .....	\$5 per visit
<b>Home Health Services</b>	<b>You Pay</b>
Home health care (up to 100 visits per Accumulation Period) .....	No charge
<b>Other</b>	<b>You Pay</b>
Eyeglasses or contact lenses every 24 months .....	Amount in excess of \$150 Allowance
Hearing aid(s) every 36 months.....	Amount in excess of \$2,000 Allowance per aid
Skilled nursing facility care (up to 100 days per benefit period).....	No charge
Prosthetic and orthotic devices .....	No charge
Hospice care .....	No charge

This is a summary of the most frequently asked-about benefits. This chart does not explain benefits, Cost Share, out-of-pocket maximums, exclusions, or limitations, nor does it list all benefits and Cost Share amounts. For a complete explanation, please refer to the *EOC*. Please note that we provide all benefits required by law (for example, diabetes testing supplies).

**225576 LOS ANGELES CITY EMPLOYEES' RETIREMENT**

**Principal Benefits for  
Kaiser Permanente Senior Advantage (HMO) with Part D (1/1/17—12/31/17)**

**Plan Out-of-Pocket Maximum**

For Services subject to the maximum, you will not pay any more Cost Share for the rest of the calendar year if the Copayments and Coinsurance you pay for those Services add up to one of the following amounts:

For self-only enrollment (a Family of one Member) .....	\$500 per calendar year
For any one Member in a Family of two or more Members .....	\$500 per calendar year
For an entire Family of two or more Members .....	\$1,500 per calendar year

**Plan Deductible** None

**Professional Services (Plan Provider office visits)** You Pay

Most Primary Care Visits and most Non-Physician Specialist Visits .....	\$15 per visit
Most Physician Specialist Visits .....	\$15 per visit
Annual Wellness visit and the "Welcome to Medicare" preventive visit .....	No charge
Routine physical exams .....	No charge
Routine eye exams with a Plan Optometrist .....	\$15 per visit
Urgent care consultations, evaluations, and treatment .....	\$15 per visit
Physical, occupational, and speech therapy .....	\$15 per visit

**Outpatient Services** You Pay

Outpatient surgery and certain other outpatient procedures .....	\$15 per procedure
Allergy injections (including allergy serum) .....	No charge
Most immunizations (including the vaccine) .....	No charge
Most X-rays and laboratory tests .....	No charge
Manual manipulation of the spine .....	\$15 per visit

**Hospitalization Services** You Pay

Room and board, surgery, anesthesia, X-rays, laboratory tests, and drugs .....	No charge
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**Emergency Health Coverage** You Pay

Emergency Department visits .....	\$50 per visit
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**Ambulance Services** You Pay

Ambulance Services .....	No charge
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**Prescription Drug Coverage** You Pay

Most covered outpatient items in accord with our drug formulary guidelines .....	\$15 for up to a 100-day supply
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**Durable Medical Equipment (DME)** You Pay

Covered durable medical equipment for home use .....	No charge
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**Mental Health Services** You Pay

Inpatient psychiatric hospitalization .....	No charge
Individual outpatient mental health evaluation and treatment .....	\$15 per visit
Group outpatient mental health treatment .....	\$7 per visit

<b>Chemical Dependency Services</b>	<b>You Pay</b>
Inpatient detoxification .....	No charge
Individual outpatient chemical dependency evaluation and treatment.....	\$15 per visit
Group outpatient chemical dependency treatment .....	\$5 per visit
<b>Home Health Services</b>	<b>You Pay</b>
Home health care (part-time, intermittent) .....	No charge
<b>Other</b>	<b>You Pay</b>
Eyeglasses or contact lenses every 24 months .....	Amount in excess of \$150 Allowance
Hearing aid(s) every 36 months .....	Amount in excess of \$2,000 Allowance per aid
Skilled nursing facility care (up to 100 days per benefit period) .....	No charge
External prosthetic and orthotic devices .....	No charge
Ostomy and urological supplies .....	No charge

This chart does not explain benefits, Cost Share, out-of-pocket maximums, exclusions, or limitations, nor does it list all benefits and Cost Share amounts. For more information, please refer to the *Summary of Benefits* booklet enclosed.



**Fully Insured Rate Quotation For:**

Effective Date:

Domicile State:

ATTACHMENT 4  
Attachment 2  
Los Angeles Fire and Police Pensions - LACERS  
January 1, 2018  
California

Health · Dental · Vision · Life · Disability

**DEDUCTIBLES**

	<u>In-Network</u>	<u>Out-of-Network</u>
Individual Deductible	\$0	\$25
Family Deductible Multiple	N/A	2X Individual
Deductible Waived - Diag/Prev	N/A	Yes
Deductible Waived – Orthodontics	N/A	Yes

**COST-SHARES**

	<u>In-Network</u>	<u>Out-of-Network</u>
Diagnostic & Preventive	100% Coinsurance	100% Coinsurance
Basic Restorative	90% Coinsurance	80% Coinsurance
Endodontics	90% Coinsurance	80% Coinsurance
Periodontics	90% Coinsurance	80% Coinsurance
Oral Surgery	90% Coinsurance	80% Coinsurance
Major Restorative	60% Coinsurance	50% Coinsurance
Prosthetic Repairs	60% Coinsurance	50% Coinsurance
Prosthetics	60% Coinsurance	50% Coinsurance
Orthodontics	50% Coinsurance	50% Coinsurance
Orthodontic Covers	Adults & Dependent Children	Adults & Dependent Children

**QUOTE DETAILS**

Program	Complete
Participation Requirement	85% of Net Eligibles
SIC	9111 - Executive Offices
OON Reimbursement	95th percentile
Dependent Age	Children to Age 26
Contract Length	24 Months
Posterior Composites	Alternated to Amalgam Benefit
Implants	Not Covered
Brush Biopsy	Not Covered
Pregnant / Diabetic Add'l Svcs	Covered
Sealants	Covered under Diagnostic & Preventive
Full Mouth X-Rays	Coverage Every 3 Years
Bitewing X-Rays	1X per 12 months
Prior Coverage	Without Prior Coverage
Waiting Periods - Bas/Maj	No Waiting Period
Waiting Periods - Ortho	No Waiting Periods
Waived (Initial Enrollees only)-Bas/Maj/Ortho	N/A / N/A / N/A

**MAXIMUMS**

	<u>In-Network</u>	<u>Out-of-Network</u>
Annual Maximum	\$2,000	\$2,000
Annual Maximum Carryover	No	No
Lifetime Orthodontic Maximum	\$1,750	\$1,750

**FULLY INSURED RATES**

Tier	Premium Rates	ACA Fees	Rates w/ ACA Fees	Contracts	Total Monthly Bill
Single	\$86.23	\$3.01	\$89.24	16	\$1,427.86
EE+One	\$126.57	\$4.43	\$131.00	11	\$1,440.97
Family	\$136.95	\$4.79	\$141.74	2	\$283.48
Totals				29	\$3,152.32
					\$37,827.82

Accepted By:

Underwriting Signoff:

Signature

Date

Signature

Date

Printed Name

Title

Printed Name

Title



**Fully Insured Rate Quotation For:**  
Effective Date:

**Los Angeles Fire and Police Pensions - LACERS**  
January 1, 2018

Health · Dental · Vision · Life · Disability

**Assumptions:**

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- Note 1:** The above quoted rates are based on information received by Anthem. If at the time of enrollment there is a significant change in any of the information, Anthem reserves the right to withdraw or modify the quoted rates.
- Note 2:** No commissions are included in this rate quote. The client and producer agree that no commissions shall be payable in connection with this rate quote.
- Note 3:** This Anthem plan assumes no underlying funding of any type including, but not limited to, copays, deductibles and other cost-shares.
- Note 4:** If actual enrollment varies by more than 10% from the assumed contract counts indicated, Anthem reserves the right to modify the quoted rates.
- Note 5:** Premium discounts may apply if dental coverage is combined with other Anthem lines. Please contact your Anthem sales representative for details. This quote is valid for 60 days.

**Enrollment Requirements**

A minimum of 85% of net eligible employees must enroll in this plan. If 50% or more of the employees are located outside the employer's state of domicile, acceptance is contingent upon underwriting approval. Dental offices are not eligible for coverage. DHMO is not considered comparable coverage.

Dual Option (employer can select two plans to offer to employees) available for employer-paid and voluntary plans: A dual option is available if the group has at least 15 net enrolled employees. If the group has 14 or fewer net enrolled employees, dual option is not available. If the group has 15 or more net enrolled employees and chooses dual option, a minimum of 5 employees must enroll in each option, and the two plans offered must have at least a 20% premium differential.

Final rates are subject to underwriting approval and verification of all assumptions used in the proposal rating.

**ACA Insurer's Fee**

Effective January 1, 2014, the Affordable Care Act (ACA or health care reform law) imposes a new annual fee on health insurance providers based on their market share of net premiums written, or the sum of premiums earned from all policies, during the previous year. The total fee amount to be collected across all health insurers is set at \$8 billion in 2014, \$11.3 billion in 2015 and 2016, suspended in 2017 and \$14.38 billion in 2018. After 2018, it increases annually based on premium growth. The fee is anticipated to raise \$101.7 billion and is not tax deductible.

This quotation includes amounts for the ACA Insurer Fee. Since the fees change each year in January for all business regardless of renewal date, we have calculated the amounts on a prorated basis across your full coverage period.

**Your Summary of Benefits**  
**Los Angeles Fire and Police Pensions - LACERS**  
**Anthem Dental Complete**

Health · Dental · Vision · Life · Disability

**WELCOME TO YOUR DENTAL PLAN!**

This benefit summary outlines how your dental plan works and provides you with a quick reference of your dental plan benefits. For complete coverage details, please refer to your certificate of coverage.

**Dental coverage you can count on**

Your Anthem dental plan lets you visit any licensed dentist or specialist you want - with costs that are normally lower when you choose one within our large network.

**Savings beyond your dental plan benefits - you get more for your money.**

You pay our negotiated rate for covered services from in-network dentists even if you exceed your annual benefit maximum.

<b>YOUR DENTAL PLAN AT A GLANCE</b>		<b>In-Network</b>	<b>Out-of-Network</b>	
<b>Annual Benefit Maximum</b> ▪ Per insured person	Calendar Year	<b>\$2,000</b>	<b>\$2,000</b>	
<b>D&amp;P applies to Annual Maximum</b>		<b>Yes</b>	<b>Yes</b>	
<b>Annual Maximum Carryover</b>		<b>No</b>	<b>No</b>	
<b>Orthodontic Lifetime Benefit Maximum</b> ▪ Per eligible insured person		<b>\$1,750</b>	<b>\$1,750</b>	
<b>Annual Deductible (The Deductible does not apply to Orthodontic Services)</b> ▪ Per insured person ▪ Family maximum	Calendar Year	<b>\$0</b> <b>N/A</b>	<b>\$25</b> <b>2X Individual</b>	
<b>Deductible Waived for Diagnostic/Preventive Services</b>		<b>N/A</b>	<b>Yes</b>	
<b>Out-of-Network Reimbursement Options:</b>		<b>95th percentile</b>		
<b>Dental Services</b>		<b>In-Network Anthem Pays:</b>	<b>Out-of-Network Anthem Pays:</b>	<b>Waiting Period</b>
<b>Diagnostic and Preventive Services</b> ▪ Periodic oral exam ▪ Teeth cleaning (prophylaxis) ▪ Bitewing X-rays: 1X per 12 months ▪ Intraoral X-rays		100% Coinsurance	100% Coinsurance	No Waiting Period
<b>Basic Services</b> ▪ Amalgam (silver-colored) Filling ▪ Front composite (tooth-colored) Filling ▪ Back composite Filling, Alternated to Amalgam Benefit ▪ Simple Extractions		90% Coinsurance	80% Coinsurance	No Waiting Period
<b>Endodontics</b> ▪ Root Canal		90% Coinsurance	80% Coinsurance	No Waiting Period
<b>Periodontics</b> ▪ Scaling and root planing		90% Coinsurance	80% Coinsurance	No Waiting Period
<b>Oral Surgery</b> ▪ Surgical Extractions		90% Coinsurance	80% Coinsurance	No Waiting Period
<b>Major Services</b> ▪ Crowns		60% Coinsurance	50% Coinsurance	No Waiting Period
<b>Prosthodontics</b> ▪ Dentures ▪ Bridges ▪ Dental implants Not Covered		60% Coinsurance	50% Coinsurance	No Waiting Period
<b>Prosthetic Repairs/Adjustments</b>		60% Coinsurance	50% Coinsurance	No Waiting Period
<b>Orthodontic Services</b> ▪ Adults & Dependent Children		50% Coinsurance	50% Coinsurance	No Waiting Periods

This is not a contract; it is a partial listing of benefits and services. All covered services are subject to the conditions, limitations, exclusions, terms and provisions of your certificate of coverage. In the event of a discrepancy between the information in this summary and the certificate of coverage, the certificate will prevail.

\*Child orthodontic coverage begins at age eight and runs through age 18. This means that the child must have been banded between the ages of eight and 19 in order to receive coverage. If children are dependents until age 19, they can continue to receive coverage, but they must have been banded before age 19.



**Emergency dental treatment for the international traveler**

As an Anthem dental member, you and your eligible, covered dependents automatically have access to the International Emergency Dental Program.\*\* With this program, you may receive emergency dental care from our listing of credentialed dentists while traveling or working nearly anywhere in the world.

\*\* The International Emergency Dental Program is managed by DeCare Dental, which is an independent company offering dental-management services to Anthem Blue Cross Life and Health Insurance Company.

**Promoting healthy mouths for members who are pregnant or living with diabetes**

If you are pregnant or living with diabetes, you can sign up to receive one additional dental cleaning or periodontal maintenance procedure per year.

**Finding a dentist is easy.**

To select a dentist by name or location:

- Go to [anthem.com/ca](http://anthem.com/ca) or the website listed on the back of your ID card.
- Call the toll-free customer service number listed on the back of your ID card.

**TO CONTACT US:**

Call	Write
Refer to the toll-free number indicated on the back of your plan ID card to speak with a U.S.-based customer service representative during normal business hours. Calling after hours? We may still be able to assist you with our interactive voice-response system.	Refer to the back of your plan ID card for the address.

**Limitations & Exclusions**

Limitations – Below is a partial listing of dental plan limitations when these services are covered under your plan. Please see your certificate of coverage for a full list.

**Diagnostic and Preventive Services**

- Oral evaluations** (exam) Limited to two per Calendar Year
- Teeth cleaning** (prophylaxis) Limited to two per Calendar Year
- Intraoral X-rays, single film** Limited to four films per 12-month period
- Complete series X-rays** (panoramic or full-mouth) Coverage Every 3 Years
- Topical fluoride application** Limited to once every 12 months for members through age 18

**Sealants** Limited to first and second molars once every 24 months per tooth for members through age 15; sealants may be covered under Diagnostic and Preventive or Basic Services.

**Basic and/or Major Services\*\*\***

- Fillings** Limited to once per surface per tooth in any 24 months
- Space Maintainers** Limited to extracted primary posterior teeth once per lifetime per tooth for members through age 16; Space Maintainers may be covered under Diagnostic and Preventive or Basic Services.

**Crowns** Limited to once per tooth in a seven-year period

**Fixed or removable prosthodontics – dentures, partials, bridges**

Covered once in any seven-year period; benefits are provided for the replacement of an existing bridge, denture or partial for members age 16 or older if the appliance is seven years old or older and cannot be made serviceable.

**Root canal therapy** Limited to once per lifetime per tooth; coverage is for permanent teeth only.

**Periodontal surgery** Limited to one complex service per single tooth or quadrant in any 36 months, and only if the pocket depth of the tooth is five millimeters or greater

**Periodontal scaling and root planing** Limited to once per quadrant in 36 months when the tooth pocket has a depth of four millimeters or greater

**Brush Biopsy** Not Covered

\*\*\***Waiting periods** for endodontic, periodontic and oral surgery services may differ from other Basic Services or Major Services under the same dental plan.

There is a waiting period of up to 24 months for replacement of congenitally missing teeth or teeth extracted prior to coverage under this plan.

**ADDITIONAL LIMITATION FOR ORTHODONTIC SERVICES**

**Orthodontia** Limited to one course of treatment per member per lifetime

**Exclusions – Below is a partial listing of noncovered services under your dental plan. Please see your certificate of coverage for a full list.**

**Services provided before or after the term of this coverage**

Services received before your effective date or after your coverage ends, unless otherwise specified in the dental plan certificate

**Orthodontics (unless included as part of your dental plan benefits)** Orthodontic braces, appliances and all related services

**Cosmetic dentistry** Services provided by dentists solely for the purpose of improving the appearance of the tooth when tooth structure and function are satisfactory and no pathologic conditions (cavities) exist

**Drugs and medications** Intravenous conscious sedation, IV sedation and general anesthesia when performed with nonsurgical dental care

Analgesia, analgesic agents, anxiolysis nitrous oxide, therapeutic drug injections, medicines or drugs for nonsurgical or surgical dental care except that intravenous conscious sedation is eligible as a separate benefit when performed in conjunction with complex surgical services.

**Extractions** - Surgical removal of third molars (wisdom teeth) that do not exhibit symptoms or impact the oral health of the member

The in-network dental providers mentioned in this communication are independently contracted providers who exercise independent professional judgment. They are not agents or employees of Anthem Blue Cross Life and Health Insurance Company.



Health · Dental · Vision · Life · Disability

### Choice of dentists

While your dental plan lets you choose any dentist, you may end up paying more for a service if you visit an out-of-network dentist.

### Here's why:

In-network dentists have agreed to payment rates for various services and cannot charge you more. On the other hand, out-of-network dentists don't have a contract with us and are able to bill you for the difference between the total amount we allow to be paid for a service – called the "maximum allowed amount" – and the amount they usually charge for a service. When they bill you for this difference, it's called "balance billing."

### How Anthem dental decides on maximum allowed amounts

For services from an out-of-network dentist, the maximum allowed amount is determined in one of the following ways:

- Out-of-network dental fee schedule/rate developed by Anthem, which may be updated based on such things as reimbursement amounts accepted by dentists contracted with our dental plans, or other industry cost and usage data
- Information provided by a third-party vendor that shows comparable costs for dental services
- In-network dentist fee schedule

### Here's an example of higher costs for out-of-network dental services

This is an example only. Your experience may be different, depending on your insurance plan, the services you receive and the dentist who provides the services.

Ted gets a crown from an out-of-network dentist, who charges \$1,200 for the service and bills Anthem for that amount.

Anthem's maximum allowed amount for this dental service is \$800. That means there will be a \$400 difference, which the dentist can "balance bill" Ted.

Since Ted will also need to pay \$400 coinsurance, the total he'll pay the out-of-network dentist is \$800.

Here's the math:

- Dentist's charge: \$1,200
- Anthem's maximum allowed amount: \$800
- Anthem pays 50%: \$400
- Ted pays 50% (coinsurance): \$400
- Balance Ted owes the provider:  $\$1,200 - \$800 = \$400$
- Ted's total cost:  $\$400$  coinsurance +  $\$400$  provider balance =  $\$800$

In the example, if Ted had gone to an in-network dentist, his cost would be only \$400 for the coinsurance because he would not have been "balance billed" the \$400 difference.

# CURRENT SMALL GROUP DELTA DENTAL PPO

Services	In-Network	Premier or Non-Delta Dentist
<b>Annual Deductible</b>	<b>\$25/Person</b>	<b>\$75/Family</b>
<b>Annual Maximum Benefit</b>	<b>\$2,000/Person</b>	<b>\$1,250/Person</b>
<b>Diagnostic / Preventative</b> Two cleanings/year; Bitewing x-rays and Exam; Four periodontal cleanings/year	<b>100%</b>	<b>80%</b>
<b>Basic Services</b> Crowns; Fillings; Extraction; Root Canal; Repair Crowns	<b>80%</b>	<b>70%</b>
<b>Major Services</b> Dentures; Implants	<b>50%</b>	<b>50%</b>
<b>Lifetime Ortho Max</b> (Children under age 19)	<b>\$1,500 lifetime</b>	

PPO Plan Design	
Benefit	In-Network
Deductible	\$300 per person (Maximum of 3 per family)
Annual Out-of-Pocket Maximum	\$1,000 per person (Maximum of 3 per family)
Office Visit Copay	\$15 (deductible waived)
Lab and X-Ray*	0%
Hospital Inpatient*	10%
LASIK	\$1,500 lifetime benefit per eye
Body Scan	Once every 24 months, member and spouse only
Prescription Drugs	\$10 for generics

\*After deductible has been met

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<b>HMO Plan Design</b>	
<b>Benefit</b>	<b>Copay</b>
Deductible	\$0
Annual Out-of-Pocket Maximum	\$500 per person (Maximum of 3 per family)
Office Visit Copay	\$10
Lab and X-Ray Copay	\$10
Hospital Inpatient Copay	\$500
LASIK	\$1,500 lifetime benefit per eye
Body Scan	Once every 24 months, member and spouse only
Prescription Drugs	\$10 for generics

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A SELECT HMO PROVIDER](#)



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## Vivity HMO Plan Design

Benefit	Copay
Deductible	\$0
Annual Out-of-Pocket Maximum	\$2,500 per person (Maximum of 2 per family)
Office Visit Copay	\$20
Lab and X-Ray Copay	\$100
Hospital Inpatient Copay	\$250 per day (three day copay maximum)
LASIK	\$1,500 lifetime benefit per eye
Body Scan	Once every 24 months, member and spouse only
Prescription Drugs	\$15 for generics

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A VIVITY HMO PROVIDER](#)

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## MEDICAL/VISION

### Vision

Our comprehensive vision plan is included in all UFLAC medical plans



Coverage provided through VSP with the largest network in California



Frame allowance is **\$130** and may also be used for contacts



Now includes Costco!



New frames and lenses,  
or contact lens  
allowance, is available  
every 24 months



Vision exams are available  
every 12 months with  
**NO COPAY**

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A VSP PROVIDER](#)



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## DEPARTMENT OF FIRE AND POLICE PENSIONS

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

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**DATE:** SEPTEMBER 20, 2017

**ITEM:** A.1

**FROM:** AD HOC COMMITTEE ON RETIREE HEALTH PLANS

Robert von Voigt, Chair  
Ruben Navarro  
Brian Pendleton  
Pedram Salimpour, MD

**SUBJECT:** RECONSIDERATION OF MEDICAL, DENTAL AND VISION INSURANCE PLANS OFFERED BY LAFPP AND POSSIBLE BOARD ACTION

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#### RECOMMENDATION

That the Board direct staff to discontinue contract negotiations and execution with Kaiser Permanente and Anthem Blue Cross to provide health, vision and dental insurance services to the pensioners currently enrolled in the LACERS health plans.

#### BACKGROUND

On July 6, 2017, the Board approved staff's selection of Kaiser Permanente to provide health and vision insurance and Anthem Blue Cross to provide dental insurance services to the pensioners currently enrolled in the LACERS health plans, effective January 1, 2018. The Board further directed staff to: 1) work with United Firefighters of Los Angeles City (UFLAC) to amend our Operations Agreement with UFLAC to allow pensioners currently enrolled in the LACERS health plans to enroll in UFLAC's Anthem PPO and HMO health plans, and 2) continue dialog with the Los Angeles Police Relief Association (LAPRA), Los Angeles Firemen's Relief Association (LAFRA), and UFLAC on opening their health and dental plans to pensioners currently enrolled in LACERS health and dental plans.

#### DISCUSSION

Following the Board's direction in July 2017, staff has continued to explore the possibility of opening LAPRA, LAFRA, and UFLAC's health and dental plans to the pensioners currently enrolled in LACERS plans. In addition, staff has also discussed the Los Angeles Police Protective League's (LAPPL) offer to open its dental plans to retired Port Police and future Airport Police retirees.

Based on these continuing discussions, the four entities have again proven to be great partners with LAFPP and have recently granted access for members of the small LACERS group and/or future Port Police and Airport Police retirees to specific LAFRA, LAPRA, LAPPL, and UFLAC medical/dental plans as shown in the table below.

ENTITY	HEALTH (MEDICAL/VISION)	DENTAL	ELIGIBLE TO ENROLL*
LAPRA	●	●	LAPD Port Police Airport Police
LAFRA	●		LAFD
UFLAC	●	●	LAFD Port Police Airport Police
LAPPL		●	LAPD Port Police Airport Police

\* Subject to each entity's enrollment eligibility rules.

With these new enrollment options presented and discussed at the meeting of the Ad Hoc Committee on Retiree Health Plans on September 14, 2017, the Committee believes that contracting with separate Kaiser and Anthem Blue Cross plans offered by LAFPP is not necessary at this time. The health and dental plans now made available thanks to LAPRA, LAFRA, UFLAC and LAPPL will provide a range of insurance options and coverage for all current and future LAFPP pensioners (see Attachment).

## BUDGET

Enrolling the small group and future Port Police and Airport Police retirees in health and dental plans currently available to other LAFPP pensioners may result in minor variations in these pensioners' subsidy entitlements depending on their plan selections. However, it is anticipated that there will be administrative cost savings from not having to administer separate Kaiser and Anthem contracts.

## POLICY

No policy changes are recommended.

This report was prepared by:

Greg Mack, Chief Benefits Analyst  
Pensions Division

RPC:JS:GM

Attachment: Retiree Health & Dental Plan Options

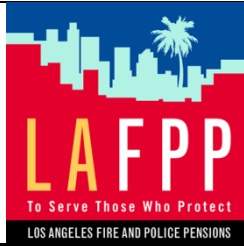
## Plan Options for Current Small Group & Future Retirees

### ELIGIBLE RETIREES

Sponsor	Medical Plans	Fire	Port	Future Port	Future Airport
LAFPP	Kaiser Permanente	●	●	●	●
LAFRA	Kaiser Permanente	●			
LAPRA	Kaiser Permanente		●	●	●
LAPRA	Anthem Blue Cross HMO		●	●	●
LAPRA	Anthem Blue Cross PPO		●	●	●
UFLAC	Anthem Blue Cross HMO	●	●	●*	●*
UFLAC	Anthem Blue Cross PPO	●	●	●*	●*
UFLAC	Anthem Blue Cross Vivity	●	●	●*	●*

Sponsor	Dental Plans	Fire	Port	Future Port	Future Airport
LAFPP	Anthem Blue Cross DPPO	●	●	●	●
LAPPL	Delta Dental HMO		●	●	●
LAPPL	Delta Dental PPO		●	●	●
LAPRA	Anthem Blue Cross HMO		●	●	●
LAPRA	Anthem Blue Cross PPO		●	●	●
UFLAC	Metlife HMO	●	●	●*	●*
UFLAC	Metlife PPO	●	●	●*	●*
UFLAC	Direct Reimbursement Network	●	●	●*	●*

\*Access up to 2 years guaranteed



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE COMMISSIONERS**

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**DATE:** JUNE 21, 2018 **ITEM:** 2

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** STATUS OF CONTRACTS WITH HEALTH AND DENTAL PLAN ADMINISTRATORS AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board:

1. Instruct staff to continue contract negotiations with LAPRA, LAFRA, LAPPL, and UFLAC for health and dental plan administration services beginning July 1, 2018; and
2. Authorize staff to research and report back to the Board on the feasibility of establishing a Kaiser Permanente HMO health plan and dental plan options that would be available to all members beginning July 1, 2019.

#### **BACKGROUND**

On January 18, 2018, the Board directed staff to begin drafting language for new contracts with each of the current Board-approved health and dental plan administrators (“Associations”), to be effective July 1, 2018. Subsequently, at the March 12, 2018 meeting of the Ad Hoc Committee on Retiree Health Plans, staff presented a list of major provisions that would be included in the terms of the draft contracts.

On April 19, 2018, the Board considered a recommendation from the Committee instructing staff to draft the proposed contracts between LAFPP and the Associations with additional contract provisions. The Board also discussed including a provision in the new contracts requesting claims data from each health and dental plan sponsor.

The Board received City Attorney advice dated May 3, 2018, regarding its fiduciary obligation to oversee the retiree health program, contract with health plan administrators, select suitable plans eligible for subsidies, and determine the subsidy benefit an eligible pensioner may receive. On May 17, 2018, the Board waived the attorney-client privilege as to this advice, and made it available to the public.

Also, on May 17, 2018, the Board approved a recommendation from the Committee for staff to meet with each of the current Board-approved medical and dental plan sponsors and establish contracts effective July 1, 2018. The Board also directed staff to include new contract terms that support the Board’s fiduciary obligations, increase transparency in setting premiums, and increase equity

among members. At the same meeting, the Board did not approve staff's recommendation to include milestones for certain contract terms.

## DISCUSSION

Staff has provided draft contracts to each Association and met with their respective representatives to discuss the proposed terms for the administration of Board-approved medical and dental plans. All Associations have had opportunities to review the draft contracts and provide feedback. Most of the terms are a continuation of already agreed upon language from previous agreements. During the course of contract discussions, several of the proposed terms that the Board directed staff to include in the new contracts have been altered or removed to accommodate the Associations and their respective concerns, as follows:

Terms altered at Associations' request:

- Term of contracts increased from 1 year to 3 years
- Agreement to negotiate subsequent contracts 6 months prior to contract expiration
- Notice of contract termination increased from 180 days to 365 days
- Associations' plan administrative fee limit of \$5.00 changed to only require "notification of fee amount"
- Notification requirements for LAFPP system changes that impact subsidy transactions changed from "secure approval" to "consult"
- Allow a "third-party" audit now to "be administered by Departmental Audit Manager"
- "Simplification" to "agree to discuss simplification" of part codes and underutilized plans.

Terms removed at Associations' request:

- Provide any data that LAFPP requires to administer the subsidy program
- Obtain written consent from LAFPP to publish subsidy information
- Include LAFPP in distribution of mass correspondence to members receiving subsidies
- Hold LAFPP harmless for any unpaid pensioner premiums that are due to a pensioner's ineligibility to have a subsidy paid on his or her behalf
- Provide LAFPP with a list of pensioners over the age of 75 who have not incurred any claims for one year in order to identify pensioners for future LAFPP alive and well checks
- Provide to the Board any additional report relating to services provided under this Agreement, as may be requested from time to time

The Associations have raised objections on all of the major terms that were included per the Board's direction:

Terms that support the Board's fiduciary obligations:

- Acceptance of fiduciary responsibility on behalf of the Board
- Annual presentations to the Board for consent of plans and premiums

Terms that will increase transparency in the administration of the subsidy program:

- Provision of claims data
- Allow a third-party audit

Terms that will reduce disparities among members:

- Open enrollment to all pensioners, regardless of their former employing department

Staff acknowledges that although the Associations are open to the establishment of new Medicare plans, this initiative will take additional time and planning to implement. Also, the Board's request to provide all members access to a respective Association's open enrollment is currently under review by outside tax counsel and will not be resolved by July 1, 2018.

After further review and discussion, staff recognizes contract terms that increase transparency and can be implemented immediately will provide the greatest benefit to the Plan and its members. The provision of claims data will help resolve the ongoing questions as to why members receive disparate subsidy benefits and confirm that the Board, as fiduciaries, is providing members a good value for their subsidy dollars.

Staff has concerns that there are still some members and surviving spouses/domestic partners who are prevented from using their subsidy benefits under the current health plan structure. Despite the special enrollment period held last year and subsequent changes to Association eligibility requirements, staff is aware of retired firefighters who qualify to receive a subsidy, however, they are not able to enroll in an Association health or dental plan due to eligibility issues or cost. For some retirees it is too cost prohibitive to enroll in a LAFRA or UFLAC plan as LAFRA may require payment of retroactive dues and UFLAC plans can be costly for members who do not qualify for the maximum subsidy. Additionally, the changes to Association eligibility requirements for the special enrollment period last year could be overturned by the Associations in a subsequent year.

To address the needs of these pensioners and others, the Board should consider providing LAFPP-managed Kaiser HMO and dental plans. Such plans would be available as an option to all members and their eligible dependents.

If approved by the Board, staff will continue to work with the Associations to resolve any remaining concerns. Staff will also work with our health plan consultant, USI Insurance Services, to research the feasibility and requirements of establishing a Kaiser plan and dental plan options available to all pensioners. Staff will report back to the Board on July 19, 2018, regarding the establishment of contracts effective July 1, 2018, or possible next steps if necessary.

## **BUDGET**

No impact to the budget as recommended.

## **POLICY**

No policy changes as recommended.

## **CONTRACTOR DISCLOSURE INFORMATION**

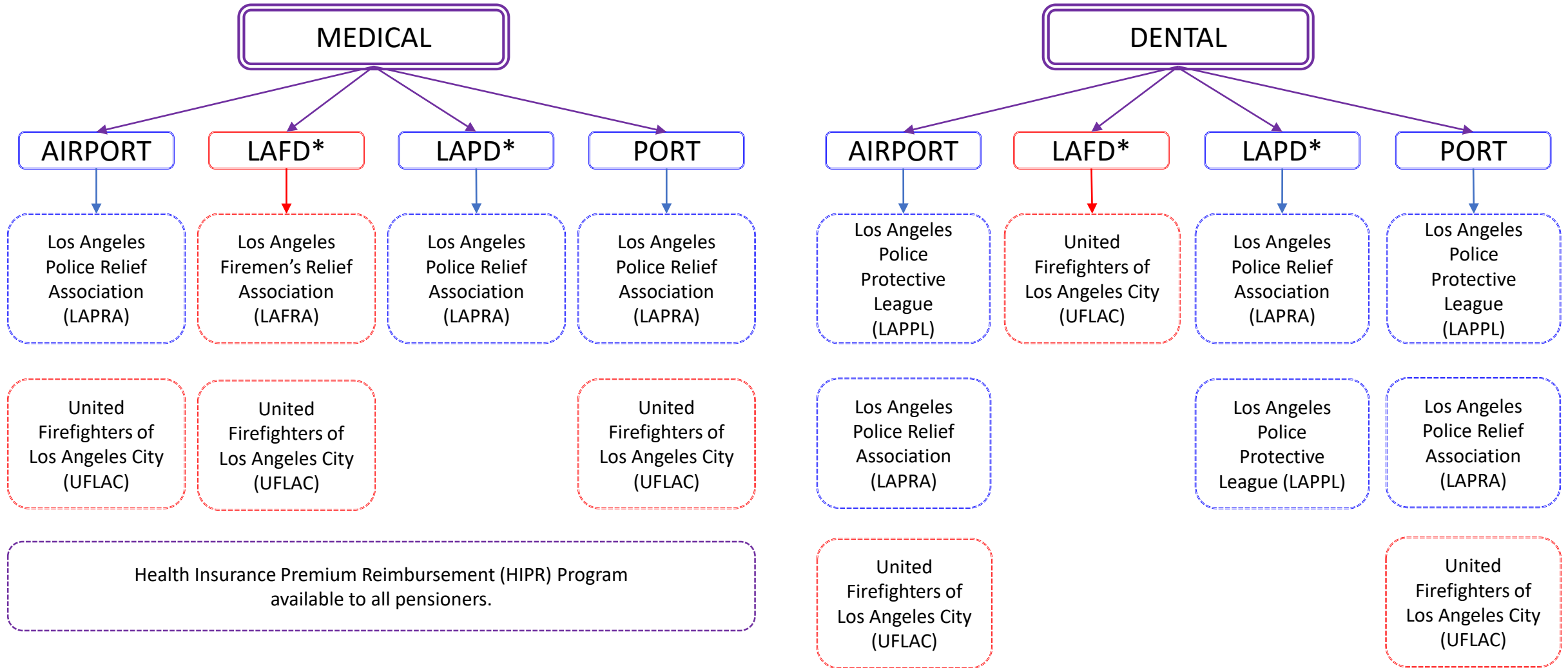
There is no contractor disclosure information required with this report.

This report was prepared by:

Eunice Zordilla, Manager  
Medical & Dental Benefits Section

RPC:JS:GM:EZ

# Retiree Health Plan Options at-a-Glance



\*Pensioners who were enrolled in a LACERS health insurance plan and retired prior to 2000 remain eligible to enroll in LACERS plans.

**Los Angeles Firemen's Relief Association**

*Health Plans*

Fire Medical PPO

Kaiser Permanente HMO

**Los Angeles Police Relief Association**

*Health Plans*

Anthem Blue Cross PPO

Kaiser Permanente HMO

Anthem Blue Cross CaliforniaCare Plus HMO

Anthem Blue Cross Medicare Advantage HMO

*Dental Plans*

Anthem Blue Cross DPPO

Anthem Blue Cross DHMO

**United Firefighters of Los Angeles City**

*Health Plans*

Anthem Blue Cross Select HMO

Anthem Blue Cross HSA PPO

Anthem Medicare Advantage HMO

Anthem Medicare Advantage PPO

*Dental Plans*

MetLife DHMO

Metlife DPPO

Direct Reimbursement

**Los Angeles Police Protective League**

*Dental Plans*

Delta Dental PPO

Delta Dental HMO





## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE AD HOC COMMITTEE ON RETIREE HEALTHCARE PROGRAM**

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**DATE: AUGUST 5, 2022**

**ITEM: 4**

**FROM: RAYMOND P. CIRANNA, GENERAL MANAGER**

**SUBJECT: SUBSIDY PROGRAM AUDIT REPORTS**

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**THIS REPORT IS PROVIDED TO THE AD HOC COMMITTEE FOR INFORMATIONAL PURPOSES.**

#### **DISCUSSION**

At the Ad Hoc Committee's July 21, 2022 meeting, the Committee Chair requested the Internal Audit Section to provide the Committee with copies of the reports issued on the audits of the Subsidy Program for Healthcare Plans Administered by the Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Protective League (LAPPL), Los Angeles Police Relief Association (LAPRA), and United Firefighters of Los Angeles City (UFLAC).

The current contracts between LAFPP and the Associations/Unions allow for a "...performance audit of the health plans as related to the subsidy program as defined by LAFPP's Departmental Audit Manager, which shall be substantially similar to prior audits subject to all applicable laws and auditing standards. The performance audit may examine the effectiveness, economy, efficiency or internal controls of the health and dental plans as administered by..."

In 2020 and 2021, the Internal Audit Section (IAS) completed audits that focused on the specific audit objectives noted below:

- Evaluate whether the subsidy program is administered in accordance with requirements.
- Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan.
- Review compliance with key contractual requirements.
- Assess reasonableness of administrative fees.

Because LAFRA administers a self-funded health plan, IAS also examined the validity of self-funded preferred provider organization plan costs and the adequacy of health claims reserves.

**Importantly, these audits did not evaluate the medical/dental plan benefits provided under the health plans administered by the Associations/Unions nor did they examine the cost-effectiveness of the plans provided by each.**

**BUDGET**

There is no additional impact to the budget.

**POLICY**

No policy changes are recommended.

**CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

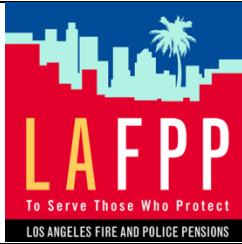
This report was prepared by:

Cynthia Varela, Departmental Audit Manager  
Internal Audit Section

RPC:JS:CV

Attachments (4)

- Attachments:
1. Audit of Subsidy Program for Health Plans Administered by Los Angeles Firemen's Relief Association
  2. Audit of Subsidy Program for Dental Plans Administered by Los Angeles Police Protective League
  3. Audit of Subsidy Program for Health and Dental Health Plans Administered by Los Angeles Police Relief Association
  4. Audit of the Subsidy Program for Health and Dental Plans Administered by United Firefighters of Los Angeles City



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

**DATE:** ~~JUNE 4, 2020~~ JUNE 18, 2020 **ITEM:** B.9

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** AUDIT OF SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED BY LOS ANGELES FIREMEN'S RELIEF ASSOCIATION AND POSSIBLE BOARD ACTION

#### **RECOMMENDATION**

That the Board review, receive, and file the Audit of Subsidy Program for Health Plans Administered by Los Angeles Firemen's Relief Association (LAFRA).

#### **DISCUSSION**

Internal Audit Section (IAS) conducted the Audit of Subsidy Program for Health Plans Administered by Los Angeles Firemen's Relief Association in accordance with the fiscal year 2019/20 Annual Audit Plan and Forecast based on the agreement between Los Angeles Fire and Police Pensions and LAFRA to perform a performance audit to examine the effectiveness, economy, efficiency, or internal controls of the health plans administered by LAFRA. IAS examined the following objectives:

- Administration of subsidy program in accordance with requirements
- Health coverage of subsidy recipients
- Validity of self-funded preferred provider organization plan costs
- Reasonableness of administrative/pass-through fees
- Adequacy of health claims reserves
- Compliance with key contractual requirements.

The subsidy program for health plans administered by LAFRA was generally effective, efficient, and produced expected results. LAFPP calculated and paid subsidy benefits in accordance with the Los Angeles Administrative Code and other requirements, and LAFRA provided health coverage to subsidy recipients. Plan costs were supported and valid, and administrative/pass through fees were generally consistent with the reported averages of similar employer sponsored health plans. LAFRA maintained adequate reserves for health claims and complied with key contractual provisions. Although administrative/pass-through fees appeared reasonable, IAS recommends LAFPP work with LAFRA to provide detail and support for the administrative fee/pass-through fees necessary to review and approve future plan rate renewals.

LAFPP and LAFRA agreed with the results, recommendation, and conclusions of the audit.

#### **BUDGET**

There is no budget impact associated with this report.

**POLICY**

There is no policy impact associated with this report.

**CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

James Yeung, Internal Auditor  
Internal Audit Section

RPC:CV:JY

Attachment: Audit of Subsidy Program for Health Plans Administered by Los Angeles Firemen's Relief Association



# LOS ANGELES FIRE AND POLICE PENSIONS

April 2020

## AUDIT OF SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED BY LOS ANGELES FIREMEN'S RELIEF ASSOCIATION (LAFRA)



/ Photo Credit: Shutterstock

*To Serve Those Who Protect*

*"Our mission is to advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles"*

**AUDIT OF SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED  
BY LOS ANGELES FIREMEN’S RELIEF ASSOCIATION  
April 2020**

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**AUDIT OF SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED BY  
LOS ANGELES FIREMEN'S RELIEF ASSOCIATION  
April 2020**

**Report Highlights**

**Purpose of Audit**

To determine whether the subsidy program for health plans administered by LAFRA is effective, efficient, and produces expected results.

**What We Observed**

- ✓ Subsidy payments were administered in accordance with Section 4.1154 of the Administrative Code
- ✓ Subsidized members were covered under health plans
- ✓ The self-funded PPO plan expenses were supported and valid
- ✓ Administrative fees as a percentage of total expenses for the PPO and Kaiser plans appeared to be generally consistent with the averages of similar employer-sponsored health plans
- ✓ LAFRA is fully funded for its self-funded health claim liabilities
- ✓ LAFRA follows key contractual provisions

**What We Recommend**

- ✓ Provide the Board with more specific details of the administrative fee/pass-through fee that is included in the health care premiums for all future rate renewals.

**INTRODUCTION**

Pursuant to Internal Audit Section's (IAS) Fiscal Year 2019-20 Annual Audit Plan and Forecast, IAS conducted the Audit of Subsidy Program for Health Plans Administered by Los Angeles Firemen's Relief Association (LAFRA).

Los Angeles Fire & Police Pensions (LAFPP) administers a \$132 million<sup>1</sup> dollar subsidy program for the healthcare coverage of eligible retired members and beneficiaries pursuant to Administrative Code Sections 4.1151- 4.1153. LAFPP pays subsidies on behalf of eligible members enrolled in Board-approved health plans to provide suitable health, medical, hospital, dental, or vision coverage. Employee service organizations that include Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), Los Angeles Police Protective League (LAPPL) and United Firefighters' of Los Angeles City (UFLAC), which began offering health plans to their memberships prior to the subsidy program's inception in

<sup>1</sup> 2019-20 fiscal year budget for health and dental insurance subsidies.

1975, administer the current Board-approved health plans. LAFPP pays subsidies to the service organizations on behalf of eligible members enrolled in their approved plans.

LAFRA offers 2 health plans: a self-funded preferred provider organization (PPO) plan and a fully insured Kaiser health maintenance organization (HMO) plan, with the vast majority of the approximately 3,000 health plan enrollees participating in the PPO plan. For calendar year 2019, LAFPP paid LAFRA subsidies totaling \$34 million, of which \$31 million (91%) was for members enrolled in the PPO plan.

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAS has determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We wish to thank LAFRA, Bradawn, Inc., LAFRA's health consultant, and Medical and Dental Benefits (MDB) Section for their assistance, collaboration, and valued input throughout the course of this audit.

## **Background**

In October 2018, LAFPP and LAFRA signed a 5-year contract (the Contract) for the term July 1, 2018-June 30, 2023 regarding the administration of retiree health plans and retiree health plan subsidies. The Contract sets forth the specific services to be performed by each party, along with contractual terms for fees and confidentiality. Article 3.2.v of the Contract requires a performance audit of the health plans as related to the subsidy program to examine the effectiveness, economy, efficiency, or internal controls of the health plans as administered by LAFRA.

## **AUDIT OBJECTIVES AND SCOPE**

The overall objective of the audit was to determine whether the subsidy program for health plans administered by LAFRA is effective, efficient, and produces expected results. The following objectives were evaluated:

- Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements;
- Objective No. 2 – Verify the health coverage of subsidy recipients;
- Objective No. 3a – Validate the financial costs of the self-funded preferred provider organization (PPO) plan;
- Objective No. 3b – Assess reasonableness of administrative/pass-through fees;
- Objective No. 3c – Assess adequacy of health claims reserves; and,
- Objective No. 4 – Review compliance with key contractual requirements.



## **SUMMARY AUDIT RESULTS**

The subsidy program for health plans administered by LAFRA was generally effective, efficient, and produced expected results. LAFPP calculated and paid subsidy benefits in accordance with the Los Angeles Administrative Code and other requirements, and LAFRA provided health coverage to subsidy recipients. Plan costs were generally supported and valid. LAFRA's plan costs included health claims, third party administration, and internal administration expenses, which were the rating basis for the plan premiums. Health claims and third-party administration costs, which comprised 98% of the self-funded plan expenses, were verified to external vendor invoices and payment records.

Internal administration expenses were generally consistent with the reported averages of similar employer sponsored health plans and there was no evidence to suggest that administrative expense rates were excessive.

The Board receives details on the primary components of the PPO health care premiums – claims costs, and plan administration expenses (e.g., third party administrator fees, network access fees, wellness program costs, etc.). The Contract, however, only stipulates the administrative/pass-through per employee/per month rates and lacks specificity on the internal administration services LAFRA provides as well as on the costs and calculation methods for the per employee/per month rates. Full and complete information is necessary for sound decision making by the Board. It is recommended that LAFPP work with LAFRA to provide the Board with more specifics regarding the administrative/pass-through fees that are included in the health care premiums for all future rate renewals.

## **MANAGEMENT RESPONSE**

A draft report was provided to LAFRA and LAFPP for review and discussion. LAFRA and LAFPP expressed general agreement with the audit results. LAFRA indicated it provides the financial information required by the Contract with LAFPP. IAS agrees the recommendation to provide detailed administrative fee information would be in addition to what is currently required.

LAFPP management concurs with the recommendation and will work towards joint collaboration with LAFRA in obtaining the information for the 2021 rate renewal without a contract amendment. If efforts are unsuccessful, staff will include the audit recommendation as a new requirement to be included in future contracts with health and dental plan administrators.

Written responses from LAFRA and LAFPP are included as Attachments 2 and 3, respectively.

## AUDIT PROCEDURES, FINDINGS, AND RECOMMENDATIONS

**Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements**

**Objective No. 2 – Verify health coverage of subsidized members**

Section 4.1154 of the City of Los Angeles Administrative Code (LAAC) codifies the health subsidy eligibility requirements and is summarized in Table 1.

**Table 1 - Health Subsidy Eligibility**

Health Subsidy Eligibility Summary		
	Tiers 1-2 (Service Retirement)	Tiers 3-6 (& T1/T2 Disability)
<b>Eligibility</b>		
<b>Age</b>	60 or Older [LAAC Sec. 4.1154(a)]	60 or Older [LAAC Sec. 4.1154(d)]
	55 or older (For Tiers 2-6 members retiring after 7/1/98) [LAAC Sec. 4.1154(f)]	
<b>Years of Service (YOS)</b>	20 [LAAC Sec. 4.1154(a)]	10 [LAAC Sec. 4.1154(d)]
<b>Subsidy Amount</b>		
<b>Basic</b>	80% at 20 YOS [LAAC Sec. 4.1154(a)]	40% at 10 YOS [LAAC Sec. 4.1154(d)]
<b>Additional</b>	4% for each YOS over 20 [LAAC Sec. 4.1154(a)]	4% for each YOS over 10 [LAAC Sec. 4.1154(d)]
<b>Maximum</b>	\$1,820.29 eff. 7/1/2019 [LAAC Sec. 4.1154(e)]	
<b>Member <u>Ineligible</u> for Medicare Part A (under age 65)</b>	4% each YOS up to maximum [LAAC Sec. 4.1154(b)]	
<b>Member <u>Eligible</u> for Medicare Part A (65 or older)</b>		
	<b>10-14 full YOS</b>	75% of QMP* [LAAC Sec. 4.1154(c)]
	<b>15-20 full YOS</b>	90% of QMP* [LAAC Sec. 4.1154(c)]
	<b>20 or more YOS</b>	100% of QMP* [LAAC Sec. 4.1154(c)]
<b>*Qualifying Monthly Premium (QMP)</b>	QMP is the lesser of member's plan premium or highest premium of Part A supplemented plan for retired LACERS Member [LAAC Sec. 4.1154(c)]	

## Audit Procedures

1. To determine whether subsidies were administered in accordance with Section 4.1154 and its subsections, IAS recalculated the subsidy payments paid on behalf of 30 LAFRA members for November 2019 to confirm their eligibility and payment amounts. The sample was judgmentally selected to account for eligibility and calculation variances based on the member's:
  - Years of service
  - Age
  - Tier
  - Medicare eligibility
  - Premium of selected health plan
  - Dependent coverage
  - Subsidy freeze election
2. IAS then reviewed either Kaiser or health plan administration invoices to verify the health coverage for the 30 members sampled.

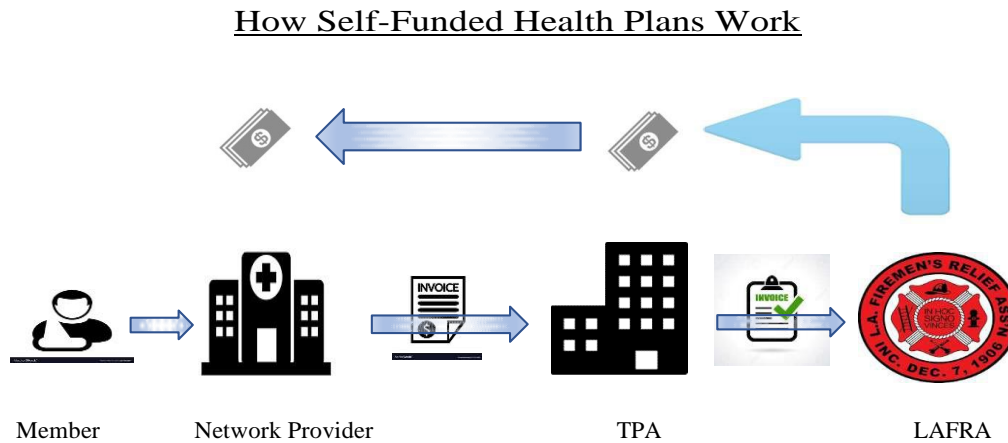
## Test Results

All 30 subsidy payments were calculated in accordance with Section 4.1154. Additionally, each of the subsidized members was covered by either the PPO or Kaiser plan.

## **Objective No. 3a – Validate the financial costs of the self-funded preferred provider organization (PPO) plan**

### Background

LAFRA administers a self-funded PPO plan in which approximately 90% of its health care subscribers are enrolled. LAFRA's plan structure, like most self-funded plans, consists of health care provider networks for member access to service and benefits, and a third-party administrator, or TPA, for claims management and processing services. Subscribers seek service from network providers who invoice the TPA for the services provided. The TPA verifies patient and service coverage eligibilities and prepares an approved claims invoice for LAFRA's payment approval. Once the invoice is approved, LAFRA remits payment to the TPA for payment to the providers. Figure 1 depicts LAFRA's self-funded insurance structure, member service, and billing and payment processes.

**Figure 1 - Self-Funding Insurance Process**

Health claims and administration expenses are the major costs for self-funded insurance plans. As a self-funded plan, LAFRA assumes financial responsibilities for covered health claims. Network providers and TPAs provide essential services and are necessary costs.

In addition to these external services, LAFRA internally administers the plan providing member services, contract management, and overhead support services. For example, LAFRA conducts annual open enrollments, negotiates vendor contracts and maintains business relations, provides member customer service, maintains member records, processes subsidies, along with providing support resources such as accounting, human resources, facilities, and information systems<sup>2</sup>. The costs of providing these internal administration services (LAFRA office administration) are the basis of the \$25.65 per employee/per month (PEPM) administrative fee rate that is incorporated into the PPO plan premiums pursuant to Article 4.1 of the Contract. See Objective No. 3b – Assessment of Reasonableness of Administrative Fee.

LAFRA's policies state that its office administration costs include direct and indirect costs. Direct costs are those directly attributable to plan administration and are directly charged to the PPO plan, such as salaries and benefits to conduct open enrollment and printing and mailing costs for enrollment materials. Conversely, indirect costs are shared costs that are allocated between health plan administration and LAFRA's non-health plan administration functions. The salaries and benefits of shared labor are allocated using annual time surveys. Non-salary costs

<sup>2</sup> Attachment 1 is a list of common administration services compiled by the Sherlock Company, a healthcare financial advisory firm. This list demonstrates that LAFRA's administration services are in line with those commonly performed by plan administrators and carriers.

are allocated based on full-time employee equivalents (FTE) computed using the annual time surveys.

The total expenses for the self-funded plan (retired only)<sup>3</sup> in calendar year 2019 was almost \$40 million. Table 2 details these expenses.

**Table 2 - Self-Funded PPO Plan Expenses (Retired Only) for Calendar Year 2019**

<b>Expense Description</b>	<b>Expense Type</b>	<b>Amount</b>	<b>Percent</b>
Health Claims	Program/External	\$35,456,517	89.6%
Third Party Administrator (TPA)	Administration/External	\$1,235,319	3.1%
Wellness Program	Program/External	\$697,096	1.8%
Network Access	Administration/External	\$627,941	1.6%
Rx and Vision Administration	Administration/External	\$544,716	1.4%
LAFRA Office Administration	Administration/Internal	\$800,092	2.0%
Consulting Services <sup>4</sup>	Administration/External	\$205,718	0.5%
<b>TOTAL</b>		<b>\$39,567,399</b>	<b>100%</b>

Health claims expense includes a \$1.2 million actuarial estimate for incurred but not reported (IBNR) claims. See Objective No. 3c – Assess adequacy of health claims reserve.

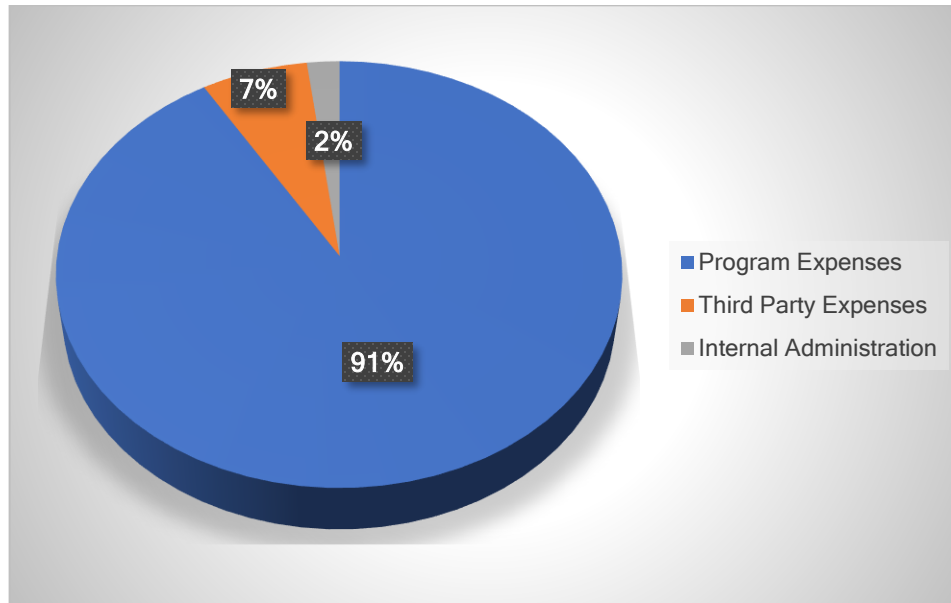
Program expenses for health claims and wellness programs comprised 91% of the plan's total costs<sup>5</sup>. Plan administration expenses accounted for the remaining 9% of the plan's total costs, comprised of 7% and 2% for external third party and internal LAFRA costs, respectively<sup>6</sup>, as depicted in Figure 2.

<sup>3</sup> The PPO plan serves both active and retired members. Table 2 reflects expenditures for retirees only.

<sup>4</sup> Consulting services include benefits, pharmacy, and computer consulting.

<sup>5</sup> Health claims include medical, prescription, vision, and durable medical equipment (DME) claims. Wellness programs are comprehensive programs for physical and emotional health maintenance, and include gym memberships, fitness classes, and health educational resources. LAFRA pays membership fees for members to join wellness programs.

<sup>6</sup> The expense categorization criteria align with the Department of Labor's criteria to group benefit payments and administrative expenses. See Objective 3b.

**Figure 2 – Self-Funded Plan Expense Type**

### Audit Procedures

1. Program and third-party administration expenses are utilized by USI Consulting Group, LAFPP's health consultant, to validate the PPO plan rate premiums. To confirm these plan expenses, IAS agreed November 2019 expenses totaling \$2,981,457 to vendor invoices and payment records. Table 3 details November 2019 expenses.
2. IAS confirmed the November 2019 LAFRA office administration expenses totaling \$64,724 by reviewing the expense details to confirm whether they were reasonable and supported.

**Table 3 - Self-Funded Insurance Expenses for November 2019**

Expense Description	Expense Type	Nov 2019	Percent
Health Claims	External	\$2,694,564	88.5%
Third Party Administrator (TPA)	External	\$119,741	4.0%
Wellness Program	External	\$50,212	1.7%
Network Access	External	\$53,821	1.8%
Rx and Vision Administration	External	\$45,950	1.5%
Consulting Services <sup>7</sup>	External	\$17,169	0.5%
<i>Subtotal</i> - Program and External 3 <sup>rd</sup> Party Expenses		\$2,981,457	98.0%
LAFRA Office Administration	Internal	\$64,724	2.0%
<b>TOTAL</b>		<b>\$3,046,181</b>	<b>100%</b>

<sup>7</sup> USI did not review consulting services in its rate validation analysis.

## Results

1. IAS confirmed the amounts of the November 2019 program and third-party administration expenses to vendor invoices and payment records without exception. The confirmed health claims, TPA, wellness program and network access expenses totaled \$2,964,288. IAS did not review consulting services expenses as it represented 0.5% of total expenses.
2. For the internal LAFRA office administration expenses, LAFRA provided IAS the details of the \$64,724 cost allocation for November 2019 as follows:

**Table 4 – Office Administration Expenses for November 2019**

<b>Description</b>	<b>Amount</b>	<b>% of Total</b>
Salaries/Benefits	\$ 13,276.00	20.5%
Operations Overhead to Retiree Medical	\$ 9,398.82	14.5%
Depreciation	\$ 9,322.72	14.4%
IT Overhead to Retiree Medical	\$ 8,639.95	13.3%
Marketing Overhead to Retiree Medical	\$ 4,464.18	6.9%
Accounting Overhead to Retiree Medical	\$ 3,632.51	5.6%
Trustee Expenses	\$ 3,629.40	5.6%
HR Overhead to Retiree Medical	\$ 3,585.71	5.5%
Building/Property Taxes	\$ 3,196.50	4.9%
General Liability Insurance	\$ 1,859.31	2.9%
Legal Fees-Retiree Medical	\$ 1,715.00	2.6%
Office Supplies	\$ 819.54	1.3%
Telephone & Internet	\$ 438.34	0.7%
Postage & Shipping	\$ 340.26	0.5%
Miscellaneous Expense	\$ 191.27	0.3%
Transportation	\$ 136.40	0.2%
Other Taxes and Licenses	\$ 78.09	0.1%
<b>TOTAL</b>	<b>\$ 64,724.00</b>	<b>100%</b>

Based on the information provided, the nature of the reported expenses appeared reasonable and consistent with expenditures expected for the administrative services LAFRA provides. IAS was unable to confirm the allocated amounts without a full allocation schedule detailing total unallocated costs and allocation assumptions. Objective No. 3b assessed the reasonableness of the rate in which the LAFRA office administration rate was applied, since the source of costs and their allocations could not be confirmed.

**Objective No. 3b – Assess reasonableness of administrative fees**Background

Article 4.1 of the Contract states, “The administrative fee shall be incorporated into the Fire Medical PPO plan premiums and payable in the month prior to the coverage month. The current administrative fee is \$25.65 per member (primary subscriber) per month.” As discussed in Objective 3a, the administrative fee is billed for services provided internally by LAFRA to administer the PPO plan. The PEPM rate is computed based on a 12-month trailing average of LAFRA office administration expenses plus a 3% add-on for inflation. The stipulated \$25.65 PEPM rate in the Contract was computed in March 2018 during contract negotiations and was based on the average administration expenses for the 12 months prior to March 2018.

The PEPM is annually updated for renewal. For the current fiscal year 2019-20, the PEPM incorporated in PPO premiums is \$24.59 based on the 12-month average for March 2018 through February 2019 plus 3% inflation add-on. The total annual administrative fee is approximately \$840,000 based on an enrollment of 2,850.

Further, Article 4.2 of the Contract states “The pass-through fee shall be incorporated into the Kaiser plan premiums for the approved plan(s) and payable in the month prior to the coverage month. The current pass-through fee is \$10 per member (primary subscriber) per month.” Like the PPO plan, the pass-through fee is billed for services provided internally by LAFRA to administer the Kaiser plans. The \$10 PEPM rate was adopted approximately 20 years ago from the United Firefighters of Los Angeles City (UFLAC) when LAFRA assumed administration of Kaiser plans from UFLAC. The \$10 PEPM rate has not changed since its adoption from UFLAC. Additionally, the basis of this PEPM rate is not known. The total annual pass-through fee is approximately \$43,000 based on an enrollment of 360.

The United States Department of Labor prepares a report entitled “Annual Report to Congress on Self-Insured Group Health Plans” (DOL Report). The DOL Report, most recently issued in March 2019, summarized health plan statistics compiled from the Form 5500 filings for tax year 2016 of over 56,000 employer sponsored health plans. It reported plan participant numbers, plan assets/liabilities, revenues/expenses, plan benefits, and funding arrangements. Form 5500 is a required filing for health and pension plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA). LAFRA is exempt from Form 5500 as its plans cover primarily government employees.



## Audit Procedures

IAS compared the following administrative fee percentages to revenues and expenses of the PPO and Kaiser plans to plan groups with the most similar available characteristics from the DOL Report.

- Percentage of administrative/pass-through fee to total revenue
- Percentage of administrative fee to total expense (PPO only)

The DOL Report categorized the data by plan characteristics.

- Plan size (large with 100 or participants and small with less than 100)
- Insurance arrangement (self-insured, fully insured, and mixed)
- Funding arrangement (trust or no trust)

Further, the participant pool combined active and retired employees.

Table 5 describes the characteristics from the DOL Report that were used for comparisons to the PPO and Kaiser plans.

**Table 5 – DOL Report Characteristics**

Plan Characteristic	PPO	Kaiser
Plan size	Large (>100)	Large (>100)
Insurance arrangement	Self-insured	Fully insured
Funding arrangement	Trust	Trust
Participant pool	Active & retired	Active & retired

The DOL Report was the best available resource and provided the most similar comparisons, although administration expense data was provided only for plans holding funds in trusts; neither the PPO nor Kaiser plans hold funds in trusts. This and other underlying data characteristic differences were considered in the comparison results.

## Test Results

Table 6 summarizes the key measurement comparison results of LAFRA's PPO and Kaiser plans to key statistics and averages from the DOL Report.

**Table 6 – Metric Comparisons for Administrative/Pass-Through Fees**

Metric	PPO			Kaiser		
	LAFRA	DOL Report	Difference	LAFRA	DOL Report	Difference
Percent adm fee to total revenue	1.9%	2.6%	-0.7%	1.4%	.8%	+0.6%
Percent adm fee to total expense	2.0%	2.4%	-0.4%	N/A <sup>8</sup>	.8%	N/A
<b>Key Statistics</b>						
No. of Plans	1	1,600		1	130	
No. of Participants	2,850	8.7M		360	320K	
Total Revenue	\$41.1M	\$26.9B		\$3.1M	\$2.2B	
Total Expense	\$39.6M	\$28.4B		unknown	\$2.2B	
Total Adm. Exp.	\$ 800K	\$.7B		\$43K	\$18M	
Avg. No. Participants		5,458			2,462	
Avg. Adm. Exp		\$433K			\$138K	

Adm fee is the portion of administrative expenses that are not professional fees, contractor administrator fees or investment advisory and management fees.

Total Revenue includes employer and participant contributions.

Total Expense includes benefit payments and all administrative expenses.

As generally expected, the key metrics for the PPO plan compared favorably to those from the DOL Report. The PPO plan's administrative fee percentage to total revenue and to total expenses were lower by .7% and .4%, respectively, to those of the DOL Report averages. Some of the favorable differences for each of these metrics can reasonably be attributed to LAFRA's absence of added trust administration costs.

The Kaiser plan's pass-through fee percentage to total premiums was also expected to compare favorably to the DOL Report, but instead was higher by 0.6%. The fact that the basis of the plan's \$10 PEPM rate is unknown and has remained unchanged since its adoption from UFLAC 20 years ago makes it difficult to determine the true cause for the difference.

The broad results of this metrics comparison show that LAFRA's administrative/pass-through fees appear to be generally at, or around, the averages of those in the DOL Report, after considering underlying differences in plan characteristics. There was no evidence to suggest that administration expenses were excessive. It is recommended, however, that specific

<sup>8</sup>The Kaiser PEPM was adopted from the UFLAC plan. LAFRA did not provide specific financial expenses associated with administering the plan.

details supporting each PEPM rate be obtained and considered for rate renewal purposes. See Other Related Matter – Administrative and Pass-Through Fees.

### **Objective No. 3c – Assess adequacy of health claims reserves**

#### Background

Self-funded plans are responsible for paying covered health claims. Total claims liability for health services provided must be estimated due to billing lags. Actuarial estimates of claims for unbilled services, called incurred but not reported (IBNR), are calculated for funding and financial reporting purposes. IBNR comprised \$1.2 million of the \$35.5 million health claims expense for calendar year 2019.

Description	Calendar Year 2019
Health Claims Paid	\$34,268,517
IBNR	\$1,188,000
Total Claims Expense	\$35,456,517

The cumulative IBNR on December 31, 2019 was \$4.7 million and represents total retiree unbilled claims liabilities.

IBNR	Amount
CY 12/31/18 and prior	\$3,507,000
Calendar Year 12/31/19	\$1,188,000
Cumulative on 12/31/19	\$4,695,000

IAS reviewed publicly available financial reports for LAFRA (for the Relief Association as an organization) to assess its ability to fund IBNR. Further, LAFRA's independent auditor, Harrington Group CPA, LLC, confirmed the adequacy of LAFRA's investments to fully fund the December 31, 2019 retiree IBNR liability amount.

## **Objective No. 4 – Review compliance with contractual requirements**

### Background

Key provisions of the Contract that directly impacted subsidy payments were selected for review.

Article 3.2.s of the Contract states “Use reasonable efforts to verify eligibility of all dependents enrolled on or after 1/1/98 in pensioners’ health plans.”

Article 3.2.o of the Contract states “Provide LAFPP a copy of each pensioner’s Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner’s dependent, upon receipt by LAFRA.”

### Audit Procedures

1. Dependent eligibility policies were reviewed to confirm whether reasonable procedures were in place to ensure dependent eligibility. IAS randomly selected 10 subscribers enrolled in multi-party plans to confirm the eligibility of covered dependents.
2. Medicare enrollment policies were reviewed to confirm reasonable procedures were in place to ensure Medicare enrollment. IAS randomly selected 10 members who turned age 65 in 2019 to confirm their Medicare enrollment.

### Test Results

1. Dependent eligibility policies were in place and appeared reasonable. All dependents of each of the 10 selected subscribers were confirmed through review of official documents such as marriage and birth certificates, and court records.
2. Medicare enrollment policies were in place and appeared reasonable. Medicare cards for each of the selected members who turned age 65 in 2019 were reviewed and confirmed for Medicare enrollment.

## **OTHER RELATED MATTER – ADMINISTRATIVE AND PASS-THROUGH FEES**

Under the current contract with LAFPP, LAFRA is required to present annually to the Board, prior to the start of the Plan year, the plan design, premium and administrative fee changes regarding its health plans. On April 18, 2019, LAFRA presented its Fire Medical PPO Plan and Kaiser Permanente HMO and Senior Advantage Plans to the Board for the new Plan year beginning July 1, 2019. The presentation described the PPO Plan Administrative Fee as being determined by the Plan's actual operation expense and that in 2018, the administrative fee was 3.26% of the Plan's expense. There was no similar description for the Kaiser Plan Pass-Through Fee since there was no change in the contracted \$10 PEPM fee.

The Board receives detailed information related to medical trend rates on an industry-wide basis and specific to LAFRA and the reasonableness of rate renewals on an annual basis, including contractually required health claims and plan administration expenses (e.g., TPA fees, network access fees, wellness program costs, etc.) to validate the Associations' rate renewals in consideration of medical rate trends. On May 2, 2019, USI presented its LAFRA PPO Medical Renewal Analysis which described the required premium consisting of projected claims (based on prior health claims experience), TPA fees and Network Access fees. The rate renewal analysis, however, did not include the administrative fee since it is a stipulated amount in the contract between LAFPP and LAFRA.<sup>9</sup> The process, as described for 2019, followed the same steps for 2020.

While there was no evidence to suggest the administrative fees for either the PPO or Kaiser plans were excessive as compared to similar employer sponsored plans, the process to provide material information to the Board related to health plans administered by LAFRA could be improved to allow for more transparent decision-making for LAFPP members and the public.

The current contract provisions pertaining to administrative and pass-through fees are:

Article 4.1 – The administrative fee shall be incorporated into the Fire Medical PPO plan premiums and payable in the month prior to the coverage month. The current administrative fee is \$25.65<sup>10</sup> per member (primary subscriber) per month.

Article 4.2 – The pass-through fee shall be incorporated into the Kaiser plan premiums for the approved plan(s) and payable in the month prior to the coverage month. The current pass-through fee is \$10 per member (primary subscriber) per month.

<sup>9</sup> The process to present costs by LAFRA and USI was essentially the same for 2020, although LAFRA indicated its 2019 administrative fee for the PPO Plan was \$23.28 PEPM.

<sup>10</sup> See Background on page 9 for a description of the annual assessment of the PPO administrative fee.

Neither of these provisions specify the bases of these PEPM rates, such as the specific administration costs and time period on which the PEPM is based, and the calculation methodology. Further, the provisions do not specify the internal administration services to be provided by LAFRA, an essential first step for determining costs. As mentioned, the basis of the Kaiser \$10 PEPM rate is not known and has remained unchanged for approximately 20 years.

We noted that organizations that are subject to ERISA annually report the cost components of all administrative expenses directly related to the health plan program as well as from general operations<sup>11</sup>. In addition, the City's contract with Mercer Human Resources Services, LLC to provide open enrollment and ongoing benefit administrative services to active members of the City (excluding Department of Water and Power employees) lists specific tasks to be performed and identifies the unit cost or whether it is included in the annual fee per participant.

Although LAFRA provides the financial information required by the Contract, without a detailed description and breakdown of administration expense components and the calculation of the administrative fee/pass through fee, the Board does not have a complete picture of the premiums that will be assessed for LAFRA-covered retirees and beneficiaries that will be subsidized. It should be noted that the Health Fund Audit for Participating Association Health Plans conducted by Segal in April 2009 also recommended "A process for submission of annual financial disclosure comparable to ERISA covered entities may be sufficient for most of the financial disclosure, necessary for future audits".

**Recommendation:**

**To enhance the financial information available to the Board and provide a more complete and transparent picture of healthcare costs, LAFPP should:**

- 1. Work with LAFRA to provide more specifics regarding the PEPM administrative fee/pass-through fees that are assessed and included in the health care premiums for all future rate renewals. A list of internal administration services provided, a detailed breakdown of cost components and amounts that are used to calculate the PEPM fees should be provided to the Board annually, as part of the rate renewal presentation.**

<sup>11</sup> Form 5500, Annual Return/Report of Employee Benefit Plan, Schedule H Financial Information, Lines 2i(1)-(4) are for reporting administrative expenses such as outside accounting, actuarial services, contract administrative services and other expenses such as office supplies and equipment, etc.

## Attachment 1 – Health Administration Functions

### Sherlock Benchmark Summary

#### Major Functions Included in Each Administrative Expense Cluster

##### Sales & Marketing

1. Rating and Underwriting
  - (b) Risk Adjustment
  - (c) All Other Rating and Underwriting
2. Marketing
  - (a) Product Development and Market Research
  - (b) Member and Group Communication
  - (c) Other Marketing
3. Sales
  - (a) Account Services
  - (b) Internal Sales Commissions
  - (c) Other Sales
4. External Broker Commissions
5. Advertising and Promotion
  - (a) Media and Advertising
  - (b) Charitable Contributions

##### Provider & Medical Management

6. Provider Network Management and Services
  - (a) Provider Relations Services
  - (b) Provider Contracting
    - (1) Provider Configuration
    - (2) Other Provider Contracting
  - (d) Other Provider Network Management and Services
7. Medical Management / Quality Assurance / Wellness
  - (a) Precertification
  - (b) Case Management
  - (c) Disease Management
  - (d) Nurse Information Line
  - (e) Health and Wellness
  - (f) Quality Components
  - (g) Medical Informatics
  - (h) Utilization Review
  - (i) Other Medical Management

##### Account & Membership Administration

8. Enrollment / Membership / Billing
  - (a) Enrollment and Membership
  - (b) Billing
9. Customer Services
  - (a) Member Services
  - (b) Printed Materials and Other
10. Claim and Encounter Capture and Adjudication
  - (a) Coordination of Benefits (COB) and Subrogation
  - (e) Other Claim and Encounter Capture and Adjudication
11. Information Systems Expenses
  - (a) Operations and Support Services
  - (b) Applications Maintenance
    - (1) Benefit Configuration
    - (2) All Other Applications Maintenance
  - (c) Applications Acquisition and Development
  - (d) Security Administration and Enforcement

##### Corporate Services

12. Finance and Accounting
  - (a) Credit Card Fees
  - (b) All Other Finance and Accounting
13. Actuarial
14. Corporate Services Function
  - (a) Human Resources
  - (b) Legal
    - (1) Compliance
    - (2) Government Affairs
    - (3) Outside Litigation
    - (4) All Other Legal
  - (c) Facilities
  - (e) Audit
  - (f) Purchasing
  - (g) Imaging
  - (h) Printing and Mailroom
  - (i) Risk Management
  - (j) Other Corporate Services Function
15. Corporate Executive and Governance
16. Association Dues and License/Filing Fees

## Attachment 2 – LAFRA Management Response Letter



### LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

May 21, 2020

Cynthia Varela  
 Departmental Audit Manager  
 Los Angeles Fire and Police Pensions  
 701 East 3rd Street, Suite 200  
 Los Angeles, CA 90013

Re: LAFPP Audit – April 2020

Dear Ms. Varela:

Thank you for providing us with a copy of your final audit report, which will be presented to the Board of LAFPP at its upcoming meeting.

This letter will serve as our formal response to your recommendation, which states:

**Recommendation:**

**To enhance the financial information available to the Board and provide a more complete and transparent picture of healthcare costs, LAFPP should:**

- 1. Work with LAFRA to provide more specifics regarding the PEPM administrative fee/pass-through fees that are assessed and included in the health care premiums for all future rate renewals. A list of internal administration services provided, a detailed breakdown of cost components and amounts that are used to calculate the PEPM fees should be provided to the Board annually, as part of the rate renewal presentation.**

**LAFRA's Response:**

**LAFRA has fully complied with the terms of our MOU with LAFPP by providing all required information, in the format and level of detail outlined in the contract. We have gone "above and beyond" in providing additional information, when requested and where possible. This audit, and all previous audits, have confirmed that our administrative expenses continue to be below national averages.**

Ms. Varela, I would like to formally thank you and your team, specifically James Yeung and Jennifer Van, for conducting this audit with such a high degree of knowledge and professionalism.

7470 N. FIGUEROA STREET • LOS ANGELES, CA 90041 • PHONE: (323) 259-5200 • FAX (323) 259-5290 • WWW.LAFRA.ORG





## LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

Cynthia Varela  
May 20, 2020  
Page Two

Sincerely,

A handwritten signature in cursive script, reading "Jeff Cawdrey", is positioned below the word "Sincerely,".

Jeff Cawdrey  
President

cc Los Angeles Firemen's Relief Association Board of Directors  
Dawna Gray, Bradawn, Inc.  
Heather Leavitt, Bradawn, Inc.

**Attachment 3 – LAFPP Management Response Letter**

Los Angeles  
Fire & Police Pensions

**INTER-OFFICE MEMORANDUM**

**DATE:** May 19, 2020

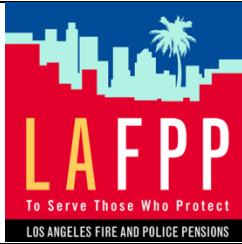
**TO:** Cynthia Varela  
Departmental Audit Manager

**FROM:** Ray Ciranna  
General Manager

**SUBJECT:** Audit of Subsidy Program for Health Plans Administered by LAFRA

Internal Audit has provided a recommendation to enhance the financial information available to the Board with respect to the PEPM administrative fee/pass-through fees included in LAFRA premiums. The Department generally agrees with the recommendation as it is directly aligned with the Board's interest to increase transparency surrounding Board-approved health and dental plans. The Department also concurs that it would be beneficial to receive the specified information during LAFRA's annual rate renewal presentation to the Board.

At this time, it is not recommended that LAFPP amend the current contract agreement to require additional information. However, staff will work with LAFRA in advance of their 2021 rate renewal presentation to determine if the additional information can be provided without the need to amend the existing contract. If LAFRA does not agree to provide the additional information during next year's rate renewal presentation, staff will include the audit recommendation as a new requirement to be included in future contracts with health and dental plan administrators.



## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** JULY 16, 2020

**ITEM:** C.6

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** AUDIT OF SUBSIDY PROGRAM FOR DENTAL PLANS ADMINISTERED BY LOS ANGELES POLICE PROTECTIVE LEAGUE AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board review, receive, and file the Audit of Subsidy Program for Dental Plans Administered by Los Angeles Police Protective League (LAPPL).

#### **DISCUSSION**

Internal Audit Section (IAS) conducted the Audit of the Subsidy Program for Dental Plans Administered by Los Angeles Police Protective League (LAPPL) in accordance with the fiscal year 2019/20 Annual Audit Plan and Forecast based on the agreement between Los Angeles Fire and Police Pensions (LAFPP) and LAPPL to conduct a performance audit to examine the effectiveness, economy, efficiency, or internal controls of the Dental Plans administered by LAPPL. IAS examined the following objectives:

- Evaluate whether the monthly subsidy payment processes are efficient, effective, and in compliance with authoritative sources.
- Review compliance with key contractual requirements.
- Verify the dental coverage of LAFPP administered enrollees is accurate and complete.

The subsidy program for Dental Plans administered by LAPPL was generally effective and efficient. LAFPP calculated and paid subsidy benefits in accordance with the Los Angeles Administrative Code and other requirements, and LAPPL and LAFPP both generally complied with key contract provisions that govern data security, contract oversight, and administrative fees, with LAPPL charging no administrative fees.

In verifying dental coverage of enrollees, IAS compared the February 2020 enrollment in LAFPP's pension administration system to LAPPL's coverage roster. Accurate and complete coverage was provided to 98% (2,815 of 2,874) of all enrollees. However, 2% (59) of enrollees had coverage levels in LAFPP's pension administration system, PARIS, that did not correspond to the coverage provided by LAPPL. Of these, only 18 resulted in a financial impact to an enrollee, with 4 enrollees paying for coverage that was not provided and 14 enrollees paying an incorrect premium amount for the

coverage provided. Although the remaining 41 had no identifiable monetary impact since the correct premiums were paid due to the rate structures, the differing coverage is indicative of a systemic issue with the transmittal process that the department and LAPPL should work collaboratively on to identify and resolve.

In assessing the issue, IAS confirmed that information in PARIS was supported by a change file sent by LAPPL; however, LAPPL also confirmed that the carrier coverage shown on their records was correct. Based on the information provided, IAS believes the transmittal files provided by LAPPL had errors that were not caught due to inadequate reconciliations of the two systems. In response to preliminary results provided by IAS, LAPPL has indicated that they have identified the cause of these discrepancies and have since updated their internal processes to minimize future discrepancies.

To further address the immediate impacts on enrollees, IAS recommends that the department work with LAPPL to (1) ensure that their administration system fully agrees with current enrollment, and (2) assess and rectify any cumulative financial impact to the department and members. To prevent any future discrepancies between the systems, IAS recommends that LAFPP (3) request LAPPL comply with Article 3.2(h) of the Contract, which stipulates that a monthly enrollment list be provided with information on current coverage levels, (4) periodically reconcile this file to PARIS, and (5) consider whether a monthly invoice from LAPPL would provide a secondary validation that deduction amounts are correct.

LAFPP and LAPPL generally agreed with the results, recommendations, and conclusions of the audit and their full responses are attached to the report.

## **BUDGET**

There is no budget impact associated with this report.

## **POLICY**

There is no policy impact associated with this report.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Jennifer Van, Internal Auditor  
Internal Audit Section

RPC:CV:JY:JV

Attachment: 1. Audit of Subsidy Program for Dental Plans Administered by Los Angeles Police Protective League (LAPPL)



# LOS ANGELES FIRE AND POLICE PENSIONS

June 2020

## AUDIT OF SUBSIDY PROGRAM FOR DENTAL PLANS ADMINISTERED BY LOS ANGELES POLICE PROTECTIVE LEAGUE (LAPPL)



/ Photo Credit: Shutterstock

*To Serve Those Who Protect*

*"Our mission is to advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles"*

**AUDIT OF SUBSIDY PROGRAM FOR DENTAL PLANS ADMINISTERED BY  
LOS ANGELES POLICE PROTECTIVE LEAGUE (LAPPL)  
June 2020**

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**AUDIT OF SUBSIDY PROGRAM FOR DENTAL PLANS ADMINISTERED BY  
LOS ANGELES POLICE PROTECTIVE LEAGUE (LAPPL)**

**Report Highlights**

**Purpose of Audit**

To determine whether the subsidy program for dental plans administered by LAPPL is effective, efficient, and produces expected results such as members receiving appropriate subsidies and dental coverage.

**What We Observed**

- ✓ LAFPP's monthly subsidy payment process functioned efficiently and effectively and incorporated appropriate process controls to ensure subsidy payments were calculated and paid in accordance with authoritative sources.
- ✓ LAPPL and LAFPP generally complied with the selected contract provisions including those that govern data security, oversight, the subsidy payment process, and charged no administrative fees.
- ✓ For the one-month period tested, 2,874 enrollees were reviewed and 2,815 (98%) enrollees had the correct coverage based on a comparison of LAFPP's and LAPPL's records. However, there were 59 exceptions (2%) where coverage per LAFPP's records did not agree with LAPPL's coverage roster. While LAFPP processed deductions in accordance with LAPPL correspondence, it was noted that:
  - 4 enrollees paid for coverage not provided by LAPPL.
  - 14 enrollees overpaid or underpaid for the coverage provided by LAPPL.
  - The remaining 41 exceptions did not have a monetary impact but LAFPP's and LAPPL's systems indicated different coverage levels.

**What We Recommend**

LAFPP work with LAPPL to resolve the exceptions noted and implement the following actions:

- ✓ Request LAPPL to identify the cumulative monetary impacts to enrollees as a result of the discrepant enrolled coverage levels and determine how under/overpayments should be resolved.
- ✓ Reconcile LAFPP's enrolled coverage levels with actual enrollment.
- ✓ Obtain an enrollment list from LAPPL on a monthly basis as required by Article 3.2(h) of the Contract.
- ✓ Use these enrollment lists for periodic reconciliations of LAFPP's system.
- ✓ Consider whether an invoice from LAPPL to accompany the monthly enrollment file would provide a secondary check that the amounts deducted for dental coverage match the current coverage.

## INTRODUCTION

Pursuant to Internal Audit Section's (IAS) Fiscal Year 2019-20 Annual Audit Plan and Forecast, IAS conducted the Audit of Subsidy Program for Dental Plans Administered by Los Angeles Police Protective League (LAPPL).

Los Angeles Fire & Police Pensions (LAFPP or 'the department') administers a subsidy program for the dental coverage of eligible retired members and beneficiaries. In 2001, the City Council authorized dental insurance premium subsidies to be provided for retired members, subsequently adopting Section 4.1164 of the Administrative Code, which authorized payment of dental subsidies. For the fiscal year 2019-20, dental subsidies accounted for \$4.65 million of the \$132 million in total subsidies budgeted for LAFPP's broader health and dental subsidy program<sup>1</sup>.

LAPPL only provides dental coverage, with two Board-approved plans offered to its members, a Delta Dental preferred provider organization (PPO) plan and a DeltaCare health maintenance organization (HMO) plan. For calendar year 2019, LAFPP paid LAPPL subsidies totaling \$1.27 million for approximately 2,900 enrollees. For the period reviewed, February 2020, 2,869 were enrolled in the PPO plan and 5 were enrolled in the HMO plan.

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAS has determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We wish to thank LAPPL, Fickewirth Benefits Advisors, LAPPL's benefits consultant, and Medical and Dental Benefits (MDB) Section for their assistance, collaboration, and valued input throughout the course of this audit.

## Background

In October 2018, LAFPP and LAPPL signed a 5-year contract (the Contract) for the term July 1, 2018 - June 30, 2023 regarding the administration of retiree dental plans and retiree dental plan subsidies. The Contract sets forth the specific services to be performed by each party, along with contractual terms for fees and confidentiality. Article 3.2(t) of the Contract requires a performance audit as related to the subsidy program to examine the effectiveness, economy, efficiency, or internal controls of the dental plans as administered by LAPPL.

---

<sup>1</sup> LAFPP FY 2019-20 Budget.



## AUDIT OBJECTIVES AND SCOPE

The overall objective of the audit was to determine whether the subsidy program for dental plans administered by LAPPL is effective, efficient, and produces expected results such as members receiving appropriate subsidies and dental coverage. The following sub-objectives were evaluated to support this objective:

Objective No. 1 – Evaluate whether the monthly subsidy payment processes are efficient, effective, and in compliance with authoritative sources;

Objective No. 2 – Review compliance with key contractual requirements; and

Objective No. 3 – Verify the dental coverage of LAFPP administered enrollees is accurate and complete.

## SUMMARY AUDIT RESULTS

The subsidy program for dental plans administered by LAPPL was generally effective and efficient. LAFPP's monthly subsidy payment process was efficient and effective, calculating and paying subsidy benefits in accordance with the Los Angeles Administrative Code, the City Charter, and the policies and procedures set forth by the Board. LAFPP and LAPPL also generally complied with key contract provisions that govern data security, contract oversight, the subsidy payment process, and administrative fees, with LAPPL charging no administrative fees.

For the February 2020 plan month, LAFPP paid LAPPL for dental insurance premiums on behalf of 2,874 enrollees (members and qualified survivors), funded by a combination of dental insurance subsidies and enrollee out-of-pocket deductions. In comparing LAFPP's system to actual enrollment provided by LAPPL, the coverage level matched for 2,815 (98%) enrollees. However, there were 59 (2%) enrollees whose coverage level in LAFPP's pension administration system (PARIS) did not correspond to the coverage provided by LAPPL. Of these, only 18 resulted in a financial impact to an enrollee, with 4 enrollees paying for coverage that was not provided and 14 enrollees paying an incorrect premium amount for the coverage provided. For the remaining 41 enrollees, there was no identifiable monetary impact with enrollees paying the correct premium amount, but the two systems indicated different coverage including five enrolled in the HMO plan but shown as enrolled in the PPO plan.

For the discrepancies identified in the February 2020 plan month, LAPPL confirmed their enrollment roster with the carrier. However, IAS confirmed that the coverage information in PARIS was supported by a transmittal file provided by LAPPL. The transmittal files were submitted over time, in some cases as far back as 2018. The impact of the discrepancies on enrollees includes possible missing coverage or incorrect premiums paid for the coverage received.

As the benefits administrator, LAPPL is responsible for recording and tracking all enrollment information and communicating any changes to LAFPP in the monthly transmittal file, which is

being done. The Contract requires LAPPL to provide to LAFPP monthly retiree enrollment records with specific information such as names, deduction codes, part codes, dental plan codes and number of dependents. This report has not been provided. The department provides LAPPL a monthly file of all LAPPL enrollees in PARIS with information such as enrollee names and social security numbers, deduction codes, subsidy amounts, and premium amounts. Article 3.2(l) of the Contract requires LAPPL to reconcile discrepancies, corrections and/or changes to the monthly listing for the pensioners' subsidies. Reconciling the enrollment records with the PARIS report should help identify any errors in the transmittal files.

In response to preliminary results provided by IAS, LAPPL has indicated that they have identified the cause of these discrepancies and have since updated their internal processes to minimize future discrepancies.

Although 41 of the 59 discrepancies had no financial impact on members for the month tested, all discrepancies are indicative of a systemic issue with the transmittal process between LAPPL and LAFPP that should be collaboratively identified and resolved. To address the immediate impacts on enrollees, IAS recommends that the department work with LAPPL to (1) assess and rectify any cumulative financial impact to the department and members, and (2) ensure that their administration system, PARIS, fully agrees with actual enrollment. To address any future discrepancies between the systems and minimize the risk of impacting members, IAS recommends that LAFPP (3) request a monthly enrollment file from LAPPL as required by Article 3.2(h) of the Contract, (4) periodically reconcile this file to PARIS, and (5) consider whether an invoice from LAPPL would provide a secondary validation that deduction amounts are correct. LAPPL has indicated that providing invoices would be in line with the payment processes they have established with the City of Los Angeles for active members.

## **MANAGEMENT RESPONSE**

IAS conducted exit conferences with both LAPPL and LAFPP management on June 24 and June 25, 2020, respectively. Both LAPPL and LAFPP generally agreed with the audit results and recommendations. Their responses are attached to this report.

For Recommendation 3, LAPPL suggests providing an annual enrollment file due to the sensitive nature of the enrollment data. While LAPPL has indicated reservations in submitting complete enrollment files to LAFPP monthly, this is a contractual requirement important in ensuring member records are accurate. LAFPP may need to work with LAPPL to comply or find an alternative solution if necessary.

In response to Recommendation 4, LAFPP has stated it is LAPPL's responsibility, as the dental plan administrator, to communicate the enrollment status of each enrollee and that LAFPP relies on confirmation and direction from LAPPL regarding the correct dental codes. While the comments are correct, and LAPPL has primary responsibility for the correct enrollment statuses, LAFPP also has a responsibility to ensure members are receiving the services for which they are charged and that subsidy payments are valid and supported. For

Recommendation 5, LAFPP has stated that in light of the other recommendations, they believe it is redundant and unnecessary. Although it can be redundant if all the other controls function properly, staff should consider the importance of an invoice match as the first indication that dental codes are incorrect. This control can occur outside of the pension roll process. Further, it is important to note the audit results are based on testing a one-month period, and therefore, may not be reflective of the accuracy of dental codes month-to-month. It is critical that both LAPPL and LAFPP take proactive steps to ensure that members are receiving accurate and complete services.

## AUDIT PROCEDURES AND TEST RESULTS

**Objective No. 1 – Evaluate whether the monthly subsidy payment processes are efficient, effective, and in compliance with authoritative sources.**

### Background

LAFPP is responsible for the administration of the dental subsidy program which includes calculating and paying monthly subsidies on behalf of eligible members, calculating and collecting out-of-pocket premiums from enrollees (eligible members and qualified survivors), and ensuring the dental subsidy program is in compliance with authoritative sources. A large portion of the administration work, such as calculations of subsidy payments and deductions, are performed by LAFPP's new pensions administration system, PARIS.

The dental subsidy program is governed by the Los Angeles Administrative Code (LAAC), City Charter, and the policies and procedures set forth by the Board. LAAC Section 4.1164 codifies the dental subsidy eligibility requirements as summarized in *Table 1*.

*Table 1 - Dental Subsidy Eligibility*

<b>Dental Subsidy Eligibility</b> [LAAC Sec. 4.1164]	
<b>Eligibility</b>	
<b>Age</b>	55 or older
<b>Years of Service (YOS)</b>	10 or more
<b>Amount</b>	4% each whole YOS
<b>Maximum Subsidy Amount</b>	\$44.60 [Eff. 1/1/2020]
	Lower of LACERS maximum subsidy or any amount paid to actives
<b>Monthly Subsidy Formula</b>	Monthly Subsidy* = 4% x YOS x Maximum Subsidy Amount *Up to Maximum Subsidy Amount

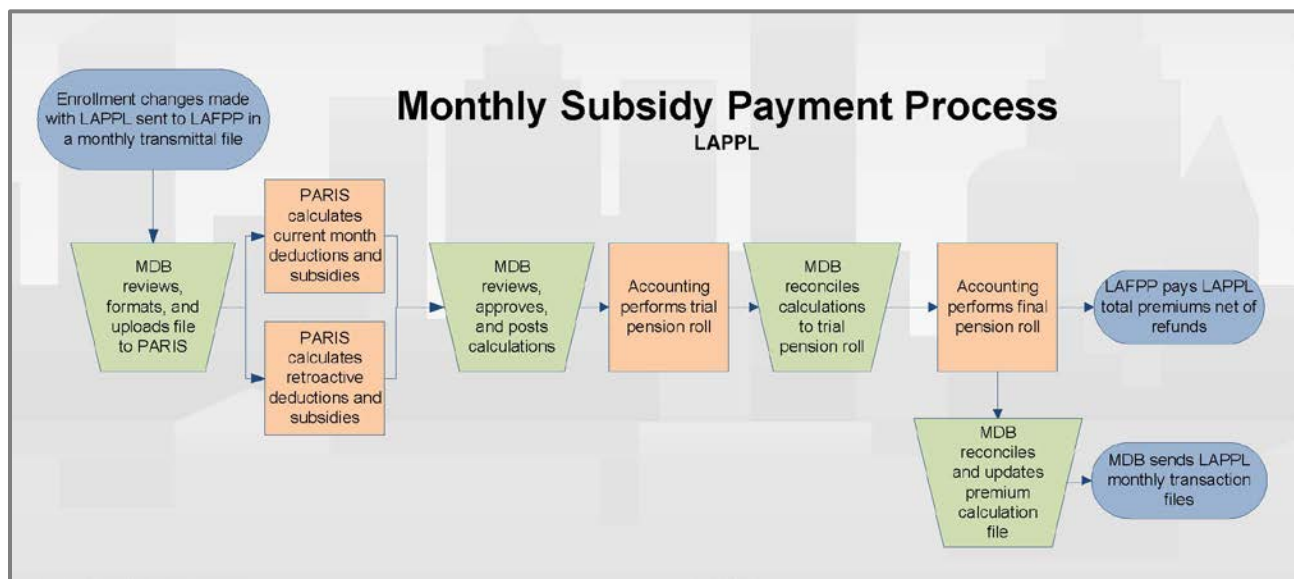
## Audit Procedures

1. To evaluate the effectiveness and efficiency of the monthly subsidy payment process, IAS interviewed staff, reviewed desk guides, and considered prior business process reviews in documenting the process and its controls.
2. To determine whether subsidies were administered in compliance with Section 4.1164 and other authoritative sources, IAS recalculated the subsidy payments paid on behalf of all enrollees in LAPPL plans for February 2020 to confirm their eligibility and payment amounts.

## Test Results

1. The monthly subsidy payment process generally functioned efficiently and effectively and incorporated appropriate process controls such as staff reviews, manager approvals, and reconciliations. Testwork to ensure dental coverage is accurate disclosed some risks and is discussed further in Objective 3 and Findings and Recommendations. An overview of the monthly subsidy payment process is documented in *Figure 1*.
2. All subsidy payments were calculated and paid in accordance with LAAC Section 4.1164 and other authoritative sources.

*Figure 1 - Monthly Subsidy Payment Process*



## **Objective No. 2 – Review compliance with contractual requirements.**

### Background

In October 2018, LAFPP and LAPPL signed a 5-year contract (the Contract) that sets forth the specific services to be performed by each party, along with contractual terms for governing data security, oversight, the subsidy payment process, and fees. Specifically, fees are governed by Section 4 of the Contract stating that, "...[t]he current administrative fee is \$0.00

*per member per month...” with an agreement that that “shall be the only compensation PPL receives from LAFPP for services provided pursuant to this Agreement.”*

### Audit Procedures

1. Key provisions of the Contract that directly impact the security of member data, oversight of the subsidy program, and the subsidy payment process were selected for review. IAS identified and reviewed appropriate evidence to ensure that both LAFPP and LAPPL complied with these provisions.
2. IAS verified that premiums charged by LAPPL were consistent with those charged by the carrier, Delta, and that LAPPL received no fees or additional compensation.

### Test Results

1. LAPPL and LAFPP generally complied with the selected Contract provisions; however, LAFPP should ensure that a full enrollment list as required by Article 3.2(h) of the contract is provided as it is a vital step to ensuring the completeness and accuracy of enrollment (*See Findings and Recommendations*).
2. Premiums charged by LAPPL were consistent with carrier charges. LAPPL did not charge administrative fees and received no additional compensation.

### **Objective No. 3 – Verify the dental coverage of LAFPP administered enrollees is accurate and complete.**

#### Background

LAFPP is responsible for administering the subsidy program including paying subsidies on behalf of eligible members and calculating and collecting monthly out-of-pocket premiums for LAPPL. As a part of the monthly subsidy payment process (*See Objective 1*), the department remits these dental premiums to LAPPL on behalf of enrollees of eligible LAPPL dental plans.

In coordination with the subsidy program, LAPPL is responsible for the administration of the dental insurance program including contracting with carriers to provide dental plans, conducting open enrollments, and managing enrollees' status. LAPPL provides two Board-approved dental plans, a Delta Dental preferred provider organization (PPO) plan and a DeltaCare health maintenance organization (HMO) plan for nearly 2,900 enrollees (LAFPP members and qualified survivors). For insurance and premium purposes, LAPPL makes no distinction between two-party and family plans; however, they are categorized separately for the transmittal process. *Table 2* outlines the premium amounts for each plan type and coverage level offered by LAPPL and their corresponding PARIS deduction codes.

*Table 2 - LAPPL Delta Dental Premiums & Deduction Codes  
(Plan Year 2019-20)*

<b>Plan Title</b>	<b>Coverage Level/ Deduction Code</b>	<b>Monthly Premium</b>
Delta Dental PPO	One-Party (10)	72.00
Delta Dental PPO	Two-Party (11)	101.00
Delta Dental PPO	Family (12)	101.00
DeltaCare HMO	One-Party (20)	72.00
DeltaCare HMO	Two-Party (21)	101.00
DeltaCare HMO	Family (22)	101.00

### Audit Procedures

For the selected test period, February 2020, IAS:

1. Compared the enrollee deduction code in PARIS to the Delta PPO and HMO enrollee rosters to verify that coverage provided by LAPPL was complete and accurate. The deduction code in PARIS determines an enrollee's coverage, premium amount, subsidy, and deduction amount.
2. Reviewed invoices and payment records for the Delta PPO and HMO plans.

### Test Results

1. Of the 2,874 enrollees reviewed for the month tested, there were 59 (2%) exceptions where PARIS deduction codes did not correspond to the dental coverage provided by LAPPL. These results and the corresponding recommendations to address and prevent these errors are discussed further in the next section, *Findings and Recommendations*.
2. The remaining 2,815 (98%) enrollees had accurate and complete dental coverage under a Delta PPO or HMO plan.

## **FINDINGS AND RECOMMENDATIONS**

As illustrated in *Figure 1*, the monthly subsidy payment process begins with enrollees initiating eligible enrollment changes (e.g. changes in status or coverage level) with LAPPL, the benefits administrator. If the enrollee is an LAFPP member or qualified survivor, their enrollment changes are communicated to the department in a monthly transmittal file sent by LAPPL. This transmittal file only contains the month-to-month changes in enrollment. The department uploads this file to their pension administration system (PARIS) to adjust the enrollee deduction codes which are used by the system to determine coverage levels, premiums, and calculate appropriate subsidies and deductions. *Table 3* details enrollment in LAPPL plans as categorized by their deduction codes in PARIS for the plan month February 2020.

*Table 3 – LAPPL Dental Plan Enrollment in PARIS by Deduction Codes  
(February 2020)*

<b>Plan Title</b>	<b>Coverage Level/ Deduction Code</b>	<b>Monthly Premium</b>	<b>No. Enrolled</b>	<b>% Enrollees</b>
Delta Dental PPO	One-Party (10)	72.00	736	26%
Delta Dental PPO	Two-Party (11)	101.00	1,583	55%
Delta Dental PPO	Family (12)	101.00	555	19%
<b>Total</b>			<b>2,874</b>	<b>100%</b>

LAFPP calculates and remits the monthly premiums due to LAPPL, consisting of subsidies and enrollee out-of-pocket deductions. Along with this payment, LAFPP sends a file to LAPPL of all enrollees in PARIS in an LAPPL plan with information such as enrollee names and social security numbers, deduction codes, subsidy amounts, and premium amounts.

### **Findings**

For February 2020, there were 59 enrollees with deduction codes in PARIS that did not correspond to dental coverage provided by LAPPL. These enrollees accounted for 2% (59 of 2,874) of all LAPPL dental transactions processed by LAFPP that month. Eighteen of the exceptions resulted in a monetary impact to enrollees, with the remaining 41 having no monetary impact, as detailed below:

- a. Four enrollees had deductions taken without any corresponding dental coverage provided by LAPPL.
- b. Fourteen enrollees had a deduction code that did not correspond to the dental coverage provided by LAPPL. This resulted in incorrect deduction amounts taken and possible overpayments or underpayments by enrollees for coverage.
- c. Forty-one enrollees had a deduction code that did not correspond to the dental coverage provided by LAPPL; however, the appropriate deduction amounts were taken. This included five enrollees that LAPPL confirmed were enrolled in the HMO plan but were classified as PPO members.

LAPPL confirmed their enrollment roster coverage with the carrier. However, the deduction codes in PARIS were supported by transmittal files previously sent by LAPPL. These transmittal files had been sent over time, with some dating back to 2018. As the benefits administrator, LAPPL is responsible for recording and tracking all enrollment information and communicating any changes to LAFPP in the monthly transmittal file, which is being done. Based on our testwork, it appears the transmittal files have had errors. The department provides LAPPL a monthly file from PARIS containing all LAPPL enrollees with information such as enrollee names and social security numbers, deduction codes, subsidy amounts, and premium amounts. The Contract requires LAPPL to provide to LAFPP, on a monthly basis, retiree enrollment records with specific information such as names, deduction codes, part codes, dental plan codes and number of dependents. This report has not been provided. The

Contract also requires LAPPL to reconcile any discrepancies to the monthly listing for the pensioners' subsidies. Reconciling the enrollment records with the PARIS report should help identify any errors in the transmittal files and ensure coverage levels and the corresponding deductions are accurately recorded.

In response to preliminary results provided by IAS, LAPPL indicated that they have identified the cause of these errors and have since updated their internal processes to minimize future discrepancies.

While 41 of the 59 discrepancies had no financial impact on members for the month tested, all discrepancies are indicative of a systemic issue with the transmittal process between LAPPL and LAFPP that should be collaboratively identified and resolved.

### **Recommendations**

To address the exceptions noted and minimize the risk of future discrepancies and potential impact to members and qualified survivors, IAS recommends the department work with LAPPL to:

1. Assess and resolve the cumulative impacts of the 59 exceptions identified by ensuring there are no coverage gaps. As the benefits administrator, LAPPL should be responsible for resolving any financial impacts to enrollees for any incorrect premium amounts.
2. Perform a full reconciliation of the deduction codes in PARIS to actual LAPPL enrollment records to ensure they agree.
3. Obtain the full enrollment file from LAPPL monthly as required by Article 3.2(h) of the Contract.
4. Periodically reconcile LAPPL's enrollment file to the information in PARIS to ensure that deduction codes remain complete and accurate.
5. Consider whether a monthly invoice from LAPPL would provide a secondary validation that deduction amounts are correct.





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July 1, 2020

Cynthia Varela  
Departmental Audit Manager  
Los Angeles Fire and Police Pensions  
701 E. 3<sup>rd</sup> Street, 4<sup>th</sup> Floor  
Los Angeles, CA 90013

Re: Los Angeles Police Protective League (LAPPL) Subsidy Program Audit

Dear Ms. Varela,

Thank you for providing LAPPL with a copy of your draft audit report and for allowing us to provide our comments and suggestions to be considered in the final audit report, which is scheduled to be presented to the Los Angeles Fire and Police Pensions (LAFPP) Board on July 16<sup>th</sup>, 2020.

This letter will serve as LAPPL's formal response to your recommendations that LAFPP work with LAPPL to implement the following actions:

1. Request LAPPL to identify the cumulative monetary impacts to enrollees as a result of the discrepant enrolled coverage levels and determine how under/overpayments should be resolved.

**LAPPL's Response**

LAPPL agrees that a review of deduction discrepancies should be performed for each member in question to determine the monetary impact to the enrollees and the LAPPL Trust. LAPPL intends to work with LAFPP to identify any subsidies that are due to LAPPL or that need to be refunded to LAFPP. Further resolutions of financial impacts to enrollees for any incorrect premium amounts will be the responsibility of LAPPL.

2. Reconcile LAFPP's enrolled coverage levels with actual enrollment.

**LAPPL's Response**

LAPPL agrees that a full reconciliation of enrollment should be performed. As the plan sponsor and benefits administrator, it is the responsibility of LAPPL to reconcile and confirm that enrollment data is reviewed and accurate. LAPPL intends to perform an enrollment audit using the deduction files provided by LAFPP.

In response to deduction code discrepancies found during the audit, LAPPL suggests that LAFPP adopt the deduction code structure that LAPPL administers. LAPPL's dental plan is administered on a two-tiered structure; code 10 for single coverage and code 12 for family coverage. Eliminating the requirement of reporting deduction code 11 for single plus one dependent coverage will aid in reducing potential discrepancies.

It is important to note that over the last year, LAPPL has attempted to implement an automated system for running monthly deduction files and reconciling the monthly pension files. Unfortunately, until recently we had not received responses from LAFPP to accurately update our system. We have only recently received a new set of file specifications which will require an additional update to our system to accommodate the required file. Once the system configuration has been updated, LAPPL intends to automate the monthly deduction reports and reconciliation process, minimizing future discrepancies.

3. Obtain an enrollment list from LAPPL on a monthly basis as required by Article 3.2(h) of the Contract.

#### **LAPPL's Response**

Currently, LAPPL remits a monthly report indicating any enrollment changes. This current practice has been in place for over 20 years and has proven effective in prior audits. Nonetheless, LAPPL has taken giant steps towards automating this process with the goal of even better accuracy and more security of data exchange.

LAPPL's top priority is to protect the data of our enrolled participants. Given the extremely sensitive nature of the enrollment data, LAPPL suggests providing LAFPP with an annual full enrollment file at the close of each annual enrollment, with ongoing change files monthly. It is LAPPL's belief that this will ensure limited risk of a data breach and will ensure accuracy between the two systems. Additionally, given the implementation of LAFPP's PARIS system, LAPPL may be able to accommodate a full file reconciliation monthly via secure file feed. Based on recent discussions with LAFPP, this enhancement is not currently on their system's projected roadmap, but it may be available sometime in the distant future.

4. Use these enrollment lists for periodic reconciliations of LAFPP's system.

#### **LAPPL's Response**

As mentioned above, LAPPL requests that LAFPP consider a full enrollment file be submitted on an annual basis at the close of open enrollment rather than a monthly basis to considerably reduce the risk of potential data breach. We feel that with new reconciliation processes in place, LAPPL can more readily identify any discrepancies between LAPPL and LAFPP's data, and subsequently report required updates to LAFPP.

5. Consider whether an invoice from LAPPL to accompany the monthly enrollment file would provide a secondary check that the amounts deducted for dental coverage match the current coverage.

**LAPPL's Response**

Contractually, an agreement that requires a monthly invoice or expected amount is not currently in place however, LAPPL agrees that by submitting a monthly invoice to LAFPP, it provides another level of checks and balances. The monthly invoice can be considered as an alternative for requiring a monthly full enrollment file.

Thank you, Cynthia, for your and your team's hard work to effectively complete the subsidy audit of our Delta Dental plan. We truly enjoyed working with yourself and Jennifer Van throughout the process.

Sincerely,



Craig Lally  
President



Corina Lee  
Benefits Trust Chair

Cc Los Angeles Police Protective League Board of Trustees  
Jennifer Lincicum, Fickewirth Benefits Advisors  
Monica Lee, Fickewirth Benefits Advisors



Los Angeles  
Fire & Police Pensions

### INTER-OFFICE MEMORANDUM

DATE: July 1, 2020

TO: Cynthia Varela  
Departmental Audit Manager

FROM: Ray Ciranna  
General Manager

SUBJECT: Audit of Subsidy Program for Dental Plans Administered by LAPPL

Internal Audit has provided recommendations related to the reconciliation of LAPPL dental enrollment records with information uploaded into LAFPP's pension administration system (PARIS). The Department agrees with Internal Audit's assessment of the evaluation of the monthly transaction and subsidy payment process. The Department also agrees with the intent of Internal Audit's recommendations to ensure that the dental enrollment records by which LAFPP generates its monthly transactions are accurate and up to date.

The Department is in support of Recommendations 1 through 4. It is Management's understanding that implementation and prioritization of Recommendation 2, regarding a full reconciliation of the deduction codes, is necessary and must be performed immediately to ensure the current deduction codes in PARIS match LAPPL's enrollment records. Staff will work with LAPPL to ensure a timely exchange of information. In the event LAPPL is unable to perform an immediate audit of LAFPP's enrollment data, staff will initiate an audit of LAPPL's enrollment data to the information in PARIS.

In terms of Recommendation 4, to periodically reconcile LAPPL's enrollment file to information in PARIS to ensure that deduction codes remain complete and accurate, the audit has confirmed that staff's monthly reconciliation process is effective and accurately reflects the enrollment data provided by LAPPL. As a Board-approved dental plan administrator, LAPPL dictates the enrollment status of each pensioner enrolled in a LAPPL dental plan. While LAFPP could audit LAPPL's reconciliation of enrollment data, LAFPP would still rely on confirmation and direction from LAPPL regarding the correct dental codes to be used for any enrollees. It is anticipated that LAPPL would provide direction to update any information stored in PARIS as part of a regular reconciliation process.

It is the Department's belief that implementation of Recommendations 1 through 4 significantly reduces the need to implement Recommendation 5, which suggests that LAPPL submit a monthly invoice to provide a secondary validation that deduction amounts are correct. Staff could potentially alert LAPPL of a difference in expected payment as soon as pension roll transactions were finalized, however the identification

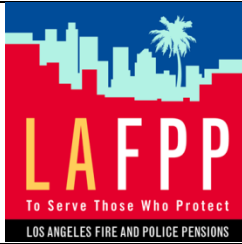
Internal Audit - LAPPL

July 1, 2020

Page 2

of the inconsistent deduction codes would need to occur outside of the active pension roll process. Concurrently, LAFPP would provide its monthly pension roll output reports to LAPPL for the purpose of reconciling enrollment data and payment received. These reports include the detail of deductions and payments, as well as payments not taken, that were applied to the same pension roll for which an invoice would be provided. As a result, Recommendation 5 is redundant and unnecessary with the implementation of Recommendations 1 through 4, which will ensure all payments accurately reflect plan enrollment.

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## **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

**DATE:** DECEMBER 17, 2020 **ITEM:** C.3

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** AUDIT OF SUBSIDY PROGRAM FOR HEALTH AND DENTAL HEALTH PLANS ADMINISTERED BY LOS ANGELES POLICE RELIEF ASSOCIATION AND POSSIBLE BOARD ACTION

#### **RECOMMENDATION**

That the Board review, receive, and file the Audit of the Subsidy Program for Health and Dental Plans Administered by Los Angeles Police Relief Association (LAPRA).

#### **DISCUSSION**

Internal Audit Section (IAS) conducted the Audit of the Subsidy Program for Health and Dental Plans Administered by the Los Angeles Police Relief Association (LAPRA) in accordance with the fiscal year 2020-21 Annual Audit Plan and Forecast based on the agreement between Los Angeles Fire and Police Pensions (LAFPP) and LAPRA to conduct a performance audit to examine the effectiveness, economy, efficiency, or internal controls of the health and dental plans administered by LAPRA. IAS examined the following objectives:

- Evaluate whether the subsidy program is administered in accordance with requirements.
- Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan.
- Review compliance with key contractual requirements.
- Assess reasonableness of administrative fees.

The subsidy program for health and dental plans administered by LAPRA was generally effective, efficient, and produced expected results. LAFPP paid most subsidy benefits in accordance with requirements, with only two of 12,111 subsidy payments incorrectly calculated in May 2020 due to unique system errors that were typically corrected through manual overrides. IAS recommends that LAFPP track and document all known system errors for review and to limit knowledge loss. In general, any system overrides in PARIS should also be clearly flagged as they represent a deviation from normal system processes and controls. These subsidy calculations have been corrected and appropriate member refunds have been issued.

LAPRA provided accurate and complete health and dental coverage to all members for which LAFPP paid a subsidy. In accomplishing this, both LAPRA and LAFPP complied with key contract

provisions selected for testing, including charging administrative fees of \$7.00 per employee per month (PEPM) for health plans and \$1.80 PEPM for dental plans for the period tested.

Finally, the administrative fee rates paid to LAPRA for benefit plan administration were compared to those of peer groups, such as the City of Los Angeles, to assess their reasonableness. In this comparison, IAS first documented the scope of services provided by LAPRA and found that the contract primarily details benefits administration services provided and does not explicitly detail additional services provided such as benefits plan consulting and member communications. In consideration of all services provided, IAS believes that fees paid to LAPRA were reasonable in comparison to fees paid by peer groups; however, fees will increase from the tested maximum of \$8.80 per employee per month (PEPM) to \$11.80 PEPM by the final year of the contract, with total annual fees paid expected to exceed \$1 million. These administrative fees are incorporated into member premiums and are generally covered by a subsidy or a member out-of-pocket deduction.

The Board annually receives a reasonableness analysis of premium rates from LAFPP's consultant, USI, which does not evaluate the contractually set administrative fee. No similar analysis for administrative fees is performed. As such, to provide a complete picture of healthcare costs to the Board and LAFPP members, it is recommended that LAFPP ensure future contracts with third-party administrators: (1) clearly document all services provided as consideration for administrative fees; and (2) include assurance on the reasonableness of fees.

LAFPP and LAPRA generally agreed with the results, recommendations, and conclusions of the audit. LAFPP's full response is attached to the report.

## **BUDGET**

There is no budget impact associated with this report.

## **POLICY**

There is no policy impact associated with this report.

## **CONTRACTOR DISCLOSURE INFORMATION**

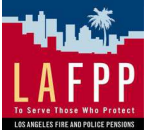
There is no contractor disclosure information required with this report.

This report was prepared by:

Jennifer Van, Internal Auditor  
Internal Audit Section

RPC:CV:JY:JV

Attachment: Audit of Subsidy Program for Health and Dental Plans Administered by Los Angeles Police Relief Association (LAPRA)



# LOS ANGELES FIRE AND POLICE PENSIONS

December 2020

## AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH AND DENTAL PLANS ADMINISTERED BY LOS ANGELES POLICE RELIEF ASSOCIATION (LAPRA)



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*To Serve Those Who Protect*

*"Our mission is to advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles"*



**AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED BY  
LOS ANGELES POLICE RELIEF ASSOCIATION  
December 2020**

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**AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH AND DENTAL PLANS  
ADMINISTERED BY LOS ANGELES POLICE RELIEF ASSOCIATION  
December 2020**

**Report Highlights**

**Purpose of Audit**

To determine whether the subsidy program for health and dental plans administered by LAPRA is effective, efficient, and produces expected results.

**What We Observed**

- ✓ Two (2) of 12,111 subsidy calculations tested were incorrect due to rare system errors and overrides that were applied to correct them.
- ✓ LAPRA accurately covered all members for whom LAFPP paid a subsidy, under Board approved health and dental plans as selected by the member.
- ✓ Both LAPRA and LAFPP complied with key contract provisions, including Section 4.0 in which administrative fees of \$7.00 and \$1.80 per employee per month (PEPM) were incorporated into the premiums of health plans and dental plans, respectively. LAPRA received no additional compensation.
- ✓ LAPRA administrative fees for the period tested appeared reasonable based on comparisons to peer groups that included the City of Los Angeles. However, administrative fees are set to rise \$1.00 per year to a combined maximum of \$11.80 PEPM at the end of the contract term, with total annual administrative fees likely to exceed \$1 million. Currently, the Board does not receive validation of the reasonableness of administrative fees.
- ✓ The Contract primarily details the benefits administration services provided by LAPRA as consideration for the administrative fees. It does not explicitly detail the services provided by LAPRA relating to benefits plan consulting and member communications.

**What We Recommend**

- ✓ LAFPP track and document all known system errors to ensure all cases are reviewed, and knowledge is not lost due to staff turnover. System controls within PARIS, the pension administration system, should be instituted to flag overrides, as they represent deviations from normal system processes and controls.
- ✓ For future third-party administrator contracts, LAFPP should:
  - Clearly define the scope of services received in exchange for administrative fees; and
  - Validate the reasonableness of administrative fees.

**INTRODUCTION**

Pursuant to Internal Audit Section's (IAS) Fiscal Year 2020-21 Annual Audit Plan and Forecast, IAS conducted the Audit of the Subsidy Program for Health and Dental Plans Administered by Los Angeles Police Relief Association (LAPRA).

Los Angeles Fire & Police Pensions (LAFPP) administers a \$153.7 million<sup>1</sup> subsidy program for the health and dental coverage of eligible retired members and beneficiaries pursuant to Administrative Code Sections 4.1151- 4.1164. LAFPP pays subsidies on behalf of eligible members enrolled in Board-approved plans to provide suitable health, medical, hospital, dental, or vision coverage. Employee service organizations that include Los Angeles Police Relief Association (LAPRA), Los Angeles Fire Relief Association (LAFRA), Los Angeles Police Protective League (LAPPL) and United Firefighters' of Los Angeles City (UFLAC) began offering health plans to their memberships prior to the subsidy program's inception in 1975. The organizations continue to administer the health and dental plans offered to members. LAFPP pays subsidies to the service organizations on behalf of eligible members enrolled in Board-approved plans.

LAPRA offers four fully insured health plans to its members: an Anthem Blue Cross preferred provider organization (PPO) plan, an Anthem Blue Cross health maintenance organization (HMO) plan, an Anthem Blue Cross Medicare Advantage with prescription drug coverage plan (MAPD); and a Kaiser HMO plan. LAPRA also offers two dental plans: a self-funded Anthem Blue Cross PPO plan and a fully insured Anthem Blue Cross HMO plan.

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAS has determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We wish to thank LAPRA, Bradawn, Inc., LAPRA's health consultant, and Medical and Dental Benefits (MDB) Section for their assistance, collaboration, and valued input throughout the course of this audit.

## **Background**

In October 2018, LAFPP and LAPRA signed a 5-year contract (the Contract) for the term July 1, 2018 – June 30, 2023 regarding the administration of retiree health and dental plans and retiree health and dental plan subsidies. The Contract sets forth the specific services to be performed by each party, along with contractual terms for fees and confidentiality. Article 3.2(v) of the Contract requires a performance audit of the health and dental plans as related to the subsidy program to examine the effectiveness, economy, efficiency, or internal controls of the health and dental plans as administered by LAPRA.

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<sup>1</sup> 2020-21 fiscal year budget for all health benefits

## AUDIT OBJECTIVES AND SCOPE

The overall objective of the audit was to determine whether the subsidy program for health and dental plans administered by LAPRA is effective, efficient, and produces expected results. The following objectives were evaluated:

Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements;

Objective No. 2 – Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan;

Objective No. 3a – Review compliance with key contractual requirements; and

Objective No. 3b – Assess reasonableness of administrative fees.

## SUMMARY AUDIT RESULTS

The subsidy program for health and dental plans administered by LAPRA was generally effective, efficient, and produced expected results. LAFPP calculated and paid subsidy benefits in accordance with the Los Angeles Administrative Code (LAAC) and other requirements for nearly all subsidy calculations tested. We found only 2 of 12,111 subsidy calculations made in May 2020 were incorrect due to unique types of errors. In prior months, LAFPP had applied manual overrides to the pension administration system (PARIS) to correct subsidy calculation errors. However, the overrides were not updated in the month we tested. IAS recommends that LAFPP track and document all known system errors for review and to limit knowledge loss. In general, any system overrides in PARIS should also be clearly flagged as they represent a deviation from normal system processes and controls.

Through a robust benefits administration process, LAPRA provided accurate and complete health and dental coverage to all subsidy recipients. In accomplishing this, both LAPRA and LAFPP complied with key Contract provisions selected for testing including administrative fees for the period of \$7.00 per enrollee per month (PEPM) for health plans and \$1.80 PEPM for dental plans. LAPRA received no additional compensation. To assess the reasonableness of administrative fees, LAPRA's fees were compared to the benefit administration costs of peer groups. In performing this comparison, IAS first documented the scope of services provided by LAPRA and found that many services provided were not listed in the Contract. As a result, the true value of administrative fees may not be apparent based on the Contract alone. With consideration of all actual services provided, administrative fees currently charged by LAPRA were reasonable; however, fees are set to rise annually to a maximum amount of \$11.80 PEPM in the final year of the Contract, with total fees paid set to exceed \$1 million.

Currently, the Board receives assessments of the reasonableness of rate renewals to validate premium rates from LAFPP's consultant, USI; however, the rate renewal analysis does not include the administrative fee since it is a stipulated amount in the contract between LAFPP and LAPRA. No similar assessments of the reasonableness of administrative fees is performed by LAFPP. For comparison, the City of Los Angeles, the peer group that was used for

benchmarking, follows a competitive bid process for their benefit administration contracts which allow for a market rate assessment of reasonableness. To ensure the continued reasonableness of administrative fees, it is recommended that LAFPP ensure future contracts with third-party administrators: (1) clearly document all services provided as consideration for administrative fees; and (2) include independent assurance on the reasonableness of fees. Clearly documenting services will allow LAFPP to better assess the value received for administrative fees and subsequently obtain assurance on their reasonableness.

## **MANAGEMENT RESPONSE**

LAFPP management generally agrees with the findings and recommendations and intends to implement the recommendations. The Department indicated that there are 11 pensioners who receive a Personnel Department Health Subsidy and periodically, manual adjustments must be made. An additional data comparison will be added to the monthly transactions process to ensure these subsidies are calculated correctly.

The Department will not seek to amend the current contract with LAPRA to expand on information related to Administrative Fees and the Contract Scope of Work but will look to include this information in future contracts with health and dental plan administrators. Department staff will also work with LAPRA to determine whether this additional information can be provided with the 2021 rate renewal presentation. While this latter action was not specifically recommended in the audit, this is a commendable step to providing more transparency.

## **AUDIT PROCEDURES AND TEST RESULTS**

**Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements.**

### Background

In accordance with Sections 4.1154 and 4.1164 of the Los Angeles Administrative Code (LAAC), which codifies program eligibility requirements, LAFPP provides subsidies to eligible members in support of their health and dental coverage. Members include all LAFPP retirees and their qualified survivors. In May 2020, LAPRA members received approximately \$7.66 million in total subsidies for health and dental coverage. The distribution of subsidies amongst the plans is detailed in the table below.

Table 1 - Subsidies Paid to LAPRA Members in May 2020

Plan Type	Subsidies Paid	% of Total
<b>Health:</b> Anthem Blue Cross PPO	\$5,692,460	74.3%
<b>Health:</b> Anthem Blue Cross HMO	\$821,891	10.7%
<b>Health:</b> Anthem Blue Cross MAPD	\$2,765	0.0%
<b>Health:</b> Kaiser HMO	\$991,036	12.9%
<b>Dental:</b> Anthem Blue Cross PPO	\$150,171	2.0%
<b>Dental:</b> Anthem Blue Cross HMO	\$4,953	0.1%
<b>Total</b>	<b>\$7,663,276</b>	<b>100.0%</b>

For the administration of the subsidy program, LAFPP's duties primarily consist of calculating and paying monthly subsidies on behalf of eligible members, collecting out-of-pocket premiums from members, and ensuring subsidies are administered in accordance with authoritative sources. The majority of the calculations of subsidies and deductions are performed by LAFPP's pension administration system, PARIS, and reconciled and monitored monthly by Medical and Dental Benefits (MDB) Section.

#### Audit Procedures

To determine whether subsidies were paid in accordance with LAAC Sections 4.1154 and 4.1164 and their subsections, IAS recalculated all subsidies paid on behalf of LAPRA enrollees for May 2020 to confirm eligibility and payment amounts. The recalculations accounted for each member's eligibility factors that include:

- Years of service
- Age
- Tier
- Medicare eligibility/enrollment
- Premium of selected health plan
- Dependent coverage
- Subsidy freeze election

#### Test Results

IAS recalculated all 12,111 subsidies paid on behalf of LAPRA health and dental enrollees for May 2020. Of the 12,111, IAS identified 2 subsidy payments that were calculated incorrectly resulting in members receiving lower than expected health subsidies. See *Findings and Recommendations – Finding No. 1* for a further discussion of these two exceptions.

**Objective No. 2 – Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan.**

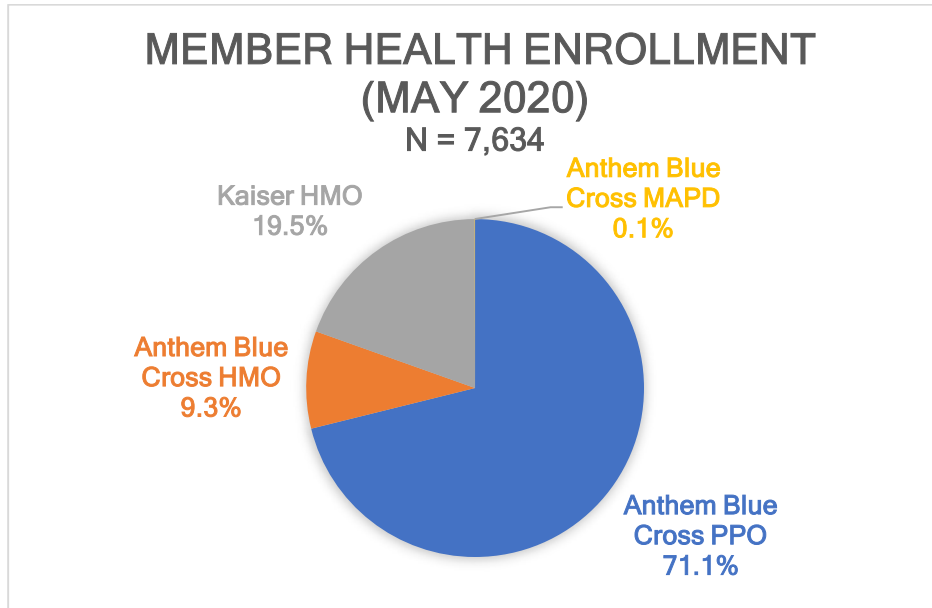
#### Background

In accordance with the Contract, LAPRA is responsible for administering the benefits program for members in their plans and providing members with health and dental coverage as selected by members and paid for by LAFPP subsidies.

In accordance with this process, LAPRA offers four fully insured health plans: an Anthem Blue Cross PPO plan, an Anthem Blue Cross HMO plan, an Anthem Blue Cross Medicare

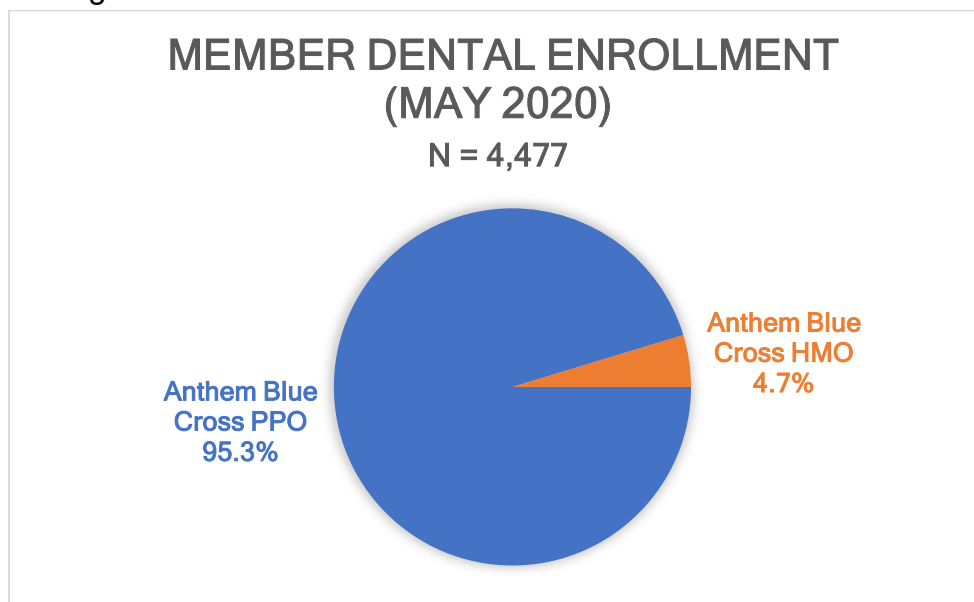
Advantage (MAPD) plan, and a Kaiser HMO plan. Total enrollment fluctuates throughout the plan year as members join the plan and have other qualifying life events; however, a breakdown of LAFPP member enrollment in LAPRA health plans as of May 2020 is found in Figure 1. A majority of members (71.1%) were enrolled in the Anthem Blue Cross PPO health plan.

Figure 1 - LAFPP Member Enrollment in LAPRA Health Plans



LAPRA also offers two dental plans: a self-funded Anthem Blue Cross PPO plan and a fully insured Anthem Blue Cross HMO plan. A breakdown of the May 2020 enrollment of LAFPP members in LAPRA dental plans can be found in Figure 2. A majority of members (95.3%) participated in the Anthem Blue Cross PPO Dental plan.

Figure 2 - LAFPP Member Enrollment in LAPRA Dental Plans



Audit Procedures

For the selected test period, May 2020, IAS:

1. Compared member enrollment in PARIS, LAFPP's pension system, to health and dental enrollment carrier rosters to verify that coverage provided by LAPRA was complete and accurate.
2. Reviewed invoices and payment records for all six Board-approved health and dental plans provided by LAPRA.

Test Results

LAPRA's benefit administration process was effective, ensuring that all members were provided complete and accurate health and dental coverage. Coverage was provided to all members for which LAFPP paid a subsidy and all coverage was consistent with member elections.

**Objective No. 3a – Review compliance with key contractual requirements.**Background

In October 2018, LAFPP and LAPRA signed a 5-year contract (the Contract) that sets forth the specific services to be performed by each party. The following key provisions of the Contract were selected for review due to their subsidy payment or compensation impact.

- Article 3.2(o) of the Contract states that LAPRA *“Provide LAFPP a copy of each pensioner’s Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner’s dependent, upon receipt by LAPRA.”*
- Article 3.2(s) of the Contract states that LAPRA will *“Use reasonable efforts to verify eligibility of all dependents enrolled on or after 1/1/98 in pensioners’ health plans.”*

Article 4.0 of the Contract describes the administrative fee terms that serve as LAPRA's compensation. The administrative fees are set forth by the following articles:

- Article 4.1 of the Contract states that *“The administrative fee shall be incorporated into the health and dental premiums and payable in the month prior to the coverage month. The current health administrative fee is \$5.00 per member (primary subscriber) per month for 2018-19. The health administrative fee is scheduled to increase by \$2.00 per member for 2019-20 and \$1.00 per member for each subsequent year to a maximum of \$10.00 per member. The dental administrative fee is \$1.80 per member (primary subscriber) per month...”*
- Article 4.2 of the Contract further states *“The administrative fee(s) payable pursuant to Article 4.1 shall be the only compensation LAPRA receives from LAFPP for services provided pursuant to this Agreement...”*



For the period tested, May 2020, the administrative fees were \$7.00 per enrollee per month (PEPM) for health plans and \$1.80 PEPM for dental plans.

### Audit Procedures

For the test period May 2020, IAS:

1. Reviewed Medicare enrollment policies to confirm procedures were in place to ensure timely enrollment in Medicare. IAS randomly selected 10 members who turned age 65 in 2020 to confirm their Medicare enrollment.
2. Reviewed dependent eligibility policies to confirm procedures were in place to ensure dependent eligibility was current. IAS randomly sampled 10 subscribers enrolled in multi-party plans to confirm the eligibility of covered dependents.
3. Compared LAPRA premiums to carrier contracts and ancillary health services to verify that administrative fees were consistent with the contracted rates of \$7.00 PEPM for health plans and \$1.80 PEPM for dental plans and that no additional compensation was received.

### Test Results

1. Medicare enrollment policies were in place and appeared reasonable. Medicare cards for each of the selected members who turned age 65 in 2020 were reviewed and confirmed to be enrolled.
2. Dependent eligibility policies were in place and appeared reasonable. All dependents of each of the selected subscribers were confirmed as eligible through review of official documents such as marriage and birth certificates, and court records.
3. LAPRA premiums included an administrative fee consistent with the Contract rate, charging \$7.00 PEPM for health plans and \$1.80 PEPM for dental plans. LAPRA received no additional compensation.

### **Objective No. 3b – Assess reasonableness of administrative fees**

#### Background

Pursuant to LAAC §4.1152, the Board contracts with LAPRA as a third-party administrator to provide group health and dental plans to sworn police retirees. LAPRA receives compensation for their third-party administrator services in the form of a fixed PEPM administrative fee that is incorporated into monthly premiums.

For the period tested, May 2020, the health administrative fee was \$7.00 PEPM after an increase of \$2.00 in July 2019. The health PEPM fee will rise an additional \$1.00 annually through the term of the Contract to a cap of \$10.00 PEPM. The dental administrative fee

remains steady at \$1.80 PEPM through the term of the Contract. A breakdown of the total health and dental administrative fees collected for calendar year (CY) 2019 is detailed in the table below.

Table 2 - Administrative Fees Paid in CY 2019<sup>1</sup>

	<b>Avg. Monthly Enrollment</b>	<b>PEPM Cost</b>	<b>Total Annual Fees Paid</b>
Health Plans	7,572	\$5.00 - \$7.00 <sup>2</sup>	\$546,748
Dental Plans	4,494	\$1.80	\$97,067
<b>Totals</b>	<b>12,066</b>	<b>-</b>	<b>\$643,815</b>

<sup>1</sup> Source: LAPRA

<sup>2</sup> Per the Contract, administrative fees rose from \$5.00 to \$7.00 in July 2019

Reasonableness of administrative fees was assessed through peer comparisons from two sources. First, aggregate data on health plan costs was compiled by the United States Department of Labor in a report entitled “Annual Report to Congress on Self-Insured Group Health Plans” (DOL report). The DOL report, most recently issued in March 2019, summarizes health plan data compiled from the Form 5500 filings for tax year 2016 of over 56,000 employer sponsored health plans. It reports aggregate plan participant numbers, plan assets/liabilities, revenues/expenses, plan benefits, and funding arrangements. Form 5500 is a required filing for health and pension plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA). LAPRA is exempt from Form 5500 as its plans cover primarily government employees.

Second, the City of Los Angeles’ (the City) benefits program for active civilian employees was used as a peer benchmark as it shares reasonably similar characteristics to the program administered by LAPRA. Both programs operate in the Los Angeles area, offering four health plan choices and two dental plan choices primarily to government employees while contracting out most administrative services; however, key program differences were also noted and considered in the comparison. For example, LAPRA offers a retiree-only benefits program with a population that is only approximately one-fourth the size of the City’s population, both are factors that would generally result in higher administrative costs.

#### Audit Procedures

To assess the overall reasonableness of LAPRA administrative fees, IAS:

1. Assessed whether LAPRA administrative fees were reasonable in comparison to aggregate peer statistics and metrics compiled in the DOL report.
2. Compared LAPRA administrative services and fees to those of the City for active civilian employees.

### Test Results

1. LAPRA's current administrative fees compared favorably as a percentage of revenues to the peer group represented in the DOL report. The peer group used were mixed-insured, single-employer benefit plans with 100 or more participants. For May 2020, LAPRA administrative fees were 0.70% of plan revenues which was almost half (0.69% lower) of the DOL report average of 1.39% of plan revenues. Supporting details of LAPRA's comparison to DOL report metrics can be found in *Appendix A*.
2. LAPRA's administrative fees for the period tested were competitive with the administrative costs incurred by the City to manage their benefit plan for active civilian employees. Based on May 2020 enrollment levels in health and dental plans, the average administrative fee paid by LAPRA enrollees was \$7.82 PEPM. For the plan year 2019-20, the City's contracted administrative cost for their benefit plans for active civilian employees was estimated to be \$6.92 PEPM. Despite the \$0.90 variance, IAS believes that the program differences and value added by LAPRA justify the additional costs. A detailed comparison of the services and costs of the two benefit plans can be found in *Appendix A*.
3. Although there were no indications that administrative fees were excessive for the period tested, IAS identified two components of the contracting process that could be improved upon to ensure that costs remain reasonable. For future contracts, LAFPP should: (1) more clearly define the scope of services in the contract to better understand the consideration received for administrative fees, and (2) obtain objective assurance that administrative fees for the services provided are reasonable. The impacts of these findings and detailed recommendations are discussed under *Findings and Recommendations – Findings No. 2 & 3*.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding No. 1 – Track and review system overrides**

The two subsidy calculation exceptions were a result of system errors in LAFPP's pension administration system (PARIS) and manual overrides that were applied to resolve them. These overrides were not updated as system errors were corrected or as the subsidy calculation assumptions changed. The infrequency of these errors mitigates significant risk and makes the cost of an immediate system fix potentially impractical. For instance, the remaining system issue only has the potential to affect two additional members.

### **Recommendation No. 1**

Although these errors occur infrequently, MDB section should ensure that all system errors and workarounds applied are documented and tracked. This will ensure that potential errors are regularly reviewed and limit knowledge loss due to staff turnover. MDB section indicates they

have taken steps to document and resolve these errors and will include them in future staff trainings. Subsidy calculations have been corrected and applicable refunds to members have been processed.

Generally, IAS also recommends that any manual overrides that are applied in PARIS are flagged. Overrides create a risk as they circumvent regular system processes and controls that are in place to prevent errors.

### **Finding No. 2 – Clearly define scope of services**

In comparing to peer groups, IAS first defined the scope of services provided by LAPRA as dictated by the Contract and the benefit administration process. IAS found that LAPRA provides services that span three core areas that are also contracted out by the City: (1) ongoing third-party benefits administration, (2) benefits plan consulting, and (3) communications consulting. Examples of services provided by each core service is detailed below:

Table 3 - Contractual Services

	<b>Services Provided</b>
Ongoing Third-Party Benefits Administration	Enrollment services, eligibility tracking, recordkeeping, reconciliations, and data exchanges
Benefit Plan Consulting	Plan design, regulatory compliance, benefit service provider renewals, and procurements for plan services
Communications Consulting	Member engagement campaigns, communication materials, website design, and surveys

Although the Contract defines some of these services under Article 3, many are implied services that are performed by LAPRA as part of the broader benefits administration process. As a result, the Contract does not appear to capture the full range of services provided as consideration for the administrative fee.

### **Finding No. 3 – Obtain assurance on reasonableness of administrative fees**

The Board currently receives detailed information related to medical trend rates on an industry-wide basis and specific to LAPRA and assessments of the reasonableness of rate renewals from LAFPP's consultant, USI. The rate renewal analysis, however, does not include the administrative fee since it is a stipulated amount in the contract between LAFPP and LAPRA. LAFPP does not currently conduct a similar reasonableness analysis of administrative fees.

Although LAPRA's current administrative fees appear to be comparable to the City and other peers, fees are set to rise at a rate of \$1.00 per year to a maximum administrative fee of \$11.80 PEPM at the end of the contract term. These fees are incorporated into plan premiums and

are covered by either a subsidy or member deduction. Administrative fees paid in 2019 totaled \$643,815 and at continuing enrollment levels, the total paid by police retirees will likely exceed \$1 million. With the significant contract value, the reasonableness of fees should also be considered in future contracts procured by LAFPP.

### **Recommendations No. 2 & 3**

To provide a more complete picture of healthcare costs to the Board and LAFPP members, future third-party benefit administrator contracts should:

- Clearly define the scope and services that will be performed by the contractor as consideration for the administrative fee; and
- Obtain assurance on the reasonableness of administrative fees similar to the assurance the Board currently receives on premiums and rate renewals.

## APPENDIX A – ASSESSMENT OF THE REASONABLENESS OF ADMINISTRATIVE FEES

Reasonableness of administrative fees was assessed through peer comparisons to two sources: aggregate health plan cost data compiled by the United States Department of Labor in a 2019 report entitled “Annual Report to Congress on Self-Insured Group Health Plans” (DOL report) and administrative costs incurred by the City of Los Angeles (the City) in managing their benefit plan for active civilian employees. Comparisons of LAPRA administrative fees to each source is detailed below.

### DOL Report

Table 4 – Comparison to DOL Report Metrics

	LAPRA (May 2020) <sup>1</sup>	Report Totals (2016) <sup>2</sup>	Difference
<b>Metric</b>			
Percent adm exp to total revenue	0.70%	1.39%	-0.69%
<b>Key Statistics</b>			
No. of Plans	4	567	
No. of Unique Participants	7,872	8,141,000	
o <i>Health and Vision</i>	7,634	n/a	
o <i>Dental</i>	4,477	n/a	
Total Revenue	\$8.8M	\$61,953M	
Total Adm. Exp.	\$61,497 <sup>3</sup>	\$859M	
Avg. No. Participants	1,909	14,358	
Avg. Total Adm. Exp.	\$15,374	\$1.52M	

1 Source: LAFPP enrollment in May 2020

2 Source: DOL report

3 Estimated administrative fees collected for health and dental plans in May 2020

### City of Los Angeles

The City’s benefits program for active civilian employees shares similar characteristics to the program administered by LAPRA, with both operating in the Los Angeles area, offering four health plan choices and two dental plan choices primarily to government employees, and contracting out most administrative services. The City contracts with three vendors to provide a scope of services that is similar to the services provided to LAFPP by LAPRA. A comparison of the services and costs of the benefit plans administered by LAPRA and the City is detailed in the table below.

Table 5 - Comparison of Third-Party Benefits Administration Services

	<b>LAPRA (Police Retirees)</b>	<b>City of LA Contractors (Active Civilians)</b>
<b>PEPM Fee</b>	Health: \$7.00 PEPM Dental: \$1.80 PEPM Average: \$7.82 PEPM	Composite: \$6.92 PEPM
<b>Population</b>	7,700	28,000
<b>Services Included in PEPM fee</b>	<ul style="list-style-type: none"> <li>• On-going benefits administration, open enrollment, and recordkeeping</li> <li>• Benefits plan administration consulting</li> <li>• Member communications consulting</li> </ul>	<ul style="list-style-type: none"> <li>• On-going benefits administration, open enrollment, and recordkeeping</li> <li>• Benefits plan administration consulting</li> <li>• Member communications consulting</li> </ul>
<b>Additional Costs</b>	All Inclusive	Printing & Postage Costs Dependent Audits Enrollment Workshops
<b>Service Levels</b>	Not Specified	4-6 customer service representatives with a maximum of 19,000 interactions/year

Overall, the City has the advantage of a larger population size and a primarily non-Medicare population which allows for more efficient pricing. Additionally, the City initiates a competitive bid process for their benefits administration service contracts, which allows for regular market rate assessments. In contrast, LAFPP benefits administration services for police retirees have been contracted out to LAPRA, which has served in this capacity since the inception of the subsidy program. LAPRA delivers value over the City contractors with their fees being inclusive of all costs including printing and postage and in the provision of their unlimited and familiar customer service. Additionally, LAPRA is the primary facilitator of plan designs, negotiations, procurements, and member communications with the LAFPP Board and staff participating in the final review and approval stage. In comparison, City staff and its labor board are primarily responsible for overseeing contracts, procurements, and negotiations with carriers.

**APPENDIX B – LAFPP RESPONSE**

Los Angeles  
Fire & Police Pensions

**INTER-OFFICE MEMORANDUM**

**DATE:** December 3, 2020

**TO:** Cynthia Varela  
Departmental Audit Manager

**FROM:** Ray Ciranna  
General Manager

**SUBJECT:** Audit of Subsidy Program for Health Plans Administered by LAPRA

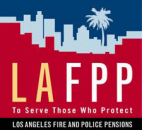
Internal Audit has provided three recommendations that will enhance LAFPP's ability to correctly process all subsidy transactions and administer contracts on behalf of its members.

The Department agrees with the Internal Audit Section (IAS) that manual overrides applied in PARIS should be easy to identify and tracked on a regular basis. Each month, the Department processes health subsidy transactions for over 11,000 pensioners enrolled in Board-approved health plans. Periodically, manual adjustments must be made to ongoing payment instructions for 11 pensioners receiving a Personnel Department Health Subsidy. An additional data comparison will be added to the monthly transactions process so that members with a manual adjustment to their subsidy payment will be identified each month prior to the calculation of subsidies for the current pension roll.

The Department generally agrees with IAS's two recommendations regarding Administrative Fees and Contract Scope of Work, as they are directly aligned with the Board's interest to increase transparency surrounding Board-approved health and dental plans. LAPRA currently provides financial information to the Board with respect to the PEPM administrative/pass-through fees included in LAPRA premiums, as specified by the current contract. Additionally, the contract with LAPRA also outlines specific deliverables and expectations that impact the subsidy payments and premium deductions made on behalf of pensioners.

At this time, it is not recommended that LAFPP amend the current contract agreement to require additional information or increase the scope of services. However, staff will work with LAPRA in advance of their 2021 rate renewal presentation to determine if the additional information can be provided without the need to amend the existing contract. If LAPRA does not agree to provide the additional information during next year's rate renewal presentation, staff will include the audit recommendation as a new requirement to be included in future contracts with health and dental plan administrators.





# LOS ANGELES FIRE AND POLICE PENSIONS

ITEM: B.4

MAY 2021

## AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH AND DENTAL PLANS ADMINISTERED BY UNITED FIREFIGHTERS OF LOS ANGELES CITY (UFLAC)



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*To Serve Those Who Protect*

*"Our mission is to advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles"*

**AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH PLANS ADMINISTERED BY  
UNITED FIREFIGHTERS OF LOS ANGELES CITY (UFLAC)  
May 2021**

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**AUDIT OF THE SUBSIDY PROGRAM FOR HEALTH AND DENTAL PLANS  
ADMINISTERED BY UNITED FIREFIGHTERS OF LOS ANGELES CITY (UFLAC)  
May 2021**

## **INTRODUCTION**

Pursuant to Internal Audit Section's (IAS) Fiscal Year 2020-21 Annual Audit Plan and Forecast, IAS conducted the Audit of the Subsidy Program for Health and Dental Plans Administered by United Firefighters of Los Angeles City (UFLAC).

Los Angeles Fire & Police Pensions (LAFPP) administers a \$153.7 million<sup>1</sup> subsidy program for the health and dental coverage of eligible retired members and beneficiaries pursuant to Administrative Code Sections 4.1151- 4.1164. LAFPP pays subsidies on behalf of eligible members enrolled in Board-approved plans to provide suitable health, medical, hospital, dental, or vision coverage. Employee service organizations that include Los Angeles Police Relief Association (LAPRA), Los Angeles Fire Relief Association (LAFRA), Los Angeles Police Protective League (LAPPL) and United Firefighters of Los Angeles City (UFLAC) began offering health plans to their memberships prior to the subsidy program's inception in 1975.

UFLAC offers four fully insured health plans and three dental plans to its members. With approximately 120 health plan enrollees and 2,733 dental plan enrollees in 2020<sup>2</sup>, a majority of members are enrolled in dental plans only.

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAS has determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We wish to thank UFLAC, Fickewirth Benefits, UFLAC's health consultant, and Medical and Dental Benefits (MDB) Section for their assistance, collaboration, and valued input throughout the course of this audit.

## **Background**

In October 2018, LAFPP and UFLAC signed a 5-year contract (the Contract) for the term July 1, 2018 – June 30, 2023 regarding the administration of retiree health and dental plans and retiree

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<sup>1</sup> 2020-21 fiscal year budget for all health benefits

<sup>2</sup> Based on enrollment in November 2020

health and dental plan subsidies. The Contract sets forth the specific services to be performed by each party, along with contractual terms for fees and confidentiality. Article 3.2(u) of the Contract requires a performance audit of the health and dental plans as related to the subsidy program to examine the effectiveness, economy, efficiency, or internal controls of the health and dental plans as administered by UFLAC.

## **AUDIT OBJECTIVES AND SCOPE**

The overall objective of the audit was to determine whether the subsidy program for health and dental plans administered by UFLAC is effective, efficient, and produces expected results. The following objectives were evaluated:

Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements;

Objective No. 2 – Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan;

Objective No. 3a – Review compliance with key contractual requirements; and

Objective No. 3b – Assess reasonableness of administrative fees.

## **SUMMARY AUDIT RESULTS**

The subsidy program for health and dental plans administered by UFLAC was generally effective, efficient, and produced expected results. LAFPP calculated and paid subsidy benefits in accordance with the Los Angeles Administrative Code (LAAC) and other requirements for all subsidy calculations tested.

UFLAC provided accurate and complete health and dental coverage to all subsidy recipients. Its benefits administration process, including Medicare enrollment procedures and dependent eligibility verification procedures, was effective. Both UFLAC and LAFPP complied with key Contract provisions selected for testing, including charging administrative fees of \$22.00 per enrollee per month (PEPM) for health plans and between \$0.00 and \$4.72 PEPM for dental plans.

To assess the reasonableness of these administrative fees, IAS reviewed the costs incurred by UFLAC for November 2020 to administer health and dental benefits for LAFPP retirees, determining whether they were reasonable and supported the fee assessed. To further support the assessment, UFLAC administrative services and fees for health and dental benefits were compared to peer third-party benefit administrators. Health and dental administration fees appeared reasonable and supported based on the information provided by UFLAC for November 2020. However, we note that administrative fees do not typically vary based on the plan selected

or coverage level. Direct reimbursement dental subscribers are not charged any administrative fees, while the two-party dental PPO subscriber pays \$3.79, and the two-party dental HMO subscriber pays \$4.72 in administrative fees. UFLAC indicated that the dental administrative fees vary between the dental HMO and dental PPO plan and coverage level (single, two-party, or family) based on projected enrollment and level of services provided.

Although there were no indications that administrative fees were excessive for the period tested, administrative fees are built into premiums and charged to members, directly and indirectly. As such, LAFPP should strive to improve transparency for members in the contracting process and ensure that costs remain reasonable and equitable. To facilitate this, LAFPP should ensure that future third-party administrator contracts include: (1) a clearly defined scope and costs of services received as consideration for administrative fees; (2) an assessment and confirmation of the reasonableness of administrative fees charged; and (3) for all administrative fees, but particularly varying ones, that the basis of the fee schedules are transparent so that stakeholders are assured that fees are set in an equitable manner.

## **MANAGEMENT & UFLAC RESPONSE**

LAFPP management generally agreed with the results and conclusions of the audit and intends to implement the recommendation. LAFPP's full response is attached in *Appendix A*. UFLAC also generally agreed with the results and conclusions of the audit. For Recommendation No. 1, UFLAC states that their annual health and dental presentations to the Board has historically included a summary of administrative fees, which provides the fee schedule and an overview of services performed by UFLAC to support their retirees. UFLAC's full response is attached in *Appendix B*.

IAS found that the information currently provided by UFLAC fulfills existing contractual requirements and is a great first step towards the ultimate goal of increased transparency. The recommendation requests that future contracts enhance these transparency efforts by also including information on the costs of services, an assessment of reasonableness of fees, and the basis of the fee schedules.

## **AUDIT PROCEDURES AND TEST RESULTS**

**Objective No. 1 – Evaluate whether the subsidy program is administered in accordance with requirements.**

### Background

In accordance with Los Angeles Administrative Code (LAAC) Sections 4.1154 and 4.1164, which codifies program eligibility requirements, LAFPP provides eligible members subsidies for their

health and dental coverage. Members include LAFPP retirees and their qualified dependents and survivors. In November 2020, UFLAC members received approximately \$227,095 in total subsidies for health and dental coverage. The distribution of subsidies amongst the plans is detailed in the table below.

Table 1 - Subsidies Paid to UFLAC Members in November 2020

<b>Plan Type</b>	<b>Subsidies Paid</b>	<b>% of Total</b>
<b>Health:</b> UFLAC HMO	\$54,339	23.9%
<b>Health:</b> UFLAC High Deductible PPO	\$24,003	10.6%
<b>Health:</b> UFLAC Medicare Advantage HMO	\$1,567	0.7%
<b>Health:</b> UFLAC Medicare Advantage PPO	\$42,926	18.9%
<b>Dental:</b> MetLife Direct Reimbursement	\$48,534	21.4%
<b>Dental:</b> MetLife Dental PPO	\$52,819	23.3%
<b>Dental:</b> MetLife Dental HMO	\$2,907	1.3%
<b>Total</b>	<b>\$227,095</b>	

For the administration of the subsidy program, LAFPP's duties primarily consist of calculating and paying monthly subsidies on behalf of eligible members, collecting out-of-pocket premiums from members, and ensuring subsidies are administered in accordance with authoritative sources. The majority of the calculations of subsidies and deductions are performed by LAFPP's pension and retirement information system, also known as PARIS, and reconciled and monitored monthly by Medical and Dental Benefits (MDB) Section.

#### Audit Procedures

To determine whether subsidies were paid in accordance with LAAC Sections 4.1154 and 4.1164 and their subsections, IAS recalculated all subsidies paid on behalf of UFLAC enrollees for November 2020 to confirm eligibility and payment amounts. The recalculations accounted for each member's eligibility factors that include:

- Years of service
- Age
- Tier
- Medicare eligibility/enrollment
- Premium of selected health plan
- Dependent coverage
- Subsidy freeze election

#### Test Results

IAS recalculated all 2,916 subsidies paid on behalf of UFLAC health and dental enrollees for November 2020 and no exceptions were identified.

**Objective No. 2 – Determine whether members for whom LAFPP paid subsidies were covered under an approved health or dental plan.**

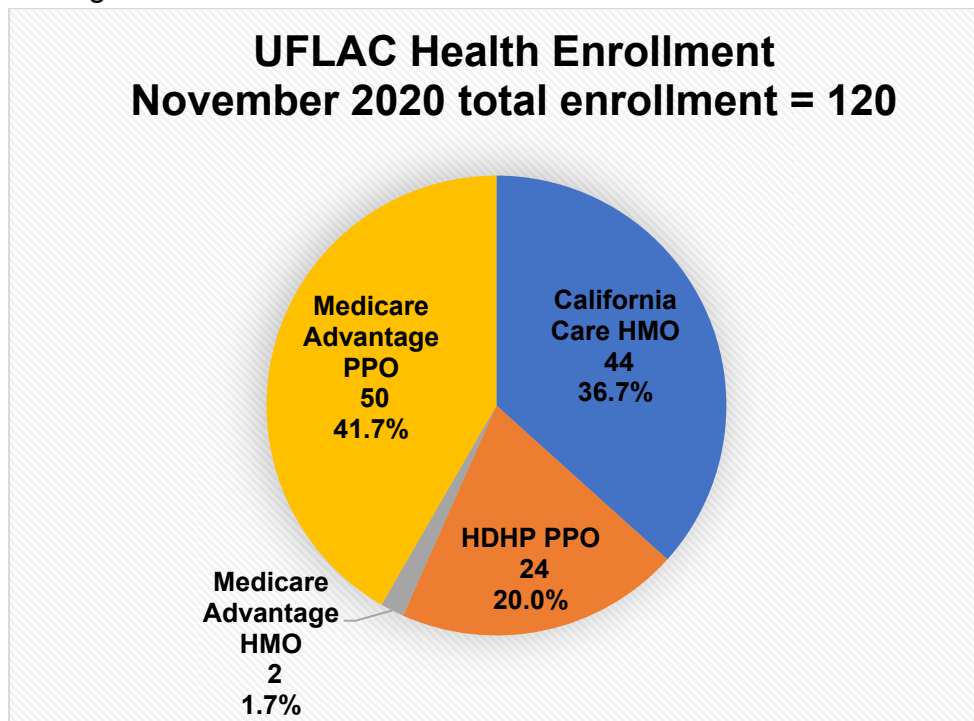
Background

In accordance with the Contract, UFLAC is responsible for administering the benefits program for members enrolled in their plans and providing health and dental coverage as selected by members and partially paid for by LAFPP subsidies.

UFLAC offers four fully insured health plans to its members: an Anthem Blue Cross health maintenance organization (HMO) plan; an Anthem Blue Cross high deductible preferred provider organization (PPO) plan, an Anthem Blue Cross Medicare Advantage PPO plan; and an Anthem Blue Cross Medicare Advantage HMO plan. UFLAC also offers three dental plans: a MetLife direct reimbursement plan<sup>3</sup>, a MetLife Dental HMO (DHMO), and a MetLife Dental PPO (DPPO) plan.

Total enrollment fluctuates throughout the plan year as members join the plan and have other qualifying life events; however, for the period tested, UFLAC health plan enrollment was 120 members and dental plans enrollment was 2,733 members. A breakdown of LAFPP member enrollment in UFLAC health plans as of November 2020 is found in *Figure 1*.

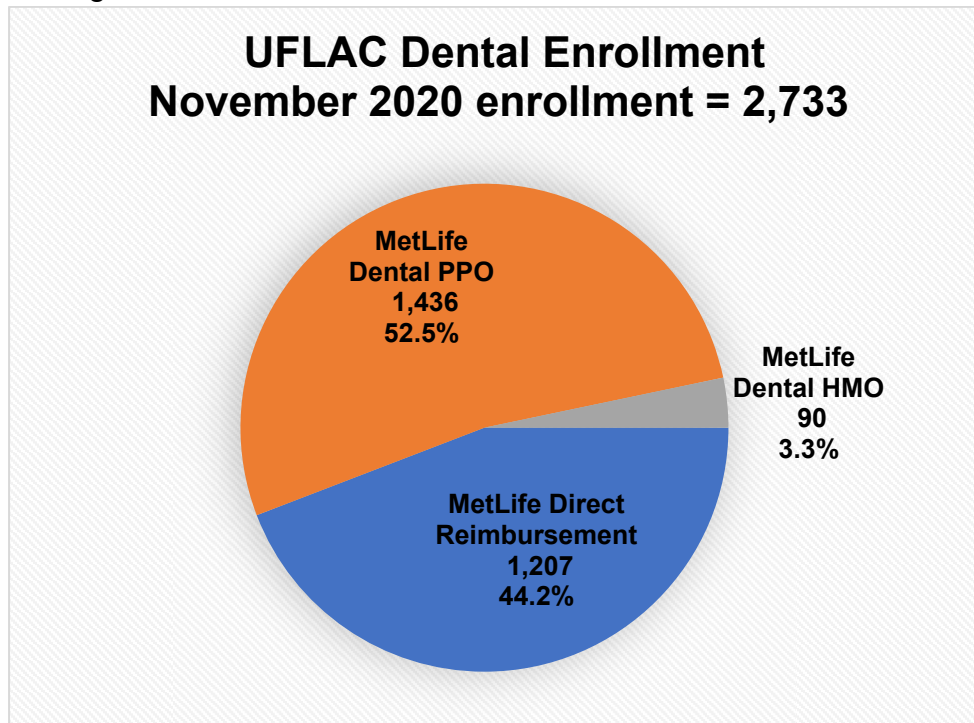
Figure 1 - LAFPP Member Enrollment in UFLAC Health Plans



<sup>3</sup> The direct reimbursement plan is a self-funded dental plan.

A breakdown of the November 2020 enrollment of LAFPP members in UFLAC dental plans can be found in *Figure 2*.

Figure 2 - LAFPP Member Enrollment in UFLAC Dental Plans



### Audit Procedures

For the selected test period, November 2020, IAS:

1. Compared member enrollment in PARIS, LAFPP's pension administration system, to health and dental enrollment carrier rosters to verify that coverage provided by UFLAC was complete and accurate.
2. Reviewed invoices and payment records for all seven Board-approved health and dental plans provided by UFLAC.

### Test Results

Coverage was provided to all members for which LAFPP paid a subsidy and coverage was consistent with member elections.

### **Objective No. 3a – Review compliance with key contractual requirements.**

### Background

In October 2018, LAFPP and UFLAC signed a 5-year contract (the Contract) that sets forth the specific services to be performed by each party. The following key provisions of the Contract



were selected for detailed review due to their impact on subsidy benefits or compensation paid to UFLAC.

- Article 3.2(n) of the Contract states that UFLAC *“Provide LAFPP a copy of each pensioner’s Medicare Identification Card, as well as a copy of any Medicare Identification Card received for a pensioner’s dependent, upon receipt by UFLAC.”*
- Article 3.2(r) of the Contract states that UFLAC will *“Use reasonable efforts to verify eligibility of all dependents enrolled on or after 1/1/98 in pensioners’ health plans.”*

Article 4.0, describing the terms for administrative fees that serve as UFLAC’s compensation, was also selected for review. The administrative fees are set forth by the following sections:

- Article 4.1 of the Contract states that *“The current administrative fee is \$22.00 per primary subscriber per month for the health plans. The administrative fees for the dental plans shall be as follows:*

**MetLife PPO**

Single \$2.12

2-Party \$3.79

Family \$3.20

**MetLife HMO**

Single \$4.58

2-Party \$4.72

Family \$4.72

- Article 4.2 of the Contract further states *“The administrative fee(s) payable pursuant to Article 4.1 shall be the only compensation UFLAC receives from LAFPP for services provided pursuant to this Agreement.”*

**Audit Procedures**

For the test period November 2020, IAS:

1. Reviewed Medicare enrollment policies to confirm procedures were in place to ensure timely enrollment in Medicare. IAS selected all members who turned age 65 in 2020 to confirm their Medicare enrollment.
2. Reviewed dependent eligibility policies to confirm procedures were in place to ensure dependent eligibility was current. IAS randomly sampled 10 subscribers enrolled in multi-party plans<sup>4</sup> to confirm the eligibility of covered dependents.
3. Compared UFLAC premiums to carrier contracts and ancillary health services to verify that administrative fees were consistent with the contracted rates of \$22.00 PEPM for health

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<sup>4</sup> This sample was drawn from UFLAC health enrollees only. Dependent subsidies are not available for dental plans.

plans and the appropriate PEPM fees for dental plans and that no additional compensation was received. Reasonableness of administrative fees was assessed in *Objective No. 3b*.

### Test Results

1. Medicare enrollment policies were in place and appeared reasonable and adequate. Medicare cards for each of the selected members who turned age 65 in 2020 were reviewed and confirmed to be enrolled.
2. Dependent eligibility policies were in place and appeared reasonable and adequate. However, in the sample reviewed, IAS identified one member that appeared to have their former spouse enrolled as a dependent on their health and dental insurance. The member's enrollment resulted in no impact on their subsidy and deduction in the period tested. Dependent verification procedures currently in place are generally adequate and would identify ineligible dependents once they impact members.
3. Administrative fees consistent with the Contract were incorporated into the premiums of health and dental plans. With regard to the administrative fees, UFLAC received no additional compensation.

### **Objective No. 3b – Assess reasonableness of administrative fees**

#### Background

Pursuant to LAAC §4.1152, the Board contracts with UFLAC to administer and provide group health and dental plans to sworn fire retirees. UFLAC receives compensation for their benefits administration services in the form of a per enrollee per month (PEPM) administrative fee, set in the Contract, that is incorporated into monthly premiums. LAFPP similarly contracts with other employee service organizations (LAFRA, LAPPL, LAPRA) to provide benefits administration and group health and dental plans for other employee subgroups. The City of Los Angeles' (the City) holds comparable contracts to administer their benefits programs for active civilian employees<sup>5</sup>.

UFLAC administrative fees were \$22.00 PEPM for health plans and ranged from \$0.00 to \$4.72 PEPM for dental plans, dependent on enrollment and coverage level. A summary of UFLAC health and dental administrative fees collected for the period tested is detailed in the table below.

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<sup>5</sup> A detailed comparison of third-party benefits administration services provided by the City of Los Angeles and LAPRA was included in a December 2020 report titled *Audit of the Subsidy Program for Health and Dental Plans Administered by LAPRA*.

Table 2 – UFLAC Administrative Fees Summary in November 2020

	<b>Enrollment</b>	<b>PEPM Administrative Fees</b>	<b>Monthly Administrative Fees Collected</b>
<b>Health Plans</b>	<b>120</b>	<b>\$22.00</b>	<b>\$2,640.00</b>
<b>Dental Plans</b> <i>(Plan level breakout below)</i>	<b>2,733</b>	<b>\$0.00 - \$4.72</b>	<b>\$4,982.43</b>
<i>DHMO - 1 Pty Dental</i>	<i>38</i>	<i>\$4.58</i>	<i>\$174.04</i>
<i>DHMO - Family Dental</i>	<i>52</i>	<i>\$4.72</i>	<i>\$245.44</i>
<i>DPPO - 1 Pty Dental</i>	<i>474</i>	<i>\$2.12</i>	<i>\$1,004.88</i>
<i>DPPO - 2 Pty Dental</i>	<i>813</i>	<i>\$3.79</i>	<i>\$3,081.27</i>
<i>DPPO - Family Dental</i>	<i>149</i>	<i>\$3.20</i>	<i>\$476.80</i>
<i>Direct Reimbursement</i>	<i>1,207</i>	<i>\$0.00</i>	<i>\$0.00</i>
<b>Totals</b>	<b>2,853</b>	<b>-</b>	<b>\$7,622.43</b>

Aggregate data on health plan costs is compiled annually by the United States Department of Labor in a report entitled “Annual Report to Congress on Self-Insured Group Health Plans” (DOL report). The DOL report, most recently issued in January 2021, summarizes data from Form 5500<sup>6</sup> filings for tax year 2018 of approximately 61,000 private sector, employer-sponsored group health plans. It reports aggregate plan participant numbers, plan assets/liabilities, revenues/expenses, plan benefits, and funding arrangements.

#### Audit Procedures

To assess the overall reasonableness of administrative fees, IAS:

1. Evaluated whether the costs incurred by UFLAC to administer health and dental benefits for LAFPP retirees were reasonable and supported the administrative fee assessed.
2. Evaluated whether UFLAC administrative services and fees for health and dental benefits were comparable to peer third-party benefit administrators.

#### Test Results

Administrative fees appeared reasonable and supported for the period tested, based on the following facts:

1. For the month provided, the costs incurred related to administration of its health and dental plans appeared reasonable and supported a higher PEPM than what is being collected. However, this assessment was somewhat limited as UFLAC only provided an allocation of costs for a one-month period and noted that costs may vary month to month.

<sup>6</sup> Form 5500 is a required filing for health and pension plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA). UFLAC is exempt from Form 5500 as its plans cover primarily government employees.

2. UFLAC provided a scope of services similar to peer third-party benefit administrators, including other employee service organizations LAFPP contracts with and the City of Los Angeles.
3. Administrative fees charged for health plans were favorable in comparison with peer statistics found in the DOL report. In comparison to a benchmark group with similar characteristics and enrollment levels, UFLAC health plan administrative fees were 1.93% of plan revenues which was 0.97% lower than the DOL report average of 2.90%.

Table 3 – Health Plan Comparison to DOL Report Statistics

	<b>UFLAC (Nov 2020)<sup>1,2</sup></b>	<b>DOL Report (2018)<sup>3,4</sup></b>	<b>Differences</b>
<b>Metrics</b>			
Percent admin exp to total revenue	1.93%	2.90%	-0.97%
<b>Key Statistics</b>			
No. of Plans	4	121	
No. of Participants	120	4,000	
Total Revenue	\$136,546	\$69M	
Total Expense	\$134,146	\$34M	
Total Adm. Exp.	\$2,640	\$2M	
Avg. No. Participants	30	33	

1 Source: LAFPP enrollment records in November 2020

2 Health plan information only

3 Source: January 2021 DOL report

4 Metrics based on aggregate of plans that were fully-insured, single-employer, with less than 100 participants per plan, and a benefits trust

However, it should be noted that UFLAC administrative fees were \$22.00 PEPM compared to \$9.00 PEPM for LAPRA, a similar provider of fully-insured plans to sworn retirees. Although the services provided by both were comparable in scope, a lower relative enrollment prevents UFLAC from achieving the same economies of scale and efficiency of other contractors. Increased enrollment generally leads to lower costs per enrollee due to fixed costs being more widely allocated.

4. For dental administrative fees, the costs incurred by UFLAC related to dental plans support a higher PEPM than what is being collected<sup>7</sup>. However, the contracted fee schedule results in PEPM charges that range from \$0 for direct reimbursement enrollees up to \$4.72 PEPM for some DHMO enrollees. UFLAC indicated that dental administrative fees are assessed based on enrollment levels and anticipated service requirements of each plan. No further details were provided for the basis of the fee schedule. Other Associations who contract

<sup>7</sup> The DOL report focuses on health plans as the primary insurance with dental and coverage considered add-ons; therefore, a comparison to the report was only performed on UFLAC's health plans.

with LAFPP and the City of Los Angeles who administers civilian benefits do not assess varying fees based on the plan selected or the coverage level, with LAPPL charging no administrative fee and LAPRA charging \$1.80 PEPM for all members.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding No. 1 – Improve Transparency on Administrative Fees**

Although there were no indications that administrative fees were excessive for the period tested, administrative fees are built into premiums and charged to members, directly and indirectly. Additionally, while the total dollar amount of administrative fees collected by UFLAC were low relative to other administrators (\$7,622 in November 2020), the impact on individual members should also be considered. For dental plans, an LAFPP member enrolled in a dental plan could pay administrative fees ranging from \$0.00 PEPM (members enrolled in UFLAC direct reimbursement plans or LAPPL dental plans) to \$4.72 PEPM (members enrolled in a UFLAC HMO 2-party or Family plan). As such, LAFPP should strive to improve transparency in the contracting process for members and ensure that administrative fees remain reasonable, and that the basis of fees are apparent and equitable.

### **Recommendation No. 1**

To facilitate the goal of transparency, LAFPP should ensure that for future third-party administrator contracts:

- a. The scope and costs of services received as consideration for administrative fees are clearly defined;
- b. There is an assessment and confirmation of the reasonableness of administrative fees charged; and
- c. For all administrative fees, especially varying ones, that the basis of the fee schedule is transparent and communicated so that stakeholders are assured that fees are set in an equitable manner.

## APPENDIX A: LAFPP RESPONSE



Los Angeles  
Fire & Police Pensions

## INTER-OFFICE MEMORANDUM

DATE: June 3, 2021

TO: Cynthia Varela  
Departmental Audit Manager

FROM: Ray Ciranna  
General Manager

SUBJECT: Audit of Subsidy Program for Health Plans Administered by UFLAC

Internal Audit Section has provided a recommendation to enhance the financial information available to the Board with respect to the PEPM administrative fee/pass-through fees included in UFLAC premiums. The Department agrees with the recommendation as it is directly aligned with the Board's interest to increase transparency surrounding Board-approved health and dental plans.

Staff will work with UFLAC in advance of their 2022 rate renewal presentation to obtain additional information regarding the administrative fees that are included in the health and dental premiums. Staff will also work with the Plan's health consultant to provide a benchmark assessment of UFLAC administrative fees and services, during all future rate renewal reviews. Staff agrees that future third-party administrator contracts should clearly define the scope and costs of services received in consideration of administrative fees.

## APPENDIX B: UFLAC RESPONSE



# United Firefighters of Los Angeles City

*Local 112, International Association of Fire Fighters*

June 2, 2021

Ms. Cynthia Varela  
Los Angeles Fire and Police Pensions  
701 E. 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013

**RE: United Firefighters of Los Angeles City IAFF Local 112 (UFLAC) Subsidy Program Audit**

Dear Ms. Varela,

Thank you for providing UFLAC with a copy of your draft audit report and for allowing us to provide our comments and suggestions to be considered in the final audit report, which is scheduled to be presented to the Los Angeles Fire and Police Pensions (LAFPP) Board on June 17<sup>th</sup>, 2021.

This letter will serve as UFLAC's formal response to your recommendation, which states as follows:

**Recommendation No. 1**

To facilitate the goal of transparency, LAFPP should ensure that for future third-party administrator contracts:

- a. The scope and costs of services received as consideration for administrative fees are clearly defined;
- b. There is an assessment and confirmation of the reasonableness of administrative fees charged; and
- c. For all administrative fees, especially varying ones, that the basis of the fee schedule is transparent and communicated so that stakeholders are assured that fees are set in an equitable manner.

**UFLAC'S Response**

UFLAC agrees that transparency is always a clear goal and, as part of the operating agreement with LAFPP, has continued to present our annual health and dental renewals to the Board on an annual basis. This presentation has historically included a summary of the administrative fees included in the health and dental plans, which includes a fee schedule for varying administrative fees, for the future plan year in addition to an overview of services performed by UFLAC to support our retirees.

Thank you, Cynthia, for your and your team's hard work to effectively complete the subsidy audit of our health and dental plans. We truly enjoyed working with yourself and Jennifer Van throughout the process.

Sincerely,

Freddy Escobar  
UFLAC President

FE/mr  
opeiu #537  
afl-cio-clc

1571 Beverly Blvd., Suite 201 • Los Angeles, California 90026-5704 • telephone 800-252-8352 • facsimile 213-250-5678  
Affiliated with: California Professional Firefighters • California Labor Federation • Los Angeles County Federation of Labor • IAFF • AFL-CIO-CLC



PARTNERSHIP FOR HEALTH AND WELFARE BENEFITS MANAGEMENT

# COMPREHENSIVE UNDERWRITING REVIEW

[www.usi.com](http://www.usi.com)





# Executive Overview

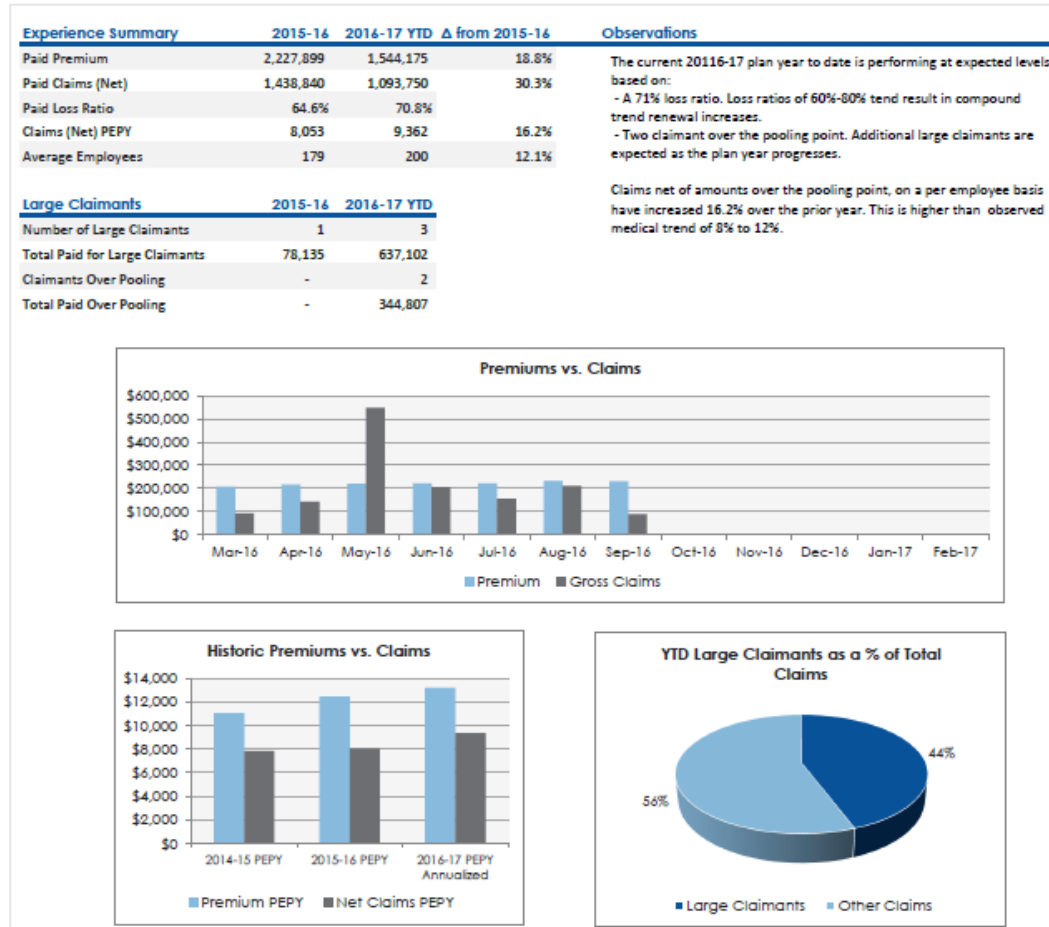
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## USI Comprehensive Underwriting Review

- USI Underwriting & Analytical teams provide deep insights into both fully insured and self-funded rate development for renewal discussions with the associations and unions.
- USI starts by building a comprehensive dashboard of client data (USI now has four years of data).
  - Typically comparing monthly claims, premium and enrollment for the last twelve months
- USI analytical teams analyze the carrier/association/union reports for accuracy of data and assumptions.
  - USI uses our own trend factors based on our book of business for medical, Rx, and dental.
  - Union/Associations have typically used Segal's or the carrier's trend factors.
  - For administrative fees USI benchmarks premium volumes and the size of groups to determine reasonable fees (taxes, ACA fees, carrier costs).
  - USI reviews large claims, prescription drug rebates, insurance carrier margins, and pooling charges.
- USI underwriters create an independent renewal analysis to contrast and compare with carrier, association, or union renewals.
- USI then applies our trend, reserve, and administration factors to the data supplied to project the next renewal's premiums and claims.
- USI compares our projections to validate, or not, that the Union's or Association's renewals are in line with ours.

# Comprehensive Underwriting Review: Comprehensive Dashboard

USI Underwriting & Analytical teams provide deep insights into fully insured rate development for advanced carrier negotiations.



- USI starts by building a comprehensive dashboard of client data.
- USI's proprietary claims analysis tool, 3D, can provide additional financial and clinical insights to augment the renewal negotiation.
- USI analytical teams analyze carrier reporting for accuracy of data and assumptions.
- Analysis typically reveals 3-6% of excess carrier margin/profit to be removed from renewal calculations.

# Comprehensive Underwriting Review: Independent Renewal Analysis

Carrier reporting and rate development typically skews results toward higher renewals. USI underwriters create an independent renewal analysis to contrast with carrier models and produce employer savings.

Renewal Period:	March 1, 2015 - February 29, 2016			
Experience Period:	October 1, 2013 - September 30, 2014			
	Medical	Vision	Rx	Medical/Vision/Rx
<b>Enrollment</b>				
1 Subscriber Months	2,324	2,324	2,324	2,324
2 Member Months	6,047	6,047	6,047	6,047
3 Average Contract Size	2.60	2.60	2.60	2.60
<b>Premium</b>				
4 Earned Premium	\$2,150,051	\$52,220	\$314,242	\$2,516,513
5 Premium at Current Rate Level	\$2,191,587	\$53,228	\$320,314	\$2,565,130
<b>Claims</b>				
6 Paid Claims	\$1,756,109	\$44,499	\$220,980	\$2,021,587
7 Claim \$ Exceeding Pooling Point of \$100,000	(\$378,580)	\$0	\$0	(\$378,580)
8 Change in Reserve	\$71,272	\$1,556	-\$286	\$72,542
9 Incurred Claims	\$1,448,801	\$46,055	\$220,694	\$1,715,549
<b>Adjusted Incurred Claims</b>				
10 Benefit Adjustment	\$0	\$0	\$0	\$0
11 Healthcare Reform Mandate	\$0	\$0	\$0	\$0
12 Adjusted Incurred Claims	\$1,448,801	\$46,055	\$220,694	\$1,715,549
<b>Projected Claims Costs</b>				
13 Months of Trend	17.0	17.0	17.0	17.0
14 Annual Trend	9.90%	4.00%	9.45%	9.76%
15 Compounded Applied Trend Factor	1.1431	1.0571	1.1365	1.1410
16 Trended Incurred Claims	\$1,656,108	\$48,686	\$250,811	\$1,957,487
17 Actuarial Margin For Claims Fluctuation	0.00%	\$0	\$0	\$0
18 Pool Assessment @ \$100,000	\$42.12	\$254,728	\$0	\$254,728
19 Estimated Drug Rebates	\$0	\$0	(\$14,807)	(\$14,807)
20 Total Adjusted Incurred Claims	\$1,910,836	\$48,686	\$236,004	\$2,197,408
21 Adjustment for Claims Credibility	\$0	\$0	\$0	\$0
22 Total Projected Credible Incurred Claims	\$1,910,836	\$48,686	\$236,004	\$2,195,526
<b>Projected Retention Costs</b>				
23 Administration PMPM	\$50.75	\$306,874	\$0	\$306,874
24 State High Risk Pool PMPM	\$3.20	\$19,351	\$0	\$19,351
25 Broker Commission PEPM	\$39.90	\$92,725	\$0	\$92,725
26 Premium Tax	2.00%	\$54,385	\$1,020	\$4,942
27 Patient Centered Outcome Tax (PCOR) PMPY	\$2.08	\$1,048	\$0	\$1,048
28 Health Insurer Fee	2.50%	\$67,982	\$1,275	\$6,178
29 Reinsurance Fee		\$266,068	\$0	\$266,068
30 Third Party/Optional Admin Programs (PMPM)	\$0.00	\$0	\$0	\$0
31 Total Retention Cost		\$808,433	\$2,294	\$11,121
32 Projected Annual Cost		\$2,719,269	\$50,980	\$247,124
33 <b>Rate Adjustment Needed</b>		<b>24.1%</b>	<b>-4.2%</b>	<b>-22.8%</b>
				<b>17.6%</b>

- Paid Claims typically include carrier revenue in the form of % of savings charges, spread pricing, capitated fees etc..
- Renewal presentations from carrier include numerous factors that have a compounding effect to rates and each must be analyzed to ensure competitiveness.

USI underwriters establish a peer-to-peer relationship with carrier underwriters for advanced negotiations

## Comprehensive Underwriting Review:

# Example: Hidden Excess Retention Costs

USI underwriters typically uncover 2-3% of excess retention costs hidden within the renewal.

17 Actuarial Margin For Claims Fluctuation	0.00%	\$0	\$0	\$0	\$0
18 Pool Assessment @ \$100,000	\$42.12	\$254,728	\$0	\$0	\$254,728
19 Estimated Drug Rebates		\$0	\$0	(\$14,807)	(\$14,807)
20 Total Adjusted Incurred Claims		\$1,910,836	\$48,686	\$236,004	\$2,197,408
21 Adjustment for Claims Credibility		\$0	\$0	\$0	\$0
22 Total Projected Credible Incurred Claims		\$1,910,836	\$48,686	\$236,004	\$2,195,526
<b>Projected Retention Costs</b>					
23 Administration PMPM	\$50.75	\$306,874	\$0	\$0	\$306,874
24 State High Risk Pool PMPM	\$3.20	\$19,351	\$0	\$0	\$19,351
25 Broker Commission PMPM	\$39.90	\$92,725	\$0	\$0	\$92,725
26 Premium Tax	2.00%	\$54,385	\$1,020	\$4,942	\$60,347
27 Patient Centered Outcome Tax (PCOR) PMPY	\$2.08	\$1,048	\$0	\$0	\$1,048
28 Health Insurer Fee	2.50%	\$67,982	\$1,275	\$6,178	\$75,434
29 Reinsurance Fee		\$266,068	\$0	\$0	\$266,068
30 Third Party/Optional Admin Programs (PMPM)	\$0.00	\$0	\$0	\$0	\$0
31 Total Retention Cost		\$808,433	\$2,294	\$11,121	\$821,848

	<u>Enrollment</u>	<u>Medical</u>
1 Subscriber Months		2,324
2 Member Months		6,047

This small nuance in billing method could produce a big difference in total costs:

	<u>Renewal</u>	<u>Competition</u>
Retention Rate	\$50.75 <u>PMPM</u>	\$60.00 <u>PEPM</u>
Employees:		194
Members:	503	
Annual Cost	\$306,874	\$139,680

Savings = **\$166,347 or more than 5%**

- Insured premiums include revenue/profit to carriers in several line items.
  - Costs are intermittently expressed in the form of Percentage of Premium, Per Employee/ Month (PEPM) and Per Member/ Month (PMPM) making it very difficult for the average reader to identify total costs
- In this example administration is \$50.75 Per **Member** Per Month. This consists of claims payment, customer service, network access and disease management.
- Competing proposals would be calculated on a Per **Employee** Per Month basis. As there are fewer employees than members, even a higher rate produces savings.
- This seemingly subtle difference could be overlooked without a comprehensive underwriting review

ITEM: 6

ASSOCIATION RESPONSES REGARDING PROPOSED RFP'S, INTERNAL RFP  
PROCESSES, AND SERVICES PROVIDED

**RESPONSE FROM LOS ANGELES FIREMEN'S RELIEF ASSOCIATION (LAFRA)**

**DEPARTMENT OF  
FIRE AND POLICE  
PENSIONS**

701 E. 3RD STREET  
SUITE 200  
LOS ANGELES, CA 90013

(213) 279-3000 (Main Line)  
(844) 88-LAFPP (52377) - TOLL FREE  
FAX (213) 628-7716  
TDD (213) 628-7713

EMAIL: PENSIONS@LAFPP.COM

**CITY OF LOS ANGELES**  
CALIFORNIA



ERIC GARCETTI  
MAYOR

RAYMOND P. CIRANNA  
GENERAL MANAGER

WILLIAM S. RAGGIO  
EXECUTIVE OFFICER

JOSEPH SALAZAR  
ASSISTANT GENERAL MANAGER

(VACANT)  
CHIEF INVESTMENT OFFICER

July 22, 2022

Jeff Cawdrey, President  
Los Angeles Firemen's Relief Association  
7470 N. Figueroa St.  
Los Angeles, CA 90041

Re: Ad Hoc Committee on Retiree Healthcare Program Information Request

Dear Jeff:

Thank you for having your Vice-President, Chris Stine, attend and provide public comments at the July 21, 2022 Ad Hoc Committee on Retiree Healthcare Program (Committee) meeting. The Committee requested that the Relief Associations and Unions provide their input on the draft Requests for Proposals (RFP) that were presented to the Board on June 16, 2022. In particular, the Committee requested the following information from each of our current retiree health and dental plan providers:

1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.
2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.
3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree health insurance plans you provide).

I am requesting that LAFRA provide a response to the Committee's requests by no later than July 28, 2022. Please submit your response to Greg Mack, Chief Benefits Analyst, at [gregory.mack@lafpp.com](mailto:gregory.mack@lafpp.com).

Thank you for LAFRA's services to our members. I look forward to LAFRA's response to the Committee's requests.

Sincerely,

Raymond P. Ciranna  
General Manager





# LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

July 28, 2022

Gregory Mack  
 Chief Benefits Analyst  
 Los Angeles Fire and Police Pensions  
 701 East 3rd Street, Suite 200  
 Los Angeles, CA 90013

Re: Response to LAFPP Letter - Ad Hoc Committee on Retiree Healthcare Program Information Request

Dear Greg:

Please see below responses to the information requested in the above-referenced letter from Ray Ciranna, dated July 22, 2022.

**1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.**

LAFRA's internal RFP process includes an ongoing investigative process to determine if an RFP is warranted. Our investigative process, with the assistance of Bradawn/Gallagher, includes the following:

- We evaluate plan financial performance on a regular basis through benefit plan reporting, weekly and monthly financial reporting, and renewal data.
- We evaluate service by analyzing timeliness and accuracy of requests, performance standard reporting, member issue response, and ancillary plan management capabilities (i.e., technology, innovative programs, etc.) to ensure that vendors are meeting our high-quality standards.
- We consult with Bradawn/Gallagher and our vendors regarding market trends and analyze comparative data to like-sized groups in our industry (peer comparisons).
- We consult with Bradawn/Gallagher on the effectiveness of our current network discounts through Anthem, as well as the availability of providers nationwide, to meet the needs of our geographically diverse Member population.
- We rely on Bradawn/Gallagher to aggressively negotiate with our vendors (Anthem, Kaiser, HealthComp, Express Scripts, VSP, Sharecare, etc.) Bradawn conducts in-depth market checks to ensure that LAFRA's PPO plan has the most competitive claims contracts in place, through Anthem's Prudent Buyer and BlueCard networks. This market check has consistently demonstrated that Anthem's networks provide our Members with the overall deepest discounts, translating into competitive premium rates. Furthermore, Bradawn/Gallagher continually monitors the marketplace for significant developments that may affect LAFRA.
- We consult with our pharmacy benefits consultants who perform annual audits and market checks.



## LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

- We attend annual health insurance conferences to learn what is new in the industry, network with similar groups and connect with a multitude of vendors.
- We survey our members for satisfaction and those surveys suggest members are generally happy with our current benefit providers. In short, we have no reason to believe that Members generally want to see the vendors replaced.
- We monitor the publicly-reported RFP results and decisions not to pursue RFPs of other Los Angeles City employee or retiree health plans. In that regard we note that after an RFP, the City of LA has decided to renew with Anthem through 2024 (Exhibit A) and LACERS elected to forego an RFP (we assume with the City Attorney's approval) and renew with Anthem (Exhibit B). Those actions suggest to us that an RFP would be unlikely to produce a superior vendor to Anthem.
- We provide certain claims information to LAFPP's consultant, USI, in accordance with the terms of our contract with LAFPP, and we carefully review USI's analysis. Nothing in that analysis has questioned the suitability of our rates and benefits or suggested that an RFP would produce better rates than what we currently have.
- We participate in LAFPP audits. In the recent audit, the internal LAFPP auditors determined that LAFRA's administrative fees appeared reasonable and consistent with expenditures expected for the administrative services LAFRA provides (Audit of Subsidy Program - Objective No. 3a and 3b).
- We consult with Bradawn/Gallagher about market conditions, with respect to carrier administrative fees ("retention"), which allows us to deliver the best results to our Members and, in turn, LAFPP. This is supported by the recent City of LA and LACERS decisions to retain Anthem Blue Cross.

LAFRA will and has issued an RFP when we have found that a vendor does not meet our high service and performance standards or financial targets. We will not issue an RFP annually if it is not warranted.

### **2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.**

An RFP would not be beneficial to LAFPP for these reasons:

First, under our Contract our claims information cannot be used in an RFP without our consent. We decline to give that consent as is our right.

Second, under Section 4.1167 of the Administrative Code, 2% electors are "vested" in the retiree health benefits in effect on June 30, 2011. Those "benefits" were LAFRA. See Admin. Code. Section 4.203 (recognizing LAFRA's benefits as "...to the benefit of retired City employees...") which was in effect on June 30, 2011. This vesting language in Section 4.1167 must be liberally construed in favor of retirees, with any ambiguity resolved in favor of the pensioner. *Irvin v. Contra Costa County Employees' Retirement Association*, 13 Cal. App. 5th 162 (2017), Under such a pro-retiree liberal construction of Sec 4.1167, the "benefits" in effect on June 30 of 2011, in which retirees are "vested", must include LAFRA. Consequently, any RFP (which cannot include our claims data) can only be for the relatively small group who did not elect to contribute the 2% to be vested in LAFRA. An RFP for such a limited group will not be practical.





# LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

Third, as an economic matter, it is highly unlikely that a LAFPP RFP for the same benefits would produce better rates than those available through LAFRA. LAFRA administers the active benefits and provides for a smooth transition of benefit coverage and provider networks as Members move from active to retired status. It is critically important to LAFRA and our Members that these benefits and networks remain intact. LAFPP's previous efforts to secure competitive bids have used valuable Member (and staff) resources and have not resulted in products or pricing more favorable to our Members.

As a reminder, LAFRA's PPO medical plan is self-insured. We use the Anthem Prudent Buyer network and BlueCard providers, and our Plan is administered by an independent TPA. After a thorough and comprehensive RFP in 2019, we made the change to a new TPA in 2020. The majority of our premium rates (over 90%) are comprised of claims expenditures, using the Anthem fee structures (the same ones used by the City of LA and LACERS). Furthermore, we conduct a stop loss RFP periodically to determine the potential effectiveness of adding such coverage. To date, it has been more cost effective for LAFRA to decline adding stop loss insurance to our cost base.

### **3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree health insurance plans you provide).**

While retirees only represent 49% of the membership, the LAFRA staff spends well over 60% of their time assisting this population.

Below is a summary of the services LAFRA provides:

- **Member Services**

- Respond to Member questions and requests for assistance including, but not limited to, the following inquires:
  - Eligibility status and verification
  - Disabled Dependent coverage
  - Medicare coverage and eligibility
  - Benefit coverage and issues – interface with Third-Party Administrator, RX vendor, Wellness vendor, etc.
  - Premium cost
  - Payroll deduction
  - Surviving Spouse specific questions
  - Transitioning from Active to Retiree status
  - Claims Inquiries
- Manage enrollment process and updates
- Eligibility audits
- Dependent verification tracking
- Domestic Partner verification for the Pension Department
- Medicare verification outreach and assistance (includes Social Security visits with Members)
- Prepare monthly Pension transmittals
- Coordinate monthly eligibility changes with the Pension Department
- Attend Member informational meetings (held quarterly at geographically dispersed locations)



# LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

- **Legal**
  - Contract Management - review and negotiation of vendor contracts (Bradawn/Gallagher, PSG, HealthComp, Anthem, Express Scripts, Sharecare, VSP, etc.) and outside agreements and contracts (Business Associate agreements, single case agreements, etc.)
  - Ensure Plan compliance
  - Draft Federal and State regulation communications
  - Member appeal review
  
- **Marketing**
  - Provide and maintain content on the LAFRA website for the Medical Benefits including posting Plan information for the TPA (HealthComp), the LAFRA Wellness Program, VSP, etc.
  - Open Enrollment communications (twice per year)
  - Create custom links to vendor sites
  - Email mass communications (i.e., Wellness Plan notifications, Plan benefit alerts, etc.)
  - Draft and develop New Hire Packets
  - Create benefit communication pieces for the Grapevine magazine
  - Attend Retiree events to educate Members about Plan benefits
  - Medical Plan promotion including producing tribute videos
  
- **Accounting**
  - Resolve subsidy discrepancies, including follow up with LAFPP's accounting department
  - Verify correct subsidy codes and resolve errors
  - Utilize and verify proper General Ledger Account Codes for transactions
  - Oversee bank account set-up
  - Treasury Services including monthly wire transfers
  - Prepare Monthly Financial Statements
  - Coordinate billing for cash pay Members
  - Account analysis and reconciliation
  - Issue vendor payments
  
- **Information Technology (IT)**
  - Produce and program Member eligibility communications such as:
    - Disabled Dependent notice
    - Eligibility requirement documentation
    - Medicare notices
    - Age 26 notices
    - Surviving Spouse status change letter (Dependent to Surviving Spouse)
  - Maintain eligibility files for vendors (TPA, PBM, Wellness, Express Scripts, etc.)
  - Pass Medicare coverage files for verification through TPA and PBM
  - Provide a customized online enrollment system for Open Enrollment and qualifying events
  - Provide our Members with secure, online access to their claims data, Explanation of Benefits (EOB), plan documents, benefit plan information, and customer service



## LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

- Offer a mobile app feature for Members to access digital ID cards, view claims, check plan status and communicate with customer service
  - Provide custom 1094/1095 data file
  - Pull information for required filings (i.e., PCORI fee)
  - Coordinate mailing of SSN verification
  - Coordinate and manage internet access
  - Provide census data information for mailings and analysis
  - Review and track the Member profile report
  - Provide desktop support
  - Manage network security
  - Coordinate computer training
  - Telephone system support
  - Management of data servers
  - Manage LAFRA disaster operations center
- **Other**
    - Member appeal review
    - Monthly Financials review
    - Requests for Proposals (RFP) analysis and finalist presentations
    - Benefit analysis and review of renewals
    - Workers Compensation tracking, interface, and review
    - Host Medicare seminars
    - Engage in continuing education to stay ahead of industry trends
    - COBRA management and premium collection

In addition to the above list of services, there are countless stories of LAFRA Board Members that have gone above and beyond, at all hours of the day, to assist our Members with their benefits. Whether it is visiting Members in the hospital to help them get the care they need, installing a DME supply for a Member that needs help, joining a family conference call with a provider, picking up a prescription and delivering it to a Member that doesn't have transportation, etc., we feel these services are considered "priceless" by our Members.

Sincerely,

Jeff Cawdrey  
 President  
 Los Angeles Firemen's Relief Association

EXHIBIT B  
CITY OF LOS ANGELES  
**JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE (JLMBC)**

*PROPOSED MINUTES*  
**May 20, 2022 – 4:00 P.M. - 5:00 P.M.**  
CONDUCTED VIA TELECONFERENCE

**Present:** \_

**Committee Member**

**Regular:**

David Sanders - SEIU Local 721

Gary Glaze - AFSCME

Marleen Fonseca - Engineers and Architects Association

Matthew Szabo - Office of the City Administrative Officer

Tony Royster - General Services Department

**Alternates:**

Gavin Koon - Building & Construction Trades Council

Jennifer Grøndahl - Laborers' International Union of North America ("LiUNA")

Matthew Crawford - Department of Recreation & Parks

**Office of the City Attorney**

Charles Hong - City Attorney

**Personnel Department Staff**

Paul Makowski - Chief Management Analyst

**1. Call to Order**

David Sanders called the meeting to order at 4:01 p.m.

**2. Public Comments**

None.

### **3. Reconsideration of Committee Report 22-24: Health Plan Services Request for Proposal Evaluation and Recommendation**

#### Presentation Highlights:

Paul Makowski presented the reconsideration of Committee Report 22-24, which was previously presented at the May 16, 2022 JLMBC meeting. He recapped:

- The Review Committee identified conflicting items and determined that clarification was needed from the proposers.
- Section 7.1 - Pre Award Negotiation, which is included in every RFP, provides language that would allow for the clarification needed from the proposers prior to awarding a proposal.
- Through report 22-24, the Review Committee recommended a two step process that includes:
  - Tentatively selecting all three proposers to allow staff to negotiate and understand the conflicts as identified by the Review Committee and bring findings back to the JLMBC.
  - The JLMBC will have the opportunity to hold interviews with the proposers and make a final recommendation to move forward or provide a different direction.

#### Committee Member Comments, Questions, and Responses:

Marleen Fonseca asked if the Review Committee had confusion on all three proposals. Mr. Makowski confirmed that there is confusion among each of the three proposals and also on how all providers could work together specifically with the unique offering by UnitedHealthcare.

Ms. Fonseca asked if substituting “tentatively” with “provisionally” will create less confusion in the future. Mr. Makowski stated that other changes will be made in future RFP processes and that the issues in this current RFP process lies within the restrictive language of the RFP.

Gavin Koon requested confirmation that this recommendation is intended for the Review Committee to perform internal processes to obtain more information from the providers and return to the full committee with findings, who then has the power to agree or reject the recommendations or find other options. Mr. Makowski confirmed that this is a process matter and assured that the JLMBC has various options once findings are presented.

Mr. Koon stated concern with the word “negotiation,” which misleads committee members and suggests finding another term to best reflect the Review Committee’s purposes.

Committee Action:

A motion was made by Marleen Fonseca and seconded by Gavin Koon that the JLMBC performs the following with a change in sections B, C, D from “tentatively” to “provisionally” to:

- A. Receive and file the Health Plan Services Review Committee evaluation and analysis of the LAwell Civilian Employee Benefits Program (LAwell Program) Network Plans and Staff Model Request for Proposals.
- B. Recommend to the General Manager of the Personnel Department that Anthem Blue Cross be provisionally selected as the provider of the LAwell Program’s PPO, HMO Full Network, HMO Narrow Network, and HMO Regional Network (Vivity) plan options for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with Anthem for, at minimum, contract requirements, prices/premiums, and service level agreements.
- C. Recommend to the General Manager of the Personnel Department that Kaiser Permanente be provisionally selected as the provider of the LAwell Program’s Staff Model HMO plan option for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with Kaiser for, at minimum, contract requirements, prices/premiums, and service level agreements.
- D. Recommend to the General Manager of the Personnel Department that United Healthcare be provisionally selected as the provider of its Harmony HMO plan for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with United Healthcare for, at minimum, contract requirements, prices/premiums, and service level agreements.
- E. Instruct staff to report back to the JLMBC at its next meeting with the results of each negotiation inclusive of pricing and clarified service agreement details and prior the award of any contract.

The motion received three affirmative votes from Labor (Marleen Fonseca, Jennifer Grøndahl, and Gavin Koon) and four affirmative votes from Management (Matt Szabo, Tony Royster, Matt Crawford, and Holly Wolcott) and two nays (David Sanders and Gary Glaze); the motion was passed.

**4. Request for Future Agenda Items**

None.

**5. Next Meeting Date**

A meeting was noted for:

- TBD - Special Meeting
- June 2, 2022 - Regular Meeting
- June 16, 2022 - Special Meeting
- July 7, 2022 - Regular Meeting

**6. Adjournment**

Mr. Koon announced his retirement in July and will be stepping back from the alternate role. Chad Boggio will become the new alternate.

The meeting was adjourned at 4:20 p.m.

# EXHIBIT C

## LACERS Starts Process For 2023 Health Plan

June 1, 2022

RLACEI



Michael Wilkinson, LACERS/Legal Representative

### **LACERS BOARD UPDATE**

By Michael R. Wilkinson, LACERS Commissioner

Email: [MikeWilkinson4LACERS@gmail.com](mailto:MikeWilkinson4LACERS@gmail.com)

The LACERS Benefits Administration Committee is directing LACERS staff and its health consultant, Keenan & Associates, to begin the process to approve the 2023 medical, dental and vision contracts. I know, it seems it was only yesterday that we finished open enrollment for the 2022 plan year.

This year, LACERS is undergoing the somewhat more streamlined Request for Renewal Process with our current carriers rather than the more involved Request



for Proposal Process. This route was taken because of the timing and the crush of other projects such as the RFP for the health and welfare consultant.

The process begins by sending out a Request for Renewal to each carrier asking about any new and additional programs and the cost as well as alternative pricing. Then the staff and Keenan evaluate the responses and critically analyze the method to come up with the premium proposal. After additional negotiation, the final proposal is sent to the Benefits Committee, which I chair, and finally to the full Board of Administration.

LACERS has been successful in improving the health plans while keeping the premiums under control. The 2022 total health and welfare program is \$149.9 million in premiums. The average premium change is far less than the trend rate for other plans over three years. LACERS premiums went down 0.5 percent, while the average was an increase of 6.9 percent per year over the three-year period.

Some of the improvements to our plans over recent years include free gym memberships, meals sent to homes, transportation to medical appointments, and medical alert devices.

LACERS will continue to work closely with staff and the consultant to improve the LACERS Well program and to tailor it to improving members' health. This also has the added benefit to lower the premium costs so that we can provide better health plans for less cost.

**Some goals for the new plan year are:**

- Getting performance guarantees, which would trigger penalties on security breaches
- Increasing funding for our very popular LACERS Well program, and
- Minimize the impact of COVID-19.

ITEM: 6

ASSOCIATION RESPONSES REGARDING PROPOSED RFP'S, INTERNAL RFP  
PROCESSES, AND SERVICES PROVIDED

**RESPONSE FROM LOS ANGELES POLICE PROTECTIVE LEAGUE (LAPPL)**

**DEPARTMENT OF  
FIRE AND POLICE  
PENSIONS**

701 E. 3RD STREET  
SUITE 200  
LOS ANGELES, CA 90013

(213) 279-3000 (Main Line)  
(844) 88-LAFPP (52377) - TOLL FREE  
FAX (213) 628-7716  
TDD (213) 628-7713

EMAIL: PENSIONS@LAFPP.COM

**CITY OF LOS ANGELES**  
CALIFORNIA



ERIC GARCETTI  
MAYOR

RAYMOND P. CIRANNA  
GENERAL MANAGER

WILLIAM S. RAGGIO  
EXECUTIVE OFFICER

JOSEPH SALAZAR  
ASSISTANT GENERAL MANAGER

(VACANT)  
CHIEF INVESTMENT OFFICER

July 22, 2022

Craig Lally, President  
Los Angeles Police Protective League  
1308 West Eighth Street  
Los Angeles, CA 90017

Re: Ad Hoc Committee on Retiree Healthcare Program Information Request

Dear Craig:

Thank you for having Corina attend and provide public comments at the July 21, 2022 Ad Hoc Committee on Retiree Healthcare Program (Committee) meeting. The Committee requested that the Relief Associations and Unions provide their input on the draft Requests for Proposals (RFP) that were presented to the Board on June 16, 2022. In particular, the Committee requested the following information from each of our current retiree health and dental plan providers:

1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.
2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.
3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree dental insurance plans you provide).

I am requesting that LAPPL provide a response to the Committee's requests by no later than July 28, 2022. Please submit your response to Greg Mack, Chief Benefits Analyst, at [gregory.mack@lafpp.com](mailto:gregory.mack@lafpp.com).

Thank you for LAPPL's services to our members. I look forward to LAPPL's response to the Committee's requests.

Sincerely,

Raymond P. Ciranna  
General Manager

Cc: Corina Lee, Director, LAPPL





**LOS ANGELES POLICE PROTECTIVE LEAGUE**  
**Board of Benefits and Legal Trustees**  
 1308 WEST EIGHTH STREET SUITE 400  
 LOS ANGELES, CALIFORNIA 90017  
 TELEPHONE (213) 251-4554  
 FAX (213) 251-4566  
[www.lapplbenefits.com](http://www.lapplbenefits.com)

August 3, 2022

Mr. Gregory Mack  
 Chief Benefits Analyst  
 Los Angeles Fire and Police Pensions  
 701 E. 3<sup>rd</sup> Street, Suite 200  
 Los Angeles, CA 90013  
[Gregory.mack@lafpp.com](mailto:Gregory.mack@lafpp.com)

**RE: Los Angeles Police Protective League (LAPPL) Response  
 Ad Hoc Committee on Retiree Healthcare Program Information Request**

Dear Greg,

In an effort to assist the LAFPP Ad Hoc Committee on Retiree Healthcare Program (Committee), per their request for the Union's input on the draft Requests for Proposals (RFP), presented to the Board on June 16, 2022, and the letter from LAFPP's General Manager, Raymond P. Ciranna, dated July 22, 2022, please find LAPPL's response, as a current retiree dental plan provider, to the Committee's request for information as follows:

- 1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.**

At all times, the LAPPL Benefits Trust considers full-scope RFPs for all plans or services we make available to our members, retirees, and survivors. However, it is important to clarify the difference between a full-scope RFP and a general market check. As a general market check, the Trust continually reviews claims experience and monitors plan trends in comparison to the market. Additionally, throughout each year our benefits consultants monitor the public safety retiree dental insurance marketplace trends and compare the LAPPL plans and their trends to the marketplace. We use local, statewide, and other peer groups for comparison purposes, as well as national trend surveys to understand the typical marketplace trends. This enables the Trust to analyze and remain competitive with pricing, network discounts, and plan design trends.

Alternatively, full-scope RFPs are primarily reserved for carrier price negotiations or when strongly considering carrier or vendor alternatives to meet plan participants' needs from a cost and customer service perspective. This ensures market credibility and that the Trust can effectively negotiate with our benefit partners and make appropriate changes on behalf of our plan participants. For our insured lines of coverage some components we consider prior to conducting an RFP includes:

- Cost and plan design

Mr. Gregory Mack  
Page 2

- Network and discounts, as applicable
- Stability, including financial ratings
- Experience, including experience with public safety and applicable coordination with workers compensation
- Service

For the non-insurance services we provide to our eligible plan participants, including but not limited to Online Administration, we consider the following prior to conducting an RFP:

- Customization
- Stability, including financial ratings
- Experience, including experience with public safety and non-Employer groups
- Service

The Trust may choose not to pursue an RFP at times if, based on the market check, we find the pricing is fair and competitive while still being able to offer our members the best networks and discounts, the best plan designs available, and provide the highest level of plan participant satisfaction.

---

**2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.**

The Trust feels conducting an RFP may not be beneficial to LAFPP at this time due to the following reasons:

- Per the LAPPL Active MOU, the retiree health subsidies may only be used towards plans approved by the City of Los Angeles and LAPPL. As of today, those include, per Article 7.1A of the MOU:
  1. Police Blue Cross/Prudent Buyer
  2. Police Kaiser
  3. Police Blue Cross/California Care
  4. L.A. City-sponsored plans
  5. Any other plan submitted by the League and approved by the City for which an employee is eligible.

Further Article 7.1K item 4 of the MOU reads as follows "The subsidy for retirees shall be administered through the Pension Department and will be governed by the rules and regulations of the City health insurance plan subsidy for active employees. The benefits provided herein do not affect or repeal any other benefit provided for retirees. See, e.g., Los Angeles Administrative Code Section 4.1150, et seq."

- Per the operating agreement, LAFPP's consultant reviews and confirms accuracy/appropriateness of each Union and Association's annual health and dental plan renewals. To date, LAFPP's consultant has validated all plan renewals indicating that the benefits currently offered to pensioners and survivors are competitive with, or more competitive, than what is available in the marketplace, generally.
-

Mr. Gregory Mack  
Page 3

- Plan participant satisfaction with the current health and dental insurance plan offerings. Both retirees and eligible surviving dependents have expressed nothing, but praise for the current plans available to them through the Unions and Associations, as indicated by the hundreds of public comments placed on the Board's June 16, 2022, meeting.
  - The RFP will not likely lead to any improvements in plan participant experience, long-term member cost reductions, or long-term LAFPP cost reductions because the plans currently available are the best in the market as evidenced by high member satisfaction and USI's independent validation.
- 3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree dental insurance plans you provide).**

In addition to the retiree dental insurance plans we provide to retirees and eligible surviving dependents, LAPPL also provides the following to LAFPP and pensioners:

#### **Pensioner and Administrative Services**

- Dedicated support is available through the LAPPL benefits staff. Staff responds to questions and provides assistance with, but not limited to, the following:
  - Eligibility status and verification
  - Disabled Dependent coverage
  - Benefit coverage and discrepancies
  - Premium costs
  - Pension deductions
  - Surviving Dependent-specific questions
  - Transition from Active to Retired status
  - Ongoing claims inquiries and advocacy
  - Manage enrollment process and updates
  - Eligibility audits
  - Dependent verification tracking
  - Domestic Partner verification for LAFPP
  - Preparation of monthly LAFPP transmittals
  - Coordinate monthly eligibility changes with LAFPP
  - Representation and negotiation for retirees per the MOU
  - Scholarships for family members
  - Access to attorney referrals
  - Political Action Committee inquiry response
  - Security guard card application and renewal assistance
  - COBRA enrollment and termination, as applicable

#### **Compliance**

- Contract Management – review and negotiation of vendor contracts (Fickewirth Benefits Advisors, Delta Dental, etc.) and outside agreements and contracts (Business Associate agreements, etc.)
- Ensure dental plan compliance with local, state, and federal regulators

Mr. Gregory Mack  
Page 4

- Review and ensure pensioners have access to appeals, as applicable

#### **Custom Communications**

- Provide and maintain custom content on the LAPPL Benefits website for all LAPPL-sponsored benefits available to pensioners including, but not limited to, posting relevant dental plan information, deep-links to Delta Dental, etc.
- Custom Open Enrollment communications
- Create custom links to vendor sites
- E-blast mass communications (i.e. Dental plan benefit alerts, Open Enrollment timing, etc.)
- Create and distribute ongoing custom benefit communication pieces (letters, e-blasts, postcards etc.)
- Attend pensioner events and provide education on dental plan benefits
- Dental plan promotion, including referring members to additional digital resources and tools

#### **Accounting and Reporting Accuracy**

- Resolve subsidy discrepancies, including follow-ups with LAFPP's accounting department
- Verify correct use of subsidy codes and resolve errors
- Utilize and verify proper General Ledger Account Codes for transactions
- Oversee bank account set-up
- Treasury Services including monthly wire transfers
- Prepare Monthly Financial Statements
- Coordinate billing for direct bill retirees and surviving dependents
- Ongoing account analysis and reconciliation
- Issue and ensure accuracy of vendor payments
- Work with LAFPP to setup new codes, plans, and processes (i.e. Member Key update etc.)

#### **Information Technology (IT)**

- Produce and program pensioner eligibility communications including, but not limited to:
- Disabled Dependent notice
- Eligibility requirement documentation
- Age 26 Dependent notices
- Surviving Dependent status change notices (Dependent to Qualified Survivor)
- Maintain accurate and secure eligibility files for vendors (Delta Dental etc.)
- Dental benefits vendors also provide pensioners with secure, online access to their claims information, Explanation of Benefits (EOB), plan documents, benefit plan information, and additional customer service

LAPPL is proud to provide comprehensive and affordable dental insurance options to our represented, retired members and eligible surviving dependents. We appreciate the partnership and collaborations between the Unions, Associations, and LAFPP to ensure all retired pensioners have access to quality coverage when they need it most.

Mr. Gregory Mack  
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Should the Committee have any additional questions, please do not hesitate to contact me.

Very truly yours,

CRAIG D. LALLY  
President

A handwritten signature in cursive script that reads "Corina Lee". The signature is written in black ink and is positioned above the printed name and title.

CORINA LEE, Chair  
Insurance Committee



ITEM: 6

ASSOCIATION RESPONSES REGARDING PROPOSED RFP'S, INTERNAL RFP  
PROCESSES, AND SERVICES PROVIDED

**RESPONSE FROM LOS ANGELES POLICE RELIEF ASSOCIATION (LAPRA)**

**DEPARTMENT OF  
FIRE AND POLICE  
PENSIONS**

701 E. 3RD STREET  
SUITE 200  
LOS ANGELES, CA 90013

(213) 279-3000 (Main Line)  
(844) 88-LAFPP (52377) - TOLL FREE  
FAX (213) 628-7716  
TDD (213) 628-7713

EMAIL: PENSIONS@LAFPP.COM

**CITY OF LOS ANGELES**  
CALIFORNIA



ERIC GARCETTI  
MAYOR

RAYMOND P. CIRANNA  
GENERAL MANAGER

WILLIAM S. RAGGIO  
EXECUTIVE OFFICER

JOSEPH SALAZAR  
ASSISTANT GENERAL MANAGER

(VACANT)  
CHIEF INVESTMENT OFFICER

July 22, 2022

John Shah, President  
Los Angeles Police Relief Association, Inc.  
600 N. Grand Ave.  
Los Angeles, CA 90012

Re: Ad Hoc Committee on Retiree Healthcare Program Information Request

Dear John:

Thank you for attending and providing public comments at the July 21, 2022 Ad Hoc Committee on Retiree Healthcare Program (Committee) meeting. As you know, the Committee requested that the Relief Associations and Unions provide their input on the draft Requests for Proposals (RFP) that were presented to the Board on June 16, 2022. In particular, the Committee requested the following information from each of our current retiree health and dental plan providers:

1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.
2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.
3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree health and dental insurance plans you provide).

I am requesting that LAPRA provide a response to the Committee's requests by no later than July 28, 2022. Please submit your response to Greg Mack, Chief Benefits Analyst, at [gregory.mack@lafpp.com](mailto:gregory.mack@lafpp.com).

Thank you for LAPRA's services to our members. I look forward to LAPRA's response to the Committee's requests.

Sincerely,

Raymond P. Ciranna  
General Manager

Cc: Diane Whisnant





LOS ANGELES POLICE RELIEF ASSOCIATION, INC.

July 28, 2022

Via Email: [gregory.mack@lafpp.com](mailto:gregory.mack@lafpp.com)

Gregory Mack  
Los Angeles Fire and Police Pensions  
701 East 3rd Street, Suite 200  
Los Angeles, CA 90013

Re: R. Ciranna Information Request of July 22, 2022 (the "Request")

Dear Greg:

This will respond to the above Request.

1. Our "Internal RFP Processes"

With Bradawn /Gallagher's assistance our "investigative process" includes the following:

We monitor the publicly reported RFP results and decisions not to pursue RFPs of other Los Angeles City employee or retiree health plans. In that regard we note that after the City performed an RFP, it has decided to renew with Anthem through 2024 (Exhibit A) and LACERS elected to forego an RFP (we assume with the City Attorney's approval) and renew with Anthem (Exhibit B). Those actions suggest to us LACERS and the City believe that an RFP would be unlikely to produce a superior vendor to Anthem.

We survey our members for satisfaction and those surveys suggest members are generally happy with our current benefit providers. We have shared those results with the LAFPP Board. In short, we have no reason to believe that members generally want to see Anthem replaced and continue to see LAPRA administer the plans.

We provide certain claims information to LAFPP's consultant, USI, in accordance with the terms of our contract with LAFPP, and we carefully review USI's analysis. Nothing in that analysis has questioned the suitability of our rates and benefits or suggested that an RFP would produce better rates than what we currently have.

Greg Mack  
July 28, 2022  
Page 2

We consult with Bradawn/Gallagher about market trends and rely on Bradawn/Gallagher to aggressively negotiate with Anthem, Kaiser and Sharecare. Bradawn conducts an in-depth market check at least every three years to ensure that LAPRA's PPO plan has the most competitive claims contracts in place, through Anthem's Prudent Buyer and BlueCard networks. This market check has consistently demonstrated that Anthem's networks provide our members with the overall deepest discounts, translating into competitive premium rates. Our market evaluations also extend to the internal pooling limits in our Anthem and Kaiser agreements, to ensure they are set at appropriate levels with market-competitive pricing. Furthermore, Bradawn/Gallagher continually monitors the marketplace for significant developments that may affect LAPRA.

In addition, Bradawn/Gallagher's knowledge of market conditions, with respect to carrier administrative fees ("retention") allows us to deliver the best results to our members and, in turn, LAFPP. This is supported by the recent City of LA and LACERS decisions to retain Anthem Blue Cross.

## 2. Reasons Why An RFP Would Not Be Beneficial To LAFPP

An RFP would not be beneficial to LAFPP for these reasons:

- a. Under our Contract our claims information cannot be used in RFP without our consent. We decline to give that consent as is our right. Under Section 4.1167 of the Administrative Code, 2% electors are "vested" in the retiree health benefits in effect on June 30, 2011. Those "benefits" were LAPRA. See Admin. Code. Section 4.203 (recognizing LAPRA's benefits as "...to the benefit of retired City employees...") which was in effect on June 30, 2011. This vesting language in Section 4.1167 must be liberally construed in favor of retirees, with any ambiguity resolved in favor of the pensioner. Irvin v. Contra Costa County Employees' Retirement Association, 13 Cal. App. 5<sup>th</sup> 162 (2017), Under such a pro-retiree liberal construction of Sec 4.1167, the "benefits" in effect on June 30 of 2011, in which retirees are "vested", must include LAPRA. Consequently, any RFP (which cannot include our claims data) can only be for the relatively small group who did not elect to contribute the 2% to be vested in LAPRA. An RFP for such a limited group will not be practical.
- b. As an economic matter, it is highly unlikely that an LAFPP RFP would produce better rates than those available through LAPRA. Furthermore, the expense of conducting such RFPs serves to deplete our members' pension investments even more.
- c. It would be difficult for LAFPP to replicate the existing LAPRA plan designs, in a fully-insured environment. Insurance companies generally have plans and their related design provisions filed with each state and, as such, may not be able or willing to replicate the plans.
- d. LAPRA administers the active benefits and provides for a smooth transition of benefit coverage and provider networks as members move from active to retired status. It is critically important to LAPRA and our members that these benefits and networks remain

Greg Mack  
July 28, 2022  
Page 3

intact. In addition, LAPRA, who also administers the plans for the about 10,000 active members of the LAPD, works diligently to ensure that the retiree plan mirrors the active plan so as not to cause undue disruption upon retirement.

- e. LAFPP's previous efforts to secure competitive bids have used valuable member (and staff) resources and have not resulted in products or pricing more favorable to our members.

### 3. Comprehensive List of Services Provided By LAPRA

While retirees only represent 45% of the membership, the LAPRA staff spends well over 50% of their time assisting this population. We have seen this number increase over the last quarter.

#### **LAPRA Health & Welfare Plans and Programs**

Medical  
Dental  
Vision  
Wellness  
Life Insurance - Basic  
Life Insurance - Voluntary  
Life Insurance - Policy Surrender  
Disability Insurance  
Long-Term Care  
Emergency Relief  
Scholarship Program  
Blue Ribbon Trust Fund Donations

#### **Administrative Services**

Enrollment Processing

- Initial enrollment
- Mid-year changes
- Marriage
- Domestic partnerships
- Divorce
- Birth

Greg Mack  
July 28, 2022  
Page 4

- Adoption/legal guardianship
- Surviving dependents
- Medicare enrollment
- Disabled dependent
- Qualified Medical Support Orders
- Retiree payroll processing

#### Termination Processing

- Member/dependent deaths
- Over-age dependents
- Member voluntary terminates coverage
- Member drops Parts A, B and/or D
- COBRA enrollment
- COBRA termination

#### On-going Services

- Online tools for members to make benefit changes and update personal information, including beneficiaries
- Manually process above transactions for members who choose not to use the online tools
- Respond to phone calls, emails and in-person inquiries
- Educate and advise members who are transitioning from Active to Retired
- Explain eligibility, benefits and how to utilize services
- Medicare enrollment education and assistance, including home visits
- Vendor claims resolution
- Member appeal review
- Provide annual benefits statements for Medicare eligible retirees
- Assistance with expediting grievance process
- Assist with locating in-network providers
- Beneficiary tracking
- Death benefits
- Assign death benefits to mortuaries and funeral homes
- Low Income Subsidy (LIS) processing
- Annual Enrollment
- Attend member events such as Los Angeles Retired Fire & Police Association annual meetings, retiree group meetings, LAPRA annual meeting
- Attend LAPPL semi-monthly Outreach events at LAPD divisions to assist members with questions about retirement
- Process member premium credits
- Collect premiums directly from members

Greg Mack  
July 28, 2022  
Page 5

- Professionally-created open enrollment materials and forms, with online enrollment capabilities
- Quarterly newsletters with educational information
- Coming in the future: Medicare 101 Webinars

Conclusion

If you have any questions about the above, please let us know within 24 hours of your receipt of the response.

Sincerely,

A handwritten signature in black ink that reads "John Shah". The signature is written in a cursive, flowing style.

John Shah, President  
Los Angeles Police Relief Association

EXHIBIT A  
CITY OF LOS ANGELES  
**JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE (JLMBC)**

*PROPOSED MINUTES*  
**May 20, 2022 – 4:00 P.M. - 5:00 P.M.**  
CONDUCTED VIA TELECONFERENCE

**Present:** \_

**Committee Member**

**Regular:**

David Sanders - SEIU Local 721

Gary Glaze - AFSCME

Marleen Fonseca - Engineers and Architects Association

Matthew Szabo - Office of the City Administrative Officer

Tony Royster - General Services Department

**Alternates:**

Gavin Koon - Building & Construction Trades Council

Jennifer Grøndahl - Laborers' International Union of North America ("LiUNA")

Matthew Crawford - Department of Recreation & Parks

**Office of the City Attorney**

Charles Hong - City Attorney

**Personnel Department Staff**

Paul Makowski - Chief Management Analyst

**1. Call to Order**

David Sanders called the meeting to order at 4:01 p.m.

**2. Public Comments**

None.



### **3. Reconsideration of Committee Report 22-24: Health Plan Services Request for Proposal Evaluation and Recommendation**

#### Presentation Highlights:

Paul Makowski presented the reconsideration of Committee Report 22-24, which was previously presented at the May 16, 2022 JLMBC meeting. He recapped:

- The Review Committee identified conflicting items and determined that clarification was needed from the proposers.
- Section 7.1 - Pre Award Negotiation, which is included in every RFP, provides language that would allow for the clarification needed from the proposers prior to awarding a proposal.
- Through report 22-24, the Review Committee recommended a two step process that includes:
  - Tentatively selecting all three proposers to allow staff to negotiate and understand the conflicts as identified by the Review Committee and bring findings back to the JLMBC.
  - The JLMBC will have the opportunity to hold interviews with the proposers and make a final recommendation to move forward or provide a different direction.

#### Committee Member Comments, Questions, and Responses:

Marleen Fonseca asked if the Review Committee had confusion on all three proposals. Mr. Makowski confirmed that there is confusion among each of the three proposals and also on how all providers could work together specifically with the unique offering by UnitedHealthcare.

Ms. Fonseca asked if substituting “tentatively” with “provisionally” will create less confusion in the future. Mr. Makowski stated that other changes will be made in future RFP processes and that the issues in this current RFP process lies within the restrictive language of the RFP.

Gavin Koon requested confirmation that this recommendation is intended for the Review Committee to perform internal processes to obtain more information from the providers and return to the full committee with findings, who then has the power to agree or reject the recommendations or find other options. Mr. Makowski confirmed that this is a process matter and assured that the JLMBC has various options once findings are presented.

Mr. Koon stated concern with the word “negotiation,” which misleads committee members and suggests finding another term to best reflect the Review Committee’s purposes.

Committee Action:

A motion was made by Marleen Fonseca and seconded by Gavin Koon that the JLMBC performs the following with a change in sections B, C, D from “tentatively” to “provisionally” to:

- A. Receive and file the Health Plan Services Review Committee evaluation and analysis of the LAwell Civilian Employee Benefits Program (LAwell Program) Network Plans and Staff Model Request for Proposals.
- B. Recommend to the General Manager of the Personnel Department that Anthem Blue Cross be provisionally selected as the provider of the LAwell Program’s PPO, HMO Full Network, HMO Narrow Network, and HMO Regional Network (Vivity) plan options for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with Anthem for, at minimum, contract requirements, prices/premiums, and service level agreements.
- C. Recommend to the General Manager of the Personnel Department that Kaiser Permanente be provisionally selected as the provider of the LAwell Program’s Staff Model HMO plan option for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with Kaiser for, at minimum, contract requirements, prices/premiums, and service level agreements.
- D. Recommend to the General Manager of the Personnel Department that United Healthcare be provisionally selected as the provider of its Harmony HMO plan for a two-year contract beginning January 1, 2023 through December 31, 2024 with an option for up to three additional one-year terms, pending successful negotiations by the Personnel Department with United Healthcare for, at minimum, contract requirements, prices/premiums, and service level agreements.
- E. Instruct staff to report back to the JLMBC at its next meeting with the results of each negotiation inclusive of pricing and clarified service agreement details and prior the award of any contract.

The motion received three affirmative votes from Labor (Marleen Fonseca, Jennifer Grøndahl, and Gavin Koon) and four affirmative votes from Management (Matt Szabo, Tony Royster, Matt Crawford, and Holly Wolcott) and two nays (David Sanders and Gary Glaze); the motion was passed.

**4. Request for Future Agenda Items**

None.

**5. Next Meeting Date**

A meeting was noted for:

- TBD - Special Meeting
- June 2, 2022 - Regular Meeting
- June 16, 2022 - Special Meeting
- July 7, 2022 - Regular Meeting

**6. Adjournment**

Mr. Koon announced his retirement in July and will be stepping back from the alternate role. Chad Boggio will become the new alternate.

The meeting was adjourned at 4:20 p.m.

# EXHIBIT B

## LACERS Starts Process For 2023 Health Plan

June 1, 2022

RLACEI



Michael Wilkinson, LACERS/Legal Representative

### **LACERS BOARD UPDATE**

By Michael R. Wilkinson, LACERS Commissioner

Email: [MikeWilkinson4LACERS@gmail.com](mailto:MikeWilkinson4LACERS@gmail.com)

The LACERS Benefits Administration Committee is directing LACERS staff and its health consultant, Keenan & Associates, to begin the process to approve the 2023 medical, dental and vision contracts. I know, it seems it was only yesterday that we finished open enrollment for the 2022 plan year.

This year, LACERS is undergoing the somewhat more streamlined Request for Renewal Process with our current carriers rather than the more involved Request

for Proposal Process. This route was taken because of the timing and the crush of other projects such as the RFP for the health and welfare consultant.

The process begins by sending out a Request for Renewal to each carrier asking about any new and additional programs and the cost as well as alternative pricing. Then the staff and Keenan evaluate the responses and critically analyze the method to come up with the premium proposal. After additional negotiation, the final proposal is sent to the Benefits Committee, which I chair, and finally to the full Board of Administration.

LACERS has been successful in improving the health plans while keeping the premiums under control. The 2022 total health and welfare program is \$149.9 million in premiums. The average premium change is far less than the trend rate for other plans over three years. LACERS premiums went down 0.5 percent, while the average was an increase of 6.9 percent per year over the three-year period.

Some of the improvements to our plans over recent years include free gym memberships, meals sent to homes, transportation to medical appointments, and medical alert devices.

LACERS will continue to work closely with staff and the consultant to improve the LACERS Well program and to tailor it to improving members' health. This also has the added benefit to lower the premium costs so that we can provide better health plans for less cost.

**Some goals for the new plan year are:**

- Getting performance guarantees, which would trigger penalties on security breaches
- Increasing funding for our very popular LACERS Well program, and
- Minimize the impact of COVID-19.

ITEM: 6

ASSOCIATION RESPONSES REGARDING PROPOSED RFP'S, INTERNAL RFP  
PROCESSES, AND SERVICES PROVIDED

**RESPONSE FROM UNITED FIREFIGHTERS OF LOS ANGELES CITY (UFLAC)**

**DEPARTMENT OF  
FIRE AND POLICE  
PENSIONS**

701 E. 3RD STREET  
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**CITY OF LOS ANGELES**  
CALIFORNIA



ERIC GARCETTI  
MAYOR

RAYMOND P. CIRANNA  
GENERAL MANAGER

WILLIAM S. RAGGIO  
EXECUTIVE OFFICER

JOSEPH SALAZAR  
ASSISTANT GENERAL MANAGER

(VACANT)  
CHIEF INVESTMENT OFFICER

July 22, 2022

Freddy Escobar, President  
United Firefighters of Los Angeles City, IAFF Local 112  
1571 Beverly Boulevard  
Los Angeles, CA 90026-5704

Re: Ad Hoc Committee on Retiree Healthcare Program Information Request

Dear Freddy:

Thank you for attending and providing public comments at the July 21, 2022 Ad Hoc Committee on Retiree Healthcare Program (Committee) meeting. As you know, the Committee requested that the Relief Associations and Unions provide their input on the draft Requests for Proposals (RFP) that were presented to the Board on June 16, 2022. In particular, the Committee requested the following information from each of our current retiree health and dental plan providers:

1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.
2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.
3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree health and dental insurance plans you provide).

I am requesting that UFLAC provide a response to the Committee's requests by no later than July 28, 2022. Please submit your response to Greg Mack, Chief Benefits Analyst, at [gregory.mack@lafpp.com](mailto:gregory.mack@lafpp.com).

Thank you for UFLAC's services to our members. I look forward to UFLAC's response to the Committee's requests.

Sincerely,

Raymond P. Ciranna  
General Manager

Cc: Diane Whisnant





# United Firefighters of Los Angeles City

Local 112, International Association of Fire Fighters

August 2, 2022

Mr. Gregory Mack  
 Chief Benefits Analyst  
 Los Angeles Fire and Police Pensions  
 701 E. 3<sup>rd</sup> Street, Suite 200  
 Los Angeles, CA 90013  
[Gregory.mack@lafpp.com](mailto:Gregory.mack@lafpp.com)

**RE: United Firefighters of Los Angeles City, IAFF Local 112 (UFLAC) Response  
 Ad Hoc Committee on Retiree Healthcare Program Information Request**

Dear Greg,

In an effort to assist the LAFPP Ad Hoc Committee on Retiree Healthcare Program (Committee), per their request for the Union's input on the draft Requests for Proposals (RFP), presented to the Board on June 16, 2022, and the letter from LAFPP's General Manager, Raymond P. Ciranna, dated July 22, 2022, please find UFLAC's response, as a current retiree health and dental plan provider, to the Committee's request for information as follows:

- 1. Your internal RFP processes, including how frequently RFPs are conducted and why your organization may choose to not pursue an RFP at times.**

At all times, the UFLAC Benefits Trust considers full-scope RFPs for all plans or services we make available to our members, retirees, and survivors. However, it is important to clarify the difference between a full-scope RFP and a general market check. As a general market check, the Trust continually reviews claims experience and monitors plan trends in comparison to the market. Additionally, throughout each year our benefits consultants monitor the public safety retiree health and dental insurance marketplace trends and compare the UFLAC plans and their trends to the marketplace. We use local, statewide, and other peer groups for comparison purposes, as well as national trend surveys to understand the typical marketplace trends. This enables the Trust to analyze and remain competitive with pricing, network discounts, and plan design trends.

Alternatively, Full-scope RFPs are primarily reserved for carrier price negotiations or when strongly considering carrier or vendor alternatives to meet plan participants' needs from a cost and customer service perspective. This ensures market credibility and that the Trust can effectively negotiate with our benefit partners and make appropriate changes on behalf of our plan participants. For our insured lines of coverage some components we consider prior to conducting an RFP includes:



Mr. Gregory Mack  
Page 2

- Cost and plan design
- Network and discounts, as applicable
- Stability, including financial ratings
- Experience, including experience with public safety and applicable coordination with workers compensation
- Service

For the non-insurance services we provide to our eligible plan participants, including but not limited to Online Administration, we consider the following prior to conducting an RFP:

- Customization
- Stability, including financial ratings
- Experience, including experience with public safety and non-Employer groups
- Service

The Trust may choose not to pursue an RFP at times if, based on the market check, we find the pricing is fair and competitive while still being able to offer our members the best networks and discounts, the best plan designs available, and provide the highest level of plan participant satisfaction.

**2. Your organization's input as to why conducting an RFP may/may not be beneficial to LAFPP at this time.**

The Trust feels conducting an RFP may not be beneficial to LAFPP at this time due to the following reasons:

- Per the UFLAC Active MOU, the retiree health subsidies may only be used towards plans approved by the City of Los Angeles and UFLAC. As of today, those include, per Article 4.1A of the MOU "...any UFLAC, Los Angeles Fire Relief Association (LAFRA) or City-sponsored insurance plan approved by the City and Union." Further Article 4.1H item 4 of the MOU reads as follows "The subsidy for retirees shall be administered through the Pension Department and will be governed by the rules and regulations of the City health insurance plan subsidy for active employees. The benefits provided herein do not affect or repeal any other benefit provided for retirees. See, e.g., Los Angeles Administrative Code Section 4.1150, et seq."
- Per the operating agreement, LAFPP's consultant reviews and confirms accuracy/appropriateness of each Union and Association's annual health and dental plan renewals. To date, LAFPP's consultant has validated all plan renewals indicating that the benefits currently offered to pensioners and survivors are competitive with, or more competitive, than what is available in the marketplace, generally.
- Plan participant satisfaction with the current health and dental insurance plan offerings. Both retirees and eligible surviving dependents have expressed nothing, but praise for the current plans available to them through the Unions and Associations, as indicated by the hundreds of public comments placed on the Board's June 16, 2022, meeting.
- The RFP will not likely lead to any improvements in plan participant experience, long-term member cost reductions, or long-term LAFPP cost reductions because the plans currently

available are the best in the market as evidenced by high member satisfaction and USI's independent validation.

**3. A comprehensive list of services your organization provides to LAFPP pensioners (i.e., in addition to the retiree health and dental insurance plans you provide).**

In addition to the retiree health and dental insurance plans we provide to retirees and eligible surviving dependents, UFLAC also provides the following to LAFPP and pensioners:

**Pensioner and Administrative Services**

- Dedicated support is available through the UFLAC benefits staff. Staff responds to questions and provides assistance with, but not limited to, the following:
  - Eligibility status and verification
  - Disabled Dependent coverage
  - Medicare enrollment and eligibility
  - Benefit coverage and discrepancies
  - Premium costs
  - Pension deductions
  - Surviving Dependent-specific questions
  - Transition from Active to Retired status
  - Ongoing claims inquiries and advocacy
- Manage enrollment process and updates
- Eligibility audits
- Dependent verification tracking
- Domestic Partner verification for LAFPP
- Medicare certification, outreach, and assistance
- Preparation of monthly LAFPP transmittals
- Coordinate monthly eligibility changes with LAFPP
- Representation and negotiation for retirees per the MOU
- Fire Foundation provides scholarships for family members
- COBRA enrollment and termination, as applicable

**Compliance**

- Contract Management – review and negotiation of vendor contracts (Fickewirth Benefits Advisors, Anthem Blue Cross, MetLife, VSP, Sharecare, etc.) and outside agreements and contracts (Business Associate agreements, etc.)
- Ensure health and dental plan compliance with local, state, and federal regulators
- Review and ensure pensioners have access to appeals, as applicable

**Custom Communications**

- Provide and maintain custom content on the UFLAC Benefits website for all UFLAC-sponsored benefits available to pensioners including, but not limited to, posting relevant health and dental plan information, deep-links to Sharecare, VSP, etc.
- Custom Open Enrollment communications (twice per year)

Mr. Gregory Mack  
Page 4

- Create custom links to vendor sites
- E-blast mass communications (i.e. Health and dental plan benefit alerts, Open Enrollment timing, etc.)
- Create and distribute ongoing custom benefit communication pieces (letters, e-blasts, postcards etc.)
- Attend pensioner events and provide education on health and dental plan benefits
- Health and dental plan promotion, including referring members to additional digital resources and tools

#### **Accounting and Reporting Accuracy**

- Resolve subsidy discrepancies, including follow-ups with LAFPP's accounting department
- Verify correct use of subsidy codes and resolve errors
- Utilize and verify proper General Ledger Account Codes for transactions
- Oversee bank account set-up
- Treasury Services including monthly wire transfers
- Prepare Monthly Financial Statements
- Coordinate billing for cash payee retirees and surviving dependents
- Ongoing account analysis and reconciliation
- Issue and ensure accuracy of vendor payments
- Work with LAFPP to setup new codes, plans, and processes (i.e. Member Key update, HSA deduction update, etc.)

#### **Information Technology (IT)**

- Produce and program pensioner eligibility communications including, but not limited to:
  - Disabled Dependent notice
  - Eligibility requirement documentation
  - Medicare eligibility and request notices
  - Age 26 Dependent notices
  - Surviving Dependent status change notices (Dependent to Qualified Survivor)
- Maintain accurate and secure eligibility files for vendors (Anthem Blue Cross, MetLife, VSP etc.)
- Health and dental benefits vendors also provide pensioners with secure, online access to their claims information, Explanation of Benefits (EOB), plan documents, benefit plan information, and additional customer service

Mr. Gregory Mack  
Page 5

UFLAC is proud to provide comprehensive and affordable health and dental insurance options to our represented, retired members and eligible surviving dependents. We appreciate the partnership and collaborations between the Unions, Associations, and LAFPP to ensure all retired pensioners have access to quality coverage when they need it most.

Should the Committee have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be 'Freddy Escobar', with a long horizontal stroke extending to the right.

Freddy Escobar  
UFLAC President



LOS ANGELES POLICE RELIEF ASSOCIATION, INC.

September 15, 2022

**Via Email: [Gregory.Mack@lafpp.com](mailto:Gregory.Mack@lafpp.com)**

Gregory Mack  
Chief Benefits Analyst  
Los Angeles Fire and Police Pensions  
701 East 3rd Street, Suite 200  
Los Angeles, CA 90013

Re: Market Check

Dear Greg:

This letter is in response to your email dated September 2, 2022, wherein you requested additional information concerning LAPRA's market check analysis.

Our comprehensive market check is conducted to support our plan goals:

- Network adequacy
- Access to high quality providers
- Competitive premiums
- Affordable plan structure
- Superior customer service

To achieve these goals, we examine the following:

**GEO-Access Analysis:** evaluates participant access to a designated number of network providers, based on a defined geographic radius.

**Disruption Analysis:** evaluates the alignment between prospective provider networks relative to the providers participants use.

**Customer Service:** philosophy and approach, staff training, customer service availability, online and mobile app capabilities, response time for customer inquiries, dedicated member services

**Clinical Care Management:** program details, delegation of duty.

Gregory Mack  
 September 15, 2022  
 Page 2

Reporting Capabilities: customization, turnaround time, pricing.

Vendor and data integration: existing connectivity with downstream vendors.

Compliance: protocols around HIPAA, data breaches, PHI, security pertaining to communication and data exchanges, conforming to LAPRA’s BAA, SPDs, SBCs, ACA, ERISA.

Performance Guarantees and Contract Provisions

Network discounts and Capitation: detailed DRG, CPT and Capitation pricing analysis based upon actual LAPRA claims for the top zip codes within which our Members reside. Charts below are for illustrative purposes only.

Top 100 DRG	900	902	903	904	905	906	907	908	910
1 775 VAGINAL DELIVERY W/O COMPLICATING DIAGNOSES	59%	57%	59%	59%	57%	51%	51%	51%	61%
2 470 MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY W/O MCC	68%	67%	68%	68%	67%	64%	64%	64%	70%
3 621 O.R. PROCEDURES FOR OBESITY W/O CC/MCC	73%	71%	73%	73%	71%	68%	68%	68%	69%
4 766 CESAREAN SECTION W/O CC/MCC	63%	61%	63%	63%	61%	67%	67%	67%	70%
5 790 EXTREME IMMATURETY OR RESPIRATORY DISTRESS SYNDROME, NEONATE	19%	41%	19%	19%	41%	62%	62%	62%	61%
6 258 CARDIAC PACEMAKER DEVICE REPLACEMENT W MCC	57%	N/A	57%	57%	N/A	N/A	N/A	N/A	N/A
7 460 SPINAL FUSION EXCEPT CERVICAL W/O MCC	70%	71%	70%	70%	71%	54%	54%	54%	69%
8 774 VAGINAL DELIVERY W COMPLICATING DIAGNOSES	60%	63%	60%	60%	63%	54%	54%	54%	64%
9 945 REHABILITATION W CC/MCC	55%	46%	55%	55%	46%	29%	29%	29%	42%
10 326 STOMACH, ESOPHAGEAL & DUODENAL PROC W MCC	59%	68%	59%	59%	68%	65%	65%	65%	81%
11 897 ALCOHOL/DRUG ABUSE OR DEPENDENCE W/O REHABILITATION THERAPY W/O MC	50%	49%	50%	50%	49%	61%	61%	61%	63%
12 327 STOMACH, ESOPHAGEAL & DUODENAL PROC W CC	66%	32%	66%	66%	32%	52%	52%	52%	91%
13 330 MAJOR SMALL & LARGE BOWEL PROCEDURES W CC	64%	66%	64%	64%	66%	62%	62%	62%	51%
14 885 PSYCHOSES	54%	51%	54%	54%	51%	54%	54%	54%	45%
15 234 CORONARY BYPASS W CARDIAC CATH W/O MCC	48%	87%	48%	48%	87%	61%	61%	61%	82%
16 765 CESAREAN SECTION W CC/MCC	63%	59%	63%	63%	59%	66%	66%	66%	72%
17 883 DISORDERS OF PERSONALITY & IMPULSE CONTROL	35%	9%	35%	35%	9%	17%	17%	17%	10%
18 025 CRANIOTOMY & ENDOVASCULAR INTRACRANIAL PROCEDURES W MCC	66%	41%	66%	66%	41%	50%	50%	50%	40%
19 004 TRACH W MV 96+ HRS OR PDX EXC FACE, MOUTH & NECK W/O MAJ O.R.	N/A	N/A	N/A	N/A	N/A	69%	69%	69%	N/A
20 455 COMBINED ANTERIOR/POSTERIOR SPINAL FUSION W/O CC/MCC	79%	73%	79%	79%	73%	67%	67%	67%	81%
21 603 CELLULITIS W/O MCC	57%	57%	57%	57%	57%	49%	49%	49%	64%
22 872 SEPTICEMIA OR SEVERE SEPSIS W/O MV 96+ HOURS W/O MCC	52%	51%	52%	52%	51%	57%	57%	57%	67%

Top 30 CPT	900	902	903	904	905	906	907	908	910	911
1 99214 OFFICE/OUTPATIENT VISIT EST	48%	44%	48%	48%	44%	45%	45%	45%	45%	45%
2 99213 OFFICE/OUTPATIENT VISIT EST	44%	39%	44%	44%	39%	38%	38%	38%	37%	37%
3 J1745 INFLIXIMAB INJECTION	51%	49%	51%	51%	49%	70%	70%	70%	39%	39%
4 99203 OFFICE/OUTPATIENT VISIT NEW	49%	45%	49%	49%	45%	46%	46%	46%	44%	44%
5 99396 PREV VISIT EST AGE 40-64	45%	39%	45%	45%	39%	39%	39%	39%	39%	39%
6 99204 OFFICE/OUTPATIENT VISIT NEW	45%	44%	45%	45%	44%	44%	44%	44%	44%	44%
7 99285 EMERGENCY DEPT VISIT	38%	29%	38%	38%	29%	39%	39%	39%	41%	41%
8 59400 OBSTETRICAL CARE	49%	44%	49%	49%	44%	37%	37%	37%	34%	34%
9 G0202 SCREENINGMAMMOGRAPHYDIGITAL	54%	52%	54%	54%	52%	58%	58%	58%	52%	52%
10 90837 PSYTX PT&/FAMILY 60 MINUTES	44%	52%	44%	44%	52%	44%	44%	44%	44%	44%
11 88305 TISSUE EXAM BY PATHOLOGIST	39%	44%	39%	39%	44%	50%	50%	50%	48%	48%
12 99244 OFFICE CONSULTATION	45%	43%	45%	45%	43%	42%	42%	42%	46%	46%
13 99395 PREV VISIT EST AGE 18-39	47%	42%	47%	47%	42%	41%	41%	41%	40%	40%
14 99215 OFFICE/OUTPATIENT VISIT EST	50%	48%	50%	50%	48%	44%	44%	44%	44%	44%
15 00810 ANESTH LOW INTESTINE SCOPE	47%	54%	47%	47%	54%	53%	53%	53%	45%	45%
16 99284 EMERGENCY DEPT VISIT	37%	30%	37%	37%	30%	51%	51%	51%	43%	43%
17 90460 IM ADMIN 1ST/ONLY COMPONENT	33%	28%	33%	33%	28%	27%	27%	27%	28%	28%
18 00840 ANESTH SURG LOWER ABDOMEN	39%	44%	39%	39%	44%	47%	47%	47%	45%	45%
19 99393 PREV VISIT EST AGE 5-11	41%	35%	41%	41%	35%	35%	35%	35%	30%	30%
20 99392 PREV VISIT EST AGE 1-4	38%	34%	38%	38%	34%	32%	32%	32%	29%	29%
21 74177 CT ABD & PELV W/CONTRAST	74%	76%	74%	74%	76%	68%	68%	68%	75%	75%
22 00740 ANESTH UPPER GI VISUALIZE	45%	46%	45%	45%	46%	50%	50%	50%	44%	44%

Gregory Mack  
 September 15, 2022  
 Page 3

Category	Detailed Category	900	902	903	904	905	906	907	908	910	911
Inpatient	Total	62%	62%	62%	62%	62%	62%	62%	62%	65%	65%
	Medical	63%	64%	63%	63%	64%	63%	63%	63%	66%	66%
	Surgical	63%	64%	63%	63%	64%	63%	63%	63%	66%	66%
Outpatient	Maternity	60%	58%	60%	60%	58%	59%	59%	59%	66%	66%
	Total	67%	70%	67%	67%	70%	69%	69%	69%	71%	71%
	Outpatient Surgery	71%	73%	71%	71%	73%	71%	71%	71%	74%	74%
	ED	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Pharmacy	67%	60%	67%	67%	60%	68%	68%	68%	57%	57%
	Lab	68%	73%	68%	68%	73%	73%	73%	73%	77%	77%
Professional Services	Radiology	61%	70%	61%	61%	70%	62%	62%	62%	63%	63%
	Total	54%	53%	54%	54%	53%	52%	52%	52%	52%	52%
	Office Visits - PCP	46%	43%	46%	46%	43%	42%	42%	42%	42%	42%
All Other	Office Visits - Specialist	46%	43%	46%	46%	43%	42%	42%	42%	42%	42%
	Total	53%	54%	53%	53%	54%	56%	56%	56%	58%	58%

Workers' Compensation Integration: ability to produce custom reports and track integration with the City's WC division, to ensure our plans capture all monies spent on WC claims, with a focus on presumptive diagnosis.

Financial solvency ratings: from independent organizations like A.M. Best, Moody's, Fitch, and Standard and Poor's.

Prescription Plan Market Check: conducted by an independent pharmacy consultant, this market check ensures that the LAPRA Commercial, EGWP and Part D plans remain market competitive. The purpose of the financial evaluation is to understand the relative value of the current pricing available in the marketplace for full-service PBM services.

The market check evaluates the current contract relative to best-in-class pricing, service, operations and performance guarantees and contractual terms and definitions. The review looks at plan design, formulary exclusions, clinical and trend programs, retail pharmacy, mail pharmacy, and specialty pharmacy mix and utilization, size, demographics, and other relevant factors necessary to provide an appropriate comparison.

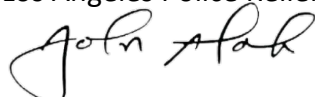
Peer Check: We conduct an in-depth peer study, comparing our benefits, premium rates, and actuarial value against other similar entities. We also include Lacers and CalPers in that evaluation.

In summary, our market check is thorough. The difference in contract rates is significant across carrier networks. Recent market checks have revealed as much as a five-point spread across competing vendor networks.

We are happy to respond to any questions you may have.

Sincerely,

Los Angeles Police Relief Association



John Shah  
 President



# LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

September 15, 2022

Greg Mack  
Chief Benefits Analyst  
Los Angeles Fire and Police Pensions  
701 East 3rd Street, Suite 200  
Los Angeles, CA 90013

Re: Response to LAFPP Letter – Market Check

Dear Greg,

This letter is in response to your email dated September 2, 2022, wherein you requested additional information concerning LAFRA's market check analysis.

To ensure LAFRA PPO Plan Members receive best-in-class service and access to benefit programs, our comprehensive **Medical PPO Plan** market check includes the following:

- A selection of 4-5 Third Party Administrators (TPAs), including our current TPA, complete a 165 question questionnaire that addresses various topics including:
  - Compliance
  - Experience
  - Account Management
  - Member Services
  - Website Access and Capabilities
  - Banking Arrangements
  - Claims Administration
  - Eligibility
  - Plan Design
  - Network Contracting
  - Clinical / Care Management
  - Data Integration
  - Reporting
  - Workers Compensation
  - Marketing
  - Trend Performance
  - Performance Guarantees
  - Contract Provisions





## LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

- In addition to providing the completed Questionnaire, the TPAs are required to provide their SAS70 Report, Financial Statements, Disaster Recovery Plan, and their Liability Policy, which allows us to verify the Company's financial solvency and stability.
- Sample reports, ID Cards, EOB's, Welcome Packets, Billings, Communications, and Agreements are also required for review.
- LAFRA's intent is to maintain a benefit Plan that is still sustainable for years to come. In keeping with this, we understand the need for competitive pricing. As part of the market check, a detailed spreadsheet of all fees is completed by the TPAs to compare to current pricing. LAFRA's pricing is very competitive and is either in line with or better than what we see from other TPAs. If competitive fees are provided by another TPA, LAFRA will enter into negotiations to change administrators or renegotiate the current fees.
- The medical market check also includes evaluating the Provider Network to ensure the network discounts are the most aggressive and our Members, especially those living in rural areas, have access to providers in their area. LAFRA's consultant conducts a thorough analysis of network discounts, comparing network pricing of specific CPT and DRG Codes. Anthem has consistently outperformed other provider networks in both contract discounts and provider access.

In addition to the PPO network, LAFRA evaluates pricing solutions for out-of-network claims. Out-of-network claims run through multiple supplemental networks to access the best discounts.

LAFRA's annual **Prescription Plan** market check is done to understand the relative value of the current LAFRA contract to pricing available in the marketplace for full-service Pharmacy Benefit Management services and includes the following:

- LAFRA's independent pharmacy consultant, PSG, evaluates the current contract relative to best-in-class pricing, service, operations and performance guarantees and contractual terms and definitions. This review is based off recent marketplace procurement projects PSG has conducted for similar like-size clients with similar benefit structures, taking into account similar plan design, formulary exclusions, clinical and trend programs, retail pharmacy, mail pharmacy, and specialty pharmacy mix and utilization, size, demographics, and other relevant factors necessary to provide an appropriate comparison.

PSG benchmarks the current contract rates to the offers from four (4) other PBM's in the marketplace, then provides an assessment of the program to LAFRA's PBM to identify opportunities for improvement in terms and conditions. PSG provides their recommendation to LAFRA for either contract revisions or if a competitive procurement process is warranted.



## LOS ANGELES FIREMEN'S RELIEF ASSOCIATION

In addition to a thorough market check, LAFRA evaluates our benefit plan throughout the year. We review our Plan financials on a monthly basis, undergo internal audits, compare our Plan trend against national trends, and attend industry conferences. Please contact me should you have additional questions.

Sincerely,

Jeff Cawdrey

President

Los Angeles Firemen's Relief Association

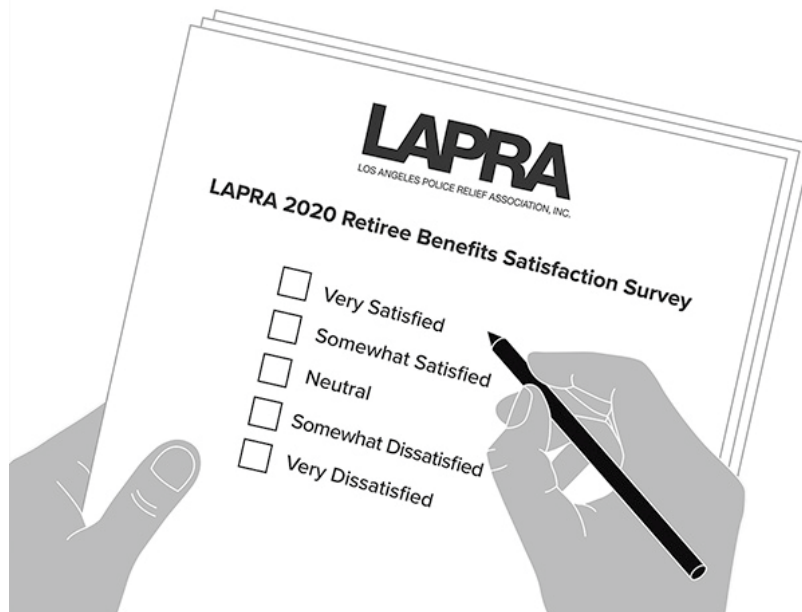


## 2020 Retiree Medical Benefits Satisfaction Survey Results

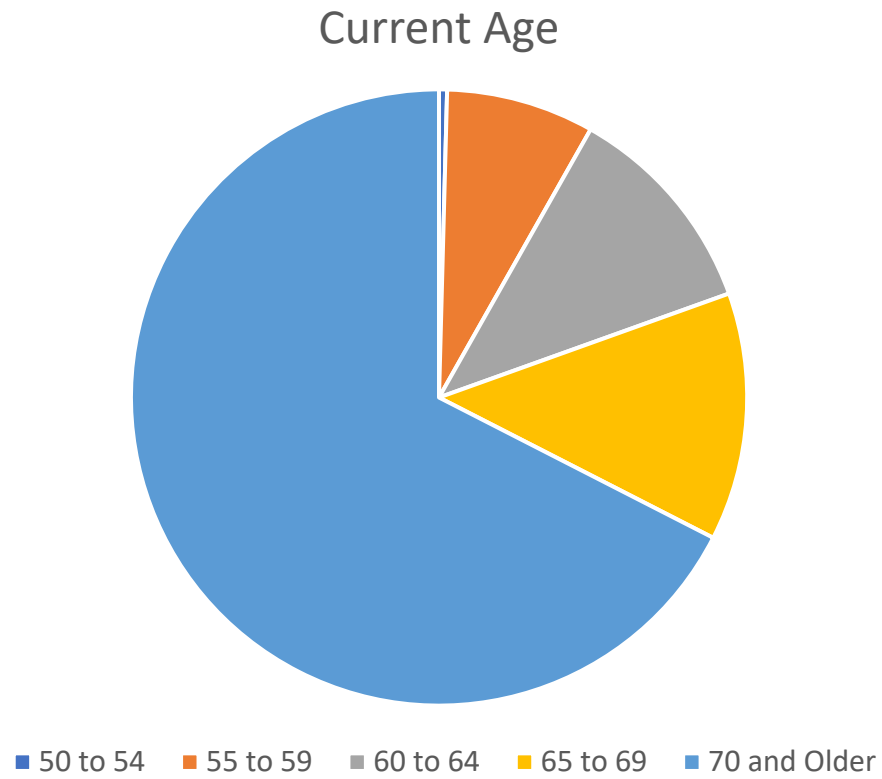
Survey Response Rate: 3,114/7,600 (41%)

Online Surveys Completed: 428 (14%)

Paper Surveys Completed: 2,686 (86%)



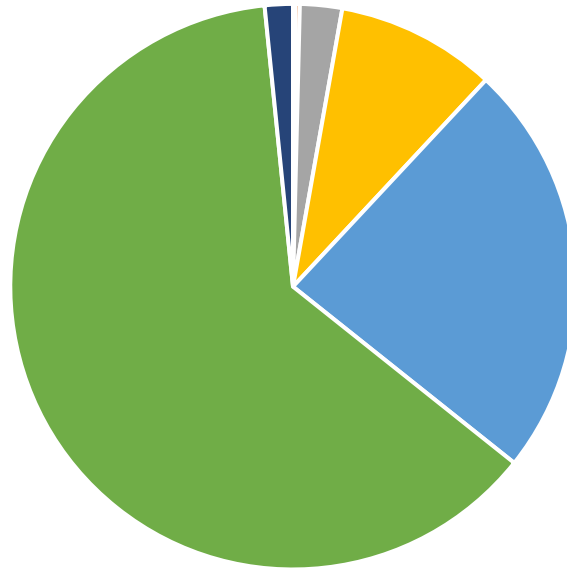
1) What is your current age?



Current Age	Count	Percent
50 to 54	13	0.4%
55 to 59	242	7.8%
60 to 64	353	11.3%
65 to 69	405	13.0%
70 and Older	2101	67.5%
Total	3114	100.0%

2) How many years of service with the LAPD did you have at the time you retired?

Years of Service at Retirement

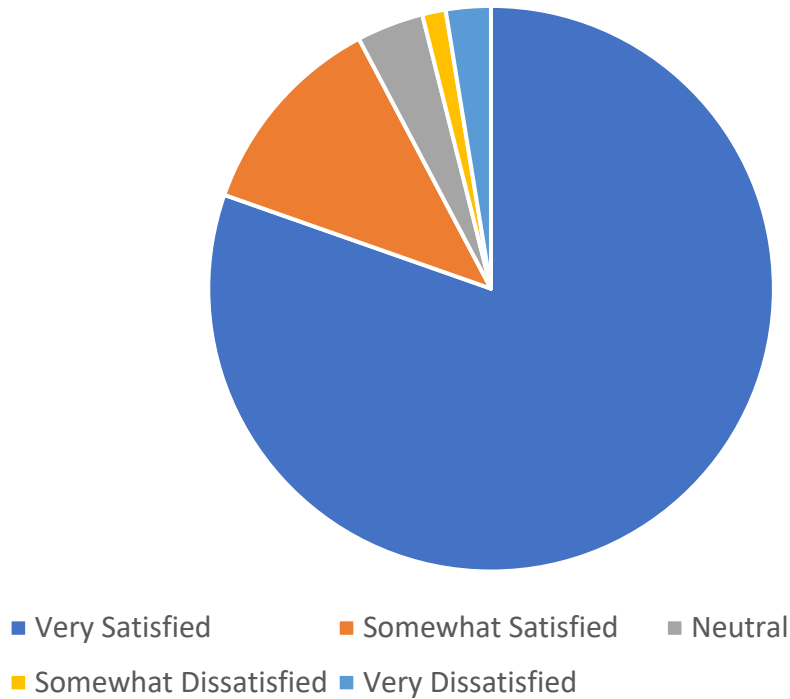


■ 1 to 5 years    
 ■ 6 to 10 years    
 ■ 11 to 15 years    
 ■ 16 to 20 years  
■ 21 to 25 years    
 ■ 26 or more years    
■ Don't Recall

Years of Service	Count	Percent
1 to 5 years	4	0.1%
6 to 10 years	8	0.3%
11 to 15 years	75	2.4%
16 to 20 years	285	9.2%
21 to 25 years	740	23.8%
26 or more years	1952	62.7%
Don't Recall	50	1.6%
Total	3114	100.0%

3) LAPRA currently offers an Anthem PPO, Anthem HMO, Kaiser HMO and Anthem Medicare Advantage Plan. How satisfied are you with the range of medical plans offered by LAPRA.

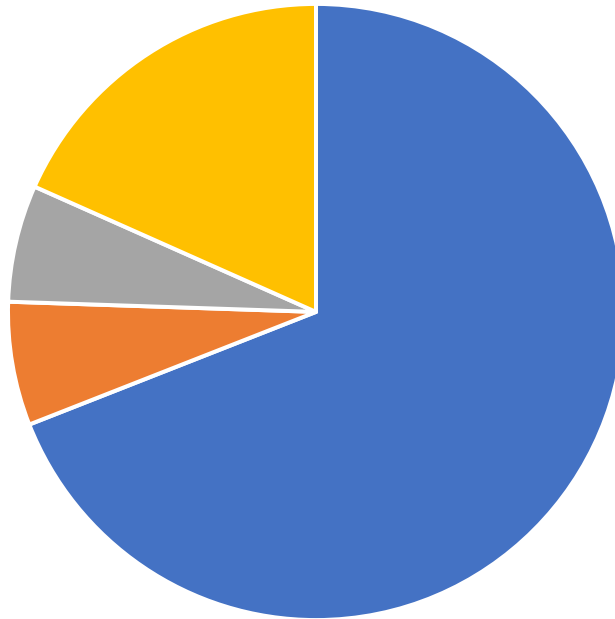
Years of Service at Retirement



Satisfaction Level with Range of Medical Plans	Count	Percent
Very Satisfied	2503	80.4%
Somewhat Satisfied	370	11.9%
Neutral	119	3.8%
Somewhat Dissatisfied	42	1.3%
Very Dissatisfied	80	2.6%
Total	3114	100.0%

4) Which LAPRA medical plan are you enrolled in?

Medical Plan Enrollment

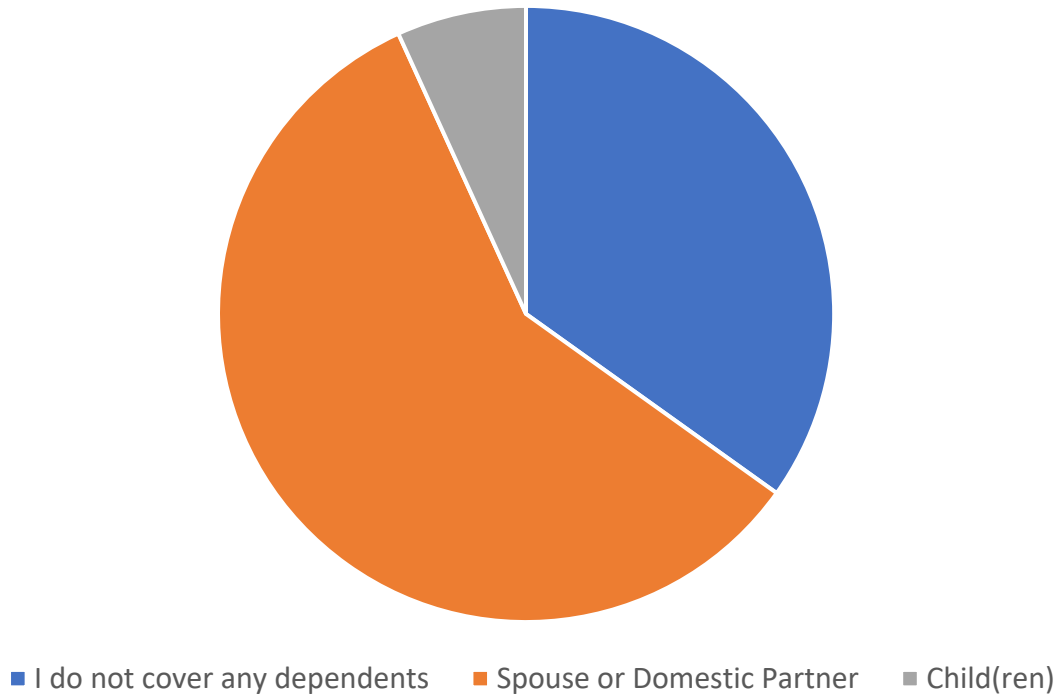


■ Anthem PPO ■ Anthem HMO ■ Anthem HMO Medicare Advantage ■ Kaiser HMO

Medical Plan Enrollment	Count	Percent
Anthem PPO	2150	69.0%
Anthem HMO	202	6.5%
Anthem HMO Medicare Advantage	191	6.1%
Kaiser HMO	571	18.3%
Total	3114	100.0%

5) Which dependents (if any) do you cover under your LAPRA medical plan?

Dependents Covered

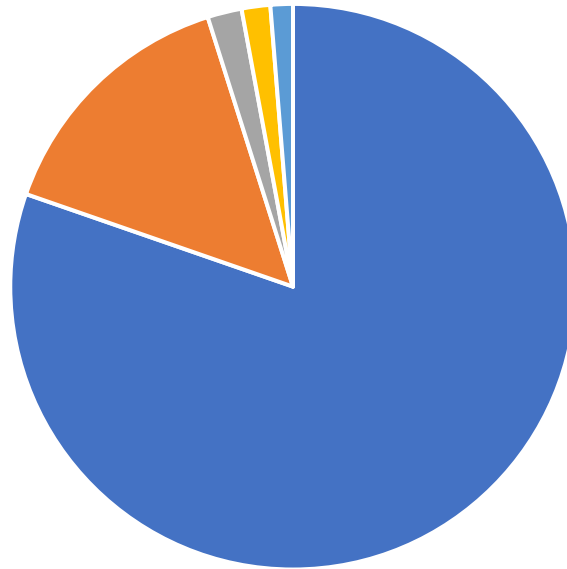


Which Dependents Do You Cover	Count	Percent
I do not cover any dependents	1086	34.9%
Spouse or Domestic Partner	1816	58.3%
Child(ren)	212	6.8%
Total	3114	100.0%



6) Overall, how satisfied are you with your LAPRA medical plan?

### Medical Plan Enrollment

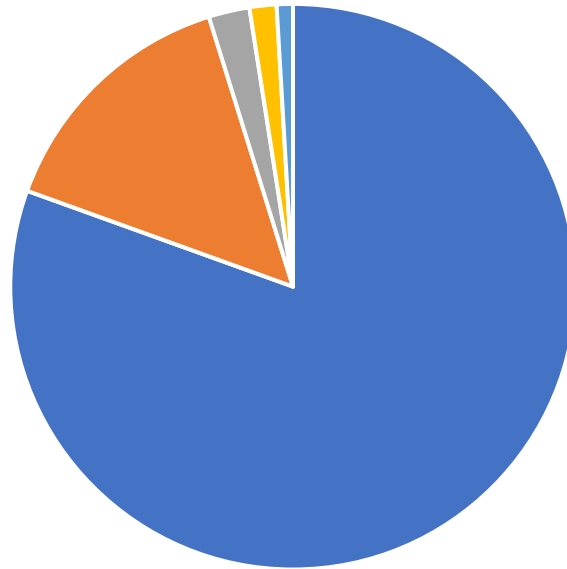


- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Medical Plan Satisfaction	Count	Percent
Very Satisfied	2501	80.3%
Somewhat Satisfied	461	14.8%
Neutral	61	2.0%
Somewhat Dissatisfied	51	1.6%
Very Dissatisfied	40	1.3%
Total	3114	100.0%

7) How satisfied are you with the choice of doctors you have with your LAPRA medical plan?

### Satisfaction with Choice of Doctors

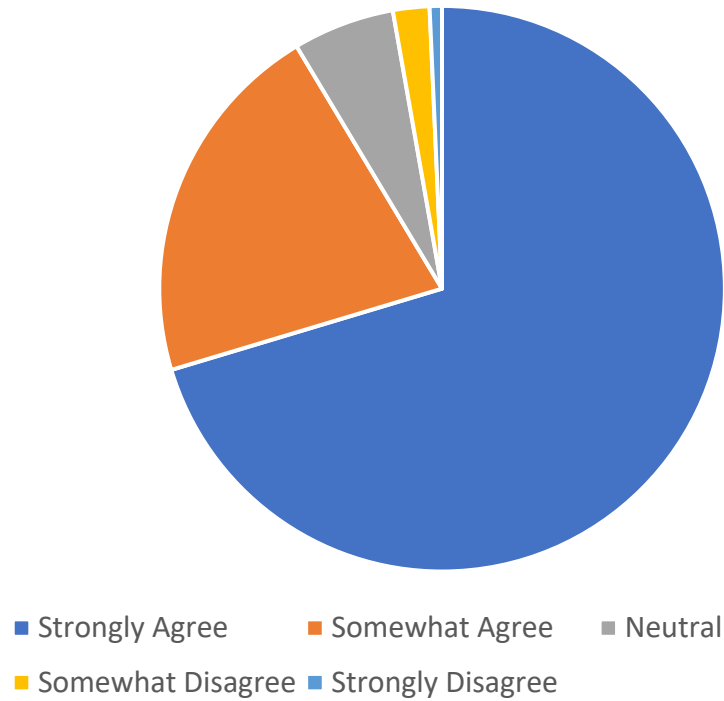


■ Very Satisfied     
 ■ Somewhat Satisfied     
 ■ Neutral  
■ Somewhat Dissatisfied     
 ■ Very Dissatisfied

Choice of Doctors Satisfaction	Count	Percent
Very Satisfied	2507	80.5%
Ssomewhat Satisfied	457	14.7%
Neutral	73	2.3%
Somewhat Dissatisfied	48	1.5%
Very Dissatisfied	29	0.9%
Total	3114	100.0%

8) To what extent do you agree with the following statement: It is fairly easy to find a doctor in my area who participates in the plan’s provider network.

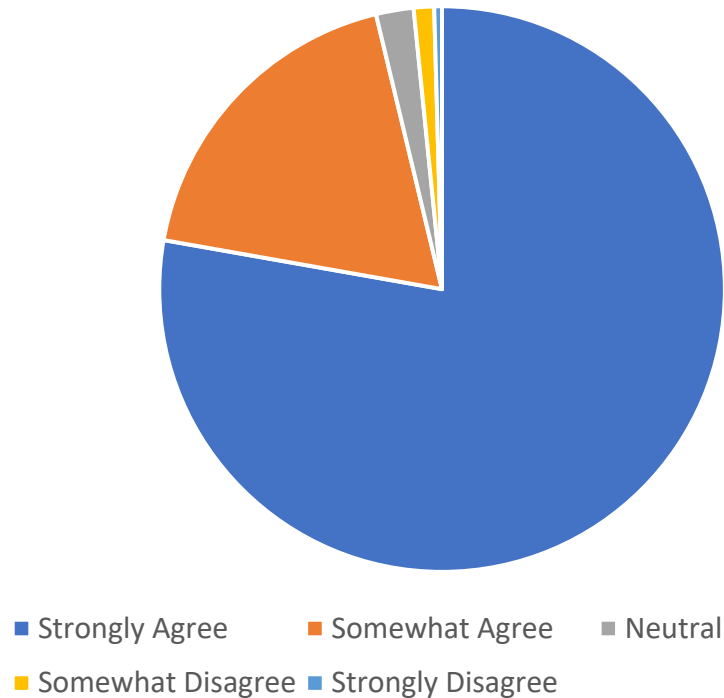
Easy to Find a Doctor in My Area



Easy to Find Doctors in My Area	Count	Percent
Strongly Agree	2191	70.4%
Somewhat Agree	655	21.0%
Neutral	181	5.8%
Somewhat Disagree	65	2.1%
Strongly Disagree	22	0.7%
Total	3114	100.0%

- 9) To what extent do you agree with the following statement: The range of medical services covered by my medical plan (such as primary care doctor visits, specialist visits, preventive care, emergency care, chiropractic care, etc.) generally meets my needs and the needs of my family (if family members are enrolled).

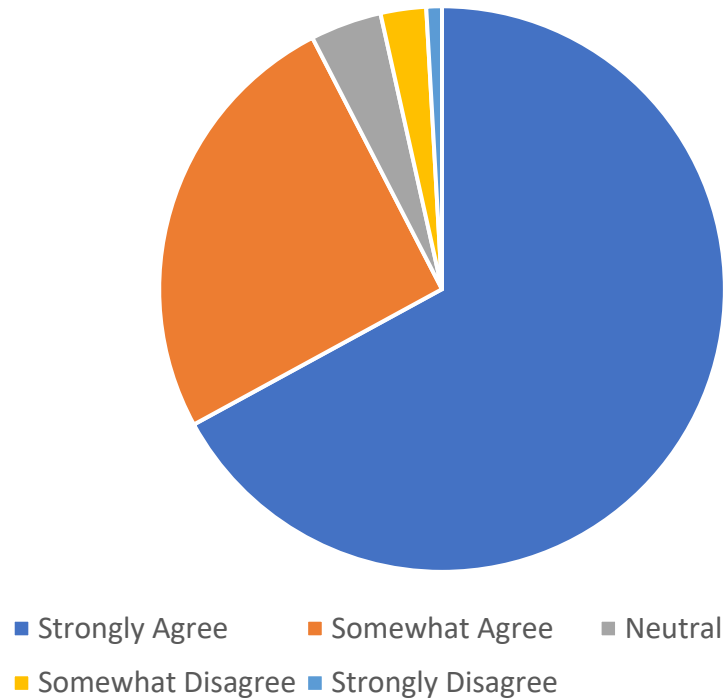
### Range of Medical Services Meets My Needs



Range of Medical Services Meets My Needs	Count	Percent
Strongly Agree	2422	77.8%
Somewhat Agree	575	18.5%
Neutral	67	2.2%
Somewhat Disagree	36	1.2%
Strongly Disagree	14	0.4%
Total	3114	100.0%

10) To what extent do you agree with the following statement: The prescription drug benefit included with my medical plan generally meets my needs and the needs of my family (if family members are enrolled).

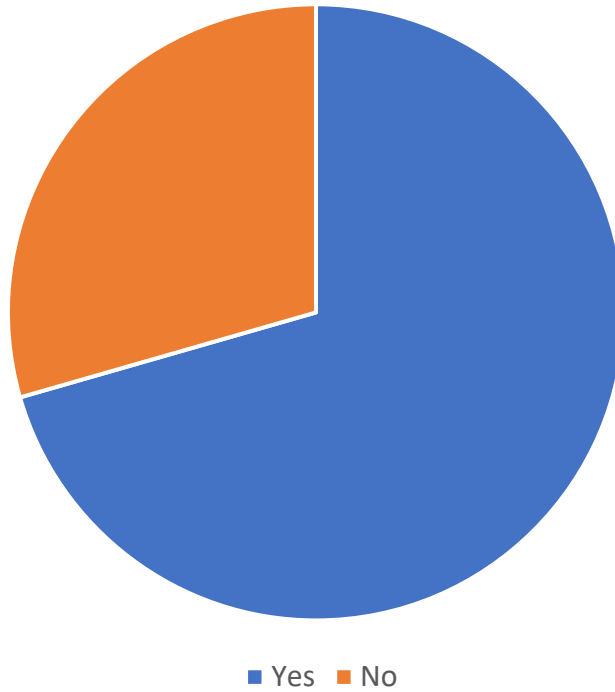
### Prescription Drug Benefit Meets My Needs



Prescription Drugs Meets My Needs	Count	Percent
Strongly Agree	2088	67.1%
Somewhat Agree	790	25.4%
Neutral	127	4.1%
Somewhat Disagree	81	2.6%
Strongly Disagree	28	0.9%
Total	3114	100.0%

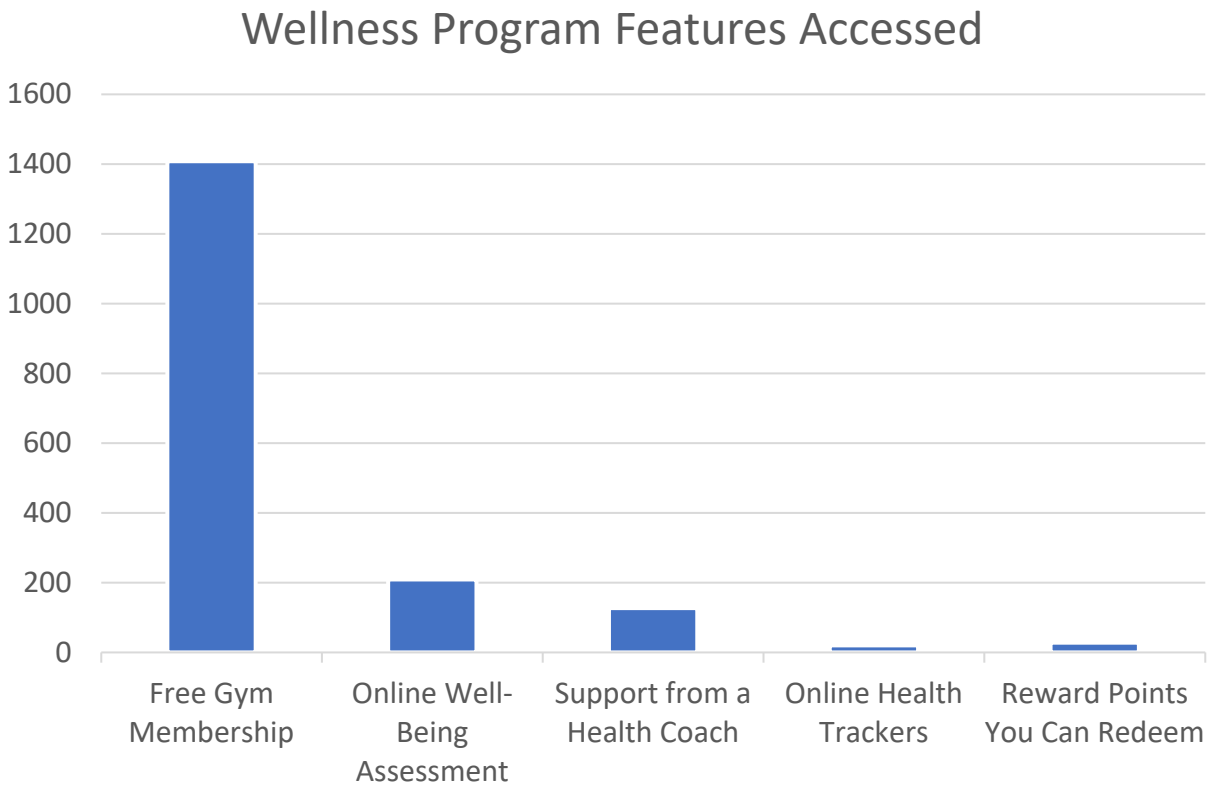
11) Are you aware of the LAPRA Wellness Program which includes online tools and a free gym membership?

LAPRA Wellness Program Awareness



Wellness Program Awareness	Count	Percent
Yes	2197	70.6%
No	917	29.4%
Total	3114	100.0%

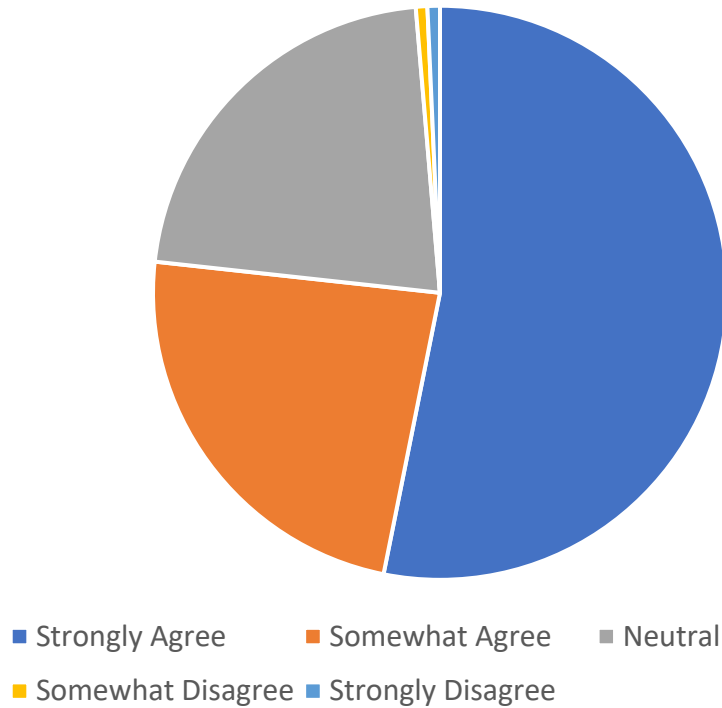
12) Which of the following features of the LAPRA Wellness Program have you accessed?



Wellness Program Features Accessed	Count	Percent
Free Gym Membership	1408	78.6%
Online Well-Being Assessment	209	11.7%
Support from a Health Coach	127	7.1%
Online Health Trackers	20	1.1%
Reward Points You Can Redeem	28	1.6%
<b>Total</b>	<b>1792</b>	<b>100.0%</b>

13) If you have accessed one or more features of the LAPRA Wellness Program, how much do you agree with the following statement: The LAPRA Wellness Program has helped me improve my physical and/or mental health?

Wellness Program Helped Me Improve My Health

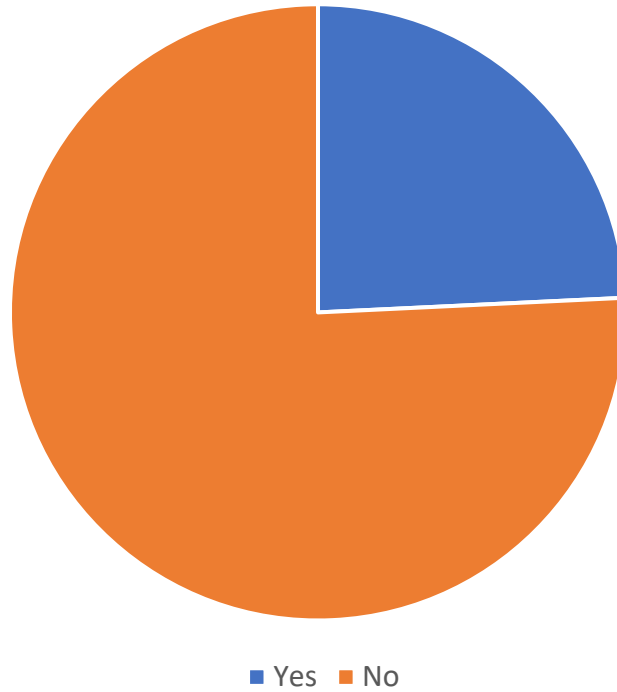


Wellness Program Helped Me Improve My Physical or Mental Health	Count	Percent
Strongly Agree	825	53.2%
Somewhat Agree	366	23.6%
Neutral	340	21.9%
Somewhat Disagree	10	0.6%
Strongly Disagree	11	0.7%
Total	1552	100.0%



14) Have you contacted a LAPRA Benefits Representative to enroll or ask questions about your benefits in the last 12 months?

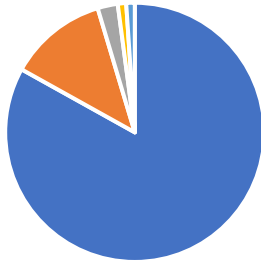
Contacted LAPRA Benefits Representative



Contacted LAPRA Benefits Rep in Last 12 Months	Count	Percent
Yes	755	24.2%
No	2359	75.8%
Total	3114	100.0%

15) When you contacted a LAPRA Benefits Representative, how satisfied were you with the responses in regard to the following:

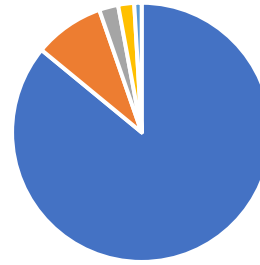
Knowledge of Benefits Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Knowledge	Count	Percent
Very Satisfied	628	83.1%
Somewhat Satisfied	93	12.3%
Neutral	19	2.5%
Somewhat Dissatisfied	8	1.1%
Very Dissatisfied	8	1.1%
Total	756	100.0%

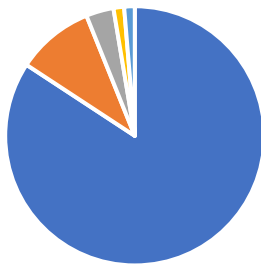
Helpfulness of Benefits Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Helpfulness	Count	Percent
Very Satisfied	649	86.0%
Somewhat Satisfied	66	8.7%
Neutral	18	2.4%
Somewhat Dissatisfied	15	2.0%
Very Dissatisfied	7	0.9%
Total	755	100.0%

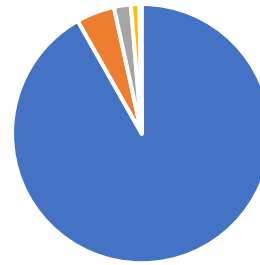
Timeliness of Benefits Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Timeliness	Count	Percent
Very Satisfied	636	84.2%
Somewhat Satisfied	73	9.7%
Neutral	26	3.4%
Somewhat Dissatisfied	10	1.3%
Very Dissatisfied	10	1.3%
Total	755	100.0%

Friendliness of Benefits Rep

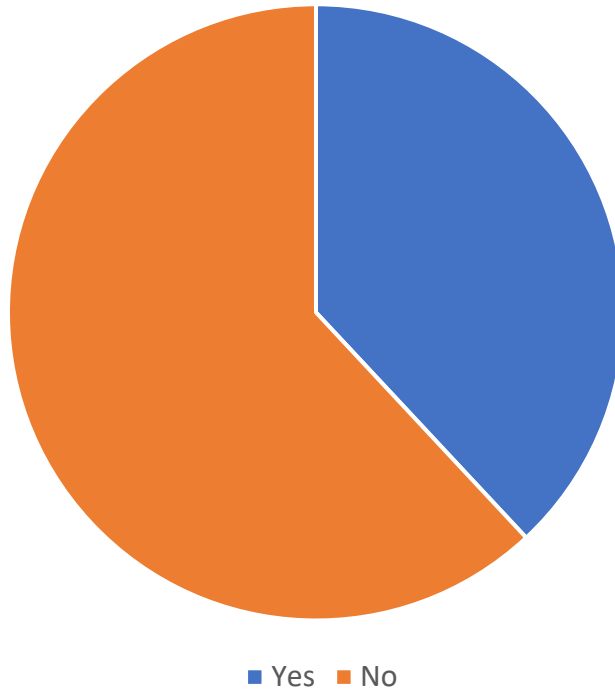


- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Friendliness	Count	Percent
Very Satisfied	693	91.8%
Somewhat Satisfied	36	4.8%
Neutral	16	2.1%
Somewhat Dissatisfied	8	1.1%
Very Dissatisfied	2	0.3%
Total	755	100.0%

16) Have you contacted Anthem or Kaiser Member Services in the last 12 months?

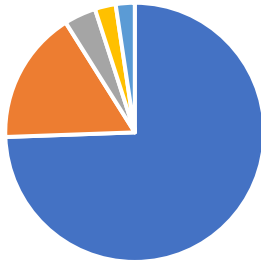
Contacted Anthem or Kaiser Member Services



Contacted Anthem or Kaiser Rep in Last 12 Months	Count	Percent
Yes	1185	38.1%
No	1929	61.9%
Total	3114	100.0%

17) When you contacted Anthem or Kaiser Member Services, how satisfied were you with the responses in regard to the following:

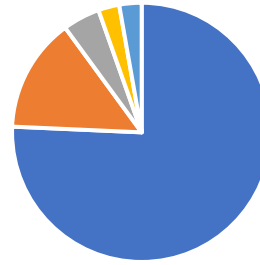
Knowledge of Carrier Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Knowledge	Count	Percent
Very Satisfied	882	74.4%
Somewhat Satisfied	197	16.6%
Neutral	47	4.0%
Somewhat Dissatisfied	31	2.6%
Very Dissatisfied	28	2.4%
Total	1185	100.0%

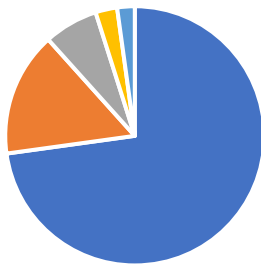
Helpfulness of Carrier Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Helpfulness	Count	Percent
Very Satisfied	897	75.7%
Somewhat Satisfied	169	14.3%
Neutral	55	4.6%
Somewhat Dissatisfied	31	2.6%
Very Dissatisfied	33	2.8%
Total	1185	100.0%

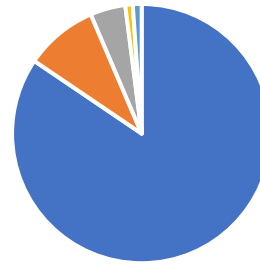
Timeliness of Carrier Rep



- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Timeliness	Count	Percent
Very Satisfied	863	72.8%
Somewhat Satisfied	184	15.5%
Neutral	80	6.8%
Somewhat Dissatisfied	32	2.7%
Very Dissatisfied	26	2.2%
Total	1185	100.0%

Friendliness of Carrier Rep

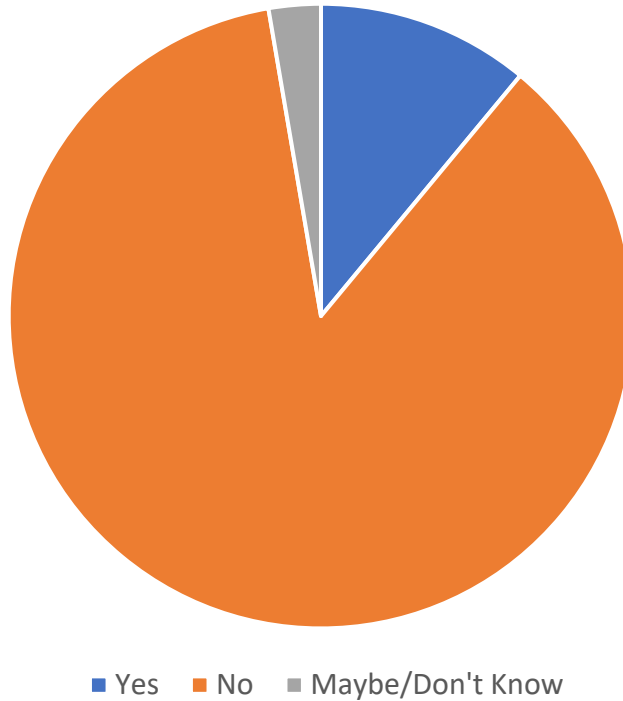


- Very Satisfied
- Somewhat Satisfied
- Neutral
- Somewhat Dissatisfied
- Very Dissatisfied

Friendliness	Count	Percent
Very Satisfied	1001	84.5%
Somewhat Satisfied	108	9.1%
Neutral	52	4.4%
Somewhat Dissatisfied	11	0.9%
Very Dissatisfied	13	1.1%
Total	1185	100.0%

18) Besides LAPRA, do you have any other options to obtain medical coverage for yourself and/or your dependents (through a spouse’s plan for example) but NOT including Medicare?

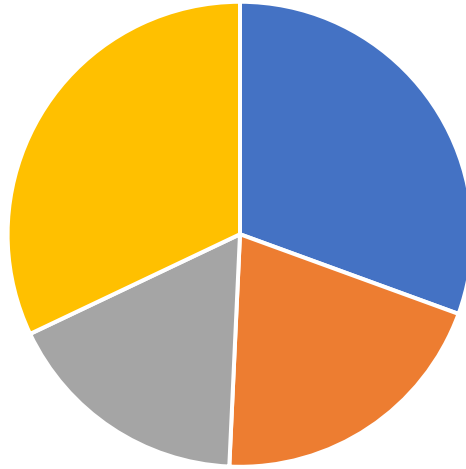
Other Medical Coverage Available



Other Medical Coverage Available	Count
Yes	343
No	2687
Maybe/Don't Know	84
Total	3114

19) With regard to any other medical coverage available, which of the following statements is most applicable?

### Other Medical Coverage – Statement Most Applicable

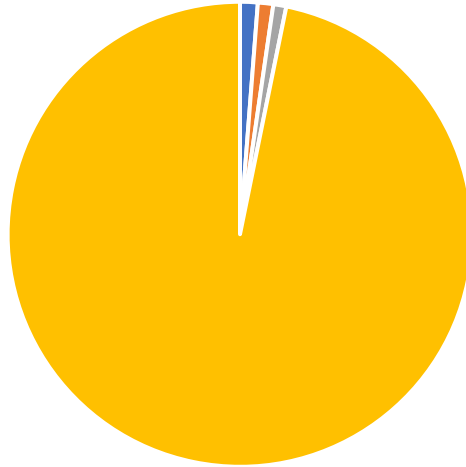


- Other medical coverage costs less than my LAPRA medical plan
- Other medical coverage costs more than my LAPRA medical plan
- Other medical coverage costs about the same as my LAPRA medical plan
- Don't know

With Regard to Other Medical Coverage, Which Statement Most Applies	Count	Percent
Other medical coverage costs less than my LAPRA medical plan	103	30.6%
Other medical coverage costs more than my LAPRA medical plan	68	20.2%
Other medical coverage costs about the same as my LAPRA medical plan	58	17.2%
Don't know	108	32.0%
Total	337	100.0%

20) LAPRA recently completed Annual Enrollment for the 2020/2021 plan year with benefits effective July 1, 2020. Did you make any changes to your LAPRA medical and/or dental benefits during this year’s Annual Enrollment period?

Changes Made During Annual Enrollment

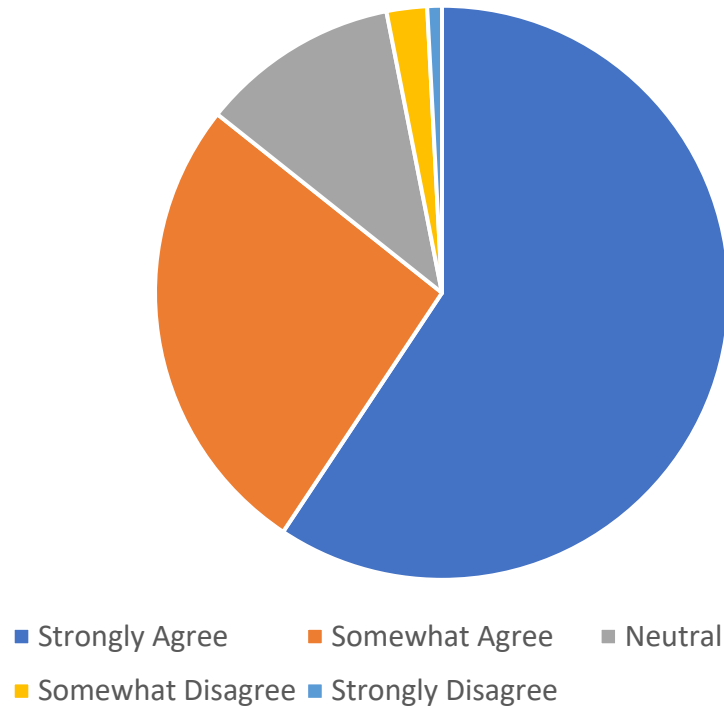


- Yes, enrolled or disenrolled in medical or changed my medical plan
- Yes, enrolled or disenrolled in dental or changed my dental plan
- Yes, added or removed dependents from my medical and/or dental coverage
- No, I did not make any changes to my medical and/or dental coverage

Did You Make Any Changes During Annual Enrollment	Count	Percent
Yes, enrolled or disenrolled in medical or changed my medical plan	38	1.2%
Yes, enrolled or disenrolled in dental or changed my dental plan	33	1.1%
Yes, added or removed dependents from my medical and/or dental coverage	28	0.9%
No, I did not make any changes to my medical and/or dental coverage	2999	96.8%
Total	3098	100.0%

21) Thinking about the information you received from LAPRA during this year’s Annual Enrollment, how much do you agree with the following statement: The information about Annual Enrollment and my LAPRA medical options was easy to understand and helped me determine the best plan for myself and my family.

Annual Enrollment Communications Easy to Understand



Annual Enrollment Communications Were Easy to Understand	Count	Percent
Strongly Agree	1356	59.3%
Somewhat Agree	602	26.3%
Neutral	256	11.2%
Somewhat Disagree	52	2.3%
Strongly Disagree	19	0.8%
Total	2285	100.0%

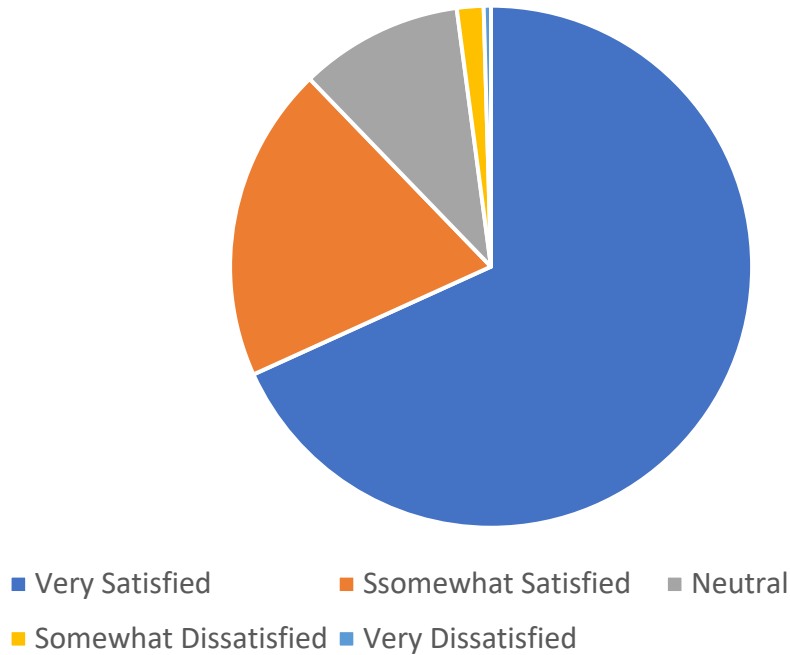
Did Not Review Communications Because No Changes

829



22) Overall, how satisfied were you with the amount and type of information provided to you during Annual Enrollment for the LAPRA medical plans.

Annual Enrollment Satisfaction with Type & Amount of Information



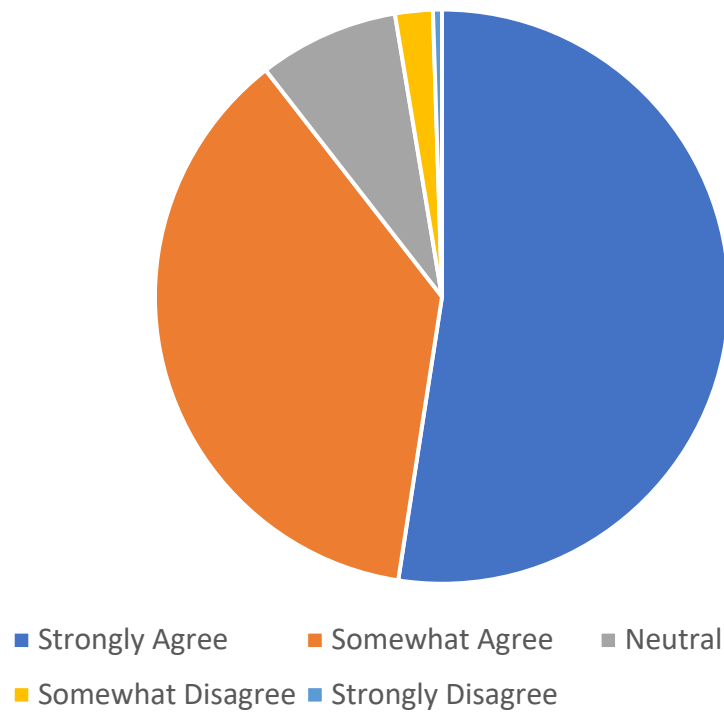
Annual Enrollment Amount and Type of Information Satisfaction	Count	Percent
Very Satisfied	1647	68.2%
Somewhat Satisfied	472	19.6%
Neutral	244	10.1%
Somewhat Dissatisfied	40	1.7%
Very Dissatisfied	11	0.5%
Total	2414	100.0%

Did Not Review Communications Because No Changes

700

23) To what extent do you agree with the following statement: I have a good understanding of my LAPRA medical plan benefits.

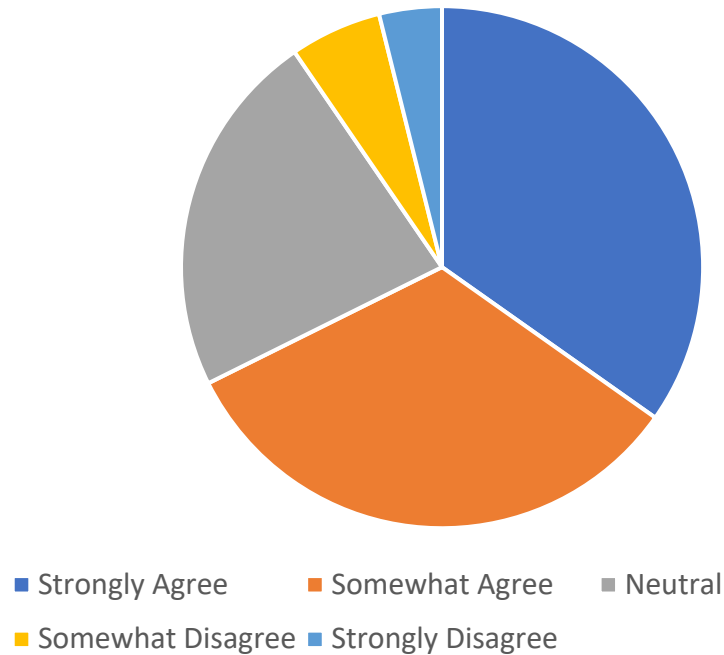
Good Understanding of LAPRA Medical Plan Benefits



Have a Good Understanding of LAPRA Medical Plan Benefits	Count	Percent
Strongly Agree	1633	52.4%
Somewhat Agree	1153	37.0%
Neutral	246	7.9%
Somewhat Disagree	66	2.1%
Strongly Disagree	16	0.5%
Total	3114	100.0%

24) To what extent do you agree with the following statement: I understand the factors the LAFPP apply each year to determine the amount of subsidy increase that is calculated to offset my monthly medical plan premium.

Understand LAFPP Factors to Determine Subsidy Increase



Understanding of LAFPP Factors That Determine Amount of Subsidy Increase	Count	Percent
Strongly Agree	1083	34.8%
Somewhat Agree	1024	32.9%
Neutral	709	22.8%
Somewhat Disagree	177	5.7%
Strongly Disagree	121	3.9%
Total	3114	100.0%

# LAFRA - 2020 Member Satisfaction Survey

# Survey Summary

## Survey Method

The objective of the LAFRA PPO survey is to assess Member satisfaction specific to: LAFRA's service, the PPO medical plan benefits, LAFRA's Third Party Administrator (TPA - HealthComp), and LAFRA's Pharmacy Benefits Manager (PBM - Express Scripts).

This survey was conducted April 28 through May 11, 2020. The survey request was sent, by email, to 2,488 Retirees. A total of 584 Retirees, which represents approximately 23.5% of the Retiree population, responded. The survey was conducted online through Survey Monkey. The following pages detail the results from the survey.

## Key Findings

In summary, the response to the survey is very positive. The majority of Members are happy with the LAFRA service, the benefits offered under the PPO plan, the TPA administration and the prescription benefit plan. Following is a summary of the key findings by category.

## Key Findings, continued..

### ➤ Member Data

- Most respondents have been a LAFRA Member and enrolled in the PPO plan for more than 30 years
- The majority, 73.6%, of the Members that responded are California residents
- The largest percentage of respondents, 64.9%, are enrolled with Member + 1 coverage
- The majority of Members, 92.6%, retired with at least 20 years of service
- 66.34 % of Members do not have a frozen subsidy

### ➤ LAFRA Service

The Membership is extremely satisfied with the accessibility and level of service provided by LAFRA's Customer Service. 98.9% of Members are also satisfied with the communication pieces LAFRA provides.

### ➤ PPO Benefit Plan

The majority of the Members (98.2%) would recommend the LAFRA benefit plan to a colleague. The results also indicate Members are satisfied with the range of benefits, the plan design, the provider network and provider accessibility.

# Survey Summary

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## Key Findings, continued...

### ➤ **Third Party Administrator (HealthComp)**

LAFRA transitioned their third-party administrative (TPA) services to HealthComp on January 1, 2020. As expected, the majority of Members have not had enough experience with the TPA to comment. Of those that have had experience with the TPA, the results indicated the majority have had a positive experience.

Any service questions or issues noted in the comments section will be addressed with the TPA or specifically with the Member if contact information was provided.

### ➤ **Prescription Benefit Plan (Express Scripts)**

95.79% of Members were satisfied, very satisfied or extremely satisfied with the prescription drug benefit. The satisfaction levels with the prescription copays and customer service were also favorable.

## Q1: How many years have you been a Member of LAFRA?

# of Years as a LAFRA Member	Member Count	Member %
1-10	8	1.42%
11-20	16	2.83%
21-30	35	6.19%
31-40	163	28.85%
41-50	181	32.04%
51-60	134	23.72%
61-70	26	4.60%
71-80	2	0.35%
<b>Totals</b>	<b>565</b>	<b>100.00%</b>

Unknown responses: 3



## Q2: How many years have you been enrolled in the PPO Plan?

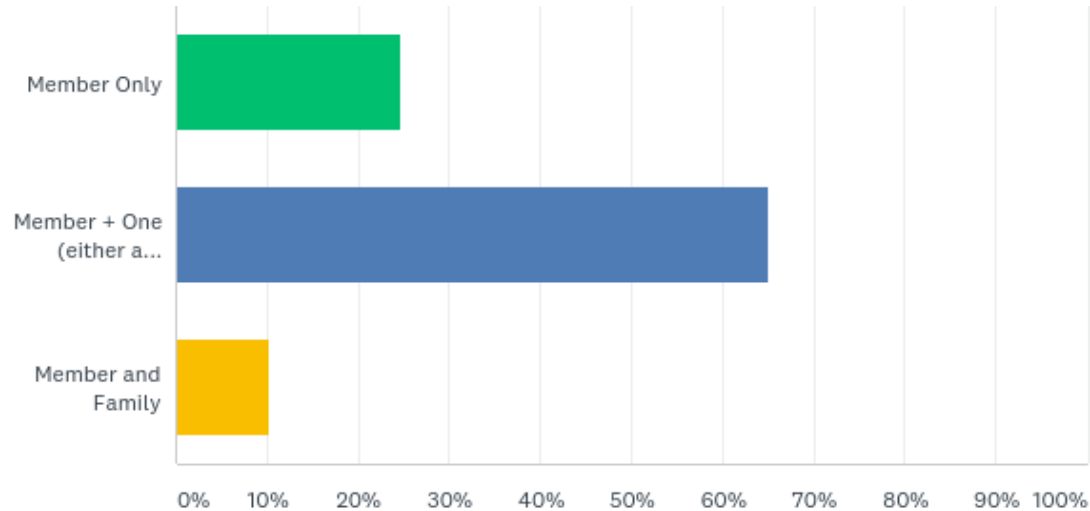
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# of Years in the LAFRA PPO	Member Count	Member %
1-10	39	7.75%
11-20	22	4.37%
21-30	49	9.74%
31-40	150	29.82%
41-50	135	26.84%
51-60	64	12.72%
61-70	44	8.75%
<b>Totals</b>	<b>503</b>	<b>100.00%</b>

Unknown responses: 55

### Q3: Which coverage level are you currently enrolled in?

Answered: 557 Skipped: 27



### Q3: Which coverage level are you currently enrolled in?

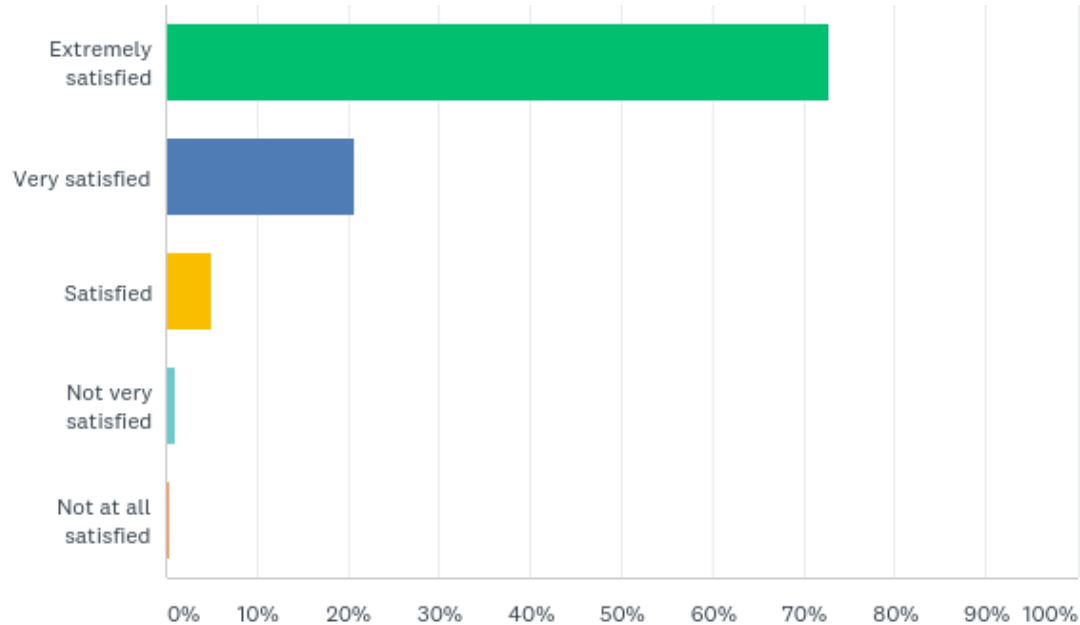
Answered: 557 Skipped: 27

<b>ANSWER CHOICES</b>	<b>RESPONSES</b>	
Member Only	24.78%	138
Member + One (either a Spouse or Dependent)	64.99%	362
Member and Family	10.23%	57
<b>TOTAL</b>		<b>557</b>

# Q4: How do you rate the overall quality of LAFRA's practices in terms of meeting your needs?

ATTACHMENT 7

Answered: 567 Skipped: 17



## Q4: How do you rate the overall quality of LAFRA's practices in terms of meeting your needs?

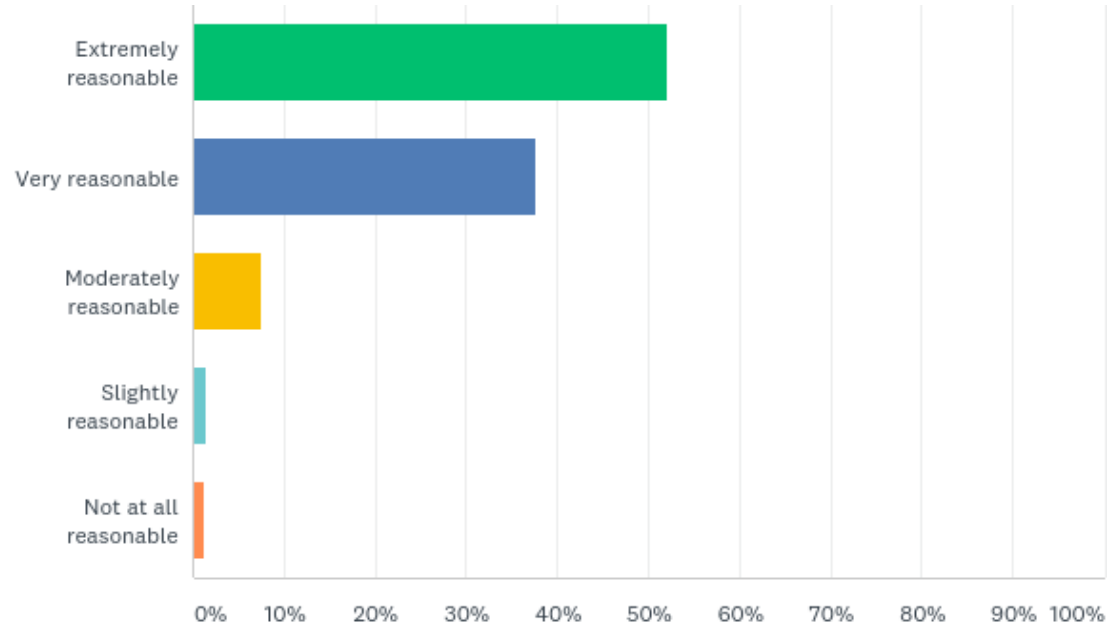
ATTACHMENT 7

Answered: 567 Skipped: 17

ANSWER CHOICES	RESPONSES	
Extremely satisfied	72.84%	413
Very satisfied	20.63%	117
Satisfied	5.11%	29
Not very satisfied	1.06%	6
Not at all satisfied	0.35%	2
<b>TOTAL</b>		<b>567</b>

## Q5: How satisfied are you with your premium subsidy from LAFPP?

Answered: 559 Skipped: 25



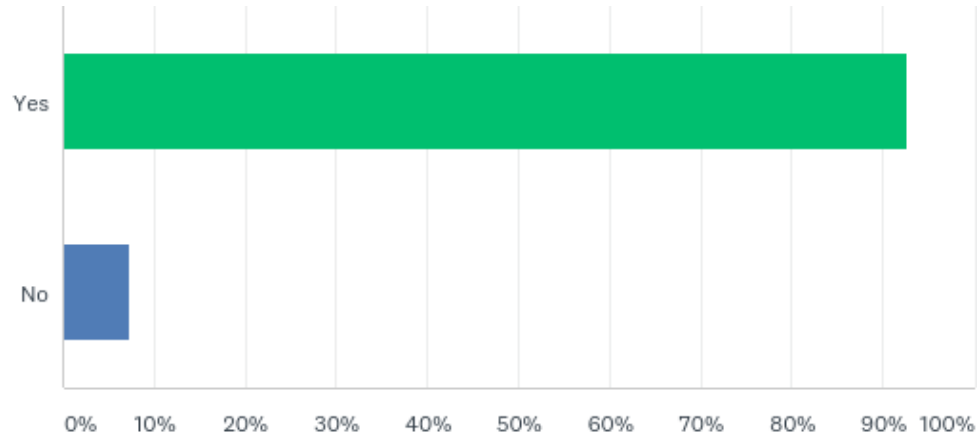
## Q5: How satisfied are you with your premium subsidy from LAFPP?

Answered: 559 Skipped: 25

ANSWER CHOICES	RESPONSES	
Extremely reasonable	52.06%	291
Very reasonable	37.75%	211
Moderately reasonable	7.51%	42
Slightly reasonable	1.43%	8
Not at all reasonable	1.25%	7
<b>TOTAL</b>		<b>559</b>

## Q6: Did you retire with at least 20 years of service?

Answered: 543 Skipped: 41





## Q6: Did you retire with at least 20 years of service?

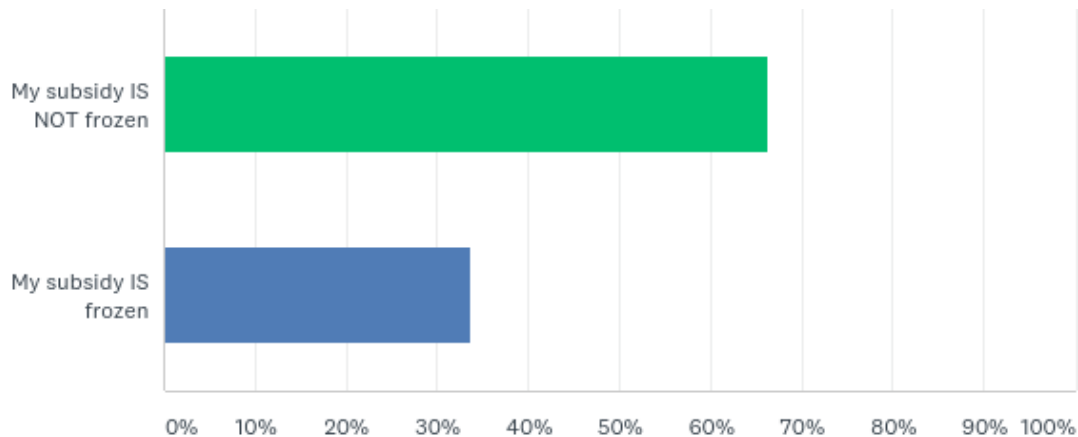
Answered: 543 Skipped: 41

ANSWER CHOICES	RESPONSES	
Yes	92.63%	503
No	7.37%	40
TOTAL		543

# Q7: Do you have a “frozen” subsidy or did you contribute 2% beginning in 2011?

ATTACHMENT 7

Answered: 413 Skipped: 171



# Q7: Do you have a “frozen” subsidy or did you contribute 2% beginning in 2011?

ATTACHMENT 7

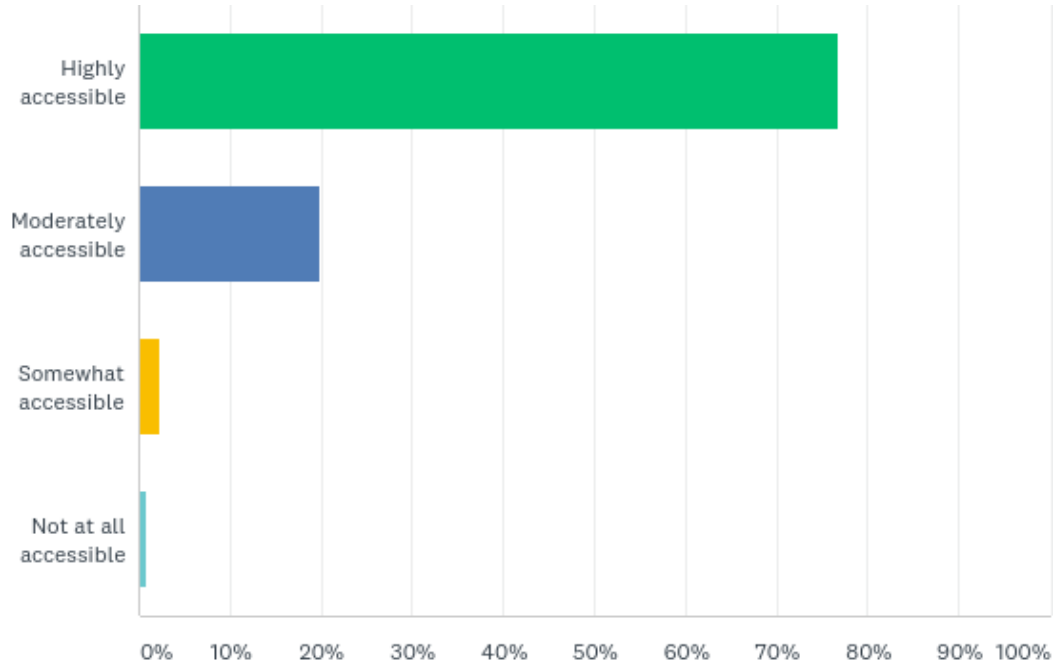
Answered: 413 Skipped: 171

ANSWER CHOICES	RESPONSES	
My subsidy IS NOT frozen	66.34%	274
My subsidy IS frozen	33.66%	139
TOTAL		413

# Q8: Overall, how do you feel about accessibility of LAFRA's Customer Service Representatives?

ATTACHMENT 7

Answered: 552 Skipped: 32



## Q8: Overall, how do you feel about accessibility of LAFRA's Customer Service Representatives?

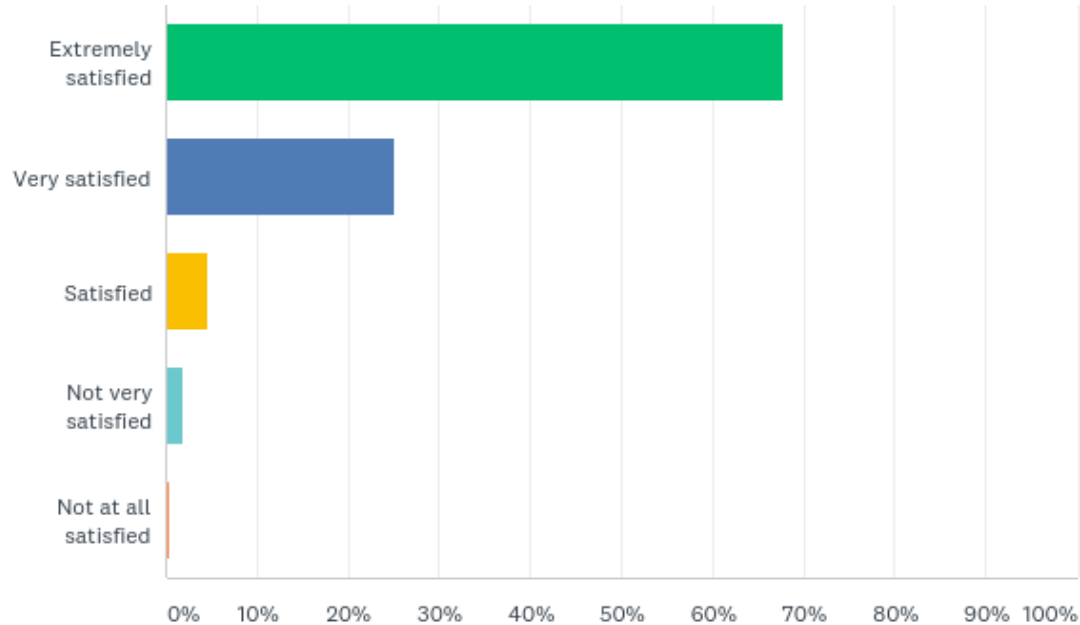
ATTACHMENT 7

Answered: 552 Skipped: 32

ANSWER CHOICES	RESPONSES	
Highly accessible	76.81%	424
Moderately accessible	19.93%	110
Somewhat accessible	2.36%	13
Not at all accessible	0.91%	5
<b>TOTAL</b>		<b>552</b>

## Q9: Please rate your satisfaction level with LAFRA's Customer Service?

Answered: 554 Skipped: 30



## Q9: Please rate your satisfaction level with LAFRA's Customer Service?

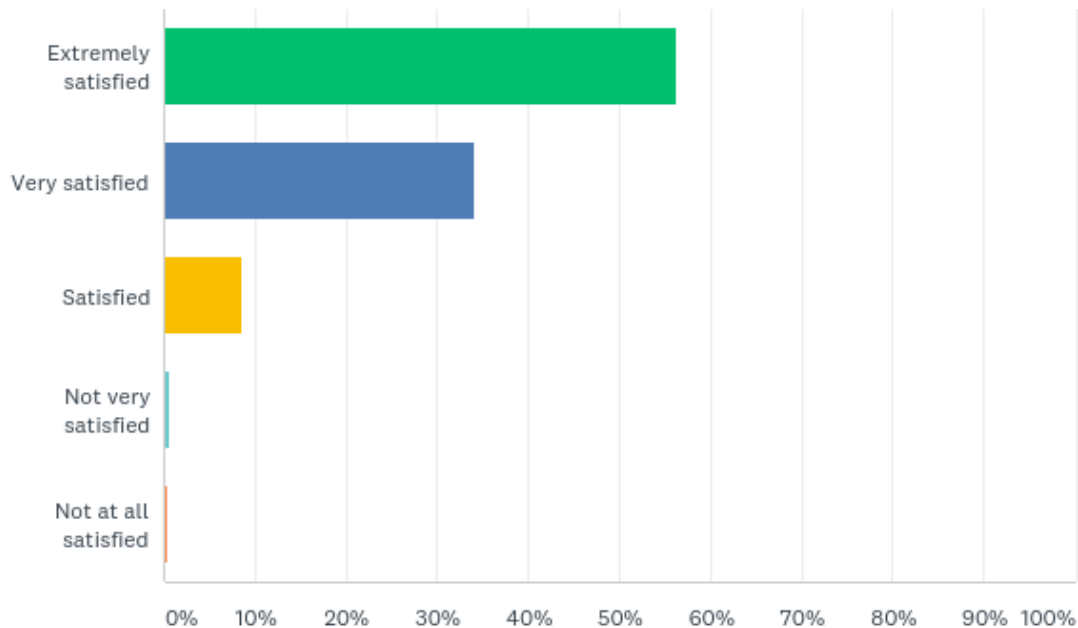
Answered: 554 Skipped: 30

ANSWER CHOICES	RESPONSES	
Extremely satisfied	67.87%	376
Very satisfied	25.09%	139
Satisfied	4.69%	26
Not very satisfied	1.99%	11
Not at all satisfied	0.36%	2
<b>TOTAL</b>		<b>554</b>

# Q10: How satisfied are you with the benefit information provided to you through LAFRA's communications?

ATTACHMENT 7

Answered: 560 Skipped: 24





# Q10: How satisfied are you with the benefit information provided to you through LAFRA's communications?

ATTACHMENT 7

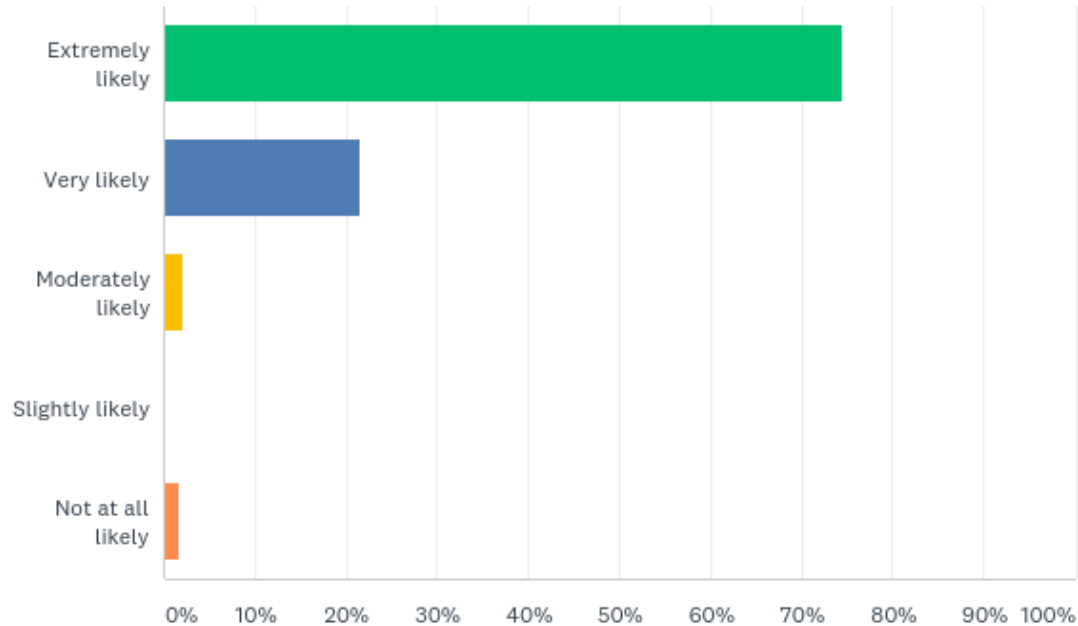
Answered: 560 Skipped: 24

ANSWER CHOICES	RESPONSES	
Extremely satisfied	56.25%	315
Very satisfied	34.11%	191
Satisfied	8.57%	48
Not very satisfied	0.71%	4
Not at all satisfied	0.36%	2
<b>TOTAL</b>		<b>560</b>

# Q11: How likely is it that you would recommend the LAFRA PPO Plan to a colleague?

ATTACHMENT 7

Answered: 553 Skipped: 31



# Q11: How likely is it that you would recommend the LAFRA PPO Plan to a colleague?

ATTACHMENT 7

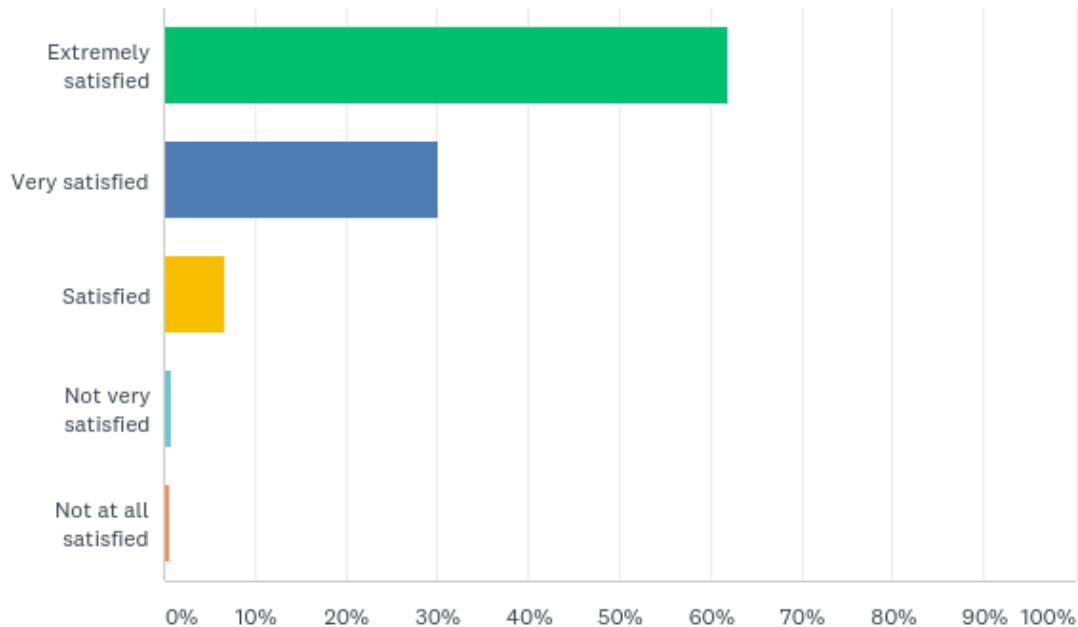
Answered: 553 Skipped: 31

ANSWER CHOICES	RESPONSES	
Extremely likely	74.50%	412
Very likely	21.52%	119
Moderately likely	2.17%	12
Slightly likely	0.18%	1
Not at all likely	1.63%	9
<b>TOTAL</b>		<b>553</b>

# Q12: How satisfied are you with the range of medical benefits covered by your health benefits (i.e. preventive care, emergency care, etc.)?

ATTACHMENT 7

Answered: 540 Skipped: 44



## Q12: How satisfied are you with the range of medical benefits covered by your health benefits (i.e. preventive care, emergency care, etc.)?

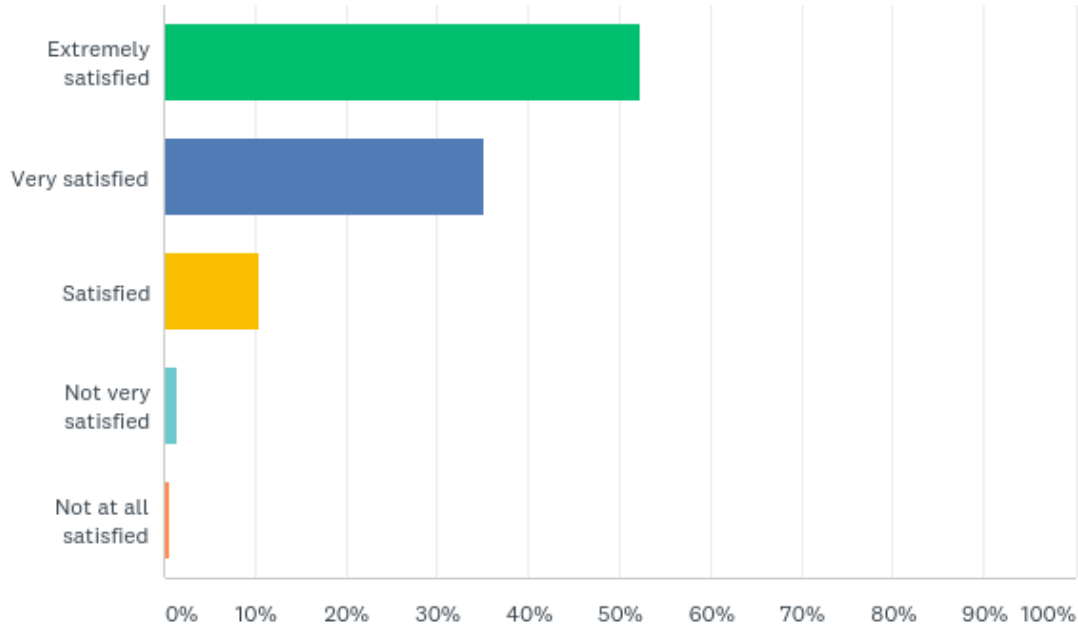
ATTACHMENT 7

Answered: 540 Skipped: 44

ANSWER CHOICES	RESPONSES	
Extremely satisfied	61.85%	334
Very satisfied	30.19%	163
Satisfied	6.67%	36
Not very satisfied	0.74%	4
Not at all satisfied	0.56%	3
<b>TOTAL</b>		<b>540</b>

# Q13: How satisfied are you with the PPO plan design (i.e. copay, coinsurance, deductible)?

Answered: 534 Skipped: 50



# Q13: How satisfied are you with the PPO plan design (i.e. copay, coinsurance, deductible)?

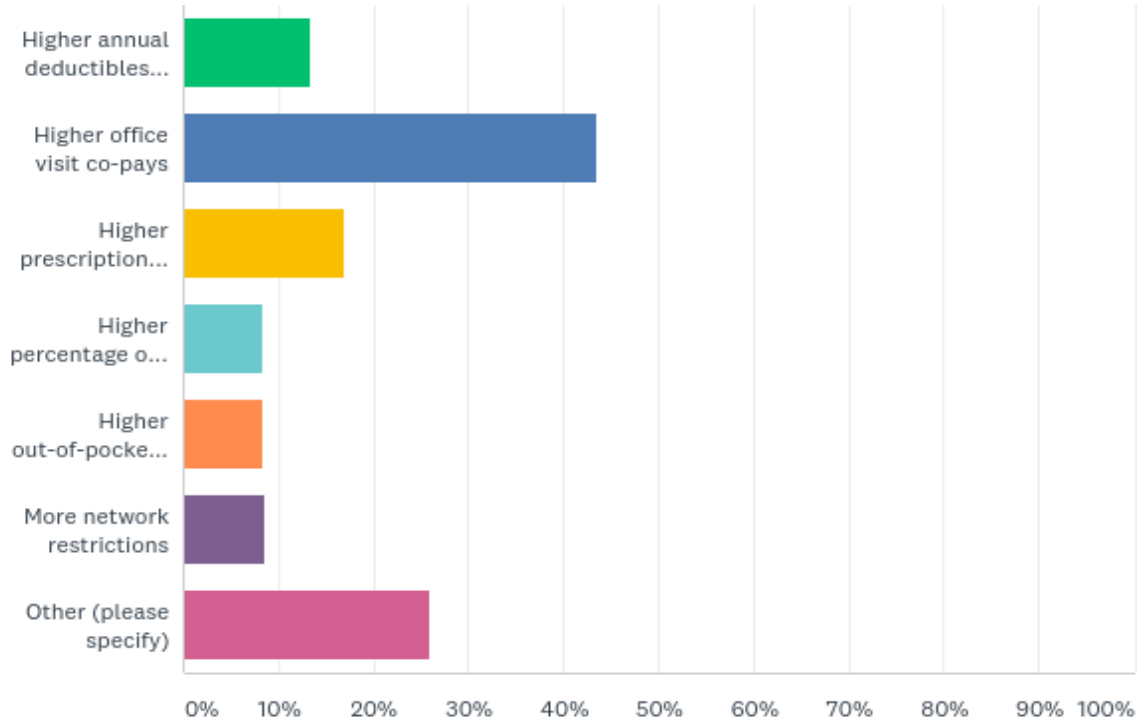
Answered: 534 Skipped: 50

ANSWER CHOICES	RESPONSES	
Extremely satisfied	52.25%	279
Very satisfied	35.21%	188
Satisfied	10.49%	56
Not very satisfied	1.50%	8
Not at all satisfied	0.56%	3
<b>TOTAL</b>		<b>534</b>

# Q14: What changes would you be willing to accept in order to help keep your premium costs down (check all that apply)?

ATTACHMENT 7

Answered: 418 Skipped: 166





# Q14: What changes would you be willing to accept in order to help keep your premium costs down (check all that apply)?

ATTACHMENT 7

Answered: 418 Skipped: 166

ANSWER CHOICES	RESPONSES	
Higher annual deductibles (the amount you pay out-of-pocket before benefits begin)	13.40%	56
Higher office visit co-pays	43.54%	182
Higher prescription drug co-pays	16.99%	71
Higher percentage of coinsurance (the percentage of the billed amount you are responsible for paying after you meet the annual deductible)	8.37%	35
Higher out-of-pocket maximums (the maximum amount you will pay, for all services in a calendar year, before the plan pays 100% of charges)	8.37%	35
More network restrictions	8.61%	36
Other (please specify)	25.84%	108
Total Respondents: 418		

# Q14: What changes would you be willing to accept in order to help keep your premium costs down? – Comments to “Other”

ATTACHMENT 7

## Comments to “Other”:

- All these are what make the plan so good so we'd hate to see any of these implemented. Maybe a bump in the co-pay if I had to pick.
- Not sure
- None
- My wife and I are on Medicare so most of our medical is paid by Medicare
- I really don't know
- I like it the way it is
- Being a widow an increase any would not be welcome.
- None
- Higher premiums for the retired is unacceptable, as they are on a fixed budget.
- None
- None
- I'm on Medicare and LAFRA PPO plan
- Have the insurance company pay back the member in a reasonable amount of time
- None
- I am currently happy with my premium costs.
- On survivor's pension so cannot afford to pay more
- None
- Do not want an increase on co pay
- Premiums are very high for me – widow
- None
- Not Sure
- I believe with Medicare costs that I pay out of pocket that's above pension subsidizes, `should be looked at. Addition costs means more outa pocket expense.
- None

# Q14: What changes would you be willing to accept in order to help keep your premium costs down? – Comments to “Other”

ATTACHMENT 7

## Comments to “Other” continued:

- I have Medicare as primary and PPO as secondary
- None
- Family with one child pays the same as family with six children seem those with larger families are benefiting
- None , My wife uses Medi-Care as her primary and we have to pay a Medicare monthly premium!!
- None
- Satisfied with the way it is
- Nothing
- I'll do what ever you need to keep the plan going.
- Members on Medicare A B D which I am are getting screwed! #1. Medicare is mandatory! #2 Medical Plan becomes "secondary" payee! Which means Medicare is primary payee and pays more than the plan.. Plan pays a very "small amount" but our premiums continue to rise! Medicare members should get a premium reduction! I can't count how many times small COLA has disappeared with premium increases.. There are retirees and retirees on Medicare! Two different methods of payout.
- I am on Medicare
- We don't want to see any changes.
- If it's not broken, don't fix it
- None
- Not sure
- None
- Not sure
- Don't know
- It is easier for me to just pay the premiums but I'm willing to accept whatever helps out the most people.
- None
- Prefer lower prescription drug co-pays
- None of the above
- None of the above. New employees making more money should contribute more to keep system working.

# Q14: What changes would you be willing to accept in order to help keep your premium costs down? – Comments to “Other”

ATTACHMENT 7

## Comments to “Other” continued:

- I'm grateful for what I have and hope nothing is 'higher'
- Retired - prefer none since on fixed income
- No changes please
- I would prefer no changes
- I have widows benefits and I am so blessed.
- It is fine like it is. 78 1/2 years old isn't a good time to change things. I am a Widow and live in Montana so someone needs to talk to me if things need to be changed or send me a letter.
- Eliminate drug abuse coverage and gym memberships
- No comment on this subject
- None
- None
- No comment on this subject
- None
- None
- None, make it work
- Not sure
- Please do not increase I pay \$688 a month
- Help Sr a little better. Cost just get higher!
- Let's get this foolish medical stuff under control
- I really don't know.
- Retired for 50 years, and not sure!
- Higher plan rates
- No premium increases
- None of the above

# Q14: What changes would you be willing to accept in order to help keep your premium costs down? – Comments to “Other”

ATTACHMENT 7

## Comments to “Other” continued:

- None since I am on Medi-Care
- Still learning plan so no recommendations now
- Higher monthly dues but less for retired members
- None
- None
- None
- I don't know what to give up, I like the plan the way it is.
- None
- No changes
- Keep the way it is
- I am happy with my premium costs.
- I have Medicare
- Give up nothing
- Leave as is
- For retired members I would say no changes
- None
- Tough question
- Cut drug benefit. I use Good RX. It is cheaper than Express Scripts
- We live in Hawaii and everything is OK with us.
- Remove the copay
- None
- None
- Not really wanting to increase my medical expenses in any category. Sounds like you're looking for an approval to increase member out of pocket medical expense. Not volunteering for that!

# Q14: What changes would you be willing to accept in order to help keep your premium costs down? – Comments to “Other”

ATTACHMENT 7

## Comments to “Other” continued:

- A modest increase in both would be acceptable -MODEST!!!
- None
- Not sure how any of the above would apply with Medicare coverage but we would be willing to accept a higher out of pocket fees to keep premiums costs down
- None
- Everything is A O.K
- Don't know

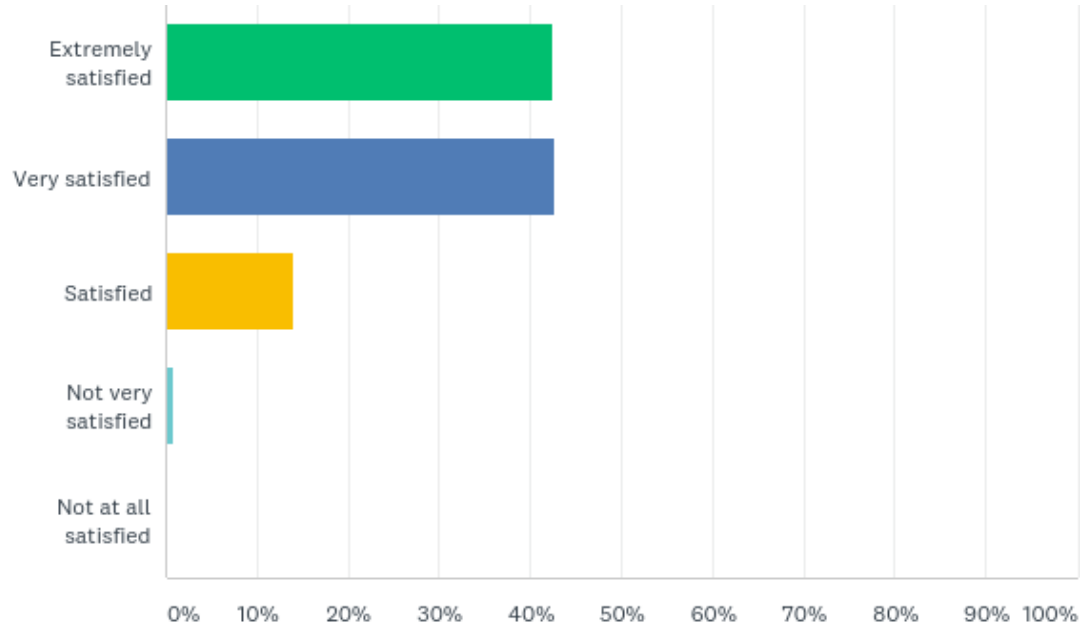
## Q15: Please provide the State where you reside.

State	Member Count	Member %
AL	1	0.19%
AZ	18	3.46%
CA	383	73.65%
CO	5	0.96%
FL	10	1.92%
GA	1	0.19%
HI	3	0.58%
ID	13	2.50%
KS	2	0.38%
KY	1	0.19%
MI	1	0.19%
MO	1	0.19%
MT	10	1.92%
NC	1	0.19%

State	Member Count	Member %
NM	1	0.19%
NV	21	4.04%
OR	16	3.08%
SC	1	0.19%
SD	1	0.19%
TN	1	0.19%
TX	5	0.96%
UT	6	1.15%
VA	1	0.19%
WA	14	2.69%
WY	1	0.19%
Outside the US	2	0.38%
<b>Total</b>	<b>520</b>	<b>100.00%</b>

## Q16: How satisfied are you with choice of network providers?

Answered: 526 Skipped: 58





## Q16: How satisfied are you with choice of network providers?

Answered: 526 Skipped: 58

<b>ANSWER CHOICES</b>	<b>RESPONSES</b>	
Extremely satisfied	42.40%	223
Very satisfied	42.59%	224
Satisfied	14.07%	74
Not very satisfied	0.76%	4
Not at all satisfied	0.19%	1
<b>TOTAL</b>		<b>526</b>

# Q17: How easy is it to find a doctor in your area who participates in the Anthem network?

ATTACHMENT 7

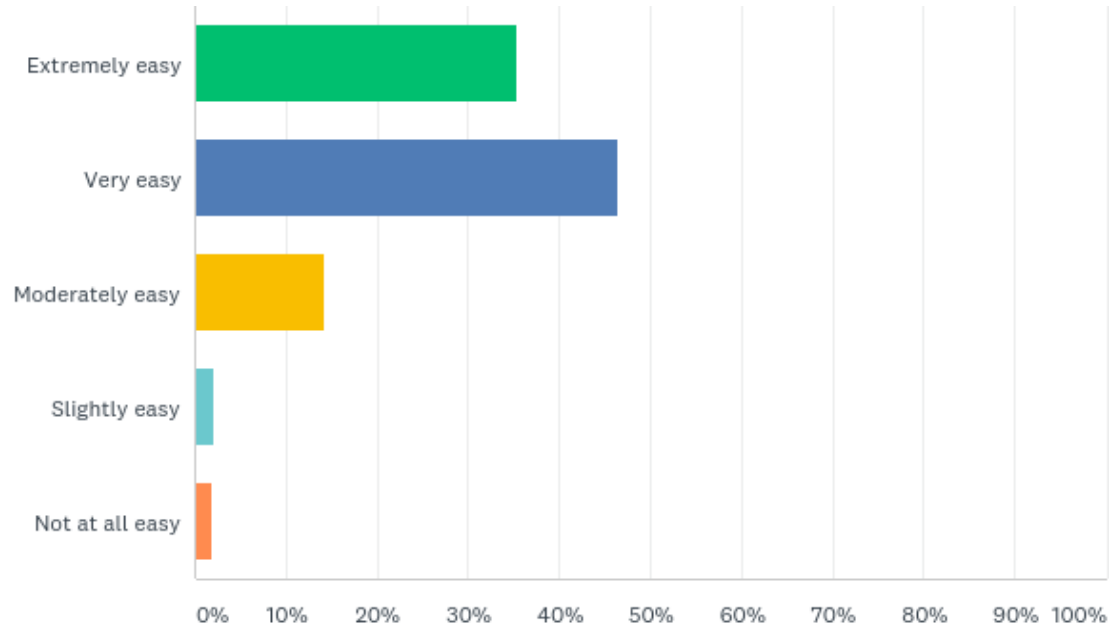
Answered: 522 Skipped: 62

ANSWER CHOICES	RESPONSES	
Extremely easy	35.44%	185
Very easy	46.36%	242
Moderately easy	14.18%	74
Slightly easy	2.11%	11
Not at all easy	1.92%	10
<b>TOTAL</b>		<b>522</b>

# Q17: How easy is it to find a doctor in your area who participates in the Anthem network?

ATTACHMENT 7

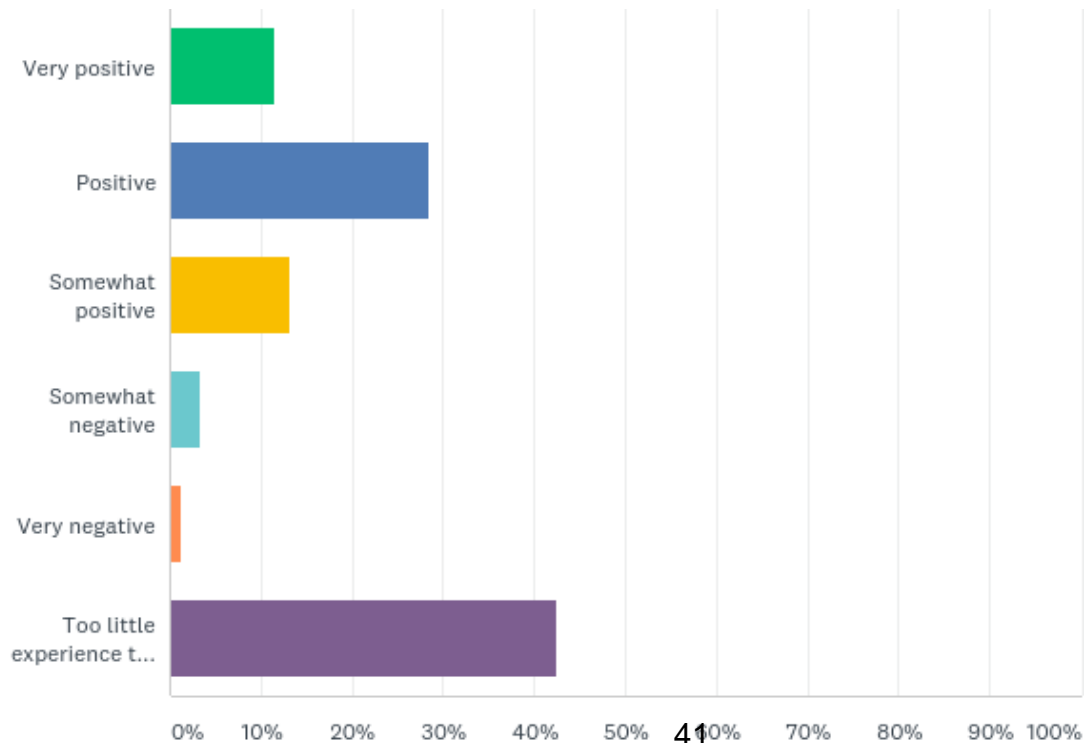
Answered: 522 Skipped: 62



# Q18: How has your experience been with our new Third-Party Administrator (TPA), HealthComp?

ATTACHMENT 7

Answered: 521 Skipped: 63



## Q18: How has your experience been with our new Third-Party Administrator (TPA), HealthComp?

ATTACHMENT 7

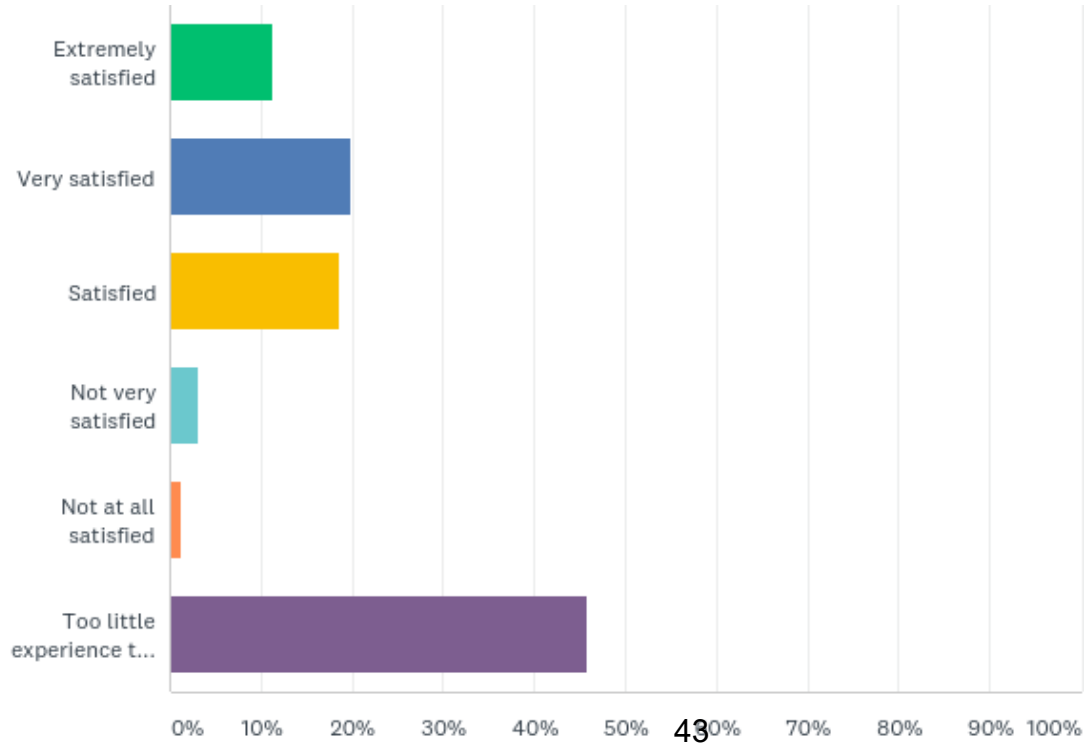
Answered: 521 Skipped: 63

ANSWER CHOICES	RESPONSES	
Very positive	11.52%	60
Positive	28.41%	148
Somewhat positive	13.24%	69
Somewhat negative	3.26%	17
Very negative	1.15%	6
Too little experience to evaluate	42.42%	221
<b>TOTAL</b>		<b>521</b>

# Q19: Please rate your satisfaction level with HealthComp's Customer Service.

ATTACHMENT 7

Answered: 526 Skipped: 58



# Q19: Please rate your satisfaction level with HealthComp's Customer Service.

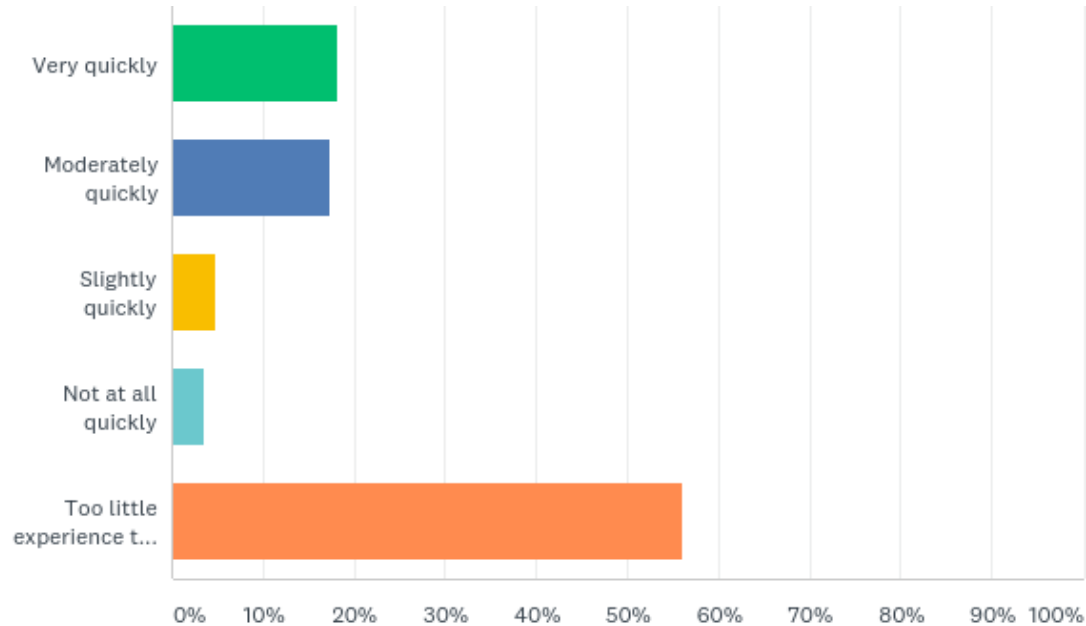
ATTACHMENT 7

Answered: 526 Skipped: 58

ANSWER CHOICES	RESPONSES	
Extremely satisfied	11.22%	59
Very satisfied	19.96%	105
Satisfied	18.63%	98
Not very satisfied	3.04%	16
Not at all satisfied	1.33%	7
Too little experience to evaluate	45.82%	241
<b>TOTAL</b>		<b>526</b>

## Q20: How quickly were your concerns addressed by HealthComp?

Answered: 521 Skipped: 63





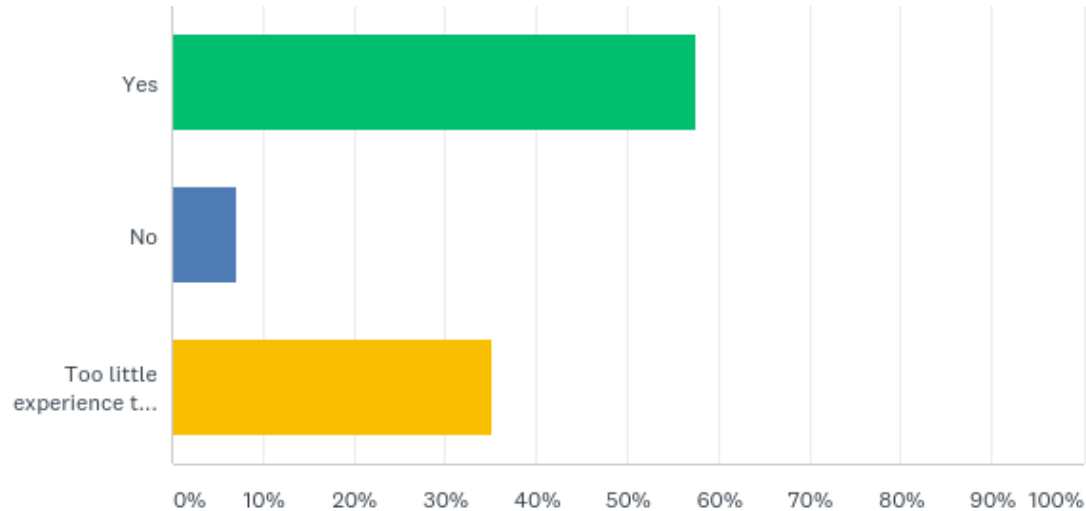
## Q20: How quickly were your concerns addressed by HealthComp?

Answered: 521 Skipped: 63

ANSWER CHOICES	RESPONSES	
Very quickly	18.23%	95
Moderately quickly	17.27%	90
Slightly quickly	4.80%	25
Not at all quickly	3.65%	19
Too little experience to evaluate	56.05%	292
<b>TOTAL</b>		<b>521</b>

## Q21: Do you feel that your claims are processed timely and accurately?

Answered: 528 Skipped: 56



## Q21: Do you feel that your claims are processed timely and accurately?

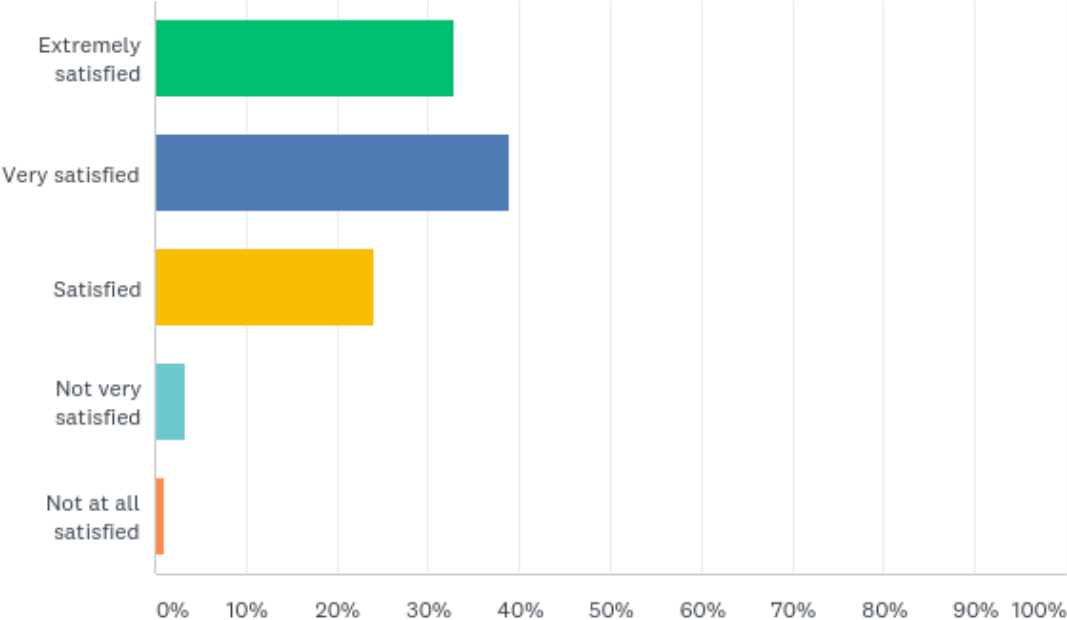
Answered: 528 Skipped: 56

ANSWER CHOICES	RESPONSES	
Yes	57.58%	304
No	7.20%	38
Too little experience to evaluate	35.23%	186
<b>TOTAL</b>		<b>528</b>

# Q22: How satisfied are you with the prescription drug benefits under the PPO medical plan?

ATTACHMENT 7

Answered: 523 Skipped: 61



## Q22: How satisfied are you with the prescription drug benefits under the PPO medical plan?

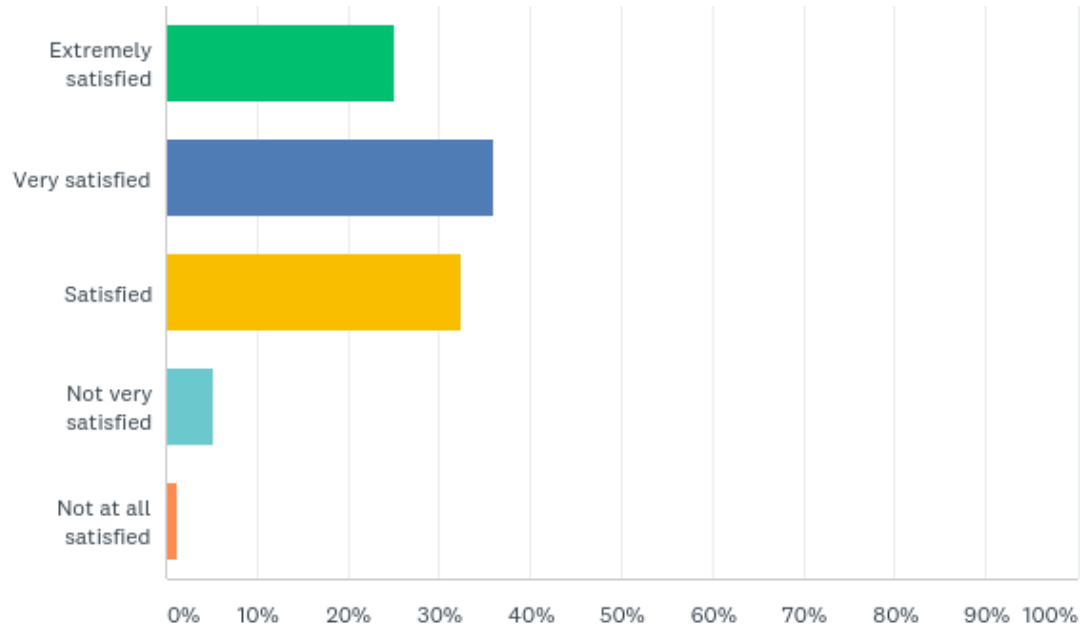
ATTACHMENT 7

Answered: 523 Skipped: 61

ANSWER CHOICES	RESPONSES	
Extremely satisfied	32.89%	172
Very satisfied	38.81%	203
Satisfied	24.09%	126
Not very satisfied	3.25%	17
Not at all satisfied	0.96%	5
<b>TOTAL</b>		<b>523</b>

## Q23: Please rate your satisfaction level with the prescription copays.

Answered: 516 Skipped: 68



**Q23: Please rate your satisfaction level with the prescription copays.**

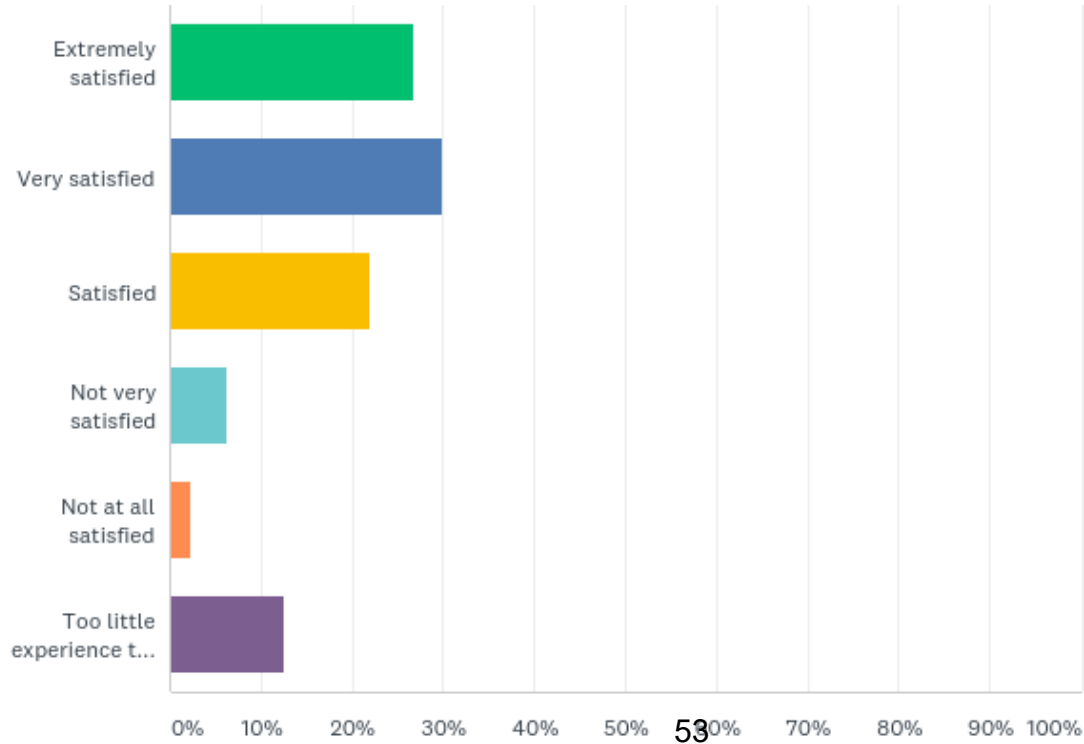
Answered: 516 Skipped: 68

<b>ANSWER CHOICES</b>	<b>RESPONSES</b>	
Extremely satisfied	25.19%	130
Very satisfied	36.05%	186
Satisfied	32.36%	167
Not very satisfied	5.23%	27
Not at all satisfied	1.16%	6
<b>TOTAL</b>		<b>516</b>

# Q24: Please rate your satisfaction level with Express Scripts' Customer Service.

ATTACHMENT 7

Answered: 523 Skipped: 61





## Q24: Please rate your satisfaction level with Express Scripts' Customer Service.

ATTACHMENT 7

Answered: 523 Skipped: 61

ANSWER CHOICES	RESPONSES	
Extremely satisfied	26.77%	140
Very satisfied	30.02%	157
Satisfied	21.99%	115
Not very satisfied	6.31%	33
Not at all satisfied	2.29%	12
Too little experience to evaluate	12.62%	66
<b>TOTAL</b>		<b>523</b>

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Why am I paying a co-pay?
- As good as the plan has been for many years we now realize the coverage my wife requires for afo's is extremely lacking. We have brought this to their attention, and our impression is it wont change. Very disappointing as we have expressed. AFO coverage needs to be reclassified or reexamined for addl benefits to be offered. So many other ins policies offer better coverage and its not a coverage that is so extensively used by the members but for us who need it will get expensive out of pocket for future.
- Drug co-pays are much higher than previously. One drug has doubled in costs!
- I seldom deal with LAFRA. My wife does.
- I am a widow of a retired firefighter and answered as correctly as possible. Hope this was acceptable and helpful.
- Very happy with our medical program
- The ones I didn't answer, I really don't know what they are.
- I don't like HealthComp's medical statements. Confusing compared to the previous statements.
- Some drugs such as Restatis are too expensive and the copays make them difficult to afford.
- Prescription copays are too high. I know the total out of pocket costs follow Medicare rules but the amount is ridiculously high. I understand Medicare needs to do that but the Relief Assn could easily lessen that out of pocket amount.
- We have never had a problem with our health plan thru you.
- Those left blank I could not chose an answer?
- Very good
- I am a wife of a deceased fireman and I'm under going treatment for liver cancer so my answers may not be very accurate sorry
- We remain lucky to have the Relief Association, led by members of the fire service. On behalf of my family, we thank you all for a lifetime of excellent service.
- Medicare is my primary. This PPO secondary is a life safer. As you age, many medical complications occur. Its at this time of life that our PPO is most valuable.
- You guys are the best.
- Great

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- We are still owed over \$400 for an eye surgery my wife had a few years back. The administrator at the time said we needed to pay the provider. However when it came time to do the next eye it was covered. Bad insurance information from the administrator and we are out the money. From now on we don't trust anyone anymore.
- Health Comp is frustrating to work with. My doctor does not accept MediCare and has the appropriate Opt-Out paperwork so that LAFRA becomes the primary insurance and they are not processing the claims. They continually say they did not get the appropriate paperwork, nor do they forward the paperwork to the appropriate people within LAFRA for processing. Very frustrated with them.
- Worried about cost of drugs not generic. Could be very costly.
- Our plan does not cover free Silver Sneakers at 24hour fitness for seniors. That gym is very beneficial for the injuries I sustained while employed for 25 years by the LAFD. The fitness plan offered does not have the amenities necessary for total patient wellness. I would think that encouraging exercise would be upmost for patient well-being and to minimize doctor visits, further injury and prescriptions for pain medication.
- I am retired and many of the questions are not germane to retirees.
- If you have Medicare, HealthComp doesn't pay when you pay the doctor up front. They make it very confusing until I end up eating the cost which is a lot of money after my insurance has been paid. Very unsatisfied with this new company.
- My LAFRA Medicare plan seems to cover identical to what Medicare covers...no more. Therefore, the benefit I get (as a secondary insurance) seems over-priced and has the same Medicare restrictions.
- As a widow, I was not able to respond to some the questions. For example, the health subsidy question. I wasn't even aware that I would be receiving a health subsidy until it went into effect about 3 years ago.
- My husband, now deceased, was the member so some questions were hard. Overall, I feel very secure.
- Retired
- My coverage will not begin until 7/1/2020 so I have no experience with LAFRA's program yet.
- I am currently very satisfied with all of LAFRA's programs and services.
- I am prescribed Vicodin for severe pain but because of the hoops I have to jump through to get approved and doctors not caring enough to waste their time filling out your requirements I end up paying out of pocket for my pain relief. It's not about insurance caring about opioid abuse it's about not wanting to pay for it since I can pay cash for it. If my Dr prescribed it then cover it!

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Sorry but I do not understand all of this. I am a widow and was not able to get husbands benefits so to me it costs a lot to have secondary insurance, but thank God for what I have.
- Pleased we have the LAFRA
- Prescription some are not covered
- I think Express Scripts is charging too much. I think the re-order a prescription program on the phone is cumbersome.
- I do not like the use of a TPA, because I am not sure our plan is recovering Workers Comp fees from the City and I miss the familiarity we had with our in-house adjusters to work on our problems.
- More inclusive benefits for dependents. Dental, birth coverage.
- The reason I didn't give HealthComp a better rating is because I had a claim that was lost during the transition last year. This wasn't necessarily HC fault, but it took months to resolve. Also, it takes on average 45 days to get repayment for medical visits where I pay the doctor directly. That feels excessive to me.
- My imbruvica pharmacy was changed from diplomat to a avella. Pharmacy and I was happier with Diplomat pharmacy
- I am not sure about the new health care plan. My wife & I are both over 65 & don't really know that much about it.
- Express Scripts mixes up my accounts since beginning on Medicare. Anytime there's a new prescription, I know I will need to sort it out eventually.
- Thanks
- Third party provider website not accepting attachments for claim filing
- God Bless the LAFRA, my wife has suffered numerous medical complications and we are very grateful for the coverage
- I have difficulty with Express Scripts for one of my meds that requires the use of their specialty pharmacy. There are always unnecessary delays caused by their process and poor communication between patient and doctors office with regards to getting authorizations and follow up.
- Thanks for all you do.
- Please address my lengthy previous response i.e. Members on Medicare Premiums. This is my only negative in 54 years.
- Problem is not with the plan, it's with the doctors. I've tried three Doctors within the last two years. All seem to run their practice with PS's or nurses. At the next open enrollment I'll probably return to your Kaiser plan.

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Not Happy with the refusals to pay for some of my medical because they “believe” workers comp should be paying. That is between the provider, insurance and workers comp to figure out.
- The relief assoc. really helped me with their secondary insurance after my wife and I's plane crash here 4 years ago
- We have not been happy with the handling of the new Health comp. Multiple problems with the paying of our benefits, charging co-pays when we do not have one. Multiple calls to employees at HealthComp stating they would correct it, but it didn't, till we spoke with Shane Freeman, Account Management who sent a letter stating this would be corrected, which I had forward to 6 doctors who were billing us for co-pays. Hopefully this is now corrected. Mr. Freeman was the only one who knew what was in our contract and seemed to be the only one who could handle it. I know it is a rough time with them having to work at home, but this should of been part of the training and have access to it on the computers. Mr. Freeman had no trouble looking it up.
- Sometimes It is hard to get through to express scripts.
- Thank you for doing such a great job taking care of all of us.
- I am not a member of this. My husband was.
- I think the LAFRA Medical Plan is and has always been second to none. Thanks to everyone who has been involved in keeping it that way.
- Would prefer an option where our annual prescription co-pay were less. \$4,000 is quite high, especially per person which makes it \$8,000 per household.
- Thanks to you all.
- HealthComp, is refusing to pay for services that are clearly covered in the plan description, blood tests associated with annual physicals and immunizations are covered. They state "If Medicare doesn't pay we don't pay." I referred them to page 12 example 3, which states LAFRA will reimburse in absence of payment by the primary payer, Medicare, if denied services are covered by the plan. I spoke with several representatives including Shane, the supervisor, he said he would resubmit the claim and call me back, he never did.
- I would much prefer to have my old LAFRA medical insurance coverage as my primary provider and not have Medicare. My old insurance was a better provider.
- LAFRA feels like family.
- Thanks very much. you all are a Blessing. I'm grateful. Stay safe and healthy. Thank you for asking.
- Disability pension members that are retired before 55 years old should get the city subsidy. It is a lot of money for a family to come up with monthly.

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Recently, a routine bill from visited doctor who has been regularly visited for years was rejected as not covered. It has been resubmitted and is awaiting response. Could this rejection be the result of a new method of reviewing and paying claims or a change?
- Express Scripts would not take a coupon code for a medication, but CVS accepted. So it's a better value for me to use CVS than Express Scripts.
- I like our PPO plan. Anthem is favored by DRs and right now Dr's are dropping out of United Health Care in huge numbers. # of my Drs have told me they will not accept UHC patients any longer. We have a great plan, I'm willing to pay for it. Please don't screw it up because of City of LA pressures to get in line with their vision.
- Walgreens is far better than Express Scrips. When you need name brand prescriptions, the copay is pretty high.
- Express Scripts does not accept manufacturers coupons which leads to a higher copay. Fortunately, Walgreens and Accredo does, so my prescriptions are filled at different locations, which is kind of a pain.
- Must double file for reimbursement.
- I am 65. Several times I have received a bill and either Medicare or my secondary insurance has not been billed. After I call the Dr.'s office they will resubmit the bill. It appears they just send the bill out with no insurance applied.
- They don't alert me when my prescription refills run out so I can contact my dr. It is my understanding they won't contact my Dr. like the local pharmacy does. Sometimes I switch over to the local pharmacy for that reason.
- My doctor does not take any insurance payments. Health Comp is very slow to process payments for my out of pocket expenses.....
- There was only one time during 2019 that Walgreens charged me \$159 for my Rosasia Medication, I wasn't too happy about that I changed Drug Stores. Everyone told me that Walgreens overcharges.
- My wife is on a medication called Pellets. For the longest time she was having female problems. She gets the Pellets every 3 months. They cost \$300.00. What a life change it has made for her. I wish they were covered under our medical plan. She has been on them for 3 years now. I can not say enough about them!
- Would like to see Acupuncture coverage increase.
- Drug copay is too high. I can't get reimbursed for out of pocket expense.
- The insurance was pretty good but I can't afford the \$1023.94 monthly! I'm not entitled to a subsidy. LAFRA employees are wonderful/professional.
- One prescription I use is cheaper and more convenient to purchase at Costco without Express Scripts

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Providers need more education when the calendar year changes over. I'm having an issue with a provider requesting prior retro approval for a procedure that previously did not require prior authorization. Now I cannot seem to get this provided to comply so my insurance and pay the claim.
- In regards to express scripts, I have given these folks numerous times to get my prescriptions done right and they fail every time. Walgreens does a better job. I would like to see more transparency regarding our medical subsidies and how it effects our benefits and how it works in conjunction with Medicare. Overall, we are satisfied with the service you folks provide and appreciate the benefits we receive. Good job!
- I do not know why my insurance I pay is \$688 every month? I do not know understand all my insurance words in this survey some service I never heard of
- Over the years everyone we were involved with was always very helpful, friendly, and informative. It was always a pleasant experience. Thank you
- Express Scripts keeps making mistake's on my accounts - medicare and work comp. Then I have had my orders cancelled because they didn't think the order was needed.
- My experience with Express Scripts has not been pleasant. My primary complaint is that they always want to bill Relief Assoc. for work comp prescriptions. I have fought them for four years over that subject to no avail.
- Been a member of Relief Assn. since 1955. Remember when it was over fire station 28. What us old timers refer to as BACK IN THE DAY.
- Thanks for all you do.
- Difficulty contacting them and having them get refill renewals.
- I can not rate much because we haven't been using medical plan much because we are quite healthy.
- I have two accounts, Medicare and work comp. Express scripts has screwed this up more than once. At one time, a supervisor changed my account and I lost access for three Months.
- I am a widow of a member. My husband was a firefighter for 30 years before he passed away he had the LAFRA PPO always. I would never change it.
- I reached out for help since I was the primary care-giver for my wife till she passed but nothing was forth coming.
- Just turned 65 in February, so the road for things got bumpy. My account# with Express Scripts changed and some things were confusing as it looked like some meds that I have been using were not covered by them all of the sudden, but I actually have received them so, as I said, confusing.
- Express Scripts didn't handle a problem I had with them "Misplacing my order history". Took 2 months to fix it.

## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- I am a surviving spouse and words cannot express my gratefulness to the LAFRA. I could not live with any comfort at all without you.....Thanks from the bottom of my heart.....
- Overall - very satisfied with LAFRA Medical plan
- Thanks to LAFRA!
- The current LAFRA President is the best I've seen in 34 years.
- I was prescribed a regiment of antibiotics for 7 weeks everyday (49) visits to the infusion center. At the end of this regiment I had co-pay for every visit. I appreciate the total amount that was paid. But I had to come up with over \$700 dollars for my co-pay. This should be one co-pay of \$15 dollars. But I am still thankful that I didn't have to pay the whole amount. Thanks for your help.
- Thanks for all that is done for all members....
- I do not think it is fair that when a procedure is not covered by Medicare, that you do not cover the procedure since LAFRA is a private coverage, we seniors, have supported and paid for the coverage for years, also, I do not feel it is a necessary coverage for illegal drug rehab etc, a co dependency on prescription RX is another matter when RX is prescribed by a doctor, some people are more susceptible to drugs.
- I have never had copays until now. My copay for Eliquis is \$92.00 A MONTH for my spouse, outrageous.
- Some of your question sound as if they don't apply as I am on Medicare.
- Proud to be a member.
- HealthComp does not respond to my questions.
- I'm very disappointed with HC. I have been trying to get reimbursed for mental health out of network since November 2019. One of the providers visits was reimbursed April 18th after months of going back and forth with HC. The second provider I have yet to receive anything back for visits also from November 2019. The customer service folks are very nice but the system clearly is gamed towards not paying out of network. In network costs are paid within 5 business days (get notification in email of payment) yet out of network is met with requests and more requests and requests for requests and then the checks only get printed on Wednesday and it's pending or try again next Wednesday. I miss the old days when out of pocket was recognized as a priority.
- I am a widow, & feel that the ins. is very fair.. Luckily I seldom see a doctor. :)
- I'm on regular Medicare but my wife still has the PPO. She loves her Insurance. My cost ballooned on Medicare with medication costs.



## Q25: Please use the below space for additional comments, questions or concerns.

ATTACHMENT 7

- Express Scripts Covers Both Work Comp and Medicare. They can't keep things correct between the Two. I have not had access to my Medicare account online for two years and Presidential Escalation office has been ineffective in resolving that issue but helpful with most other problems.
- Definitely should get read of Express Scripts, had negative experience in the past will not deal with them again.
- I do not use Express Script. I use Good RX. The cost of my meds thru Good RX are cheaper than the co-pay of Express Scripts which also receives payment from our plan.
- Thanks for all your work
- Our family LOVES you all at the Relief Association! I was a Battalion trustee early on in my career, and I was on the medical committee as well as several others, so I know how hard you all work For us, volunteering your time, and my family is VERY grateful for everything you do for all of us! A very sincere THANK YOU!!! Chris and Fay Logan LAFD retired.
- Express Scripts does not have any understanding how to deliver prescriptions to a household that has mail only delivered to a PO Box. We have tried to the point of complete frustration to have them send prescriptions via Fedex or UPS.
- I needed To do this for my husband since he is in a memory care facility.
- I know I can receive 90 day supply at Walgreens, but I would like to get a 90 day supply at CVS also
- HealthComp takes 2 months to process a claim too slow
- Why do you use SurveyMonkey, do they know your business or background?
- Regarding question #5, not sure what the subsidy amount currently is, however, additional subsidy is always welcomed. If the LAFRA delegates consider the subsidy to be inadequate or in need of improvement, I support your efforts to increase. Access to some online information like selected beneficiaries and ability to make changes, would be helpful and reduce telephonic communication with your member services teammates.
- I use AARP/United Health as my supplement for Medicare and have 100% disability from the VA. I am very happy with AARP and wouldn't change.
- I haven't used a lot of the service but what I have used has been ok.
- Keep up the good work and thank you all.
- Had to be placed into " medical-care" ..... do to age .....
- LAFRA is unique unto itself in terms of health care, members' services, and responsiveness. I have never been disappointed.



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# ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022 **ITEM:** D.2

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** PRESENTATION OF PUBLIC EQUITY STRUCTURE EDUCATION BY RVK AND POSSIBLE BOARD ACTION

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### **RECOMMENDATION**

That the Board review the Public Equity Structure Education by RVK and direct Staff and RVK to bring to the Board analysis and recommendations for the public equity asset class at a future Board meeting.

### **BACKGROUND**

Beginning in April 2022, the Board received multiple educational presentations covering an in-depth review of the System's portfolio, liabilities, and asset allocation. At the August 4, 2022 Board meeting, the Board reviewed and accepted the results of the latest Asset/Liability Study. At the September 1, 2022 Board meeting, RVK presented the results of its Asset Allocation Study. Within the Asset Allocation Study, the Board was presented with the methodology of how asset allocation studies are conducted, key asset allocation concepts, the Board's current target asset allocation, and alternate asset allocation options for consideration. The Board approved RVK's asset allocation recommendations at the October 6, 2022 Board meeting.

### **DISCUSSION**

Following the approval of the Asset Allocation Study, RVK will now bring forward asset class structure studies for each asset class. The attached presentation is a broad introduction to the public equity asset class with discussion on the role of public equity within a portfolio, different investment styles, active vs. passive management, and key concepts. Additionally, RVK analyzed the Board's domestic equity portfolio by breaking out the style, market capitalization, and active and passive exposures. Staff and RVK will bring forward recommendations regarding the Board's domestic equity composite in a future Board meeting.

### **BUDGET**

Approval of these recommendations will have no budget impact.

## **POLICY**

There is no policy change related to this report.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Nathaniel Chang, CFA  
Investment Officer

JS:KN:NC

Attachment – RVK Public Equity Structure Education



# Public Equity Structure Education

## Los Angeles Fire and Police Pension System



# Introduction



# Introduction

## Overview

The objective of this presentation is to provide education on factors to consider when evaluating the structure of public equity.

### Key Considerations of Equity Structure

1. **Style, Capitalization, and Region Biases** – Evaluate portfolio exposures relative to the appropriate index.
2. **Structure Efficiency** – Evaluate whether there is redundancy in the portfolio and how well mandates “fit” together.
3. **Active/Passive Management** – Evaluate active management use to ensure that active management fees produce an acceptable level of expected excess return.
4. **Selection/Evaluation of Active Managers** – Which managers fit the mandates established above and how well do managers work together. The objective is to find the best set of managers, not the best individual managers.
5. **Fees** – Evaluate whether there are opportunities for fee savings by consolidating mandates.

# Introduction

## Role of Public Equity

### **Equity plays an important role in an institutional portfolio.**

1. Provides capital appreciation over the long term and greater expected returns than bonds.
2. Serves as a source of income with inflation embedded in earnings.
3. Provides a diversified source of returns given exposures to various companies.
4. Provides a source of liquidity for cash flow needs (including benefit payments and capital calls).

### **Like any investment, there are risks associated with investing in Equities including:**

1. Greater expected volatility than bonds.
2. Changes within a company (i.e. management changes), disappointing earnings, and outlook can have a meaningful negative impact on the share price.
3. External factors not directly related to a company (i.e. country and industry risks) can negatively affect share prices.

# Introduction

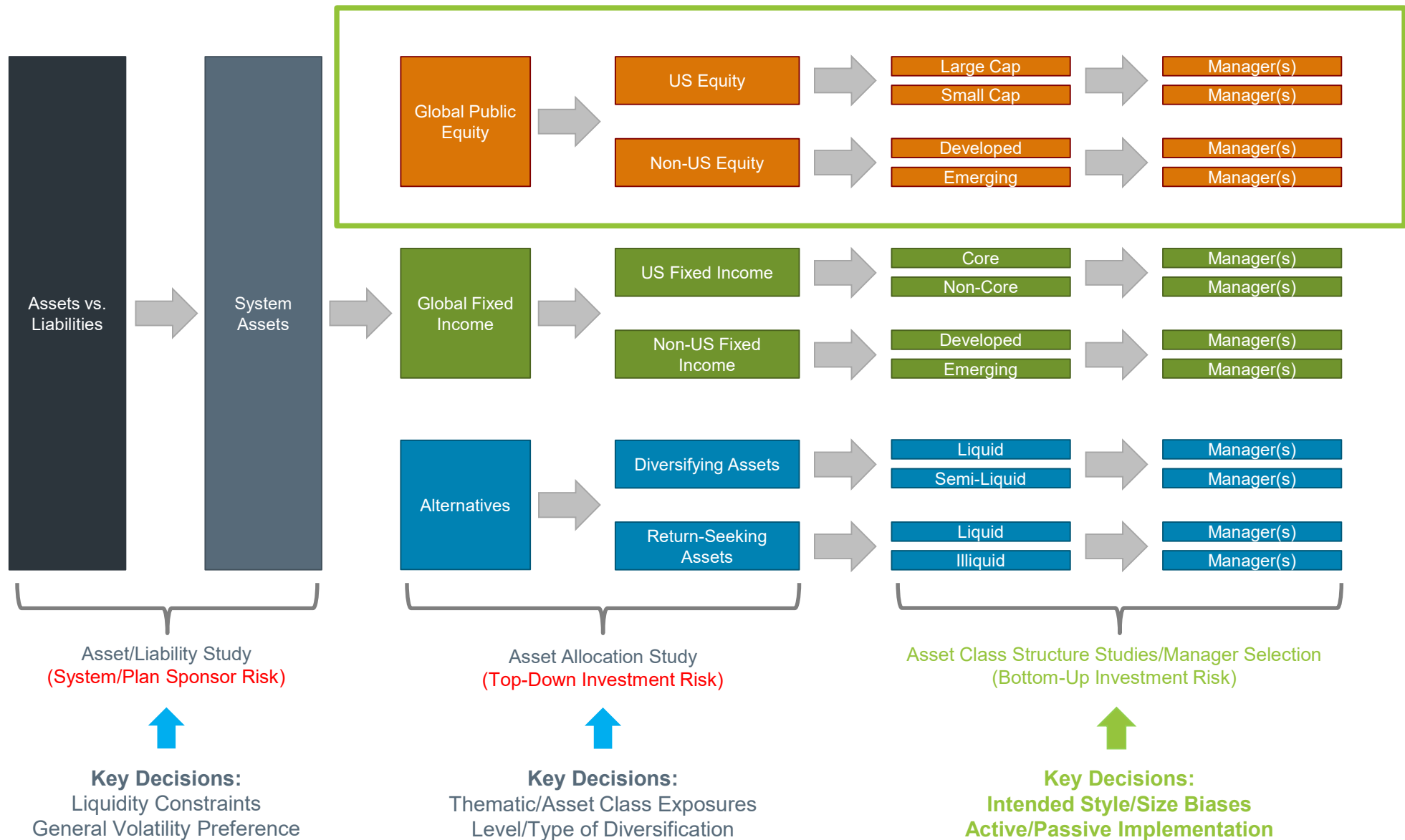
## Public Equity Risks

- **Volatility/Drawdowns:** *How wide is the potential range of outcomes and how likely I am to suffer permanent loss of capital?*
  - Equities tend to be some of the most volatile investments, volatility projections inform how large are potential drawdowns might be
- **Valuation:** *How much am I paying for future earnings?*
  - Valuations (price) has a high degree of correlation to future returns
- **Economic:** *How will earnings growth, profit margins, and inflation effect returns?*
  - While equity prices and the economy are not the same, economic factors can drive market returns
- **Currency:** *For investments based in currencies other than the USD, will currency movements impact potential return?*
  - Most non-U.S. equities trade in their local currency
  - This can lead to a mismatch to liabilities that are paid in USD



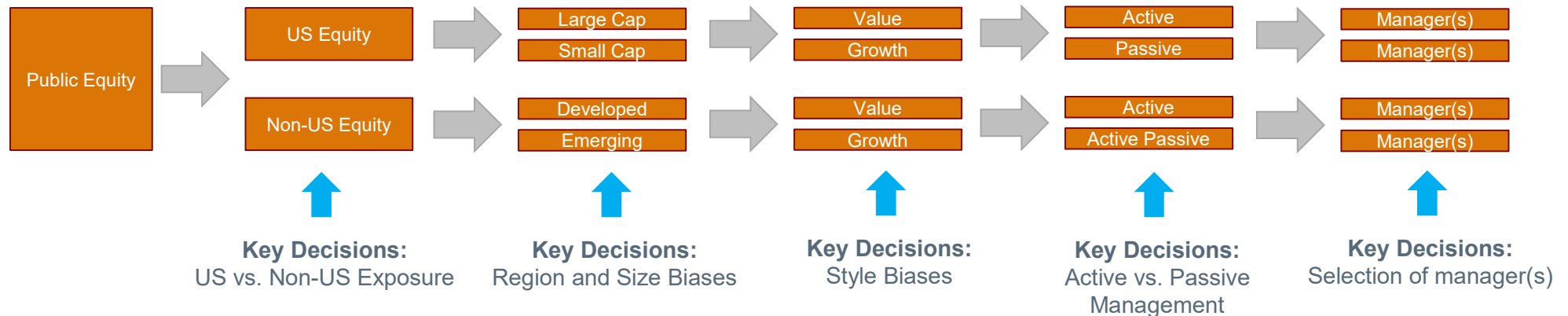
# Investment Decision Process

## Total Fund



# Investment Decision Process

## Public Equity



- In forming a new equity portfolio, structure decisions must be made **progressing from left to right** before individual manager selection should begin
- This framework should also be remembered when evaluating active managers
  - **What role do they play in the portfolio** and are they meeting those objectives
  - This is a different view from evaluating active managers in isolation
  - For example, instead of Manager XYZ is underperforming the benchmark, **is the manager meeting the expectations of their role in the portfolio?**
  - Sports analogy => The center of a basketball team isn't scoring as many points as other centers in the league => they are underperforming
    - Was this center selected to score or were they hired for their defensive abilities?

# Public Equity

## Style

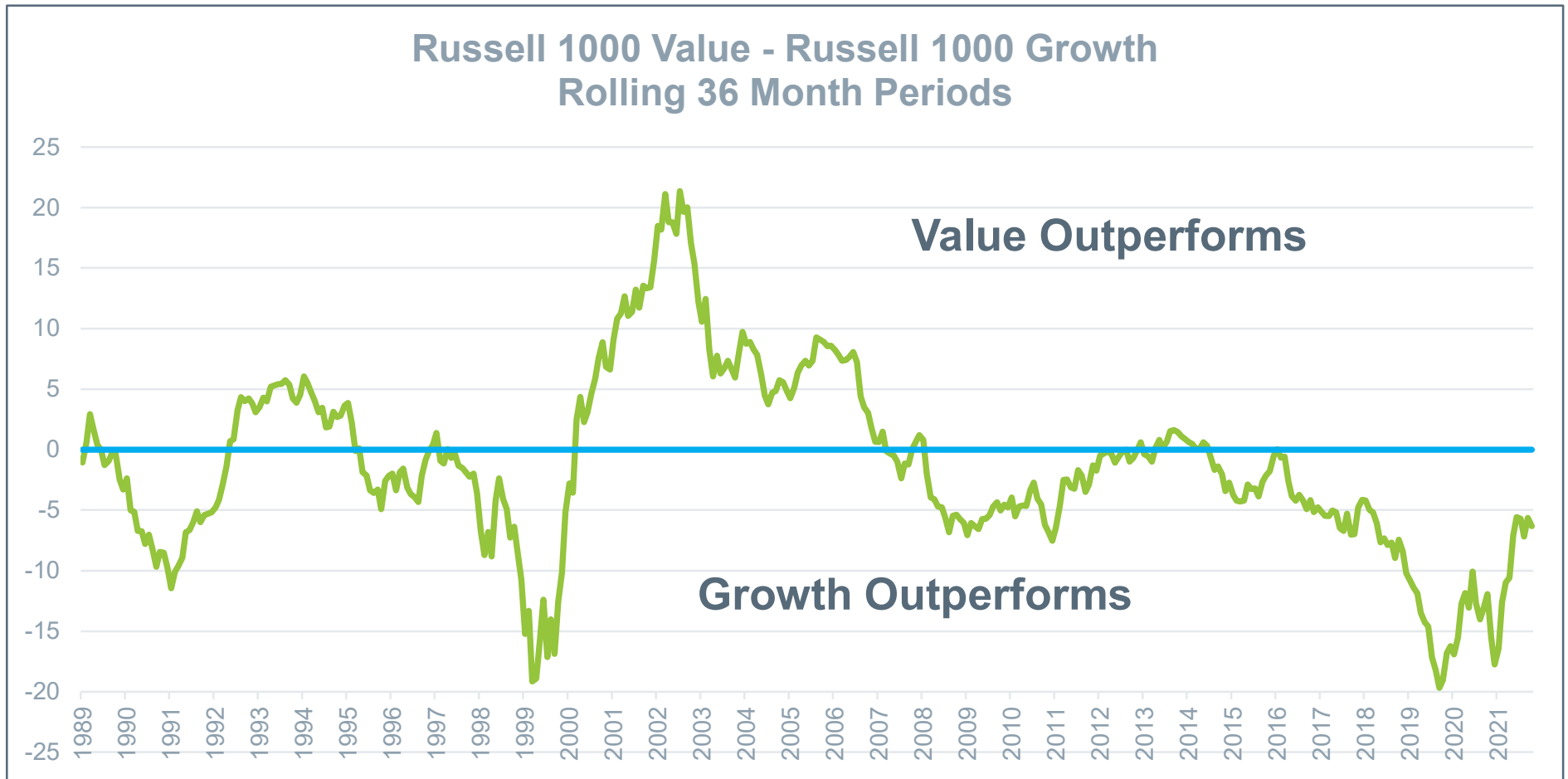
- Classified into the following styles: growth, core, or value.
- Index classifications vary but usually review valuation metrics such as price/book ratio and stratify the highest PE names into a growth sub index (e.g., Russell 1000 Growth), and the lowest PE names into a value sub index (e.g., Russell 1000 Value)
  - **Value** stocks may be perceived to be *cheaper* than industry peers and may be more likely to pay dividends.
  - **Growth** stocks may be relatively more *expensive* than peers but are perceived to have high earnings potential in the future.
  - **Core** strategies may invest in *both* value and growth, including stocks exhibiting characteristics of both styles.

## Current Market Environment (2022)

- The recent inflation shock and expectations for continued rising interest rates have led to uncertain conditions and have dampened the risk appetite of many investors.
- Value stocks
  - Outperformed growth stocks over the trailing 12 months as prior market trends reversed.
  - Experienced improved performance amid extended market volatility
- Growth stocks
  - On average have successfully provided downside protection during the initial pandemic drawdown and participated in the subsequent rebound, but
  - Have failed to replicate this success during the current correction.

# Public Equity

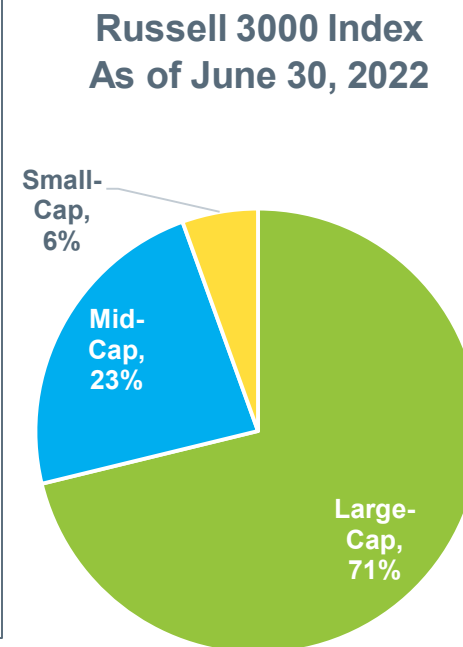
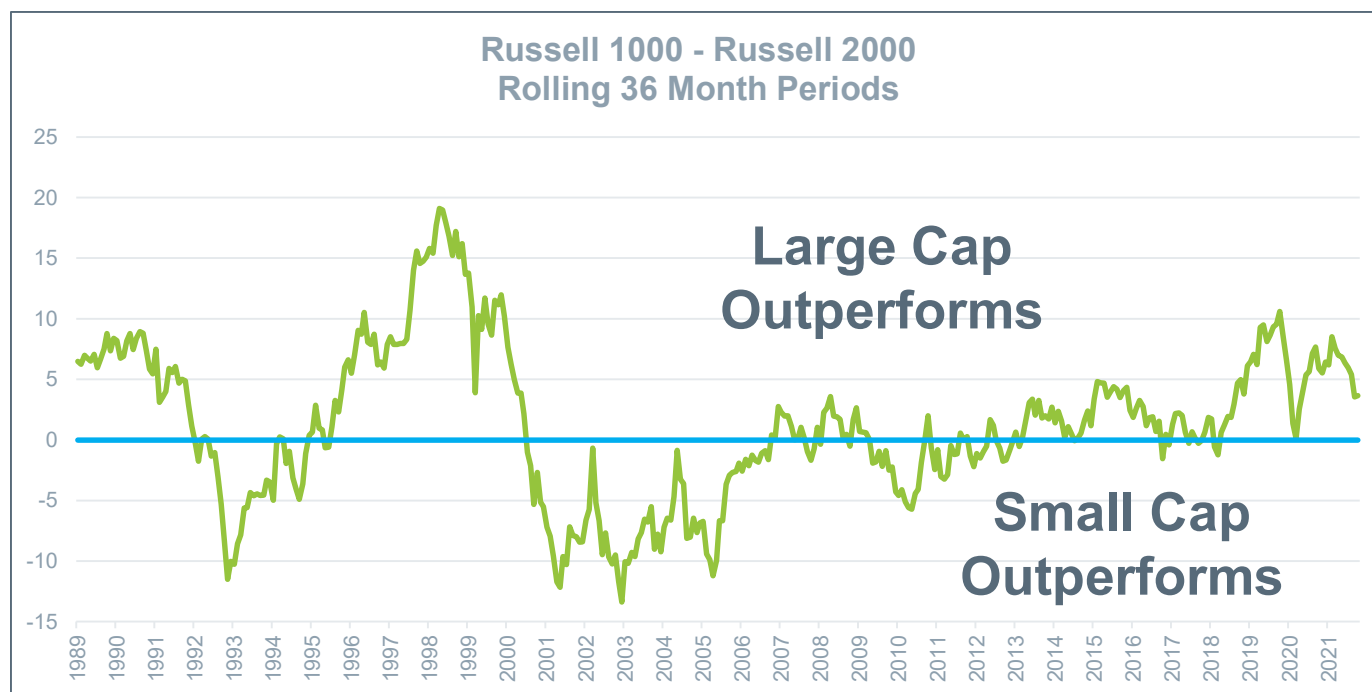
## Style



# Public Equity

## Market Capitalization

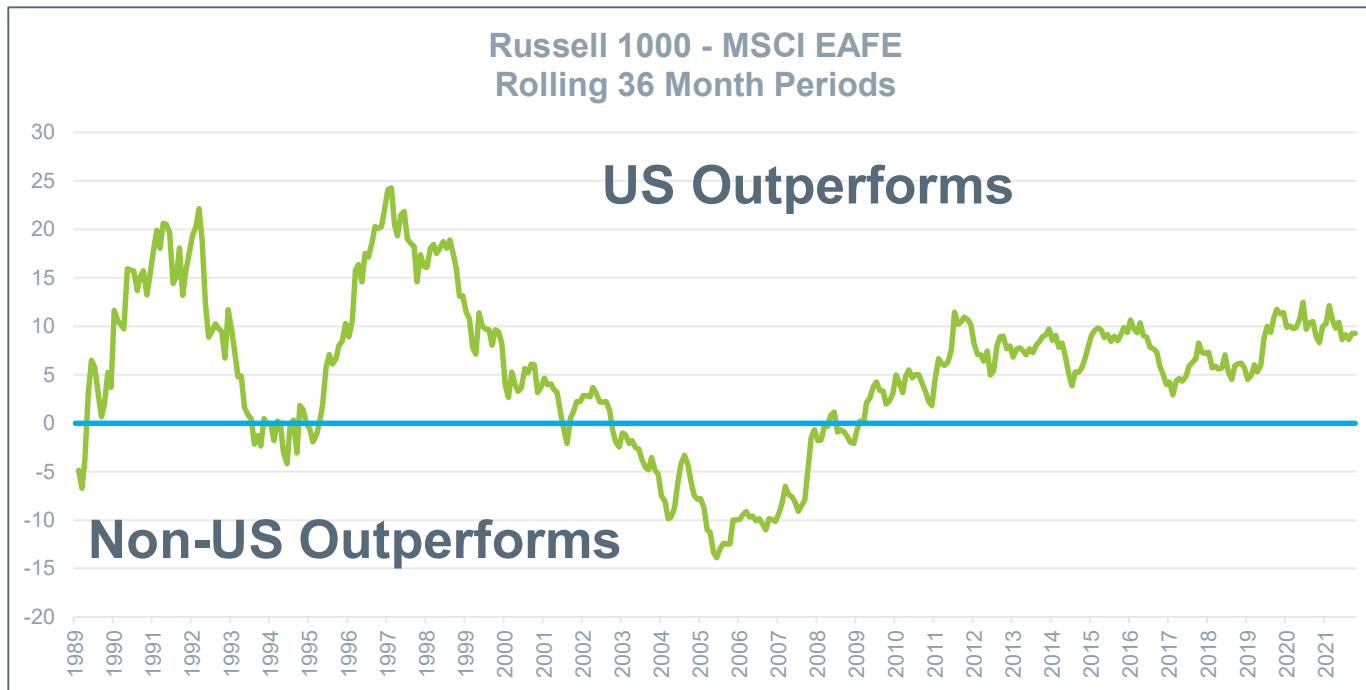
- Stocks are also categorized by size where size is measured by market capitalization
- Typically categorized as large cap, mid cap, and small cap
- Just as styles rotate in and out of favor, so do market capitalizations



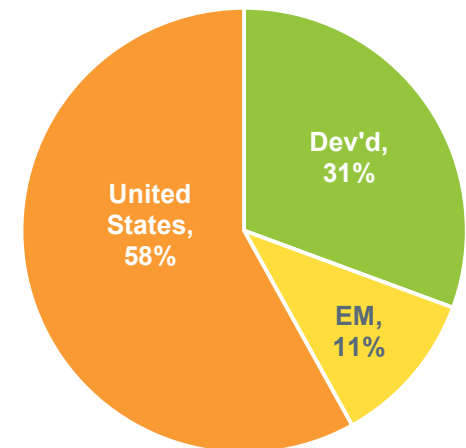
# Public Equity

## Region Exposure

- Stocks are typically classified as US, developed non-US (e.g., Germany or Japan), and emerging markets (e.g., China)
- As of June 30, 2022, the US represented approximately 58% of the market
  - This fluctuates over time as various parts of the market tend to outperform in certain market environments



MSCI ACW IM Index  
As of June 30, 2022



# Asset Class Structure vs. Individual Managers

## Case Study

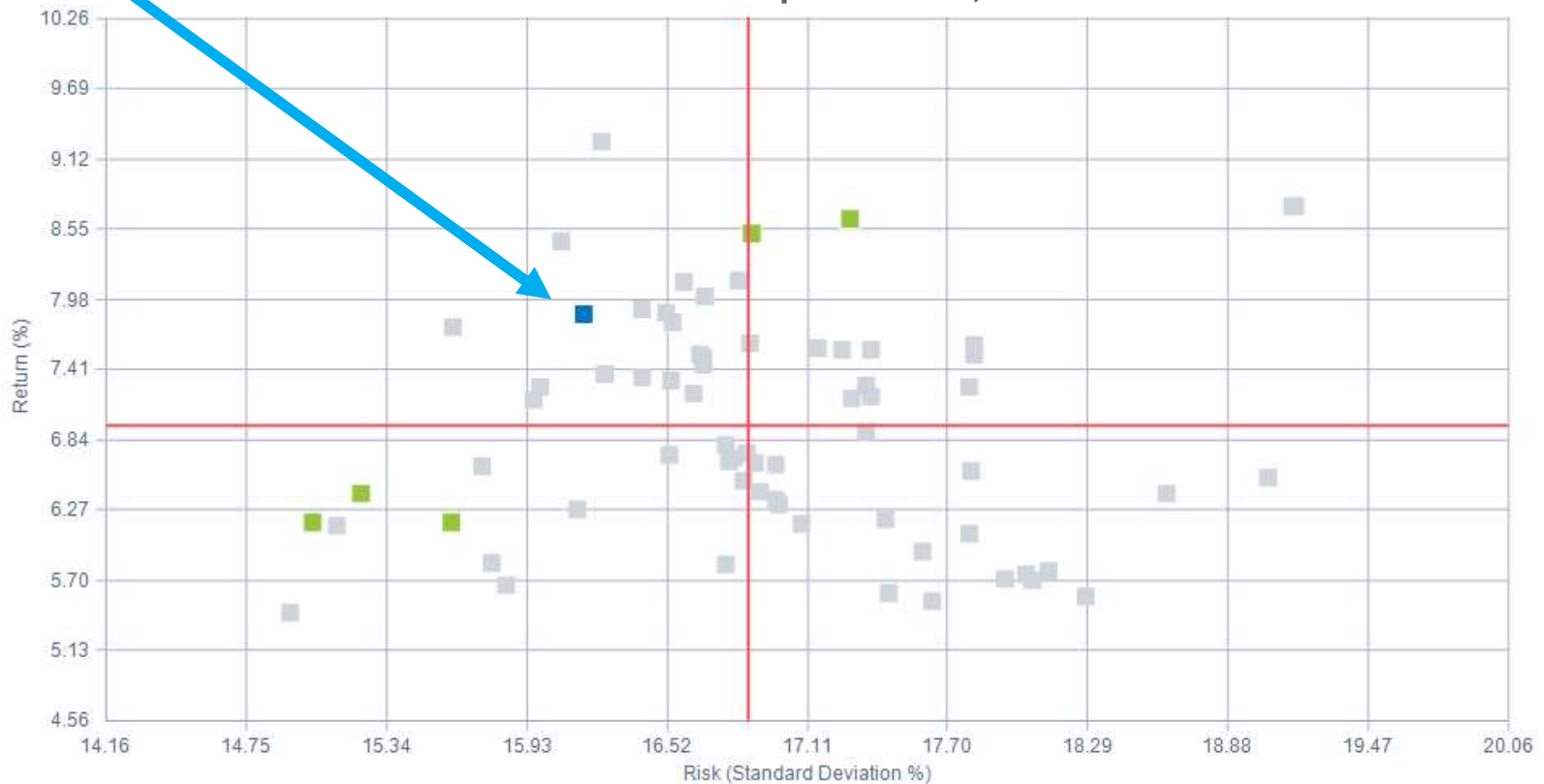
- To demonstrate why portfolio construction considerations are more impactful than individual manager selection, we have created a developed international equity portfolio constructed from managers that on their own have characteristics that could look less attractive, but do serve a role in a diversified portfolio.
  - The figure on the next slide shows the universe of developed international equity managers in a return/risk graph
    - The **blue dot represents a composite of 5** of these individual managers.
    - The 5 managers were all drawn from the upper-right (higher than median return and risk) and lower-left (lower than median return and risk) quadrant of the figure, **none from the upper-left quadrant** (higher than median return and lower than median risk).
    - **When the 5 managers are combined, the composite plots in the desirable upper-left quadrant.** The composite is superior to all but three of the individual managers in the entire universe despite being constructed with managers that fall outside of this quadrant.
  - This exercise is not meant to diminish the importance of manager selection and ongoing monitoring but to note that manager evaluation in isolation of the role the manager plays in the asset class composite can lead to suboptimal outcomes.
- Strong composite performance can be, and often is, achieved via complementary managers which on their own may not always be the best performers, but when effectively combined can potentially reduce volatility and increase long-term outcomes.

# Asset Class Structure vs. Individual Managers

## Case Study

Composite of the 5 managers in green

Peer Group Scattergram  
All EAFE Peer Group  
December 2004 – September 30, 2021





# Active vs. Passive Investing



# Active vs. Passive

## Considerations

- Low-cost passive investment strategies (e.g. indexing) are an alternative to active management and can be considered the ‘starting point’ for considering asset class structure.
- Active management can then be assessed on an asset class by asset class basis.

### The Case for Passive Investing

- **Lower fees** – guaranteed performance “head start”
- **Lower maintenance** – no benchmark risk due to active “bets”
- **No timing** (manager termination/hiring) risk
- **Straight forward selection** skill required
- **Efficient markets** theory

### The Case for Active Investing

- **Markets can be efficient, but investors are not**
- **Fundamentals can be considered** – valuation and other fundamentals can be incorporated to ensure that investments are not merely following prices
- **Avoid concentration** risk
- **Less efficient market segments** provide opportunity for outperformance

# Active vs. Passive

## RVK 2022 Active vs. Passive Study Summary

- We recommend the active/passive decision be made at the sub-asset class level.
- **RVK believes active management can add value** net of fees over the long-term in many Equity sub-asset classes, **given proper manager selection and ongoing monitoring.**

### Manager Excess Returns Summary

Average Rolling 3-Year Return (Net of Fees)

January 2001 – December 2021

	US Equity			International & Global Equity			
	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile		25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile
US All Cap Core Equity	2.00%	0.13%	-1.78%	Developed Non-US Large Cap Equity	1.80%	-0.05%	-1.69%
US Large Cap Growth Equity	1.27%	-0.59%	-2.40%	All-Country Non-US Large Cap Equity	2.77%	0.50%	-1.48%
US Large Cap Core Equity	1.18%	-0.27%	-1.78%	Non-US Small Cap Equity*	2.69%	0.32%	-1.90%
US Large Cap Value Equity	1.93%	0.21%	-1.35%	Emerging Markets Equity	2.56%	0.35%	-1.63%
US Large Cap Enhanced Equity*	0.75%	0.11%	-0.55%	Global All Cap Equity	2.43%	0.21%	-1.86%
US Mid Cap Growth Equity	1.82%	-0.39%	-2.39%	Global REITs**	2.30%	0.91%	-0.67%
US Mid Cap Core Equity	1.31%	-0.71%	-2.63%				
US Mid Cap Value Equity	1.30%	-0.50%	-2.23%				
US Small-Mid Cap Growth Equity	2.60%	-0.05%	-2.70%				
US Small-Mid Cap Core Equity	2.36%	0.12%	-2.02%				
US Small-Mid Cap Value Equity	2.27%	0.16%	-1.71%				
US Small Cap Growth Equity	3.37%	0.64%	-2.21%				
US Small Cap Core Equity	2.59%	0.47%	-1.63%				
US Small Cap Value Equity	3.01%	0.81%	-1.36%				

Data shown is as of December 31, 2021.

Excess return is calculated versus universe-specific benchmark and is net of fees. January 2001 represents the start of the first 3-year period.

\*Dec 2021 US Large Cap Enhanced Equity Peer Group population was 20. Jan 2001 Non-US Small Cap Equity Peer Group population was 16.

\*\*Global REITs Peer Group data begins on Feb 2006 due to data limitations, with a population of 29.



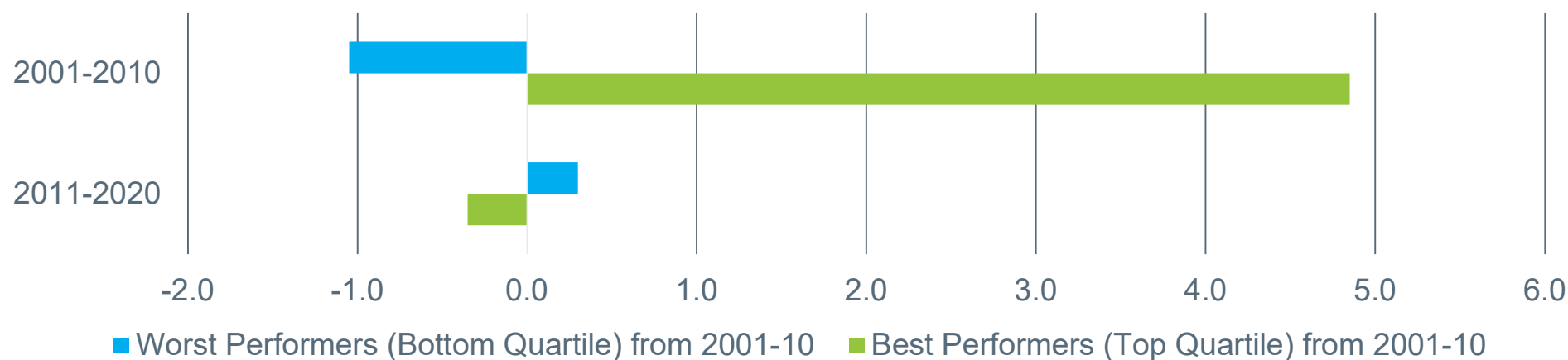
# Active vs. Passive

## Cyclicality of Active Management

### Active managers can produce excess returns, but are prone to periods of underperformance

- Active managers with negative excess returns in recent years may be the best performers in future years (and vice versa); a trend that rewards patient, long-term investors
- Past performance, by itself, is not an indicator of future outperformance
  - For example, the *worst performing US Small and Mid Cap manager* strategies from 2001-2010, on average, generated higher levels of excess returns over the next 10 years than the strategies with the best trailing returns

Past and Future 10 Year Excess Returns: US Small & Mid Cap Managers



Analysis shown uses net of fees returns for 264 active strategies with sufficient track records that currently manage approximately \$800 billion in assets. The average excess returns versus appropriate style/size benchmarks were calculated for all small & mid cap managers listed in the eVestment database.



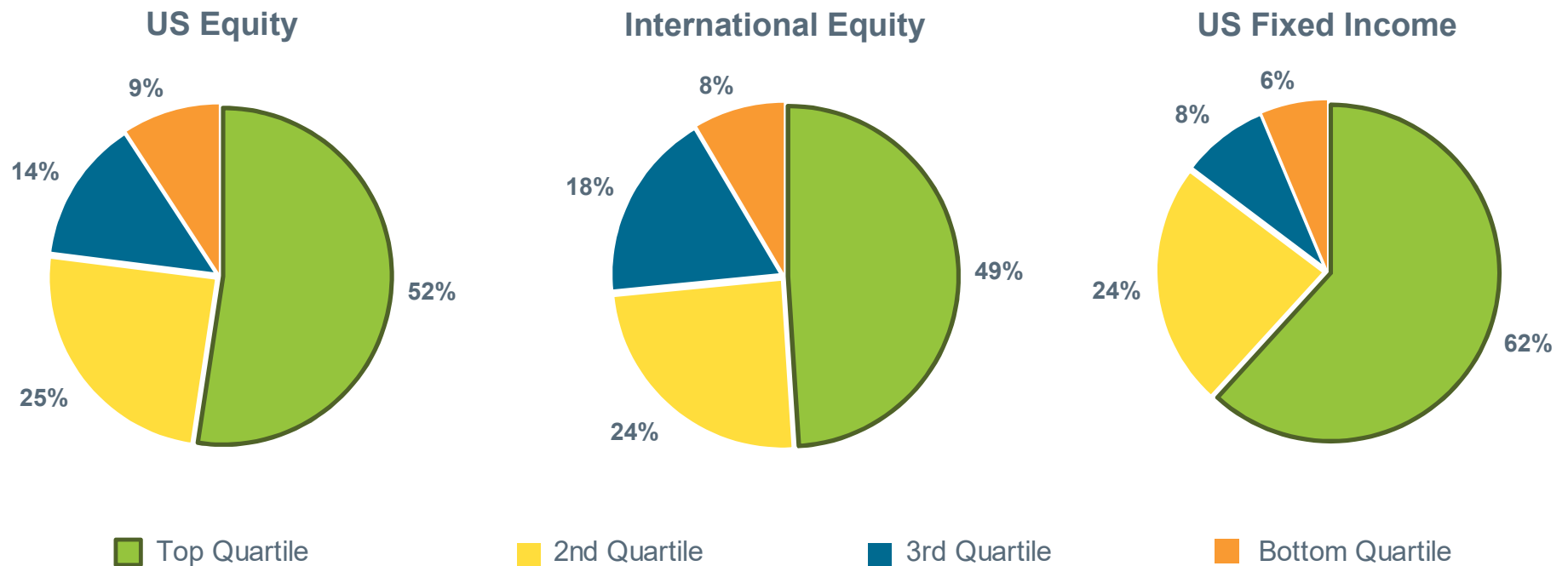
# Active vs. Passive

## Cyclicality of Active Management

- An analysis of top-quartile active funds with 10+ year track records indicates that on average top quartile funds spent **50% of those periods ranking in the top quartile.**
- Domestic equity and fixed income top quartile funds spent on average about **80% ranked above median** (top and 2<sup>nd</sup> quartiles combined).

### Percentage of Time Top Quartile Funds Spent in Each Universe Quartile

(based on 3-year rolling excess returns, quarterly periodicity)



Source: RVK calculations, using eVestment Alliance data.

We first identified active funds that ranked in the top quartile based on relative performance (excess returns) for the period from Jan-2009 through Dec-2018. Relative performance is calculated based on the universe specific benchmarks (a detailed list of universes is provided on slide 4). We ranked the identified top quartile funds on a quarterly basis based on their three-year rolling excess returns for the time period Jan-2009 through Dec-2018. The pie charts above show average percentage across multiple universes in each asset class. Excess returns are gross of fees.

# Manager Evaluation

## Factors to Consider

- **Institutional decision makers are tempted to emphasize** the following factors which we have found less able to predict favorable future investment returns and can lead to a false sense of conviction:
  - **Past performance** (in particular, recent trailing returns)
  - **Size** – Assets under management (AUM)
  - **Presentation** skills (abilities and materials)
- **We believe that the following are much more helpful in understanding and evaluating investment managers and their products:**
  - **Qualitative** factors
  - Diligent **risk-adjusted** quantitative analysis over **multiple cycles**
  - **Consistency** of results over short one-time episodes of strong outperformance
  - **Fees**

# Tools for Evaluating Equity Portfolios and Managers



# Modern Portfolio Theory (MPT)

## Statistics

The following measures are included in RVK's quarterly investment performance reports

1. **Performance** vs. desired market exposure (benchmark)
2. **Volatility** vs. both benchmark and peer strategies
3. **Downside** protection
4. **Tracking Error** – how far from the benchmark has the strategy deviated
5. **Information Ratio** – Measured by dividing the active rate of return by the tracking error. The higher the information ratio, the more value-added
6. **Sharpe Ratio** – how efficient in the composite in trading off excess return and risk
7. **Downside Risk** – A measure similar to standard deviation that focuses only on the negative movements of the return series





# Active Share

## What is Active Share and why use it?

- Active share is a statistic describing the degree to which the holdings of an investment fund or composite differ from the holdings of the benchmark.
  - It measures how active a manager is and can be measured over time, enabling long-term style related consistency.
- Active Share is similar to Tracking Error - designed to quantify active portfolio management.
  - Tracking error can understate active management for stock pickers who can achieve sector weights similar to an index while making bets on particular companies within each sector; and overstate active management for macro managers making sector/factor bets.
- A benefit of Active Share is the ability to ensure when combining multiple managers in a composite, that we avoid creating an index fund with fee levels resembling active management.
- Combined with Tracking Error and fee information, Active Share is a useful tool for analysis of both single manager and multi-manager portfolios.
- Interpreting Active Share Values
  - An Active Share of 0% represents holdings identical to the benchmark
  - An Active Share of 100% represents holdings completely different than the benchmark



Source: Cremers and Petajisto. (March 31, 2009)

# Active Share

## Use in Evaluating Single and Multi-Manager Portfolios

RVK's research and experience demonstrate that active share is a useful tool for analysis of both single manager and multi-manager portfolios.

### 1. Active Share is a Useful but Limited Statistic

- Although active share is a powerful tool, but should not be used in isolation. Investors should consider its limitations and utilize additional criteria to analyze managers such as other proven quantitative metrics and qualitative criteria.

### 2. Investors Must Consider Additional Costs and Diminishing Returns of Manager Diversification

- Our research indicates that as as more managers are added to a portfolio:
  - the active share of the portfolio declines,
  - direct and indirect portfolio management costs increase, and
  - investors, at best, receive minimal incremental diversification benefit from large multi-manager portfolios.

# Mean Benchmark Optimization (MBO)

## What is MBO?

### What is it?

- **MBO assists with structuring “sub-asset classes”** within the broader asset classes of the target asset allocation.
- The modeling is **similar to** the mean variance optimization (MVO) process used in “traditional” **asset allocation models**.
  - Inputs are return, risk, and correlation
  - Outputs are efficient frontier, portfolios, and their (excess) returns and risks
- The difference relative to MVO is that the inputs, process, and outputs are relative to a benchmark.
  - MBO inputs are relative to a benchmark (i.e. – excess return, tracking error)

### Why use it?

- Helpful analysis tool for making sub-asset class structure decisions, since the MVO focuses on macro level (“thematic”) decisions.
- Provides long-run, strategic, and structured framework for asset class implementation.
- Reminder that implementation decisions across sub-asset classes can be a significant determinant of asset class behavior, and that intra-asset-class diversification is also important.
- Provides assistance with risk budgeting decisions and allocations.
- Provides additional insights into details of asset class implementation, such as alpha and fees.
- Can assist with sub-asset class selection and allocation, though qualitative factors should likely govern such discussions and decisions.

# Mean Benchmark Optimization (MBO)

## Example

	Min	Max	1	2	3	4	5	6	7	8	9	10	Current	Interim Target	Long-Term Target	Potential
US Large-Cap Value	0	100	0	23	23	22	21	16	12	9	6	3	17	16	19	19
US Large-Cap Passive	10	100	49	10	10	10	10	10	10	10	10	10	28	31	18	9
US Large-Cap Growth	0	100	0	17	17	17	16	15	14	14	13	12	17	16	19	19
US Small-Cap Value	0	100	0	0	0	1	3	9	13	17	21	25	2	2	2	2
US Small-Cap Growth	0	100	0	0	0	0	0	0	0	0	0	0	2	2	2	2
Int'l Large-Cap Passive	5	100	39	27	17	9	5	5	5	5	5	5	8	9	10	7
Int'l Large-Cap Active	0	100	0	4	10	16	18	16	14	12	10	9	17	17	20	20
Int'l Small-Cap	0	100	0	4	4	3	2	4	6	8	10	11	0	0	0	4
Emerging Markets	0	100	10	15	19	22	25	25	25	25	25	25	9	8	9	11
Global Unconstrained	0	100	2	0	0	0	0	0	0	0	0	0	0	0	0	6
Total			100	100	100	100	100	100	100	100	100	100	100	100	100	100
Active			12	63	73	81	85	85	85	85	85	85	64	61	71	84
Passive			88	37	27	19	15	15	15	15	15	15	36	40	29	17
Excess Return			0.02	0.45	0.56	0.64	0.72	0.78	0.82	0.86	0.90	0.94	0.05	-0.01	0.16	0.38
Tracking Error			0.70	1.02	1.33	1.65	1.96	2.27	2.59	2.90	3.21	3.53	1.90	1.94	1.63	1.44
Information Ratio			0.02	0.44	0.42	0.39	0.37	0.34	0.32	0.30	0.28	0.27	0.03	0.00	0.10	0.26

# LAFPP Current US Equity Structure Summary



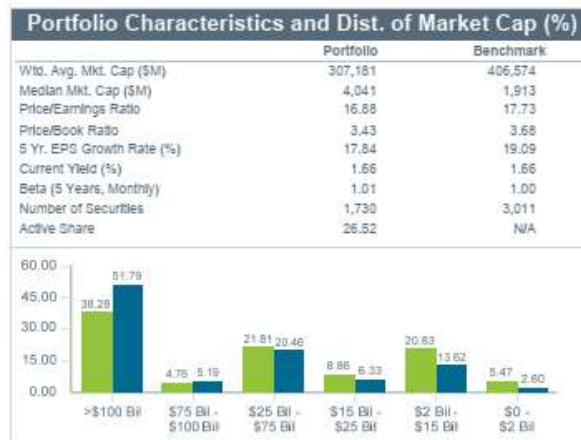
# Current LAFPP Structure

## US Equity

	Market Value (\$ millions)	Actual Allocation % of Total Fund	Current Target Allocation	Allocation % of US Equity Composite	Active/ Passive	Emerging Manager
<b>Total US Equity</b>	<b>\$7,751,359,996</b>	<b>27.7%</b>	<b>29.0%</b>	<b>100.0%</b>	<b>24% / 76%</b>	
<b>Large Cap US Equity</b>	<b>\$6,233,717,044</b>	<b>22.3%</b>	<b>23.0%</b>	<b>80.4%</b>	<b>8% / 92%</b>	
<b>Large Cap Value</b>	<b>\$480,945,250</b>	<b>1.7%</b>		<b>6.2%</b>	<b>100% / 0%</b>	
Boston Partners Large Cap Value	\$480,945,250				Active	
<b>Large Cap Core</b>	<b>\$2,164,270,294</b>	<b>7.7%</b>		<b>27.9%</b>	<b>0% / 100%</b>	
AllianceBernstein S&P 500 Index Fund	\$2,164,270,294				Passive	
<b>Large Cap Growth</b>	<b>\$1,345,613,192</b>	<b>4.8%</b>		<b>17.4%</b>	<b>0% / 100%</b>	
AllianceBernstein Russell 1000 Growth Index Fund	\$1,345,613,192				Passive	
<b>Smart Beta</b>	<b>\$2,242,888,307</b>	<b>8.0%</b>		<b>28.9%</b>	<b>0% / 100%</b>	
AllianceBernstein US Systematic Value	\$673,291,746				Passive	
Northern Trust STOXX USA 900 Min Variance	\$514,994,589				Passive	
Northern Trust S&P 500 Eql Wtd Index	\$1,054,601,972				Passive	
<b>Small Cap US Equity</b>	<b>\$1,517,642,952</b>	<b>1.7%</b>	<b>6.0%</b>	<b>19.6%</b>	<b>92% / 8%</b>	
<b>Small Cap Value</b>	<b>\$581,534,383</b>	<b>2.1%</b>		<b>7.5%</b>	<b>100% / 0%</b>	
AllianceBernstein Small Cap Value	\$197,611,051				Active	
Channing Small Cap Value	\$62,000,378				Active	Yes
Denali Advisors Small Cap Value	\$68,722,058				Active	Yes
Phocas Small Cap Value	\$61,199,350				Active	Yes
Westwood Small Cap Value	\$192,001,546				Active	
<b>Small Cap Core</b>	<b>\$413,183,476</b>	<b>1.5%</b>		<b>5.3%</b>	<b>70% / 30%</b>	
AllianceBernstein S&P 600 Index	\$124,813,902				Passive	
Palisade Capital Small Cap Core	\$71,494,711				Active	
Eastern Shore Small Cap Core	\$47,287,951				Active	Yes
PIMCO StocksPLUS	\$169,586,912				Active	
<b>Small Cap Growth</b>	<b>\$522,925,093</b>	<b>1.9%</b>		<b>6.7%</b>	<b>100% / 0%</b>	
Frontier Small Cap Growth	\$474,399,571				Active	
Lisanti Small Cap Growth	\$48,525,522				Active	Yes

# Current LAFPP Structure

## US Equity



# Appendix





# Active vs. Passive

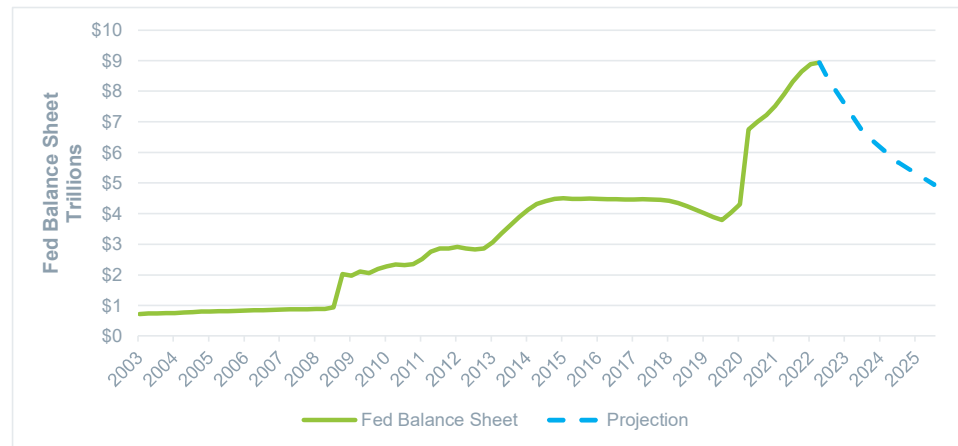
## Will the Future Look Like the Past

- Many factors contribute to the success of active management; no single factor can predict future market performance
- However, we need to ask ourselves if conditions prevalent in the past will hold in the future or if the environment will change
- Two macro trends are currently reversing, and at least one of them clearly has a strong relationship with the success of active management
  - High inflation and Fed policy have both entered a new era, drastically different than the period since the GFC.
  - ***RVK's research has shown that the Fed's balance sheet has a relationship with the success of active management;*** whether this correlation has any causal effect is to be determined but this is a good reminder to consider forward conditions when evaluating any potential investment

## Fed Balance Sheet and Median Active Large Cap Core US Equity Performance



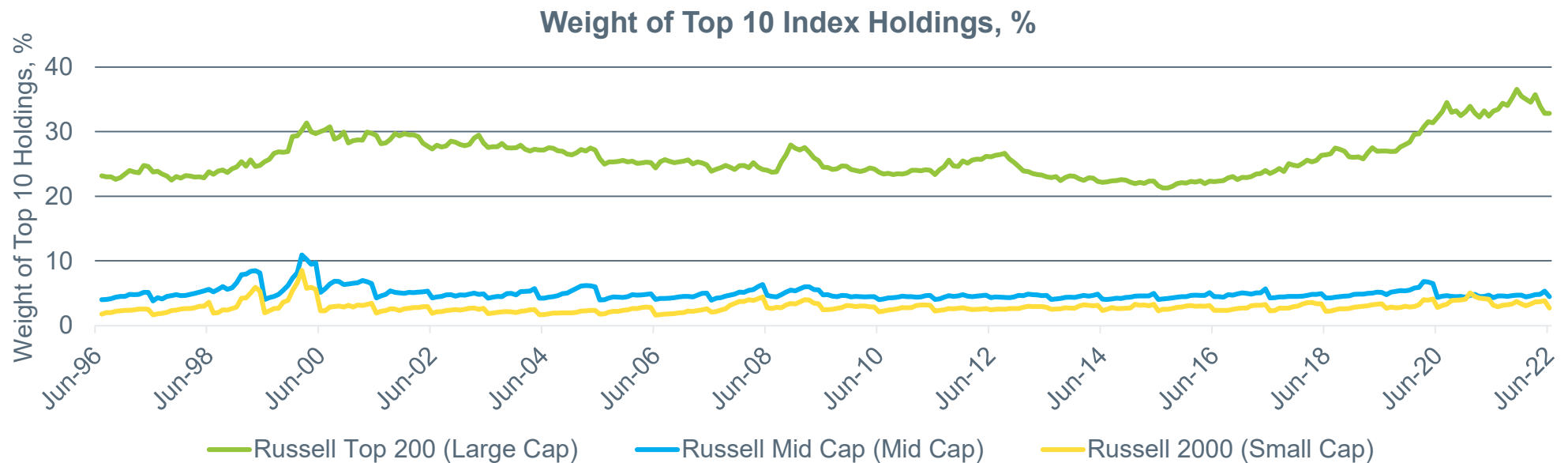
## Fed Balance Sheet Projections



# Active vs. Passive

## Impact of Increasing Market Concentration

- The small and mid cap markets continue to be less concentrated than the large/mega cap segment.
  - **“Concentration”** refers to the weight of the top stocks within a market index.
  - Lower concentration allows for more evenly distributed returns across stocks rather than a market being driven by a select few heavily weighted stocks.
  - The large/mega cap segment has experienced increasing concentration (Apple, Microsoft, Alphabet, among others, represent a large weight within the Russell Top 200 Index).
  - The small and mid cap segments include more stocks, have higher volatility and lower concentration, all relatively positive factors for active management when compared to the large/mega cap market.



# Manager Evaluation

## Qualitative and Quantitative Considerations

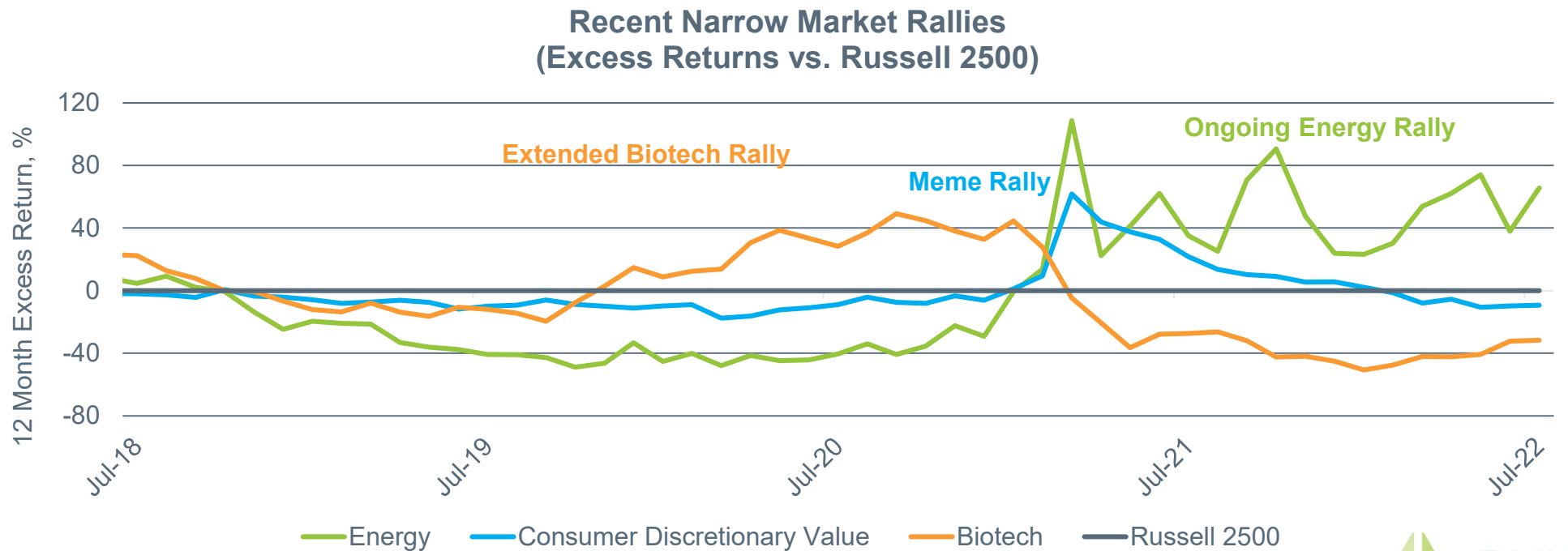
- Judging the *relative quality* of the firm, team, process and performance
- Strive to determine *whether a manager has a unique advantage*
- Determine whether the strategy and manager exhibit *unique risks* relative to others being considered
  - Key person, regulatory, enterprise, headline, etc.
- **Fees** play an important role and are evaluated compared to relevant universe peers and/or search candidates
  - While absolute fee levels are important, net of fees performance is more important to the Plan. All else being equal, if a higher fee manager is generating superior net of fees investment results, the Plan is better off relative to a lower fee manager generating less net of fees investment results.

# Manager Evaluation Case Study

## Recent Headwinds in US Small/Mid Cap for Stock Pickers

### Outperformance of lower quality or cyclical stocks

- Over the past 3 years, success rates of many small and mid cap managers has been impacted by short-term rallies of growth companies without profits, “meme” stocks, and commodity-linked companies.
- Active managers are primarily targeting “higher quality” companies, defined as those companies with the ability to produce attractive and more consistent profits, relative to peers, without excessive debt.
- Narrow market rallies in industries or sectors which don’t fit the long-term horizon of active managers generally are difficult periods for active stock pickers.



PORTLAND

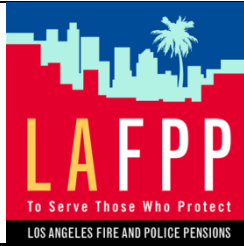
BOISE

CHICAGO

NEW YORK

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# ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE: OCTOBER 20, 2022**

**ITEM: D.3**

**FROM: JOSEPH SALAZAR, INTERIM GENERAL MANAGER**

**SUBJECT: ANNUAL INVESTMENT POLICIES REVIEW AND POSSIBLE BOARD ACTION**

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### **RECOMMENDATION**

That the Board:

1. Approve the proposed amendments to Section 1.0 – Investment Guidelines Policy;
2. Approve the proposed amendments to Section 2.0 – Private Equity Investments Policy;
3. Approve the proposed amendments to Section 3.0 – Real Estate Policy;
4. Approve the proposed amendments to Section 4.0 – Commodities Policy;
5. Approve the proposed amendments to Section 6.0 – Risk Management Policy;
6. Approve the proposed amendments to Section 7.0 – Proxy Voting Policy;
7. Approve the proposed amendments to Section 8.0 – Manager Selection and Retention Policy;
8. Approve all the remaining formatting, grammatical, ordering, and clarifying amendments to the overall Board Investment Policies;
9. Discuss any other desired amendments to the Board Investment Policies; and,
10. Authorize Staff to make technical corrections or clarification to the Policies to effectuate the intent of the Board.

### **BACKGROUND**

Los Angeles City Charter Section 1106(d)(1) states, “The board of each pension and retirement system shall adopt a statement of investment objectives and policies for the system.” The Charter further requires that, “At least annually, the board shall review the statement and change or reaffirm it.”

The Board last discussed and approved Staff’s proposed updates to the Investment Policies (Policies) in August 2022, when the Board adopted the new Section 17.0 – Enforcement Action and Litigation Reporting Policy. In January 2022, the Board adopted changes in Section 1.0 – Investment Guidelines Policy and Section 5.0 – Emerging Managers Policy, to include outreach to firms owned by “persons with disabilities.” Prior to those reviews, the Board conducted the annual review of the Investment Policies in November 2021. In accordance with the Charter requirement for an annual review, Staff is presenting the Policies today for Board discussion and possible action. All proposed changes have been redlined in the attached Board Investment Policies (Attachment I).

## **DISCUSSION**

Throughout the year, the Board makes decisions on the investment program that are reflected in the Board Resolutions. These decisions are then incorporated in the following year’s Policies review. Some of these decisions include adoption of the investment strategic plans, structural changes in the investment program, and new investment mandates and the corresponding benchmarks. In addition, Staff and the Board’s various consultants review the Board Investment Policies and make recommendations. All changes are reflected in the redline version of the Policies.

Staff has reviewed the Policies and has itemized the changes and recommendations in the individual policy sections below.

### *Section 1.0 – Investment Guidelines Policy*

The language was clarified based on input from the Board’s General Consultant, RVK, to include language on taking reasonable levels of risk to achieve long-term investment returns. In addition, language was added to reflect recommendations for an Asset/Liability study to be conducted every six years per Aon’s Management Audit and further Staff discussions, and the adoption of the recent asset allocation study approved on October 6, 2022. This includes the adopted global credit asset class approved on December 2, 2021, and the corresponding custom benchmarks. Additional updates to Appendix 1 may be recommended by RVK following the Asset Class Structure Review presentations and recommendations for each asset class.

### *Section 2.0 – Private Equity Investments Policy*

The language was clarified based on input from the Board’s Private Equity Consultant, Portfolio Advisors. Additional language that reflects current Environmental, Social and Governance (ESG) and Diversity, Equity and Inclusion (DEI) practices for portfolio consideration, as well as updates to the private equity approval process to formally include Staff’s agreement or disagreement to the Private Equity Consultant’s recommendations, are also included in the proposed policy amendments.

### *Section 3.0 – Real Estate Policy*

On August 18, 2022, the Board reviewed and approved the Real Estate Strategic Plan presented by the Board’s Real Estate Consultant, Townsend Group. Townsend recommended no changes to the Board’s Real Estate Policy. In addition, on September 1, 2022, the Board’s separate account real estate manager, AEW, presented the fiscal year portfolio review. AEW also recommended no changes to the real estate separate account program that would warrant a change in the Real Estate Policy. Staff is recommending adding language to Appendix 1 – Defined Roles for Participants

under Duties of the LAFPP Staff, for tasks currently done. These include attending investment manager meetings and conducting regular on-site due diligence for the separate account assets.

#### Section 4.0 – Commodities Policy

On August 20, 2020, the Board approved an asset allocation that reduced the Commodities allocation from 5% to 1%. In the reduction to 1%, only the private equity commingled funds remain in the portfolio. References to the commodities derivatives were removed during the 2021 annual Investment Policies review. References to the passively managed public equity commodities strategies are removed in this year's proposed amendments.

#### Section 6.0 – Risk Management Policy

Aon's Management Audit issued on July 20, 2022, recommended that the Board conduct an asset-liability study every three to five years or as conditions warrant. Staff had follow-on discussions and recommends conducting an asset-liability study every six years. The recommended change is in both Section 1.0 – Investment Guidelines Policy and Section 6.0 – Risk Management Policy.

#### Section 7.0 – Proxy Voting Policy

The proxy ballots of the Fund's domestic equity holdings are voted by Glass Lewis & Co. (Glass Lewis). Glass Lewis is authorized to vote the Fund's proxy ballots in accordance with the Board's Proxy Voting Policy, which addresses approximately 130 separate issues that commonly appear on shareholder proxies. Glass Lewis also researches proxy ballots and provides feedback on best practices on various shareholder ballot topics. Each year, Staff reviews Glass Lewis' reports on the current year's proxy voting season and identifies the shareholder proposals that can be included in the policy. Staff is recommending adding language to include an annual review of the proxy ballots voted, voting for limiting external auditors' fees and tenure, withholding votes from director nominees due to a lack of independence and gender diversity, and voting against executive pay programs for company poor performance.

#### Section 8.0 – Manager Selection and Retention Policy

Regularly, index providers update the index construction and composition, merge or get acquired, or indexes are renamed. Appendix 1 of Section 8.0 is an updated list of performance benchmarks used by the Board. The changes in Appendix 1 reflect the changes in naming conventions, updates to the description, and the inclusion of new benchmarks used by the Board. It also includes the addition of the benchmarks corresponding to the global credit mandate and the removal of the benchmarks corresponding to the passive commodities program.

### **BUDGET**

Approval of these recommendations will have no budget impact.

### **POLICY**

For the Board's reference, Staff has attached (Attachment I) a redline version of the Board Investment Policies to note the recommended changes. Additionally, a clean version of the proposed changes is provided for ease of reading (Attachment II). Staff believes the amended Policies reflect the Board's investment objectives and current practices. However, the Board may



wish to discuss or change the Policies. If so, Staff will note any discussion today and will bring any proposed changes back for Board discussion and action at a future Board meeting.

**CONTRACTOR DISCLOSURE INFORMATION**

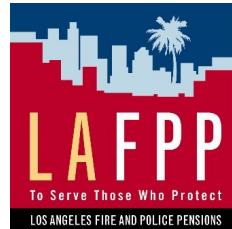
There is no contractor disclosure information required with this report.

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Attachments: I – Redline version of Board Investment Policies  
II – Clean version of Board Investment Policies



## **LOS ANGELES FIRE & POLICE PENSION SYSTEM**

### **III. BOARD INVESTMENT POLICIES**

Updated [0810/0420/2022](#)

## LOS ANGELES FIRE & POLICE PENSION SYSTEM

### III. BOARD INVESTMENT POLICIES

Policy Review & Updated: ~~November-October 1820~~, 20212022

UPDATED: Annually with the next review date September 20222023

- Section 1.0- Investment Guidelines Policy
- Section 2.0- Private Equity Investments Policy
- Section 3.0- Real Estate Policy
- Section 4.0- Commodities Policy
- Section 5.0- Emerging Managers Policy
- Section 6.0- Risk Management Policy
- Section 7.0- Proxy Voting Policy
- Section 8.0- Manager Selection and Retention Policy
- Section 9.0- Marketing Cessation Policy
- Section 10.0- Securities Litigation Policy
- Section 11.0- Duties of Responsible Parties
- Section 12.0- Environmental, Social and Governance Policy
- Section 13.0- Addressing Social, Political, and Human Rights Issues
- Section 14.0- Iran Policy
- Section 15.0- Sudan Policy
- Section 16.0- Firearms Investment Policy
- Section 17.0- Enforcement Action and Litigation Reporting Policy

**LOS ANGELES FIRE & POLICE PENSION SYSTEM**  
**III. BOARD INVESTMENT POLICIES**

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## Los Angeles Fire & Police Pension System

### 1.0 - INVESTMENT GUIDELINES POLICY

#### PURPOSE

- 1.1 This document provides a framework for the investment management of the assets of the Los Angeles Fire and Police Pension Plan (“LAFPP,” and hereafter known as the “System” or “Plan” or “Fund”). Its purpose is to assist the Board in effectively supervising and monitoring the investments of the System. Specifically, it will address:
- A. The general goals of the investment program;
  - B. The policies and procedures for the management of the investments;
  - C. Specific asset allocations, minimum diversification requirements, rebalancing procedures, and investment guidelines;
  - D. Performance objectives and criteria for investment performance evaluation; and
  - E. Responsible parties.

The System establishes this investment policy in accordance with Section 1106 of the Charter of the City of Los Angeles (“City Charter”) for the systematic administration of the Retirement Plan. Since its creation, the Board’s activities have been directed toward fulfilling the primary purpose of the System, as described in Section 1106:

“...to provide benefits to system participants and their beneficiaries and to assure prompt delivery of those benefits and related services; to minimize City contributions; and to defray the reasonable expenses of administering the system...The duty to system participants and their beneficiaries shall take precedence over any other duty.”

The System is an independent department of the City government and is governed by a nine-member Board and an administrative General Manager. In the formation of this investment policy and goal statement, a primary consideration of the Board has been its awareness of the stated purpose of the System. The Board’s investment activities are designed and executed in a manner that will fulfill these goals.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure that prudence and care is taken in the execution of the investment program.

## Investment Guidelines Policy

Some investment areas are complex enough to have their own sub-policies. These include private equity, private credit, real estate, emerging managers, commodities, manager selection and retention and proxy voting. These sub-policies are found according to their subject heading in the following sections of the Investment Policy.

### INVESTMENT OBJECTIVES

- 1.2 The System's general investment goals are broad in nature. The following goals, consistent with the above-described purpose, City Charter citations, and State Constitution have been adopted:
- A. The overall goal of the System's investment assets is to provide Plan participants with post-retirement benefits as set forth in the System documents. This is accomplished through a carefully planned and executed investment program.
  - B. A secondary objective is to achieve an investment return at a reasonable level of risk that will allow the percentage of covered payroll the City must contribute to the System to be maintained or reduced and will provide for an increased funding of the System's liabilities.
  - C. The System's assets are managed in a manner that is cognizant of risk adjusted rates of return. While the System recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. Some risks, such as normal market volatility are generally unavoidable. Other risks, such as investing in emerging markets are knowingly assumed and to a certain degree necessary to implement an Asset Allocation Plan that will meet target returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification. Controlling and mitigating unnecessary risks is important to the Plan. As a result, investment strategies are considered primarily in light of their impacts on total Plan assets subject to the provisions set forth in Section 1106 of the City Charter with consideration of the Board's responsibility and authority as established by Article 16, Section 17 of the California State Constitution. Risk is further addressed in Section 6.0 – Risk Management Policy.
  - D. The System's investment program shall always comply with existing and future applicable city, state and federal regulations.
  - E. All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
  - F. The System has a long-term investment horizon and uses an asset allocation, which encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major



## Investment Guidelines Policy

determinant of the System's investment performance and risk.

- G. Investment actions are expected to comply with "prudent expert" standards as described in City Charter Section 1106(c):

"...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."<sup>1</sup>

- H. The investment objective of the total Plan, over a full market cycle, historically 5 - 7 years, is to earn a return on investments matching or exceeding the required actuarial rate of return and an investment performance above the median of a universe of public funds. (Amended 10/06/16)

Active managers should over the long-term provide value added net of fees. Active management returns over the long-term should exceed the corresponding index net of fees by an amount commensurate with the risk incurred as well as the other standards set out in the Board's Manager Selection and Retention Policy (Section 8.0).

Passive managers should produce index-like returns net of fee index fees with minimal tracking error.

### DIVERSIFICATION REQUIREMENTS

- 1.3 A maximum of 75% of the Plan's assets may be invested in equity investments excluding Real Estate Investment Trust (REIT) securities and Private Equity.

A minimum of 20% of the Plan's assets shall be invested in fixed income assets.

A maximum of 20% of the Plan's assets may be invested in real property or interests or REIT securities in real property.

No more than 3.5% of the Plan may be invested in the common stock of a single corporation or bonds of an entity not guaranteed by the United States Government.

No more than 5% of the outstanding shares of any corporation may be owned.

Initial funding allocated to an investment manager shall not exceed 20% of similar funds under management by the investment manager.

No investment management firm shall manage more than 20% of the total Plan assets except for passively managed index funds.

No more than 10% of the net investment value of the targeted private real estate portfolio may be invested in any one real property.

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<sup>1</sup> ERISA 404(a)(1)(B)

## Investment Guidelines Policy

No more than 20% of the targeted real estate portfolio may be invested in any one real estate investment pool.

### MANAGER ACCOUNT RESTRICTIONS

- 1.4 Equity and bond managers shall have account guidelines customized for the individual portfolio describing what is and is not allowed. These individual account specifications are created when a new manager is hired and modified when needed and take the form of a letter of agreement. (Amended 10/06/16)

### BOARD MEMBER AND STAFF REFERRAL RESTRICTIONS FOR POTENTIAL NEW INVESTMENTS

- 1.5 Potential investments shall be referred to the specific Investment Consultant by Staff or the full Board solely in the interest of contributing to the deal flow seen by the consultant. The referral process is as follows:
- A. A Board member initiates a referral by providing Staff with information about the proposed investment and how the investment was brought to the Board member's attention.
  - B. Staff shall provide this same information for prospective investments referred by Staff.
  - C. Staff shall then place the referral information (who referred it, the nature of the investment and how it came to their attention) on the next Board agenda as a consent item for referral by the full Board to the relevant Investment Consultant. (Amended 10/06/16)
  - D. The Investment Consultant shall be advised that the decision as to whether a prospective investment referred either by Staff or the full Board would be a suitable investment for the System is to be evaluated solely upon the merits of the investment and its fit within the portfolio. No written analysis of the Investment Consultant's evaluation shall be required unless specifically requested by the full Board at the time the referral is made. In each case the Investment Consultant's evaluation of the potential investment, whether the evaluation is a formal written analysis or a verbal report, will be forwarded by Staff to the Board as a "Communications to the Board" item at the next Board meeting following the receipt of the evaluation.
  - E. Staff will make additions or modifications to contracts to carry out the referral and disclosure policies.

### ASSET ALLOCATION PLAN

- 1.6 An Asset Allocation Plan shall be adopted and implemented by the Board which provides adequate diversification and gives the expectation of the highest rate of return commensurate with an acceptable level of risk, or volatility.

## Investment Guidelines Policy

Conformance with the asset allocation shall be reviewed quarterly except for certain conditions stated in Section 1.7 (E) & (F). Funds shall be rebalanced among asset classes when they are outside their target ranges or when they exceed the allocation target. The Board shall conduct an Asset Allocation study every three to five years, as well as an Asset/Liability study at least every three to five six years. If there is a material change in the underlying actuarial assumptions, risk tolerance of the Board or any event that would cause a comprehensive review of Plan assets to be done, an Asset/Liability study should also be done completed. An active versus passive investment management review will be included in the Asset/Liability study or during strategic reviews of asset classes. The current Asset Allocation Plan is attached as Appendix 1 to this Investment Guidelines Policy.

The Asset Allocation Plan shall include, or be based on:

- A. An analysis of the actuarial liabilities of the System;
- B. A review of all viable asset classes; and,
- C. The expected rate of return, correlation, and volatility of all investment asset classes included.

### REBALANCING POLICY

1.7 As markets move over time, the actual asset mix of the System's portfolio may diverge from the target allocations established by the Board through the asset allocation process. If Fund assets are allowed to deviate too far from the target ~~allocations~~ allocations, there is a risk that the portfolio will fail to meet the ~~management investment~~ objectives set by the Board. On the other hand, the Board is aware that continual rebalancing of the portfolio to the asset allocation targets may result in significant transaction costs and that the Rebalancing Policy is not intended to be used for tactical asset allocation. Cognizant of these risks, the Board directs Staff to rebalance the System's portfolio in accordance with the following guidelines and procedures:

- A. With respect to each major asset class and to the investment structure within each asset class for which the Board has set a target allocation, the Board, in consultation with its Staff and its Investment Consultant, will establish rebalancing range limitations.
- B. Staff will monitor the portfolio's actual asset allocation relative to the target allocations. If the actual allocations fall within the defined ranges, no rebalancing will be required. If the actual allocations fall outside the predetermined range, Staff will implement a rebalancing back within the range of the target allocation. (Amended 09/16/15)
- C. In rebalancing, Staff should prioritize implementation procedures as follows:
  - 1. Maintaining sufficient cash position for recurring liabilities such as benefit payments, capital contributions related to investment fund commitments and expenses.

## Investment Guidelines Policy

2. Drawing cash flows out of the portfolio for recurring liabilities from liquid asset classes that are above their range limitations (using interest payments, rental revenues and dividends) provided cash position is deemed inadequate.
  3. Investing net contributions into asset classes (including increasing commitments to illiquid asset classes) that are below their range limitations;
  4. Selling overweighted liquid assets and/or buying underweighted liquid assets.
- D. Whenever rebalancing is required within an asset class that has multiple managers under a single mandate, any reallocation of assets should be done according to the management structure of the asset class. However, if one or more of the managers is on watch list notice pursuant to the Manager Selection and Retention Policy, Staff may use their discretion to adjust the rebalancing weights.
- E. When circumstances arise in which it is impractical to rebalance, asset classes may be deliberately left outside of their ranges for a period of time. Such circumstances may include, but are not limited to, situations when it is known that there are potential asset shifts pending in the portfolio over the next 12 months, such as a hiring/termination of a manager(s), an asset allocation review of the entire portfolio, or a structural review of a given asset class. Illiquid asset classes such as private equity and real estate may be underweight but unable to absorb the full amount of cash needed to bring the portfolio into the asset allocation range for longer periods of time. A liquid asset class may remain overweight while holding the cash that the illiquid asset class cannot absorb immediately. Conversely, an illiquid asset class may remain overweight for an extended period of time if a market downturn has caused a sudden drop in the value of more liquid assets.
- F. Staff will report all rebalancing activities to the Board on a quarterly basis at a minimum. In circumstances where it is impractical to rebalance the portfolio for any market or portfolio-specific reason, Staff shall assess the rebalancing options, notify the Board of the out of balance situation, and report its recommendations to the Board. Staff shall seek approval from the Board to implement rebalancing according to Staff's recommended rebalancing plan in situations that involve leaving the portfolio, or some portion of the portfolio out of balance for an extended period of time.

## EQUITIES

- 1.8 The performance objective for the total domestic equity portfolio is to exceed the total return of the Russell 3000 Index net of fees. This and other objectives below are to be measured over a full market cycle.

The Large Capitalization equity class benchmark is the S&P 500 Index.

## Investment Guidelines Policy

The Small Capitalization equity class benchmark is the Russell 2000 Index.

Small capitalization U.S. equity managers may not buy any equity with a market capitalization exceeding the size of the largest equity in the Russell 2000 Index at the time of purchase. (Amended 10/06/16)

The performance objective for the total international equity portfolio is to exceed the total return of the Morgan Stanley Capital International All Country World Index ex U.S. (MSCI ACWI ex U.S.). This and other objectives below are to be measured over a full market cycle.

The Developed International equity class benchmark is the Morgan Stanley Capital International All Country World Index ex U.S., including Canada.

The Emerging International equity class benchmark is the Morgan Stanley Capital International Emerging Markets Free Index.

### PRIVATE EQUITY

- 1.9 Private Equity investments may include, but are not limited to, Venture Capital, Buyouts and Special Situations. The purpose of this asset class is to provide increased investment returns for the System.

A separate Private Equity Investments Policy (Section 2.0) includes: objectives of private equity investments; use of private equity managers; and the criteria for approving private equity investments.

### FIXED INCOME

- 1.10 The Fixed Income portfolio may include, but is not limited to: Core, Core-Plus, Long Duration, High Yield, Treasury-Inflation Protected, Mortgage-Backed, Unconstrained, and Global Credit bonds. The performance objective for the total fixed income portfolio is to exceed the total return of the Bloomberg US Universal Bond Index. This and other objectives below are to be measured over a full market cycle.

The Domestic Core fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index.

The Opportunistic fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index plus 0.50%.

The Long Duration fixed income class benchmark is the Bloomberg U.S. Long Government/Credit Bond Index.

The High Yield fixed income class benchmark is the ICE Bank of America Merrill Lynch US High Yield Constrained Index.

The Treasury Inflation Protected Securities (TIPS) fixed income class benchmark is the Bloomberg U.S. Government Inflation-Linked Bond Index.

## Investment Guidelines Policy

The Unconstrained fixed income class benchmark is the Merrill Lynch U.S. 3-month Treasury Bill rate plus 1%.

The Global Credit fixed income class benchmark is a custom benchmark. The benchmark is comprised of 50% Bloomberg Global Aggregate Credit Index USD Hedged (LGDRTRUH), 16.7% ICE BofAML Developed Markets High Yield Index USD (HYDM), 16.7% JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP), and 16.7% Credit Suisse Leveraged Loan Index (CSLLTOT).

### CASH (SHORT TERM FIXED INCOME)

- 1.11 The primary concern in investing the cash portfolio is safety of principal. Liquidity comes second and yield comes last.

### REAL ESTATE

- 1.12 Real Estate investments may include but are not limited to individually managed accounts, commingled real estate funds, and Real Estate Investment Trusts (REITs). The purpose of this asset class is to enhance the risk/return characteristics of the System's investments.

A separate Real Estate Investments Policy (Section 3.0) includes: objectives of real property investments; maximum amounts or percentages that may be invested in individual properties or types of properties; requirements for diversification and criteria for selecting advisers and appraisers.

### SECURITIES LENDING

- 1.13 Securities lending is the lending of equity and fixed income securities held in the System to qualified borrowers who provide collateral in exchange for temporary use of the securities. Incremental income is generated through fees or the investment of the collateral during the time of the loan.

Securities lending income is only a secondary consideration to the operation of a securities portfolio. If it interferes with the portfolio management or the risks versus the return for a specific portfolio are uncertain, the securities will not be loaned out. All loaned securities must be collateralized and marked to market daily. Non-U.S. dollar denominated securities shall be collateralized at 105 percent of current market value. Domestic U.S. dollar denominated securities shall be collateralized at 102 percent of current market value.

### PERFORMANCE MONITORING

- 1.14 Investment performance shall be reviewed and evaluated quarterly with the assistance of an outside performance measurement firm or general investment consultant.

A time-weighted method of performance measurement will be used for equity and bond accounts. An internal rate of return calculation will be used for appropriate asset

## Investment Guidelines Policy

classes such as private equity, private credit, and some real estate accounts.

Comparisons will be made of:

- A. The total Plan against the actuarial rate of return, target allocation return, and other pension funds ~~and the actuarial rate of return~~.
- B. The total equity, fixed income, real estate, and private equity and commodities portfolios against the Russell 3000 Index, Bloomberg U.S. Universal Bond Index, the Real Estate Custom Index, and the S&P 500 Index plus 2.5%, and ~~the Commodities Custom Index~~, respectively.
- C. Individual investment managers against their stated objectives and, if applicable, against managers of a like style.
- D. Risk-adjusted returns using standard industry adopted statistical measures not limited to Sharpe ratio, information ratio, and tracking error.

See Section 8.0 – Manager Selection and Retention for more detailed procedures for evaluating individual investment managers.

### TRADING

1.15 All trading is to be done on a best execution basis.

Investment managers shall use a variety of Los Angeles based brokers when feasible, subject to best execution.

The Board encourages the use of minority, woman, persons with disabilities, US Military veterans and lesbian, gay, bisexual, transgender and queer (LGBTQ) owned brokers by the Board's managers for the System's actively managed domestic and international exchange traded equity transactions subject to best execution. However, the Board does not encourage step-out type transactions. (Amended 01/20/22)

Board policy is to employ commission recapture and not soft dollars.

### PROXY VOTING

1.16 Proxies shall be voted in accordance with guidelines adopted by the Board.

See Section 7.0 – Proxy Voting Policy for more detailed voting guidelines on specific proxy issues.

### HISTORY

1.17 Adopted: Circa 1980

Revised:  
02/11/1982    04/08/1993    04/20/2006    06/18/2009    04/16/2020  
03/08/1984    05/20/1993    05/03/2007    08/20/2009    10/01/2020

**Investment Guidelines Policy**

04/27/1989	12/09/1993	05/17/2007	09/18/2014	11/18/2021
05/11/1989	06/15/1995	08/02/2007	10/16/2014	01/20/2022
04/19/1990	01/20/2000	02/21/2008	09/16/2015	<u>10/20/2022</u>
08/01/1991	01/08/2004	03/20/2008	10/06/2016	
11/21/1991	01/19/2006	05/01/2008	09/06/2018	
12/17/1992	02/02/2006	09/18/2008	10/03/2019	

**REVIEW**

- 1.18 The Investment Guidelines Policy and its subsequent sub-policies shall be reviewed by the Board annually. (Amended 10/16/14)



Investment Guidelines Policy

**APPENDIX 1 – ASSET ALLOCATION 2020 WITH SUB CLASSES**

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Asset Class	Target Allocation	Lower Range	Upper Range	Range (%)
Domestic Large Cap Equity	23.00%	20.24%	25.76%	12.00%
Small Cap. Equity	6.00%	4.71%	7.29%	21.50%
International Developed Equity	16.00%	13.60%	18.40%	15.00%
International Emerging Markets	5.00%	3.60%	6.40%	28.00%
Core Bonds	12.00%	11.28%	12.72%	6.00%
TIPS	5.00%	4.69%	5.31%	6.25%
High Yield Bonds	3.00%	2.58%	3.42%	14.00%
Unconstrained Fixed Income	2.00%	1.80%	2.20%	10.00%
Private Credit	2.00%	0.00%	2.50%	25.00%
Real Estate	7.00%	6.00%	8.00%	14.25%
REITS	3.00%	2.51%	3.50%	16.50%
Commodities	1.00%	0.76%	1.24%	24.00%
Private Equity	14.00%	10.50%	17.50%	25.00%
Cash*	1.00%	1.00%	4.00%	300.00%
<b>TOTAL</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>

Although at the August 20, 2020 Board meeting, the Board adopted a new asset allocation plan that reduced the commodity allocation from five (5) percent to one (1) percent, added a private credit allocation of two (2) percent, and increased the private equity allocation from twelve (12) percent to fourteen (14) percent, the actual monetary changes in the Plan's specific asset classes will occur over a period of time. In the interim, the Investment Policy continues to convey the goals and strategies currently in place with the prior asset allocation plan, including the Commodities Policy.

**NOTES**

Board approved on August 20, 2020.

Cash upper range to 4% per the March 19, 2009 Board meeting.

\*Cash range adjusted for liquidity needs and frictional cash rather than standard deviation of asset class.

**APPENDIX 1 - 2022 ASSET ALLOCATION WITH 2020 SUB CLASSES**

Asset Class	Target Allocation	Lower Range	Upper Range	Range (%)
Broad US Equity	29%			
Domestic Large Cap Equity	23.00%	20.24%	25.76%	12.00%
Small Cap. Equity	6.00%	4.71%	7.29%	21.50%

**Investment Guidelines Policy**

<u>Broad International Equity</u>	<u>21%</u>			
<u>International Developed Equity</u>	<u>16.00%</u>	<u>13.60%</u>	<u>18.40%</u>	<u>15.00%</u>
<u>International Emerging Markets</u>	<u>5.00%</u>	<u>3.60%</u>	<u>6.40%</u>	<u>28.00%</u>
<u>Private Equity</u>	<u>14%</u>			
<u>Private Equity</u>	<u>14.00%</u>	<u>10.50%</u>	<u>17.50%</u>	<u>25.00%</u>
<u>LAFPP Custom Fixed Income</u>	<u>22%</u>			
<u>Core Bonds</u>	<u>9.90%</u>	<u>9.31%</u>	<u>10.49%</u>	<u>6.00%</u>
<u>TIPS</u>	<u>4.40%</u>	<u>4.13%</u>	<u>4.68%</u>	<u>6.25%</u>
<u>High Yield Bonds</u>	<u>2.75%</u>	<u>2.37%</u>	<u>3.14%</u>	<u>14.00%</u>
<u>Unconstrained Fixed Income</u>	<u>2.20%</u>	<u>1.98%</u>	<u>2.42%</u>	<u>10.00%</u>
<u>Global Credit</u>	<u>2.75%</u>	<u>2.37%</u>	<u>3.14%</u>	<u>14.00%</u>
<u>Private Credit</u>	<u>2%</u>			
<u>Private Credit</u>	<u>2.00%</u>	<u>1.50%</u>	<u>2.50%</u>	<u>25.00%</u>
<u>LAFPP Custom Real Estate</u>	<u>10%</u>			
<u>Real Estate</u>	<u>7.00%</u>	<u>6.00%</u>	<u>8.00%</u>	<u>14.25%</u>
<u>REITs</u>	<u>3.00%</u>	<u>2.51%</u>	<u>3.50%</u>	<u>16.50%</u>
<u>Commodities</u>	<u>1%</u>			
<u>Commodities</u>	<u>1.00%</u>	<u>0.76%</u>	<u>1.24%</u>	<u>24.00%</u>
<u>Cash Equivalents</u>	<u>1%</u>			
<u>Cash*</u>	<u>1.00%</u>	<u>1.00%</u>	<u>4.00%</u>	<u>300.00%</u>
<u>TOTAL</u>	<u>100%</u>			

NOTES

Board reaffirmed the August 20, 2020 Asset Allocation on October 6, 2022, with the Fixed Income restructure approved on December 2, 2021.

Cash upper range to 4% per the March 19, 2009 Board meeting.

\*Cash range adjusted for liquidity needs and frictional cash rather than standard deviation of asset class.

(Amended 10/2004/220)

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## Los Angeles Fire & Police Pension System

### 2.0 - PRIVATE EQUITY INVESTMENTS POLICY

#### INTRODUCTION

2.1 The Board has a ~~fourteen percent~~ fourteen percent (14%) allocation to Private Equity. Private Equity Investments are understood to mean non-traditional, often private, usually illiquid investments, both domestic and international. They may include, but are not limited to the following categories: (Amended 10/06/16)

- Venture Capital
- Buyouts
- Special Situations

#### INVESTMENT OBJECTIVES

2.2 This asset class offers the potential for higher returns for the System's overall investment program. (Amended 10/01/20)

For asset modeling purposes, Private Equity Investments as a class is projected to produce over a long period of time (ten years) two and one-half percentage points (2.5%) per year more than public equities. Since risk is high for any individual investment within this class, it is anticipated that the projected return for each individual investment should be even higher, in order for the program overall to achieve the targeted return for this asset class.

Diversification within the Private Equity Investment asset class is a primary risk control strategy and also a means of exposing assets to a large universe of high potential return private businesses. Investments will include all stages of venture capital, buyouts, and such other special debt and equity vehicles as will meet the return objectives. In addition, diversification across vintage years is important to attain proper diversification of the private equity portfolio. Consequently, the Private Equity Investment program will attempt to make commitments to each subset of the private equity asset class, including all stages of venture capital, buyout and special situation, each year. Diversification within the asset class, however, shall never supersede the return objective as a basis for approving any particular investment.

~~Due to their diversification features, investment-Limited~~ partnerships of pooled vehicles will be the primary investment structure.

#### USE OF PRIVATE EQUITY ~~CONSULTANTS~~ MANAGERS

2.3 ~~Consultants~~ Managers may be hired by the Board to assist in the management of the Private Equity investment program. Depending upon the needs of the Board, ~~consultants~~ Managers may be responsible for assessing deal flow, reviewing prospective investments, ~~and~~ performing complete due diligence on potential investments. In addition, ~~consultants~~ Managers may negotiate terms with the

## Private Equity Investments Policy

private equity funds, prepare contracts and subscription documents, monitor capital call and distribution requests, sit on Fund Advisory Boards and perform such other tasks as the consultant's Manager's expertise and the needs of the Board may warrant. Consultants Managers serve as fiduciaries to the Board and may be hired in a discretionary or non-discretionary capacity.

Consultants Managers may receive information about prospective investments from Board members or Staff, and each consultant Manager shall designate a contact person within the firm to receive and coordinate all such information. The General Manager shall designate a member of Staff to coordinate such communications between the consultants Managers and Board or Staff members. Prospective investments referred by a Board or Staff shall not influence the consultant's Manager's evaluation of the prospective investment. Such referrals and information will be given solely in the interest of contributing to the deal flow considered ~~seen~~ by the consultant Manager and supplementing the information the Manager consultant gathers. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy. ~~(Amended 10/06/16)~~

~~In managing the portfolio, the consultant Manager may will~~ consider ESG (Environmental, Social, and Governance) sustainability and DEI (Diversity, Equity, and Inclusion) as an investment factors to be included in the analysis of the investment's analysis.

### PRIVATE EQUITY APPROVAL PROCESS

- 2.4 The Private Equity consultant Manager will evaluate and perform the due diligence for funds to be considered for investment by the Board. ~~The Private Equity consultant Manager will submit a fund investment memo that includes how the recommended fund commitment fits into the calendar year's pacing and target portfolio description to Staff for and evaluation. to Staff for consideration After a review, with Staff and if Staff concurs with the fund recommendation, the consultant and will present the fund investment memo to the Board for its approval. Staff would also prepare a one-page summary memo to be included for the Board presentation. each fund being proposed for investment. If Staff does not concur agree with the consultant's proposed fund recommendation, the consultant will either present the fund recommendation to the Board with the fund recommendation stating Staff disagreement (including a statement of Staff's nonconcurrence) or withdraw from its the fund recommendation.~~

Private Equity Specialized Fund Manager selection criteria are found in Section 5.10.

### GUIDELINES

- 2.5 The allocation to Private Equity Investments is fourteen percent (14%). There shall be an over allocation factor assigned to take into consideration the average funding time and maturing of investments in this asset class versus the expected growth of the total System. (Amended 10/06/16)

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## Private Equity Investments Policy

The following limits and ranges shall apply to the program:

- A. Maximum commitment to each partnership: \$100 million.
- B. Allocation to Private Equity Investment subsets: 15-40% Venture Capital, 20-60% Buyout, and 15-40% Special Situations. Maximum allocation to any subset shall not exceed 60%.

### PROGRAM MONITORING EVALUATION

- 2.6 ~~Consultants~~Managers shall report in writing at least quarterly on the portfolio as a whole and on each individual sector in the portfolio, return and portfolio structure shall be emphasized. For each investment, the carrying value, income, description of activity, and evaluation of current status compared to original intent and objectives would be appropriate. At least once a year, ~~consultants~~Managers shall make a complete performance and portfolio report to the Board in person. In addition, ~~consultants~~Managers may be asked to provide/present other reports as requested by the Board.

In order to promote industry best practices including transparency, uniformity and alignment of interests, Private Equity Fund Managers including Specialized Managers are encouraged to use the ILPA (Institutional Limited Partners Association) reporting template. This template provides the investor or the LP (Limited Partner) information on the fund valuation, income, fees and expenses, fee offsets, incentive allocation or carried interest, and unfunded commitment.

### CALIFORNIA GOVERNMENT CODE

- 2.7 Every California public investment system is obligated to require each alternative investment vehicle in which it invests to make disclosures of information, at least annually, according to California Government Code Section 7514.7. The law applies to all new contracts the public investment system enters into on or after January 1, 2017, and to all existing contracts pursuant to which the public investment system makes a new capital commitment on or after January 1, 2017.

### HISTORY

- 2.8 Adopted: May 3, 2001

Revised:

06/05/2003	11/05/2009	10/06/2016	10/01/2020
08/21/2003	07/21/2011	09/06/2018	05/06/2021
03/02/2006	09/18/2014	10/03/2019	11/18/2021
02/01/2007	06/16/2016	04/16/2020	<u>10/20/2022</u>

## Los Angeles Fire & Police Pension System

### 3.0 - REAL ESTATE POLICY

#### INTRODUCTION

- 3.1 LAFPP has determined that, over the long-term, inclusion of real estate investments will enhance the overall diversification and risk/return characteristics of the System's portfolio investment.

This document establishes the specific objectives, policies and procedures involved in the implementation and oversight of the System's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

#### INVESTMENT OBJECTIVES

- 3.2 A. Asset Allocation

LAFPP has approved a long-term asset allocation target of ten percent (10%) for investment in real estate investments – seven percent (7%) for private real estate and three percent (3%) for REITs. The allowable private real estate variation range is plus or minus one percent (1%) percent of the System's total assets. For REITS, the variation range is five-tenths of a percent (.50%). (Amended 11/18/21)

- B. Return Objectives

The Board has determined that the objective of the System's real estate portfolio will be to enhance the diversification of the LAFPP Total Plan while achieving a ~~long-term~~ long-term risk-adjusted return that is consistent with the General Consultant's expected return. Active management, value creation strategies and the prudent use of third-party debt are approved methods for generating the expected excess return above core real estate. The Board has approved the following benchmarks for the Real Estate Portfolio:

Style	Benchmarks
Public Real Estate	50% Dow Jones US Real Estate Securities Index (Gross) and 50% FTSE EPRA/NAREIT Developed Index (Gross)
Private Real Estate	NFI-ODCE + 50 bps (Net)
LAFPP Total Portfolio	LAFPP Benchmark, weighted 30% Public and 70% Private

LAFPP will seek to meet or exceed the Total Portfolio return target over rolling five-year time periods and may use shorter term measurements

## Real Estate Policy

(typically most recent quarter and the trailing one-year, three-year, and five-year periods) to gauge progress relative to that goal. Other fund indices maintained by NCREIF will be used to provide additional perspective on performance and/or to facilitate attribution analysis. Shorter term performance and risk assessment will utilize a risk adjusted benchmark using return expectations by style in a customized, weighted benchmark to reflect the actual composition of the portfolio and the expected return of same.

**It is important to note that LAFPP may underperform the benchmark across shorter time periods as legacy investments liquidate and new Non-Core investments are made.**

In order to meet or exceed the LAFPP Benchmark after fees, the System will maintain a portfolio composition within the following targets and ranges:

	Target Allocation	Tactical Range
Public Real Estate	30%	25% - 35%
Private Real Estate	70%	65% - 100%

LAFPP Private Real Estate Portfolio		
	Target Allocation	Tactical Range
Core	60%	50% to 70%
Non-Core	40%	30% to 50%
<i>Value Added</i>	20%	0% to 50%
<i>Opportunistic</i>	20%	0% to 50%

## INVESTMENT POLICIES

### 3.3 A. Portfolio Composition

The System divides the range of available real estate investment strategies ('styles') into four primary categories: (1) Core, (2) Value Add, (3) Opportunistic and (4) Public Securities. The style groups are defined by their respective market risk/return characteristics:

#### Core Characteristics

- Operating and substantially leased properties;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is primarily attributable to income;
- Conservative leverage (0% - 40%, measured on a loan-to-value (LTV) basis).

#### Value Add Characteristics

## Real Estate Policy

- Properties requiring lease-up, rehabilitation, repositioning, expansion or those acquired through forward purchase commitments;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is attributable to a balance between income and appreciation;
- Moderate leverage is typically utilized (30% - 60%, measured on a LTV basis).

### Opportunistic Characteristics

- Properties or real estate companies offering recapitalization, turnaround, development, market arbitrage opportunities;
- No property types are excluded, and properties may include business operations (e.g. hotels, congregate care and real estate entity-level growth capital) as well as office, apartment, retail, industrial;
- Total return is primarily attributable to appreciation and generally recognized upon sale of the asset;
- Moderate to high leverage is typically utilized (50% - 80%, measured on a LTV basis).

### Public Securities Characteristics

- Shares of publicly traded securities offered by companies operating real estate assets as a primary source of corporate revenue.

## B. Risk Management

The primary risks associated with equity real estate investments are investment manager risk, property market risk, asset and portfolio management risk, loss of principal and liquidity risks. The System will mitigate risk in a prudent manner. The following policies have been established to manage the risks involved in investing in real estate equity.

### 1) *Investment Structures*

The System recognizes that, regardless of investment structure, real estate is an illiquid asset class. Structures that maximize investor control are preferred, particularly in Core investments (Separately Managed Accounts and Open-End Commingled Funds). The System also recognizes that the Value Add and Opportunistic styles require the assumption of additional risks including diminished investor control.

The Core investment style is considered to be less risky (thereby providing lower returns) than Value Add and Opportunistic investments. The lower risk assigned to Core investments is due to three primary characteristics: (1) the level and predictability of the income generated, (2) the higher proportion of the total return attributable to income and (3) the limited use of debt usually associated with these styles.



## Real Estate Policy

The Value Add and Opportunistic investment styles seek to provide higher returns with higher risk than the Core component of the portfolio. Value Add investments are those capable of exhibiting Core characteristics but need an additional level of active management in order to regain or realize their Core position. Opportunistic investments seek to capitalize on market inefficiencies and opportunities (e.g. capital voids, market recovery, development, distressed sellers, financial engineering) and debt to provide excess returns. Because of the degree of reliance on active management necessary to capitalize on such market inefficiencies, investments will be accessed through structures that allow a high degree of manager discretion.

The System will utilize the following investment structures:

a) Separately Managed Accounts (“SMA”)

For the Core and Value Add strategies, the System may purchase assets on a wholly owned basis through Separately Managed Account structures. The System may consider joint venture or co-investment ownership, as an equal or greater partner, within SMA structures.

b) Commingled Funds

For Core and Value Add strategies, the System will also consider Open-End Commingled Funds (OECFs). OECFs are an infinite life pool of assets diversified by geography and property type. OECFs are complementary to smaller SMAs as they provide access to larger, Core, “trophy” properties that a smaller SMA would not be able to purchase. There are also OECFs that target various levels of value-add risk and provide similar diversification and risk/return benefits.

For Value Add and Opportunistic strategies, the System will purchase assets through the ownership of units or shares of Closed-End Commingled Funds. Closed-End Commingled Funds differ from OECFs in that they are finite life vehicles. Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, real estate investment trusts (private) and limited liability corporations.

2) *Defined Roles for Participants*

The real estate program shall be planned, implemented, and monitored through the coordinated efforts of the Board, Staff, Real Estate Consultant (“Consultant”) and Investment Managers (“Manager” or “Managers”). The major responsibilities of each participant are outlined in Appendix 1.

## Real Estate Policy

### 3) *Diversification*

The System will seek to diversify its Real Estate Portfolio by manager, property type, property location, investment style, and within the Opportunistic Portfolio, by investment strategy. Investment property types must be consistent with the groups as follows:

- Core includes office, retail, apartments, industrial, hotel and limited non-traditional property types (including self-storage, medical office, senior and student housing).
- Value Add and Opportunistic have no restrictions on property type.

It is expected that at various points in time, the portfolio may be more heavily exposed to a single property type or location by virtue of opportunities available in the market. Exposure to any single property type (i.e. office, retail, apartment, industrial or other) or geographic region in excess of forty percent (40%) of the Private Real Estate Portfolio must be reviewed as an exception by the Board. (Approved 07/16/15 and amended 09/16/15)

International investments will be limited to no more than thirty percent (30%) of the total targeted Private Real Estate Portfolio and may include private and public investments in the Core and Non-Core style groups.

#### *Separately Managed Accounts*

The System's SMA management agreements, individually or as a group, will provide for diversification by property type, economic sector and location in order to minimize any such concentration which might, in turn, impact the stability of rental income over market cycles.

#### *Commingled Funds*

Diversification by Strategy and Manager will be used to minimize sponsor or strategy concentration, which might, in turn, impact the performance of the Value Add and Opportunistic allocation and/or the total portfolio. The Commingled Funds will provide reporting which will allow the System to monitor its geographic and property type diversification.

### 4) *Leverage*

The use of leverage is a prudent tool for enhancing returns and diversifying equity investments. As such, the System has approved leverage limits in order to maximize returns to the total portfolio. The availability and cost of leverage will be factors considered in determining its use. At no time shall the origination of leverage exceed the established limits on a loan-to-value basis. In the event that a leverage constraint is breached due to a contraction in market values,

## Real Estate Policy

the System's Staff and Consultant will notify the Board and make a recommendation for action or exception.

### a. Core

For the Core Portfolio, the System has established a forty percent (40%) leverage limit. For any single Core asset, third-party debt will be limited to fifty percent (50%) of the market value of the asset, must provide sufficient net operating income ("NOI") for one hundred percent debt-service coverage and must be non-recourse. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

### b. Non-Core

The System has determined that leverage on these Non-Core investments should be determined based on strategy and opportunity. Investments made through Commingled Funds will have a specified leverage target or maximum stated in the offering documents. Debt levels and structures will be evaluated when reviewing a specific offering. Investments made through the System's SMA will be limited to sixty percent (60%) of the market value of the asset. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

### c. Total Portfolio

The System will also monitor leverage at the Total Portfolio level. In the event that the Total Portfolio leverage exceeds 60%, on a loan-to-value basis, both Staff and Consultant will evaluate going forward investment opportunities so as to reduce Portfolio leverage. This will act as a 'governor' and not a constraint at the Total Portfolio level.

## 5) *Property Investment Size*

At the time of investment, individual Open-End investments are limited to ten percent (10%) of the private real estate portfolio market value, and individual Closed-End investments are limited to five percent (5%) of the private real estate portfolio. A single property within an SMA is limited to five percent (5%) of the private real estate portfolio based on initial invested equity.

Moreover, at no time shall the net investment value of a single property within an SMA exceed ten percent (10%), a Closed-End Commingled

## Real Estate Policy

Fund exceed ten percent (10%), or an Open-End Commingled Fund exceed twenty percent (20%) of the net investment value of the targeted private real estate portfolio. In addition, the capital allocated to any single Commingled Fund shall not exceed a pro rata position of fifteen percent (15%) of the total equity raised by the final close of the investment vehicle.

The minimum investment size shall be \$5 million on a Gross Property Value basis. In the case of investments by the Account Manager on a commingled basis with co-investors, the maximum property investment shall be measured only by the value of the Plan's direct (equity) or indirect (e.g., participating or convertible mortgage) investment. (Amended 11/18/21)

### 6) *Valuations*

All investments in an SMA vehicle will be independently valued not less than every three years by a qualified expert (certified MAI or Member of the Appraisal Institute), performed on a rotational basis within the Total SMA Portfolio. Exceptions will be granted by Staff during times when a property or market specific event may have a considerable impact on property value. During interim periods, valuations will be performed by the Investment Manager responsible for management of each investment. Such interim valuations may be used for performance measurement purposes.

Investments held in Commingled Funds will be valued using the valuation methodology approved with the selection of the particular investment.

### 7) *Investment Manager Concentration*

No single investment manager should manage more than thirty percent (30%) of the total real estate portfolio unless an exception is approved by the Board.

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## C. Discretionary Authority

The Policies and Procedures described herein are structured to control investment risk as well as to enhance the System's ability to execute transactions.

### 1) *Separately Managed Accounts*

The SMA Manager selection process, more fully described in Section 3.4.A.1 of this document, is structured to ensure prudent Manager selection in order to allow Manager(s) to assume an appropriate level of discretion, balanced by controls established and monitored by the Board, Staff and Consultant. Preference will be given to those SMA vehicles allowing greater investor control.

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2) *Commingled Funds*

Commingled Funds are structured to give the highest level of discretion to the Manager. The limited investor control of management decisions inherent in Commingled Fund investments is appropriate given the flexibility required to achieve higher expected returns. Investments made in Commingled Funds are monitored for compliance with vehicle documents through quarterly performance measurement procedures.

**INVESTMENT PROCEDURES**

3.4 The Annual Investment Plan identifies the investment needs of the portfolio and establishes the parameters for the selection of appropriate investments. The particular needs for each Annual Investment Plan will be established in light of the structure, objectives and performance of the existing portfolio as well as current market opportunities. All Annual Investment Plans will be consistent with the policies detailed in Section 3.3A-C.

A. Separately Managed Accounts

The following procedures will be utilized for selection of SMA Managers, as well as for investment and the subsequent control and monitoring of SMA allocations.

1) *Manager Selection Process*

a. Board, assisted by the Consultant, shall establish qualification criteria consistent with the purpose of the search.

~~a-b.~~ Consultant shall screen its database to identify Manager candidates exhibiting qualities consistent with the qualification criteria. Board may identify additional candidates.

~~b-c.~~ Board, assisted by the Consultant, shall establish evaluation areas, desired levels of competency and respective weightings for evaluation factors.

~~e-d.~~ A Request for Information (RFI) shall be forwarded to qualified Manager candidates identified by Consultant and Board.

~~e-e.~~ Staff and Consultant shall review and evaluate RFI responses, identify material issues related to each candidate, including proposed fee structures, and compile numerical rankings for each respondent for each objective evaluation factor.

~~e-f.~~ Staff and Consultant shall prepare a report to the Board that reviews the findings of interviews/on-sites.

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## Real Estate Policy

f.g. Staff, with the assistance of Consultant, shall coordinate final presentations which will be held at a noticed meeting.

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g.h. The Board shall select a Manager based on review and evaluation of information presented in the steps listed above.

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h.i. Staff and Consultant will negotiate and close manager agreements, including final fee structures.

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### 2) *Investment*

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#### a. Manager Investment Plan

Each SMA Manager shall prepare a Manager Investment Plan, which sets forth the investment criteria for said Manager's allocation including the reinvestment of proceeds from sales or refinancing's. The investment criteria shall be consistent with the Strategic Plan and Implementation Plan as prepared by the Consultant and Staff and approved by the Board. Plans will also set forth the SMA Manager's evaluation of current market opportunities and include a summary of the Annual Disposition Review (see Section 3.4.A.3c) of each asset in the context of the market evaluation.

#### b. Review and Approval Process

The Board will review and approve all purchases, sales or exchanges of real property. The SMA Manager will notify Staff and Consultant of a property proposed for acquisition by the System. The formal approval process is attached as Appendix 2 to this document.

#### c. Funding Procedures

The Manager shall provide the Staff and Consultant with a critical dates list with respect to an acquisition, including document execution and funding and closing dates, updating the list as necessary.

### 3) *Control and Monitoring*

#### a. Budget and Management Plan

After the end of the fiscal year, each SMA Manager shall submit a Budget and Management Plan for the upcoming year for each direct investment and the aggregate SMA portfolio. The Budget and Management Plan must include a narrative strategy and an estimated income and cash flow statement for the ensuing year. The statement will include gross revenues, expenses, percentage rent, additional interest, property management fees, net operating income, tenant improvements, leasing commissions, capital expenditures, cash flow before and after debt service and asset management, incentive and other fees along with quarterly or

## Real Estate Policy

monthly distribution projections.

Staff and Consultant will meet with the Manager personnel directly responsible for portfolio and asset management for a review and evaluation of the reasonableness of the submitted Budget and Management Plan.

During the ensuing year, the Manager shall notify the Retirement System in writing within a reasonable time of the occurrence of any significant event relating to an investment, which was not projected in the submitted Budget and Management Plan.

### b. Annual Disposition Review

SMA Managers shall provide an annual disposition analysis of each asset under management. The disposition analysis shall include hold/sell scenarios over long and short-term periods and incorporate an opportunity cost analysis. The analysis will also provide an evaluation of the asset in light of original investment objectives, the asset's compliance with the current Strategic Plan, Investment Plan and Manager Investment Plan and the reasonableness of the current valuation given market conditions for divestment.

The Annual Disposition Review shall be included in the Budget and Management Plan and the Manager Investment Plan.

### 4) *Manager Monitoring and Retention*

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Performance of the SMA Manager is evaluated by Staff and Consultant quarterly (and more formally, on an annual basis during the Annual Budget and Management Review). The Board maintains the right to terminate an SMA manager at any time they deem such action to be in the best interest of the System.

### B. Commingled Funds

The following procedures will be utilized in the selection, closing and monitoring of specific CF investments.

#### 1) *CF Selection Process*

- a. Consultant reviews current offerings and Board requests using criteria established in the approved Strategic and Annual Investment Plans.
- b. Consultant and Staff concur on recommendations to go to the Board.
- c. Consultant and Staff present recommendations to the Board for approval.

2) *CF Screening Standards*

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- a. CF vehicles will be used to provide either 1) unique or opportunistic strategies which are not readily available through separate accounts, or 2) exposure to property categories not adequately represented in the portfolio.
- b. Funds with competitive terms/structure on overall basis including fees, expenses, governance provisions, lockup periods, reasonableness of fund-raising goals in relation to existing assets and capacity.
- c. Funds/managers with favorable track records evaluated in context of property type(s) invested in and risks taken (leverage, leasing, development, redevelopment, etc.). No investment in a first-time fund unless the fund sponsor has experience investing institutional capital as a fiduciary and can show full cycle returns (e.g. buy, hold and sell) using the same strategy.
- d. Funds with favorable management factors, including experience of personnel, length of time management has worked together, incentive-oriented compensation structure for decision-makers, etc.
- e. Funds with manager interests aligned with investors -- either by co-investment or performance-oriented fees or both.
- f. Funds may be referred to the consultant. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy.

3) *CF Control and Monitoring*

CF investments will be monitored quarterly by Staff, with Consultant's assistance, to evaluate investment performance and to ensure compliance with vehicle documents.

C. Performance Measurement Report

On a quarterly basis, the Consultant will prepare a comprehensive report addressing each investment and/or asset, SMA, and Manager. The evaluation system shall provide such information as may be required by the Plan to understand and administer its investments and Managers.

The content of the report shall include attributes for the assets individually (under SMAs), the investment managers and the total portfolio including: income, appreciation, gross and net returns, cash-flow, internal rate of return, diversification, comparisons to relevant industry performance indices and information reporting standards, and Strategic Plan and Investment Plan compliance. Each investment will be reviewed for significant events and projected performance and an opinion provided with respect to Manager performance. Budget and Management Plan variances, as reported by SMA Managers, will also be provided.



## Real Estate Policy

The Consultant shall prepare and forward to the Plan a Performance Measurement Report within ninety (90) days following the last day of each quarter given receipt of full and complete manager reporting. (Amended 10/06/16)

### HISTORY

3.5 Adopted: November 17, 2005

Revised:

07/20/2006	05/03/2007	08/20/2009	10/06/2016	11/18/2021
09/07/2006	04/17/2008	09/18/2014	09/06/2018	<a href="#">10/20/2022</a>
01/18/2007	07/10/2008	09/16/2015	10/03/2019	
02/01/2007	06/18/2009	12/17/2015	10/01/2020	

APPENDIX 1 - DEFINED ROLES FOR PARTICIPANTS

**Duties of the LAFPP Board**

- Establishes the role of the real estate investment program in light of the total portfolio objectives.
- Approves the allocation to real estate and approves any adjustments to the allocation which may from time to time be necessary.
- Approves the Strategic Plan (Objectives, Policies and Procedures) and the Investment Plan for the real estate program.
- Reviews the real estate portfolio on a semi-annual basis to evaluate the investment performance and to ensure compliance with policy guidelines and approved Investment Plans.
- Reviews and approves Requests for Information as developed by Staff and Consultant to be used in Separately Managed Account (“SMA”) manager selection.
- Reviews recommendations for selection of Managers, Investment Partners or Ventures, and Commingled Fund Sponsors and approves firms for selection.
- Reviews recommendations for removal of Managers and takes appropriate action.
- Reviews Staff and Consultant recommendations on asset purchase and sales and takes appropriate action.
- Reviews Staff and Consultant summary of and recommendations with regard to Manager Investment Plans and Budget and Management Plans.

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**Duties of the LAFPP Staff**

- Reports to the Board on matters of policy.
- Oversees Consultant’s preparation of the Strategic Plan and Investment Plan.
- Participates with the Consultant in the Annual Real Estate Portfolio Review, including Budget and Management Plans and presents summary findings to the Board.
- Brings any non-conforming items or significant issues to the attention of the Board.
- Documents and monitors funding procedures.
- Completes any other activity as directed by the Board.
- Monitors the performance of the real estate portfolio.
- Attends quarterly meetings, annual meetings, Advisory Board meetings and on-site due diligence meetings.

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***Separately Managed Account (“SMA”) Duties:***

- Conducts searches for professional services and investment managers and, with the assistance of the Consultant, recommends finalists to the Board for approval.
- Oversees preparation of annual Manager Investment Plans. Presents and recommends Manager Investment Plans to the Board for review.
- Reviews the Budget and Management Plans prepared by SMA Managers and presents summary findings to the Board.
- Reviews Preliminary Investment Packages and compliance analysis prepared by SMA Managers and submits the results to the Board.

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## Real Estate Policy

- Reviews fees for compliance and ensures that Incentive Fees are processed appropriately.
- Performs other duties required to execute the SMA Investment Procedures.
- ~~Monitors~~ Manages the closing process, and with legal counsel, reviews and executes any required documentation for acquisitions, refinancing~~s~~ and other capital transactions between SMA Managers and the Retirement System.
- Conducts on-site due diligence on each asset with a target portfolio rotation of once every three years.

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In the event that an SMA Manager(s) is terminated by the LAFPP Board, the following actions shall be carried out by LAFPP staff in conjunction with the LAFPP Board's Consultant:

- Deliberate and appoint an Independent Appraisal Firm to determine the Value of SMA Asset(s).
- Provide a First Draft of the Independent Appraisal Firm's Report to the incumbent SMA Manager(s) and to the newly appointed SMA Manager(s) for review and comment.
- The incumbent SMA Manager(s) and newly appointed SMA Managers(s) shall provide one (1) round of comments to the Consultant who will share such comments with the Independent Appraisal Firm.
- The Independent Appraisal Firm, at its sole discretion, may review and consider comments from both the incumbent SMA Manager(s) and the newly appointed SMA Manager(s) prior to issuance of a Final Appraisal Value to be considered the final SMA Asset(s) Transfer Value.

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### ***Commingled Fund ("CF") Duties***

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- With the assistance of the Consultant, conducts screening, review, and selection for recommendation of CF offerings.
- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.

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### **Duties of the Consultant**

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- Reports directly to the Board, and Staff on matters of policy.
- Brings any non-conforming items or significant issues to the attention of the Staff and/or Board.
- Monitors the performance of the real estate portfolio and compliance with approved policy.
- Prepares the Strategic Plan and Real Estate Investment Plan and, in conjunction with Staff, presents the Plans to the Board for review.
- Prepares a quarterly Performance Measurement Report (PMR) to evaluate investment performance and to ensure compliance with policy guidelines and approved Investment Plans. Presents reports semi-annually.
- Assists Staff in the Annual Real Estate Portfolio Review.
- Provides Staff and/or Board with topical research and education on investment subjects that are relevant to LAFPP.

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### **Separately Managed Account ("SMA") Duties**

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## Real Estate Policy

- Assists Staff in conducting searches for investment managers and preparing recommendations for the Board.
- Oversees Manager preparation of annual Manager Investment Plans, and, in conjunction with Staff, presents Plan summaries to the Board.
- Reviews the Budget and Management Plans prepared by SMA Managers and, in conjunction with Staff, present summary findings to the Board.
- Reviews proposed acquisitions for pricing comparability with independent market information and provides final recommendation for approval/disapproval of each acquisition.
- Performs other duties required to execute the SMA Investment Procedures.

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### ***Commingled Fund Duties***

- Conducts, or assists Staff in conducting analysis of Commingled Fund offerings in accordance with the Commingled Fund selection process.
- Provides written analysis of Commingled Funds as requested by Staff.

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### **Duties of the Manager**

- Provides performance measurement data in form and substance as requested by the System.

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### ***Separately Managed Account Managers:***

- Acquires, manages and disposes of assets on behalf of the System.
- Adheres to the most recent version of the Real Estate Information Standards established jointly by the National Council of Real Estate Investment Fiduciaries ("NCREIF"), the Pension Real Estate Association ("PREA") and the National Association of Real Estate Investment Managers ("NAREIM") ("Information Standards").
- Prepares Manager Investment Plans to be submitted to the Staff and Consultant.
- Prepares Preliminary Investment Packages to be submitted to the Staff and Consultant.
- Adheres to the Board approved acquisition procedures detailed in Exhibit A.
- Prepares Budget and Management Plans to be submitted to the Staff and Consultant.
- Meets with Staff and Consultant for the Annual Real Estate Portfolio Review.
- Provides Consultant, when requested, Annual Review information.
- Assists the Staff in preparing funding procedures.

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### ***Commingled Fund Managers:***

- Adheres to reporting standards established by the CFA Institute and complies with generally accepted accounting principles ("GAAP").
- Executes and performs its duties under the terms of the investment vehicle documents.
- Provides timely requests for capital contributions.

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## Real Estate Policy

- Provides quarterly financial statements and annual audited reports.
- Conducts no less frequently than annual meetings with Staff and Consultant to discuss important developments regarding portfolio, investment and management issues.

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### **Duties of the Legal Counsel**

- Legal counsel for the System as a representative of the Plan, will review upon request, all real estate related documents and/or provide advice for special investment situations as needed.

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**APPENDIX 2 - LAFPP APPROVAL PROCESS**  
(Separately Managed Accounts Only)

Step 1

A preliminary Investment Recommendation from the investment advisor will be presented to the full Board, for review and approval, including a full description of the property and market details, the investment advisor's best estimates of all numbers, a detailed description of all known environmental issues (if any), a detailed due diligence budget and a detailed summary of the pros/cons of the transaction.

Step 2

The Board will review and approve or disapprove the transaction. Any approval of the transaction by the Board will be required to include the affirmative vote of at least one of the active Fire and Police representatives and will be subject to investment advisor's satisfaction of the following requirements (the "Closing Requirements"):

- A letter from the investment advisor to the CIO certifying that it has found nothing in the due diligence process which materially and adversely impacts its investment recommendation. If the investment advisor's due diligence discovers any new matters that would have a material and adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall include a copy of all third party reports.
- The letter shall include a representation by the investment advisor that there are no adverse environmental matters that were not previously disclosed to the Board, other than those described in the initial report that was presented to the Board for review and approval. If there are any new environmental matters that would have an adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall also include a representation by the investment advisor that to the investment advisor's best knowledge, the projected IRR of the property will equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board. If the projected IRR will not equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board, then such new projected IRR will be subject to review and approval by the Board.
- A letter from the Fund's SMA Manager to the CIO certifying that the appraised value of the property is not less than 95% of the final purchase price. If the appraisal does not equal or exceed 95% of the final purchase price, then the transaction will be subject to review and approval by the Board. Per the Real Estate Consultant's cover memo, this appraisal requirement will be discussed with the Board and revised according to Board direction should the Board elect a change.

## Real Estate Policy

- A letter from the Fund's real estate consultant to the CIO with a positive written recommendation to proceed with the transaction. If the Fund's real estate consultant does not recommend the transaction, then the transaction will be subject to review and approval by the Board.
- A letter from the CIO to the investment adviser (copy to the Board) stating that the requirements in Step 2 have been satisfied. If the CIO does not state in writing that the requirements in Step 2 have been satisfied, then the transaction will be subject to review and approval by the Board.

### Step 3

If the Closing Requirements in Step 2 above are satisfied (and remain satisfied through the closing of the transaction), then the investment advisor can close the purchase without returning to the Board for a second approval.

If any of the Closing Requirements in Step 2 are not satisfied (or if any such Closing Requirements fail to remain satisfied through the closing of the transaction), then the investment advisor will be required to return to the Board for approval of a closing with respect to any unsatisfied Closing Requirement.

## Los Angeles Fire & Police Pension System

### 4.0 - COMMODITIES POLICY

#### INTRODUCTION

4.1 The Board has a ~~one percent~~ one percent (1%) allocation to Commodities with an allowable range of +24%. Commodities Investments are understood to mean investing in fungible basic goods or resources used as an input in the production of other goods and services. They may include, but are not limited to the following:

- Energy
- Agriculture
- Metals
- Timber
- Water
- Infrastructure

#### INVESTMENT OBJECTIVES

4.2 The asset class offers diversification to the System's overall investment program through historically low correlation with equities and bonds. In addition, Commodities can act as a hedge against inflation. The ~~System invests in private market commodities via asset class has two components: public markets and private markets with the objective of providing. The role of public commodities is to provide an additional source of alpha. The role of private commodities is to provide diversification and generating return, and high returns. However, investments are not expected to in public or private commodities do not provide direct exposure to natural resources.~~

~~The benchmark for the passive public commodities investments is a Commodities Custom Index comprised of the S&P Global Natural Resources Index, the S&P Global Water Index, the S&P Global Clean Energy Index, the S&P Commodity Producers Agribusiness Index, the S&P Global Timber & Forestry Index, and the Dow Jones Brookfield Global Infrastructure Composite Index. The benchmark for the commodities derivatives based investments is the Bloomberg Commodity Index, formerly the Dow Jones UBS Commodity Index. The benchmark for the private commodities investments is the S&P 500 plus 2.5%.~~

#### COMMODITIES INVESTMENTS

~~4.3 The System has approved investing in Public Equity and Private Equity commodities strategies - -~~

~~A. The Public Equity strategy includes but is not limited to the purchase of equities, Master Limited Partnerships (MLPs), Exchange Traded Funds (ETFs), and convertible and corporate bonds of commodity related public companies. The intent of employing this strategy is to gain relatively low cost, liquid, secure and transparent exposure to Commodities. The System shall use separately managed~~

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## Commodities Policy

~~accounts to implement the Public Equity strategy.~~

~~B.4.3 The Private Equity component includes entering into~~ Limited Partnerships in commingled funds with private equity firms involved in Commodities investments. See Section 2.0 – Private Equity Investments Policy for more detailed information.

~~The System utilizes the strategies to create diversification within the Commodities portfolio.~~

### PROGRAM MONITORING AND EVALUATION

4.4 The System's ~~General Consultant and~~ Private Equity ~~Investment Consultant~~~~Manager(s)~~ shall report in writing at least quarterly on the portfolio as a whole and on each individual investment for the portfolio, return and portfolio structure ~~using an. A time-weighted method of performance measurement will be used for the Public Equity strategy. An~~ internal rate of return ~~calculation methodology will be used for the Private Equity strategy.~~

### HISTORY

4.5 Adopted: September 18, 2014

Revised:

09/06/2018 10/01/2020 10/20/2022

10/03/2019 11/18/2021

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## **Los Angeles Fire & Police Pension System**

### **5.0 - EMERGING MANAGERS POLICY**

#### **POLICY STATEMENT**

- 5.1 It is the policy of the City of Los Angeles to utilize Minority Business Enterprises (MBE), Women Business Enterprises (WBE), and all Other Business Enterprises (OBE) in all aspects of contracting relating to procurement, construction and personal services (Executive Directives 1-B and 1-C). In addition, it has been the experience of the Board of Fire and Police Pension Commissioners that certain minimum requirements of size and experience as a firm have excluded investment managers whose past performance and style of management made them otherwise qualified to manage the Pension System's assets.

To further the City's policy, and to provide the Board with opportunities to contract with managers excluded from past searches, it shall be the policy of the Board that emerging managers be provided opportunities to compete for and participate in investment manager contracts awarded by the Board. This allows the Board to identify potentially talented investment management organizations in their early growth stage, and also recognizes that smaller firms may be more flexible and able to take advantage of opportunities to generate alpha because of their size. The provision of these opportunities is to be consistent with the fiduciary responsibilities of the Board. Staff will conduct outreach to identify firms that have ownership by one or more minorities, women, persons with disabilities, US Military veterans, and/or lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals. (Amended 01/20/22)

#### **PUBLIC EQUITIES AND FIXED INCOME CRITERIA FOR PUBLIC SECURITIES EMERGING MANAGER SEARCHES**

- 5.2 For all public security assets, emerging managers retained directly by LAFPP are defined as independent investment management firms that manage less than \$3 billion in firm-wide assets. The Board shall review the definition of emerging manager for each emerging manager search that is conducted.

Prior to a search in any part of its public equity or fixed income portfolio, the Board will determine whether it will conduct an emerging manager search in that same asset category. For each case, the Board shall determine whether it will implement the emerging manager search.

Any search for an emerging manager will be conducted separately from other searches, including a search for an investment manager of the same style to run assets of such an amount as to preclude emerging managers from participating in the search.

As a guide for any direct emerging manager searches by LAFPP, Staff and/or the General Investment Consultant is directed to use the minimum following qualifications in the preliminary screening. (Amended 10/03/19)

## Emerging Managers Policy

### QUALIFICATIONS

- 5.3 A. One year of operation as an investment management firm as of the date of the search.
- B. The portfolio manager(s) assigned to the Pensions account must each have a minimum of five years of experience in investment management.
- C. As of the date of the search, the firm must have a minimum of \$30 million in institutional assets under management of which \$10 million must be in the proposed investment style.
- D. The firm must have at least one tax-exempt account under management.

The above qualifications and criteria shall remain in place until such time as they are revised by the Board. The Board may revise any of the above minimum qualification for any specific search if it is deemed appropriate for that specific search.

### MONITORING AND CHANGE OF STATUS

- 5.4 Emerging managers and managers of emerging managers shall be subject to the standard Monitoring and Watch Status procedures of LAFPP. Staff will report to the Board annually regarding any change of status of emerging managers in the Program.

When an emerging manager is retained directly by LAFPP, Staff shall automatically notify the Board when that emerging manager's assets under management grow larger than the LAFPP Policy-defined maximum assets under management of \$3 billion.

When an emerging manager is retained by LAFPP through manager of emerging managers, the manager shall automatically notify the LAFPP Board when an emerging manager exits the portfolio due to growth in the emerging manager's assets under management. (Amended 11/18/21)

### MANAGER TERMINATION

- 5.5 For any emerging manager retained directly by LAFPP for the management of public securities, notwithstanding the provisions of Section 8.0 – Manager Selection and Retention, the Board delegates to Staff the authority to terminate the investment management contract. (Amended 04/17/14)

### GRADUATION POLICY

- 5.6 LAFPP expects that successful emerging investment management firms will grow beyond the maximum \$3 billion in assets under management required to be categorized as an emerging manager. Opportunities for larger mandates may occur for emerging managers when, from time to time, LAFPP evaluates asset class structure or conducts manager replacement searches. Prior to LAFPP conducting an external search for an active manager, managers participating in

## Emerging Managers Policy

LAFPP's emerging manager program that meet the minimum investment criteria will be considered in the search. (Amended 11/18/21)

For the Private Equity Specialized Fund Manager program, the emerging managers have an opportunity to graduate to the core private equity portfolio when they reach their fourth fund. An emerging manager may also graduate to the core portfolio early (typically with their third fund) if the Board approves a commitment to the fund for the core portfolio.

### FUNDING

- 5.7 When an emerging manager is selected by the Board, the size of funding will be determined based on the needs of the Systems and the capacity and experience of the manager. In no case shall the Board's funding exceed fifty percent of the total assets managed in a similar product or style of portfolio by the manager, including the Board's allocation. (Funding language added 3/14/91)

As part of any Staff and or General Investment Consultant analysis and recommendations regarding the asset manager structure, Staff is directed to address the System's Emerging Manager Policy.

### NUMBER OF EMERGING MANAGERS

- 5.8 The number of emerging managers in each major asset class shall not exceed the number of non-emerging managers.

### REAL ESTATE CRITERIA FOR REAL ESTATE EMERGING FUND MANAGER SEARCHES

- 5.9 The Emerging Fund Manager Real Estate firms shall be evaluated based on the following criteria:
- A. Emerging Fund Managers will be defined as those with less than \$3 billion in assets under management, fewer than five (5) years as an institutional manager and/or those offering an initial institutionally focused commingled fund vehicle.
  - B. The firm should currently manage no less than \$100 million in the selected strategy. In the absence of current assets under management, a realized track record reflecting implementation of the strategy to the same degree is acceptable. A preference for other public fund experience will be given.
  - C. The capital to be allocated may not exceed 35% of the firm's total assets under management after the allocation and no more than 20% of capital raised for a specific commingled vehicle.
  - D. No client can represent more than 50% of the management firm's total assets under management.
  - E. Any firm with less than a five-year track record may utilize track records established at prior firms when performance can be clearly attributed to the

## Emerging Managers Policy

emerging firm's key individuals and/or the specific team associated with the opportunity.

### **PRIVATE EQUITY SPECIALIZED FUND MANAGERS CRITERIA FOR SELECTION OF PRIVATE EQUITY SPECIALIZED FUND MANAGERS**

- 5.10 Barriers to entry for new firms launching established or new product strategies often provide opportunity to capitalize on niche management firms and/or strategies. Therefore, the Private Equity Specialized Fund Manager program includes private equity commitments to funds that may have one or more of the following characteristics:
- A. First, second, or third-time institutional funds and,
  - B. With a stated target size of approximately \$500 million or less, and that may have,
    - Funds with managers that include one or more minorities, women, LGBTQ, persons with disabilities, and/or US Military veterans at the General Partner level, and/or
    - Funds that serve or invest in underserved communities, and/or
    - Funds that invest in companies located in Los Angeles or California.

See Section 2.0 – Private Equity Investments Policy for more detailed information.

### **HISTORY**

5.11 Consolidated Policy Adopted: April 18, 2013

Revised:

10/06/2016	10/03/2019	11/18/2021
09/06/2018	10/01/2020	01/20/2022

Public Equities and Fixed Income Policy Adopted: February 21, 1991

Revised:

05/20/1993	07/09/2009	09/18/2014	10/03/2019	11/18/2021
03/19/1997	04/17/2014	09/06/2018	10/01/2020	

Real Estate Policy Adopted: August 3, 2006

Revised:

04/17/2008	09/18/2014	09/06/2018	11/18/2021
07/10/2008	10/06/2016	10/03/2019	

## Los Angeles Fire & Police Pension System

### 6.0 - RISK MANAGEMENT POLICY

#### INTRODUCTION

- 6.1 The Board recognizes that risk is inherent in any investment program. The prudent investor acknowledges the existence of risk and structures an investment program so as to identify, quantify and compensate for risk, while attempting to achieve an appropriate risk-adjusted rate of return.

Consequently, the Board has determined to adopt and implement a Risk Management Policy. The purpose of this Policy is to provide guidelines for the management of investment risk of the System assets in support of the fiduciary obligations of the Board, consistent with the governing principles and other policies of the Plan. Risk will be considered in every aspect of the investment program, beginning with the asset allocation process and continuing through the determination of the structure of asset classes, the selection and retention of investment managers and the measurement of investment performance.

#### RISK

- 6.2 Webster's defines risk as "possibility of loss or peril...the chance of loss..." For investment purposes, a useful definition for risk is the degree of possibility that the return on an investment over a particular time period will be something other than the expected return.

Risk comes from many sources. Market risk, interest rate risk, manager specific risk, counterparty risk, liquidity risk are but a few. The biggest risk facing the Board is that, over the long term, the investment program will not achieve the System's actuarially assumed rate of return. This would jeopardize the Plan's ability to provide retirement benefits to the System's members and their beneficiaries, and would increase, rather than minimize, the City's contributions.

#### RISK POLICY

- 6.3 In order to mitigate the effects of risk on the System's investment program, the Board has adopted the following policies:
- A. An asset allocation study will be conducted every three to five years, and an asset/liability study no longer than at least every 6 years. Analysis has repeatedly shown that 90% to 95% of investment returns are determined solely by asset allocation. The Board acknowledges the critical importance of asset allocation to the success of the investment program and directs that the allocation will be reviewed no less frequently than annually.
  - B. The asset allocation study will utilize the concepts of Modern Portfolio Theory to identify an efficient portfolio given the Board's desired level of return and tolerance for risk, i.e., return, risk, correlations between asset

## Risk Management Policy

- classes, mean variance optimization and constraints to ensure prudent exposures to strategies and risk factors. The Board will approve a level of risk when approving the asset allocation, after due consideration of the potential impact on the System of the failure of the asset allocation to yield the expected return. The Board's tolerance for risk is dependent upon various factors and may change with ~~circumstances, but~~circumstances but is based on the knowledge that (1) the investment horizon of the Pension System is very long, (2) investment losses are inevitable but smaller losses are easier to recover from than larger losses, and (3) the Board's risk tolerance is not influenced by the actuarially assumed rate of return.
- C. The Board will evaluate risk when determining the structure of the asset allocation. The implementation of the asset allocation involves decisions such as active versus passive management of investments and the number of investment managers to use in a particular asset class. Passive management usually yields better risk adjusted returns than active management in the more efficient asset classes, while in the less efficient asset classes it is more likely that active managers will be able to deliver returns in excess of those achieved by passive managers. The use of multiple managers in an asset class requires evaluation of the resulting fee structure and the possibility of reduced diversification in overlapping portfolios, versus the increase in manager specific risk with fewer managers.
- D. The asset allocation will take into consideration the System's needs for liquidity. The amount, timing and frequency of the System's requirements for liquidity will be analyzed as part of the asset allocation process, with the understanding that some asset classes provide better liquidity than others, that market cycles can affect the availability of liquidity, and that System assets held as cash are not available for investment in higher-yielding asset classes.

### HISTORY

~~6.4~~ Adopted: September 18, 2014.

~~Revised:  
10/20/2022~~

~~6.4~~ ~~Revised: October 20, 2022.~~

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## Los Angeles Fire & Police Pension System

### 7.0 - PROXY VOTING POLICY

#### PROXY ISSUES

The Board delegates to the General Manager the voting of normally routine proxy solicitation matters, such as election of directors and appointment of independent auditors. Exceptions shall be brought to the Board's attention at the General Manager's discretion.

The Board instructs the General Manager to use his or her discretion as to whether or not proxy issues may be voted by Staff for the purpose of protecting the Pension System's economic interest, when such issues are not covered in the existing guidelines or timing does not allow the issue to be brought to the Board. The General Manager will report to the Board on all votes cast in this manner.

On an annual basis, Staff will ~~bring~~present to the Board a summary of proxy voting activities conducted by the proxy voting provider for all domestic equities. The report will review the number of management proposals, shareholder proposals, and the percentage of time the proxy voting provider voted for or against each proposal.

In researching potentially significant proxy issues, the General Manager is also instructed to obtain and consider recommendations from the applicable investment advisor(s) on proxy issues which may have an economic impact on the corporation or on the value of its equity.

As to proxy matters for non-U.S. securities, the Board delegates to the international equity advisors the authority to vote the Board's proxies using the guidelines set forth above for the General Manager on U.S. proxy matters.

The Board authorizes the General Manager to vote accordingly on the following proxy issues:

#### MANAGEMENT PROPOSALS - FOR

- 7.1 **Ratify Selection of Auditors** – Vote for unless the non-audit services exceed 40% of fees or auditor tenure is greater than 20 years.
- 7.2 **Name Change** – Always vote for a management proposal to change the company name.
- 7.3 **Adjourn Meeting** – Always vote for a management proposal to adjourn the meeting.
- 7.4 **Technical Amendments** – Always vote for a management proposal to make technical amendments to the charter and/or bylaws.
- 7.5 **Financial Statements** – Always vote for a management proposal to approve financial statements.



## Proxy Voting Policy

- 7.6 **Decrease or Amend Authorized Common Stock** – Always vote for a management proposal to decrease or amend authorized common stock.
- 7.7 **Issuance or Exercise of Stock Warrants** – Always vote for a management proposal to approve the issuance or exercise of stock warrants.
- 7.8 **Decrease or Amend Authorized or Cancel Series of Preferred Stock** – Always vote for a management proposal to decrease or amend authorized preferred stock or to cancel a class or series of preferred stock.
- 7.9 **Preemptive Rights** – Vote for a management proposal to create or restore preemptive rights, and vote against a management proposal to eliminate preemptive rights.
- 7.10 **Dual Class Stock** – Always vote for a management proposal to eliminate authorized dual or multiple classes of common stock. Always vote against a management proposal to amend authorized or to increase authorized shares of one or more multiple classes of dual or multiple class common stock.
- 7.11 **Share Repurchase** – Always vote for a management proposal to approve a stock repurchase program.
- 7.12 **Stock Splits** – Always vote for a management proposal to approve or reverse a stock split.
- 7.13 **Recapitalization & Restructuring** – Always vote for a management proposal to approve recapitalization or to restructure the company.
- 7.14 **Reincorporation** – Always vote for a management proposal to reincorporate in a different state.
- 7.15 **Spin-offs** – Always vote for a management proposal to spin off certain company operations or divisions.
- 7.16 **Sale of Assets** – Always vote for a management proposal to approve the sale of assets.
- 7.17 **Cumulative Voting** - Always vote for a management proposal to adopt cumulative voting and against a management proposal to eliminate cumulative voting.
- 7.18 **Indemnification Provisions** - Always vote for a management proposal to indemnify directors or officers or to amend provisions concerning the indemnification of directors and officers.
- 7.19 **Non-Technical Charter Amendments** - Always vote for a management proposal to approve non-technical amendments to the company's certificate of incorporation.
- 7.20 **Non-Technical Bylaw Amendments** – Vote for a management proposal to

## Proxy Voting Policy

approve non-technical amendments to the company's bylaws unless the amendment would have the effect of reducing shareholders' rights.

- 7.21 **Poison Pills** - Always vote for a management proposal to redeem a shareholder rights plan (poison pill).
- 7.22 **Special Meetings** - Always vote for a management proposal to restore shareholders' right to call a special meeting.
- 7.23 **Written Consent** - Always vote for a management proposal to restore shareholders' right to act by written consent.
- 7.24 **Supermajority Requirement** - Always vote for a management proposal to eliminate a supermajority vote provision to approve merger or other business combinations.
- 7.25 **Supermajority Lock-In** - Always vote for a management proposal to eliminate supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.
- 7.26 **Fair Price Provision** - Always vote for a management proposal to repeal a fair price provision.
- 7.27 **Anti-Greenmail Provision** - Always vote for a management proposal to limit the payment of greenmail.
- 7.28 **State Takeover Law** – Always vote for a management proposal seeking to opt out of a state takeover statutory provision.

### MANAGEMENT PROPOSALS - AGAINST

- 7.29 **Other Business** – Always vote against a management proposal to approve other business.
- 7.30 **Increase Authorized Common Stock** – Vote against if the increase is not intended to effect a merger, stock split, or recapitalization.
- 7.31 **Authorize or Increase Preferred Stock** – Vote against if the board has unlimited rights to set the terms and conditions of the shares.
- 7.32 **Issuance or Conversion of Preferred Stock** – Vote against if the dilution represents more than 20% of the total voting power.
- 7.33 **Cumulative Voting** - Always against a management proposal to eliminate cumulative voting.
- 7.34 **Poison Pills** - Always vote against a management proposal to ratify or adopt a shareholder rights plan (poison pill).
- 7.35 **Special Meetings** - Always against a management proposal to limit or eliminate shareholders' right to call a special meeting.

## Proxy Voting Policy

- 7.36 **Written Consent** - Always vote against a management proposal to limit or eliminate shareholders' right to act by written consent.
- 7.37 **Supermajority Requirement** - Always vote against a management proposal to amend or establish a supermajority vote provision to approve merger or other business combinations.
- 7.38 **Supermajority Lock-In** - Always vote against a management proposal to adopt or amend a supermajority lock-in if the changes would result in a complete lock-in on all of the charter and bylaw provisions.
- 7.39 **Non-Financial Effects of Merger** - Always vote against a management proposal to expand or clarify the authority of the board of directors to consider factors other than the interests of shareholders in assessing a takeover bid.
- 7.40 **Fair Price Provision** - Always vote against a management proposal to adopt or amend a fair price provision.
- 7.41 **Advance Notice Requirement** – Vote against a management proposal to adopt advance notice requirements if the provision requires advance notice of more than 60 days.
- 7.42 **State Takeover Law** – Always vote against a management proposal seeking to opt into a state takeover statutory provision.
- 7.43 **Dual-Class Share Structures** – Always vote against the creation of dual-class share structures.

### MANAGEMENT PROPOSALS REGARDING THE BOARD

- 7.44 **Election of Directors** – Withhold votes from director nominees if 40% or more of the directors are (1) employees or (2) have financial ties to the company, if 33% or more serving on the nominating committee are employees or have financial ties, if any director nominee attends less than 75% of the board and committee meetings during the previous fiscal year, if the company does not have an independent chair or lead director, ~~or~~ from audit committee member nominees if non-audit services exceed 40% of fees, or from nominating committee members when (1) average non-employee director tenure is greater than 10 years and no new directors have joined the board in the past 5 years or (2) at large-cap companies, gender diversity on the board is less than 30%. In a contested election, vote for all management nominees.
- 7.45 **Director Liability Provisions** – Always vote for a management proposal to limit the liability of directors or to amend director liability provisions.
- 7.46 **Board Size** – Vote for a management proposal to set the board size unless the board will consist of more than 12 directors or if there is a proposal to give the board the authority to set the size of the board as needed without shareholder approval.
- 7.47 **Filling Vacancies** - Always vote against a management proposal to allow the

## Proxy Voting Policy

directors to fill vacancies on the board without shareholder approval.

7.48 **Director Removal** –Vote on a case-by-case basis on a management proposal regarding the removal of directors.

7.49 **Classified Board** - Always vote for a management proposal to repeal or amend a classified board and against a management proposal to adopt a classified board.

~~7.49~~

### MANAGEMENT PROPOSALS REGARDING COMPENSATION

7.50 **Stock Option Plans** – Vote for a management proposal to adopt, amend, or add shares to a stock option plan for employees except if:

1. The plan dilution is more than 25% of outstanding common stock.
2. The minimum equity overhang of all plans is more than 25% of outstanding common stock.
3. The plan permits pyramiding.
4. The plan allows for the repricing or replacement of underwater options.
5. The plan allows for non-qualified options to be priced at less than 90% of the fair market value on the grant date.
6. The plan has a share replenishment feature (evergreen plan) – that is, it adds a specified number or percentage of outstanding shares for awards each year.
7. The plan allows for multiple awards and does not set a limit on non-option awards.
8. The plan permits time-lapsing restricted stock awards.
9. The company's equity overhang exceeds the 75<sup>th</sup> percentile of its peer group.
10. The plan contains change-in-control provisions.
11. The plan administrator may provide loans to exercise awards.
12. The plan administrator may accelerate the vesting of outstanding awards.
13. The plan administrator may grant reloaded stock options.
14. The company allowed the repricing or replacement of underwater options in past fiscal year.
15. The options granted to the top 5 executives exceed 15% of options granted in the past fiscal year.
16. There is a significant disconnect in pay-for-performance.

7.51 **Limit Annual Awards** – Always vote for a management proposal to limit per-employee annual option awards.

7.52 **Director Stock Option Plan** - Vote for a management proposal to adopt or amend a stock option plan for non-employee directors except if:

1. The plan allows non-qualified options to be priced at less than 95% of the fair market value.
2. The plan dilution is more than 5% of the outstanding common equity.
3. The minimum potential dilution of all plans is more than 20% of the

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## Proxy Voting Policy

- outstanding common equity.
4. The plan or amendment authorizes 5 or more types of awards.
  5. The plan or amendment allows for non-formula discretionary awards.
  6. The amendment increases the size of the option awards.
  7. There is a significant disconnect in pay-for-performance.
- 7.53 **Director Stock Option Addition** – Always vote against a management proposal to add shares to a stock option plan for non-employee directors.
- 7.54 **Employee Stock Purchase Plan** - Vote for a management proposal to adopt, amend, or add shares to an employee stock purchase plan except if:
1. The plan, amendment, or additional shares allow employees to purchase stock at less than 85% of the fair market value.
  2. The plan or additional shares cause dilution of more than 25% of the outstanding common equity.
  3. The minimum potential dilution of all plans, including the proposal, is more than 25% of the outstanding common equity.
- 7.55 **Employment Agreements** – Always vote for a management proposal to approve an employment agreement or contract.
- 7.56 **Deferred Compensation Plan Amendments** – Always vote for a management proposal to amend a deferred compensation plan.
- 7.57 **Amend Annual Bonus Plan** – Always vote for a management proposal to amend an annual bonus plan.
- 7.58 **Reapprove Option/Bonus Plan for OBRA** - Always vote for a management proposal to reapprove a stock option plan or bonus plan for purposes of OBRA.
- 7.59 **Executive Bonus Plans** – Vote for if the company’s stock performance in the last calendar year has exceeded the returns of both the Standard & Poor’s 500 Index and an appropriate peer group index.
- 7.60 **Extend Term of Stock Option Plan** – Always vote against a management proposal to extend the term of a stock option plan for employees.
- 7.61 **Stock Award Plan** – Vote against a management proposal to adopt, amend, or add shares to a stock award plan for executives, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.62 **Director Stock Award Plan** - Vote against a management proposal to adopt, amend, or add shares to a stock award plan for non-employee directors, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.63 **Annual Bonus Plan** – Vote against a management proposal to approve an annual bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.64 **Option/Stock Awards** - Vote against a management proposal to grant a one-

## Proxy Voting Policy

time option/stock award unless the company beat the return of the S&P 500 and an appropriate peer group.

7.65 **Exchange Underwater Options** – Always vote against a management proposal to exchange underwater options (options with a per-share exercise price that exceeds the underlying stock’s current market price).

7.66 **Long Term Bonus Plan** - Vote against a management proposal to approve or amend a long-term bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.

~~7.66~~7.67 **Advisory Vote on Executive Compensation – Vote against a management proposal to approve executive pay program and practices when the company exhibits poor pay for performance.**

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### SHAREHOLDER PROPOSALS – FOR

~~7.67~~7.68 **Shareholder Approval of Auditors** – Always vote for a shareholder proposal calling for stockholder ratification of auditors.

~~7.68~~7.69 **Auditors Must Attend Annual Meeting** - Always vote for a shareholder proposal calling for the auditors to attend the annual meeting.

~~7.69~~7.70 **Limit Consulting by Auditors** - Always vote for a shareholder proposal calling for limiting consulting by auditors.

~~7.70~~7.71 **Rotate Auditors** - Always vote for a shareholder proposal calling for the rotation of auditors.

~~7.71~~7.72 **Restore Preemptive Rights** - Always vote for a shareholder proposal to restore preemptive rights.

~~7.72~~7.73 **Study Sale or Spin-Off** - Always vote for a shareholder proposal asking the company to study sales, spin-offs or other strategic alternatives.

~~7.73~~7.74 **Adopt Confidential Voting** - Always vote for a shareholder proposal asking the board to adopt confidential voting and independent tabulation of the proxy ballots.

~~7.74~~7.75 **Counting Shareholder Votes** - Always vote for a shareholder proposal asking the company to refrain from counting abstentions and broker non-votes in vote tabulations.

~~7.75~~7.76 **No Discretionary Voting** - Always vote for a shareholder proposal to eliminate the company’s discretion to vote unmarked proxy ballots.

~~7.76~~7.77 **Equal Access to the Proxy** - Always vote for a shareholder proposal to provide equal access to the proxy materials for shareholders.

~~7.77~~7.78 **Increase Board Independence** - Always vote for a shareholder proposal seeking to increase board independence.

## Proxy Voting Policy

- ~~7.787~~.79 **Minimum Stock Ownership by Directors** – Vote for a shareholder proposal to require minimum stock ownership by directors unless the minimum level of ownership required is more than 500 shares.
- ~~7.797~~.80 **Directors’ Role in Corporate Strategy** - Always vote for a shareholder proposal seeking to increase disclosure regarding the board’s role in the development and monitoring of the company’s long-term strategic plan.
- ~~7.807~~.81 **Increase Nominating Committee Independence** - Always vote for a shareholder proposal to increase the independence of the nominating committee.
- ~~7.847~~.82 **Create Nominating Committee** - Always vote for a shareholder proposal to create a nominating committee of the board.
- ~~7.827~~.83 **Independent Board Chairman** - Always vote for a shareholder proposal asking that the chairman of the board of directors be chosen from among the ranks of the non-employee directors.
- ~~7.837~~.84 **Lead Director** - Always vote for a shareholder proposal asking that a lead director be chosen from among the ranks of non-employee directors.
- ~~7.847~~.85 **Adopt Cumulative Voting** - Always vote for a shareholder proposal calling for the adoption of cumulative voting.
- ~~7.857~~.86 **Repeal Classified Board** – Always vote for a shareholder proposal to repeal a classified board.
- ~~7.867~~.87 **Redeem or vote on Poison Pill** - Always vote for a shareholder proposal asking the board to redeem or to allow shareholders to vote on a shareholder rights plan (poison pill).
- ~~7.877~~.88 **Eliminate or Reduce Supermajority Provision** - Always vote for a shareholder proposal that seeks to eliminate supermajority provisions.
- ~~7.887~~.89 **Repeal Fair Price Provision** - Always vote for a shareholder proposal that seeks to repeal fair price provisions.
- ~~7.897~~.90 **Restore Right to Call a Special Meeting** - Always vote for a shareholder proposal to restore shareholders’ right to call a special meeting.
- ~~7.907~~.91 **Restore Right to Act by Written Consent** - Always vote for a shareholder proposal to restore shareholders’ right to act by written consent.
- ~~7.947~~.92 **Prohibit Targeted Share Placement** - Always vote for a shareholder proposal to limit the board’s discretion to issue targeted share placements or to require shareholder approval before such block placements can be made.
- ~~7.927~~.93 **Anti-Greenmail Provision** - Always vote for a shareholder proposal to limit greenmail payments.

## Proxy Voting Policy

- 7.937.94 **Restrict Director Pensions** - Always vote for a shareholder proposal calling for the termination of director retirement plans.
- 7.947.95 **No Repricing of Underwater Options** - Always vote for a shareholder proposal seeking shareholder approval to reprice or replace underwater stock options.
- 7.957.96 **Golden Parachutes** - Always vote for a shareholder proposal calling for a ban or shareholder vote on future golden parachutes.
- 7.967.97 **Award Performance-Based Stock Options** - Always vote for a shareholder proposal seeking to award performance-based stock options.
- 7.977.98 **Expense Stock Options** - Always vote for a shareholder proposal establishing a policy of expensing the costs of all future stock options issued by the company in the company's annual income statement.
- 7.987.99 **Pension Fund Surplus** - Always vote for a shareholder proposal that requests future executive compensation be determined without regard to any pension fund income.
- 7.997.100 **Committee Independence** - Always vote for a shareholder proposal to increase the independence of the compensation, audit, or key committees.

### SHAREHOLDER PROPOSALS – ABSTAIN

- 7.1007.101 **Director Tenure/Retirement Age** - Always abstain from voting for a shareholder proposal seeking to limit the period of time a director can serve by establishing a retirement or tenure policy.
- 7.1017.102 **Create Shareholder Committee** - Always abstain from voting for a shareholder proposal urging the creation of a shareholder committee.
- 7.1027.103 **Nominee Statement in Proxy** - Always abstain from voting for a shareholder proposal to require directors to place a statement of candidacy in the proxy statement.
- 7.1037.104 **Double Board Nominees** - Always abstain from voting for a shareholder proposal to nominate two director candidates for each open board seat.
- 7.1047.105 **Director Liability** - Always abstain from voting for a shareholder proposal to make directors liable for acts or omissions that constitute a breach of fiduciary care resulting from a director's gross negligence and/or reckless or willful neglect.
- 7.1057.106 **Opt Out of State Takeover Statute** - Always abstain from voting for a shareholder proposal seeking to force the company to opt out of a state takeover statutory provision.
- 7.1067.107 **Re-incorporation** - Always abstain from voting for a shareholder proposal to reincorporate the company in another state.



## Proxy Voting Policy

- 7.4077.108 **Restrict or Disclose Executive Compensation** - Always abstain from voting for a shareholder proposal to restrict or to enhance the disclosure of executive compensation.
- 7.4087.109 **Restrict Director Compensation** - Always abstain from voting for a shareholder proposal to restrict director compensation.
- 7.4097.110 **Cap Executive Pay** - Always abstain from voting for a shareholder proposal to cap executive pay.
- 7.4107.111 **Approve Executive Compensation** - Always abstain from voting for a shareholder proposal calling for shareholder votes on executive pay.
- 7.4117.112 **Create Compensation Committee** - Always abstain from voting for a shareholder proposal to create a compensation committee.
- 7.4127.113 **Hire Independent Compensation Consultant** - Always abstain from voting for a shareholder proposal to require that the compensation committee hire its own independent compensation consultants – separate from the compensation consultants working with corporate management – to assist with executive compensation issues.

### SHAREHOLDER PROPOSALS – AGAINST

- 7.4137.114 **Improve Meeting Reports** – Always vote against a shareholder proposal to improve annual meeting reports.
- 7.4147.115 **Change Annual Meeting Location** – Always vote against a shareholder proposal to change the annual meeting date.
- 7.4157.116 **Pay Directors in Stock** – Vote against if the resolution would require directors to receive their entire compensation in the form of company stock.
- 7.4167.117 **Pay for Performance** – Vote against compensation committee members at companies with a pattern of pay and performance percentile rankings below peers.

### ENVIRONMENTAL AND SOCIAL ISSUES

- 7.4177.118 **Board Inclusiveness** – Always vote for a shareholder proposal asking the board to include more women and minorities as directors. (Amended 09/16/15)
- 7.4187.119 **Report on Board Composition** – Always vote for the company to report on its diversity initiatives, diversity policies, and adopting targets for diversity on the board.
- 7.4197.120 **Report on Race and/or Gender Pay Equality** – Always vote for a company to report on any issues of racial and/or gender pay gap throughout the

## Proxy Voting Policy

company.

~~7.4207.121~~ **Report on Climate Change Issues** – Always vote for shareholder proposals that request management to “Report on Climate Change” issues.

~~7.4247.122~~ **Report on Environmental/Sustainability Practices** – Always vote for a company to report on the feasibility of implementing sustainable practices and more broadly, the environmental-risks facing the company.

~~7.4227.123~~ **Report on Political Spending and/or Lobbying Activities** – Always vote for a company to report on their direct and indirect political spending and/or lobbying activities.

~~7.4237.124~~ **Firearms Related Issues** – Vote for shareholder proposals encouraging firms to refrain from manufacturing or merchandising firearms that are designated by the California State Attorney General’s Assault Weapons Identification Guide as being illegal for sale within California. Shareholder proposals in connection with other firearms related issues would be reviewed by staff for consideration. (Amended 05/16/13)

~~7.4247.125~~ **Review/Report on/Link Executive Pay to Social Performance** – Always abstain from voting for a shareholder proposal that asks management to review, report on and/or link executive compensation to non-financial criteria, particularly social criteria.

~~7.4257.126~~ **Social Issues** – Abstain from voting on all social issues. The General Manager shall present exceptional issues to the Board.

~~7.4267.127~~ **Board Gender Composition** – Always vote against the nominating committee chair of a board that has no female members and vote against all board directors standing for re-election at companies that have no women on their board.

### HISTORY

~~7.4277.128~~ Adopted: June 20, 1985

Revised:

04/27/1989	05/16/2013	09/06/2018
04/13/1995	09/18/2014	10/03/2019
06/05/2003	09/16/2015	04/16/2020
09/06/2007	10/06/2016	<a href="#">10/20/2022</a>

## Los Angeles Fire & Police Pension System

### 8.0 - MANAGER SELECTION AND RETENTION POLICY

#### BACKGROUND

- 8.1 Consistent with its fiduciary responsibilities, the Board of Fire and Police Pension Commissioners has developed a Manager Selection and Retention Policy to further the goal of generating superior long-term investment performance. This Policy outlines the responsibilities and activities of the Board and Staff with respect to monitoring and evaluating managers after being retained by the Board. The Board constantly reviews manager performance. The goal of the Board is to implement a process that removes managers with no value adding capabilities and retains managers that do add value.

As procedures have evolved at the Department of Fire and Police Pensions, the major responsibility for monitoring and evaluating managers has been assigned to Staff and employed consultants, with the Board assuming overall responsibility for setting investment policy and deciding which managers will be hired or retained. Evaluating the performance of a diverse group of money managers is an important part of carrying out the Board's investment responsibilities. The Manager Selection and Retention Policy, consistently applied, will assist the Board in making informed judgments regarding the capabilities of managers hired by the Fund, and in its decisions concerning retention and termination of money managers.

The policy provides a comprehensive framework for the analysis of manager performance, promotes a long-term attitude towards performance evaluation and serves to communicate investment objectives between the Board, Managers, and its Staff.

#### MANAGER SELECTION CRITERIA

- 8.2 The selection of investment managers is accomplished in accordance with all applicable Local, State, and Federal laws and regulations. Each investment manager, consultant, and custodian functions under a formal contract that delineates responsibilities and appropriate performance expectations.

Criteria will be established for each manager search undertaken by the Board and will be tailored to the Board's needs in such a search. In general, eligible managers will possess attributes including, but not limited to, the following criteria:

1. The firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the Board.
2. The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and in retaining clients.

### **Manager Selection and Retention Policy**

3. The firm must have an asset base sufficient to accommodate the Board's portfolio. In general, managers should have at least \$250 million of discretionary institutional assets under management, and the Board's portfolio should make up no more than 20% of the firm's total asset base at the time of hiring. Exceptions shall be made on a case-by-case basis.
4. The firm must demonstrate adherence to the investment style sought by the Board and adherence to the firm's stated investment discipline.
5. The firm's fees should be competitive with industry standards for the product category.
6. The firm must comply with the "Duties of the Investment Managers" outlined herein and conform to CFA Institute (formerly AIMR) standards for performance reporting.

The General Consultant shall provide to Staff a list of all Investment Managers who have met the minimum search qualifications established by the Board. Staff and the General Consultant shall recommend to the Board a list of finalists to interview. For searches to hire one (1) manager, Staff and the General Consultant shall recommend no more than three (3) finalists. For searches to hire two (2) managers, Staff and the General Consultant shall recommend no more than five (5) finalists.

### **QUALITATIVE/QUANTITATIVE FACTORS TO MONITOR**

- 8.3 The Plan's manager selection process relies heavily upon qualitative analysis in identifying the parts of a manager's organization and investment process that are necessary for superior long-term investment performance. At the time a manager is hired by the Board, the rationale for retaining the manager is outlined and the manager's role in the Board's investment program is clearly established. The review and monitoring process is intended to keep the Board and Staff fully informed of qualitative attributes in a manager's organization.

Quantitative performance evaluation relates to those aspects of a money manager's operation that can be analyzed relative to measurable targets (Appendix 1). Managers hired by the Fund will be measured over a period relevant to their appropriate benchmark, style and peer universe. Managers will be measured net of fees, custody expenses and other costs. Performance attribution will include the manager's style (as reflected by the benchmark), manager skill, sector selection, timing and trading.

Staff will meet with the Fund's managers on a regular basis as part of on-going due diligence. Meetings and other contacts will be documented and will include summaries of and any changes in a manager's organization, personnel, strategy or style.

### **WATCH LIST POLICY**

- 8.4 Managers will be reviewed annually at the end of the calendar year for Watch List inclusion. Managers will be placed on the watch list when their performance is

## Manager Selection and Retention Policy

below the median of their peer group, (provided by the current performance consultant) on a three-year annualized basis, or if there is no comparable peer group comparison, below the expected return for that manager classification. Significant portfolio management personnel or manager style changes are also cause to be placed on the list immediately or to have the contract ended at any time.

When a manager is placed on the list, Staff will speak to the manager and send a letter (Appendix 2) as soon as possible to discuss the Board's concern at which time that manager will sign and return that letter acknowledging their watch list notification by this Board. A manager will remain on the list until the three-year annualized returns improve above the median during the Watch List inclusion review at the end of the calendar year. The Board will have a manager in for a review at one of the scheduled Board meetings during the second consecutive year the manager is on the list. After the Board has met with a manager for their watch status review, further meetings are at the Board's discretion. Performance of the managers on the list will be evaluated annually, with emphasis on the three and five-year returns, until the Board removes the manager from the list or ends the contract.

The Board, Staff and the consultant will monitor the manager's quarterly performance. Consultants will provide information on the manager's performance in relationship to other managers within the same style and universe.

The decision to terminate an investment manager's contract is never taken lightly. Managers are hired after lengthy, time-consuming searches and at the time of hiring have demonstrated the ability to successfully outperform a benchmark and their peers. Termination involves the expense of transitioning the account's assets. It also involves decisions of where to place the assets – with an existing manager or with a newly-hired manager following a new search – and how the assets should be managed, whether with an active manager or a passive (index) manager. When evaluating a manager for termination, longer-term performance should weigh more heavily than shorter-term performance. Market cycles can move against a manager's style for a number of years, yet when the cycle changes the manager will again outperform. A manager may experience a single poor year for a specific reason and the negative effects could impact returns for several reporting periods, yet the manager still retains the ability to deliver outperformance. A manager's performance may regularly beat a benchmark but lag the median performance of its peers, in which case the behavior of the peer universe should be analyzed before assuming that a new search could identify a manager in the group that consistently beat median performance. Identifying and dealing with poorly performing managers is an important part of the Board's risk management responsibilities and necessary if the Fund is to achieve its targeted returns. The decision should be made only after thoughtful analysis involving quantitative and qualitative factors measured over significant time periods.

The following list specifies the factors that the Board and Staff will analyze before making a decision.

- Evaluate the manager's long-term performance relative to the specified benchmark and other relevant benchmarks.

## **Manager Selection and Retention Policy**

- Evaluate the manager's performance ranking compared to managers of the same style. Active managers are expected to generate returns better than their benchmarks and their peers. We look for consistency of returns as well as the degree of under-performance. Rolling three- and five-year returns are more meaningful than shorter periods of time.
- Compare performance of the Fund's portfolio to the manager's other similar mandates.
- Review hiring objectives. Managers are hired for specific reasons: a style or strategy that is expected to add value and contribute to diversification.
- Evaluate personnel. Review the people who establish investment strategy and manage the portfolio.
- Review any changes in ownership. A change in ownership may or may not presage meaningful changes in the organization, key personnel, investment strategy and the decision-making process, however any ownership change needs to be reviewed.
- Review the loss of clients and the addition of new business. Losses may signal problems at the firm Staff haven't noticed yet, while adding new clients too quickly may overload the manager's resources or force a change in investment approach.

Upon the decision to terminate, Staff will implement its termination checklist. All outstanding issues with the custodian bank, brokers, consultants, or other parties and the investment manager are to be resolved before the final payment to the manager.

Staff will have the responsibility to manage the details of terminating an investment manager.

### **REAL ESTATE SEPARATE ACCOUNT MANAGERS**

- 8.5 Real Estate managers will be reviewed on the same basis as other managers. However, due to the longer life and the illiquid nature of real estate investments, a formal review of the performance of the real estate separate account managers will take place in conjunction with the expiration of the contracts with the manager. Interim performance reviews may be conducted as warranted after the completion of the annual appraisals.

The benchmark for the separate account real estate managers is the NFI-ODCE Index plus 0.50%.

### **PRIVATE EQUITY**

- 8.6 The Fund's private equity portfolio is made up of individual partnerships that generally last from 10 to 12 years, with provisions for possible extensions beyond the original term. The interim performance of a partnership investment (anything

## Manager Selection and Retention Policy

prior to the termination of a partnership) may not always be indicative of the final results for a particular partnership. The interim valuations of a partnership's underlying investments (most of which are privately-held companies) reflect a high degree of subjectivity. As a partnership's underlying investments are disposed of, either at a gain or at a loss, the interim performance begins to become more indicative of the partnership's final performance level.

The ultimate measure of a partnership's performance is calculated from the total amount of cash that is contributed (paid-in) to the partnership compared to the timing and amount of cash returned to the Fund. The most common measurement tool is calculating a net compound annual internal rate of return (Net IRR) which is a discounted cash flow analysis of the cash flows to and from the partnership over the life of the partnership. The second most common measurement tool is calculating a net multiple of invested cash (MOIC) which measures the cash that is realized from the investment.

The Fund expects the private equity portfolio to provide a higher return than publicly-traded equities over the long term (10-12 years). The Fund's return benchmark for our alternatives is the S&P 500 plus 2.5%.

### HISTORY

8.7 Adopted: June 10, 1999

Revised:

05/03/2001	08/20/2009	02/05/2015	11/18/2021
02/07/2002	04/18/2013	10/06/2016	<a href="#">10/20/2022</a>
09/18/2003	09/18/2014	09/06/2018	
05/03/2007	10/16/2014	10/03/2019	

## Manager Selection and Retention Policy

### APPENDIX 1 - PERFORMANCE BENCHMARKS

S&P 500: The Standard & Poor's 500 Index covers 500 large cap stocks representing approximately 80% of the total U.S. equity market capitalization. Companies included in the index have market capitalizations of \$13.1 billion or greater. A company's weight in the index is proportional to its market value. This index is used as a benchmark for large cap domestic equity managers.

S&P 600: The Standard & Poor's 600 Index covers 600 small cap stocks that meet investability and financial viability criteria. Companies included in the index have market capitalizations ranging from \$850 million to \$3.6 billion. A company's weight in the index is proportional to its market value. This index is used as a benchmark for small cap domestic equity managers.

Russell 3000: The Russell 3000 Index consists of the 3,000 largest U.S. companies as measured by total market capitalization, representing approximately 98% of the investable U.S. equity market. The largest company in the index has a market cap of approximately \$2,172 billion and the smallest company is roughly \$257 million. The Russell 3000 Index is the overall domestic equity benchmark.

Russell 2000: An index consisting of the roughly 2,000 smallest securities contained in the Russell 3000 equity market. The average market capitalization of companies in the index is approximately \$3 billion. This index is used as a benchmark for domestic small cap equity managers.

Russell 2000 Growth: A small cap growth index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with higher price-to-book ratios and higher forecasted growth values. The average market value cap for stocks in this index is \$3.8 billion and the median market cap is \$1.36 billion. This index is used as a benchmark for domestic small cap growth equity managers.

Russell 2000 Value: A small cap value index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with lower price-to-book ratios and lower forecasted growth values. The average market value cap for stocks in this index is \$2.89 billion and the median market cap is \$1.09 billion. This index is used as a benchmark for domestic small cap value equity managers.

Russell 1000 Growth: An index compiled from the stocks of the companies in the Russell 1000 which reflect a greater than average growth orientation. Stocks in the index tend to exhibit higher price-to-book and price-earnings ratios, and other growth characteristics. The index contains stocks from approximately 501 companies. It is used as a benchmark for large cap domestic equity growth managers.

Russell 1000 Value: An index compiled from the stocks of the companies in the Russell 1000 which reflect lower price-to-book ratios and lower expected growth. The index contains stocks from approximately 848 companies. The index is used as a benchmark for large cap domestic equity value managers.

S&P Developed Ex U.S. Small Cap: The Standard & Poor's developed Ex-U.S. Small Cap index covers the lowest 15% of the market cap in each developed country, excluding the U.S. The average market cap of stocks in this index is \$1.2 billion and the median cap



## Manager Selection and Retention Policy

is \$630.6 million. A company's weight in the index proportional to its market value. This index is used as a benchmark for international developed small cap managers.

MSCI ACW ex U.S.\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for international equity managers.

MSCI ACW ex U.S. Growth\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures growth style characteristics as defined by long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term EPS growth trend and long-term historical sales per growth trend. The index is used as a benchmark for international equity growth managers.

MSCI ACW ex U.S. Value\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures value style characteristics as defined by book value to price, 12-month forward earnings to price and dividend yield. The index is used as a benchmark for international equity value managers.

MSCI EAFE Index\*: The Morgan Stanley Capital International Europe, Australasia, and Far East Index is a market capitalization weighted index consisting of developed markets outside of the U.S. and Canada. It is maintained by MSCI Barra. The index ranks each stock in the investable universe from largest to smallest by market capitalization. The index includes a selection of stocks from 21 developed markets but excludes those from the U.S. and Canada. The index has been calculated since December 31, 1969, making it the oldest international stock index. It is probably the most common benchmark for foreign stock funds.

MSCI EAFE Small Cap Index: The Morgan Stanley Capital International Europe, Australasia, and Far East Small Cap Index is a market capitalization weighted index consisting of small cap developed markets outside of the U.S. and Canada. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The average market value cap for stocks in this index is \$1,325 million and the median market cap is \$862 million. The index is used as a benchmark for international developed small cap managers.

MSCI Emerging Markets\*: The Morgan Stanley Capital Emerging Markets Free Index is composed of securities from companies of 27 emerging market countries in Europe, Latin America, Asia and the Pacific. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for emerging markets managers.

## Manager Selection and Retention Policy

Bloomberg U.S. Long Government/Credit Bond Index: The U.S. Government/Credit Long Index is a broad market index similar in composition to the Government/Credit. The Long index is composed of those bonds within the Government/Credit index that have maturities of 10 years or greater. This index is used as a benchmark for the fixed income long duration manager.

Bloomberg U.S. Universal Bond Index: The index covers most of the different sectors in the U.S. fixed income market including the high yield sector. The index is used as a benchmark for our fixed income allocation.

Bloomberg U.S. Aggregate Bond Index: The index covers U.S. dollar denominated investment grade fixed-rate debt including treasury and various corporate bonds. This index is used as a benchmark for our fixed income core and opportunistic managers.

ICE BofA Merrill Lynch U.S. High Yield Constrained Index: The Intercontinental Exchange Bank of America Merrill Lynch U.S. High Yield Constrained Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

Bloomberg U.S. Government Inflation-Linked Bond Index: The index measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market.

3-month Treasury Bill plus 1%: The custom benchmark measures the performance of the Unconstrained fixed income portfolio.

Bloomberg Global Aggregate Credit Index USD Hedged (LGDTRUH): The Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

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ICE BofAML Developed Markets High Yield Index USD (HYDM): ICE BofA Developed Markets High Yield Index is a subset of ICE BofA Global High Yield Index including all securities with a country of risk that is a member of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. The FX G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

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JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP): The most widely followed USD EM sovereign index, the index diversification methodology constrains a country's weight by first adjusting the face amount outstanding and then applying an additional layer of maximum weight cap of 10%. The EMBI Global Diversified has the same instrument composition as the market-cap weighted EMBI Global index. Country criteria requires that GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years. Securities allowed consist of all fixed, floaters, amortizers, capitalizers, and loans with a \$500MM minimum face amount outstanding and a minimum of 1 year till maturity to maintain inclusion. The index includes quasi-sovereign securities.

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## Manager Selection and Retention Policy

Credit Suisse Leveraged Loan Index (CSLLTOT ) (together the "Index"): The Credit Suisse Leveraged Loan Index is a monthly rebalanced index with an inception date of 31 December 1991. This index includes loan facilities rated "5B" or lower, i.e. the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+, with the tenor being at least one year. Issuers from developed countries are included; issuers from developing countries are excluded. This index is composed of all fully funded term loan facilities trading in the syndicated loan market, the price of each loan facility is sourced from a pricing vendor widely used by buy-side participants in the leveraged loan markets. All prices are evaluated by the pricing vendor, meaning that they are compiled by the pricing vendor from dealers.

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NCREIF: The National Council of Real Estate Investment Fiduciaries Property Index is comprised of real properties of all types located throughout the United States and owned by tax exempt institutional investors. The Property Index includes properties that are encumbered with mortgages (leverage). However, all returns are reported on a non-levered basis. The NCREIF Property Index has been used since July 1, 2001.

NFI-ODCE: The National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index (NFI) Open-End Diversified Core (ODCE) Index is an index of investment returns reporting on both a historical and current basis of the results of 36 open-end commingled funds pursuing a core investment strategy.

FTSE Nareit All Equity REITs Index: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS in the US.

FTSE EPRA/NAREIT Developed Index\*: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS worldwide.

S&P Global Natural Resources Index\*: ~~The index includes 90 of the largest publicly traded companies in natural resources and commodities business that meet specific requirements, offering investors diversified and investable equity exposure across three primary commodity related sectors: agribusiness, energy, and metals and mining.~~

S&P Global Water Index\*: ~~The index provides liquid and tradable exposure to 50 companies from around the world that are involved in water related business.~~

S&P Global Timber & Forestry Index\*: ~~The index consists of 25 of the largest publicly traded companies engaged in the ownership, management or upstream supply chain of forests and timberlands.~~

S&P Global Clean Energy Index\*: ~~The S&P Global Clean Energy Index provides liquid and tradable exposure to 30 companies from around the world that are involved in clean energy related businesses. The index comprises a diversified mix of clean energy production and clean energy equipment & technology companies.~~

## Manager Selection and Retention Policy

~~S&P Commodity Producers Agribusiness Index\*:~~ The S&P Commodity Producers Agribusiness Index includes the largest publicly traded companies involved in agriculture businesses around the world that meet specific requirements.

~~Dow Jones Brookfield Global Infrastructure Index\*:~~ The Dow Jones Brookfield Global Infrastructure Local Currency Index is designed to measure the performance of pure-play infrastructure companies domiciled globally. The index covers all sectors of the infrastructure market. To be included in the index, a company must derive at least 70% of cash flows from infrastructure lines of business.

\*International indexes are gross total return indexes.

**Manager Selection and Retention Policy**

**APPENDIX 2 - SAMPLE LETTER – WATCH LIST**

Dear:

Notice of Placement on Watch Status

This is to advise you that in accordance with the provisions of the Manager Selection and Retention Policy (Section 8.0) as adopted by the Board of Fire and Police Pension Commissioners, XYZ, Inc. has been formally placed on Watch status. Firms are placed on Watch status when their investment performance, changes in their investment style, or changes within their organization cause the Board concern.

The Purpose of the Manager Selection and Retention Policy is to help ensure the highest levels of performance by Los Angeles Fire and Police Pension Fund's (LAFPP) investment managers. The Policy requires regular evaluations of manager performance against objective standards and identifies those managers whose performance indicates their value-adding capabilities have deteriorated. A copy of the Manager Selection and Retention Policy is enclosed for your reference.

Your firm has been placed on the Watch List following the December 31, 20XX year-end period. The portfolio returned XX.XX% for the three-year annualized basis ending 20XX, which is less than the benchmark of the ABCDE Index at XX.XX%, and places XYZ, Inc. in the XXth percentile in comparison with a peer group of similar managers.

LAFPP Staff will contact you to discuss the specifics of your performance. Staff may also schedule you for a presentation of your plans for improvement before the Board.

Should the Board be dissatisfied with your portfolio's performance, changes in your investment style, or changes within your organization, the Board may, in the best interests of LAFPP, vote to terminate your contract immediately. I wish to stress that the Board retains the right to terminate a manager's contract at any time during the contract period or allow the contract to expire, including while a firm is on Watch status.

If you have any questions, please contact me at 213- 279-3020.

Very truly yours,

KRISTY NGUYEN  
Interim-Acting Chief Investment Officer

Enclosure

c: LAFPP General Consultant, RVK

## Los Angeles Fire & Police Pension System

### 9.0 - MARKETING CESSATION POLICY

#### PURPOSE

- 9.1 The purpose of this policy is to prevent, and avoid the appearance of, undue influence on the Board or any of its members, or on Staff, in the award of all contracts. This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A).

#### Restrictions on Contact and Prohibition on Gifts

During the relevant period, as described below, firms covered by this policy are prohibited from any contact with Department Staff and the Consultant except for: (1) meetings with the Consultant; (2) providing information to Staff or the Consultant; (3) meeting at the Department's office with Staff; and (4) any Staff and Consultant due diligence site visits. Firms covered by this policy shall not have any contact with Board members during the relevant period other than at public Board meetings.

During the relevant period, Board members, Department Staff, and the Consultant will accept no gifts of any kind or value from a firm covered by this policy, except for food at an annual general meeting or a due diligence office visit.

Notification of this policy will be sent to firms considered by Staff or the Consultant to be interview candidates, and firms covered by this policy shall be listed in the Board's monthly report.

#### Public or Semi-Public Investment Services

For firms investing in public or semi-publicly traded securities or other similar services, this policy shall apply to firms meeting the search criteria from the time the search begins (with the Board's approval of the minimum criteria for the search), until the time the search ends (with the selection of the firm(s) to receive the contract(s)).

#### Private Equity and Real Estate Investments

For private equity investments and real estate investments in closed or open-ended funds, the marketing cycle is different from investment firms that provide services relating to public investments. Private equity funds and closed end real estate funds have a marketing period that opens and closes sporadically and open-ended funds are generally open to new business most of the time. For investments like these, this policy shall apply during any time in which the fund managed by the firm is open to new business.

#### Renewals and Additional Commitments

For firms currently managing money for the Fund in the public markets whose

## Marketing Cessation Policy

contract is up for renewal within three months, or firms currently managing private equity or real estate funds for LAFPP that are open to new investors or raising a new fund, the same restrictions apply with the following exceptions.

Board members, Department Staff and the Consultant will accept no gifts from that firm until a decision regarding the firm or fund (renewal or additional commitment) has been made. Meals available to all the attendees at an annual meeting are not considered to be gifts to Staff or the Consultant however, normal gift limits would apply in this case.

Firms managing money in the public markets who currently have contracts with the Los Angeles Fire and Police Pension System may continue contact related to the existing contract with Staff and the Consultant, but any contact with Board members must be limited to Board meetings.

### Contract Disclosures Prior to Interview

Prior to the interview with the Board, firms that are invited to interview with the Board, at the time of the interview, will be required to submit a list of contacts. The list of contacts shall indicate all contacts with Board members and Consultants during the three-month period prior to the interview or during the search period, whichever is longer.<sup>1</sup>

The City's Governmental Ethics Ordinance Section 49.5.11 states:

"Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual members from reviewing documents and other information provided by agency staff when preparing for a public meeting at which the matter will be considered." (Amended 06/14/15)

Any violation of this policy shall result in automatic disqualification of the firm.

### HISTORY

9.2 Adopted: 02/07/02

Revised:

01/04/2007	06/05/2015	04/16/2020
09/03/2009	08/16/2018	
03/03/2011	09/06/2018	
09/18/2014	10/03/2019	

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<sup>1</sup>See section 1.18.F.1 and 1.18.I.e of the Ethics Policy, also referred to as the Contractor Disclosure Policy, which can be found in the Board Operating Policies and Procedures.

## Los Angeles Fire & Police Pension System

### 10.0 - SECURITIES LITIGATION POLICY

#### PURPOSE

- 10.1 The Board of Los Angeles Fire and Police Pension Commissioners (the “Board”) recognizes its obligation to make prudent efforts to preserve and protect the assets of the Plan. The Board acknowledges that securities claims are an asset of the Plan and that the pursuit of litigation may become necessary or appropriate in order to maximize the Plan’s recovery of assets.

The purpose of the Board’s securities litigation policy is to establish procedures and guidelines for monitoring and participating in both securities class actions and other securities related litigation when appropriate to protect the Plan’s assets.

#### CLAIMS EVALUATION PROCESS AND PARTICIPATION AS LEAD PLAINTIFF

- 10.2 In order to fully and objectively evaluate the Plan’s position in connection with any potential claim, the Board has developed the following process:
- A. Unless the Plan incurs potential damages (loss net of gain) in excess of Three Million Dollars (\$3,000,000.00) in connection with any investment that has given rise to securities litigation, the Plan shall proceed as a member of a domestic securities class action or, if no class action has been filed, the Board shall determine if it should proceed with an independent action based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
  - B. If the potential losses exceed Seven Million Dollars (\$7,000,000.00), the Board shall determine if the Plan should seek lead plaintiff status, pursue an independent action, or remain a member of the class. The Board’s decision shall be based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
  - C. When determining whether to seek a leadership role in a particular securities lawsuit, the Board may consider relevant factors to guide its fiduciary decision making, including an estimate of the magnitude of the potential damages incurred by the Plan, the nature and severity of the misconduct alleged in the case, the potential recovery that may be obtained if such claim is pursued, and the merits of such claim. The Board shall consider and determine if it is in the Plan’s best interest to pursue lead plaintiff status or proceed with individual litigation. In determining whether to seek lead plaintiff status, the factors to be considered shall include whether the Plan’s participation or action will increase the net monetary value of settlement; the potential effect on the value of the Plan’s investment portfolio; and whether the Plan’s active participation is significantly likely to add value to the potential class recovery.



## Securities Litigation Policy

- D. A foreign securities action is a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transactions by the Plan or on its behalf. In contrast to domestic securities class actions in which the Plan may remain a passive class member and receive its pro rata share of any recovery, participation as a class member in foreign securities action generally requires the Plan to “opt-in” through registration or other affirmative action by the Plan. Additionally, unlike domestic actions in which law firms provide representation on a contingency fee basis, foreign actions are typically financed by litigation funding groups. These groups assist investors with complex participation and/or claims forms that have strict deadlines. Fees are typically paid as a percentage of the resulting recovery. In foreign securities actions:

The City Attorney and Staff, after input from outside counsel, shall make a decision whether to participate (opt-in). Such consensus recommendation shall be based on core considerations concerning damages, administrative burdens, and liability. To inform the decision whether to participate and/or file a claim in the foreign action, the City Attorney and outside counsel shall evaluate the structure of litigation funding, review retention agreements with foreign counsel, analyze insurance contracts, review powers of attorney, and ensure that LAFPP pays no out of pocket costs. Additionally, if participation in a particular international securities litigation would not be on terms substantially similar to a domestic class action case, the consensus recommendation shall include consideration of whether the cost to participate is too high as to reduce recovery below the point where participation is prudent, the merits of the case and likelihood of recovery, and any other risks to the Plan.

When making a determination whether to opt-in, in addition to the core considerations described in Section 10.2.C above, the City Attorney and Staff shall also weigh the quality and financial stability of the foreign legal counsel and the defense cost funding guarantor, foreign jurisdiction law, and language translation.

The City Attorney is authorized to engage outside counsel and/or a litigation funding group to file a claim on behalf of LAFPP and/or take the actions necessary to participate in the recovery in a foreign case. Fees for assistance with the claims filing process shall only be paid if and when LAFPP recoups money in the case and must be reasonable when considering the complexity of the claim and the cost for similar claims in comparable litigation. The Board provides a standing delegation of authority to the General Manager to execute all necessary documents on behalf of LAFPP with respect to foreign litigation, including power of attorney documents and any follow-up documents to cure deficiencies in a foreign claim.

### SELECTION OF SECURITIES LITIGATION COUNSEL

- 10.3 The Board and the City Attorney shall use a Request for Proposal (RFP) process to select one or more law firms to monitor and review the Plan’s investment

## Securities Litigation Policy

portfolio for the filing of class actions. Any law firms selected for such monitoring shall require the approval of the City Attorney. The selected law firms shall make recommendations to the City Attorney, Staff, and, subject to the criteria set forth in Section 10.2 of this Policy, the Board, regarding whether potential or actual securities litigation cases are meritorious and worthy of further investigation, including seeking lead plaintiff status. The monitoring and review service shall be performed at no cost to the Plan.

When the Board has made a determination to pursue an active role in domestic securities litigation, the Board and the City Attorney shall use a Request for Proposal (RFP) process, targeted to the list of law firms previously approved by the Board and the City Attorney, to select a law firm to represent the Plan in connection with a specific securities litigation case. Any law firm selected for such representation shall require the approval of the City Attorney. The selected law firm shall advise the Plan regarding whether the Plan should seek lead plaintiff status or recovery on a joint or individual basis in an action that is not a class action and represent the Plan in litigation in connection with such cases. (Amended 04/16/2020)

### MONITORING ACTIONS

- 10.4 The City Attorney in conjunction with outside counsel shall provide ongoing status reports to the Board on all securities litigation cases in which the Plan sought to be appointed or was appointed as lead plaintiff in a class action or in a case in which the Plan has filed an independent action. These reports shall include a summary of all major developments in connection with such cases. All strategic decisions in such litigation shall be made by the Board.

### HISTORY

- 10.5 Adopted: August 21, 2003

Revised:  
10/01/2009 09/06/2018 05/05/2022  
09/18/2014 12/20/2018  
10/06/2016 04/16/2020

## Los Angeles Fire & Police Pension System

### 11.0 - DUTIES OF RESPONSIBLE PARTIES

#### DUTIES OF THE BOARD OR ITS DESIGNATE(S)

- 11.1 The Board has the responsibility for the administration of the Plan for the benefit of plan participants, although it is not the intent of the Board to become involved in the day-to-day investment decisions. The Board or its designee(s) will adhere to the following procedures in the management of the Board's assets:
1. The Board develops and approves policies for the execution of the Board's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the implementation and administration of these decisions.
  2. The Board shall review investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks, as well as peer group comparisons. The source of information for these reviews shall come from Staff, outside consultants, the custodian, investment managers, etc.
  3. The Board may retain investment consultants to provide such services as conducting performance reviews, asset allocation, manager reviews, and investment research.
  4. The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on the following areas:
    - a. Manager compliance to the Policy guidelines.
    - b. Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping the Board advised of any material changes in personnel, investment strategy or other pertinent information potentially affecting performance.
    - c. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.
  5. The Board shall expect Staff to administer the Plan's investments in a cost-effective manner subject to Board approval. These costs include, but are not limited to, management, consulting and custodial fees, transaction

#### **Duties of Responsible Parties**

- costs, and other administrative costs chargeable to the Board.
6. The Board shall be responsible for selecting qualified investment managers, consultants, and custodian.
  7. Voting of proxies in stocks held by the System will be done according to Board policy.

#### **DUTIES OF THE STAFF**

- 11.2 The Staff provides analysis and recommendations to the Board on a wide variety of investments and investment related matters. Additionally, Staff oversees and directs the implementation of Board policies and manages the Fund on a day-to-day basis. Furthermore, Staff's responsibilities include the following duties:
1. Invests the Fund's cash without requiring Board's permission as set forth elsewhere in the Board's Investment Guidelines.
  2. Monitors investment managers for adherence to appropriate policies and guidelines.
  3. Evaluates and manages the relationships with brokers, managers and custodian(s) to the Fund to ensure that they are providing all of the necessary assistance to the Board and Staff.
  4. Conducts the manager search process, as approved by the Board, with assistance from consultants as needed.
  5. Negotiates investment management fees and executes contracts on behalf of the Board for the Plan.
  6. Manages portfolio restructuring resulting from portfolio rebalancing or manager terminations with the assistance of consultants and managers, as needed.
  7. Organizes and/or participates in any special research for the Board.
  8. Ensures that Investment Managers conform to the terms of their contracts and that performance-monitoring systems are sufficient to provide the Board with the most timely, accurate and useful information as possible.
  9. Advises and appraises the Board of any other events of investment significance.
  10. Implements and administers policies made by the Board.

#### **DUTIES OF THE INVESTMENT MANAGERS**

- 11.3 The Investment Managers shall perform the following duties:
1. Contract by written agreement with the Board to invest within approved guidelines.

## Duties of Responsible Parties

2. Provide the Board with proof of liability and fiduciary insurance coverage.
3. Be an SEC-Registered Investment Advisor under the 1940 Act or an authorized bank or trust and be recognized as providing demonstrated expertise during a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
4. Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
5. Obtain best execution for all transactions for the benefit of the System with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the System, and, where appropriate, facilitate the recapture of commissions for the System's benefit.
6. Reconcile monthly accounting, performance, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian and the Board's Staff.

7. Provide Staff net-of-fees performance reports.

8. Include DEI and ESG initiatives in all Board presentations.

7-9. Maintain frequent and open communication with the Board and Staff on all significant matters pertaining to the System, including, but not limited to, the following issues:

- a. Major changes in the Investment Manager's investment outlook, investment strategy, and portfolio structure;
- b. Significant changes in ownership, organizational structure, financial condition or senior personnel;
- c. Any changes in the Portfolio Manager or other personnel assigned to the System;
- d. Each significant client that terminates or separates voluntarily its relationship with the Investment Manager, within 30 days of such termination/separation;
- e. All pertinent issues that the Investment Manager deems to be of significant interest or material importance; and,
- f. Meet with the Board and/or Staff on an as-needed basis.

## DUTIES OF THE MASTER CUSTODIAN

11.4 The Master Custodian shall be responsible to the Board for the following duties:

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## Duties of Responsible Parties

1. Provide complete global custody and depository services for the designated accounts.
2. Manage a Short-Term Investment Fund (STIF) for investment of any un-invested cash and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
3. Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers.
4. Collect all income and realized principal realizable, and properly report it on the periodic statements.
5. Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions. The statements should be based on accurate security values for both cost and market, net-of-fees. These reports should be provided within acceptable time frames.
6. Report situations where accurate security pricing, valuation, and accrued income are either not possible or subject to considerable uncertainty.
7. Assist the System to complete such activities as the annual audit, transaction verification, or unique issues as required by the Board.
8. Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.

## DUTIES OF THE GENERAL INVESTMENT CONSULTANT

11.5 The General Investment Consultant shall be responsible for the following:

1. Review quarterly performance including performance attribution on the Board's managers and total assets, including a check on guideline compliance and adherence to investment style and discipline.
2. Make recommendations for Board presentation regarding investment policy and strategic asset allocation.
3. Assist the Board in the selection of qualified investment managers and in the review of existing managers, including monitoring changes in personnel, ownership, and the investment process.

4. Assist the Board in the selection of a qualified custodian if necessary.

4.5. Provide Staff net-of-fees performance reports.

5-6. Provide topical research and education on investment subjects as requested by the Board or Staff.

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## Duties of Responsible Parties

~~6-7.~~ Communicate information that concerns the Board.

### HISTORY

11.6 Adopted: May 3, 2007

Revised:

03/19/2009 09/06/2018 10/01/2020

09/18/2014 10/03/2019 [10/20/2022](#)

## Los Angeles Fire & Police Pension System

### 12.0 – ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

#### PURPOSE

- 12.1 LAFPP invests a multi-billion-dollar portfolio in a unique and complex social-economic environment. As a major pension plan with a very long-term investment horizon, the success of LAFPP is linked to global economic growth and prosperity. Consistent with the fiduciary responsibilities to its beneficiaries, the Board will strive to incorporate Environmental, Social and Governance (ESG) considerations into the analysis of its investment decisions. Sustainable returns over long periods of time are in the economic interest of the Fund.

#### DEFINITION

- 12.2 ESG is a term typically used by investors to represent the evaluation of both financial and non-financial (ESG) factors when making an investment decision. The “E” is for Environmental and represents practices that reduce detrimental changes in the environment. They include mitigating global climate change, greenhouse gas emissions and pollution. The “S” is for Social and stands for practices that improve social conditions in various areas such as employees, the community that a company is in and the products that they provide. The “G” is for Governance and are practices related to business operations and the treatment of employees and customers. Governance-related topics include executive pay, board diversity and business ethics.

#### PROXY VOTING

- 12.3 Proxy voting is a vital and recurring way to assist the Board in voicing its concerns and preferences. Section 7.0 – Proxy Voting Policy provides the objectives and process of proxy voting with ESG-related language included.

#### MANAGER SELECTION AND RETENTION

- 12.4 When selecting an investment manager, the guidelines in Section 8.0 – Manager Selection and Retention Policy provide the objectives and process in selecting investment managers.

An additional step in manager selection is to include whether or not the candidate investment managers have an ESG policy.

#### ESG MONITORING

- 12.5 Investment managers shall submit to Staff the firm’s ESG policy and report on how ESG criteria is incorporated into the investment process on an annual basis. [Board presentations by investment managers will include the firm’s ESG initiatives.](#) Staff shall monitor how investment managers analyze ESG risks and opportunities, the process used to identify ESG factors, and related actions taken. There are a



## Environmental, Social and Governance Policy

variety of ways to look at ESG with no “one-size-fits-all” solutions. As such, the Plan should make every effort to understand how its investment managers utilize its resources in the area of ESG.

### PRIVATE EQUITY AND REAL ESTATE

12.6 In addition to investing in the public markets, LAFPP invests in the private markets through its Private Equity (PE) and Real Estate (RE) asset classes. The primary ways of investing are through Private Equity funds, commingled Real Estate funds and separate Real Estate accounts. The Board accesses these investments through LAFPP’s private equity and real estate Advisors. LAFPP’s holistic approach to investing means that the Board makes investment decisions based on a variety of factors. This is especially relevant because in RE and PE the Board is making a direct decision to invest or not.

The Board’s Advisors follow the same approach when performing due diligence on PE and RE General Partners (and their funds) that might be a potential fit for the PE and RE portfolios. An additional step in the due diligence process performed by the Board’s Advisors is regarding potential General Partners is to ask whether or not the manager has an ESG policy. Staff believes that inquiring of the ESG policies of General Partners is an important aspect of the due diligence process and demonstrates that the Board is committed to its ESG policy.

### HISTORY

12.7 Adopted: April 16, 2020

Revised:  
11/18/2021 [10/20/2022](#)

## Los Angeles Fire & Police Pension System

### 13.0 - ADDRESSING SOCIAL, POLITICAL, AND HUMAN RIGHTS ISSUES

#### PURPOSE

- 13.1 This policy addresses the financial and administrative risks that the LAFPP Board may face if one of the companies it has invested in has made corporate decisions that cause “substantial social injury”. It defines that term and describes what the LAFPP Board can do about it and how to act quickly.

#### THE RISK: BACKGROUND

- 13.2 The LAFPP Board is made up of lay volunteers and elected employee and retiree representatives who are the sole protectors of the funds that provide retirement money for current and future safety employees of the City of Los Angeles. Board members all serve in the City of Los Angeles — an international city that is deeply concerned with world-wide political, social and human rights issues. Some of those issues, like the Sudan/Darfur genocidal strife, occur in countries where companies that LAFPP may invest in may do business, directly or indirectly.

When the Board invests System assets, they must follow the standards set for all retirement board members by California Constitution Article XVI § 17. The Constitution imposes fiduciary responsibility on the Board for investing System’s assets, requires them to exercise a high degree of care, skill, prudence and diligence, requires them to diversify investments to avoid risk, and says that their duty to LAFPP’s members comes first, before any other duty.

The Board invests for the long term in companies that they expect will ultimately attain better investment performance by (among other things) operating their businesses with high ethical, social and legal standards. However, LAFPP’s ownership interest in a company does not mean it approves — or even knows about — all of a company’s policies, products, or actions. A company’s possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company’s conduct will not hurt the fund.

#### SUBSTANTIAL SOCIAL INJURY

- 13.3 What is “substantial social injury”? Answer: any specific action (including inaction) by a company that directly injures its employees, consumers, or other individuals or groups. It includes actions that violate, subvert, or frustrate the enforcement of American or international law aimed at protecting the health, safety, basic freedoms or human rights of individuals or groups. The term includes support of (i) government-endorsed genocide (as identified by the United States Department of Treasury, Office of Foreign Assets Control (OFAC)) or (ii) other human rights violations that inflict substantial injury to health, safety or freedom.

## Addressing Social, Political, and Human Rights Issues

The company's action must be directly responsible for identifiable social injury to fall within this definition. Company action that creates only a chance that social injury might occur is not included. Likewise, doing business with other companies that are themselves engaged in socially injurious activities is not included except in unusual circumstances.

The LAFPP Board will examine any claim of substantial social injury on a case-by-case basis, using the best available evidence and allowing parties to the claim reasonable time to gather and present that evidence. The Board will decide whether to address these issues in a particular case, based on 1) the size of the interest that LAFPP holds in the business; and 2) how serious is the business's violation of LAFPP policies. As stated above, a company's possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company's conduct will not hurt the fund.

### WHAT THE LAFPP BOARD CAN DO

- 13.4 When informed of a company's actions that violate LAFPP policies, the Board will promptly direct its investment staff to seek a change in the company's behavior, using the four steps described below, and to report on the status of progress at each subsequent Board meeting until the issue is resolved to the Board's satisfaction. Each of these steps will be undertaken promptly.

First, the LAFPP Board will direct its investment staff to engage, in a constructive manner, corporate management whose company's actions are reported to cause substantial social injury. All forms of engagement may be used — letter-writing, working with advocacy groups, proxy voting, etc. The most important feature is for the engagement to start right away and to request and obtain prompt replies from third parties to all questions throughout the process of engagement.

Second, if after reasonable efforts have been made to constructively engage management, it is still clear that the action complained of has in fact occurred and is continuing and, in the Board's opinion, the responses and remedies are insufficient or nonresponsive, the Board will direct its investment staff to tell its equity investment managers that, to the extent that suitable investment alternatives are available and that substituting them in the investment portfolio will result in no loss in portfolio return or increase in risk, the managers shall dispose of the interest (or avoid investing) in the violating company and invest in the alternative(s) until such time as the violations of this policy cease.

Third, the Board will direct its investment staff to advise the Board when and if the policy violation has been remedied.

Fourth, upon the Board's concurrence that the policy violation has been remedied, the Board will direct its investment staff to promptly inform the equity investment managers that the securities can thereafter be purchased.

**Addressing Social, Political, and Human Rights Issues**

**HISTORY**

13.5 Adopted: May 17, 2007

Revised:  
09/18/2014  
09/06/2018

**Los Angeles Fire & Police Pension System**

**14.0 - IRAN POLICY**

**GENERAL POLICY**

- 14.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Iran's energy sector or with the government of Iran, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of scrutinized companies identified by the State Board of Administration of Florida or a recognized provider of this list as having activities in the Iran petroleum energy sector will constitute the Board's list of companies subject to its Iran Policy.

**INVESTMENTS SUBJECT TO DIVESTMENT**

- 14.2 The Iran Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Iran Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

**HISTORY**

- 14.3 Adopted: April 15, 2010; Revised: 09/18/14.

**Los Angeles Fire & Police Pension System**

**15.0 - SUDAN POLICY**

**GENERAL POLICY**

- 15.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Sudan's energy sector or with the government of Sudan, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the State Board of Administration of Florida or a recognized provider of this list as having business operations in Sudan will constitute the Board's list of companies subject to its Sudan Policy.

**INVESTMENTS SUBJECT TO DIVESTMENT**

- 15.2 The Sudan Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Sudan Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

**HISTORY**

- 15.3 Adopted: March 1, 2007

Revised:

05/17/2007 09/18/2014

04/15/2010 10/03/2019

**Los Angeles Fire & Police Pension System**

**16.0 - FIREARMS INVESTMENT POLICY**

**GENERAL POLICY**

- 16.1 Investment managers should refrain from purchasing securities where the company has been identified as manufacturing firearms that are illegal in California, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the California State Attorney General as manufacturers of these firearms will constitute the Board's list of companies subject to its Firearms Investment Policy.

**INVESTMENTS SUBJECT TO POLICY**

- 16.2 The Firearms Investment Policy shall apply to actively managed separate accounts in the public equity asset classes.

The affected managers shall report on a calendar year basis the financial impact of any firearms manufacturers that were removed from the portfolio.

- 16.3 The Board's private equity managers(s) shall inquire with each proposed fund, their intention to invest in companies that manufacture firearms that are designated by the California State Attorney General as being illegal for sale in California and inform the Board of the response.

**HISTORY**

- 16.4 Adopted: March 7, 2013

Revised:  
05/16/2013  
09/18/2014

**Los Angeles Fire & Police Pension System**

**17.0 – ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY**

**PURPOSE**

17.1 This policy ensures the Board is timely advised of material government enforcement actions, non-routine regulatory proceedings, disciplinary actions, and litigation involving investment managers and consultants (together referred to in this Policy as “investment contractors”) contracted with the Board so that the Board can make prudent decisions regarding the involved investment contractors. The purpose of this policy is to establish guidelines, roles and responsibilities, and procedures for when and how such information should be reported to the Board.

This Policy shall be incorporated into all investment contracts with the Board that incorporate the Board Investment Policies, and is intended to clarify reporting duties to strengthen and supplement existing contractual obligations requiring reporting by the investment contractor to the Board.

**MATERIALITY**

17.2 Information shall be deemed “material” under this Policy (Sections 17.4 and 17.5) when there is a substantial likelihood that a reasonable investor (here, the Board) would have considered the information important in evaluating the investment contractor’s advisory business or the integrity of its asset management operations, or other factors that might be relevant to the investor’s contracting decisions. Factors that may be considered when evaluating materiality include: (1) the proximity of the person(s) involved to the investment contractor’s advisory function and the services provided to LAFPP; (2) the nature of the conduct and/or infraction that led to the enforcement action and/or litigation; (3) the severity of resulting sanctions or damages, if any; and (4) the likelihood that the conduct has caused harm to LAFPP, or could cause such harm if repeated.

The General Manager shall be responsible for making materiality determinations under this Policy Section 17, in consultation with the City Attorney’s Public Pensions General Counsel Division (City Attorney). Examinations by the below-listed regulatory agencies, which are not prompted by specific allegations of wrongdoing and which have not resulted in evidence of material wrongdoing, will generally not be considered material for purposes of this Policy.

**CHIEF INVESTMENT OFFICER COLLECTION AND REVIEW OF REPORTS REGARDING INVESTMENT MANAGER AND CONSULTANT CONDUCT**

17.3 For all investment contractors contracted with the Board, the Chief Investment Officer and their designated investment staff member(s) shall collect and review reports and publicly reported information regarding:

- A. Securities and Exchange Commission (SEC) enforcement actions;



## **ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY**

- B. Department of Justice enforcement actions;
- C. State attorney general enforcement actions;
- D. Other federal, state, or foreign agency enforcement actions;
- E. Other financial industry disciplinary proceedings, including but not limited to FINRA and other self-regulatory non-governmental entities;
- F. Criminal prosecution or investigation; or
- G. Civil litigation or arbitration.

Such reports may consist of contractually-required investment contractor notifications, voluntary investment contractor notifications, required regulatory reports and forms submitted by investment contractors, investment consultant notifications, publicly reported information, and/or any other sources that provide such reports. Where investment contractor notifications are required by contract, investment contractors shall notify the Chief Investment Officer and/or their designated investment staff member(s) within three (3) days of the investment contractor having notice of such information, unless otherwise required by law.

### **ELEVATION OF REPORTS FROM THE CHIEF INVESTMENT OFFICER TO THE GENERAL MANAGER**

- 17.4 The Chief Investment Officer shall evaluate the reports described in Section 17.3 for possible elevation to the General Manager. The Chief Investment Officer shall elevate reports to the General Manager when they contain any of the following attributes:
- A. An investment contractor or a principal or employee thereof was charged with, convicted of, or pleaded guilty to a felony;
  - B. An investment contractor or a principal or employee thereof was charged with, convicted of, or plead guilty to a misdemeanor involving: investments or an investment-related business, or any fraud, false statements or omissions, theft, embezzlement, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
  - C. An investment contractor or a principal or employee thereof was charged with, or found to have been involved, in a violation of an investment-related statute, regulation, or rule;
  - D. An investment contractor or a principal or employee thereof was the cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted;
  - E. A self-regulatory organization or commodities exchange: suspended or expelled from membership a principal of an investment contractor or an employee in a managerial position thereof; denied, suspended, revoked or

## **ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY**

- restricted their authorization to do business; barred or suspended them from association with other self-regulatory organization or commodities exchange members; or otherwise restricted their activities;
- F. The SEC, Commodity Futures Trading Commission, other federal regulatory agency, state regulatory agency, any foreign financial regulatory authority, self-regulatory organization, or commodities exchange charged or found that an investment contractor or a principal or employee thereof made a material false statement or omission, or was dishonest, unfair, or unethical or in material violation of the contractor's fiduciary or contractual duties to its clients;
  - G. The investment contractor provided the report as a contractually-required notification to the Board of any regulatory proceeding or material litigation relating to the investment contractor's business to which the investment contractor or any of its owners, principals or employees is a named party; or
  - H. An investment contractor or a principal or employee thereof was the subject of a civil self-regulatory, or administrative proceeding, or a litigation or arbitration claim alleging damages in excess of \$100,000, involving any of the following:
    - 1. Any investment or an investment-related business or activity;
    - 2. Fraud, material false statement or omission;
    - 3. Theft, embezzlement, or other wrongful taking of property;
    - 4. Bribery, perjury, forgery, counterfeiting, or extortion;
    - 5. Dishonest, unfair, or unethical practices, or
    - 6. Breach of fiduciary duty.

The Chief Investment Officer shall confer with the City Attorney for assistance in determining whether reports should be elevated to the General Manager pursuant to Section 17.4.

## **GENERAL MANAGER EVALUATION AND REPORTING TO THE BOARD**

- 17.5 Upon receipt of reports described in Section 17.4, the General Manager shall evaluate them for possible reporting to the Board. The General Manager will report investment contractor conduct to the Board when such conduct is deemed to be material under this Policy, and/or because:
- A. The General Manager believes that the conduct creates reputational risk to the Board and/or the Plan through their association with the investment contractor;
  - B. There is a substantial likelihood that the conduct may lead to media

## ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

inquiries or other publicity, such that the Board should have in place a coordinated plan to respond to such inquiries, and/or the General Manager deems it prudent to inform the Board prior to such publicity to ensure the Board receives accurate and complete information;

or

C. Upon request of one or more Commissioners.

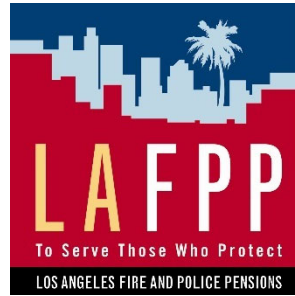
As part of the evaluation process, the General Manager shall confer with the City Attorney and specialized outside counsel, as appropriate, and may seek additional information from the Chief Investment Officer.

- 17.6 When the General Manager determines that investment contractor conduct is required to be reported to the Board pursuant to Section 17.5, the General Manager or their designee, through the Commission Executive Assistant, shall send separate emails to each Commissioner briefly summarizing the conduct and the contractual relationship between the investment contractor and the Plan. Such emails shall refer any follow up questions to the General Manager or the Managing Assistant City Attorney, Public Pensions General Counsel Division.
- 17.7 If the General Manager concludes that, in addition to the emails briefing Commissioners described in Section 17.6 of this Policy, Board discussion at a public meeting would be in the best interest of the Plan, or is required to seek the Board's consideration and approval of recommended action(s), the General Manager shall confer with the Board President to schedule the item on the agenda for Board consideration and possible action at an upcoming Board meeting. Upon the request of the General Manager, the City Attorney, with the assistance of specialized outside counsel, as appropriate, shall provide confidential attorney-client privileged written advice to the Board in connection with the General Manager's report to the Board on the item, including legal advice on the recommended Board action(s) to be taken by the Plan, if any.
- 17.8 Commissioners and staff members shall not respond to media inquiries regarding investment contractor conduct. Pursuant to Sections 7.2 and 9.8 of the Board Governance Policy, the President and General Manager will confer to determine who shall act as spokesperson for the System should the need arise, with the President having the authority to make the final determination.

If necessary, the President shall review and approve any final press release regarding investment contractor conduct for dissemination and publication.

## HISTORY

- 17.9 Adopted: August 4, 2022



# **LOS ANGELES FIRE & POLICE PENSION SYSTEM**

## **III. BOARD INVESTMENT POLICIES**

Updated 10/20/2022

# LOS ANGELES FIRE & POLICE PENSION SYSTEM

## III. BOARD INVESTMENT POLICIES

**Policy Review & Updated: October 20, 2022**

**UPDATED: Annually with the next review date September 2023**

- Section 1.0- Investment Guidelines Policy
- Section 2.0- Private Equity Investments Policy
- Section 3.0- Real Estate Policy
- Section 4.0- Commodities Policy
- Section 5.0- Emerging Managers Policy
- Section 6.0- Risk Management Policy
- Section 7.0- Proxy Voting Policy
- Section 8.0- Manager Selection and Retention Policy
- Section 9.0- Marketing Cessation Policy
- Section 10.0- Securities Litigation Policy
- Section 11.0- Duties of Responsible Parties
- Section 12.0- Environmental, Social and Governance Policy
- Section 13.0- Addressing Social, Political, and Human Rights Issues
- Section 14.0- Iran Policy
- Section 15.0- Sudan Policy
- Section 16.0- Firearms Investment Policy
- Section 17.0- Enforcement Action and Litigation Reporting Policy

**LOS ANGELES FIRE & POLICE PENSION SYSTEM**  
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## Los Angeles Fire & Police Pension System

### 1.0 - INVESTMENT GUIDELINES POLICY

#### PURPOSE

- 1.1 This document provides a framework for the investment management of the assets of the Los Angeles Fire and Police Pension Plan (“LAFPP,” and hereafter known as the “System” or “Plan” or “Fund”). Its purpose is to assist the Board in effectively supervising and monitoring the investments of the System. Specifically, it will address:
- A. The general goals of the investment program;
  - B. The policies and procedures for the management of the investments;
  - C. Specific asset allocations, minimum diversification requirements, rebalancing procedures, and investment guidelines;
  - D. Performance objectives and criteria for investment performance evaluation; and
  - E. Responsible parties.

The System establishes this investment policy in accordance with Section 1106 of the Charter of the City of Los Angeles (“City Charter”) for the systematic administration of the Retirement Plan. Since its creation, the Board’s activities have been directed toward fulfilling the primary purpose of the System, as described in Section 1106:

“...to provide benefits to system participants and their beneficiaries and to assure prompt delivery of those benefits and related services; to minimize City contributions; and to defray the reasonable expenses of administering the system...The duty to system participants and their beneficiaries shall take precedence over any other duty.”

The System is an independent department of the City government and is governed by a nine-member Board and an administrative General Manager. In the formation of this investment policy and goal statement, a primary consideration of the Board has been its awareness of the stated purpose of the System. The Board’s investment activities are designed and executed in a manner that will fulfill these goals.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure that prudence and care is taken in the execution of the investment program.

Some investment areas are complex enough to have their own sub-policies. These include private equity, private credit, real estate, emerging managers, commodities, manager selection and retention and proxy voting. These sub-policies are found according to their subject heading in the following sections of the Investment Policy.

## **INVESTMENT OBJECTIVES**

- 1.2 The System's general investment goals are broad in nature. The following goals, consistent with the above-described purpose, City Charter citations, and State Constitution have been adopted:
- A. The overall goal of the System's investment assets is to provide Plan participants with post-retirement benefits as set forth in the System documents. This is accomplished through a carefully planned and executed investment program.
  - B. A secondary objective is to achieve an investment return at a reasonable level of risk that will allow the percentage of covered payroll the City must contribute to the System to be maintained or reduced and will provide for an increased funding of the System's liabilities.
  - C. The System's assets are managed in a manner that is cognizant of risk adjusted rates of return. While the System recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. Some risks, such as normal market volatility are generally unavoidable. Other risks, such as investing in emerging markets are knowingly assumed and to a certain degree necessary to implement an Asset Allocation Plan that will meet target returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification. Controlling and mitigating unnecessary risks is important to the Plan. As a result, investment strategies are considered primarily in light of their impacts on total Plan assets subject to the provisions set forth in Section 1106 of the City Charter with consideration of the Board's responsibility and authority as established by Article 16, Section 17 of the California State Constitution. Risk is further addressed in Section 6.0 – Risk Management Policy.
  - D. The System's investment program shall always comply with existing and future applicable city, state and federal regulations.
  - E. All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
  - F. The System has a long-term investment horizon and uses an asset allocation, which encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major

determinant of the System's investment performance and risk.

- G. Investment actions are expected to comply with "prudent expert" standards as described in City Charter Section 1106(c):

"...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."<sup>1</sup>

- H. The investment objective of the total Plan, over a full market cycle, historically 5 - 7 years, is to earn a return on investments matching or exceeding the required actuarial rate of return and an investment performance above the median of a universe of public funds. (Amended 10/06/16)

Active managers should, over the long-term, provide value added net of fees. Active management returns over the long-term should exceed the corresponding index net of fees by an amount commensurate with the risk incurred as well as the other standards set out in the Board's Manager Selection and Retention Policy (Section 8.0).

Passive managers should produce index-like returns net of index fees with minimal tracking error.

## **DIVERSIFICATION REQUIREMENTS**

- 1.3 A maximum of 75% of the Plan's assets may be invested in equity investments excluding Real Estate Investment Trust (REIT) securities and Private Equity.

A minimum of 20% of the Plan's assets shall be invested in fixed income assets.

A maximum of 20% of the Plan's assets may be invested in real property or interests or REIT securities in real property.

No more than 3.5% of the Plan may be invested in the common stock of a single corporation or bonds of an entity not guaranteed by the United States Government.

No more than 5% of the outstanding shares of any corporation may be owned.

Initial funding allocated to an investment manager shall not exceed 20% of similar funds under management by the investment manager.

No investment management firm shall manage more than 20% of the total Plan assets except for passively managed index funds.

No more than 10% of the net investment value of the targeted private real estate portfolio may be invested in any one real property.

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<sup>1</sup> ERISA 404(a)(1)(B)

No more than 20% of the targeted real estate portfolio may be invested in any one real estate investment pool.

**MANAGER ACCOUNT RESTRICTIONS**

- 1.4 Equity and bond managers shall have account guidelines customized for the individual portfolio describing what is and is not allowed. These individual account specifications are created when a new manager is hired and modified when needed and take the form of a letter of agreement. (Amended 10/06/16)

**BOARD MEMBER AND STAFF REFERRAL RESTRICTIONS FOR POTENTIAL NEW INVESTMENTS**

- 1.5 Potential investments shall be referred to the specific Investment Consultant by Staff or the full Board solely in the interest of contributing to the deal flow seen by the consultant. The referral process is as follows:
- A. A Board member initiates a referral by providing Staff with information about the proposed investment and how the investment was brought to the Board member's attention.
  - B. Staff shall provide this same information for prospective investments referred by Staff.
  - C. Staff shall then place the referral information (who referred it, the nature of the investment and how it came to their attention) on the next Board agenda as a consent item for referral by the full Board to the relevant Investment Consultant. (Amended 10/06/16)
  - D. The Investment Consultant shall be advised that the decision as to whether a prospective investment referred either by Staff or the full Board would be a suitable investment for the System is to be evaluated solely upon the merits of the investment and its fit within the portfolio. No written analysis of the Investment Consultant's evaluation shall be required unless specifically requested by the full Board at the time the referral is made. In each case the Investment Consultant's evaluation of the potential investment, whether the evaluation is a formal written analysis or a verbal report, will be forwarded by Staff to the Board as a "Communications to the Board" item at the next Board meeting following the receipt of the evaluation.
  - E. Staff will make additions or modifications to contracts to carry out the referral and disclosure policies.

**ASSET ALLOCATION PLAN**

- 1.6 An Asset Allocation Plan shall be adopted and implemented by the Board which provides adequate diversification and gives the expectation of the highest rate of return commensurate with an acceptable level of risk, or volatility.

Conformance with the asset allocation shall be reviewed quarterly except for certain conditions stated in Section 1.7 (E) & (F). Funds shall be rebalanced among asset classes when they are outside their target ranges or when they exceed the allocation target. The Board shall conduct an Asset Allocation study every three to five years, as well as an Asset/Liability study at least every six years. If there is a material change in the underlying actuarial assumptions, risk tolerance of the Board or any event that would cause a comprehensive review of Plan assets, an Asset/Liability study should also be completed. An active versus passive investment management review will be included in the Asset/Liability study or during strategic reviews of asset classes. The current Asset Allocation Plan is attached as Appendix 1 to this Investment Guidelines Policy.

The Asset Allocation Plan shall include, or be based on:

- A. An analysis of the actuarial liabilities of the System;
- B. A review of all viable asset classes; and,
- C. The expected rate of return, correlation, and volatility of all investment asset classes included.

## **REBALANCING POLICY**

1.7 As markets move over time, the actual asset mix of the System's portfolio may diverge from the target allocations established by the Board through the asset allocation process. If Fund assets are allowed to deviate too far from the target allocations, there is a risk that the portfolio will fail to meet the investment objectives set by the Board. On the other hand, the Board is aware that continual rebalancing of the portfolio to the asset allocation targets may result in significant transaction costs and that the Rebalancing Policy is not intended to be used for tactical asset allocation. Cognizant of these risks, the Board directs Staff to rebalance the System's portfolio in accordance with the following guidelines and procedures:

- A. With respect to each major asset class and to the investment structure within each asset class for which the Board has set a target allocation, the Board, in consultation with its Staff and its Investment Consultant, will establish rebalancing range limitations.
- B. Staff will monitor the portfolio's actual asset allocation relative to the target allocations. If the actual allocations fall within the defined ranges, no rebalancing will be required. If the actual allocations fall outside the predetermined range, Staff will implement a rebalancing back within the range of the target allocation. (Amended 09/16/15)
- C. In rebalancing, Staff should prioritize implementation procedures as follows:
  - 1. Maintaining sufficient cash position for recurring liabilities such as benefit payments, capital contributions related to investment fund commitments and expenses.

2. Drawing cash flows out of the portfolio for recurring liabilities from liquid asset classes that are above their range limitations (using interest payments, rental revenues and dividends) provided cash position is deemed inadequate.
  3. Investing net contributions into asset classes (including increasing commitments to illiquid asset classes) that are below their range limitations;
  4. Selling overweighted liquid assets and/or buying underweighted liquid assets.
- D. Whenever rebalancing is required within an asset class that has multiple managers under a single mandate, any reallocation of assets should be done according to the management structure of the asset class. However, if one or more of the managers is on watch list notice pursuant to the Manager Selection and Retention Policy, Staff may use their discretion to adjust the rebalancing weights.
- E. When circumstances arise in which it is impractical to rebalance, asset classes may be deliberately left outside of their ranges for a period of time. Such circumstances may include, but are not limited to, situations when it is known that there are potential asset shifts pending in the portfolio over the next 12 months, such as a hiring/termination of a manager(s), an asset allocation review of the entire portfolio, or a structural review of a given asset class. Illiquid asset classes such as private equity and real estate may be underweight but unable to absorb the full amount of cash needed to bring the portfolio into the asset allocation range for longer periods of time. A liquid asset class may remain overweight while holding the cash that the illiquid asset class cannot absorb immediately. Conversely, an illiquid asset class may remain overweight for an extended period of time if a market downturn has caused a sudden drop in the value of more liquid assets.
- F. Staff will report all rebalancing activities to the Board on a quarterly basis at a minimum. In circumstances where it is impractical to rebalance the portfolio for any market or portfolio-specific reason, Staff shall assess the rebalancing options, notify the Board of the out of balance situation, and report its recommendations to the Board. Staff shall seek approval from the Board to implement rebalancing according to Staff's recommended rebalancing plan in situations that involve leaving the portfolio, or some portion of the portfolio out of balance for an extended period of time.

## **EQUITIES**

- 1.8 The performance objective for the total domestic equity portfolio is to exceed the total return of the Russell 3000 Index net of fees. This and other objectives below are to be measured over a full market cycle.

The Large Capitalization equity class benchmark is the S&P 500 Index.

The Small Capitalization equity class benchmark is the Russell 2000 Index.

Small capitalization U.S. equity managers may not buy any equity with a market capitalization exceeding the size of the largest equity in the Russell 2000 Index at the time of purchase. (Amended 10/06/16)

The performance objective for the total international equity portfolio is to exceed the total return of the Morgan Stanley Capital International All Country World Index ex U.S. (MSCI ACWI ex U.S.). This and other objectives below are to be measured over a full market cycle.

The Developed International equity class benchmark is the Morgan Stanley Capital International All Country World Index ex U.S., including Canada.

The Emerging International equity class benchmark is the Morgan Stanley Capital International Emerging Markets Free Index.

## **PRIVATE EQUITY**

- 1.9 Private Equity investments may include, but are not limited to, Venture Capital, Buyouts and Special Situations. The purpose of this asset class is to provide increased investment returns for the System.

A separate Private Equity Investments Policy (Section 2.0) includes: objectives of private equity investments; use of private equity managers; and the criteria for approving private equity investments.

## **FIXED INCOME**

- 1.10 The Fixed Income portfolio may include, but is not limited to: Core, Core-Plus, Long Duration, High Yield, Treasury-Inflation Protected, Mortgage-Backed, Unconstrained, and Global Credit bonds. The performance objective for the total fixed income portfolio is to exceed the total return of the Bloomberg US Universal Bond Index. This and other objectives below are to be measured over a full market cycle.

The Domestic Core fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index.

The Opportunistic fixed income class benchmark is the Bloomberg U.S. Aggregate Bond Index plus 0.50%.

The Long Duration fixed income class benchmark is the Bloomberg U.S. Long Government/Credit Bond Index.

The High Yield fixed income class benchmark is the ICE Bank of America Merrill Lynch US High Yield Constrained Index.

The Treasury Inflation Protected Securities (TIPS) fixed income class benchmark is the Bloomberg U.S. Government Inflation-Linked Bond Index.

The Unconstrained fixed income class benchmark is the Merrill Lynch U.S. 3-month Treasury Bill rate plus 1%.

The Global Credit fixed income benchmark is a custom benchmark comprised of 50% Bloomberg Global Aggregate Credit Index USD Hedged (LGDRTRUH), 16.7% ICE BofAML Developed Markets High Yield Index USD (HYDM), 16.7% JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP), and 16.7% Credit Suisse Leveraged Loan Index (CSLLLTOT).

### **CASH (SHORT TERM FIXED INCOME)**

- 1.11 The primary concern in investing the cash portfolio is safety of principal. Liquidity comes second and yield comes last.

### **REAL ESTATE**

- 1.12 Real Estate investments may include but are not limited to individually managed accounts, commingled real estate funds, and Real Estate Investment Trusts (REITs). The purpose of this asset class is to enhance the risk/return characteristics of the System's investments.

A separate Real Estate Investments Policy (Section 3.0) includes: objectives of real property investments; maximum amounts or percentages that may be invested in individual properties or types of properties; requirements for diversification and criteria for selecting advisers and appraisers.

### **SECURITIES LENDING**

- 1.13 Securities lending is the lending of equity and fixed income securities held in the System to qualified borrowers who provide collateral in exchange for temporary use of the securities. Incremental income is generated through fees or the investment of the collateral during the time of the loan.

Securities lending income is only a secondary consideration to the operation of a securities portfolio. If it interferes with the portfolio management or the risks versus the return for a specific portfolio are uncertain, the securities will not be loaned out. All loaned securities must be collateralized and marked to market daily. Non-U.S. dollar denominated securities shall be collateralized at 105 percent of current market value. Domestic U.S. dollar denominated securities shall be collateralized at 102 percent of current market value.

### **PERFORMANCE MONITORING**

- 1.14 Investment performance shall be reviewed and evaluated quarterly with the assistance of an outside performance measurement firm or general investment consultant.

A time-weighted method of performance measurement will be used for equity and bond accounts. An internal rate of return calculation will be used for appropriate asset



classes such as private equity, private credit, and some real estate accounts.

Comparisons will be made of:

- A. The total Plan against the actuarial rate of return, target allocation return, and other pension funds.
- B. The total equity, fixed income, real estate, and private equity portfolios against the Russell 3000 Index, Bloomberg U.S. Universal Bond Index, the Real Estate Custom Index, and the S&P 500 Index plus 2.5%, respectively.
- C. Individual investment managers against their stated objectives and, if applicable, against managers of a like style.
- D. Risk-adjusted returns using standard industry adopted statistical measures not limited to Sharpe ratio, information ratio, and tracking error.

See Section 8.0 – Manager Selection and Retention for more detailed procedures for evaluating individual investment managers.

## **TRADING**

- 1.15 All trading is to be done on a best execution basis.

Investment managers shall use a variety of Los Angeles based brokers when feasible, subject to best execution.

The Board encourages the use of minority, woman, persons with disabilities, US Military veterans and lesbian, gay, bisexual, transgender and queer (LGBTQ) owned brokers by the Board's managers for the System's actively managed domestic and international exchange traded equity transactions subject to best execution. However, the Board does not encourage step-out type transactions. (Amended 01/20/22)

Board policy is to employ commission recapture and not soft dollars.

## **PROXY VOTING**

- 1.16 Proxies shall be voted in accordance with guidelines adopted by the Board.

See Section 7.0 – Proxy Voting Policy for more detailed voting guidelines on specific proxy issues.

## **HISTORY**

- 1.17 Adopted: Circa 1980

Revised:

02/11/1982	04/08/1993	04/20/2006	06/18/2009	04/16/2020
03/08/1984	05/20/1993	05/03/2007	08/20/2009	10/01/2020
04/27/1989	12/09/1993	05/17/2007	09/18/2014	11/18/2021

## Investment Guidelines Policy

05/11/1989	06/15/1995	08/02/2007	10/16/2014	01/20/2022
04/19/1990	01/20/2000	02/21/2008	09/16/2015	10/20/2022
08/01/1991	01/08/2004	03/20/2008	10/06/2016	
11/21/1991	01/19/2006	05/01/2008	09/06/2018	
12/17/1992	02/02/2006	09/18/2008	10/03/2019	

### REVIEW

- 1.18 The Investment Guidelines Policy and its subsequent sub-policies shall be reviewed by the Board annually. (Amended 10/16/14)

## APPENDIX 1 - 2022 ASSET ALLOCATION WITH 2020 SUB CLASSES

Asset Class	Target Allocation	Lower Range	Upper Range	Range (%)
Broad US Equity	29%			
Domestic Large Cap Equity	23.00%	20.24%	25.76%	12.00%
Small Cap. Equity	6.00%	4.71%	7.29%	21.50%
Broad International Equity	21%			
International Developed Equity	16.00%	13.60%	18.40%	15.00%
International Emerging Markets	5.00%	3.60%	6.40%	28.00%
Private Equity	14%			
Private Equity	14.00%	10.50%	17.50%	25.00%
LAFPP Custom Fixed Income	22%			
Core Bonds	9.90%	9.31%	10.49%	6.00%
TIPS	4.40%	4.13%	4.68%	6.25%
High Yield Bonds	2.75%	2.37%	3.14%	14.00%
Unconstrained Fixed Income	2.20%	1.98%	2.42%	10.00%
Global Credit	2.75%	2.37%	3.14%	14.00%
Private Credit	2%			
Private Credit	2.00%	1.50%	2.50%	25.00%
LAFPP Custom Real Estate	10%			
Real Estate	7.00%	6.00%	8.00%	14.25%
REITs	3.00%	2.51%	3.50%	16.50%
Commodities	1%			
Commodities	1.00%	0.76%	1.24%	24.00%
Cash Equivalents	1%			
Cash*	1.00%	1.00%	4.00%	300.00%
TOTAL	100%			

NOTES

Board reaffirmed the August 20, 2020 Asset Allocation on October 6, 2022, with the Fixed Income restructure approved on December 2, 2021.

Cash upper range to 4% per the March 19, 2009 Board meeting.

\*Cash range adjusted for liquidity needs and frictional cash rather than standard deviation of asset class.

(Amended 10/20/22)

## Los Angeles Fire & Police Pension System

### 2.0 - PRIVATE EQUITY INVESTMENTS POLICY

#### INTRODUCTION

2.1 The Board has a fourteen percent (14%) allocation to Private Equity. Private Equity Investments are understood to mean non-traditional, often private, usually illiquid investments, both domestic and international. They may include, but are not limited to the following categories: (Amended 10/06/16)

- Venture Capital
- Buyouts
- Special Situations

#### INVESTMENT OBJECTIVES

2.2 This asset class offers the potential for higher returns for the System's overall investment program. (Amended 10/01/20)

For asset modeling purposes, Private Equity Investments as a class is projected to produce over a long period of time (ten years) two and one-half percentage points (2.5%) per year more than public equities. Since risk is high for any individual investment within this class, it is anticipated that the projected return for each individual investment should be even higher, in order for the program overall to achieve the targeted return for this asset class.

Diversification within the Private Equity Investment asset class is a primary risk control strategy and also a means of exposing assets to a large universe of high potential return private businesses. Investments will include all stages of venture capital, buyouts, and such other special debt and equity vehicles as will meet the return objectives. In addition, diversification across vintage years is important to attain proper diversification of the private equity portfolio. Consequently, the Private Equity Investment program will attempt to make commitments to each subset of the private equity asset class, including all stages of venture capital, buyout and special situation, each year. Diversification within the asset class, however, shall never supersede the return objective as a basis for approving any particular investment.

Limited partnerships of pooled vehicles will be the primary investment structure.

#### USE OF PRIVATE EQUITY CONSULTANTS

2.3 Consultants may be hired by the Board to assist in the management of the Private Equity investment program. Depending upon the needs of the Board, consultants may be responsible for assessing deal flow, reviewing prospective investments, and performing complete due diligence on potential investments. In addition, consultants may negotiate terms with the private equity funds, prepare contracts and subscription documents, monitor capital call and distribution requests, sit on

Fund Advisory Boards and perform such other tasks as the consultant's expertise and the needs of the Board may warrant. Consultants serve as fiduciaries to the Board and may be hired in a discretionary or non-discretionary capacity.

Consultants may receive information about prospective investments from Board members or Staff, and each consultant shall designate a contact person within the firm to receive and coordinate all such information. The General Manager shall designate a member of Staff to coordinate such communications between the consultants and Board or Staff members. Prospective investments referred by a Board or Staff shall not influence the consultant's evaluation of the prospective investment. Such referrals and information will be given solely in the interest of contributing to the deal flow considered by the consultant and supplementing the information the consultant gathers. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy.

The consultant may consider ESG (Environmental, Social, and Governance) and DEI (Diversity, Equity, and Inclusion) as factors to be included in the analysis of investments.

## **PRIVATE EQUITY APPROVAL PROCESS**

- 2.4 The Private Equity consultant will evaluate and perform the due diligence for funds to be considered for investment by the Board. The Private Equity consultant will submit a fund investment memo that includes how the recommended fund commitment fits into the calendar year pacing and target portfolio to Staff for evaluation. After review, if Staff concurs with the fund recommendation, the consultant will present the fund investment memo to the Board for its approval. If Staff does not agree with the consultant's fund recommendation, the consultant will either present the fund recommendation to the Board (including a statement of Staff's nonconcurrence) or withdraw the fund recommendation.

Private Equity Specialized Fund Manager selection criteria are found in Section 5.10.

## **GUIDELINES**

- 2.5 The allocation to Private Equity Investments is fourteen percent (14%). There shall be an over allocation factor assigned to take into consideration the average funding time and maturing of investments in this asset class versus the expected growth of the total System. (Amended 10/06/16)

The following limits and ranges shall apply to the program:

- A. Maximum commitment to each partnership: \$100 million.
- B. Allocation to Private Equity Investment subsets: 15-40% Venture Capital, 20-60% Buyout, and 15-40% Special Situations. Maximum allocation to any subset shall not exceed 60%.

**PROGRAM MONITORING EVALUATION**

- 2.6 Consultants shall report in writing at least quarterly on the portfolio as a whole and on each individual sector in the portfolio, return and portfolio structure shall be emphasized. For each investment, the carrying value, income, description of activity, and evaluation of current status compared to original intent and objectives would be appropriate. At least once a year, consultants shall make a complete performance and portfolio report to the Board in person. In addition, consultants may be asked to provide/present other reports as requested by the Board.

In order to promote industry best practices including transparency, uniformity and alignment of interests, Private Equity Fund Managers including Specialized Managers are encouraged to use the ILPA (Institutional Limited Partners Association) reporting template. This template provides the investor or the LP (Limited Partner) information on the fund valuation, income, fees and expenses, fee offsets, incentive allocation or carried interest, and unfunded commitment.

**CALIFORNIA GOVERNMENT CODE**

- 2.7 Every California public investment system is obligated to require each alternative investment vehicle in which it invests to make disclosures of information, at least annually, according to California Government Code Section 7514.7. The law applies to all new contracts the public investment system enters into on or after January 1, 2017, and to all existing contracts pursuant to which the public investment system makes a new capital commitment on or after January 1, 2017.

**HISTORY**

- 2.8 Adopted: May 3, 2001

Revised:

06/05/2003	11/05/2009	10/06/2016	10/01/2020
08/21/2003	07/21/2011	09/06/2018	05/06/2021
03/02/2006	09/18/2014	10/03/2019	11/18/2021
02/01/2007	06/16/2016	04/16/2020	10/20/2022

## Los Angeles Fire & Police Pension System

### 3.0 - REAL ESTATE POLICY

#### INTRODUCTION

- 3.1 LAFPP has determined that, over the long-term, inclusion of real estate investments will enhance the overall diversification and risk/return characteristics of the System's portfolio investment.

This document establishes the specific objectives, policies and procedures involved in the implementation and oversight of the System's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

#### INVESTMENT OBJECTIVES

- 3.2 A. Asset Allocation

LAFPP has approved a long-term asset allocation target of ten percent (10%) for investment in real estate investments – seven percent (7%) for private real estate and three percent (3%) for REITs. The allowable private real estate variation range is plus or minus one percent (1%) percent of the System's total assets. For REITS, the variation range is five-tenths of a percent (.50%). (Amended 11/18/21)

- B. Return Objectives

The Board has determined that the objective of the System's real estate portfolio will be to enhance the diversification of the LAFPP Total Plan while achieving a long-term risk-adjusted return that is consistent with the General Consultant's expected return. Active management, value creation strategies and the prudent use of third-party debt are approved methods for generating the expected excess return above core real estate. The Board has approved the following benchmarks for the Real Estate Portfolio:

Style	Benchmarks
Public Real Estate	50% Dow Jones US Real Estate Securities Index (Gross) and 50% FTSE EPRA/NAREIT Developed Index (Gross)
Private Real Estate	NFI-ODCE + 50 bps (Net)
LAFPP Total Portfolio	LAFPP Benchmark, weighted 30% Public and 70% Private

LAFPP will seek to meet or exceed the Total Portfolio return target over rolling five-year time periods and may use shorter term measurements

(typically most recent quarter and the trailing one-year, three-year, and five-year periods) to gauge progress relative to that goal. Other fund indices maintained by NCREIF will be used to provide additional perspective on performance and/or to facilitate attribution analysis. Shorter term performance and risk assessment will utilize a risk adjusted benchmark using return expectations by style in a customized, weighted benchmark to reflect the actual composition of the portfolio and the expected return of same.

**It is important to note that LAFPP may underperform the benchmark across shorter time periods as legacy investments liquidate and new Non-Core investments are made.**

In order to meet or exceed the LAFPP Benchmark after fees, the System will maintain a portfolio composition within the following targets and ranges:

	Target Allocation	Tactical Range
Public Real Estate	30%	25% - 35%
Private Real Estate	70%	65% - 100%

LAFPP Private Real Estate Portfolio		
	Target Allocation	Tactical Range
Core	60%	50% to 70%
Non-Core	40%	30% to 50%
<i>Value Added</i>	20%	0% to 50%
<i>Opportunistic</i>	20%	0% to 50%

## INVESTMENT POLICIES

### 3.3 A. Portfolio Composition

The System divides the range of available real estate investment strategies ('styles') into four primary categories: (1) Core, (2) Value Add, (3) Opportunistic and (4) Public Securities. The style groups are defined by their respective market risk/return characteristics:

#### Core Characteristics

- Operating and substantially leased properties;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is primarily attributable to income;
- Conservative leverage (0% - 40%, measured on a loan-to-value (LTV) basis).

#### Value Add Characteristics



- Properties requiring lease-up, rehabilitation, repositioning, expansion or those acquired through forward purchase commitments;
- Property types include office, apartment, retail, industrial, hotels and other (self-storage, medical office, senior and student housing);
- Total return is attributable to a balance between income and appreciation;
- Moderate leverage is typically utilized (30% - 60%, measured on a LTV basis).

#### Opportunistic Characteristics

- Properties or real estate companies offering recapitalization, turnaround, development, market arbitrage opportunities;
- No property types are excluded, and properties may include business operations (e.g. hotels, congregate care and real estate entity-level growth capital) as well as office, apartment, retail, industrial;
- Total return is primarily attributable to appreciation and generally recognized upon sale of the asset;
- Moderate to high leverage is typically utilized (50% - 80%, measured on a LTV basis).

#### Public Securities Characteristics

- Shares of publicly traded securities offered by companies operating real estate assets as a primary source of corporate revenue.

### B. Risk Management

The primary risks associated with equity real estate investments are investment manager risk, property market risk, asset and portfolio management risk, loss of principal and liquidity risks. The System will mitigate risk in a prudent manner. The following policies have been established to manage the risks involved in investing in real estate equity.

#### 1) *Investment Structures*

The System recognizes that, regardless of investment structure, real estate is an illiquid asset class. Structures that maximize investor control are preferred, particularly in Core investments (Separately Managed Accounts and Open-End Commingled Funds). The System also recognizes that the Value Add and Opportunistic styles require the assumption of additional risks including diminished investor control.

The Core investment style is considered to be less risky (thereby providing lower returns) than Value Add and Opportunistic investments. The lower risk assigned to Core investments is due to three primary characteristics: (1) the level and predictability of the income generated, (2) the higher proportion of the total return attributable to income and (3) the limited use of debt usually associated with these styles.

The Value Add and Opportunistic investment styles seek to provide higher returns with higher risk than the Core component of the portfolio.

Value Add investments are those capable of exhibiting Core characteristics but need an additional level of active management in order to regain or realize their Core position. Opportunistic investments seek to capitalize on market inefficiencies and opportunities (e.g. capital voids, market recovery, development, distressed sellers, financial engineering) and debt to provide excess returns. Because of the degree of reliance on active management necessary to capitalize on such market inefficiencies, investments will be accessed through structures that allow a high degree of manager discretion.

The System will utilize the following investment structures:

a) Separately Managed Accounts (“SMA”)

For the Core and Value Add strategies, the System may purchase assets on a wholly owned basis through Separately Managed Account structures. The System may consider joint venture or co-investment ownership, as an equal or greater partner, within SMA structures.

b) Commingled Funds

For Core and Value Add strategies, the System will also consider Open-End Commingled Funds (OECFs). OECFs are an infinite life pool of assets diversified by geography and property type. OECFs are complementary to smaller SMAs as they provide access to larger, Core, “trophy” properties that a smaller SMA would not be able to purchase. There are also OECFs that target various levels of value-add risk and provide similar diversification and risk/return benefits.

For Value Add and Opportunistic strategies, the System will purchase assets through the ownership of units or shares of Closed-End Commingled Funds. Closed-End Commingled Funds differ from OECFs in that they are finite life vehicles. Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, real estate investment trusts (private) and limited liability corporations.

2) *Defined Roles for Participants*

The real estate program shall be planned, implemented, and monitored through the coordinated efforts of the Board, Staff, Real Estate Consultant (“Consultant”) and Investment Managers (“Manager” or “Managers”). The major responsibilities of each participant are outlined in Appendix 1.

3) *Diversification*

The System will seek to diversify its Real Estate Portfolio by manager, property type, property location, investment style, and within the Opportunistic Portfolio, by investment strategy. Investment property types must be consistent with the groups as follows:

- Core includes office, retail, apartments, industrial, hotel and limited non-traditional property types (including self-storage, medical office, senior and student housing).
- Value Add and Opportunistic have no restrictions on property type.

It is expected that at various points in time, the portfolio may be more heavily exposed to a single property type or location by virtue of opportunities available in the market. Exposure to any single property type (i.e. office, retail, apartment, industrial or other) or geographic region in excess of forty percent (40%) of the Private Real Estate Portfolio must be reviewed as an exception by the Board. (Approved 07/16/15 and amended 09/16/15)

International investments will be limited to no more than thirty percent (30%) of the total targeted Private Real Estate Portfolio and may include private and public investments in the Core and Non-Core style groups.

#### *Separately Managed Accounts*

The System's SMA management agreements, individually or as a group, will provide for diversification by property type, economic sector and location in order to minimize any such concentration which might, in turn, impact the stability of rental income over market cycles.

#### *Commingled Funds*

Diversification by Strategy and Manager will be used to minimize sponsor or strategy concentration, which might, in turn, impact the performance of the Value Add and Opportunistic allocation and/or the total portfolio. The Commingled Funds will provide reporting which will allow the System to monitor its geographic and property type diversification.

#### 4) *Leverage*

The use of leverage is a prudent tool for enhancing returns and diversifying equity investments. As such, the System has approved leverage limits in order to maximize returns to the total portfolio. The availability and cost of leverage will be factors considered in determining its use. At no time shall the origination of leverage exceed the established limits on a loan-to-value basis. In the event that a leverage constraint is breached due to a contraction in market values, the System's Staff and Consultant will notify the Board and make a recommendation for action or exception.

a. Core

For the Core Portfolio, the System has established a forty percent (40%) leverage limit. For any single Core asset, third-party debt will be limited to fifty percent (50%) of the market value of the asset, must provide sufficient net operating income (“NOI”) for one hundred percent debt-service coverage and must be non-recourse. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

b. Non-Core

The System has determined that leverage on these Non-Core investments should be determined based on strategy and opportunity. Investments made through Commingled Funds will have a specified leverage target or maximum stated in the offering documents. Debt levels and structures will be evaluated when reviewing a specific offering. Investments made through the System’s SMA will be limited to sixty percent (60%) of the market value of the asset. Property specific debt will be monitored through the Manager Investment Plans and Preliminary Investment Packages. In all cases, leverage shall provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

c. Total Portfolio

The System will also monitor leverage at the Total Portfolio level. In the event that the Total Portfolio leverage exceeds 60%, on a loan-to-value basis, both Staff and Consultant will evaluate going forward investment opportunities so as to reduce Portfolio leverage. This will act as a ‘governor’ and not a constraint at the Total Portfolio level.

5) *Property Investment Size*

At the time of investment, individual Open-End investments are limited to ten percent (10%) of the private real estate portfolio market value, and individual Closed-End investments are limited to five percent (5%) of the private real estate portfolio. A single property within an SMA is limited to five percent (5%) of the private real estate portfolio based on initial invested equity.

Moreover, at no time shall the net investment value of a single property within an SMA exceed ten percent (10%), a Closed-End Commingled Fund exceed ten percent (10%), or an Open-End Commingled Fund exceed twenty percent (20%) of the net investment value of the targeted private real estate portfolio. In addition, the capital allocated

to any single Commingled Fund shall not exceed a pro rata position of fifteen percent (15%) of the total equity raised by the final close of the investment vehicle.

The minimum investment size shall be \$5 million on a Gross Property Value basis. In the case of investments by the Account Manager on a commingled basis with co-investors, the maximum property investment shall be measured only by the value of the Plan's direct (equity) or indirect (e.g., participating or convertible mortgage) investment. (Amended 11/18/21)

6) *Valuations*

All investments in an SMA vehicle will be independently valued not less than every three years by a qualified expert (certified MAI or Member of the Appraisal Institute), performed on a rotational basis within the Total SMA Portfolio. Exceptions will be granted by Staff during times when a property or market specific event may have a considerable impact on property value. During interim periods, valuations will be performed by the Investment Manager responsible for management of each investment. Such interim valuations may be used for performance measurement purposes.

Investments held in Commingled Funds will be valued using the valuation methodology approved with the selection of the particular investment.

7) *Investment Manager Concentration*

No single investment manager should manage more than thirty percent (30%) of the total real estate portfolio unless an exception is approved by the Board.

C. Discretionary Authority

The Policies and Procedures described herein are structured to control investment risk as well as to enhance the System's ability to execute transactions.

1) *Separately Managed Accounts*

The SMA Manager selection process, more fully described in Section 3.4.A.1 of this document, is structured to ensure prudent Manager selection in order to allow Manager(s) to assume an appropriate level of discretion, balanced by controls established and monitored by the Board, Staff and Consultant. Preference will be given to those SMA vehicles allowing greater investor control.

2) *Commingled Funds*

Commingled Funds are structured to give the highest level of discretion to the Manager. The limited investor control of management decisions inherent in Commingled Fund investments is appropriate given the flexibility required to achieve higher expected returns. Investments made in Commingled Funds are monitored for compliance with vehicle documents through quarterly performance measurement procedures.

## INVESTMENT PROCEDURES

- 3.4 The Annual Investment Plan identifies the investment needs of the portfolio and establishes the parameters for the selection of appropriate investments. The particular needs for each Annual Investment Plan will be established in light of the structure, objectives and performance of the existing portfolio as well as current market opportunities. All Annual Investment Plans will be consistent with the policies detailed in Section 3.3A-C.

A. Separately Managed Accounts

The following procedures will be utilized for selection of SMA Managers, as well as for investment and the subsequent control and monitoring of SMA allocations.

1) *Manager Selection Process*

- a. Board, assisted by the Consultant, shall establish qualification criteria consistent with the purpose of the search.
- b. Consultant shall screen its database to identify Manager candidates exhibiting qualities consistent with the qualification criteria. Board may identify additional candidates.
- c. Board, assisted by the Consultant, shall establish evaluation areas, desired levels of competency and respective weightings for evaluation factors.
- d. A Request for Information (RFI) shall be forwarded to qualified Manager candidates identified by Consultant and Board.
- e. Staff and Consultant shall review and evaluate RFI responses, identify material issues related to each candidate, including proposed fee structures, and compile numerical rankings for each respondent for each objective evaluation factor.
- f. Staff and Consultant shall prepare a report to the Board that reviews the findings of interviews/on-sites.
- g. Staff, with the assistance of Consultant, shall coordinate final presentations which will be held at a noticed meeting.
- h. The Board shall select a Manager based on review and evaluation of information presented in the steps listed above.

- i. Staff and Consultant will negotiate and close manager agreements, including final fee structures.

2) *Investment*

a. Manager Investment Plan

Each SMA Manager shall prepare a Manager Investment Plan, which sets forth the investment criteria for said Manager's allocation including the reinvestment of proceeds from sales or refinancing's. The investment criteria shall be consistent with the Strategic Plan and Implementation Plan as prepared by the Consultant and Staff and approved by the Board. Plans will also set forth the SMA Manager's evaluation of current market opportunities and include a summary of the Annual Disposition Review (see Section 3.4.A.3c) of each asset in the context of the market evaluation.

b. Review and Approval Process

The Board will review and approve all purchases, sales or exchanges of real property. The SMA Manager will notify Staff and Consultant of a property proposed for acquisition by the System. The formal approval process is attached as Appendix 2 to this document.

c. Funding Procedures

The Manager shall provide the Staff and Consultant with a critical dates list with respect to an acquisition, including document execution and funding and closing dates, updating the list as necessary.

3) *Control and Monitoring*

a. Budget and Management Plan

After the end of the fiscal year, each SMA Manager shall submit a Budget and Management Plan for the upcoming year for each direct investment and the aggregate SMA portfolio. The Budget and Management Plan must include a narrative strategy and an estimated income and cash flow statement for the ensuing year. The statement will include gross revenues, expenses, percentage rent, additional interest, property management fees, net operating income, tenant improvements, leasing commissions, capital expenditures, cash flow before and after debt service and asset management, incentive and other fees along with quarterly or monthly distribution projections.

Staff and Consultant will meet with the Manager personnel directly responsible for portfolio and asset management for a review and evaluation of the reasonableness of the submitted Budget and

Management Plan.

During the ensuing year, the Manager shall notify the Retirement System in writing within a reasonable time of the occurrence of any significant event relating to an investment, which was not projected in the submitted Budget and Management Plan.

b. Annual Disposition Review

SMA Managers shall provide an annual disposition analysis of each asset under management. The disposition analysis shall include hold/sell scenarios over long and short-term periods and incorporate an opportunity cost analysis. The analysis will also provide an evaluation of the asset in light of original investment objectives, the asset's compliance with the current Strategic Plan, Investment Plan and Manager Investment Plan and the reasonableness of the current valuation given market conditions for divestment.

The Annual Disposition Review shall be included in the Budget and Management Plan and the Manager Investment Plan.

4) *Manager Monitoring and Retention*

Performance of the SMA Manager is evaluated by Staff and Consultant quarterly (and more formally, on an annual basis during the Annual Budget and Management Review). The Board maintains the right to terminate an SMA manager at any time they deem such action to be in the best interest of the System.

B. Commingled Funds

The following procedures will be utilized in the selection, closing and monitoring of specific CF investments.

1) *CF Selection Process*

- a. Consultant reviews current offerings and Board requests using criteria established in the approved Strategic and Annual Investment Plans.
- b. Consultant and Staff concur on recommendations to go to the Board.
- c. Consultant and Staff present recommendations to the Board for approval.

2) *CF Screening Standards*

- a. CF vehicles will be used to provide either 1) unique or opportunistic strategies which are not readily available through separate



accounts, or 2) exposure to property categories not adequately represented in the portfolio.

- b. Funds with competitive terms/structure on overall basis including fees, expenses, governance provisions, lockup periods, reasonableness of fund-raising goals in relation to existing assets and capacity.
- c. Funds/managers with favorable track records evaluated in context of property type(s) invested in and risks taken (leverage, leasing, development, redevelopment, etc.). No investment in a first-time fund unless the fund sponsor has experience investing institutional capital as a fiduciary and can show full cycle returns (e.g., buy, hold and sell) using the same strategy.
- d. Funds with favorable management factors, including experience of personnel, length of time management has worked together, incentive-oriented compensation structure for decision-makers, etc.
- e. Funds with manager interests aligned with investors -- either by co-investment or performance-oriented fees or both.
- f. Funds may be referred to the consultant. The procedure for Board and Staff member referrals is outlined in Section 1.5 of this policy.

3) *CF Control and Monitoring*

CF investments will be monitored quarterly by Staff, with Consultant's assistance, to evaluate investment performance and to ensure compliance with vehicle documents.

C. Performance Measurement Report

On a quarterly basis, the Consultant will prepare a comprehensive report addressing each investment and/or asset, SMA, and Manager. The evaluation system shall provide such information as may be required by the Plan to understand and administer its investments and Managers.

The content of the report shall include attributes for the assets individually (under SMAs), the investment managers and the total portfolio including: income, appreciation, gross and net returns, cash-flow, internal rate of return, diversification, comparisons to relevant industry performance indices and information reporting standards, and Strategic Plan and Investment Plan compliance. Each investment will be reviewed for significant events and projected performance and an opinion provided with respect to Manager performance. Budget and Management Plan variances, as reported by SMA Managers, will also be provided.

The Consultant shall prepare and forward to the Plan a Performance Measurement Report within ninety (90) days following the last day of each quarter given receipt of full and complete manager reporting. (Amended 10/06/16)

**HISTORY**

3.5 Adopted: November 17, 2005

Revised:

07/20/2006	05/03/2007	08/20/2009	10/06/2016	11/18/2021
09/07/2006	04/17/2008	09/18/2014	09/06/2018	10/20/2022
01/18/2007	07/10/2008	09/16/2015	10/03/2019	
02/01/2007	06/18/2009	12/17/2015	10/01/2020	

## APPENDIX 1 - DEFINED ROLES FOR PARTICIPANTS

### **Duties of the LAFPP Board**

- Establishes the role of the real estate investment program in light of the total portfolio objectives.
- Approves the allocation to real estate and approves any adjustments to the allocation which may from time to time be necessary.
- Approves the Strategic Plan (Objectives, Policies and Procedures) and the Investment Plan for the real estate program.
- Reviews the real estate portfolio on a semi-annual basis to evaluate the investment performance and to ensure compliance with policy guidelines and approved Investment Plans.
- Reviews and approves Requests for Information as developed by Staff and Consultant to be used in Separately Managed Account (“SMA”) manager selection.
- Reviews recommendations for selection of Managers, Investment Partners or Ventures, and Commingled Fund Sponsors and approves firms for selection.
- Reviews recommendations for removal of Managers and takes appropriate action.
- Reviews Staff and Consultant recommendations on asset purchase and sales and takes appropriate action.
- Reviews Staff and Consultant summary of and recommendations with regard to Manager Investment Plans and Budget and Management Plans.

### **Duties of the LAFPP Staff**

- Reports to the Board on matters of policy.
- Oversees Consultant’s preparation of the Strategic Plan and Investment Plan.
- Participates with the Consultant in the Annual Real Estate Portfolio Review, including Budget and Management Plans and presents summary findings to the Board.
- Brings any non-conforming items or significant issues to the attention of the Board.
- Documents and monitors funding procedures.
- Completes any other activity as directed by the Board.
- Monitors the performance of the real estate portfolio.
- Attends quarterly meetings, annual meetings, Advisory Board meetings and on-site due diligence meetings.

#### ***Separately Managed Account (“SMA”) Duties:***

- Conducts searches for professional services and investment managers and, with the assistance of the Consultant, recommends finalists to the Board for approval.
- Oversees preparation of annual Manager Investment Plans. Presents and recommends Manager Investment Plans to the Board for review.
- Reviews the Budget and Management Plans prepared by SMA Managers and presents summary findings to the Board.
- Reviews Preliminary Investment Packages and compliance analysis prepared by SMA Managers and submits the results to the Board.

- Reviews fees for compliance and ensures that Incentive Fees are processed appropriately.
- Performs other duties required to execute the SMA Investment Procedures.
- Manages the closing process, and with legal counsel, reviews and executes any required documentation for acquisitions, refinancing and other capital transactions between SMA Managers and the Retirement System.
- Conducts on-site due diligence on each asset with a target portfolio rotation of once every three years.

In the event that an SMA Manager(s) is terminated by the LAFPP Board, the following actions shall be carried out by LAFPP staff in conjunction with the LAFPP Board's Consultant:

- Deliberate and appoint an Independent Appraisal Firm to determine the Value of SMA Asset(s).
- Provide a First Draft of the Independent Appraisal Firm's Report to the incumbent SMA Manager(s) and to the newly appointed SMA Manager(s) for review and comment.
- The incumbent SMA Manager(s) and newly appointed SMA Managers(s) shall provide one (1) round of comments to the Consultant who will share such comments with the Independent Appraisal Firm.
- The Independent Appraisal Firm, at its sole discretion, may review and consider comments from both the incumbent SMA Manager(s) and the newly appointed SMA Manager(s) prior to issuance of a Final Appraisal Value to be considered the final SMA Asset(s) Transfer Value.

***Commingled Fund ("CF") Duties***

- With the assistance of the Consultant, conducts screening, review, and selection for recommendation of CF offerings.
- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.

**Duties of the Consultant**

- Reports directly to the Board, and Staff on matters of policy.
- Brings any non-conforming items or significant issues to the attention of the Staff and/or Board.
- Monitors the performance of the real estate portfolio and compliance with approved policy.
- Prepares the Strategic Plan and Real Estate Investment Plan and, in conjunction with Staff, presents the Plans to the Board for review.
- Prepares a quarterly Performance Measurement Report (PMR) to evaluate investment performance and to ensure compliance with policy guidelines and approved Investment Plans. Presents reports semi-annually.
- Assists Staff in the Annual Real Estate Portfolio Review.
- Provides Staff and/or Board with topical research and education on investment subjects that are relevant to LAFPP.

***Separately Managed Account ("SMA") Duties***

- Assists Staff in conducting searches for investment managers and preparing recommendations for the Board.
- Oversees Manager preparation of annual Manager Investment Plans, and, in conjunction with Staff, presents Plan summaries to the Board.
- Reviews the Budget and Management Plans prepared by SMA Managers and, in conjunction with Staff, present summary findings to the Board.
- Reviews proposed acquisitions for pricing comparability with independent market information and provides final recommendation for approval/disapproval of each acquisition.
- Performs other duties required to execute the SMA Investment Procedures.

***Commingled Fund Duties***

- Conducts, or assists Staff in conducting analysis of Commingled Fund offerings in accordance with the Commingled Fund selection process.
- Provides written analysis of Commingled Funds as requested by Staff.

**Duties of the Manager**

- Provides performance measurement data in form and substance as requested by the System.

***Separately Managed Account Managers:***

- Acquires, manages and disposes of assets on behalf of the System.
- Adheres to the most recent version of the Real Estate Information Standards established jointly by the National Council of Real Estate Investment Fiduciaries (“NCREIF”), the Pension Real Estate Association (“PREA”) and the National Association of Real Estate Investment Managers (“NAREIM”) (“Information Standards”).
- Prepares Manager Investment Plans to be submitted to the Staff and Consultant.
- Prepares Preliminary Investment Packages to be submitted to the Staff and Consultant.
- Adheres to the Board approved acquisition procedures detailed in Exhibit A.
- Prepares Budget and Management Plans to be submitted to the Staff and Consultant.
- Meets with Staff and Consultant for the Annual Real Estate Portfolio Review.
- Provides Consultant, when requested, Annual Review information.
- Assists the Staff in preparing funding procedures.

***Commingled Fund Managers:***

- Adheres to reporting standards established by the CFA Institute and complies with generally accepted accounting principles (“GAAP”).
- Executes and performs its duties under the terms of the investment vehicle documents.
- Provides timely requests for capital contributions.

- Provides quarterly financial statements and annual audited reports.
- Conducts no less frequently than annual meetings with Staff and Consultant to discuss important developments regarding portfolio, investment and management issues.

**Duties of the Legal Counsel**

- Legal counsel for the System as a representative of the Plan, will review upon request, all real estate related documents and/or provide advice for special investment situations as needed.

**APPENDIX 2 - LAFPP APPROVAL PROCESS**  
(Separately Managed Accounts Only)

Step 1

A preliminary Investment Recommendation from the investment advisor will be presented to the full Board, for review and approval, including a full description of the property and market details, the investment advisor's best estimates of all numbers, a detailed description of all known environmental issues (if any), a detailed due diligence budget and a detailed summary of the pros/cons of the transaction.

Step 2

The Board will review and approve or disapprove the transaction. Any approval of the transaction by the Board will be required to include the affirmative vote of at least one of the active Fire and Police representatives and will be subject to investment advisor's satisfaction of the following requirements (the "Closing Requirements"):

- A letter from the investment advisor to the CIO certifying that it has found nothing in the due diligence process which materially and adversely impacts its investment recommendation. If the investment advisor's due diligence discovers any new matters that would have a material and adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall include a copy of all third party reports.
- The letter shall include a representation by the investment advisor that there are no adverse environmental matters that were not previously disclosed to the Board, other than those described in the initial report that was presented to the Board for review and approval. If there are any new environmental matters that would have an adverse effect on the property or the fund, then such new matters will be subject to review and approval by the Board.
- The letter shall also include a representation by the investment advisor that to the investment advisor's best knowledge, the projected IRR of the property will equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board. If the projected IRR will not equal or exceed 50 basis points less than the projected IRR that was previously approved by the Board, then such new projected IRR will be subject to review and approval by the Board.
- A letter from the Fund's SMA Manager to the CIO certifying that the appraised value of the property is not less than 95% of the final purchase price. If the appraisal does not equal or exceed 95% of the final purchase price, then the transaction will be subject to review and approval by the Board. Per the Real Estate Consultant's cover memo, this appraisal requirement will be discussed with the Board and revised according to Board direction should the Board elect a change.

- A letter from the Fund's real estate consultant to the CIO with a positive written recommendation to proceed with the transaction. If the Fund's real estate consultant does not recommend the transaction, then the transaction will be subject to review and approval by the Board.
- A letter from the CIO to the investment adviser (copy to the Board) stating that the requirements in Step 2 have been satisfied. If the CIO does not state in writing that the requirements in Step 2 have been satisfied, then the transaction will be subject to review and approval by the Board.

**Step 3**

If the Closing Requirements in Step 2 above are satisfied (and remain satisfied through the closing of the transaction), then the investment advisor can close the purchase without returning to the Board for a second approval.

If any of the Closing Requirements in Step 2 are not satisfied (or if any such Closing Requirements fail to remain satisfied through the closing of the transaction), then the investment advisor will be required to return to the Board for approval of a closing with respect to any unsatisfied Closing Requirement.



## Los Angeles Fire & Police Pension System

### 4.0 - COMMODITIES POLICY

#### INTRODUCTION

4.1 The Board has a one percent (1%) allocation to Commodities with an allowable range of  $\pm 24\%$ . Commodities Investments are understood to mean investing in fungible basic goods or resources used as an input in the production of other goods and services. They may include, but are not limited to the following:

- Energy
- Agriculture
- Metals
- Timber
- Water
- Infrastructure

#### INVESTMENT OBJECTIVES

4.2 The asset class offers diversification to the System's overall investment program through historically low correlation with equities and bonds. In addition, Commodities can act as a hedge against inflation. The System invests in private market commodities with the objective of providing diversification and generating return.

The benchmark for the private commodities investments is the S&P 500 plus 2.5%.

#### COMMODITIES INVESTMENTS

4.3 The System has approved investing in Private commodities strategies - entering Limited Partnerships in commingled funds with private equity firms involved in Commodities investments. See Section 2.0 – Private Equity Investments Policy for more detailed information.

#### PROGRAM MONITORING AND EVALUATION

4.4 The System's Private Equity Investment Consultant shall report in writing at least quarterly on the portfolio as a whole and on each individual investment for the portfolio, return and portfolio structure using an internal rate of return methodology.

#### HISTORY

4.5 Adopted: September 18, 2014

Revised:

09/06/2018	10/01/2020	10/20/2022
10/03/2019	11/18/2021	

## **Los Angeles Fire & Police Pension System**

### **5.0 - EMERGING MANAGERS POLICY**

#### **POLICY STATEMENT**

- 5.1 It is the policy of the City of Los Angeles to utilize Minority Business Enterprises (MBE), Women Business Enterprises (WBE), and all Other Business Enterprises (OBE) in all aspects of contracting relating to procurement, construction and personal services (Executive Directives 1-B and 1-C). In addition, it has been the experience of the Board of Fire and Police Pension Commissioners that certain minimum requirements of size and experience as a firm have excluded investment managers whose past performance and style of management made them otherwise qualified to manage the Pension System's assets.

To further the City's policy, and to provide the Board with opportunities to contract with managers excluded from past searches, it shall be the policy of the Board that emerging managers be provided opportunities to compete for and participate in investment manager contracts awarded by the Board. This allows the Board to identify potentially talented investment management organizations in their early growth stage, and also recognizes that smaller firms may be more flexible and able to take advantage of opportunities to generate alpha because of their size. The provision of these opportunities is to be consistent with the fiduciary responsibilities of the Board. Staff will conduct outreach to identify firms that have ownership by one or more minorities, women, persons with disabilities, US Military veterans, and/or lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals. (Amended 01/20/22)

#### **PUBLIC EQUITIES AND FIXED INCOME CRITERIA FOR PUBLIC SECURITIES EMERGING MANAGER SEARCHES**

- 5.2 For all public security assets, emerging managers retained directly by LAFPP are defined as independent investment management firms that manage less than \$3 billion in firm-wide assets. The Board shall review the definition of emerging manager for each emerging manager search that is conducted.

Prior to a search in any part of its public equity or fixed income portfolio, the Board will determine whether it will conduct an emerging manager search in that same asset category. For each case, the Board shall determine whether it will implement the emerging manager search.

Any search for an emerging manager will be conducted separately from other searches, including a search for an investment manager of the same style to run assets of such an amount as to preclude emerging managers from participating in the search.

As a guide for any direct emerging manager searches by LAFPP, Staff and/or the General Investment Consultant is directed to use the minimum following qualifications in the preliminary screening. (Amended 10/03/19)

## QUALIFICATIONS

- 5.3 A. One year of operation as an investment management firm as of the date of the search.
- B. The portfolio manager(s) assigned to the Pensions account must each have a minimum of five years of experience in investment management.
- C. As of the date of the search, the firm must have a minimum of \$30 million in institutional assets under management of which \$10 million must be in the proposed investment style.
- D. The firm must have at least one tax-exempt account under management.

The above qualifications and criteria shall remain in place until such time as they are revised by the Board. The Board may revise any of the above minimum qualification for any specific search if it is deemed appropriate for that specific search.

## MONITORING AND CHANGE OF STATUS

- 5.4 Emerging managers and managers of emerging managers shall be subject to the standard Monitoring and Watch Status procedures of LAFPP. Staff will report to the Board annually regarding any change of status of emerging managers in the Program.

When an emerging manager is retained directly by LAFPP, Staff shall automatically notify the Board when that emerging manager's assets under management grow larger than the LAFPP Policy-defined maximum assets under management of \$3 billion.

When an emerging manager is retained by LAFPP through manager of emerging managers, the manager shall automatically notify the LAFPP Board when an emerging manager exits the portfolio due to growth in the emerging manager's assets under management. (Amended 11/18/21)

## MANAGER TERMINATION

- 5.5 For any emerging manager retained directly by LAFPP for the management of public securities, notwithstanding the provisions of Section 8.0 – Manager Selection and Retention, the Board delegates to Staff the authority to terminate the investment management contract. (Amended 04/17/14)

## GRADUATION POLICY

- 5.6 LAFPP expects that successful emerging investment management firms will grow beyond the maximum \$3 billion in assets under management required to be categorized as an emerging manager. Opportunities for larger mandates may occur for emerging managers when, from time to time, LAFPP evaluates asset class structure or conducts manager replacement searches. Prior to LAFPP conducting an external search for an active manager, managers participating in

LAFPP's emerging manager program that meet the minimum investment criteria will be considered in the search. (Amended 11/18/21)

For the Private Equity Specialized Fund Manager program, the emerging managers have an opportunity to graduate to the core private equity portfolio when they reach their fourth fund. An emerging manager may also graduate to the core portfolio early (typically with their third fund) if the Board approves a commitment to the fund for the core portfolio.

**FUNDING**

- 5.7 When an emerging manager is selected by the Board, the size of funding will be determined based on the needs of the Systems and the capacity and experience of the manager. In no case shall the Board's funding exceed fifty percent of the total assets managed in a similar product or style of portfolio by the manager, including the Board's allocation. (Funding language added 3/14/91)

As part of any Staff and or General Investment Consultant analysis and recommendations regarding the asset manager structure, Staff is directed to address the System's Emerging Manager Policy.

**NUMBER OF EMERGING MANAGERS**

- 5.8 The number of emerging managers in each major asset class shall not exceed the number of non-emerging managers.

**REAL ESTATE**

**CRITERIA FOR REAL ESTATE EMERGING FUND MANAGER SEARCHES**

- 5.9 The Emerging Fund Manager Real Estate firms shall be evaluated based on the following criteria:
- A. Emerging Fund Managers will be defined as those with less than \$3 billion in assets under management, fewer than five (5) years as an institutional manager and/or those offering an initial institutionally focused commingled fund vehicle.
  - B. The firm should currently manage no less than \$100 million in the selected strategy. In the absence of current assets under management, a realized track record reflecting implementation of the strategy to the same degree is acceptable. A preference for other public fund experience will be given.
  - C. The capital to be allocated may not exceed 35% of the firm's total assets under management after the allocation and no more than 20% of capital raised for a specific commingled vehicle.
  - D. No client can represent more than 50% of the management firm's total assets under management.
  - E. Any firm with less than a five-year track record may utilize track records established at prior firms when performance can be clearly attributed to the

emerging firm's key individuals and/or the specific team associated with the opportunity.

**PRIVATE EQUITY SPECIALIZED FUND MANAGERS  
CRITERIA FOR SELECTION OF PRIVATE EQUITY SPECIALIZED FUND  
MANAGERS**

- 5.10 Barriers to entry for new firms launching established or new product strategies often provide opportunity to capitalize on niche management firms and/or strategies. Therefore, the Private Equity Specialized Fund Manager program includes private equity commitments to funds that may have one or more of the following characteristics:
- A. First, second, or third-time institutional funds and,
  - B. With a stated target size of approximately \$500 million or less, and that may have,
    - Funds with managers that include one or more minorities, women, LGBTQ, persons with disabilities, and/or US Military veterans at the General Partner level, and/or
    - Funds that serve or invest in underserved communities, and/or
    - Funds that invest in companies located in Los Angeles or California.

See Section 2.0 – Private Equity Investments Policy for more detailed information.

**HISTORY**

5.11 Consolidated Policy Adopted: April 18, 2013

Revised:

10/06/2016	10/03/2019	11/18/2021
09/06/2018	10/01/2020	01/20/2022

Public Equities and Fixed Income Policy Adopted: February 21, 1991

Revised:

05/20/1993	07/09/2009	09/18/2014	10/03/2019	11/18/2021
03/19/1997	04/17/2014	09/06/2018	10/01/2020	

Real Estate Policy Adopted: August 3, 2006

Revised:

04/17/2008	09/18/2014	09/06/2018	11/18/2021
07/10/2008	10/06/2016	10/03/2019	

## Los Angeles Fire & Police Pension System

### 6.0 - RISK MANAGEMENT POLICY

#### INTRODUCTION

- 6.1 The Board recognizes that risk is inherent in any investment program. The prudent investor acknowledges the existence of risk and structures an investment program so as to identify, quantify and compensate for risk, while attempting to achieve an appropriate risk-adjusted rate of return.

Consequently, the Board has determined to adopt and implement a Risk Management Policy. The purpose of this Policy is to provide guidelines for the management of investment risk of the System assets in support of the fiduciary obligations of the Board, consistent with the governing principles and other policies of the Plan. Risk will be considered in every aspect of the investment program, beginning with the asset allocation process and continuing through the determination of the structure of asset classes, the selection and retention of investment managers and the measurement of investment performance.

#### RISK

- 6.2 Webster's defines risk as "possibility of loss or peril...the chance of loss..." For investment purposes, a useful definition for risk is the degree of possibility that the return on an investment over a particular time period will be something other than the expected return.

Risk comes from many sources. Market risk, interest rate risk, manager specific risk, counterparty risk, liquidity risk are but a few. The biggest risk facing the Board is that, over the long term, the investment program will not achieve the System's actuarially assumed rate of return. This would jeopardize the Plan's ability to provide retirement benefits to the System's members and their beneficiaries, and would increase, rather than minimize, the City's contributions.

#### RISK POLICY

- 6.3 In order to mitigate the effects of risk on the System's investment program, the Board has adopted the following policies:
- A. An asset allocation study will be conducted every three to five years, and an asset/liability study at least every 6 years. Analysis has repeatedly shown that 90% to 95% of investment returns are determined solely by asset allocation. The Board acknowledges the critical importance of asset allocation to the success of the investment program and directs that the allocation will be reviewed no less frequently than annually.
  - B. The asset allocation study will utilize the concepts of Modern Portfolio Theory to identify an efficient portfolio given the Board's desired level of return and tolerance for risk, i.e., return, risk, correlations between asset

classes, mean variance optimization and constraints to ensure prudent exposures to strategies and risk factors. The Board will approve a level of risk when approving the asset allocation, after due consideration of the potential impact on the System of the failure of the asset allocation to yield the expected return. The Board's tolerance for risk is dependent upon various factors and may change with circumstances but is based on the knowledge that (1) the investment horizon of the Pension System is very long, (2) investment losses are inevitable but smaller losses are easier to recover from than larger losses, and (3) the Board's risk tolerance is not influenced by the actuarially assumed rate of return.

- C. The Board will evaluate risk when determining the structure of the asset allocation. The implementation of the asset allocation involves decisions such as active versus passive management of investments and the number of investment managers to use in a particular asset class. Passive management usually yields better risk adjusted returns than active management in the more efficient asset classes, while in the less efficient asset classes it is more likely that active managers will be able to deliver returns in excess of those achieved by passive managers. The use of multiple managers in an asset class requires evaluation of the resulting fee structure and the possibility of reduced diversification in overlapping portfolios, versus the increase in manager specific risk with fewer managers.
- D. The asset allocation will take into consideration the System's needs for liquidity. The amount, timing and frequency of the System's requirements for liquidity will be analyzed as part of the asset allocation process, with the understanding that some asset classes provide better liquidity than others, that market cycles can affect the availability of liquidity, and that System assets held as cash are not available for investment in higher-yielding asset classes.

## **HISTORY**

6.4 Adopted: September 18, 2014.

Revised:  
10/20/2022

## Los Angeles Fire & Police Pension System

### 7.0 - PROXY VOTING POLICY

#### PROXY ISSUES

The Board delegates to the General Manager the voting of normally routine proxy solicitation matters, such as election of directors and appointment of independent auditors. Exceptions shall be brought to the Board's attention at the General Manager's discretion.

The Board instructs the General Manager to use his or her discretion as to whether or not proxy issues may be voted by Staff for the purpose of protecting the Pension System's economic interest, when such issues are not covered in the existing guidelines or timing does not allow the issue to be brought to the Board. The General Manager will report to the Board on all votes cast in this manner.

On an annual basis, Staff will present to the Board a summary of proxy voting activities conducted by the proxy voting provider for all domestic equities. The report will review the number of management proposals, shareholder proposals, and the percentage of time the proxy voting provider voted for or against each proposal.

In researching potentially significant proxy issues, the General Manager is also instructed to obtain and consider recommendations from the applicable investment advisor(s) on proxy issues which may have an economic impact on the corporation or on the value of its equity.

As to proxy matters for non-U.S. securities, the Board delegates to the international equity advisors the authority to vote the Board's proxies using the guidelines set forth above for the General Manager on U.S. proxy matters.

The Board authorizes the General Manager to vote accordingly on the following proxy issues:

#### MANAGEMENT PROPOSALS - FOR

- 7.1 **Ratify Selection of Auditors** – Vote for unless the non-audit services exceed 40% of fees or auditor tenure is greater than 20 years.
- 7.2 **Name Change** – Always vote for a management proposal to change the company name.
- 7.3 **Adjourn Meeting** – Always vote for a management proposal to adjourn the meeting.
- 7.4 **Technical Amendments** – Always vote for a management proposal to make technical amendments to the charter and/or bylaws.
- 7.5 **Financial Statements** – Always vote for a management proposal to approve financial statements.



- 7.6 **Decrease or Amend Authorized Common Stock** – Always vote for a management proposal to decrease or amend authorized common stock.
- 7.7 **Issuance or Exercise of Stock Warrants** – Always vote for a management proposal to approve the issuance or exercise of stock warrants.
- 7.8 **Decrease or Amend Authorized or Cancel Series of Preferred Stock** – Always vote for a management proposal to decrease or amend authorized preferred stock or to cancel a class or series of preferred stock.
- 7.9 **Preemptive Rights** – Vote for a management proposal to create or restore preemptive rights, and vote against a management proposal to eliminate preemptive rights.
- 7.10 **Dual Class Stock** – Always vote for a management proposal to eliminate authorized dual or multiple classes of common stock. Always vote against a management proposal to amend authorized or to increase authorized shares of one or more multiple classes of dual or multiple class common stock.
- 7.11 **Share Repurchase** – Always vote for a management proposal to approve a stock repurchase program.
- 7.12 **Stock Splits** – Always vote for a management proposal to approve or reverse a stock split.
- 7.13 **Recapitalization & Restructuring** – Always vote for a management proposal to approve recapitalization or to restructure the company.
- 7.14 **Reincorporation** – Always vote for a management proposal to reincorporate in a different state.
- 7.15 **Spin-offs** – Always vote for a management proposal to spin off certain company operations or divisions.
- 7.16 **Sale of Assets** – Always vote for a management proposal to approve the sale of assets.
- 7.17 **Cumulative Voting** - Always vote for a management proposal to adopt cumulative voting and against a management proposal to eliminate cumulative voting.
- 7.18 **Indemnification Provisions** - Always vote for a management proposal to indemnify directors or officers or to amend provisions concerning the indemnification of directors and officers.
- 7.19 **Non-Technical Charter Amendments** - Always vote for a management proposal to approve non-technical amendments to the company's certificate of incorporation.
- 7.20 **Non-Technical Bylaw Amendments** – Vote for a management proposal to

approve non-technical amendments to the company's bylaws unless the amendment would have the effect of reducing shareholders' rights.

- 7.21 **Poison Pills** - Always vote for a management proposal to redeem a shareholder rights plan (poison pill).
- 7.22 **Special Meetings** - Always vote for a management proposal to restore shareholders' right to call a special meeting.
- 7.23 **Written Consent** - Always vote for a management proposal to restore shareholders' right to act by written consent.
- 7.24 **Supermajority Requirement** - Always vote for a management proposal to eliminate a supermajority vote provision to approve merger or other business combinations.
- 7.25 **Supermajority Lock-In** - Always vote for a management proposal to eliminate supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.
- 7.26 **Fair Price Provision** - Always vote for a management proposal to repeal a fair price provision.
- 7.27 **Anti-Greenmail Provision** - Always vote for a management proposal to limit the payment of greenmail.
- 7.28 **State Takeover Law** – Always vote for a management proposal seeking to opt out of a state takeover statutory provision.

#### MANAGEMENT PROPOSALS - AGAINST

- 7.29 **Other Business** – Always vote against a management proposal to approve other business.
- 7.30 **Increase Authorized Common Stock** – Vote against if the increase is not intended to effect a merger, stock split, or recapitalization.
- 7.31 **Authorize or Increase Preferred Stock** – Vote against if the board has unlimited rights to set the terms and conditions of the shares.
- 7.32 **Issuance or Conversion of Preferred Stock** – Vote against if the dilution represents more than 20% of the total voting power.
- 7.33 **Cumulative Voting** - Always against a management proposal to eliminate cumulative voting.
- 7.34 **Poison Pills** - Always vote against a management proposal to ratify or adopt a shareholder rights plan (poison pill).
- 7.35 **Special Meetings** - Always against a management proposal to limit or eliminate shareholders' right to call a special meeting.

- 7.36 **Written Consent** - Always vote against a management proposal to limit or eliminate shareholders' right to act by written consent.
- 7.37 **Supermajority Requirement** - Always vote against a management proposal to amend or establish a supermajority vote provision to approve merger or other business combinations.
- 7.38 **Supermajority Lock-In** - Always vote against a management proposal to adopt or amend a supermajority lock-in if the changes would result in a complete lock-in on all of the charter and bylaw provisions.
- 7.39 **Non-Financial Effects of Merger** - Always vote against a management proposal to expand or clarify the authority of the board of directors to consider factors other than the interests of shareholders in assessing a takeover bid.
- 7.40 **Fair Price Provision** - Always vote against a management proposal to adopt or amend a fair price provision.
- 7.41 **Advance Notice Requirement** – Vote against a management proposal to adopt advance notice requirements if the provision requires advance notice of more than 60 days.
- 7.42 **State Takeover Law** – Always vote against a management proposal seeking to opt into a state takeover statutory provision.
- 7.43 **Dual-Class Share Structures** – Always vote against the creation of dual-class share structures.

#### MANAGEMENT PROPOSALS REGARDING THE BOARD

- 7.44 **Election of Directors** – Withhold votes from director nominees if 40% or more of the directors are (1) employees or (2) have financial ties to the company, if 33% or more serving on the nominating committee are employees or have financial ties, if any director nominee attends less than 75% of the board and committee meetings during the previous fiscal year, if the company does not have an independent chair or lead director, from audit committee member nominees if non-audit services exceed 40% of fees, or from nominating committee members when (1) average non-employee director tenure is greater than 10 years and no new directors have joined the board in the past 5 years or (2) at large-cap companies, gender diversity on the board is less than 30%. In a contested election, vote for all management nominees.
- 7.45 **Director Liability Provisions** – Always vote for a management proposal to limit the liability of directors or to amend director liability provisions.
- 7.46 **Board Size** – Vote for a management proposal to set the board size unless the board will consist of more than 12 directors or if there is a proposal to give the board the authority to set the size of the board as needed without shareholder approval.
- 7.47 **Filling Vacancies** - Always vote against a management proposal to allow the

directors to fill vacancies on the board without shareholder approval.

- 7.48 **Director Removal** –Vote on a case-by-case basis on a management proposal regarding the removal of directors.
- 7.49 **Classified Board** - Always vote for a management proposal to repeal or amend a classified board and against a management proposal to adopt a classified board.

#### MANAGEMENT PROPOSALS REGARDING COMPENSATION

- 7.50 **Stock Option Plans** – Vote for a management proposal to adopt, amend, or add shares to a stock option plan for employees except if:
1. The plan dilution is more than 25% of outstanding common stock.
  2. The minimum equity overhang of all plans is more than 25% of outstanding common stock.
  3. The plan permits pyramiding.
  4. The plan allows for the repricing or replacement of underwater options.
  5. The plan allows for non-qualified options to be priced at less than 90% of the fair market value on the grant date.
  6. The plan has a share replenishment feature (evergreen plan) – that is, it adds a specified number or percentage of outstanding shares for awards each year.
  7. The plan allows for multiple awards and does not set a limit on non-option awards.
  8. The plan permits time-lapsing restricted stock awards.
  9. The company's equity overhang exceeds the 75<sup>th</sup> percentile of its peer group.
  10. The plan contains change-in-control provisions.
  11. The plan administrator may provide loans to exercise awards.
  12. The plan administrator may accelerate the vesting of outstanding awards.
  13. The plan administrator may grant reloaded stock options.
  14. The company allowed the repricing or replacement of underwater options in past fiscal year.
  15. The options granted to the top 5 executives exceed 15% of options granted in the past fiscal year.
  16. There is a significant disconnect in pay-for-performance.
- 7.51 **Limit Annual Awards** – Always vote for a management proposal to limit per-employee annual option awards.
- 7.52 **Director Stock Option Plan** - Vote for a management proposal to adopt or amend a stock option plan for non-employee directors except if:
1. The plan allows non-qualified options to be priced at less than 95% of the fair market value.
  2. The plan dilution is more than 5% of the outstanding common equity.
  3. The minimum potential dilution of all plans is more than 20% of the

- outstanding common equity.
4. The plan or amendment authorizes 5 or more types of awards.
  5. The plan or amendment allows for non-formula discretionary awards.
  6. The amendment increases the size of the option awards.
  7. There is a significant disconnect in pay-for-performance.
- 7.53 **Director Stock Option Addition** – Always vote against a management proposal to add shares to a stock option plan for non-employee directors.
- 7.54 **Employee Stock Purchase Plan** - Vote for a management proposal to adopt, amend, or add shares to an employee stock purchase plan except if:
1. The plan, amendment, or additional shares allow employees to purchase stock at less than 85% of the fair market value.
  2. The plan or additional shares cause dilution of more than 25% of the outstanding common equity.
  3. The minimum potential dilution of all plans, including the proposal, is more than 25% of the outstanding common equity.
- 7.55 **Employment Agreements** – Always vote for a management proposal to approve an employment agreement or contract.
- 7.56 **Deferred Compensation Plan Amendments** – Always vote for a management proposal to amend a deferred compensation plan.
- 7.57 **Amend Annual Bonus Plan** – Always vote for a management proposal to amend an annual bonus plan.
- 7.58 **Reapprove Option/Bonus Plan for OBRA** - Always vote for a management proposal to reapprove a stock option plan or bonus plan for purposes of OBRA.
- 7.59 **Executive Bonus Plans** – Vote for if the company’s stock performance in the last calendar year has exceeded the returns of both the Standard & Poor’s 500 Index and an appropriate peer group index.
- 7.60 **Extend Term of Stock Option Plan** – Always vote against a management proposal to extend the term of a stock option plan for employees.
- 7.61 **Stock Award Plan** – Vote against a management proposal to adopt, amend, or add shares to a stock award plan for executives, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.62 **Director Stock Award Plan** - Vote against a management proposal to adopt, amend, or add shares to a stock award plan for non-employee directors, unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.63 **Annual Bonus Plan** – Vote against a management proposal to approve an annual bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.64 **Option/Stock Awards** - Vote against a management proposal to grant a one-

time option/stock award unless the company beat the return of the S&P 500 and an appropriate peer group.

- 7.65 **Exchange Underwater Options** – Always vote against a management proposal to exchange underwater options (options with a per-share exercise price that exceeds the underlying stock’s current market price).
- 7.66 **Long Term Bonus Plan** - Vote against a management proposal to approve or amend a long-term bonus plan unless the company beat the return of the S&P 500 and an appropriate peer group.
- 7.67 **Advisory Vote on Executive Compensation** – Vote against a management proposal to approve executive pay program and practices when the company exhibits poor pay for performance.

#### SHAREHOLDER PROPOSALS – FOR

- 7.68 **Shareholder Approval of Auditors** – Always vote for a shareholder proposal calling for stockholder ratification of auditors.
- 7.69 **Auditors Must Attend Annual Meeting** - Always vote for a shareholder proposal calling for the auditors to attend the annual meeting.
- 7.70 **Limit Consulting by Auditors** - Always vote for a shareholder proposal calling for limiting consulting by auditors.
- 7.71 **Rotate Auditors** - Always vote for a shareholder proposal calling for the rotation of auditors.
- 7.72 **Restore Preemptive Rights** - Always vote for a shareholder proposal to restore preemptive rights.
- 7.73 **Study Sale or Spin-Off** - Always vote for a shareholder proposal asking the company to study sales, spin-offs or other strategic alternatives.
- 7.74 **Adopt Confidential Voting** - Always vote for a shareholder proposal asking the board to adopt confidential voting and independent tabulation of the proxy ballots.
- 7.75 **Counting Shareholder Votes** - Always vote for a shareholder proposal asking the company to refrain from counting abstentions and broker non-votes in vote tabulations.
- 7.76 **No Discretionary Voting** - Always vote for a shareholder proposal to eliminate the company’s discretion to vote unmarked proxy ballots.
- 7.77 **Equal Access to the Proxy** - Always vote for a shareholder proposal to provide equal access to the proxy materials for shareholders.
- 7.78 **Increase Board Independence** - Always vote for a shareholder proposal seeking to increase board independence.

- 7.79 **Minimum Stock Ownership by Directors** – Vote for a shareholder proposal to require minimum stock ownership by directors unless the minimum level of ownership required is more than 500 shares.
- 7.80 **Directors’ Role in Corporate Strategy** - Always vote for a shareholder proposal seeking to increase disclosure regarding the board’s role in the development and monitoring of the company’s long-term strategic plan.
- 7.81 **Increase Nominating Committee Independence** - Always vote for a shareholder proposal to increase the independence of the nominating committee.
- 7.82 **Create Nominating Committee** - Always vote for a shareholder proposal to create a nominating committee of the board.
- 7.83 **Independent Board Chairman** - Always vote for a shareholder proposal asking that the chairman of the board of directors be chosen from among the ranks of the non-employee directors.
- 7.84 **Lead Director** - Always vote for a shareholder proposal asking that a lead director be chosen from among the ranks of non-employee directors.
- 7.85 **Adopt Cumulative Voting** - Always vote for a shareholder proposal calling for the adoption of cumulative voting.
- 7.86 **Repeal Classified Board** – Always vote for a shareholder proposal to repeal a classified board.
- 7.87 **Redeem or vote on Poison Pill** - Always vote for a shareholder proposal asking the board to redeem or to allow shareholders to vote on a shareholder rights plan (poison pill).
- 7.88 **Eliminate or Reduce Supermajority Provision** - Always vote for a shareholder proposal that seeks to eliminate supermajority provisions.
- 7.89 **Repeal Fair Price Provision** - Always vote for a shareholder proposal that seeks to repeal fair price provisions.
- 7.90 **Restore Right to Call a Special Meeting** - Always vote for a shareholder proposal to restore shareholders’ right to call a special meeting.
- 7.91 **Restore Right to Act by Written Consent** - Always vote for a shareholder proposal to restore shareholders’ right to act by written consent.
- 7.92 **Prohibit Targeted Share Placement** - Always vote for a shareholder proposal to limit the board’s discretion to issue targeted share placements or to require shareholder approval before such block placements can be made.
- 7.93 **Anti-Greenmail Provision** - Always vote for a shareholder proposal to limit greenmail payments.
- 7.94 **Restrict Director Pensions** - Always vote for a shareholder proposal calling for

the termination of director retirement plans.

- 7.95 **No Repricing of Underwater Options** - Always vote for a shareholder proposal seeking shareholder approval to reprice or replace underwater stock options.
- 7.96 **Golden Parachutes** - Always vote for a shareholder proposal calling for a ban or shareholder vote on future golden parachutes.
- 7.97 **Award Performance-Based Stock Options** - Always vote for a shareholder proposal seeking to award performance-based stock options.
- 7.98 **Expense Stock Options** - Always vote for a shareholder proposal establishing a policy of expensing the costs of all future stock options issued by the company in the company's annual income statement.
- 7.99 **Pension Fund Surplus** - Always vote for a shareholder proposal that requests future executive compensation be determined without regard to any pension fund income.
- 7.100 **Committee Independence** – Always vote for a shareholder proposal to increase the independence of the compensation, audit, or key committees.

#### SHAREHOLDER PROPOSALS – ABSTAIN

- 7.101 **Director Tenure/Retirement Age** – Always abstain from voting for a shareholder proposal seeking to limit the period of time a director can serve by establishing a retirement or tenure policy.
- 7.102 **Create Shareholder Committee** – Always abstain from voting for a shareholder proposal urging the creation of a shareholder committee.
- 7.103 **Nominee Statement in Proxy** – Always abstain from voting for a shareholder proposal to require directors to place a statement of candidacy in the proxy statement.
- 7.104 **Double Board Nominees** - Always abstain from voting for a shareholder proposal to nominate two director candidates for each open board seat.
- 7.105 **Director Liability** - Always abstain from voting for a shareholder proposal to make directors liable for acts or omissions that constitute a breach of fiduciary care resulting from a director's gross negligence and/or reckless or willful neglect.
- 7.106 **Opt Out of State Takeover Statute** - Always abstain from voting for a shareholder proposal seeking to force the company to opt out of a state takeover statutory provision.
- 7.107 **Re-incorporation** - Always abstain from voting for a shareholder proposal to reincorporate the company in another state.
- 7.108 **Restrict or Disclose Executive Compensation** - Always abstain from voting for



a shareholder proposal to restrict or to enhance the disclosure of executive compensation.

- 7.109 **Restrict Director Compensation** - Always abstain from voting for a shareholder proposal to restrict director compensation.
- 7.110 **Cap Executive Pay** - Always abstain from voting for a shareholder proposal to cap executive pay.
- 7.111 **Approve Executive Compensation** - Always abstain from voting for a shareholder proposal calling for shareholder votes on executive pay.
- 7.112 **Create Compensation Committee** - Always abstain from voting for a shareholder proposal to create a compensation committee.
- 7.113 **Hire Independent Compensation Consultant** - Always abstain from voting for a shareholder proposal to require that the compensation committee hire its own independent compensation consultants – separate from the compensation consultants working with corporate management – to assist with executive compensation issues.

#### SHAREHOLDER PROPOSALS – AGAINST

- 7.114 **Improve Meeting Reports** – Always vote against a shareholder proposal to improve annual meeting reports.
- 7.115 **Change Annual Meeting Location** – Always vote against a shareholder proposal to change the annual meeting date.
- 7.116 **Pay Directors in Stock** – Vote against if the resolution would require directors to receive their entire compensation in the form of company stock.
- 7.117 **Pay for Performance** – Vote against compensation committee members at companies with a pattern of pay and performance percentile rankings below peers.

#### ENVIRONMENTAL AND SOCIAL ISSUES

- 7.118 **Board Inclusiveness** – Always vote for a shareholder proposal asking the board to include more women and minorities as directors. (Amended 09/16/15)
- 7.119 **Report on Board Composition** – Always vote for the company to report on its diversity initiatives, diversity policies, and adopting targets for diversity on the board.
- 7.120 **Report on Race and/or Gender Pay Equality** – Always vote for a company to report on any issues of racial and/or gender pay gap throughout the company.
- 7.121 **Report on Climate Change Issues** – Always vote for shareholder proposals that

request management to “Report on Climate Change” issues.

- 7.122 **Report on Environmental/Sustainability Practices** – Always vote for a company to report on the feasibility of implementing sustainable practices and more broadly, the environmental-risks facing the company.
- 7.123 **Report on Political Spending and/or Lobbying Activities** – Always vote for a company to report on their direct and indirect political spending and/or lobbying activities.
- 7.124 **Firearms Related Issues** – Vote for shareholder proposals encouraging firms to refrain from manufacturing or merchandising firearms that are designated by the California State Attorney General’s Assault Weapons Identification Guide as being illegal for sale within California. Shareholder proposals in connection with other firearms related issues would be reviewed by staff for consideration. (Amended 05/16/13)
- 7.125 **Review/Report on/Link Executive Pay to Social Performance** – Always abstain from voting for a shareholder proposal that asks management to review, report on and/or link executive compensation to non-financial criteria, particularly social criteria.
- 7.126 **Social Issues** – Abstain from voting on all social issues. The General Manager shall present exceptional issues to the Board.
- 7.127 **Board Gender Composition** – Always vote against the nominating committee chair of a board that has no female members and vote against all board directors standing for re-election at companies that have no women on their board.

**HISTORY**

7.128 Adopted: June 20, 1985

Revised:

04/27/1989	05/16/2013	09/06/2018
04/13/1995	09/18/2014	10/03/2019
06/05/2003	09/16/2015	04/16/2020
09/06/2007	10/06/2016	10/20/2022

## Los Angeles Fire & Police Pension System

### 8.0 - MANAGER SELECTION AND RETENTION POLICY

#### BACKGROUND

- 8.1 Consistent with its fiduciary responsibilities, the Board of Fire and Police Pension Commissioners has developed a Manager Selection and Retention Policy to further the goal of generating superior long-term investment performance. This Policy outlines the responsibilities and activities of the Board and Staff with respect to monitoring and evaluating managers after being retained by the Board. The Board constantly reviews manager performance. The goal of the Board is to implement a process that removes managers with no value adding capabilities and retains managers that do add value.

As procedures have evolved at the Department of Fire and Police Pensions, the major responsibility for monitoring and evaluating managers has been assigned to Staff and employed consultants, with the Board assuming overall responsibility for setting investment policy and deciding which managers will be hired or retained. Evaluating the performance of a diverse group of money managers is an important part of carrying out the Board's investment responsibilities. The Manager Selection and Retention Policy, consistently applied, will assist the Board in making informed judgments regarding the capabilities of managers hired by the Fund, and in its decisions concerning retention and termination of money managers.

The policy provides a comprehensive framework for the analysis of manager performance, promotes a long-term attitude towards performance evaluation and serves to communicate investment objectives between the Board, Managers, and its Staff.

#### MANAGER SELECTION CRITERIA

- 8.2 The selection of investment managers is accomplished in accordance with all applicable Local, State, and Federal laws and regulations. Each investment manager, consultant, and custodian functions under a formal contract that delineates responsibilities and appropriate performance expectations.

Criteria will be established for each manager search undertaken by the Board and will be tailored to the Board's needs in such a search. In general, eligible managers will possess attributes including, but not limited to, the following criteria:

1. The firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the Board.
2. The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and in retaining clients.

## Manager Selection and Retention Policy

3. The firm must have an asset base sufficient to accommodate the Board's portfolio. In general, managers should have at least \$250 million of discretionary institutional assets under management, and the Board's portfolio should make up no more than 20% of the firm's total asset base at the time of hiring. Exceptions shall be made on a case-by-case basis.
4. The firm must demonstrate adherence to the investment style sought by the Board and adherence to the firm's stated investment discipline.
5. The firm's fees should be competitive with industry standards for the product category.
6. The firm must comply with the "Duties of the Investment Managers" outlined herein and conform to CFA Institute (formerly AIMR) standards for performance reporting.

The General Consultant shall provide to Staff a list of all Investment Managers who have met the minimum search qualifications established by the Board. Staff and the General Consultant shall recommend to the Board a list of finalists to interview. For searches to hire one (1) manager, Staff and the General Consultant shall recommend no more than three (3) finalists. For searches to hire two (2) managers, Staff and the General Consultant shall recommend no more than five (5) finalists.

### QUALITATIVE/QUANTITATIVE FACTORS TO MONITOR

- 8.3 The Plan's manager selection process relies heavily upon qualitative analysis in identifying the parts of a manager's organization and investment process that are necessary for superior long-term investment performance. At the time a manager is hired by the Board, the rationale for retaining the manager is outlined and the manager's role in the Board's investment program is clearly established. The review and monitoring process is intended to keep the Board and Staff fully informed of qualitative attributes in a manager's organization.

Quantitative performance evaluation relates to those aspects of a money manager's operation that can be analyzed relative to measurable targets (Appendix 1). Managers hired by the Fund will be measured over a period relevant to their appropriate benchmark, style and peer universe. Managers will be measured net of fees, custody expenses and other costs. Performance attribution will include the manager's style (as reflected by the benchmark), manager skill, sector selection, timing and trading.

Staff will meet with the Fund's managers on a regular basis as part of on-going due diligence. Meetings and other contacts will be documented and will include summaries of and any changes in a manager's organization, personnel, strategy or style.

### WATCH LIST POLICY

- 8.4 Managers will be reviewed annually at the end of the calendar year for Watch List inclusion. Managers will be placed on the watch list when their performance is

## Manager Selection and Retention Policy

below the median of their peer group, (provided by the current performance consultant) on a three-year annualized basis, or if there is no comparable peer group comparison, below the expected return for that manager classification. Significant portfolio management personnel or manager style changes are also cause to be placed on the list immediately or to have the contract ended at any time.

When a manager is placed on the list, Staff will speak to the manager and send a letter (Appendix 2) as soon as possible to discuss the Board's concern at which time that manager will sign and return that letter acknowledging their watch list notification by this Board. A manager will remain on the list until the three-year annualized returns improve above the median during the Watch List inclusion review at the end of the calendar year. The Board will have a manager in for a review at one of the scheduled Board meetings during the second consecutive year the manager is on the list. After the Board has met with a manager for their watch status review, further meetings are at the Board's discretion. Performance of the managers on the list will be evaluated annually, with emphasis on the three and five-year returns, until the Board removes the manager from the list or ends the contract.

The Board, Staff and the consultant will monitor the manager's quarterly performance. Consultants will provide information on the manager's performance in relationship to other managers within the same style and universe.

The decision to terminate an investment manager's contract is never taken lightly. Managers are hired after lengthy, time-consuming searches and at the time of hiring have demonstrated the ability to successfully outperform a benchmark and their peers. Termination involves the expense of transitioning the account's assets. It also involves decisions of where to place the assets – with an existing manager or with a newly-hired manager following a new search – and how the assets should be managed, whether with an active manager or a passive (index) manager. When evaluating a manager for termination, longer-term performance should weigh more heavily than shorter-term performance. Market cycles can move against a manager's style for a number of years, yet when the cycle changes the manager will again outperform. A manager may experience a single poor year for a specific reason and the negative effects could impact returns for several reporting periods, yet the manager still retains the ability to deliver outperformance. A manager's performance may regularly beat a benchmark but lag the median performance of its peers, in which case the behavior of the peer universe should be analyzed before assuming that a new search could identify a manager in the group that consistently beat median performance. Identifying and dealing with poorly performing managers is an important part of the Board's risk management responsibilities and necessary if the Fund is to achieve its targeted returns. The decision should be made only after thoughtful analysis involving quantitative and qualitative factors measured over significant time periods.

The following list specifies the factors that the Board and Staff will analyze before making a decision.

- Evaluate the manager's long-term performance relative to the specified benchmark and other relevant benchmarks.

## Manager Selection and Retention Policy

- Evaluate the manager's performance ranking compared to managers of the same style. Active managers are expected to generate returns better than their benchmarks and their peers. We look for consistency of returns as well as the degree of under-performance. Rolling three- and five-year returns are more meaningful than shorter periods of time.
- Compare performance of the Fund's portfolio to the manager's other similar mandates.
- Review hiring objectives. Managers are hired for specific reasons: a style or strategy that is expected to add value and contribute to diversification.
- Evaluate personnel. Review the people who establish investment strategy and manage the portfolio.
- Review any changes in ownership. A change in ownership may or may not presage meaningful changes in the organization, key personnel, investment strategy and the decision-making process, however any ownership change needs to be reviewed.
- Review the loss of clients and the addition of new business. Losses may signal problems at the firm Staff haven't noticed yet, while adding new clients too quickly may overload the manager's resources or force a change in investment approach.

Upon the decision to terminate, Staff will implement its termination checklist. All outstanding issues with the custodian bank, brokers, consultants, or other parties and the investment manager are to be resolved before the final payment to the manager.

Staff will have the responsibility to manage the details of terminating an investment manager.

### REAL ESTATE SEPARATE ACCOUNT MANAGERS

- 8.5 Real Estate managers will be reviewed on the same basis as other managers. However, due to the longer life and the illiquid nature of real estate investments, a formal review of the performance of the real estate separate account managers will take place in conjunction with the expiration of the contracts with the manager. Interim performance reviews may be conducted as warranted after the completion of the annual appraisals.

The benchmark for the separate account real estate managers is the NFI-ODCE Index plus 0.50%.

### PRIVATE EQUITY

- 8.6 The Fund's private equity portfolio is made up of individual partnerships that generally last from 10 to 12 years, with provisions for possible extensions beyond the original term. The interim performance of a partnership investment (anything

## Manager Selection and Retention Policy

prior to the termination of a partnership) may not always be indicative of the final results for a particular partnership. The interim valuations of a partnership's underlying investments (most of which are privately-held companies) reflect a high degree of subjectivity. As a partnership's underlying investments are disposed of, either at a gain or at a loss, the interim performance begins to become more indicative of the partnership's final performance level.

The ultimate measure of a partnership's performance is calculated from the total amount of cash that is contributed (paid-in) to the partnership compared to the timing and amount of cash returned to the Fund. The most common measurement tool is calculating a net compound annual internal rate of return (Net IRR) which is a discounted cash flow analysis of the cash flows to and from the partnership over the life of the partnership. The second most common measurement tool is calculating a net multiple of invested cash (MOIC) which measures the cash that is realized from the investment.

The Fund expects the private equity portfolio to provide a higher return than publicly-traded equities over the long term (10-12 years). The Fund's return benchmark for our alternatives is the S&P 500 plus 2.5%.

### HISTORY

8.7 Adopted: June 10, 1999

Revised:

05/03/2001	08/20/2009	02/05/2015	11/18/2021
02/07/2002	04/18/2013	10/06/2016	10/20/2022
09/18/2003	09/18/2014	09/06/2018	
05/03/2007	10/16/2014	10/03/2019	

## APPENDIX 1 - PERFORMANCE BENCHMARKS

S&P 500: The Standard & Poor's 500 Index covers 500 large cap stocks representing approximately 80% of the total U.S. equity market capitalization. Companies included in the index have market capitalizations of \$13.1 billion or greater. A company's weight in the index is proportional to its market value. This index is used as a benchmark for large cap domestic equity managers.

S&P 600: The Standard & Poor's 600 Index covers 600 small cap stocks that meet investability and financial viability criteria. Companies included in the index have market capitalizations ranging from \$850 million to \$3.6 billion. A company's weight in the index is proportional to its market value. This index is used as a benchmark for small cap domestic equity managers.

Russell 3000: The Russell 3000 Index consists of the 3,000 largest U.S. companies as measured by total market capitalization, representing approximately 98% of the investable U.S. equity market. The largest company in the index has a market cap of approximately \$2,172 billion and the smallest company is roughly \$257 million. The Russell 3000 Index is the overall domestic equity benchmark.

Russell 2000: An index consisting of the roughly 2,000 smallest securities contained in the Russell 3000 equity market. The average market capitalization of companies in the index is approximately \$3 billion. This index is used as a benchmark for domestic small cap equity managers.

Russell 2000 Growth: A small cap growth index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with higher price-to-book ratios and higher forecasted growth values. The average market value cap for stocks in this index is \$3.8 billion and the median market cap is \$1.36 billion. This index is used as a benchmark for domestic small cap growth equity managers.

Russell 2000 Value: A small cap value index consisting of approximately 50% of stocks in the Russell 2000 Index. This index consists of companies with lower price-to-book ratios and lower forecasted growth values. The average market value cap for stocks in this index is \$2.89 billion and the median market cap is \$1.09 billion. This index is used as a benchmark for domestic small cap value equity managers.

Russell 1000 Growth: An index compiled from the stocks of the companies in the Russell 1000 which reflect a greater than average growth orientation. Stocks in the index tend to exhibit higher price-to-book and price-earnings ratios, and other growth characteristics. The index contains stocks from approximately 501 companies. It is used as a benchmark for large cap domestic equity growth managers.

Russell 1000 Value: An index compiled from the stocks of the companies in the Russell 1000 which reflect lower price-to-book ratios and lower expected growth. The index contains stocks from approximately 848 companies. The index is used as a benchmark for large cap domestic equity value managers.

S&P Developed Ex U.S. Small Cap: The Standard & Poor's developed Ex-U.S. Small Cap index covers the lowest 15% of the market cap in each developed country, excluding the U.S. The average market cap of stocks in this index is \$1.2 billion and the median cap



## Manager Selection and Retention Policy

is \$630.6 million. A company's weight in the index proportional to its market value. This index is used as a benchmark for international developed small cap managers.

MSCI ACW ex U.S.\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for international equity managers.

MSCI ACW ex U.S. Growth\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures growth style characteristics as defined by long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term EPS growth trend and long-term historical sales per growth trend. The index is used as a benchmark for international equity growth managers.

MSCI ACW ex U.S. Value\*: The Morgan Stanley Capital International All Country World ex U.S. Index. An index composed of securities from 49 developed and emerging market countries of the Americas, Europe, the Middle East, Asia and the Pacific, excluding the United States. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index captures value style characteristics as defined by book value to price, 12-month forward earnings to price and dividend yield. The index is used as a benchmark for international equity value managers.

MSCI EAFE Index\*: The Morgan Stanley Capital International Europe, Australasia, and Far East Index is a market capitalization weighted index consisting of developed markets outside of the U.S. and Canada. It is maintained by MSCI Barra. The index ranks each stock in the investable universe from largest to smallest by market capitalization. The index includes a selection of stocks from 21 developed markets but excludes those from the U.S. and Canada. The index has been calculated since December 31, 1969, making it the oldest international stock index. It is probably the most common benchmark for foreign stock funds.

MSCI EAFE Small Cap Index: The Morgan Stanley Capital International Europe, Australasia, and Far East Small Cap Index is a market capitalization weighted index consisting of small cap developed markets outside of the U.S. and Canada. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The average market value cap for stocks in this index is \$1,325 million and the median market cap is \$862 million. The index is used as a benchmark for international developed small cap managers.

MSCI Emerging Markets\*: The Morgan Stanley Capital Emerging Markets Free Index is composed of securities from companies of 27 emerging market countries in Europe, Latin America, Asia and the Pacific. The index does not include securities from markets closed to foreign investment or those securities in open markets that are not purchasable by foreigners. The index is used as a benchmark for emerging markets managers.

## Manager Selection and Retention Policy

Bloomberg U.S. Long Government/Credit Bond Index: The U.S. Government/Credit Long Index is a broad market index similar in composition to the Government/Credit. The Long index is composed of those bonds within the Government/Credit index that have maturities of 10 years or greater. This index is used as a benchmark for the fixed income long duration manager.

Bloomberg U.S. Universal Bond Index: The index covers most of the different sectors in the U.S. fixed income market including the high yield sector. The index is used as a benchmark for our fixed income allocation.

Bloomberg U.S. Aggregate Bond Index: The index covers U.S. dollar denominated investment grade fixed-rate debt including treasury and various corporate bonds. This index is used as a benchmark for our fixed income core and opportunistic managers.

ICE BofA Merrill Lynch U.S. High Yield Constrained Index: The Intercontinental Exchange Bank of America Merrill Lynch U.S. High Yield Constrained Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

Bloomberg U.S. Government Inflation-Linked Bond Index: The index measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market.

3-month Treasury Bill plus 1%: The custom benchmark measures the performance of the Unconstrained fixed income portfolio.

Bloomberg Global Aggregate Credit Index USD Hedged (LGDRTRUH): The Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

ICE BofAML Developed Markets High Yield Index USD (HYDM): ICE BofA Developed Markets High Yield Index is a subset of ICE BofA Global High Yield Index including all securities with a country of risk that is a member of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. The FX G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

JP Morgan Emerging Markets Bond Index Global Diversified USD (JPGCCOMP): The most widely followed USD EM sovereign index, the index diversification methodology constrains a country's weight by first adjusting the face amount outstanding and then applying an additional layer of maximum weight cap of 10%. The EMBI Global Diversified has the same instrument composition as the market-cap weighted EMBI Global index. Country criteria requires that GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years. Securities allowed consist of all fixed, floaters, amortizers, capitalizers, and loans with a \$500MM minimum face amount outstanding and a minimum of 1 year till maturity to maintain inclusion. The index includes quasi-sovereign securities.

## Manager Selection and Retention Policy

Credit Suisse Leveraged Loan Index (CSLLLTOT )(together the “Index”): The Credit Suisse Leveraged Loan Index is a monthly rebalanced index with an inception date of 31 December 1991. This index includes loan facilities rated “5B” or lower, i.e. the highest Moody’s/S&P ratings are Baa1/BB+ or Ba1/BBB+, with the tenor being at least one year. Issuers from developed countries are included; issuers from developing countries are excluded. This index is composed of all fully funded term loan facilities trading in the syndicated loan market, the price of each loan facility is sourced from a pricing vendor widely used by buy-side participants in the leveraged loan markets. All prices are evaluated by the pricing vendor, meaning that they are compiled by the pricing vendor from dealers.

NCREIF: The National Council of Real Estate Investment Fiduciaries Property Index is comprised of real properties of all types located throughout the United States and owned by tax exempt institutional investors. The Property Index includes properties that are encumbered with mortgages (leverage). However, all returns are reported on a non-levered basis. The NCREIF Property Index has been used since July 1, 2001.

NFI-ODCE: The National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index (NFI) Open-End Diversified Core (ODCE) Index is an index of investment returns reporting on both a historical and current basis of the results of 36 open-end commingled funds pursuing a core investment strategy.

FTSE Nareit All Equity REITs Index: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS in the US.

FTSE EPRA/NAREIT Developed Index\*: The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index is designed to track the performance of listed real estate companies and REITS worldwide.

\*International indexes are gross total return indexes.

**APPENDIX 2 - SAMPLE LETTER – WATCH LIST**

Dear:

Notice of Placement on Watch Status

This is to advise you that in accordance with the provisions of the Manager Selection and Retention Policy (Section 8.0) as adopted by the Board of Fire and Police Pension Commissioners, XYZ, Inc. has been formally placed on Watch status. Firms are placed on Watch status when their investment performance, changes in their investment style, or changes within their organization cause the Board concern.

The Purpose of the Manager Selection and Retention Policy is to help ensure the highest levels of performance by Los Angeles Fire and Police Pension Fund's (LAFPP) investment managers. The Policy requires regular evaluations of manager performance against objective standards and identifies those managers whose performance indicates their value-adding capabilities have deteriorated. A copy of the Manager Selection and Retention Policy is enclosed for your reference.

Your firm has been placed on the Watch List following the December 31, 20XX year-end period. The portfolio returned XX.XX% for the three-year annualized basis ending 20XX, which is less than the benchmark of the ABCDE Index at XX.XX%, and places XYZ, Inc. in the XXth percentile in comparison with a peer group of similar managers.

LAFPP Staff will contact you to discuss the specifics of your performance. Staff may also schedule you for a presentation of your plans for improvement before the Board.

Should the Board be dissatisfied with your portfolio's performance, changes in your investment style, or changes within your organization, the Board may, in the best interests of LAFPP, vote to terminate your contract immediately. I wish to stress that the Board retains the right to terminate a manager's contract at any time during the contract period or allow the contract to expire, including while a firm is on Watch status.

If you have any questions, please contact me at 213- 279-3020.

Very truly yours,

KRISTY NGUYEN  
Acting Chief Investment Officer

Enclosure

c: LAFPP General Consultant, RVK

## **Los Angeles Fire & Police Pension System**

### **9.0 - MARKETING CESSATION POLICY**

#### **PURPOSE**

- 9.1 The purpose of this policy is to prevent, and avoid the appearance of, undue influence on the Board or any of its members, or on Staff, in the award of all contracts. This policy is intended to align with the City's Governmental Ethics Ordinance, Section 49.5.11(A).

#### **Restrictions on Contact and Prohibition on Gifts**

During the relevant period, as described below, firms covered by this policy are prohibited from any contact with Department Staff and the Consultant except for: (1) meetings with the Consultant; (2) providing information to Staff or the Consultant; (3) meeting at the Department's office with Staff; and (4) any Staff and Consultant due diligence site visits. Firms covered by this policy shall not have any contact with Board members during the relevant period other than at public Board meetings.

During the relevant period, Board members, Department Staff, and the Consultant will accept no gifts of any kind or value from a firm covered by this policy, except for food at an annual general meeting or a due diligence office visit.

Notification of this policy will be sent to firms considered by Staff or the Consultant to be interview candidates, and firms covered by this policy shall be listed in the Board's monthly report.

#### **Public or Semi-Public Investment Services**

For firms investing in public or semi-publicly traded securities or other similar services, this policy shall apply to firms meeting the search criteria from the time the search begins (with the Board's approval of the minimum criteria for the search), until the time the search ends (with the selection of the firm(s) to receive the contract(s)).

#### **Private Equity and Real Estate Investments**

For private equity investments and real estate investments in closed or open-ended funds, the marketing cycle is different from investment firms that provide services relating to public investments. Private equity funds and closed end real estate funds have a marketing period that opens and closes sporadically and open-ended funds are generally open to new business most of the time. For investments like these, this policy shall apply during any time in which the fund managed by the firm is open to new business.

#### **Renewals and Additional Commitments**

For firms currently managing money for the Fund in the public markets whose

contract is up for renewal within three months, or firms currently managing private equity or real estate funds for LAFPP that are open to new investors or raising a new fund, the same restrictions apply with the following exceptions.

Board members, Department Staff and the Consultant will accept no gifts from that firm until a decision regarding the firm or fund (renewal or additional commitment) has been made. Meals available to all the attendees at an annual meeting are not considered to be gifts to Staff or the Consultant however, normal gift limits would apply in this case.

Firms managing money in the public markets who currently have contracts with the Los Angeles Fire and Police Pension System may continue contact related to the existing contract with Staff and the Consultant, but any contact with Board members must be limited to Board meetings.

**Contract Disclosures Prior to Interview**

Prior to the interview with the Board, firms that are invited to interview with the Board, at the time of the interview, will be required to submit a list of contacts. The list of contacts shall indicate all contacts with Board members and Consultants during the three-month period prior to the interview or during the search period, whichever is longer.<sup>1</sup>

The City's Governmental Ethics Ordinance Section 49.5.11 states:

"Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual members from reviewing documents and other information provided by agency staff when preparing for a public meeting at which the matter will be considered." (Amended 06/14/15)

Any violation of this policy shall result in automatic disqualification of the firm.

**HISTORY**

9.2 Adopted: 02/07/02

Revised:  
01/04/2007    06/05/2015    04/16/2020  
09/03/2009    08/16/2018  
03/03/2011    09/06/2018  
09/18/2014    10/03/2019

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<sup>1</sup>See section 1.18.F.1 and 1.18.I.e of the Ethics Policy, also referred to as the Contractor Disclosure Policy, which can be found in the Board Operating Policies and Procedures.

## **Los Angeles Fire & Police Pension System**

### **10.0 - SECURITIES LITIGATION POLICY**

#### **PURPOSE**

- 10.1 The Board of Los Angeles Fire and Police Pension Commissioners (the “Board”) recognizes its obligation to make prudent efforts to preserve and protect the assets of the Plan. The Board acknowledges that securities claims are an asset of the Plan and that the pursuit of litigation may become necessary or appropriate in order to maximize the Plan’s recovery of assets.

The purpose of the Board’s securities litigation policy is to establish procedures and guidelines for monitoring and participating in both securities class actions and other securities related litigation when appropriate to protect the Plan’s assets.

#### **CLAIMS EVALUATION PROCESS AND PARTICIPATION AS LEAD PLAINTIFF**

- 10.2 In order to fully and objectively evaluate the Plan’s position in connection with any potential claim, the Board has developed the following process:
- A. Unless the Plan incurs potential damages (loss net of gain) in excess of Three Million Dollars (\$3,000,000.00) in connection with any investment that has given rise to securities litigation, the Plan shall proceed as a member of a domestic securities class action or, if no class action has been filed, the Board shall determine if it should proceed with an independent action based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
  - B. If the potential losses exceed Seven Million Dollars (\$7,000,000.00), the Board shall determine if the Plan should seek lead plaintiff status, pursue an independent action, or remain a member of the class. The Board’s decision shall be based upon review and recommendation by Staff, the City Attorney’s Office and outside counsel.
  - C. When determining whether to seek a leadership role in a particular securities lawsuit, the Board may consider relevant factors to guide its fiduciary decision making, including an estimate of the magnitude of the potential damages incurred by the Plan, the nature and severity of the misconduct alleged in the case, the potential recovery that may be obtained if such claim is pursued, and the merits of such claim. The Board shall consider and determine if it is in the Plan’s best interest to pursue lead plaintiff status or proceed with individual litigation. In determining whether to seek lead plaintiff status, the factors to be considered shall include whether the Plan’s participation or action will increase the net monetary value of settlement; the potential effect on the value of the Plan’s investment portfolio; and whether the Plan’s active participation is significantly likely to add value to the potential class recovery.

- D. A foreign securities action is a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transactions by the Plan or on its behalf. In contrast to domestic securities class actions in which the Plan may remain a passive class member and receive its pro rata share of any recovery, participation as a class member in foreign securities action generally requires the Plan to “opt-in” through registration or other affirmative action by the Plan. Additionally, unlike domestic actions in which law firms provide representation on a contingency fee basis, foreign actions are typically financed by litigation funding groups. These groups assist investors with complex participation and/or claims forms that have strict deadlines. Fees are typically paid as a percentage of the resulting recovery. In foreign securities actions:

The City Attorney and Staff, after input from outside counsel, shall make a decision whether to participate (opt-in). Such consensus recommendation shall be based on core considerations concerning damages, administrative burdens, and liability. To inform the decision whether to participate and/or file a claim in the foreign action, the City Attorney and outside counsel shall evaluate the structure of litigation funding, review retention agreements with foreign counsel, analyze insurance contracts, review powers of attorney, and ensure that LAFPP pays no out of pocket costs. Additionally, if participation in a particular international securities litigation would not be on terms substantially similar to a domestic class action case, the consensus recommendation shall include consideration of whether the cost to participate is too high as to reduce recovery below the point where participation is prudent, the merits of the case and likelihood of recovery, and any other risks to the Plan.

When making a determination whether to opt-in, in addition to the core considerations described in Section 10.2.C above, the City Attorney and Staff shall also weigh the quality and financial stability of the foreign legal counsel and the defense cost funding guarantor, foreign jurisdiction law, and language translation.

The City Attorney is authorized to engage outside counsel and/or a litigation funding group to file a claim on behalf of LAFPP and/or take the actions necessary to participate in the recovery in a foreign case. Fees for assistance with the claims filing process shall only be paid if and when LAFPP recoups money in the case and must be reasonable when considering the complexity of the claim and the cost for similar claims in comparable litigation. The Board provides a standing delegation of authority to the General Manager to execute all necessary documents on behalf of LAFPP with respect to foreign litigation, including power of attorney documents and any follow-up documents to cure deficiencies in a foreign claim.

## **SELECTION OF SECURITIES LITIGATION COUNSEL**

- 10.3 The Board and the City Attorney shall use a Request for Proposal (RFP) process to select one or more law firms to monitor and review the Plan’s investment



portfolio for the filing of class actions. Any law firms selected for such monitoring shall require the approval of the City Attorney. The selected law firms shall make recommendations to the City Attorney, Staff, and, subject to the criteria set forth in Section 10.2 of this Policy, the Board, regarding whether potential or actual securities litigation cases are meritorious and worthy of further investigation, including seeking lead plaintiff status. The monitoring and review service shall be performed at no cost to the Plan.

When the Board has made a determination to pursue an active role in domestic securities litigation, the Board and the City Attorney shall use a Request for Proposal (RFP) process, targeted to the list of law firms previously approved by the Board and the City Attorney, to select a law firm to represent the Plan in connection with a specific securities litigation case. Any law firm selected for such representation shall require the approval of the City Attorney. The selected law firm shall advise the Plan regarding whether the Plan should seek lead plaintiff status or recovery on a joint or individual basis in an action that is not a class action and represent the Plan in litigation in connection with such cases. (Amended 04/16/2020)

**MONITORING ACTIONS**

- 10.4 The City Attorney in conjunction with outside counsel shall provide ongoing status reports to the Board on all securities litigation cases in which the Plan sought to be appointed or was appointed as lead plaintiff in a class action or in a case in which the Plan has filed an independent action. These reports shall include a summary of all major developments in connection with such cases. All strategic decisions in such litigation shall be made by the Board.

**HISTORY**

- 10.5 Adopted: August 21, 2003

Revised:

10/01/2009	09/06/2018	05/05/2022
09/18/2014	12/20/2018	
10/06/2016	04/16/2020	

## Los Angeles Fire & Police Pension System

### 11.0 - DUTIES OF RESPONSIBLE PARTIES

#### DUTIES OF THE BOARD OR ITS DESIGNATE(S)

- 11.1 The Board has the responsibility for the administration of the Plan for the benefit of plan participants, although it is not the intent of the Board to become involved in the day-to-day investment decisions. The Board or its designee(s) will adhere to the following procedures in the management of the Board's assets:
1. The Board develops and approves policies for the execution of the Board's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the implementation and administration of these decisions.
  2. The Board shall review investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks, as well as peer group comparisons. The source of information for these reviews shall come from Staff, outside consultants, the custodian, investment managers, etc.
  3. The Board may retain investment consultants to provide such services as conducting performance reviews, asset allocation, manager reviews, and investment research.
  4. The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on the following areas:
    - a. Manager compliance to the Policy guidelines.
    - b. Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping the Board advised of any material changes in personnel, investment strategy or other pertinent information potentially affecting performance.
    - c. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.
  5. The Board shall expect Staff to administer the Plan's investments in a cost-effective manner subject to Board approval. These costs include, but are not limited to, management, consulting and custodial fees, transaction

## **Duties of Responsible Parties**

- costs, and other administrative costs chargeable to the Board.
6. The Board shall be responsible for selecting qualified investment managers, consultants, and custodian.
7. Voting of proxies in stocks held by the System will be done according to Board policy.

## **DUTIES OF THE STAFF**

- 11.2 The Staff provides analysis and recommendations to the Board on a wide variety of investments and investment related matters. Additionally, Staff oversees and directs the implementation of Board policies and manages the Fund on a day-to-day basis. Furthermore, Staff's responsibilities include the following duties:
  1. Invests the Fund's cash without requiring Board's permission as set forth elsewhere in the Board's Investment Guidelines.
  2. Monitors investment managers for adherence to appropriate policies and guidelines.
  3. Evaluates and manages the relationships with brokers, managers and custodian(s) to the Fund to ensure that they are providing all of the necessary assistance to the Board and Staff.
  4. Conducts the manager search process, as approved by the Board, with assistance from consultants as needed.
  5. Negotiates investment management fees and executes contracts on behalf of the Board for the Plan.
  6. Manages portfolio restructuring resulting from portfolio rebalancing or manager terminations with the assistance of consultants and managers, as needed.
  7. Organizes and/or participates in any special research for the Board.
  8. Ensures that Investment Managers conform to the terms of their contracts and that performance-monitoring systems are sufficient to provide the Board with the most timely, accurate and useful information as possible.
  9. Advises and apprises the Board of any other events of investment significance.
  10. Implements and administers policies made by the Board.

## **DUTIES OF THE INVESTMENT MANAGERS**

- 11.3 The Investment Managers shall perform the following duties:
  1. Contract by written agreement with the Board to invest within approved guidelines.

## Duties of Responsible Parties

2. Provide the Board with proof of liability and fiduciary insurance coverage.
3. Be an SEC-Registered Investment Advisor under the 1940 Act or an authorized bank or trust and be recognized as providing demonstrated expertise during a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
4. Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
5. Obtain best execution for all transactions for the benefit of the System with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the System, and, where appropriate, facilitate the recapture of commissions for the System's benefit.
6. Reconcile monthly accounting, performance, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian and the Board's Staff.
7. Provide Staff net-of-fees performance reports.
8. Include DEI and ESG initiatives in all Board presentations.
9. Maintain frequent and open communication with the Board and Staff on all significant matters pertaining to the System, including, but not limited to, the following issues:
  - a. Major changes in the Investment Manager's investment outlook, investment strategy, and portfolio structure;
  - b. Significant changes in ownership, organizational structure, financial condition or senior personnel;
  - c. Any changes in the Portfolio Manager or other personnel assigned to the System;
  - d. Each significant client that terminates or separates voluntarily its relationship with the Investment Manager, within 30 days of such termination/separation;
  - e. All pertinent issues that the Investment Manager deems to be of significant interest or material importance; and,
  - f. Meet with the Board and/or Staff on an as-needed basis.

## DUTIES OF THE MASTER CUSTODIAN

11.4 The Master Custodian shall be responsible to the Board for the following duties:

## **Duties of Responsible Parties**

1. Provide complete global custody and depository services for the designated accounts.
2. Manage a Short-Term Investment Fund (STIF) for investment of any un-invested cash and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
3. Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers.
4. Collect all income and realized principal realizable, and properly report it on the periodic statements.
5. Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions. The statements should be based on accurate security values for both cost and market, net-of-fees. These reports should be provided within acceptable time frames.
6. Report situations where accurate security pricing, valuation, and accrued income are either not possible or subject to considerable uncertainty.
7. Assist the System to complete such activities as the annual audit, transaction verification, or unique issues as required by the Board.
8. Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.

## **DUTIES OF THE GENERAL INVESTMENT CONSULTANT**

11.5 The General Investment Consultant shall be responsible for the following:

1. Review quarterly performance including performance attribution on the Board's managers and total assets, including a check on guideline compliance and adherence to investment style and discipline.
2. Make recommendations for Board presentation regarding investment policy and strategic asset allocation.
3. Assist the Board in the selection of qualified investment managers and in the review of existing managers, including monitoring changes in personnel, ownership, and the investment process.
4. Assist the Board in the selection of a qualified custodian if necessary.
5. Provide Staff net-of-fees performance reports.
6. Provide topical research and education on investment subjects as requested by the Board or Staff.

7. Communicate information that concerns the Board.

**HISTORY**

11.6 Adopted: May 3, 2007

Revised:

03/19/2009    09/06/2018    10/01/2020

09/18/2014    10/03/2019    10/20/2022

## Los Angeles Fire & Police Pension System

### 12.0 – ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

#### PURPOSE

- 12.1 LAFPP invests a multi-billion-dollar portfolio in a unique and complex social-economic environment. As a major pension plan with a very long-term investment horizon, the success of LAFPP is linked to global economic growth and prosperity. Consistent with the fiduciary responsibilities to its beneficiaries, the Board will strive to incorporate Environmental, Social and Governance (ESG) considerations into the analysis of its investment decisions. Sustainable returns over long periods of time are in the economic interest of the Fund.

#### DEFINITION

- 12.2 ESG is a term typically used by investors to represent the evaluation of both financial and non-financial (ESG) factors when making an investment decision. The “E” is for Environmental and represents practices that reduce detrimental changes in the environment. They include mitigating global climate change, greenhouse gas emissions and pollution. The “S” is for Social and stands for practices that improve social conditions in various areas such as employees, the community that a company is in and the products that they provide. The “G” is for Governance and are practices related to business operations and the treatment of employees and customers. Governance-related topics include executive pay, board diversity and business ethics.

#### PROXY VOTING

- 12.3 Proxy voting is a vital and recurring way to assist the Board in voicing its concerns and preferences. Section 7.0 – Proxy Voting Policy provides the objectives and process of proxy voting with ESG-related language included.

#### MANAGER SELECTION AND RETENTION

- 12.4 When selecting an investment manager, the guidelines in Section 8.0 – Manager Selection and Retention Policy provide the objectives and process in selecting investment managers.

An additional step in manager selection is to include whether or not the candidate investment managers have an ESG policy.

#### ESG MONITORING

- 12.5 Investment managers shall submit to Staff the firm’s ESG policy and report on how ESG criteria is incorporated into the investment process on an annual basis. Board presentations by investment managers will include the firm’s ESG initiatives. Staff shall monitor how investment managers analyze ESG risks and opportunities, the process used to identify ESG factors, and related actions taken. There are a

variety of ways to look at ESG with no “one-size-fits-all” solutions. As such, the Plan should make every effort to understand how its investment managers utilize its resources in the area of ESG.

## **PRIVATE EQUITY AND REAL ESTATE**

- 12.6 In addition to investing in the public markets, LAFPP invests in the private markets through its Private Equity (PE) and Real Estate (RE) asset classes. The primary ways of investing are through Private Equity funds, commingled Real Estate funds and separate Real Estate accounts. The Board accesses these investments through LAFPP’s private equity and real estate Advisors. LAFPP’s holistic approach to investing means that the Board makes investment decisions based on a variety of factors. This is especially relevant because in RE and PE the Board is making a direct decision to invest or not.

The Board’s Advisors follow the same approach when performing due diligence on PE and RE General Partners (and their funds) that might be a potential fit for the PE and RE portfolios. An additional step in the due diligence process performed by the Board’s Advisors is regarding potential General Partners is to ask whether or not the manager has an ESG policy. Staff believes that inquiring of the ESG policies of General Partners is an important aspect of the due diligence process and demonstrates that the Board is committed to its ESG policy.

## **HISTORY**

- 12.7 Adopted: April 16, 2020

Revised:  
11/18/2021 10/20/2022



## Los Angeles Fire & Police Pension System

### 13.0 - ADDRESSING SOCIAL, POLITICAL, AND HUMAN RIGHTS ISSUES

#### PURPOSE

- 13.1 This policy addresses the financial and administrative risks that the LAFPP Board may face if one of the companies it has invested in has made corporate decisions that cause “substantial social injury”. It defines that term and describes what the LAFPP Board can do about it and how to act quickly.

#### THE RISK: BACKGROUND

- 13.2 The LAFPP Board is made up of lay volunteers and elected employee and retiree representatives who are the sole protectors of the funds that provide retirement money for current and future safety employees of the City of Los Angeles. Board members all serve in the City of Los Angeles — an international city that is deeply concerned with world-wide political, social and human rights issues. Some of those issues, like the Sudan/Darfur genocidal strife, occur in countries where companies that LAFPP may invest in may do business, directly or indirectly.

When the Board invests System assets, they must follow the standards set for all retirement board members by California Constitution Article XVI § 17. The Constitution imposes fiduciary responsibility on the Board for investing System’s assets, requires them to exercise a high degree of care, skill, prudence and diligence, requires them to diversify investments to avoid risk, and says that their duty to LAFPP’s members comes first, before any other duty.

The Board invests for the long term in companies that they expect will ultimately attain better investment performance by (among other things) operating their businesses with high ethical, social and legal standards. However, LAFPP’s ownership interest in a company does not mean it approves — or even knows about — all of a company’s policies, products, or actions. A company’s possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company’s conduct will not hurt the fund.

#### SUBSTANTIAL SOCIAL INJURY

- 13.3 What is “substantial social injury”? Answer: any specific action (including inaction) by a company that directly injures its employees, consumers, or other individuals or groups. It includes actions that violate, subvert, or frustrate the enforcement of American or international law aimed at protecting the health, safety, basic freedoms or human rights of individuals or groups. The term includes support of (i) government-endorsed genocide (as identified by the United States Department of Treasury, Office of Foreign Assets Control (OFAC)) or (ii) other human rights violations that inflict substantial injury to health, safety or freedom.

## Addressing Social, Political, and Human Rights Issues

The company's action must be directly responsible for identifiable social injury to fall within this definition. Company action that creates only a chance that social injury might occur is not included. Likewise, doing business with other companies that are themselves engaged in socially injurious activities is not included except in unusual circumstances.

The LAFPP Board will examine any claim of substantial social injury on a case-by-case basis, using the best available evidence and allowing parties to the claim reasonable time to gather and present that evidence. The Board will decide whether to address these issues in a particular case, based on 1) the size of the interest that LAFPP holds in the business; and 2) how serious is the business's violation of LAFPP policies. As stated above, a company's possibly risky political and social conduct can only be taken into consideration to the extent that the conduct affects the financial health of the company, or to the extent that divestment of a prior investment (or a decision not to make a particular investment) on account of the company's conduct will not hurt the fund.

### WHAT THE LAFPP BOARD CAN DO

- 13.4 When informed of a company's actions that violate LAFPP policies, the Board will promptly direct its investment staff to seek a change in the company's behavior, using the four steps described below, and to report on the status of progress at each subsequent Board meeting until the issue is resolved to the Board's satisfaction. Each of these steps will be undertaken promptly.

First, the LAFPP Board will direct its investment staff to engage, in a constructive manner, corporate management whose company's actions are reported to cause substantial social injury. All forms of engagement may be used — letter-writing, working with advocacy groups, proxy voting, etc. The most important feature is for the engagement to start right away and to request and obtain prompt replies from third parties to all questions throughout the process of engagement.

Second, if after reasonable efforts have been made to constructively engage management, it is still clear that the action complained of has in fact occurred and is continuing and, in the Board's opinion, the responses and remedies are insufficient or nonresponsive, the Board will direct its investment staff to tell its equity investment managers that, to the extent that suitable investment alternatives are available and that substituting them in the investment portfolio will result in no loss in portfolio return or increase in risk, the managers shall dispose of the interest (or avoid investing) in the violating company and invest in the alternative(s) until such time as the violations of this policy cease.

Third, the Board will direct its investment staff to advise the Board when and if the policy violation has been remedied.

Fourth, upon the Board's concurrence that the policy violation has been remedied, the Board will direct its investment staff to promptly inform the equity investment managers that the securities can thereafter be purchased.

**HISTORY**

13.5 Adopted: May 17, 2007

Revised:  
09/18/2014  
09/06/2018

## **Los Angeles Fire & Police Pension System**

### **14.0 - IRAN POLICY**

#### **GENERAL POLICY**

- 14.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Iran's energy sector or with the government of Iran, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of scrutinized companies identified by the State Board of Administration of Florida or a recognized provider of this list as having activities in the Iran petroleum energy sector will constitute the Board's list of companies subject to its Iran Policy.

#### **INVESTMENTS SUBJECT TO DIVESTMENT**

- 14.2 The Iran Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Iran Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

#### **HISTORY**

- 14.3 Adopted: April 15, 2010; Revised: 09/18/14.

## Los Angeles Fire & Police Pension System

### 15.0 - SUDAN POLICY

#### GENERAL POLICY

- 15.1 Investment managers should refrain from purchasing securities where the company has been identified as doing business in Sudan's energy sector or with the government of Sudan, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the State Board of Administration of Florida or a recognized provider of this list as having business operations in Sudan will constitute the Board's list of companies subject to its Sudan Policy.

#### INVESTMENTS SUBJECT TO DIVESTMENT

- 15.2 The Sudan Policy shall apply only to actively managed separate accounts in the public equity asset classes. The Sudan Policy shall not apply to index funds, commingled funds, hedge funds or assets held in the real estate or alternative investment program.

#### HISTORY

- 15.3 Adopted: March 1, 2007

Revised:

05/17/2007 09/18/2014

04/15/2010 10/03/2019

## **Los Angeles Fire & Police Pension System**

### **16.0 - FIREARMS INVESTMENT POLICY**

#### **GENERAL POLICY**

- 16.1 Investment managers should refrain from purchasing securities where the company has been identified as manufacturing firearms that are illegal in California, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the California State Attorney General as manufacturers of these firearms will constitute the Board's list of companies subject to its Firearms Investment Policy.

#### **INVESTMENTS SUBJECT TO POLICY**

- 16.2 The Firearms Investment Policy shall apply to actively managed separate accounts in the public equity asset classes.

The affected managers shall report on a calendar year basis the financial impact of any firearms manufacturers that were removed from the portfolio.

- 16.3 The Board's private equity managers(s) shall inquire with each proposed fund, their intention to invest in companies that manufacture firearms that are designated by the California State Attorney General as being illegal for sale in California and inform the Board of the response.

#### **HISTORY**

- 16.4 Adopted: March 7, 2013

Revised:  
05/16/2013  
09/18/2014

## Los Angeles Fire & Police Pension System

### 17.0 – ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

#### PURPOSE

- 17.1 This policy ensures the Board is timely advised of material government enforcement actions, non-routine regulatory proceedings, disciplinary actions, and litigation involving investment managers and consultants (together referred to in this Policy as “investment contractors”) contracted with the Board so that the Board can make prudent decisions regarding the involved investment contractors. The purpose of this policy is to establish guidelines, roles and responsibilities, and procedures for when and how such information should be reported to the Board.

This Policy shall be incorporated into all investment contracts with the Board that incorporate the Board Investment Policies and is intended to clarify reporting duties to strengthen and supplement existing contractual obligations requiring reporting by the investment contractor to the Board.

#### MATERIALITY

- 17.2 Information shall be deemed “material” under this Policy (Sections 17.4 and 17.5) when there is a substantial likelihood that a reasonable investor (here, the Board) would have considered the information important in evaluating the investment contractor’s advisory business or the integrity of its asset management operations, or other factors that might be relevant to the investor’s contracting decisions. Factors that may be considered when evaluating materiality include: (1) the proximity of the person(s) involved to the investment contractor’s advisory function and the services provided to LAFPP; (2) the nature of the conduct and/or infraction that led to the enforcement action and/or litigation; (3) the severity of resulting sanctions or damages, if any; and (4) the likelihood that the conduct has caused harm to LAFPP, or could cause such harm if repeated.

The General Manager shall be responsible for making materiality determinations under this Policy Section 17, in consultation with the City Attorney’s Public Pensions General Counsel Division (City Attorney). Examinations by the below-listed regulatory agencies, which are not prompted by specific allegations of wrongdoing and which have not resulted in evidence of material wrongdoing, will generally not be considered material for purposes of this Policy.

#### CHIEF INVESTMENT OFFICER COLLECTION AND REVIEW OF REPORTS REGARDING INVESTMENT MANAGER AND CONSULTANT CONDUCT

- 17.3 For all investment contractors contracted with the Board, the Chief Investment Officer and their designated investment staff member(s) shall collect and review reports and publicly reported information regarding:
- A. Securities and Exchange Commission (SEC) enforcement actions;

## ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

- B. Department of Justice enforcement actions;
- C. State attorney general enforcement actions;
- D. Other federal, state, or foreign agency enforcement actions;
- E. Other financial industry disciplinary proceedings, including but not limited to FINRA and other self-regulatory non-governmental entities;
- F. Criminal prosecution or investigation; or
- G. Civil litigation or arbitration.

Such reports may consist of contractually-required investment contractor notifications, voluntary investment contractor notifications, required regulatory reports and forms submitted by investment contractors, investment consultant notifications, publicly reported information, and/or any other sources that provide such reports. Where investment contractor notifications are required by contract, investment contractors shall notify the Chief Investment Officer and/or their designated investment staff member(s) within three (3) days of the investment contractor having notice of such information, unless otherwise required by law.

### **ELEVATION OF REPORTS FROM THE CHIEF INVESTMENT OFFICER TO THE GENERAL MANAGER**

- 17.4 The Chief Investment Officer shall evaluate the reports described in Section 17.3 for possible elevation to the General Manager. The Chief Investment Officer shall elevate reports to the General Manager when they contain any of the following attributes:
- A. An investment contractor or a principal or employee thereof was charged with, convicted of, or pleaded guilty to a felony;
  - B. An investment contractor or a principal or employee thereof was charged with, convicted of, or plead guilty to a misdemeanor involving: investments or an investment-related business, or any fraud, false statements or omissions, theft, embezzlement, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
  - C. An investment contractor or a principal or employee thereof was charged with, or found to have been involved, in a violation of an investment-related statute, regulation, or rule;
  - D. An investment contractor or a principal or employee thereof was the cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted;
  - E. A self-regulatory organization or commodities exchange: suspended or expelled from membership a principal of an investment contractor or an employee in a managerial position thereof; denied, suspended, revoked or



## **ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY**

restricted their authorization to do business; barred or suspended them from association with other self-regulatory organization or commodities exchange members; or otherwise restricted their activities;

- F. The SEC, Commodity Futures Trading Commission, other federal regulatory agency, state regulatory agency, any foreign financial regulatory authority, self-regulatory organization, or commodities exchange charged or found that an investment contractor or a principal or employee thereof made a material false statement or omission, or was dishonest, unfair, or unethical or in material violation of the contractor's fiduciary or contractual duties to its clients;
- G. The investment contractor provided the report as a contractually-required notification to the Board of any regulatory proceeding or material litigation relating to the investment contractor's business to which the investment contractor or any of its owners, principals or employees is a named party; or
- H. An investment contractor or a principal or employee thereof was the subject of a civil self-regulatory, or administrative proceeding, or a litigation or arbitration claim alleging damages in excess of \$100,000, involving any of the following:
  - 1. Any investment or an investment-related business or activity;
  - 2. Fraud, material false statement or omission;
  - 3. Theft, embezzlement, or other wrongful taking of property;
  - 4. Bribery, perjury, forgery, counterfeiting, or extortion;
  - 5. Dishonest, unfair, or unethical practices, or
  - 6. Breach of fiduciary duty.

The Chief Investment Officer shall confer with the City Attorney for assistance in determining whether reports should be elevated to the General Manager pursuant to Section 17.4.

### **GENERAL MANAGER EVALUATION AND REPORTING TO THE BOARD**

- 17.5 Upon receipt of reports described in Section 17.4, the General Manager shall evaluate them for possible reporting to the Board. The General Manager will report investment contractor conduct to the Board when such conduct is deemed to be material under this Policy, and/or because:
- A. The General Manager believes that the conduct creates reputational risk to the Board and/or the Plan through their association with the investment contractor;
  - B. There is a substantial likelihood that the conduct may lead to media

## ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

inquiries or other publicity, such that the Board should have in place a coordinated plan to respond to such inquiries, and/or the General Manager deems it prudent to inform the Board prior to such publicity to ensure the Board receives accurate and complete information;

or

C. Upon request of one or more Commissioners.

As part of the evaluation process, the General Manager shall confer with the City Attorney and specialized outside counsel, as appropriate, and may seek additional information from the Chief Investment Officer.

- 17.6 When the General Manager determines that investment contractor conduct is required to be reported to the Board pursuant to Section 17.5, the General Manager or their designee, through the Commission Executive Assistant, shall send separate emails to each Commissioner briefly summarizing the conduct and the contractual relationship between the investment contractor and the Plan. Such emails shall refer any follow up questions to the General Manager or the Managing Assistant City Attorney, Public Pensions General Counsel Division.
- 17.7 If the General Manager concludes that, in addition to the emails briefing Commissioners described in Section 17.6 of this Policy, Board discussion at a public meeting would be in the best interest of the Plan, or is required to seek the Board's consideration and approval of recommended action(s), the General Manager shall confer with the Board President to schedule the item on the agenda for Board consideration and possible action at an upcoming Board meeting. Upon the request of the General Manager, the City Attorney, with the assistance of specialized outside counsel, as appropriate, shall provide confidential attorney-client privileged written advice to the Board in connection with the General Manager's report to the Board on the item, including legal advice on the recommended Board action(s) to be taken by the Plan, if any.
- 17.8 Commissioners and staff members shall not respond to media inquiries regarding investment contractor conduct. Pursuant to Sections 7.2 and 9.8 of the Board Governance Policy, the President and General Manager will confer to determine who shall act as spokesperson for the System should the need arise, with the President having the authority to make the final determination.

If necessary, the President shall review and approve any final press release regarding investment contractor conduct for dissemination and publication.

### HISTORY

- 17.9 Adopted: August 4, 2022



## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE: OCTOBER 20, 2022**

**ITEM: D.4**

**FROM: JOSEPH SALAZAR, INTERIM GENERAL MANAGER**

**SUBJECT: THIRD-PARTY SOLICITATION POLICY**

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**THIS REPORT IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES**

#### **BACKGROUND**

The Los Angeles Retired Fire & Police Association (LARFPA) recently inquired with staff about the possibility of including an informational insert with the monthly pension statement mailing. LARFPA made the inquiry after learning that the Los Angeles City Employees' Retirement System sent out a pension statement insert for the civilian retired association. Staff has determined that the vendor that prints and mails LAFPP's pension statements can include an insert for a nominal fee.

#### **DISCUSSION**

The attached internal policy will allow third-party organizations to not only request the distribution of an insert with the monthly pension statement mailing, but also request to attend various LAFPP events, such as retirement seminars and group counseling sessions. A benefit of this policy will be the strengthening of stakeholder relations with other City agencies, employee unions, and retiree associations by removing participation hurdles and increasing interaction with LAFPP members.

Under the terms of the policy, when an organization requests to provide our retirees with a solicitation by mail or attend an LAFPP event, they will be required to complete a Third-Party Request for Solicitation form, which the General Manager or their designee will approve or reject. When reviewing the request, the General Manager or their designee will consider the purpose of the organization making the request and if the request provides a benefit to our members.

Prior to the cancellation of in-person LAFPP educational seminars due to the COVID-19 physical distancing requirements, LARFPA representatives would attend and make a short presentation about their organization and the benefits of members joining. Under the new policy, LARFPA could continue to participate when in-person retirement seminars resume.

#### **BUDGET**

No budget impact associated with this report. The costs, including staff time, will be reimbursed by the third-party requestors prior to the distribution of any written material. There are no costs for an organization to attend LAFPP seminars or group counseling sessions.

## **POLICY**

The recommended internal policy and form regarding third-party solicitation has been reviewed and approved by the City Attorney.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Kyle Susswain, Manager  
Retirement Services Section

JS:GFM:KS

Attachment: Policy on Third-Party Solicitation and Request Form

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**SUBJECT:****THIRD-PARTY SOLICITATION**

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**PURPOSE:**

Our clients are the active and retired members of the Pension System and their beneficiaries. On their behalf and in the course of our business, we provide services to other City departments, Fire and Police Associations/Unions and non-City agencies. One of those services is to collect pensioner voluntary deductions (membership dues, legal fees, long term care, etc.) and provide payment to the participating organization. This policy will allow approved third-party organizations and other interested organizations to provide their information to the members for solicitation by mail and/or attend LAFPP events. LAFPP members will be able to maximize their educational opportunities regarding their available benefits and services so they can make informed decisions.

Exclusions: This policy does not apply to normal business contracts by contractors with whom LAFPP has entered into a formal contract; contracts and communications with LAFPP contractors and potential bidders are governed by other LAFPP policies and procedures.

**POLICY:**

- Solicitation and/or sales are prohibited in any LAFPP work area, and during any LAFPP event, except as authorized under this policy.
- No organization, business or individual may be allowed to set-up, post, or distribute materials, or use LAFPP resources or systems at any time at any LAFPP events, counseling sessions, or work areas without the written approval of the General Manager or their designee.
- When considering a request, LAFPP management shall consider, but not be limited to considering: whether the organization offers a service that would be beneficial to members and reflects the Plan's Mission, the organization's status as a non-profit, whether the organization intends to share member information with third parties, and whether the organization has been approved to receive deductions from monthly payments administered by the City or LAFPP.
- LAFPP resources or systems may not be used for the purposes of sales or solicitations without the express written permission of the General Manager or their designee.

- The following information may be provided, subject to the approval of the General Manager or their designee:
  - o Name of Organization
  - o Organization email address
  - o Organization phone number and/or fax number
  - o A paragraph describing the organization and benefits or membership, if any.

PROCEDURE:

1. Requesting organization to complete and submit a Third Party Request for Solicitation form to the Retirement Services section ([rs@lafpp.com](mailto:rs@lafpp.com) or by mail). A copy of the insert must also be included. The form along with the insert will be reviewed and approved for appropriateness. Form can be found at [www.lafpp.com/post/retired-member-forms](http://www.lafpp.com/post/retired-member-forms).
2. If the request is for a mailing insert, Retirement Services staff will obtain an estimate through the current print vendor. Staff time plus all print vendor costs are calculated and then provided to the requesting organization on the original Third Party Request for Solicitation form.
3. If the requesting organization approves the costs, they will sign the form again and return it to Retirement Services along with the payment in full (check) and a digital copy of the approved insert to be included.
4. Retirement Services staff will provide payment to Accounting and then provide the approved insert file to Systems staff to be included in the monthly pension roll.
5. If the request is to attend an LAFPP retirement seminar or group counseling session, the form will be provided to either the DROP/Service Pension section or Communication & Education section for review and approval for appropriateness.



Los Angeles  
**Fire & Police Pensions**  
 TO SERVE THOSE WHO PROTECT

## THIRD PARTY REQUEST FOR SOLICITATION

Requestor's Name:	Date:
<p>Organization Name:</p> <hr/> <p>Organization Type:</p> <p><input type="checkbox"/> For-Profit</p> <p><input type="checkbox"/> Non-Profit</p> <p><input type="checkbox"/> Government</p> <p><input type="checkbox"/> Other</p> <p>What is the purpose of your organization?</p> <p>Are your benefits available to all members and beneficiaries?</p> <p>Does your organization share member information with outside agencies or affiliates?</p> <p>Are you affiliated with the City of Los Angeles? Y / N If Yes, how?</p>	<p>Type of Request:</p> <p><input type="checkbox"/> Event Attendance</p> <p><input type="checkbox"/> Event Presentation</p> <p><input type="checkbox"/> Mailing Insert</p> <p><input type="checkbox"/> Other (Describe here)</p> <p><b>*If an event is requested, what type?</b></p> <p><input type="checkbox"/> Retirement Seminar</p> <p><input type="checkbox"/> Group Counseling</p> <p><b>*If a mailing insert is requested, provide specifics.</b></p> <p><input type="checkbox"/> Paper Size &amp; Weight</p> <p><input type="checkbox"/> Double/Single Sided</p> <p><input type="checkbox"/> Color/Black &amp; White</p>

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(LAFPP) Cost Estimate: \_\_\_\_\_

(Requestor) Authorization to Proceed: \_\_\_\_\_ Date: \_\_\_\_\_

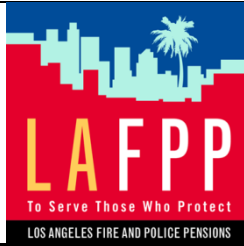
**FOR LAFPP USE ONLY**

Section Manager	Approved: _____ Date: _____ Denied: _____ Date: _____
Chief Benefits Analyst	Approved: _____ Date: _____ Denied: _____ Date: _____
General Manager	Approved: _____ Date: _____ Denied: _____ Date: _____
Comments:	

**LA Fire & Police Pensions, 701 E. 3rd Street, Suite 200, Los Angeles, CA 90013**  
**(844) 88-LAFPP (52377) Ext. 3125 | (213) 279-3125 | Fax (213) 628-7716**  
[www.lafpp.com](http://www.lafpp.com) | [rs@lafpp.com](mailto:rs@lafpp.com)

09/30/2022





# **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022 **ITEM:** D.5

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** REVIEW OF BOARD GOVERNANCE POLICY SECTION 18.0 AND POSSIBLE BOARD ACTION

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### **RECOMMENDATION**

That the Board:

- 1) Amend Board Governance Policies, Section 18.0 – *Compensation of City Attorney Legal Fees, Benefits, and Expenses*, as reflected in Attachment I; and
- 2) Authorize staff to make technical corrections or clarifications to the Board Governance Policies, Section 18.0 to effectuate the intent of the Board.

### **BACKGROUND**

Per the City Charter, the City Attorney's Office is the legal advisor to Los Angeles Fire and Police Pensions (LAFPP), Los Angeles City Employees' Retirement System (LACERS), and Water and Power Employees' Retirement Plan (WPERP), or the City's Public Pension Systems (Systems). The three Systems annually fund the City Attorney's Public Pensions General Counsel Division, formerly known as the Retirement Benefits Division (RBD), for services rendered, including City Attorney salaries, overhead costs, and other expenses. Expenses are reimbursed as indicated below:

- Quarterly, the City Attorney's Office charges each System their respective share of direct salary, indirect costs (e.g., fringe benefits, central services, etc.), and shared salary costs incurred by City Attorney staff. Indirect cost is calculated based upon the application of the Cost Allocation Plan rates applicable to each System in effect for the City Attorney. A portion of shared salary costs is also charged to each System using a "salary-based percentage" derived from the portion of total salaries attributed directly to each System.
- Annually, LACERS determines on a pro-rata basis using the above salary-based percentage, the share of non-salary expenses to be charged back to LAFPP and WPERP. These expenses include, but are not limited to, lease costs, travel, subscriptions, office supplies, etc. These expenses are itemized (including any expenses directly funded by LAFPP) and LACERS determines the share of the expenses to be charged back to LAFPP and WPERP.

LACERS is currently responsible for the annual chargeback of the non-salary expense cost share, as City Attorney staff began occupying office space at the LACERS Headquarters in 2013. In April 2015, a *Cost Sharing of Salaries and Expenses of the City Attorney's Retirement Benefits*

*Division*' letter of agreement was signed by representatives from LAFPP, LACERS, and WPERP to formalize the cost sharing arrangement as generally outlined above.

This agreement was codified in LAFPP's Board Governance Policies, Section 18.0, which is to be reviewed at least every three (3) years to ensure it remains appropriate and relevant.

## **DISCUSSION**

The review of the policy outlined in Section 18.0 was to be brought before the Board in August 2022, but was delayed as staff has been working with LACERS to update significant components of the associated cost sharing agreement. The policy review was further delayed due to the report being pushed back given recent large meeting Agendas. Notwithstanding the periodic review of the policy itself, the review of the cost sharing agreement is notably impacted this period as LACERS is in the midst of relocating its headquarters. LACERS headquarters was previously located in a leased space within the Los Angeles Times Building within the Civic Center. However, LACERS has since purchased a building in Chinatown to utilize as its new headquarters, with move-in anticipated in December 2022.

At this time, staff recommends that Section 18.0 be updated as outlined in Attachment I to reflect LAFPP's desired approach in future reimbursement of certain expenses, as well as to add in clarifying language for administrative efficiency purposes. Substantive updates are made to Section 18.3, D. Non-Salary Expenses, as follows:

- a) LAFPP will not reimburse for furniture or equipment related to the new LACERS headquarters office build out or for City Attorney staff onsite parking (should LACERS choose to charge City Attorney staff for parking at its new headquarters). Accordingly, LAFPP will not submit for reimbursement any expenses related to the accommodation of City Attorney staff at its building in previous years or currently in calendar year 2022, and until such time that City Attorney staff relocates to the new LACERS headquarters building.
- b) LAFPP will not reimburse for facility maintenance or building operating costs at the new LACERS headquarters building. Accordingly, LAFPP has not and will not charge back similar costs for accommodation of City Attorney staff at its building or otherwise for related work performed on its premises.
- c) Upon the City Attorney's official relocation to the new LACERS headquarters building, associated office space is to be billed at a mutually agreed upon total square footage at \$3.50 per square foot, with an annual rate increase of no more than 3% per square foot. In no event shall the total square footage to be charged increase without the prior written consent of all Systems.

Staff will continue to work with LACERS to finalize the cost sharing agreement in accordance with the revisions to this policy as indicated in Attachment I.

## **BUDGET**

Funding for City Attorney expenses are included in the 2022-23 Budget as an administrative expense. The budgeted amount for City Attorney salary and non-salary expense reimbursements is anticipated to increase in future fiscal years as salary costs continue to increase (due to negotiated employee labor agreements) and as LACERS intends to charge the market rate per square foot (the rate previously was at a much lower rate, as LACERS was leasing office space in its previous location).

## **POLICY**

Review of Section 18.0 – *Compensation of City Attorney Legal Fees, Benefits, and Expenses*, should be completed at least every three (3) years in accordance with Section 18.9. While the latest policy review was due August 2022, it was delayed slightly due to ongoing discussions regarding the consideration of associated costs from the LACERS move to its new headquarters building and the potential impacts to the cost sharing agreement. The policy review was also delayed recently due to recent large meeting Agendas.

The next review of this policy will be due October 2025.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Esther Chang, Senior Management Analyst II  
Administrative Services

JS:WSR:MTS:EC:EH

Attachments:     I. Board Governance Policies, Section 18.0 (tracked changes)  
                      II. Board Governance Policies, Section 18.0 (clean version)

## Los Angeles Fire & Police Pension System

### 18.0 – COMPENSATION OF CITY ATTORNEY LEGAL FEES, BENEFITS, AND EXPENSES

#### INTRODUCTION

- 18.1 As provided in the City Charter, the City Attorney:
- A. Shall be the legal advisor to the City, and to all City boards, departments, officers and entities. The City Attorney shall give advice or opinion in writing when requested to do so by any City officer or board; [Section 271 (b)] and
  - B. Shall keep records of all actions and proceedings in which the City or any officer or board is an interested party, and copies of all written opinions given by the City Attorney's office. [Section 271 (e)]
- 18.2 The objective of this policy is:
- A. To establish an equitable compensation arrangement for the legal fees, benefits, and expenses incurred by the Office of the City Attorney, Public Pensions General Counsel Division (City Attorney), staff based on the actual number of hours worked by City Attorney staff on LAFPP's business.
  - B. To delineate the cost sharing agreement of City Attorney salaries and expenses between LAFPP, Los Angeles City Employees' Retirement System (LACERS), and Water and Power Employees' Retirement Plan (WPERP). (Revised 01/21/16)

#### COMPENSATION

- 18.3 In exchange for the services provided by the City Attorney, LAFPP shall compensate the City Attorney for direct, indirect, and shared costs related to salaries, and non-salary expenses incurred by its staff in performing the legal work of LAFPP. Funding for City Attorney expenses shall be included as an administrative expense in the Budget and shall be paid from fund assets. The Board shall determine the level of City Attorney funding provided. These costs are defined as follows: (Revised 01/21/16)
- A. Direct Salary Costs
    - 1. Direct costs include salaries that are incurred by City attorneys only (not support staff) working directly on LAFPP business in the Public Pensions General Counsel Division. (Revised 01/21/16)
    - 2. LAFPP shall compensate the City Attorney quarterly for the services provided by the City Attorney which are reasonably necessary. The fees for such services shall be based upon the time expended to render the required services, with fractions thereof being stated to the tenth of an hour, and shall be computed at a rate not to exceed the bi-weekly salary rates of the respective staff in the City Attorney's Office. The direct costs paid to the City Attorney shall be based on the bi-weekly salary rates of staff in effect

### Compensation of City Attorney Legal Fees, Benefits, and Expenses

during the time services are provided as specified in their respective MOU agreements with the City of Los Angeles.

(Revised 01/21/16)

#### B. Indirect Costs

1. LAFPP shall compensate the City Attorney quarterly for the indirect costs incurred by its staff. ~~This cost includes fringe benefits, central services, and department administration and support fees.~~ The amount to be compensated shall be based upon the application of the ~~most current eCost allocation Allocation plan Plan~~ (CAP) rates applicable to each System in effect for the City Attorney (Direct Billed – User’s Site, Proprietary Departments), as posted on the City Controller’s website, to the direct costs incurred by LAFPP as specified in Section 18.3, A.1. above. (Revised 01/21/16; 10/20/22)

#### C. Shared Salary Costs

1. LAFPP shall compensate the City Attorney quarterly for shared costs incurred by its staff. Shared costs include salaries incurred by City Attorney clerical staff, hours worked by City Attorney staff in joint support of LAFPP, LACERS, and WPERP, and compensatory time off (CTO) taken by City Attorney staff. LAFPP shall be responsible for its portion of shared costs, which is calculated based on a percentage of salary per work order to the total salary rather than a percentage of hours per work order to better reflect the billable rate for the City Attorney providing service to the respective System. This “salary-based percentage” may also apply to the cost sharing of non-salary expenses. (Revised 01/21/16)

#### D. Non-Salary Expenses

1. Effective July 1, 2014, LACERS will be the central billing agency for all non-salary expenses incurred by the City Attorney for LAFPP, LACERS, and WPERP to facilitate and streamline the billing process between the Systems. ~~All e~~Expenses will be incurred and paid for by LACERS in support of the City Attorney, including but not limited to office space lease, office ~~furniture and~~ equipment, ~~parking,~~ dues, subscriptions, publications, travel expenses, training, copy machine rental, office supplies, and computer equipment and shall be charged back to LAFPP and WPERP for reimbursement to LACERS based upon the percentage of City Attorney staff ~~time~~ salaries used by each party. (Revised 01/21/16; 10/20/22)
2. By November 15 of each year, if either LAFPP or WPERP incurs non-salary expenses in support of the City Attorney, each System shall submit for reimbursement the gross receipts for any City Attorney expenses of the prior fiscal year to LACERS. ~~No~~ payment will be made for gross receipts submitted after November 15 unless a prior authorization is provided by LACERS for late submissions. LACERS will add all expenses, apply the salary-based percentage for the City Attorney’s Office, and then apply a credit for the full gross amount of the payment(s) made by the respective System during the fiscal year. ~~Any e~~Excess credits, if any, ~~should~~ will be

### Compensation of City Attorney Legal Fees, Benefits, and Expenses

carried over to the next fiscal year. At the same time payments are made, LACERS will provide to each System an annual billing worksheet that clearly reflects the pro-rata charges. (Revised 01/21/16; 10/20/22)

3. WPERP will reimburse its pro-rata share of the primary office lease expense incurred by LACERS. Any satellite office space lease expenses incurred by LAFPP will not be reimbursed by WPERP; conversely, any satellite office space lease expenses incurred by WPERP will not be reimbursed by LAFPP. (Added 01/21/16; Revised 10/20/22)
4. Expense items to be shared will be based on an actual expense method where available and a pro-rata cost for all other expenses as follows:
  - a. Expense items which have discrete invoices shall be expensed based on actual amounts. This includes travel expenses, conferences/seminars, subscriptions, petty cash reimbursements, parking for related off-site work/meetings or training events (does not include on-site staff parking), and specifically requested ~~furniture or~~ equipment. (Added 01/21/16; Revised 10/20/22).
  - b. For administrative efficiency, all other expenses shall be based on a fair and reasonable pro-rata method. Office space will be billed based on the lease rate per square footage exclusively utilized by/for City Attorney at the primary offices at LACERS. Office supplies, ~~facility maintenance~~, and any other mutually agreed upon expenses (with prior written consent by all parties) shared with the billing agency staff will be calculated on a per user basis and a pro-rata share for City Attorney staff will be billed. (Added 01/21/16; Revised 10/20/22).
  - c. The cost of furnishing and equipping the City Attorney offices at the new LACERS headquarters, anticipated in Fiscal Year 22-23, will not be shared by LAFPP. Similarly, LAFPP will not submit for reimbursement any expense for furniture or expenses for accommodating City Attorney staff beginning in calendar year 2022 and until City Attorney relocates to LACERS headquarters. (Added 10/20/22).
  - d. Upon completion of City Attorney's move to the new LACERS headquarters, office space will be billed at a specified, mutually agreed upon total square footage and dollar-rate per square foot (initially \$3.50/square foot), with an annual rate increase of no more than 3% per square foot. In no event shall the total square footage to be charged to LAFPP and WPERP increase without the prior written consent of all Systems.(Added 10/20/22)
  - b.e. Any City Attorney satellite office space maintained at LAFPP and/or WPERP will not be reimbursed. (Added 10/20/22).
5. All Systems shall reconvene ~~as-needed~~ at least every other year to review and discuss any changes to the cost sharing arrangement unless all parties consent to waiving this meeting prior to June. Discussions should take place sufficiently in advance to allow transition to any new cost sharing arrangements at the beginning of a fiscal year. (Added 01/21/16; Revised Amended 08/06/20; 10/20/22)

### Compensation of City Attorney Legal Fees, Benefits, and Expenses

6. City Attorney staff shall not incur any cost related to LAFPP without first receiving approval in writing from the General Manager.

#### E. LAFPP's Reservation of Rights to Adjust Invoices

1. LAFPP shall reserve the right to request and adjust invoices accordingly any time LAFPP determines that fees and expenses were not properly invoiced ~~by the City Attorney~~, and shall reserve full or partial payment until such invoices comply with the provisions of this policy. (Revised 10/20/22)

### PAYMENT

18.4 LAFPP shall make payment for direct costs, indirect costs, shared costs, and expenses incurred by the City Attorney only after satisfactory approval by the General Manager of LAFPP (or by authorized designee in the General Manager's absence or by delegation to the Executive Officer or Assistant General Manager) of the quarterly invoice submitted by the City Attorney and the annual invoice submitted by LACERS. (Revised 10/20/22)

18.5 LAFPP shall process payment within thirty (30) calendar days after receiving the quarterly invoice submitted by the City Attorney, or 30 calendar days after any invoice dispute is resolved, whichever is later. LAFPP shall not pay interest or finance charges on any outstanding balance(s).

### AUDITS AND REVIEWS

18.6 LAFPP shall conduct periodic audits of the City Attorney's timekeeping entries and invoices as they pertain to LAFPP's business to ensure compliance with the procedures as outlined in this policy.

18.7 LAFPP shall review all invoices and shall request that the City Attorney adjust such invoices to comply with the procedures as outlined in this policy.

### HISTORY

18.8 The Board adopted this policy on November 3, 2011. Revised 01/21/16; 08/06/20; 10/20/22. Reviewed 08/01/19.

### REVIEW

18.9 The Board shall review this policy at least every three (3) years to ensure that it remains appropriate and relevant.

18.10 The Board shall next review this policy by ~~August 2022~~ October 2025.

## Los Angeles Fire & Police Pension System

### 18.0 – COMPENSATION OF CITY ATTORNEY LEGAL FEES, BENEFITS, AND EXPENSES

#### INTRODUCTION

- 18.1 As provided in the City Charter, the City Attorney:
- A. Shall be the legal advisor to the City, and to all City boards, departments, officers and entities. The City Attorney shall give advice or opinion in writing when requested to do so by any City officer or board; [Section 271 (b)] and
  - B. Shall keep records of all actions and proceedings in which the City or any officer or board is an interested party, and copies of all written opinions given by the City Attorney's office. [Section 271 (e)]
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  - B. To delineate the cost sharing agreement of City Attorney salaries and expenses between LAFPP, Los Angeles City Employees' Retirement System (LACERS), and Water and Power Employees' Retirement Plan (WPERP). (Revised 01/21/16)

#### COMPENSATION

- 18.3 In exchange for the services provided by the City Attorney, LAFPP shall compensate the City Attorney for direct, indirect, and shared costs related to salaries, and non-salary expenses incurred by its staff in performing the legal work of LAFPP. Funding for City Attorney expenses shall be included as an administrative expense in the Budget and shall be paid from fund assets. The Board shall determine the level of City Attorney funding provided. These costs are defined as follows: (Revised 01/21/16)
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### **Compensation of City Attorney Legal Fees, Benefits, and Expenses**

during the time services are provided as specified in their respective MOU agreements with the City of Los Angeles.

(Revised 01/21/16)

#### **B. Indirect Costs**

1. LAFPP shall compensate the City Attorney quarterly for the indirect costs incurred by its staff. This cost includes fringe benefits, central services, and department administration and support fees. The amount to be compensated shall be based upon the application of the Cost Allocation Plan (CAP) rates applicable to each System in effect for the City Attorney (Direct Billed – User’s Site, Proprietary Departments), as posted on the City Controller’s website, to the direct costs incurred by LAFPP as specified in Section 18.3, A.1. above. (Revised 01/21/16; 10/20/22)

#### **C. Shared Salary Costs**

1. LAFPP shall compensate the City Attorney quarterly for shared costs incurred by its staff. Shared costs include salaries incurred by City Attorney clerical staff, hours worked by City Attorney staff in joint support of LAFPP, LACERS, and WPERP, and compensatory time off (CTO) taken by City Attorney staff. LAFPP shall be responsible for its portion of shared costs, which is calculated based on a percentage of salary per work order to the total salary rather than a percentage of hours per work order to better reflect the billable rate for the City Attorney providing service to the respective System. This “salary-based percentage” may also apply to the cost sharing of non-salary expenses. (Revised 01/21/16)

#### **D. Non-Salary Expenses**

1. Effective July 1, 2014, LACERS will be the central billing agency for all non-salary expenses incurred by the City Attorney for LAFPP, LACERS, and WPERP to facilitate and streamline the billing process between the Systems. Expenses will be incurred and paid for by LACERS in support of the City Attorney, including but not limited to office space lease, office equipment, dues, subscriptions, publications, travel expenses, training, copy machine rental, office supplies, and computer equipment and shall be charged back to LAFPP and WPERP for reimbursement to LACERS based upon the percentage of City Attorney staff salaries used by each party. (Revised 01/21/16; 10/20/22)
2. By November 15 of each year, if either LAFPP or WPERP incurs non-salary expenses in support of the City Attorney, each System shall submit for reimbursement the gross receipts for any City Attorney expenses of the prior fiscal year to LACERS. No payment will be made for gross receipts submitted after November 15 unless a prior authorization is provided by LACERS for late submissions. LACERS will add all expenses, apply the salary-based percentage for the City Attorney’s Office, and then apply a credit for the full gross amount of the payment(s) made by the respective System during the fiscal year. Excess credits, if any, will be carried over to the next fiscal year. At the same time payments are made, LACERS will

**Compensation of City Attorney Legal Fees, Benefits, and Expenses**

provide to each System an annual billing worksheet that clearly reflects the pro-rata charges. (Revised 01/21/16; 10/20/22)

3. WPERP will reimburse its pro-rata share of the primary office lease expense incurred by LACERS. Any satellite office space lease expenses incurred by LAFPP will not be reimbursed by WPERP; conversely, any satellite office space lease expenses incurred by WPERP will not be reimbursed by LAFPP. (Added 01/21/16; Revised 10/20/22)
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  - a. Expense items which have discrete invoices shall be expensed based on actual amounts. This includes travel expenses, conferences/seminars, subscriptions, petty cash reimbursements, parking for related off-site work/meetings or training events (does not include on-site staff parking), and specifically requested equipment. (Added 01/21/16; Revised 10/20/22).
  - b. For administrative efficiency, all other expenses shall be based on a fair and reasonable pro-rata method. Office space will be billed based on the lease rate per square footage exclusively utilized by/for City Attorney at the primary offices at LACERS. Office supplies and any other mutually agreed upon expenses (with prior written consent by all parties) shared with the billing agency staff will be calculated on a per user basis and a pro-rata share for City Attorney staff will be billed. (Added 01/21/16; Revised 10/20/22).
  - c. The cost of furnishing and equipping the City Attorney offices at the new LACERS headquarters, anticipated in Fiscal Year 22-23, will not be shared by LAFPP. Similarly, LAFPP will not submit for reimbursement any expense for furniture or expenses for accommodating City Attorney staff beginning in calendar year 2022 and until City Attorney relocates to LACERS headquarters. (Added 10/20/22).
  - d. Upon completion of City Attorney's move to the new LACERS headquarters, office space will be billed at a specified, mutually agreed upon total square footage and dollar-rate per square foot (initially \$3.50/square foot), with an annual rate increase of no more than 3% per square foot. In no event shall the total square footage to be charged to LAFPP and WPERP increase without the prior written consent of all Systems(Added 10/20/22)
  - e. Any City Attorney satellite office space maintained at LAFPP and/or WPERP will not be reimbursed. (Added 10/20/22).
5. All Systems shall reconvene at least every other year to review and discuss any changes to the cost sharing arrangement unless all parties consent to waiving this meeting prior to June. Discussions should take place sufficiently in advance to allow transition to any new cost sharing arrangements at the beginning of a fiscal year. (Added 01/21/16; Revised 08/06/20; 10/20/22)

### **Compensation of City Attorney Legal Fees, Benefits, and Expenses**

6. City Attorney staff shall not incur any cost related to LAFPP without first receiving approval in writing from the General Manager.

#### **E. LAFPP's Reservation of Rights to Adjust Invoices**

1. LAFPP shall reserve the right to request and adjust invoices accordingly any time LAFPP determines that fees and expenses were not properly invoiced and shall reserve full or partial payment until such invoices comply with the provisions of this policy. (Revised 10/20/22)

### **PAYMENT**

18.4 LAFPP shall make payment for direct costs, indirect costs, shared costs, and expenses incurred by the City Attorney only after satisfactory approval by the General Manager of LAFPP (or by authorized designee in the General Manager's absence or by delegation to the Executive Officer or Assistant General Manager) of the quarterly invoice submitted by the City Attorney and the annual invoice submitted by LACERS. (Revised 10/20/22)

18.5 LAFPP shall process payment within thirty (30) calendar days after receiving the quarterly invoice submitted by the City Attorney, or 30 calendar days after any invoice dispute is resolved, whichever is later. LAFPP shall not pay interest or finance charges on any outstanding balance(s).

### **AUDITS AND REVIEWS**

18.6 LAFPP shall conduct periodic audits of the City Attorney's timekeeping entries and invoices as they pertain to LAFPP's business to ensure compliance with the procedures as outlined in this policy.

18.7 LAFPP shall review all invoices and shall request that the City Attorney adjust such invoices to comply with the procedures as outlined in this policy.

### **HISTORY**

18.8 The Board adopted this policy on November 3, 2011. Revised 01/21/16; 08/06/20; 10/20/22. Reviewed 08/01/19.

### **REVIEW**

18.9 The Board shall review this policy at least every three (3) years to ensure that it remains appropriate and relevant.

18.10 The Board shall next review this policy by October 2025.



## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022 **ITEM:** D.6

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** FIRST QUARTER UPDATE OF THE 2022-23 BUSINESS PLAN AND POSSIBLE BOARD ACTION

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#### **RECOMMENDATION**

That the Board:

1. Authorize a revision to the Business Plan for Project No. 12 – Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce, by:
  - a. Moving section b) of the September 30, 2022 Milestone to December 31, 2022; and
2. Authorize a revision to the Business Plan for Project No. 14 – Institutional Limited Partners Association Diversity in Action Initiative, by:
  - a. Revising the Project History and Deliverables;
  - b. Removing the September 30, 2022, Milestone; and,
  - c. Updating the December 31, 2022 and March 31, 2023 Milestones to effectuate the revised Deliverables.

#### **DISCUSSION**

Staff is providing the first quarter update on the status and progress of the 2022-23 Business Plan projects (as further detailed in Attachments I and II).

The 2022-23 Business Plan was approved by the Board on June 16, 2022, and includes a total of 14 projects that fall within the department's six Strategic Goals:

1. Ensure a Financially Sound Retirement System
2. Manage Risk Throughout the Organization
3. Enhance Customer Care & Stakeholder Relations
4. Pursue Operational Efficiencies
5. Build and Support a Talented Workforce
6. Promote Diversity, Equity and Inclusion (DEI) Throughout the Organization Including Our Investment Portfolio and Business Partners

These primary goals help keep the System's resources focused on the most critical areas to ensure we successfully fulfill our Mission Statement: *"To advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles."*

The 2022-23 Business Plan first quarter update is summarized in Attachment I, the 2022-23 Business Plan Dashboard. This attachment provides a brief overview of the projects, including the progress toward meeting the Milestones, the overall project duration, the overall project status and whether the project is over/under budget. The status of the 2022-23 Business Plan through the first quarter is summarized as follows:

- Eleven (11) of 14 projects are on schedule and within budget; and
- Three (3) of 14 projects are at risk of falling behind schedule or going over budget.

## **PROJECTS AT RISK OF FALLING BEHIND SCHEDULE OR GOING OVER BUDGET**

### Project No. 2 – Implementation of New Global Credit Mandate.

The LAFPP Board has established a 22% target allocation to public fixed income, and in December 2021, the Board approved allocating 12.5% of the fixed income portfolio (or 2.75% of the total portfolio) to a new Global Credit mandate. During the second quarter of 2022, the search for the Global Credit provider was completed and the Board selected Loomis Sayles & Co. to manage the new mandate. Staff has additionally completed the December 31, 2022 milestone ahead of schedule by completing the rebalancing of the fixed income allocation to fund the new Global Credit account, which is fully funded for \$775 million.

While the project timeline is ahead of schedule, anticipated fees for this mandate have increased. At the time of FY 22-23 budget development earlier this calendar year, RVK estimated the mandate would be approximately \$689 million. Given an increased total portfolio market value and a rebalance into fixed income, the mandate at funding increased to \$775 million. This increase in mandate size increases the fee, as the fee structure is asset-based, from \$1.50 million originally projected to an anticipated \$1.97 million. However, staff anticipates these fees may be offset in other areas, such as with the index provider search, which is anticipated to provide \$1 million in yearly savings. As such, it should be noted the overall budget for the FY 22-23 Investment Management Expense (\$151.94 million) is not expected to increase.

### Project No. 12 – Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce

Human Resources (HR) has been researching ways to foster community and collaboration in a hybrid workforce and recognizes employee engagement and technology have become increasingly intertwined. Research was conducted online, via webinars, and through inquiries of other departments. Beyond research findings, employee feedback will be utilized when selecting initiatives to implement within LAFPP.

However, all sections of the first quarter milestone were not entirely met due to management and personnel changes over the past several months and the associated heavy workload. As such, HR staff has been unable to present and finalize the proposed employee survey and initiatives to management. Upon distribution and review of the survey, the project is anticipated to be on schedule by the next quarter.

## Project No. 14 – Institutional Limited Partners Association Diversity in Action Initiative

LAFPP embraces the goals of becoming a signatory to the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative. However, the ILPA reporting template has gone through several iterations and has become increasingly more complex as the data collected would require a software tool to compile information. In addition, the Investments Division does not currently have a full complement of staff to begin participating in ILPA's Diversity in Action Initiative at this time. The group currently has vacancies in the Chief Investment Officer (CIO), Investment Officer III, Investment Officer II, and Management Analyst classifications. As such, Investments staff proposes to defer completing the signatory requirements until Investments has a full complement of staff and the CIO position is filled. In the interim, staff advises taking a more simplified approach as they step into this endeavor. Investments staff recommends that all future presentations by asset managers include information on their respective firm's Diversity, Equity, and Inclusion (DEI) activities and goals. Accordingly, staff recommends the Project History, Deliverables, and Milestones be revised as detailed in Attachment II on the project page.

### **BUDGET**

No additional funding is requested at this time.

### **POLICY**

No policy changes have been recommended.

### **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

James Pineda, Management Aide  
Administrative Services Section

JS:WSR:MTS:EC:EH:JP

Attachments: I. 2022-23 Business Plan Dashboard - First Quarter Report  
II. 2022-23 LAFPP Business Plan



**2022-23 BUSINESS PLAN DASHBOARD  
FIRST QUARTER REPORT  
QUARTER ENDING SEPTEMBER 30, 2022**

<u>Strategic Plan Goal</u>	<u>Project Title</u>	<u>Overall Project Duration</u>	<u>2022-23 Milestone Dates</u>	<u>Overall Project Schedule</u>	<u>Overall Project Budget</u>
<b>Goal 1</b> Ensure a Financially Sound Retirement System	1. <b>NEW – Implementation of 115 Trust in Financial Reporting</b>	2022-23	●	●	●
	2. <b>NEW – Implementation of New Global Credit Mandate</b>	2022-23	●	●	●
	3. <b>NEW – Implementation of Asset Allocation Plan</b>	2022-23	●	●	●
<b>Goal 2</b> Manage Risk Throughout the Organization	4. <b>NEW – Internal Audit Risk Assessment Framework</b>	2022-23	●	●	●
	5. <b>CONTINUING – Enterprise-wide Cyber Security Program<sup>1</sup></b>	2020-21 2021-22 2022-23	●	●	●
<b>Goal 3</b> Enhance Customer Care and Stakeholder Relations	6. <b>NEW – Rollovers of Refund of Contributions via Wire Transfer</b>	2022-23	●	●	●
	7. <b>NEW – Engaging Early-Career Members to Plan for Retirement</b>	2022-23	●	●	●
	8. <b>CONTINUING – Member Video Guides for Completing Counseling Forms<sup>1</sup></b>	2022-23	●	●	●
<b>Goal 4</b> Pursue Operational Efficiencies	9. <b>CONTINUING – Disability Claims Management System Review<sup>1</sup></b>	2022-23	●	●	●
	10. <b>NEW – Elimination of the Deceased Members Database</b>	2022-23 2023-24	●	●	●
	11. <b>NEW – Unclaimed Final Checks</b>	2022-23	●	●	●
<b>Goal 5</b> Build and Support a Talented Workforce	12. <b>NEW – Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce</b>	2022-23	●	●	●
	13. <b>CONTINUING – Permanent Hybrid Workforce<sup>1</sup></b>	2021-22 2022-23	●	●	●
<b>Goal 6</b> Promote Diversity Equity and Inclusion (DEI) Throughout the Organization	14. <b>CONTINUING – Institutional Limited Partners Association Diversity in Action Initiative<sup>1</sup></b>	2021-22 2022-23	●	●	●

<b>Legend:</b>	●	On schedule or on budget
	●	At risk of falling behind schedule or going over budget
	●	Behind schedule/over budget
	✓	Project completed

<sup>1</sup> These projects were initially included in the 2021-22 Business Plan. However, due to increasing workloads and competing priorities the Board authorized the deferral of these projects to the 2022-23 Business Plan.

# LAFPP

LOS ANGELES FIRE AND POLICE PENSIONS



## **2022-23 FINAL BUSINESS PLAN**

**AS SUBMITTED TO THE BOARD:  
JUNE 16, 2022**

**REVISED:  
OCTOBER 20, 2022**







# 2022-23 FINAL BUSINESS PLAN

## INTRODUCTION

Los Angeles Fire and Police Pensions (LAFPP) annually prepares a Business Plan to develop projects to help successfully accomplish our goals and identify necessary allocation of resources to the most critical areas of our operations. With preparation of the Business Plan, we strive to fulfill our vision and support our mission as outlined in the 2022-24 Three-Year Strategic Plan. The Strategic Plan as approved by the Board on November 18, 2021, reaffirms LAFPP's commitment to:

### VISION

*Be a leader and innovator in the public pension industry through an uncompromising dedication to excellence, customer service, transparency, and education.*

### MISSION

*Advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles.*

Our 2022-23 Final Business Plan includes 14 projects, including nine (9) new projects, and five (5) continuing projects. We believe these projects are critical to ensure we continue to meet LAFPP's primary goals while upholding our values:

#### GOALS

- 1) Ensure a Financially Sound Retirement System
- 2) Manage Risk Throughout the Organization
- 3) Enhance Customer Care and Stakeholder Relations
- 4) Pursue Operational Efficiencies
- 5) Build and Support a Talented Workforce
- 6) Promote Diversity, Equity and Inclusion (DEI) Throughout the Organization Including Our Investment Portfolio and Business Partners

#### VALUES

- Collaboration
- Respect
- Efficiency
- Accountability
- Transparency
- Ethics
- Diversity

LAFPP continues to provide exceptional service to our members in new and innovative ways and has offered our services both in-person as well as virtually to meet individual preferences, all while complying with applicable local and state health and safety protocols. As the COVID-19 pandemic remains fluid, we continue to implement a hybrid remote/on-site workforce and work to increase the availability of alternate means for our members to access services and have begun executing a plan to communicate our new virtual service offerings. LAFPP additionally maintains its efforts to leverage MyLAFPP, the Pension and Retirement Information System (PARIS) and our website to increase efficiencies throughout the organization and further enhance the member experience.

Projects in the 2022-23 Final Business Plan include enhancements for member services (such as increasing engagement with early-career members and adding a wire transfer option for contribution refunds); plans to strengthen our cyber security stance; ongoing development of our pension administration system to better support our members and the Plan's long-term sustainability (such as refinement of the Disability Claims Management System and review of other legacy databases); and a reimagining of our workforce by finding new ways to connect in a hybrid work environment and envisioning innovative use of office space and ways of working.



## **2022-23 FINAL BUSINESS PLAN INTRODUCTION**

The 2022-23 Final Business Plan also includes a project that reflects LAFPP's ongoing commitment to promote diversity, equity, and inclusion within all aspects of the organization. LAFPP has long promoted inclusion within its investment portfolio and will look to further promote access in the management of LAFPP's private market investment portfolio. Additionally, the Department continues to adopt principles and pursue initiatives that foster greater participation and inclusion of all individuals in LAFPP's procurement and staffing processes.

I believe these projects will enable LAFPP to achieve its strategic goals and uphold its mission, while incorporating innovations to our service delivery and operations that will serve to increase our resiliency and improve our ability to adapt to a new approach of working in a post-pandemic reality.

As always, I extend my gratitude to the Board and staff for their hard work and dedication to the members of our system.

Sincerely,

Raymond Ciranna, General Manager



# 2022-23 FINAL BUSINESS PLAN PROJECT SUMMARY MATRIX

GOAL 1 – Ensure a Financially Sound Retirement System			
<b>1. (NEW) Implementation of 115 Trust in Financial Reporting</b> <u>Objective</u> To implement the IRC Section 115 Trust consistent with the financial reporting requirements as stipulated in the City's Ordinance No. 187351. <u>Duration</u> <u>Workload Indicator</u> 2022-23                                      Lead: Moderate                                       Participants: Moderate			
<b>2. (NEW) Implementation of New Global Credit Mandate</b> <u>Objective</u> To increase portfolio diversification, reduce downside risk, increase flexibility to invest outside of traditional core fixed income, and enhance the fixed income portfolio's risk/return profile. <u>Duration</u> <u>Workload Indicator</u> 2022-23                                      Lead: High                                       Participants: High			
<b>3. (NEW) Implementation of Asset Allocation Plan</b> <u>Objective</u> To improve the risk/return profile for the System's investments. <u>Duration</u> <u>Workload Indicator</u> 2022-23                                      Lead: Moderate                                       Participants: Moderate			
GOAL 2 – Manage Risk Throughout the Organization			
<b>4. (NEW) Internal Audit Risk Assessment Framework</b> <u>Objective</u> To further refine Internal Audit Section's risk assessment process and develop a robust risk assessment toolkit and process to systematically assess risk exposure and internal control gaps on an organizational level. <u>Duration</u> <u>Workload Indicator</u> 2022-23                                      Lead: Moderate                                       Participants: Moderate			
<b>5. (CONTINUING) Enterprise-wide Cyber Security Program</b> <u>Objective</u> To develop an enterprise-wide cyber security program that will focus on all levels of the organization to improve the Department's posture and defense against cyber-attacks. <u>Duration</u> <u>Workload Indicator</u> 2020-21, 2021-22,                                      Lead: Moderate                                       Participants: Moderate 2022-23			



# 2022-23 FINAL BUSINESS PLAN PROJECT SUMMARY MATRIX

GOAL 3 – Enhance Customer Care and Stakeholder Relations			
<b>6. (NEW) Rollovers of Refund of Contributions via Wire Transfer</b>			
<u>Objective</u> To provide former members and beneficiaries the option to rollover refund of contributions via wire transfer, reducing the risk of checks being lost/stolen and expediting the process.			
<u>Duration</u> 2022-23	<u>Workload Indicator</u> Lead: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	Participants: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	
<b>7. (NEW) Engaging Early-Career Members to Plan for Retirement</b>			
<u>Objective</u> To engage members in the early stages of their career and encourage the utilization of various available LAFPP educational tools to begin long-term financial planning for retirement.			
<u>Duration</u> 2022-23	<u>Workload Indicator</u> Lead: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	Participants: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	
<b>8. (CONTINUING) Member Video Guides for Completing Counseling Forms<sup>1</sup></b>			
<u>Objective</u> To provide members an additional resource in reviewing at their leisure the various forms discussed during counseling sessions.			
<u>Duration</u> 2022-23	<u>Workload Indicator</u> Lead: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	Participants: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	
GOAL 4 – Pursue Operational Efficiencies			
<b>9. (CONTINUING) Disability Claims Management System Review<sup>2</sup></b>			
<u>Objective</u> To pursue operational efficiencies by identifying and documenting the requirements needed for an improved Disability Claims Management System.			
<u>Duration</u> 2022-23	<u>Workload Indicator</u> Lead: Moderate <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #800000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	Participants: Low <div style="display: inline-block; width: 20px; height: 10px; background-color: #c00000; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div> <div style="display: inline-block; width: 20px; height: 10px; background-color: #ffffff; margin: 0 5px;"></div>	

<sup>1</sup> This project was initially included in the 2021-22 Business Plan. However, due to continuously increasing workloads from a higher than anticipated number of DROP Exits and retirements which required staff's attention as a priority, the Board authorized deferral to the 2022-23 Business Plan on April 21, 2022.

<sup>2</sup> This project was initially included in the 2021-22 Business Plan. However, due to identified issues awaiting resolution from previous PARIS projects and competition with existing priorities, the Board authorized deferral to the 2022-23 Business Plan on October 21, 2021.



# 2022-23 FINAL BUSINESS PLAN PROJECT SUMMARY MATRIX

## GOAL 4 – Pursue Operational Efficiencies

### 10. (NEW) Elimination of the Deceased Members Database

Objective

To analyze the functionality contained in the Deceased Members Database and determine the upgrades to PARIS needed to eliminate the Deceased Members Database.

Duration

2022-23, 2023-24

Workload Indicator

Lead: High



Participants: High



### 11. (NEW) Unclaimed Final Checks

Objective

To locate next of kin for 166 cases where a pensioner passed away and their final check is left unclaimed.

Duration

2022-23

Workload Indicator

Lead: Low



Participants: Low



## GOAL 5 – Build and Support a Talented Workforce

### 12. (NEW) Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce

Objective

To explore best practices that will help build a deeper sense of community and reinforce our organizational culture while continuing as a hybrid workforce.

Duration

2022-23

Workload Indicator

Lead: Moderate



Participants: Low



### 13. (CONTINUING) Permanent Hybrid Workforce

Objective

To be at the forefront of modern workforce practices by implementing a permanent hybrid workforce to increase efficiencies, reduce ongoing operating expenses and carbon footprint, and evolve to meet member service needs in the future.

Duration

2021-22, 2022-23

Workload Indicator

Lead: High



Participants: Moderate





# 2022-23 FINAL BUSINESS PLAN

## PROJECT SUMMARY MATRIX

### GOAL 6 – Promote Diversity Equity and Inclusion (DEI) Throughout the Organization Including Our Investment Portfolio and Business Partners

#### 14. (CONTINUING) Institutional Limited Partners Association Diversity in Action Initiative

Objective

To improve the long-term sustainability and risk/return profile of the Board’s private markets portfolio.

Duration

2021-22, 2022-23

Workload Indicator

Lead: Moderate

Participants: Moderate



**Project #1: (NEW)  
Implementation of 115 Trust in Financial Reporting**

*Duration:* 2022-23  
*Project Lead(s):* Michelle Chan, Department Chief Accountant, Accounting Section  
*Project Participants:* Accounting Staff  
*Stakeholders:* LAFPP, Board Members, LAFPP Members and Beneficiaries, and the City

**Project History:**

The Plan actuary, The Segal Company, projected that employer contributions to fund LAFPP retiree health benefits may exceed the Internal Revenue Code (IRC) limit on a cumulative basis by as early as Fiscal Year (FY) 2025-26. As such, on May 20, 2021, the Board authorized the General Manager to seek City Council’s approval of the creation of a 115 Trust structure as an alternative retiree health benefit funding mechanism to prevent the City from exceeding the 401(h) contribution limitation. The 115 Trust Ordinance (No. 187351) was approved by the City Council on January 11, 2022 and became effective on February 21, 2022. The FY 2022-23 contribution for retiree health benefits will be deposited into the new 115 Trust.

<b>PROJECT OBJECTIVE</b>	To implement the IRC Section 115 Trust consistent with the financial reporting requirements as stipulated in the City’s Ordinance No. 187351.
<b>2022-23 DELIVERABLES</b>	Provide financial reports that will incorporate the 115 Trust components.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Set up new funds and accounts for the 115 Trust in both the City’s Financial Management System (FMS) and LAFPP’s Microsoft Dynamics system; and,</li> <li>b) Incorporate the new funds and accounts in the financial reports.</li> </ul> <p><b>BY JUNE 30, 2023:</b></p> <ul style="list-style-type: none"> <li>a) Incorporate the 115 Trust funds and accounts in the current recording process;</li> <li>b) Conduct staff training and run preliminary financial reports for validation; and,</li> <li>c) Incorporate the 115 Trust components into the templates for the annual financial statement schedules and footnotes.</li> </ul>
<b>2022-23 RESOURCES</b>	No additional costs are anticipated with this project.



**Project #2: (NEW)  
Implementation of New Global Credit Mandate**

*Duration:* 2022-23  
*Project Lead(s):* Kristy Nguyen, Investment Officer III, Investments Division  
*Project Participants:* Investments Division, General Investment Consultant, and Global Credit Investment Manager  
*Stakeholders:* Board Members, Investments Staff, LAFPP Members, and the City

**Project History:**

On November 18, 2021, RVK, the System’s General Investment Consultant, recommended the Board add a 12.5% allocation of the System’s total fixed income portfolio to a new Global Credit mandate. At the succeeding December 2, 2021 meeting, staff presented the recommendation and the Board approved the new mandate.

<b>PROJECT OBJECTIVE</b>	To increase portfolio diversification, reduce downside risk, increase flexibility to invest outside of traditional core fixed income, and enhance the fixed income portfolio's risk/return profile.
<b>2022-23 DELIVERABLES</b>	Implement the global credit mandate including the hiring of a global credit investment manager.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Complete the global credit investment manager search including the execution of the investment management contract between the LAFPP Board and the manager; and,</li> <li>b) Initiate the planned reduction of existing fixed income accounts to fund the new mandate.</li> </ul> <p><b>BY DECEMBER 31, 2022:</b> Complete funding of the new global credit portfolio.</p> <p><b>BY MARCH 31, 2023:</b></p> <ul style="list-style-type: none"> <li>a) Monitor the performance of the new global credit portfolio/manager; and,</li> <li>b) Schedule quarterly portfolio update calls with the new manager.</li> </ul> <p><b>BY JUNE 30, 2023:</b> Continue to monitor the performance of the mandate and report to the Board as needed.</p>
<b>2022-23 RESOURCES</b>	Investment management fees are anticipated to increase for this asset allocation by \$1.5 million in FY 2022-23.





**Project #3: (NEW)  
Implementation of Asset Allocation Plan**

*Duration:* 2022-23  
*Project Lead(s):* Kristy Nguyen, Investment Officer III, Investments Division  
*Project Participants:* Investments Division, General Investment Consultant, General Investment Manager  
*Stakeholders:* Board Members, Investment Staff, LAFPP Members, and the City

**Project History:**

The Board Investment Policies Section 1.6 states, in part: “The Board shall conduct an Asset Allocation study every three to five years.” Once the Board selects an asset allocation plan, staff will develop a plan for implementation.

<b>PROJECT OBJECTIVE</b>	To improve the risk/return profile for the System’s investments.
<b>2022-23 DELIVERABLES</b>	Implementation of the Board directed Asset Allocation Plan as modified from its current state.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b> Evaluate and formulate plan to achieve new Asset Allocation targets.</p> <p><b>BY DECEMBER 31, 2022:</b> Begin implementation of new Asset Allocation strategy, including any necessary searches.</p> <p><b>BY MARCH 31, 2023:</b> Schedule and hold interviews, if needed, for new managers.</p> <p><b>BY JUNE 30, 2023:</b> Complete new Asset Allocation Plan.</p>
<b>2022-23 RESOURCES</b>	Three (3) free manager searches by RVK are provided for within the 2022-23 Budget. Should additional searches be required based on the Board’s decisions, a budget of \$18,000 will be necessary for each additional manager searches beyond the three free searches per contract year.



**Project #4: (NEW)**  
**Internal Audit Risk Assessment Framework**

*Duration:* 2022-23  
*Project Lead(s):* Cynthia Varela, Departmental Audit Manager, Internal Audit Section  
*Project Participants:* Internal Audit Staff  
*Stakeholders:* LAFPP

**Project History:**

In accordance with the Internal Audit Charter and professional auditing standards, the Internal Audit Section (IAS) performs an annual risk assessment to ensure the annual audit plan prioritizes audit activities appropriately. IAS’ current process considers risks and internal controls within business activities and surveys the Board and management for their perspective on areas of concern.

Professional auditing organizations, such as the Association of Local Government Auditors and the Institute of Internal Auditors, have shared techniques to incorporate a more quantitative approach to rate risk exposures. IAS would utilize techniques to build on its current process to incorporate a measurement basis for ranking risk areas and assist in developing audit priorities for the Board’s consideration which could be used for the annual audit plans over several fiscal years.

The risk assessment model that will be developed for IAS will require: 1) establishing the risk criteria and rating scale, and 2) identifying key business activities. Risk criteria are the factors that will help measure the risk of an activity or event. Financial impact, volume of transactions, process complexity, centralized processes, etc. are examples of risk criteria that may be used. The risk rating scale defines what would constitute a high-, moderate-, or low-risk activity for each risk criteria. For example, regarding complexity, low-risk may be defined as routine, complex systems-based processing compared to a high-risk rating where the activity is non-routine and relies on estimation involving significant judgment or subjectivity.

<b>PROJECT OBJECTIVE</b>	To further refine Internal Audit Section's risk assessment process and develop a robust risk assessment toolkit and process to systematically assess risk exposure and internal control gaps on an organizational level.
<b>2022-23 DELIVERABLES</b>	Establish a systematic risk assessment measurement process that follows industry-accepted guidance.

## Project #4: (NEW)

### Internal Audit Risk Assessment Framework

<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b> Identify and define risk criteria (e.g., financial impact, mission impact, complexity) and risk rating scale (e.g., high-risk for non-routine, estimated or complex processing that relies on judgment or experience).</p> <p><b>BY DECEMBER 31, 2022:</b> Identify key business activities.</p> <p><b>BY MARCH 31, 2023:</b> Present list of key business activities, risk criteria and rating scale to Executive Management and obtain agreement or modify as needed.</p> <p><b>BY JUNE 30, 2023:</b> Evaluate risk exposure and internal control gaps with new tool and review results of risk assessment with Executive Management.</p>
<b>2022-23 RESOURCES</b>	No additional costs are anticipated with this project.



**Project #5: (CONTINUING)  
Enterprise-wide Cyber Security Program**

*Duration:* 2020-21, 2021-22 and 2022-23  
*Project Lead(s):* William Raggio, Executive Officer  
 Administrative Operations Division  
*Project Participants:* Executive Management and Systems Staff  
*Stakeholders:* Board Members and LAFPP Members

**Project History:**

The Enterprise-wide Cyber Security Program, which began in FY 2020-21, leverages in-house expertise, along with outside counsel and security vendors as necessary, to strengthen the Department’s cyber security posture. It is comprised of several elements that are actively overseen by Executive Management and reported to the Board regularly. Some of the elements are 1) a top-down review of the existing cyber security program and procedures, 2) engagement with outside counsel/security vendors to implement best practices, 3) implementation of technical solutions to minimize risk, and 4) employee security awareness training.

Since FY 2020-21, major initiatives completed include: 1) development of a cyber-security incident response plan, 2) vulnerability assessment of Department’s network, 3) remediation of critical vulnerabilities, 4) review and update of personnel policies and procedures, and 5) Board education on, and procurement of, cyber liability insurance.

<b>PROJECT OBJECTIVE</b>	To develop an enterprise-wide cyber security program that will focus on all levels of the organization to improve the Department’s posture and defense against cyber-attacks.
<b>2022-23 DELIVERABLES</b>	<ul style="list-style-type: none"> <li>a) Implement Data Loss Prevention (DLP) solution for email;</li> <li>b) Remediate all medium-risk level and some low-risk level vulnerabilities;</li> <li>c) Deploy Security Information and Event Management (SIEM) tool to provide real-time analysis of security alerts; and,</li> <li>d) Continue research to identify and implement Cyber Security best practices.</li> </ul>

## Project #5: (CONTINUING) Enterprise-wide Cyber Security Program

<p><b>2022-23 MILESTONES</b></p>	<p><b>BY DECEMBER 31, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Classify department Personally Identifiable Information (PII), gather requirements, and design email DLP solution;</li> <li>b) Remediate all medium-risk level vulnerabilities;</li> <li>c) Research and evaluate SIEM tool; and,</li> <li>d) Continue research on Cyber Security best practices and report to the Board, as necessary.</li> </ul> <p><b>BY JUNE 30, 2023:</b></p> <ul style="list-style-type: none"> <li>a) Procure software if necessary; configure, test, and deploy email DLP solution;</li> <li>b) Remediate some of the low-risk level vulnerabilities;</li> <li>c) Procure, test, and deploy SIEM tool; and,</li> <li>d) Based on research, implement best practice solutions for Cyber Security.</li> </ul>
<p><b>2022-23 RESOURCES</b></p>	<p>Existing staff will coordinate, as necessary, with vendors. Funding will be included in the FY 2022-23 Budget for this effort.</p>



**Project #6: (NEW)**  
**Rollovers of Refund of Contributions via Wire Transfer**

*Duration:* 2022-23  
*Project Lead(s):* Riza Mulawin, Manager, Active Member Services Section  
*Project Participants:* Active Member Services Staff, PASCo Staff, Systems Staff, Accounting Staff, and Northern Trust  
*Stakeholders:* Former LAFPP Members and Beneficiaries, and Rollover Institutions

**Project History:**

Upon termination, former members have the option to request a refund of their pension contributions and accrued interest as cash payment via check or direct deposit. Alternatively, they can elect to rollover the funds to a financial institution of their choice via check only. On average it can take between one-to-two weeks for a financial institution to receive and process the rollover check; during which time the former member's funds may not accrue interest depending on the recipient institution's policies.

Wire transfers are currently being used for monthly pension payments and DROP disbursements.

<b>PROJECT OBJECTIVE</b>	To provide former members and beneficiaries the option to rollover refund of contributions via wire transfer, reducing the risk of checks being lost/stolen and expediting the process.
<b>2022-23 DELIVERABLES</b>	Implement the option to rollover refund of contributions via wire transfer to members’ financial institutions.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b>                  Coordinate with Northern Trust, PASCo staff, Systems staff, and Accounting staff to test the functionality of wire transfers for rollover of refund of contributions.</p> <p><b>BY DECEMBER 31, 2022:</b>                  Provide training to Active Member Services staff in processing contribution refunds via wire transfer.</p> <p><b>BY MARCH 31, 2023:</b>                  Update applicable forms and communications to reflect the availability of wire transfer option for contribution refunds.</p> <p><b>BY JUNE 30, 2023:</b>                  Implement rollover of refunds via wire transfers and process payments as requested by former members and beneficiaries.</p>

## Project #6: (NEW)

### Rollovers of Refund of Contributions via Wire Transfer

<b>2022-23 RESOURCES</b>	If necessary, budgeted overtime will be used for testing the functionality of wire transfers. An additional cost is associated with wire transfers and will be the responsibility of the former members and/or beneficiaries.
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## **Project #7: (NEW)** **Engaging Early-Career Members to Plan for Retirement**

*Duration:* 2022-23  
*Project Lead(s):* Elizabeth Trevizo, Benefits Analyst and Stephen Bayutas, Benefits Analyst, Communications & Education Section  
*Project Participants:* Communications & Education Staff, Website and Financial Planning Education Consultants, Sworn Employee Unions, and Association Publications  
*Stakeholders:* LAFPP Members and LAFPP Staff

**Project History:**

LAFPP currently offers various retirement planning tools (e.g., newsletters, seminars/webinars, and MyLAFPP for online self-services) to assist members in all stages of their careers with long-term financial planning. Typically, however, members are not interested in utilizing these tools for the topic of retirement until they are within their final 3-5 years of service.

<b>PROJECT OBJECTIVE</b>	To engage members in the early stages of their career and encourage the utilization of various available LAFPP educational tools to begin long-term financial planning for retirement.
<b>2022-23 DELIVERABLES</b>	Offer tools that engage younger members to increase participation in financial planning education and benefit information webinars, the readership for newsletters and other written communications, and utilization of the services provided in MyLAFPP.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b>                  Research trends to appeal to younger audiences (e.g., obstacles that deter participation, topics of appeal, preferences/formats to receive information).</p> <p><b>BY DECEMBER 31, 2022:</b>                  a) Develop a communications/outreach plan with scheduled dates and activities/tasks; and,                  b) Create metrics with detailed methods to measure progress.</p> <p><b>BY MARCH 31, 2023:</b>                  a) Implement the communications/outreach plan; and,                  b) Review plan progress.</p> <p><b>BY JUNE 30, 2023:</b>                  Assess progress by utilizing the developed metrics.</p>
<b>2022-23 RESOURCES</b>	No additional costs are anticipated with this project.





## **Project #8: (CONTINUING) Member Video Guides for Completing Counseling Forms**

*Duration:* 2022-23  
*Project Lead(s):* Krystle Gill, Senior Benefits Analyst I, DROP/ Service Pensions Section  
*Project Participants:* DROP/Service Pensions Staff, Communications & Education Staff  
*Stakeholders:* LAFPP Members and DROP/Service Pensions Staff

**Project History:**

This is a new business plan prompted by DROP Section’s group counseling sessions. Several members have requested follow up from staff after the session on certain forms requiring further clarification and instructions. Additionally, staff has received requests from members to record the sessions in order to review the information that was covered.

<b>PROJECT OBJECTIVE</b>	To provide members an additional resource in reviewing at their leisure the various forms discussed during counseling sessions.
<b>2022-23 DELIVERABLES</b>	A series of online-accessible videos which will provide guidance to members and staff on how to properly complete DROP Entry, DROP Exit, and Service Retirement forms.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022</b>                  Create a video for how to complete DROP Entry Forms by using a video software application to record staff going over each form that is covered during DROP Entry counseling sessions. The focus will be on the forms with voiceover by DROP staff.</p> <p><b>BY DECEMBER 31, 2022:</b>                  Start creating videos on how to complete Service Retirement Forms by a using video software application to record staff going over each form that is covered during Service Retirement counseling sessions. The focus will be on the forms with voiceover by DROP staff.</p> <p><b>BY MARCH 31, 2023</b>                  Complete all videos on how to complete Service Retirement Forms.</p>

## Project #8: (CONTINUING)

### Member Video Guides for Completing Counseling Forms

<b>2022-23 MILESTONES (CONT.)</b>	<b>BY JUNE 30, 2023:</b> a) Create a video for how to complete DROP Exit Forms by using a video software application to record staff going over each form that is covered during DROP Exit counseling sessions. The focus will be on the forms with voiceover by DROP staff; and b) Collaborate with Communications & Education staff to ensure all videos are posted on LAFPP’s website.
<b>2022-23 RESOURCES</b>	No additional costs are anticipated with this project at this time. However, future costs may be incurred from procurement of a new software solution.



## **Project #9: (CONTINUING) Disability Claims Management System Review**

*Duration:* 2022-23  
*Project Lead(s):* Kristen Rosauer, Manager, Disability Pensions Section  
*Project Participants:* Disability Pensions Staff, PASCo Staff, and Systems Staff  
*Stakeholders:* LAFPP Members, Executive Management, and Disability Pensions Staff

**Project History:**

Application processing for the Disability Pensions Section has historically been tracked by the Disability Claims Database (an Access database). This database has been in use for many years and contains all data on Disability Applicants from 1997 to present. This project was originally included in the FY 2021-22 Business Plan and was deferred due to a reprioritization of PARIS functionalities affecting a large number of members.

<b>PROJECT OBJECTIVE</b>	To pursue operational efficiencies by identifying and documenting the requirements needed for an improved Disability Claims Management System.
<b>2022-23 DELIVERABLES</b>	Identify and document the requirements needed for an updated Disability Claims Management System, to better equip staff to research and manage disability claims and metrics.
<b>2022-23 MILESTONES</b>	<p><b>BY DECEMBER 31, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Conduct a thorough analysis of the existing database and recurring/ad hoc reports; and,</li> <li>b) Determine the information needed to be modified/included in a future case management solution.</li> </ul> <p><b>BY JUNE 30, 2023:</b></p> <ul style="list-style-type: none"> <li>a) Identify the requirements for the future Disability Case Management System solution; and,</li> <li>b) Begin to research software options for Disability Claims case management and reporting solutions, both internal and external.</li> </ul>
<b>2022-23 RESOURCES</b>	No additional costs are anticipated with this project at this time. However, future costs may be incurred from procurement of a new software solution.



**Project #10: (NEW)**  
**Elimination of the Deceased Members Database**

*Duration:* 2022-23 and 2023-24  
*Project Lead(s):* Anthony Torres, Manager, PASCo Section  
*Project Participants:* PASCo Staff and Retirement Services Staff  
*Stakeholders:* Retirement Services Section, PASCo Section, and Systems Section

**Project History:**

The Deceased Members Database is used to generate correspondence, track recovery of excess pension payments, and manage other processes related to pensioner deaths. Use of this database, in addition to the Pension and Retirement Information System (PARIS), requires duplicate data entry. It also requires resources from Systems Section to maintain.

<b>PROJECT OBJECTIVE</b>	To analyze the functionality contained in the Deceased Members Database and determine the upgrades to PARIS needed to eliminate the Deceased Members Database.
<b>2022-23 DELIVERABLES</b>	Provide specifications for new correspondence and functionality to integrate the Deceased Members Database's functionality into PARIS.
<b>2022-23 MILESTONES</b>	<p><b>BY DECEMBER 31, 2022:</b> Identify correspondence and functionality from the Deceased Members Database that should be incorporated into PARIS.</p> <p><b>BY MARCH 31, 2023:</b> Finalize specifications for new correspondence in PARIS to replace correspondence generated by the Deceased Members Database.</p> <p><b>BY JUNE 30, 2023:</b> Finalize specifications for new (non-correspondence) functionality in PARIS to replace functionality from the Deceased Members Database.</p>
<b>2022-23 RESOURCES</b>	No additional costs are anticipated in the first year of the project.



**Project #11: (NEW)  
Unclaimed Final Checks**

*Duration:* 2022-23  
*Project Lead(s):* Lis Burog, Benefits Analyst, Retirement Services Section  
*Project Participants:* Retirement Services Staff  
*Stakeholders:* LAFPP Members and Retirement Services Staff

**Project History:**

As part of the 2021-22 Business Plan, the Alive & Well Verification identified the difficulties in locating the next of kin of deceased pensioners. When relatives cannot be located, the member’s file is left incomplete as no final checks can be issued to the next of kin/estate. In 2022-23, Retirement Services (RS) staff will focus on gathering next of kin’s contact information using all known search methods. RS will also create a Next of Kin Form to make the processing of a member's final check a more efficient process going forward.

<b>PROJECT OBJECTIVE</b>	To locate next of kin for 166 cases where a pensioner passed away and their final check is left unclaimed.
<b>2022-23 DELIVERABLES</b>	Resolve at least 50% of these cases by providing final checks to the member's next of kin/estate.
<b>2022-23 MILESTONES</b>	<p><b>BY SEPTEMBER 30, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Draft the Next of Kin Form;</li> <li>b) Research next of kin/estate using various search methods, including LexisNexis; and,</li> <li>c) Survey CALAPRS to find if they utilize other methods of locating relatives/next of kin.</li> </ul> <p><b>BY DECEMBER 31, 2022:</b></p> <p>Complete next of kin/estate research, prepare mailing list and draft/finalize correspondence to next of kin/estate.</p> <p><b>BY MARCH 31, 2023:</b></p> <p>Begin mailings to next of kin/estate starting January 2023, with correspondence to include affidavit and a request for the death certificate in order to process final checks. Follow-up correspondence sent out for unresponsive next of kin/estate.</p> <p><b>BY JUNE 30, 2023:</b></p> <p>Resolve at least 50% of the files and provide final checks to pensioners’ next of kin/estate.</p>
<b>2022-23 RESOURCES</b>	Minimal postage (approximately \$300) will be expended, dependent on how many next of kin are located. LexisNexis Accurint utilization costs are accounted for in the subscription budget.



**Project #12: (NEW)  
Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce**

*Duration:* 2022-23  
*Project Lead(s):* ~~James Schiffhauer~~ Donna Baylois, Senior Personnel Analyst II  
 Monique Lewis, Senior Personnel Analyst I  
 Human Resources Unit  
*Project Participants:* LAFPP Staff and Systems Staff  
*Stakeholders:* LAFPP Staff

**Project History:**

The COVID-19 pandemic propelled LAFPP to a hybrid remote/onsite work environment. With two years’ experience under our belt, employees have developed communication methods most effective for their workgroups. While this may be optimal from an operations standpoint, we recognize that the standard digital workspace has not provided a casual common place, like the water cooler of pre-pandemic days, to converse and connect with colleagues on a personal level and to keep well-informed about department-specific opportunities; as well as Citywide efforts to meet the needs of its community. As we reopen our office and increase staff presence onsite, we will certainly regain much of what was lost. However, to ensure there is a positive impact to employees while we continue our path toward a permanent hybrid workforce, the Human Resources team seeks to explore best practices to promote the importance of social component to teamwork and continue to strengthen and sustain our organizational culture.

<b>PROJECT OBJECTIVE</b>	To explore best practices that will help build a deeper sense of community and reinforce our organizational culture while continuing as a hybrid workforce.
<b>2022-23 DELIVERABLES</b>	Research best practices and determine approaches that will provide the best “value add” to our organization.
<b>2022-23 MILESTONES<sup>3</sup></b>	<p><b>BY SEPTEMBER 30, 2022:</b></p> <p>a) Research organizational approaches to fostering collaboration and community in a hybrid work environment by surveying similar organizations about any initiatives they may be implementing;</p> <p><del>b) Research emerging technologies that may assist with such initiatives; and,</del></p> <p><del>e)b) Share learned initiatives with LAFPP employees and survey to determine employee interests.</del></p>

<sup>3</sup> The September 30<sup>th</sup> and December 31<sup>st</sup> Milestones were revised as part of the 1<sup>st</sup> Quarter Update to indicate the employee survey would be conducted by December 31<sup>st</sup>.

## Project #12: (NEW)

# Reinforcing Employee Connections and Organizational Culture in a Hybrid Workforce

<b>2022-23 MILESTONES (CONT.)<sup>4</sup></b>	<b>BY DECEMBER 31, 2022:</b> <u>a) Share learned initiatives with LAFPP employees and survey to determine employee interests; and</u> <u>a)b) Develop a plan and pilot one initiative and catalogue others for future implementation.</u>  <b>BY JUNE 30, 2023:</b> Assess if initiative pursued has met goal and whether to pursue full implementation.
<b>2022-23 RESOURCES</b>	A Senior Personnel Analyst II resolution authority has been requested as part of the FY 2022-23 Budget, in part for oversight of this project to achieve employee engagement and reinforce a cross-organizational collaborative culture in a hybrid work environment.

<sup>4</sup> The September 30<sup>th</sup> and December 31<sup>st</sup> Milestones were revised as part of the 1<sup>st</sup> Quarter Update to indicate the employee survey would be conducted by December 31<sup>st</sup>.



## **Project #13: (CONTINUING) Permanent Hybrid Workforce**

*Duration:* 2021-22 and 2022-23  
*Project Lead(s):* Joe Salazar, Assistant General Manager, Pensions Division  
*Project Participants:* LAFPP Staff  
*Stakeholders:* Board Members, LAFPP Members and Beneficiaries, and LAFPP Staff

### **Project History:**

Due to the COVID-19 pandemic, the Department followed guidance from the Los Angeles County Health Department and the Mayor’s “Safer at Home” directive by implementing a temporary telecommuting plan for all staff. Given that the Department successfully transitioned to a remote workforce during the pandemic, including offering a range of virtual services to members, Department management would like to build upon this success by implementing a permanent mobile/on-site hybrid workforce. Management recognizes the positive impact the hybrid workforce model has on our employees’ satisfaction/well-being and the environment.

This plan consists of staff continuing to work both remotely and in the office various days of the week based on operational/member service needs, and the continued offering of virtual services that will supplement the in-person counseling sessions and educational seminars offered to members.

Department management presented a draft operational plan to Senior Staff in November 2020 and presented a new operational vision for the Department to the Board in January 2021. In FY 2021-22, Department management drafted a permanent hybrid workforce policy, prepared a communication plan to inform members of our new virtual service offerings, and staff continued to effectively serve members in the new hybrid environment while developing more efficient ways to conduct our daily operations. Additionally, a pilot program was initiated to model/evaluate shared workstations.

Based on the success of the shared/mobile office workstation pilot program, Department management would like to expand the program to all staff/sections over the next fiscal year. We also wish to begin exploring options for potentially reducing office space usage from three floors to two floors of the building, thus possibly allowing LAFPP to lease the vacant space in the future. Staff, through its space evaluation, may consider an alternative layout that may not reduce the overall office footprint, but better support the office in the future. It is expected that the continued implementation of this project will require some flexibility as the COVID-19 pandemic may impact these plans.

<b>PROJECT OBJECTIVE</b>	To be at the forefront of modern workforce practices by implementing a permanent hybrid workforce to increase efficiencies, reduce ongoing operating expenses and carbon footprint, and evolve to meet member service needs in the future.
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## Project #13: (CONTINUING) Permanent Hybrid Workforce

<b>2022-23 DELIVERABLES</b>	Continued implementation and deployment of a permanent hybrid workforce, shared workstations, and initial exploration of alternative office layouts and/or a reduction in office space needs.
<b>2022-23 MILESTONES</b>	<p><b>ONGOING</b> Continue to evaluate departmental performance metrics to ensure member service and operational standards are being met.</p> <p><b>BY DECEMBER 31, 2022:</b></p> <ul style="list-style-type: none"> <li>a) Evaluate daily office workstation needs (assuming walk-in members are permitted beginning July 1, 2022); and,</li> <li>b) Expand shared/mobile office workstation pilot program to 50% of all staff.</li> </ul> <p><b>BY JUNE 30, 2023:</b></p> <ul style="list-style-type: none"> <li>a) Expand shared/mobile office workstation pilot program to 100% of staff.</li> <li>b) Begin studying the logistics of reducing office usage to the 3rd and 4th floors of the building or consider an alternative layout that may not reduce the overall office footprint, but better support the office in the future.</li> <li>c) Contract with an office space planner, on retainer, to begin discussions of future space needs/possible layouts.</li> </ul>
<b>2022-23 RESOURCES</b>	Funding is included in the FY 2022-23 Budget for necessary software, laptop docking stations, and space planner fees.

**GOAL 6 – Promote Diversity, Equity and Inclusion (DEI) Throughout the Organization Including Our Investment Portfolio and Business Partners**



**Project #14: (CONTINUING)  
Institutional Limited Partners Association Diversity in Action Initiative**

- Duration:* 2021-22 and 2022-23
- Project Lead(s):* Executive Management and Kristy Nguyen, Investment Officer III, Investments Division
- Project Participants:* Executive Management, Investments Division, General Consultant, and Private Markets and Real Estate Consultants
- Stakeholders:* Board Members, Investments Staff, LAFPP Members, and the City

**Project History:<sup>4</sup>**

The Board has a long history of promoting and encouraging diversity and inclusion among its investment managers. The private equity specialized manager program was created to open opportunities to small and new private equity firms in our portfolio, including those firms with minority-, women-, LGBTQX-, and disabled veteran-ownership.

To continue the work of supporting diversity, equity, and inclusion (DEI) in the private markets industry. Investments staff will review the requirements of the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative (DAI) to become a DAI signatory and a member of ILPA’s Diversity & Inclusion (D&I) Council. Participation in the DAI initiative will not only involve work by Investments staff, but also Executive Management as becoming a signatory entails a holistic approach as an organization. Executive Management will be spearheading this effort along with Investments and Human Resources staff within LAFPP.

While staff embraces the goals of becoming a signatory to the ILPA DAI initiative, the DAI reporting template has gone through several iterations and has become increasingly more complex. It currently appears to staff that collecting and reporting the data would require a software tool to comply with the DAI requirements. As such, Investments staff proposes to defer completing the signatory requirements until Investments has a full complement of staff and the CIO position is filled. In the interim, staff prefers to take a more simplified approach as they step into this endeavor. Investments staff recommends that all future presentations by asset managers include information on their respective firm's Diversity, Equity, and Inclusion (DEI) activities and goals.

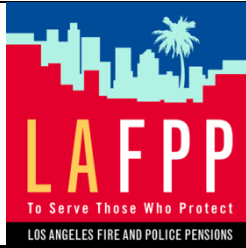
<b>PROJECT OBJECTIVE</b>	To improve the long-term sustainability and risk/return profile of the Board’s private markets portfolio.
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## Project #14: (CONTINUING)

### Institutional Limited Partners Association Diversity in Action Initiative

<p><b>2022-23 DELIVERABLES<sup>5</sup></b></p>	<p><del>Become a signatory to the ILPA DAI and designate a senior Investments staff member to the ILPA D&amp;I Council to continue LAFPP's involvement with the ILPA industry initiative.</del></p> <p><u>Staff will defer completing the signatory requirements until Investments has a full complement of staff and the CIO position is filled.</u></p> <p><u>Staff will confer with Glass Lewis and propose changes to the Proxy Voting Policy for the Board's review. In the interim, Staff recommends that all future presentations by asset managers, including private real estate and private equity investments, provide information on their respective firm's DEI activities and goals to promote diversity. Staff will also research data collection methods and tools to determine a possible solution on collecting basic DEI information from consultants and money managers.</u></p>
<p><b>2022-23 MILESTONES<sup>4</sup></b></p>	<p><del><b>BY SEPTEMBER 30, 2022:</b></del></p> <p><del>Complete review of the information needed for LAFPP to be an ILPA DAI signatory.</del></p> <p><b>BY DECEMBER 31, 2022:</b></p> <p><del>Compile and submit the information needed for LAFPP to be an ILPA DAI signatory.</del></p> <p><u>Present to the Board for consideration recommended changes to the Proxy Voting Policy as proposed by Glass Lewis and Staff. Begin requesting DEI information to be presented by all asset managers to the Board.</u></p> <p><b>BY MARCH 31, 2023:</b></p> <p><del>Complete the process for LAFPP to become an ILPA DAI signatory and designate a senior Investments staff member to the ILPA D&amp;I Council.</del></p> <p><u>Ensure all future presentations by asset managers include information on their respective firm's DEI activities and goals starting in the 2023-2024 fiscal year.</u></p> <p><b>BY JUNE 30, 2023:</b></p> <p><u>Provide revised Milestone Dates to become DAI signatories, contingent upon the CIO position being filled.</u></p> <p><u>Review efforts of Investments staff, private markets managers and department, and report back to the Board on the results.</u></p>
<p><b>2022-23 RESOURCES</b></p>	<p>There are no additional costs anticipated with this project.</p>

<sup>5</sup> Due to the complexities in reporting and collecting necessary DEI data for the ILPA signatory requirement, Investments staff proposes to defer completing the signatory requirements until Investments has a full complement of staff and the CIO position is filled. In the interim, staff prefers taking a simplified approach by requesting all future presentations by asset managers include information on their respective firm's DEI activities and goals. The Project History, Deliverables, and Milestones for this project were modified accordingly as approved by the Board as part of the 1<sup>st</sup> Quarter Update.



# ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

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Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022

**ITEM:** D.7

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** REVIEW OF CITY ATTORNEY PERFORMANCE EVALUATION POLICY SECTION 17.0 AND POSSIBLE BOARD ACTION

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### **RECOMMENDATION**

That the Board:

1. Consider and approve the revised City Attorney Performance Evaluation Policy; and,
2. Consider and provide direction to staff on whether only seated Board members should complete the evaluation survey.

### **BACKGROUND**

In May 2010, the Board approved the City Attorney Performance Evaluation Policy (Policy), which was recommended in the City's November 2007 management audit of the System. The Policy established the process to annually review the services received from the Office of the City Attorney, Public Pensions General Counsel Division. Since then, the Policy has been revised periodically to streamline and improve the evaluation process.

### **DISCUSSION**

During the most recent evaluation rating period (July 1, 2021 - June 30, 2022), four Board members (Commissioners Nathanson, Navarro, Vega, and Weber) left the Board and were not asked to complete evaluation surveys. Rather, pursuant to current Board Policy and past practice, the evaluation survey was sent only to the Board members active on the Board at the time the electronic survey links were emailed. As a result, Commissioners Buzzell, Ambriz, Arellano, Churchill, Lawson, Parekh, Pendleton, and Zimmon received the evaluation survey on July 14, 2022.

#### Proposed Policy Changes

Staff is recommending three policy revisions at this time. The first revision would require staff to route the evaluation survey to Board members and staff immediately after the second Board meeting in June. Staff believes routing the surveys before June 30<sup>th</sup> would: 1) partially mitigate the need to have less tenured Board members complete the evaluation; 2) allow Board members, whose terms may be expiring on June 30<sup>th</sup>, time to complete the evaluation; and, 3) allow the report to be presented to the Board closer to the end of the rating period (fiscal year ending June 30<sup>th</sup>). The second revision would have the Board consider the results of the City Attorney Performance

Evaluation during the second Board meeting in July. The third revision is to reflect throughout the Policy the current practice of using an electronic-based survey platform to conduct the City Attorney Performance Evaluation.

#### Consideration of Additional Policy Revisions

The current Policy does not contemplate asking former Board members who leave the Board during the evaluation period to help evaluate the City Attorney. The practice of having only seated Board members complete the evaluation survey is consistent with the other Board evaluations performed annually (e.g., the General Manager Performance Evaluation, the Board Member Self-Assessment, and the Investment Consultant Evaluation). However, staff would appreciate hearing from the Board on this aspect of the current Policy and whether it believes Policy changes are warranted.

Specifically, staff believes the Board should consider if former Board members should be asked to complete the evaluation survey if they served during the evaluation rating period. If the Board believes including former Board members is appropriate, the Board may wish to consider whether there should be a minimum amount of time served on the Board during the evaluation rating period as part of the Policy.

#### **BUDGET**

This report has no impact to the Budget.

#### **POLICY**

The proposed policy revisions are attached to this report and do not require City Attorney review.

#### **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

William S. Raggio, Executive Officer  
Administrative Operations Division

JS:WSR

Attachments:      Attachment I – Proposed Policy Changes (Changes Tracked)  
                         Attachment II – Proposed Policy Changes (Changes Accepted)

Attachment 1

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## Los Angeles Fire & Police Pension System

### 17.0 – CITY ATTORNEY PERFORMANCE EVALUATION POLICY

#### INTRODUCTION

- 17.1 As provided in the City Charter, the City Attorney shall be the legal advisor to the City, and to all City boards, departments, officers and entities. The City Attorney shall give advice or opinion in writing when requested to do so by any City officer or board. [Section 271 (b)]
- 17.2 The Public Pensions General Counsel Division of the City Attorney's Office serves as the Board's legal advisor under Charter Section 271 (b). The Public Pensions General Counsel Division is supervised by an Assistant City Attorney, who for the purpose of this policy, shall be referred to as 'the City Attorney.' (Amended 11/21/19)
- 17.3 The Board has determined that annually evaluating the performance of the City Attorney is of value. Accordingly, the Board has established the City Attorney Performance Evaluation Policy, the objectives of which are to:
- A. Assist the Board in establishing and communicating clear and meaningful expectations to the City Attorney; and
  - B. Ensure the City Attorney receives clear and meaningful feedback to continuously improve client service.

#### ROLES AND RESPONSIBILITIES

- 17.4 Evaluating the performance of the City Attorney is a responsibility of the Board and therefore should include the participation of all Board members.
- 17.5 Key staff shall also evaluate the performance of the City Attorney and provide their feedback to the Board for consideration. (Amended 06/04/15)
- 17.6 The Board as a whole will be responsible for coordinating the implementation of this policy. (Amended 11/03/16)

#### EVALUATION CRITERIA

- 17.7 The Board will ensure that any criteria used to evaluate the City Attorney:
- A. Are defined in advance;
  - B. Are objective in nature, and to the extent possible, measurable; and
  - C. Pertain only to outcomes over which the City Attorney has a reasonable degree of control.
- 17.8 At a minimum, evaluation criteria will include Board satisfaction with the timeliness, clarity and soundness of legal advice, communication, the effective management of litigation, and the effective and appropriate use of resources, as determined through the use of a City Attorney Performance Evaluation Survey. (Amended 09/19/13)

**Attachment I**  
**City Attorney Performance Evaluation Policy**

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- 17.9 Using a separate evaluation survey, key staff will express their satisfaction with the City Attorney's performance and provide a summary of those findings to the Board to include in any feedback provided to the City Attorney. (Amended 09/19/13)

**EVALUATION PROCESS**

- 17.10 ~~In July of each year, t~~The General Manager ~~shall ensure will distribute~~ an electronic Evaluation Package is sent to each member of the Board and to key staff the day after the second Board meeting in June of each year. The Evaluation Package will include:

- A. A copy of this policy;
- B. The electronic performance evaluation survey forms to be completed by members of the Board and key staff;
- C. Any supporting information or data that the General Manager believes may assist the Board in carrying out the evaluation. (Amended 09/19/13)

- 17.11 The Board and staff shall treat the Evaluation Package as confidential. ~~Completed s~~Survey forms will be completed electronically ~~returned to the General Manager~~ within a pre-determined time period. The General Manager will designate an executive-level staff member to ensure tabulate and summarize ~~that all completed surveys are tabulated and summarized~~, segregating the results of the Board from that of staff.

- 17.12 The evaluation results will be shared with the City Attorney to provide an opportunity to address any disputed responses. The City Attorney responses ~~(if any)~~ will be included in the final report to the Board.

- ~~47.12~~17.13 Electronic copies of the City Attorney Performance Evaluation Board report shall be password protected.

- ~~47.13~~17.14 The Board will meet as required in closed session during the second meeting in July to review a staff report on the survey results, a draft letter to the City Attorney front office to highlight strengths and any expectations for the future, and any other information relevant to the City Attorney's performance evaluation. The City Attorney will not be present at the meeting, unless the Board requests the City Attorney to attend to participate in the discussion of the results.

- ~~47.14~~17.15 The Board ~~may~~will authorize the President and General Manager to present the Board evaluation to the City Attorney, in a confidential manner following the meeting.

- 17.16 Upon completion of the Board's discussion, the President will sign a written summary evaluation, indicating the Board's general level of satisfaction with the City Attorney and any expectations for the future, to be submitted to the Office of the City Attorney. ~~Written survey forms will be destroyed.~~

- ~~47.15~~17.17 A designee of the General Manager will ensure all completed survey forms are deleted from the survey platform in use at the time upon the completion of the City Attorney Performance Evaluation. (Added: 10/20/2022)

**Attachment I**  
**City Attorney Performance Evaluation Policy**

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**HISTORY**

~~17.16~~17.18 This policy is adopted on 05/06/10; Amended 05/19/11, 09/19/2013 06/04/15, 11/03/17, 11/21/19 and 10/20/2022~~11/21/19~~, Appendix 1 & 2 on 05/19/16. The first evaluation period shall be from March 18, 2010 through March 17, 2011, with subsequent periods corresponding to the City's fiscal year (July 1<sup>st</sup> – June 30<sup>th</sup>) ~~and 11/03/17 and 11/21/19.~~

**REVIEW**

~~17.17~~17.19 The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

~~17.18~~17.20 The Board shall next review this policy by October 2025 ~~November 2022~~.

Attachment:

APPENDIX 1 – CITY ATTORNEY PERFORMANCE EVALUATION – BOARD  
APPENDIX 2 – CITY ATTORNEY PERFORMANCE EVALUATION – STAFF  
(Amended 05/19/16)



**Attachment I**  
**City Attorney Performance Evaluation Policy**

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**Los Angeles Fire & Police Pension System**

**Appendix 1 – City Attorney Performance Evaluation Survey Instrument**

In accordance with the System's *City Attorney Performance Evaluation Policy*, the Board is required to evaluate the performance of the City Attorney. This evaluation form is designed to facilitate the gathering of input from Board members and key staff concerning advice, communication, management and related qualities and skills.

The results of this evaluation will be tabulated and summarized by a designee of the General Manager. A summary of the results will be presented to the Board, along with any other information and analysis necessary to complete the evaluation. Included with the summary will be the City Attorney response to the evaluation results.

**Board members and key staff are asked to complete the respective questionnaire and submit it to [party] by [MONTH, DAY, YEAR].**

**INSTRUCTIONS**

The Board members and key staff will use a scale of 1 - 5 to rate the City Attorney on his or her success with regard to each of the following criteria, (please circle the appropriate number), where:

- 1. = UNACCEPTABLE**
- 2. = NEEDS IMPROVEMENT**
- 3. = MEETS EXPECTATIONS**
- 4. = EXCEEDS EXPECTATIONS**
- 5. = OUTSTANDING**
- UA = Unable to Assess**

In addition, each of the raters should use the Specific Observations comment sections to elaborate and provide substantiation for the rating, or indicate if they are Unable to Assess any rating.

**APPENDIX 1 – CITY ATTORNEY PERFORMANCE EVALUATION – BOARD**

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>CLARITY AND SOUNDNESS OF LEGAL ADVICE</b>						
1. Approaches duties and responsibilities in a professional manner and demonstrates up to date knowledge and competencies in public pension law.	1	2	3	4	5	UA
2. Identifies legal and fiduciary concerns and brings them to the Board's attention.	1	2	3	4	5	UA
3. Provides clear legal advice to the Board to enable them to carry out their responsibilities and ensure it is in compliance with pertinent laws.	1	2	3	4	5	UA
4. Effectively reviews the Board's requests for legal advice and opinions and informs the Board of consequences that might occur as a result of any action it may take.	1	2	3	4	5	UA
5. Is well prepared for Board meetings.	1	2	3	4	5	UA
6. Keeps the Board informed about relevant new developments in public pension law.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
_____						
_____						
_____						
_____						

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>EFFECTIVE MANAGEMENT OF LITIGATION</b>						
7. Manages litigation effectively by conducting a comprehensive review of lawsuits early on,	1	2	3	4	5	UA

**City Attorney Performance Evaluation Policy**

providing the Board an effective analysis of the case strength, strategies, options, exposure and settlement options.						
8. Obtains good results in litigation.	1	2	3	4	5	UA
9. Where appropriate, during and after a lawsuit, provides the Board effective recommendations to avoid future litigation.	1	2	3	4	5	UA
10. Provides timely reports with sufficient detail about what is taking place in a lawsuit to enable the Board to make effective decisions.	1	2	3	4	5	UA

**Specific Observations:**

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**TIMELINESS OF LEGAL ADVICE**

11. Provides timely legal advice and reports to the Board to enable them to carry out their responsibilities.	1	2	3	4	5	UA
12. Is responsive in addressing the Board's requests for legal advice and opinions.	1	2	3	4	5	UA

**Specific Observations:**

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<b>CITY ATTORNEY EVALUATION</b>	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
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**COMMUNICATION**

13. Oral communication is organized, clear, concise, and articulate.	1	2	3	4	5	UA
14. Legal advice and other written documents are organized, clear,	1	2	3	4	5	UA

**City Attorney Performance Evaluation Policy**

concise, understandable, and sufficiently address all of the Board's questions and concerns.						
15. Maintains open, responsive, and courteous communication with the Board and ensures confidentiality with all matters discussed.	1	2	3	4	5	UA

**Specific Observations:**

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**EFFECTIVE AND APPROPRATE USE OF RESOURCES**

16. Appropriately recognizes its limitations and seeks the legal expertise of outside counsel in a timely manner.	1	2	3	4	5	UA
17. When outside counsel are assigned to a case, fully involve the Board in their selection (per Board Governance Policy 16.0) with merit and cost as exclusive criteria.	1	2	3	4	5	UA
18. Ensure internal and outside legal resources are available to assist the Board to carry out their responsibilities.	1	2	3	4	5	UA
19. Manages risk effectively.	1	2	3	4	5	UA

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

City Attorney Performance Evaluation Policy

APPENDIX 2 – CITY ATTORNEY PERFORMANCE EVALUATION – STAFF

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>CLARITY AND SOUNDNESS OF LEGAL ADVICE</b>						
1. Approaches duties and responsibilities in a professional manner and demonstrates up to date knowledge and competencies in public pension law.	1	2	3	4	5	UA
2. Identifies legal and fiduciary concerns and brings them to staff's attention.	1	2	3	4	5	UA
3. Provides clear legal advice to staff to enable them to carry out their responsibilities and ensure it is in compliance with pertinent laws.	1	2	3	4	5	UA
4. Effectively identifies legal issues and performs research, providing staff with a thorough and comprehensive analysis of each case.	1	2	3	4	5	UA
5. Effectively reviews, analyzes, and interprets documents and reports that are prepared by staff (e.g. contracts) and the City (e.g. ordinances, resolutions) and provides meaningful feedback.	1	2	3	4	5	UA
6. Keeps the staff informed about relevant new developments in public pension law.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
_____						
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CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>EFFECTIVE MANAGEMENT OF LITIGATION</b>						
7. Manages litigation effectively by conducting a comprehensive	1	2	3	4	5	UA

**City Attorney Performance Evaluation Policy**

review of lawsuits early on, providing the Board an effective analysis of the case strength, strategies, options, exposure and settlement options.						
8. Obtains good results in litigation.	1	2	3	4	5	UA
9. Where appropriate, during and after a law suit, provides LAFPP staff effective recommendations to avoid future litigation.	1	2	3	4	5	UA
10. Provides timely reports with sufficient detail about what is taking place in a lawsuit to enable staff to make effective recommendations to the Board.	1	2	3	4	5	UA

**Specific Observations:**

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**TIMELINESS OF LEGAL ADVICE**

11. Provides timely legal advice to staff to enable them to carry out their responsibilities and meet established deadlines.	1	2	3	4	5	UA
12. Is responsive in addressing staff's requests for legal advice and opinions.	1	2	3	4	5	UA

**Specific Observations:**

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CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
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**COMMUNICATION**

13. Oral communication is organized, clear, concise, and articulate.	1	2	3	4	5	UA
14. Legal advice and other written documents are organized, clear,	1	2	3	4	5	UA

City Attorney Performance Evaluation Policy

concise, understandable, and sufficiently address all of staff's questions and concerns.						
15. Maintains open, responsive, and courteous communication with staff and ensures confidentiality with all matters discussed.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
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<b>EFFECTIVE AND APPROPATE USE OF RESOURCES</b>						
16. Assigns experienced and capable counsel with a proven track record of good results to handle each case.	1	2	3	4	5	UA
17. When outside counsel are assigned to a case, fully involve LAFPP staff, as designated by the Board (per Board Governance Policy 16.0) in their selection with merit and cost as exclusive criteria.	1	2	3	4	5	UA
18. When outside counsel are assigned to a case, effectively monitors the quality of work performed, legal fees incurred, and ensures prompt payment for the services rendered.	1	2	3	4	5	UA
19. Ensures internal and outside legal resources are available to assist staff to carry out their responsibilities.	1	2	3	4	5	UA

**Attachment I**  
**City Attorney Performance Evaluation Policy**

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CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
20. Manages the section's budget and expenditures effectively within budgetary goals and limits.	1	2	3	4	5	UA
21. Manages risk effectively.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
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**Attachment I**  
**City Attorney Performance Evaluation Policy**

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## Los Angeles Fire & Police Pension System

### 17.0 – CITY ATTORNEY PERFORMANCE EVALUATION POLICY

#### INTRODUCTION

- 17.1 As provided in the City Charter, the City Attorney shall be the legal advisor to the City, and to all City boards, departments, officers and entities. The City Attorney shall give advice or opinion in writing when requested to do so by any City officer or board. [Section 271 (b)]
- 17.2 The Public Pensions General Counsel Division of the City Attorney’s Office serves as the Board’s legal advisor under Charter Section 271 (b). The Public Pensions General Counsel Division is supervised by an Assistant City Attorney, who for the purpose of this policy, shall be referred to as ‘the City Attorney.’ (Amended 11/21/19)
- 17.3 The Board has determined that annually evaluating the performance of the City Attorney is of value. Accordingly, the Board has established the City Attorney Performance Evaluation Policy, the objectives of which are to:
- A. Assist the Board in establishing and communicating clear and meaningful expectations to the City Attorney; and
  - B. Ensure the City Attorney receives clear and meaningful feedback to continuously improve client service.

#### ROLES AND RESPONSIBILITIES

- 17.4 Evaluating the performance of the City Attorney is a responsibility of the Board and therefore should include the participation of all Board members.
- 17.5 Key staff shall also evaluate the performance of the City Attorney and provide their feedback to the Board for consideration. (Amended 06/04/15)
- 17.6 The Board as a whole will be responsible for coordinating the implementation of this policy. (Amended 11/03/16)

#### EVALUATION CRITERIA

- 17.7 The Board will ensure that any criteria used to evaluate the City Attorney:
- A. Are defined in advance;
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  - C. Pertain only to outcomes over which the City Attorney has a reasonable degree of control.
- 17.8 At a minimum, evaluation criteria will include Board satisfaction with the timeliness, clarity and soundness of legal advice, communication, the effective management of litigation, and the effective and appropriate use of resources, as determined through the use of a City Attorney Performance Evaluation Survey. (Amended 09/19/13)

- 17.9 Using a separate evaluation survey, key staff will express their satisfaction with the City Attorney's performance and provide a summary of those findings to the Board to include in any feedback provided to the City Attorney. (Amended 09/19/13)

### **EVALUATION PROCESS**

- 17.10 The General Manager shall ensure an electronic Evaluation Package is sent to each member of the Board and to key staff the day after the second Board meeting in June of each year. The Evaluation Package will include:
- A. A copy of this policy;
  - B. The electronic performance evaluation survey forms to be completed by members of the Board and key staff;
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- 17.11 The Board and staff shall treat the Evaluation Package as confidential. Survey forms will be completed electronically within a pre-determined time period. The General Manager will designate an executive-level staff member to tabulate and summarize all completed surveys, segregating the results of the Board from that of staff.
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- 17.13 Electronic copies of the City Attorney Performance Evaluation Board report shall be password protected.
- 17.14 The Board will meet as required in closed session during the second meeting in July to review a staff report on the survey results, a draft letter to the City Attorney front office to highlight strengths and any expectations for the future, and any other information relevant to the City Attorney's performance evaluation. The City Attorney will not be present at the meeting, unless the Board requests the City Attorney to attend to participate in the discussion of the results.
- 17.15 The Board may authorize the President and General Manager to present the Board evaluation to the City Attorney, in a confidential manner following the meeting.
- 17.16 Upon completion of the Board's discussion, the President will sign a written summary evaluation, indicating the Board's general level of satisfaction with the City Attorney and any expectations for the future, to be submitted to the Office of the City Attorney.
- 17.17 A designee of the General Manager will ensure all completed survey forms are deleted from the survey platform in use at the time upon the completion of the City Attorney Performance Evaluation. (Added: 10/20/22)

### **HISTORY**

**Attachment II**  
**City Attorney Performance Evaluation Policy**

17.18 This policy is adopted on 05/06/10; Amended 05/19/11, 09/19/2013 06/04/15, 11/03/17, 11/21/19 and 10/20/22, Appendix 1 & 2 on 05/19/16. The first evaluation period shall be from March 18, 2010 through March 17, 2011, with subsequent periods corresponding to the City's fiscal year (July 1<sup>st</sup> – June 30<sup>th</sup>).

**REVIEW**

17.19 The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

17.20 The Board shall next review this policy by October 2025.

Attachment:

APPENDIX 1 – CITY ATTORNEY PERFORMANCE EVALUATION – BOARD  
APPENDIX 2 – CITY ATTORNEY PERFORMANCE EVALUATION – STAFF  
(Amended 05/19/16)

**Los Angeles Fire & Police Pension System**

**Appendix 1 – City Attorney Performance Evaluation Survey Instrument**

In accordance with the System's *City Attorney Performance Evaluation Policy*, the Board is required to evaluate the performance of the City Attorney. This evaluation form is designed to facilitate the gathering of input from Board members and key staff concerning advice, communication, management and related qualities and skills.

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**Board members and key staff are asked to complete the respective questionnaire and submit it to [party] by [MONTH, DAY, YEAR].**

**INSTRUCTIONS**

The Board members and key staff will use a scale of 1 - 5 to rate the City Attorney on his or her success with regard to each of the following criteria, (please circle the appropriate number), where:

- 1. = UNACCEPTABLE**
- 2. = NEEDS IMPROVEMENT**
- 3. = MEETS EXPECTATIONS**
- 4. = EXCEEDS EXPECTATIONS**
- 5. = OUTSTANDING**
- UA = Unable to Assess**

In addition, each of the raters should use the Specific Observations comment sections to elaborate and provide substantiation for the rating, or indicate if they are Unable to Assess any rating.

**APPENDIX 1 – CITY ATTORNEY PERFORMANCE EVALUATION – BOARD**

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>CLARITY AND SOUNDNESS OF LEGAL ADVICE</b>						
1. Approaches duties and responsibilities in a professional manner and demonstrates up to date knowledge and competencies in public pension law.	1	2	3	4	5	UA
2. Identifies legal and fiduciary concerns and brings them to the Board’s attention.	1	2	3	4	5	UA
3. Provides clear legal advice to the Board to enable them to carry out their responsibilities and ensure it is in compliance with pertinent laws.	1	2	3	4	5	UA
4. Effectively reviews the Board’s requests for legal advice and opinions and informs the Board of consequences that might occur as a result of any action it may take.	1	2	3	4	5	UA
5. Is well prepared for Board meetings.	1	2	3	4	5	UA
6. Keeps the Board informed about relevant new developments in public pension law.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
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CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>EFFECTIVE MANAGEMENT OF LITIGATION</b>						
7. Manages litigation effectively by conducting a comprehensive review of lawsuits early on,	1	2	3	4	5	UA

**Attachment II  
City Attorney Performance Evaluation Policy**

providing the Board an effective analysis of the case strength, strategies, options, exposure and settlement options.						
8. Obtains good results in litigation.	1	2	3	4	5	UA
9. Where appropriate, during and after a lawsuit, provides the Board effective recommendations to avoid future litigation.	1	2	3	4	5	UA
10. Provides timely reports with sufficient detail about what is taking place in a lawsuit to enable the Board to make effective decisions.	1	2	3	4	5	UA

**Specific Observations:**

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**TIMELINESS OF LEGAL ADVICE**

11. Provides timely legal advice and reports to the Board to enable them to carry out their responsibilities.	1	2	3	4	5	UA
12. Is responsive in addressing the Board's requests for legal advice and opinions.	1	2	3	4	5	UA

**Specific Observations:**

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<b>CITY ATTORNEY EVALUATION</b>	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
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**COMMUNICATION**

13. Oral communication is organized, clear, concise, and articulate.	1	2	3	4	5	UA
14. Legal advice and other written documents are organized, clear,	1	2	3	4	5	UA

**Attachment II  
City Attorney Performance Evaluation Policy**

concise, understandable, and sufficiently address all of the Board's questions and concerns.						
15. Maintains open, responsive, and courteous communication with the Board and ensures confidentiality with all matters discussed.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
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<b>EFFECTIVE AND APPROPRATE USE OF RESOURCES</b>						
16. Appropriately recognizes its limitations and seeks the legal expertise of outside counsel in a timely manner.	1	2	3	4	5	UA
17. When outside counsel are assigned to a case, fully involve the Board in their selection (per Board Governance Policy 16.0) with merit and cost as exclusive criteria.	1	2	3	4	5	UA
18. Ensure internal and outside legal resources are available to assist the Board to carry out their responsibilities.	1	2	3	4	5	UA
19. Manages risk effectively.	1	2	3	4	5	UA

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_



**APPENDIX 2 – CITY ATTORNEY PERFORMANCE EVALUATION – STAFF**

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>CLARITY AND SOUNDNESS OF LEGAL ADVICE</b>						
1. Approaches duties and responsibilities in a professional manner and demonstrates up to date knowledge and competencies in public pension law.	1	2	3	4	5	UA
2. Identifies legal and fiduciary concerns and brings them to staff's attention.	1	2	3	4	5	UA
3. Provides clear legal advice to staff to enable them to carry out their responsibilities and ensure it is in compliance with pertinent laws.	1	2	3	4	5	UA
4. Effectively identifies legal issues and performs research, providing staff with a thorough and comprehensive analysis of each case.	1	2	3	4	5	UA
5. Effectively reviews, analyzes, and interprets documents and reports that are prepared by staff (e.g. contracts) and the City (e.g. ordinances, resolutions) and provides meaningful feedback.	1	2	3	4	5	UA
6. Keeps the staff informed about relevant new developments in public pension law.	1	2	3	4	5	UA
<b>Specific Observations:</b>						
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CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
<b>EFFECTIVE MANAGEMENT OF LITIGATION</b>						
7. Manages litigation effectively by conducting a comprehensive	1	2	3	4	5	UA

**Attachment II  
City Attorney Performance Evaluation Policy**

review of lawsuits early on, providing the Board an effective analysis of the case strength, strategies, options, exposure and settlement options.						
8. Obtains good results in litigation.	1	2	3	4	5	UA
9. Where appropriate, during and after a law suit, provides LAFPP staff effective recommendations to avoid future litigation.	1	2	3	4	5	UA
10. Provides timely reports with sufficient detail about what is taking place in a lawsuit to enable staff to make effective recommendations to the Board.	1	2	3	4	5	UA

**Specific Observations:**

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**TIMELINESS OF LEGAL ADVICE**

11. Provides timely legal advice to staff to enable them to carry out their responsibilities and meet established deadlines.	1	2	3	4	5	UA
12. Is responsive in addressing staff's requests for legal advice and opinions.	1	2	3	4	5	UA

**Specific Observations:**

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<b>CITY ATTORNEY EVALUATION</b>	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
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**COMMUNICATION**

13. Oral communication is organized, clear, concise, and articulate.	1	2	3	4	5	UA
14. Legal advice and other written documents are organized, clear,	1	2	3	4	5	UA

**Attachment II  
City Attorney Performance Evaluation Policy**

concise, understandable, and sufficiently address all of staff's questions and concerns.						
15. Maintains open, responsive, and courteous communication with staff and ensures confidentiality with all matters discussed.	1	2	3	4	5	UA

**Specific Observations:**

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**EFFECTIVE AND APPROPRATE USE OF RESOURCES**

16. Assigns experienced and capable counsel with a proven track record of good results to handle each case.	1	2	3	4	5	UA
17. When outside counsel are assigned to a case, fully involve LAFPP staff, as designated by the Board (per Board Governance Policy 16.0) in their selection with merit and cost as exclusive criteria.	1	2	3	4	5	UA
18. When outside counsel are assigned to a case, effectively monitors the quality of work performed, legal fees incurred, and ensures prompt payment for the services rendered.	1	2	3	4	5	UA
19. Ensures internal and outside legal resources are available to assist staff to carry out their responsibilities.	1	2	3	4	5	UA

**Attachment II  
City Attorney Performance Evaluation Policy**

CITY ATTORNEY EVALUATION	Unacceptable 1	Needs Improvement 2	Meets Expectations 3	Exceeds Expectations 4	Outstanding 5	Unable to Assess (UA)
20. Manages the section's budget and expenditures effectively within budgetary goals and limits.	1	2	3	4	5	UA
21. Manages risk effectively.	1	2	3	4	5	UA

**Specific Observations:**

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Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

**Attachment II**  
**City Attorney Performance Evaluation Policy**



# DEPARTMENT OF FIRE AND POLICE PENSIONS

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

## REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: OCTOBER 20, 2022

ITEM: E.1

FROM: JOSEPH SALAZAR, INTERIM GENERAL MANAGER

SUBJECT: SEPTEMBER 2022 MONTHLY REPORT AND UPDATE

THIS REPORT IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES.

### DISCUSSION

The September 2022 Monthly Report includes the following notable items:

- 1) Transition to New Workers' Compensation Providers – The City recently switched Third-Party Administrators (TPAs) for Workers' Compensation benefit claims processing for LAFD and LAPD. Beginning July 1, 2022, claims submitted by LAFD members will be processed by *Sedgwick*, and beginning August 1, 2022, claims submitted by LAPD members will be processed by *Intercare*. Staff met with representatives from both *Intercare* and *Sedgwick* on September 28, 2022. Representatives from both companies will provide Workers' Compensation Division personnel with primary contact and workflow process information for medical records requests, which will be shared with Disability Pensions Section staff.
- 2) Fraud Detection and Prevention – LAFPP staff had an initial meeting with LACERS staff on September 14, 2022, to discuss and collaborate on recent fraud attempts. The intent is for these to be standing meetings going forward to share lessons learned, share best practices policies and procedures, as well as to establish a communication protocol between both departments in the event a fraud event appears to affect both Systems.
- 3) Neptune Building Activity of Vacant Space – At the request of the Board in December 2019, staff began providing leasing activity to the Board in January 2020. By including the information in this report, the Board will be kept apprised of the efforts to lease out the vacant space in the Neptune Building.

The table below provides a summary of the leasing activity for September 2022.

New Inquiries / Active Prospects			
Status/Inquiry Type	Term	Projected Occupancy	Comments
Business Owner	3-years – Plus Option	11/01/2022	Retail space for avant-garde fashion clothing and tea bar. Tenant has submitted a proposal and lease terms are currently being negotiated.

Active – Personnel Department Staff	5 years	08/2022	Toured property on 03/02/2022. Waiting for a response. Space may be too large.
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- 4) Private Equity – The following private equity funds have closed since the last meeting announcement:

On August 4, 2022, the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to a total of \$50 million in the following alternative investments: Blue Sea Capital III, L.P. The investment closed on September 15, 2022. Board vote: Ayes - 7, Nays - 0.

On August 4, 2022, the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to a total of \$15 million in the following alternative investments: CenterGate II, L.P. The investment closed on September 28, 2022. Board vote: Ayes - 7, Nays - 0.

The following searches and firms are within the Marketing Cessation Period Policy\*:

<b>Vendor / Contract</b>	<b>Contract Start Date</b>	<b>Contract Expiration Date</b>	<b>Market Cessation Start Date</b>
Private Credit Consultant	TBD	TBD	06/02/2022
Private Equity Consultant	TBD	TBD	09/15/2022
Private Equity Consultant – Specialized Manager	TBD	TBD	09/15/2022
Harding Loevner (International Emerging Markets)	02/01/2020	01/31/2023	11/01/2022
Northern Trust Investments, Inc. (Domestic Equity)	02/01/2020	01/31/2023	11/01/2022
The Townsend Group (Real Estate Consultant)	02/01/2020	01/31/2023	11/01/2022

\*Marketing Cessation: In accordance with Section 9.0 of the Investment Policy, from the time the search begins with the Board's approval of the minimum criteria for the search until the search ends with the selection of the firm(s) to receive contract(s), all direct marketing contact with firms that meet the search criteria will be limited to meetings with the Consultant, information sent to the Consultant or Department, questions about the search directed to the Staff or Consultant, one meeting at the Department's office with Staff and any site visits. The Board members, Department Staff or Consultant will accept no entertainment or gifts of any kind from any firm qualifying for the search. This policy does not prohibit contact with potential interview candidates at group social events, educational seminars, conferences, or charitable events so long as there is no direct marketing.

During the three months prior to the renewal of a contract with a firm currently under contract, the Board Members, Department Staff and Consultant will accept no entertainment or gifts from that firm until the contract has been renewed or terminated by the Board. Firms who currently have contracts with LAFPP are allowed to continue contact related to the existing contract with Staff and the Consultant.

Attachment



# **MONTHLY REPORT**

## **September 2022**





# Los Angeles Fire and Police Pensions

Portfolio as of September 30, 2022

EQUITIES						PRIVATE EQUITY					
	STOCKS	BONDS	CASH	TOTAL	ALLOC.	STOCKS / EQUITY / RE	BONDS	CASH	TOTAL	ALLOC.	
AllianceBernstein (S&P 500 Index)	2,057.5	-	1.4	2,058.9		Abbott Capital	2.7	-	2.7		
AllianceBernstein (Systematic Value)	630.6	-	4.3	634.8		Hamilton Lane	2.7	-	2.7		
AllianceBernstein (Russell 1000 Growth Index)	1,295.3	-	2.2	1,297.4		PCA	0.9	-	0.9		
NTI S&P 500 Equal Weight	998.3	-	5.9	1,004.2		Fairview Capital	211.7	-	211.7		
NTI Stoxx USA 900	477.9	-	0.9	478.8		Portfolio Advisors	4,318.3	-	4,318.3		
Boston Partners (Value)	436.5	-	21.2	457.7		Aldus Equity	131.9	-	131.9		
Terminated/Transition Domestic Equity Managers	-	-	-	-		TCP	100.0	-	100.0		
Core Equity Managers (23%)	5,896.1	-	35.8	5,931.8	22.01%	Greycroft Growth IV LP	4.2	-	4.2		
Target Differential	(0.99)%				(265.5)	Baillie Gfd PVC GP II	9.7	-	9.7		
						Stepstone Group	64.4	-	64.4		
AllianceBernstein (S&P 600 Index)	118.3	-	0.1	118.4		<b>TOTAL PRIVATE EQUITY MGRS (14%)</b>	<b>4,846.4</b>	<b>-</b>	<b>4,846.4</b>	<b>17.99%</b>	
Frontier Capital Mgt. (Growth)	446.6	-	15.8	462.4		Target Differential	3.99%			1,074.2	
Channing Capital Mgt. (Value)	55.5	-	2.0	57.5		<b>PRIVATE CREDIT</b>					
Denali Advisors (Value)	62.4	-	0.8	63.2		<b>STOCKS / EQUITY / RE</b>					
Eastern Shore Capital (Core)	44.2	-	1.3	45.5		<b>TOTAL PRIVATE CREDIT MGRS (2%)</b>					
Lisanti Capital (Growth)	47.2	-	1.8	49.1		Target Differential					
PIMCO Stocks Plus (Core)	164.1	-	-	164.1		(2.00)%					
Palisade Capital Management (Core)	65.5	-	3.0	68.4		<b>REAL ESTATE</b>					
Phocas Financial (Value)	56.1	-	1.6	57.7		Alliance REIT	202.9	-	0.4	203.3	
Westwood Management (Value)	181.6	-	0.8	182.4		Principal Global REIT	170.1	-	5.1	175.1	
AllianceBernstein (Value)	186.1	-	1.8	187.8		Principal U.S. REIT	568.9	-	15.6	584.4	
Terminated/Transition Small Cap Equity Managers	-	-	-	-		Cohen & Steers U.S. REIT	676.9	-	4.6	681.4	
Small Cap. Equity Mgrs (6%)	1,427.5	-	29.0	1,456.5	5.41%	REIT Managers (3.0%)	1,618.7	-	25.6	1,644.3	
Target Differential	(0.59)%				(160.2)	Target Differential	3.10%			6.10%	
						Target Differential				835.9	
Brandes Investment Partners (Value)	1,052.5	-	25.9	1,078.4		<b>REAL ESTATE COMMINGLED FUNDS SUMMARY</b>					
Blackrock (Core Passive)	1,013.9	-	2.5	1,016.4		Total Pooled Funds	1,341.0	-	1,341.0	4.98%	
Baillie Gifford (Growth)	824.1	-	18.7	842.8		<b>REAL ESTATE SEPARATE ACCT. SUMMARY BY MANAGER</b>					
Boston Common (ESG)	28.3	-	0.9	29.2		AEW (Heitman, Sentinel)	572.5	-	-	572.5	
Principal Global Int'l Small Cap	163.5	-	5.3	168.7		Neptune Building	21.1	-	-	21.1	
Victory Capital Mgt.	183.1	-	3.3	186.4		Private Real Estate (7.0%)	1,934.6	-	-	7.18%	
Terminated/Transition Int'l Equity Managers	0.1	-	0.1	0.1		Real Estate Equity Mgrs	593.6	-	-	593.6	
Int'l Equity Mgrs (16%)	3,265.3	-	56.7	3,322.0	12.33%	<b>TOTAL REAL ESTATE (10%)</b>	<b>3,553.3</b>	<b>-</b>	<b>25.6</b>	<b>3,578.9</b>	
Target Differential	(3.67)%				(989.2)	Target Differential	3.28%			884.4	
Harding Loevner	374.9	-	10.6	385.5		<b>COMMODITIES</b>					
Dimensional Fund Advisors	710.0	-	3.7	713.7		AllianceBernstein (Commodities, Public Equity)	2.8	-	98.0	100.8	
Sanctioned Assets	0.2	-	-	0.2		PA (Commodities, Private Equity)	174.9	-	-	174.9	
Int'l Emerg. Mkts Mgrs (5.0%)	1,085.2	-	14.3	1,099.5	4.08%	<b>TOTAL COMMODITIES (1.0%)</b>	<b>177.7</b>	<b>-</b>	<b>98.0</b>	<b>275.8</b>	
Target Differential	(0.92)%				(247.7)	Target Differential	0.02%			6.3	
	11,674.1	-	135.8	11,809.8	43.83%	<b>CASH</b>					
Int'l Tax Reclaims	0.2	0.1	1.5	1.8		<b>HOUSE ACCOUNTS</b>					
<b>FIXED INCOME</b>						Tier 1 (Article 17)					
Northern Trust (Fixed Income Index)	-	681.0	0.4	681.4		Tier 2 (Article 18)					
Reams Asset Mgmt. (Opportunistic)	-	722.1	-	722.1		Tier 3 (Article 35)					
LM Capital (Opportunistic)	-	288.0	8.5	296.5		Tier 4 (New)					
GIA Partners (Opportunistic)	-	48.8	0.1	49.0		Tier 5 (New)					
Semper Capital Management (MBS)	-	48.0	0.6	48.6		Tier 6 (New)					
Loomis Sayles (Long Duration)	-	568.3	2.1	570.4		Transition Account					
Reams Asset Mgmt. (Passive TIPS)	-	1,171.1	-	1,171.1		115 Trust					
Terminated/Transition Fixed Income Managers	-	-	-	-		<b>CASH SUMMARY</b>					
Core Bond Mgrs (14.3%)	-	3,527.3	11.7	3,539.0	13.13%	Unallocated Cash Reserve (1%)					
Target Differential	(1.17)%				(314.2)	Target Differential					
Mackay Shields (High Yield)	17.5	583.0	20.4	620.9		1.31%					
Loomis Sayles Global Credit	-	656.4	85.1	741.5		352.6					
Credit Fixed Income (5.5%)	17.5	1,239.4	105.5	1,362.4	5.06%						
Target Differential	(0.44)%				(119.5)						
Reams Asset Mgmt. (Unconstrained)	-	509.2	-	509.2							
Payden & Rygel (Unconstrained)	-	399.6	-	399.6							
Unconstrained Fixed Income (2.2%)	-	908.8	-	908.8	3.37%						
Target Differential	1.17%				316.0						
<b>TOTAL FIXED INCOME MGRS (22.0%)</b>	<b>17.5</b>	<b>5,675.5</b>	<b>117.2</b>	<b>5,810.2</b>	<b>21.56%</b>						

Note: City Pension Contribution received on 7/12/22

Subtotals & totals may not sum up exactly due to rounding.  
Note: Data is unaudited; Dollars expressed in Millions.



**Real Estate Summary**

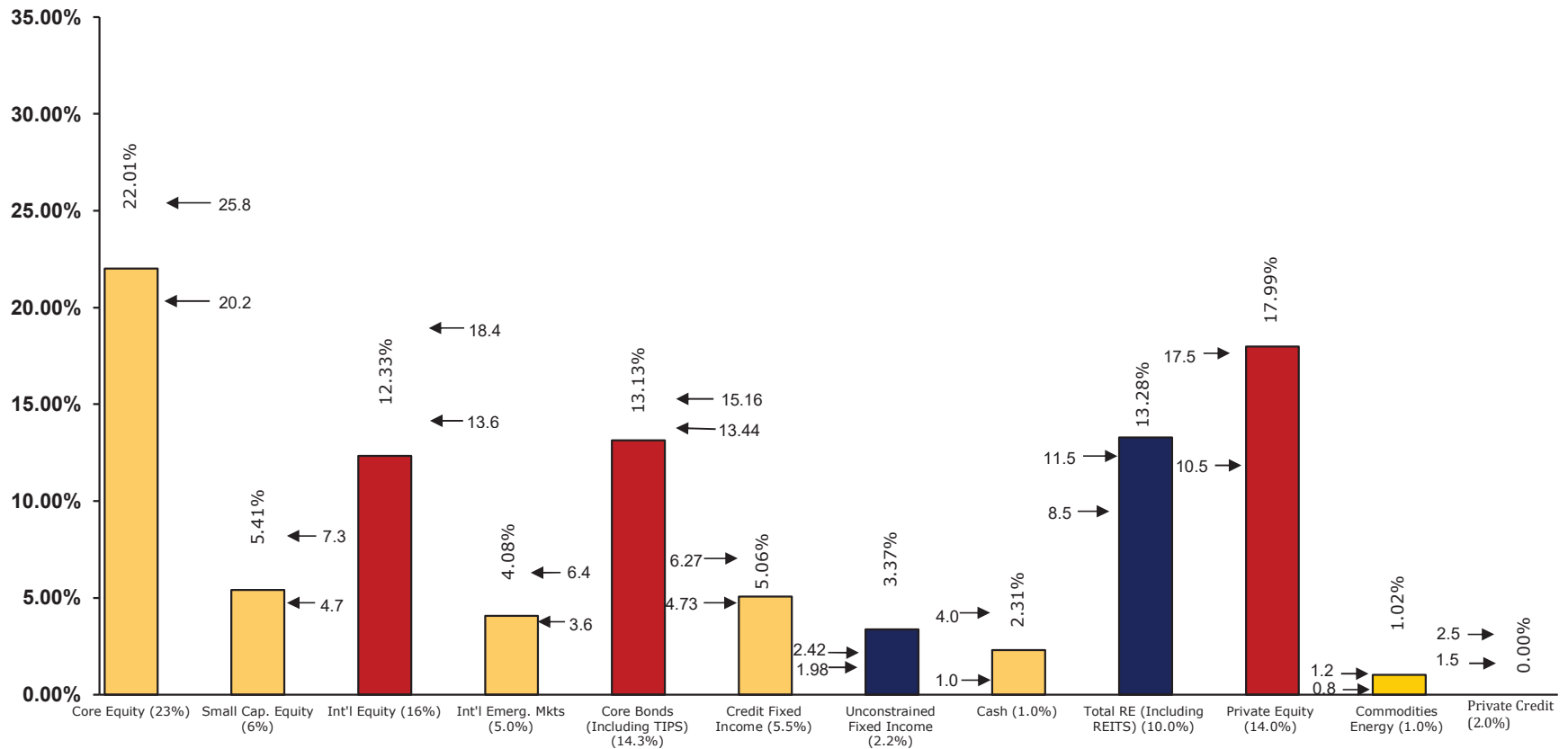
<b>COMMINGLED FUNDS</b>	<b>EQUITY</b>	<b>POOLED</b>	<b>CASH</b>	<b>TOTAL</b>
Abacus Multi-Family Partners VI	NA	3.0	-	3.0
Almanac Realty Securities VII	NA	30.2	-	30.2
Almanac Realty Securities VIII	NA	26.6	-	26.6
Almanac Realty Securities IX	NA	9.8	-	9.8
Asana Partners Fund I	NA	40.8	-	40.8
Asana Partners Fund II	NA	22.6	-	22.6
Asana Partners Fund III	NA	2.7	-	2.7
Berkshire Multifamily Income Realty Fund	NA	42.8	-	42.8
Brookfield Strategic Real Estate Partners IV	NA	7.6	-	7.6
California Smart Growth Fund IV	NA	0.9	-	0.9
Capri Urban Investors	NA	0.1	-	0.1
Cerberus Institutional Real Estate Partners Fund V	NA	20.5	-	20.5
CIM Real Estate Fund III	NA	13.2	-	13.2
CIM Urban REIT, LLC	NA	0.0	-	0.0
Clarion Lion Industrial Trust - 2007	NA	227.1	-	227.1
Colony Investors VIII	NA	0.0	-	0.0
Apollo CPI Europe I (Asia)	NA	0.2	-	0.2
Exeter Industrial Value Fund IV	NA	4.2	-	4.2
Exeter Industrial Value Fund V	NA	35.2	-	35.2
Exeter Europe Logistics	NA	3.0	-	3.0
Gerrity Retail Fund 2	NA	28.1	-	28.1
GID Mainstay Fund	NA	69.2	-	69.2
Heitman Asia-Pacific Property Investors HAPI	NA	36.8	-	36.8
Heitman HART	NA	15.9	-	15.9
Jamestown Premier	NA	50.1	-	50.1
Kayne Anderson Core Real Estate Fund KACORE	NA	39.2	-	39.2
LBA Logistics Value Fund VII	NA	33.0	-	33.0
LBA Logistics Fund IX	NA	11.7	-	11.7
MetLife Core Property Fund	NA	158.8	-	158.8
NREP Nordic Strategies Fund IV	NA	16.2	-	16.2
Oaktree Real Estate Opportunities Fund VIII	NA	12.3	-	12.3
Principal Green I	NA	0.2	-	0.2
Principal US Core USPA	NA	117.9	-	117.9
Prudential PRISA	NA	104.1	-	104.1
RREEF Core Plus Industrial Fund	NA	101.3	-	101.3
Rothschild Five Arrows Realty V (Almanac)	NA	0.0	-	0.0
Savanna Real Estate Fund III	NA	16.7	-	16.7
Starwood Opportunity Fund IX	NA	2.1	-	2.1
Standard Life Investments European Real Estate Club	NA	0.1	-	0.1
Standard Life Investments European Real Estate Club II	NA	0.2	-	0.2
Stockbridge Real Estate Fund II	NA	0.4	-	0.4
TPG Real Estate Partners IV	NA	3.9	-	3.9
Unico Core Plus Partners	NA	32.1	-	32.1
Unico Partners I	NA	0.0	-	0.0
Wolff Credit Fund III	NA	0.4	-	0.4
<b>Total</b>		<b>1,341.0</b>	<b>-</b>	<b>1,341.0</b>

<b>SEPARATE ACCOUNT PROPERTIES</b>	<b>EQUITY</b>	<b>POOLED</b>	<b>CASH</b>	<b>TOTAL</b>
AEW (Heitman) - 121 W. Chestnut	65.4	NA	-	65.4
AEW (Heitman) - Woodland Plaza	0.5	NA	-	0.5
AEW (Heitman) - Twin Creeks Village	30.3	NA	-	30.3
AEW (Heitman) - Sea Isle	70.6	NA	-	70.6
AEW (Sentinel) - Riverplace Core	0.0	NA	-	0.0
AEW (Sentinel) - Walmart Building at Water Ridge	17.2	NA	-	17.2
AEW (Sentinel) - Windward Place	67.1	NA	-	67.1
AEW (Sentinel) - Town Center	74.5	NA	-	74.5
AEW (Sentinel) - Northpointe Executive Park	35.6	NA	-	35.6
AEW (Sentinel) - Aerial Center Executive Park	62.6	NA	-	62.6
AEW - I-4 Logistics Center	45.5	NA	-	45.5
AEW - Sycamore Hills Plaza	37.6	NA	-	37.6
AEW - Lockwood Glen Apartments	65.5	NA	-	65.5
<b>Neptune Building</b>	<b>21.1</b>	<b>NA</b>	<b>-</b>	<b>21.1</b>
<b>Real Estate Managers Total Committed AEW (Heitman, Sentinel (Urdang))</b>				<b>572.5</b>
<b>Total</b>				<b>572.5</b>



# Los Angeles Fire and Police Pensions

## Portfolio Allocation



Over-allocated (Blue), Under-allocated (Red)

\*Board approved allocation on 10/1/20



# Los Angeles Fire and Police Pensions

## Preliminary Return Information as of September 30, 2022

Manager	1-month	3-month	1-year	3-years	5-years	FYTD
<b>Total Fund</b>	-6.36 %	-4.94 %	-11.58 %	6.16 %	6.37 %	-4.94 %
S & P 500 Index	-9.21 %	-4.88 %	-15.47 %	8.16 %	9.24 %	-4.88 %
<b>Total Equity</b>	-9.61 %	-6.98 %	-21.02 %	4.34 %	5.01 %	-6.98 %
S & P 500 Index	-9.21 %	-4.88 %	-15.47 %	8.16 %	9.24 %	-4.88 %
<b>Total Domestic Equity</b>	-9.21 %	-4.69 %	-16.17 %	8.11 %	8.76 %	-4.69 %
Russell 3000 Index	-9.27 %	-4.46 %	-17.63 %	7.70 %	8.62 %	-4.46 %
<b>Total Large Cap Equity</b>	-8.98 %	-4.85 %	-14.84 %	8.53 %	9.59 %	-4.85 %
S & P 500 Index	-9.21 %	-4.88 %	-15.47 %	8.16 %	9.24 %	-4.88 %
<b>Total Small Cap</b>	-10.13 %	-4.05 %	-21.60 %	6.13 %	5.41 %	-4.05 %
Russell 2000 Index	-9.58 %	-2.19 %	-23.50 %	4.29 %	3.55 %	-2.19 %
<b>Total International Equity</b>	-10.26 %	-10.56 %	-28.34 %	-1.70 %	-0.86 %	-10.56 %
MSCI ACWI ex-US	-9.94 %	-9.80 %	-24.79 %	-1.07 %	-0.34 %	-9.80 %
<b>Total International Developed Markets</b>	-10.17 %	-10.73 %	-28.49 %	-1.97 %	-0.88 %	-10.73 %
MSCI ACWI ex-US	-9.94 %	-9.80 %	-24.79 %	-1.07 %	-0.34 %	-9.80 %
<b>Total International Emerging Markets</b>	-10.66 %	-10.13 %	-27.97 %	-1.56 %	-1.35 %	-10.13 %
MSCI Emerging Markets Index	-11.67 %	-11.42 %	-27.80 %	-1.71 %	-1.44 %	-11.42 %
<b>Total Fixed Income</b>	-4.98 %	-4.09 %	-13.38 %	-0.62 %	1.62 %	-4.09 %
Bloomberg Barclays Universal	-4.31 %	-4.45 %	-14.92 %	-3.11 %	-0.18 %	-4.45 %
<b>Total Core Fixed Income</b>	-5.28 %	-5.30 %	-17.55 %	-2.70 %	0.53 %	-5.30 %
Bloomberg Barclays Aggregate	-4.32 %	-4.75 %	-14.60 %	-3.26 %	-0.27 %	-4.75 %
<b>Total High Yield</b>	-3.45 %	-0.41 %	-11.58 %	1.17 %	2.90 %	-0.41 %
LAFPP HY Benchmark <sup>1</sup>	-4.02 %	-0.67 %	-14.06 %	-0.70 %	1.39 %	-0.67 %
<b>Total REITs</b>	-12.19 %	-10.53 %	-18.05 %	-1.19 %	4.12 %	-10.53 %
LAFPP REIT Benchmark <sup>2</sup>	-12.51 %	-11.11 %	-19.21 %	-3.57 %	1.59 %	-11.11 %
<b>Total Commodities</b>	-4.93 %	-1.19 %	5.75 %	11.46 %	7.32 %	-1.19 %
Bloomberg Commodities Index TR	-8.11 %	-4.11 %	11.80 %	13.45 %	6.96 %	-4.11 %

**Footnote:**

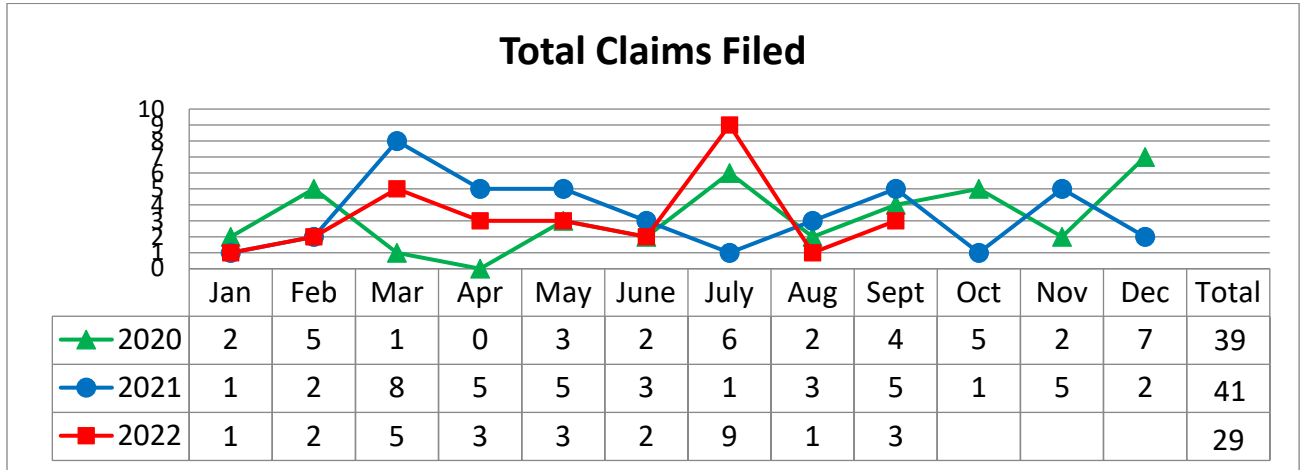
<sup>1</sup> LAFPP HY Benchmark: CS HY Index thru 12/31/11 & BofA ML US HY Master II Cnst Index thereafter.

<sup>2</sup> LAFPP REIT Benchmark: Dow Jones US Select RE Securities Index thru 12/31/13, 50% FTSE EPRA/NAREIT Global RE Index & 50% Dow Jones US Select RE Securities Index thereafter.

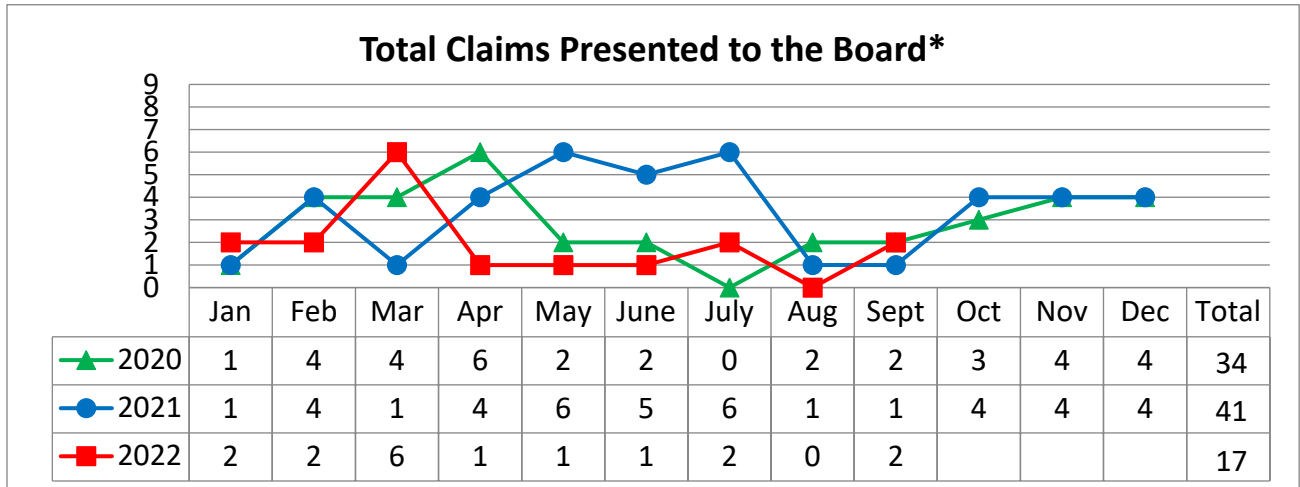
# PENSIONS DIVISION

(Data through September 30, 2022)

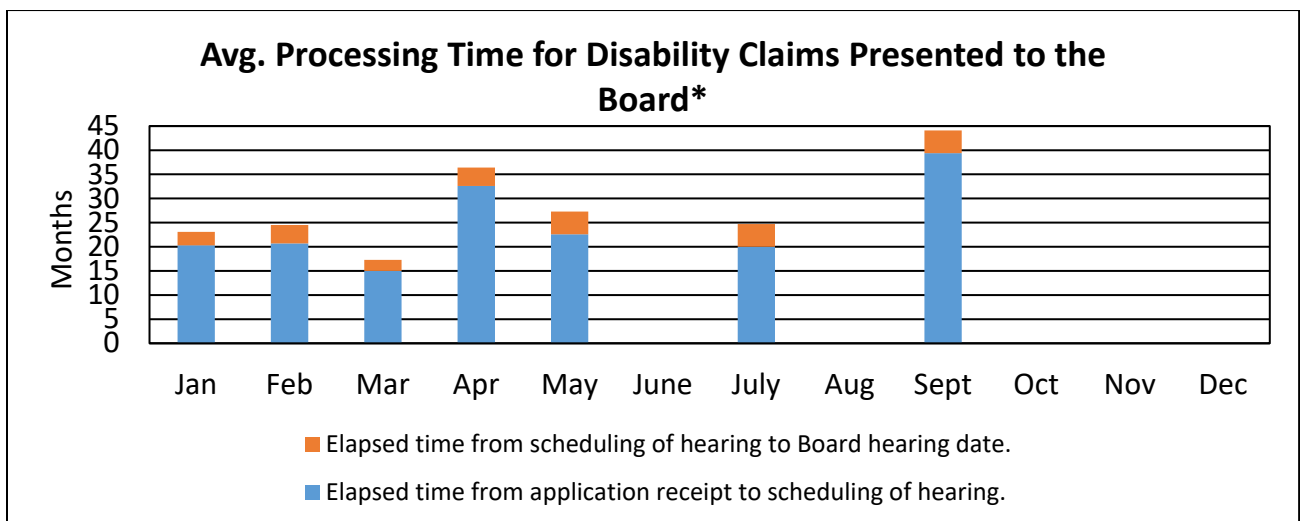
## DISABILITY PENSIONS



\*Applications filed for Disability, Active Member Death, and Dependent Child/Parent benefits.

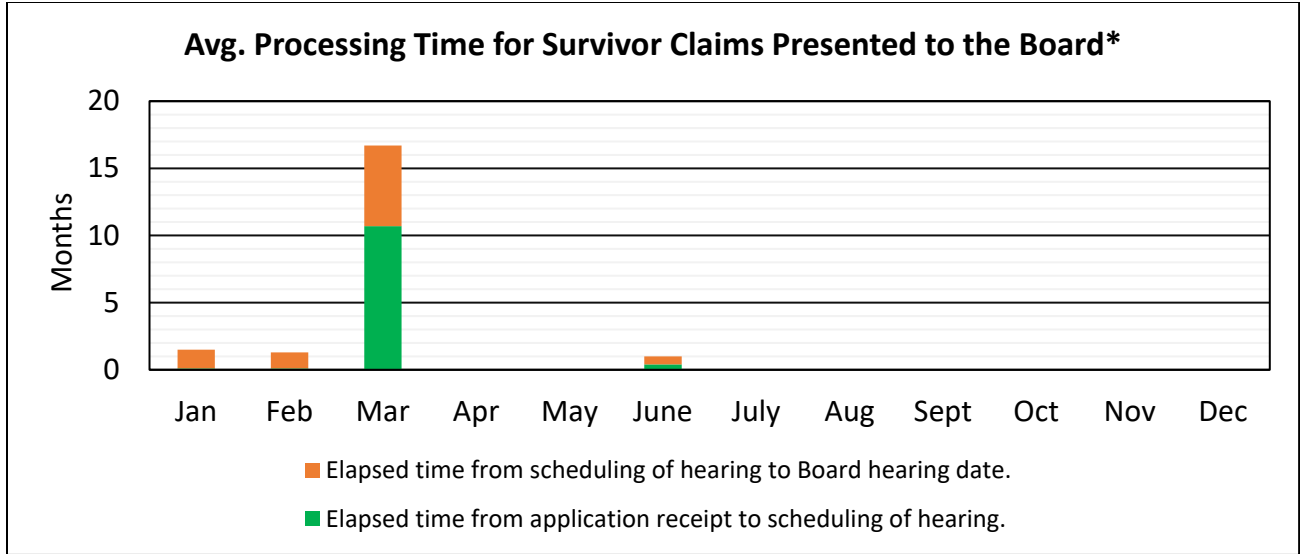


\*Claims for Disability, Active Member Death, and Dependent Child/Parent benefits.



\*Months with zero (0) indicate no disability claims presented to the Board that month.

## PENSIONS DIVISION



\* Months with zero (0) indicate no survivor claims presented to the Board that month.

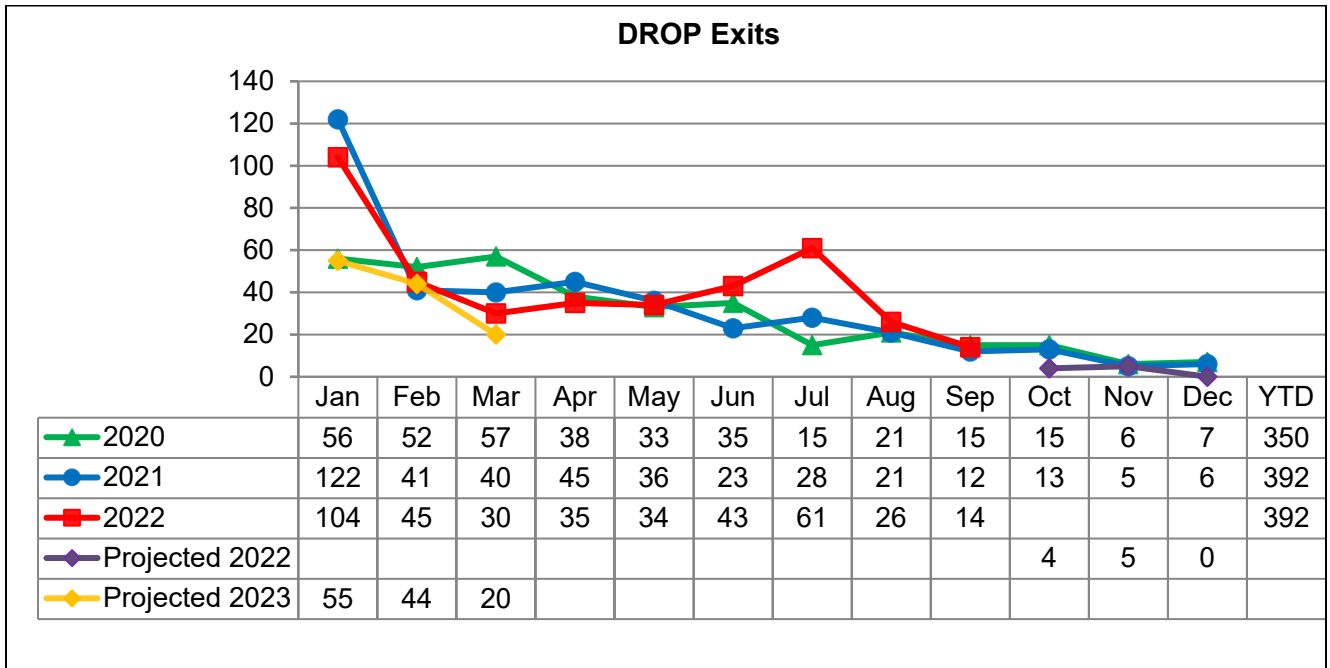
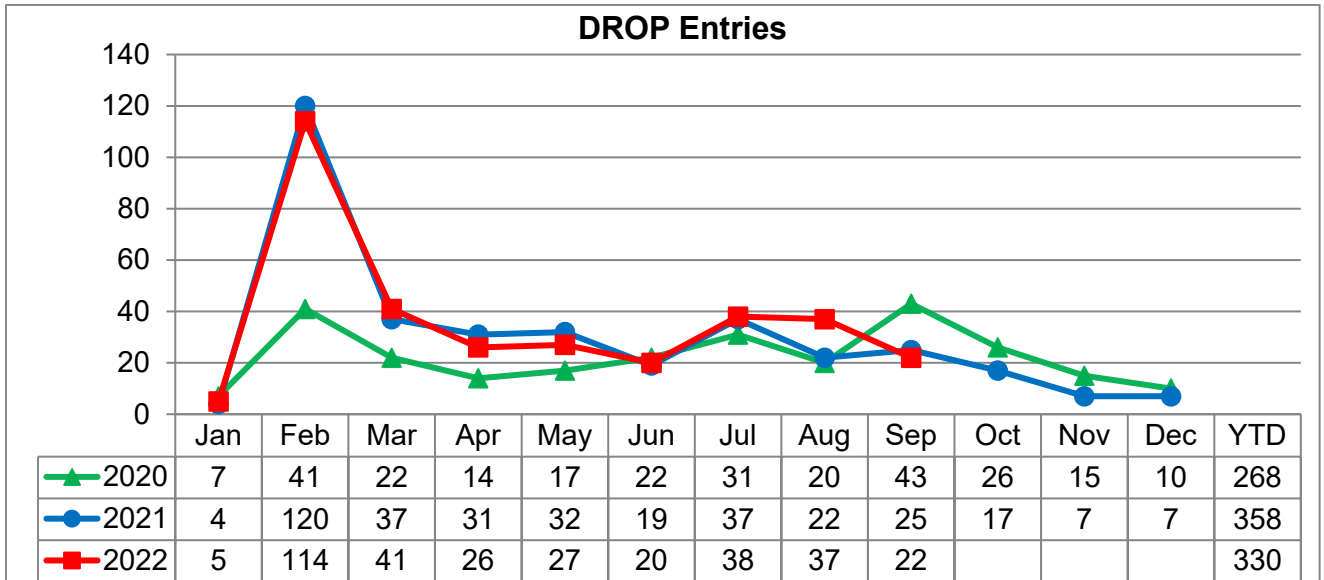
<b>PENDING CLAIMS BY YEAR FILED</b>	<b>FIRE</b>	<b>POLICE</b>	<b>HARBOR</b>	<b>AIRPORT</b>	<b>TOTAL</b>
<b>2019</b>					
Dependent Child/Parent	0	0	0	0	<b>0</b>
Surviving Spouse/Domestic Partner/Minor Children	0	1	0	0	<b>1</b>
Disability (New/Review)	0	4	0	0	<b>4</b>
<b>2020</b>					
Dependent Child/Parent	0	0	0	0	<b>0</b>
Surviving Spouse/Domestic Partner/Minor Children	1	2	0	0	<b>3</b>
Disability (New/Review)	1	12	0	0	<b>13</b>
<b>2021</b>					
Dependent Child/Parent	0	2	0	0	<b>2</b>
Surviving Spouse/Domestic Partner/Minor Children	1	2	0	0	<b>3</b>
Disability (New/Review)	4	25	0	0	<b>29</b>
<b>2022</b>					
Dependent Child/Parent	0	2	0	0	<b>2</b>
Surviving Spouse/Domestic Partner/Minor Children	1	2	0	0	<b>3</b>
Disability (New/Review)	2	22	0	0	<b>24</b>
<b>TOTAL</b>	<b>10</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>84</b>

<b>CURRENT STATUS OF PENDING CLAIMS</b>	
Collecting/Reviewing records	40
Manager reviewing admin file / creating appendix	12
Medical Desk (pension physician appointments and reports)	15
Board Package (Board report, pension physician reports, and admin file)	14
Ready to schedule for Board hearing	1
Case on hold (pending surgery / litigation / WC hearing)	2
<b>TOTAL</b>	<b>84</b>

## PENSIONS DIVISION

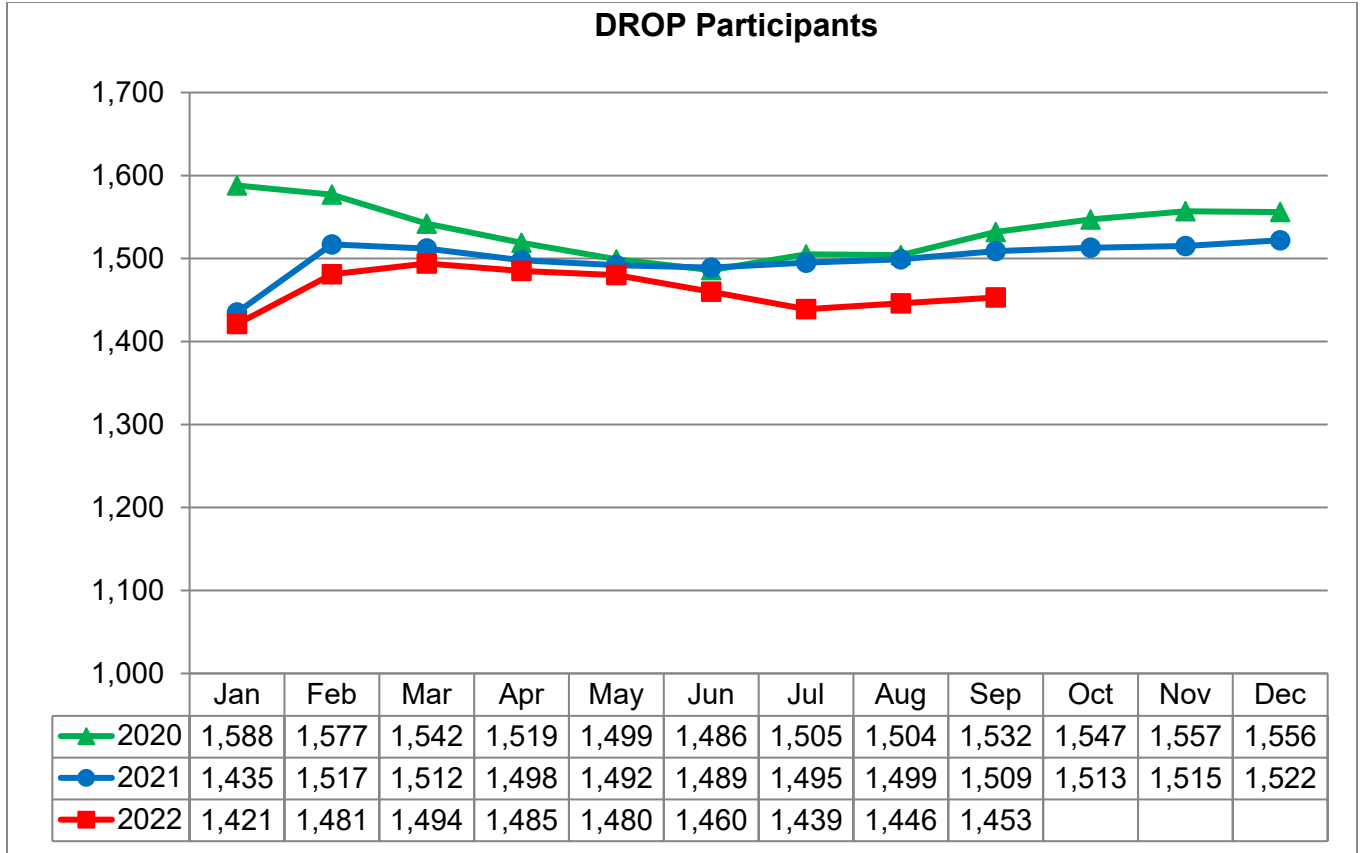
### DROP/SERVICE PENSIONS

\*Data may change due to timing of processing transactions.



NOTE: Projected DROP Exit numbers reflect mandatory exits only.

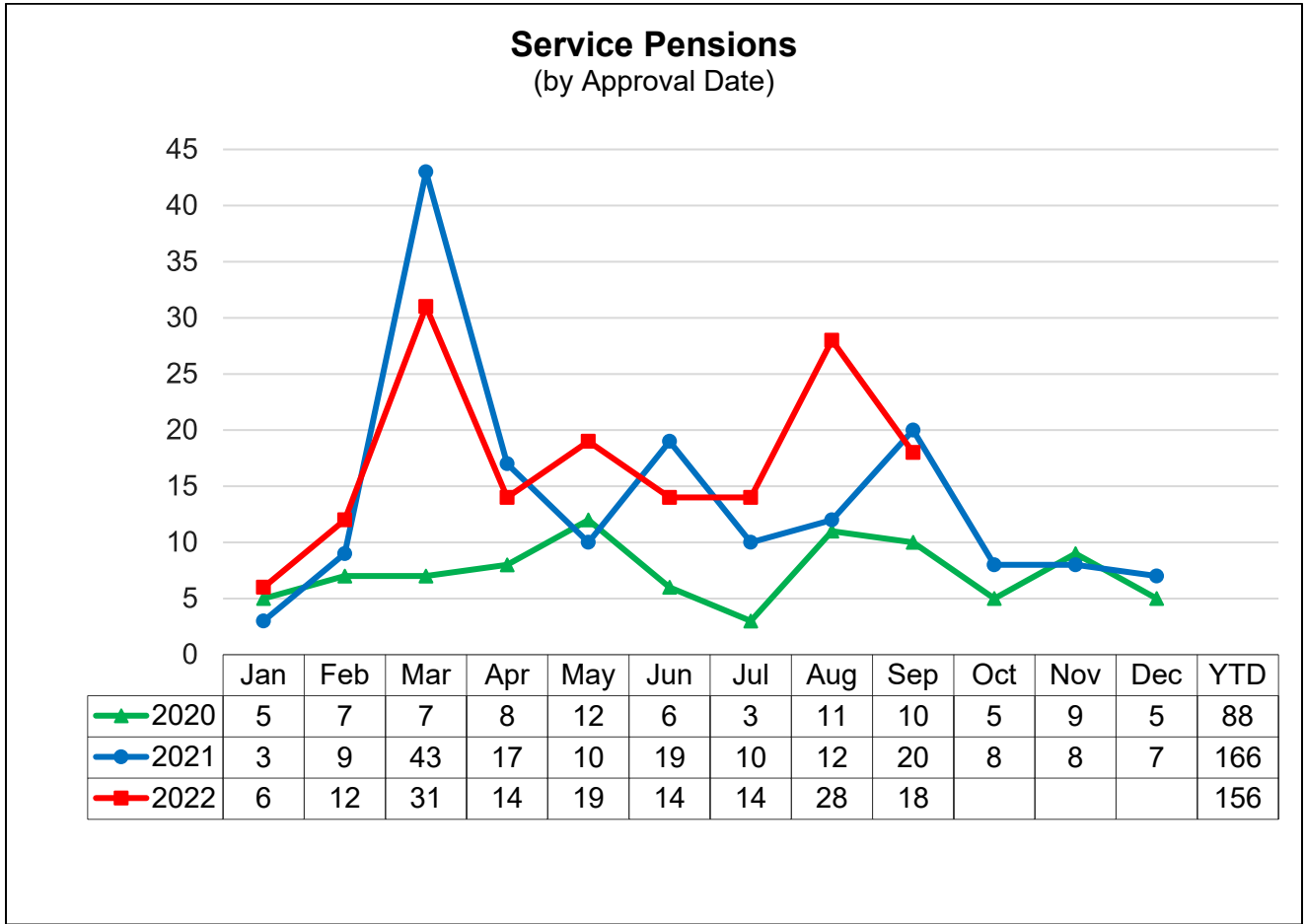
## PENSIONS DIVISION



<b>DROP Participants by Department</b>												
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fire	417	410	406	401	405	398	377	379	380			
Police	1,002	1,069	1,086	1,082	1,073	1,060	1,060	1,065	1,071			
Harbor	2	2	2	2	2	2	2	2	2			
Airport	0	0	0	0	0	0	0	0	0			



## PENSIONS DIVISION



### Service Pensions by Department

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022												
Fire	0	2	1	3	4	0	2	0	2			
Police	6	9	30	11	15	14	12	27	16			
Harbor	0	1	0	0	0	0	0	1	0			
Airport	0	0	0	0	0	0	0	0	0			

## PENSIONS DIVISION

### SURVIVORSHIP PENSIONS

	Current Month	Fiscal Year To Date	12 Month Moving Avg.
Surviving Spouse/Domestic Partner Pension Applications Processed	23	67	18
Survivor Benefit Purchase Program	1	1	1

### ACTIVE MEMBER SERVICES

	Current Month	Fiscal Year To Date	12 Month Moving Avg.
<b>Refund of Contributions</b>			
Fire	1	4	1
Police	14	35	10
Harbor	0	1	0
Airport	0	0	0
<b>Basic Training Purchases (completed)</b>			
Fire	4	17	6
Police	16	52	24
Harbor	0	0	0
Airport	0	0	0
<b>Public Service Purchases (PSP)</b>			
Completed Purchases	0	1	1
Avg. Years of Service (YOS) Purchased	N/A	3.00	1.82
Avg. Cost per YOS Purchased	N/A	\$67,502	\$74,496

## PENSIONS DIVISION

### MEMBER OUTREACH ACTIVITIES

Date	Type of Outreach	Number of Participants	Tier
09/01/22	LAPPL Outreach – North Hollywood Division	26	Multiple
09/07/22	Financial Planning Education Webinar	15	Multiple
09/08/22	LAPPL Outreach – Central Division	40	Multiple
09/08/22	Benefits Information Webinar – “Health Benefits - Insurance in Retirement”	23	Multiple
09/14/22	Benefits Information Webinar - “Understanding Your Plan – The 3 Types of LAFPP Pensions”	24	Multiple
09/20/22	LAPD Wellness Day – Media Relations	26	Multiple
09/22/22	LAPD – Recruit Talk – Elysian Park	33	Tier 6
09/28/22	LAPD – Mission Division – Supervisor's Mtg.	40	Multiple
09/29/22	LAPPL Outreach – Topanga Division	36	Multiple
<b>Upcoming Events</b>			
10/06/22	LAFD Benefits Presentation – FS 85	TBD	Multiple
10/13/22	LAPPL Outreach – Mission Division	TBD	Multiple
10/13/22	Benefits Information Webinar – “Health Benefits - Insurance in Retirement”	TBD	Multiple
10/14/22	LAFD Benefits Presentation – FS 93	TBD	Multiple
10/19/22	Benefits Information Webinar - “Understanding Your Plan – The 3 Types of LAFPP Pensions”	TBD	Multiple
10/20/22	Benefits Information Webinar - “Service Retirement and DROP Entry – Application Process”	TBD	Multiple
10/20/22	LAPD – Recruit Talk – Elysian Park	TBD	Tier 6
10/27/22	LAPPL Outreach – Hollenbeck Division	TBD	Multiple
10/27/22	LAPD Wilshire Division – 100 <sup>th</sup> Anniversary Event	TBD	Multiple
10/28/22	LAFD Benefits Presentation – FS 60	TBD	Multiple
<b>Outreach Activity Totals</b>			
		<b>Current Month</b>	<b>Fiscal Year to Date</b>
Members Reached		263	628
-# of Recruit Talks		1	2
-# of Financial Planning Education Seminars (live)		0	0
-# of Financial Planning Education Webinars (virtual)		1	2
-# of Benefits Information Webinars (virtual)		2	5
-# of Other Outreach Events		5	11

### NEW PROJECTS

None.

### UPDATED PROJECTS

#### RIP BONUS

RIP stands for “Retirement Incentive Pay” and is a program developed by the City and sworn labor unions to allow employees who are retiring or entering DROP during a

## PENSIONS DIVISION

designated period to include their deferred raises as part of their pension benefit calculation, or for their accrued leave (sick/vacation/overtime hours) payout at the time of retirement. The CAO's office is responsible for receiving and processing the RIP applications received from members and working with the Fire and Police departments to process the bonus. The CAO created a special web page for the RIP program, <https://cao.lacity.org/RIP/>, and began accepting RIP applications during the first week of June 2021.

**[UPDATE: As of October 7, 2022, the CAO has received a total of 1,352 RIP applications.]**

### **TRANSITION TO NEW WORKERS' COMPENSATION PROVIDERS**

Disability Pensions Section has been notified that the City will no longer contract with Acclamation Insurance Management Services (AIMS) and Tristar for Workers' Compensation benefit claims submitted for members employed by LAFD and LAPD. As of July 1, 2022, claims submitted by LAFD members will be processed by *Sedgwick*. Beginning August 1, 2022, claims submitted by LAPD members will be processed by *Intercare*. During this time of transition, staff may experience delays in Workers' Compensation records requests.

**[UPDATE: Staff met with representatives from both Intercare and Sedgwick on September 28, 2022. Intercare and Sedgwick representatives will provide Workers' Compensation Division personnel with primary contact and workflow process information for medical records requests, which will then be given to Disability Pensions Section staff.]**

## **UNCHANGED PROJECTS**

### **CORRECTION OF ERRONEOUS PAYMENTS - PILOT PROGRAM**

Beginning October 15, 2020, the Board authorized the Retirement Services Section to begin a Pilot Program implementing additional measures for the correction of erroneous payments. For a one-year period, LAFPP will seek to recover overpayments through a combination of written correspondence, small claims court, collection agencies, and/or formal litigation. Staff will provide periodic updates on the pilot program in this Monthly Report.

Recovered \$376,885.91 as of July 31, 2022. Staff received City Attorney advice to proceed with collections on two cases totaling \$6,987. The fiscal year 2022-23 budget includes funding for an additional staff person who will assist in preparing additional cases for small claims/collection agency recovery.

### **NEW TAX WITHHOLDING FORM W-4P**

The IRS has created a new Form W-4P that will be used for requesting any federal tax withholding changes in 2022. Members already receiving pension payments do not need to submit a new Form W-4P if they do not want to make withholding changes. The IRS announced that the use of the 2022 Form W-4P will not be required in 2022, allowing the 2021 version of the form to continue to be used through December 31, 2022. However, staff is continuing to work with our pension administration system consultant to program

## PENSIONS DIVISION

the necessary changes in PARIS, as the IRS is encouraging payors to update their systems and to use the 2022 form as soon as programming is in place. The new W-4P will be posted on [www.lafpp.com](http://www.lafpp.com) and we will announce the availability of the new form on our website and in pension check messages once it is implemented.

Avenu, LAFPP's pension administration system consultant, delivered a test environment with the new W-4P functionality on July 11, 2022. Staff has begun testing the W-4P functionality and submitted initial corrections and comments to Avenu on July 18, 2022. Staff will continue to test the functionality in August 2022.

## ADMINISTRATIVE OPERATIONS DIVISION

### NEW PROJECTS

#### FRAUD DETECTION AND PREVENTION

On September 14, 2022, LAFPP staff had an initial meeting with LACERS staff to discuss and collaborate on recent fraud attempts. The initial meeting mainly covered fraud attempts and incidents experienced by LACERS, their organizational structure to address such attempts and some of the processes they have implemented to respond to such events. Both departments intend for these meetings to be held regularly going forward in order to share lessons learned, share best practices policies and procedures, as well as to establish a communication protocol between both departments in the event a fraud event appears to affect both Systems.

### UPDATED PROJECTS

#### NEPTUNE BUILDING MARKETING ACTIVITY OF VACANT SPACE

At the request of the Board in December 2019, staff began providing leasing activity to the Board in January 2020. By including the information in this report, the Board will be kept apprised on the efforts to lease out the vacant space in the Neptune Building.

The property management company, Total Commercial Real Estate (TCRE) currently has the exclusive right to market the space and negotiate all leases for the Building. Under this agreement, they successfully negotiated and executed a lease with KC Beauty on October 18, 2018. Currently, TCRE is marketing the remaining open space.

The table below provides a summary of the leasing activity of the space for September 2022.

<b>New Inquiries/Active Prospects</b>			
<b>Status/Inquiry Type</b>	<b>Term</b>	<b>Projected Occupancy</b>	<b>Comments</b>
Business Owner	3-years – Plus Option	11/01/2022	Retail space for avant garde fashion clothing and tea bar. Tenant has submitted a proposal and lease terms are currently being negotiated.
Active – Personnel Department Staff	5 years	08/2022	Toured property on 03/02/2022. Waiting for response. Space may be too large.

#### COVID-19 RELATED RESPONSE EFFORTS AND RECONSTITUTION PLAN

As of February 2022, the LAFPP building reopened to LAFPP members with appointments and visitors attending LAFPP Board meetings. Staff has transitioned to a permanent mobile/on-site hybrid workforce and provides a majority of services virtually or

## **ADMINISTRATIVE OPERATIONS DIVISION**

over the telephone. LAFPP continues to monitor updated protocols for City offices as issued by public health authorities, the Emergency Management Department, Personnel Department, and City management. The Executive Officer attends monthly Citywide Safety Officer meetings and staff continues to provide bi-weekly COVID-19 response costs to the CAO and submit documentation for potential reimbursement as requested by the City.

To date, the City has reimbursed LAFPP for its DSW related costs (direct and indirect salary costs), totaling \$115,938. For other remaining costs, it is unclear when reimbursement might be received from the City. Recent updates from the Office of the CAO indicate it may be years before reimbursements are fully reviewed and approved by FEMA, and that FEMA will not be reimbursing technical equipment expenses (such as laptops, mobile devices, web cameras, etc.). Notwithstanding, the Office of the CAO is further looking to earmark General Fund dollars in the 2023-24 budget that will be used to repay COVID-19 expenditures incurred by propriety or special funds that legally require reimbursement. Staff will continue working with the CAO and pursue recovery to the fullest extent possible.

*[Update: The County of Los Angeles has receded to a Low COVID-19 Community Level as determined by the CDC. Given this, the Mayor's Safer L.A. order was revised and updates were made accordingly to the City's COVID-19 workplace safety standards, primarily to indicate masking is optional for City facilities and employees effective October 3, 2022 (with some exception for higher risk settings such as care, correctional, and shelter facilities). Should transmission rates become elevated, staff anticipates masking may be required again during certain periods to prevent immediate transmission risk among employees.*

*As of the pay period ending September 24, 2022, LAFPP expended a total of \$361,343 for COVID-19 response related efforts (\$237,237 in direct salary costs, of which \$86,780 was for staff DSW assignments, and the balance of \$124,106 in fees, equipment, and supplies).]*

## **UNCHANGED PROJECTS**

### **MAYOR DECLARES MONKEYPOX EMERGENCY**

On August 1, 2022, the State of California declared a State of Emergency in an effort to support the state's response to monkeypox. On August 2, 2022, the City of Los Angeles declared a State of Emergency on monkeypox. On August 4, 2022, the President of the United States declared monkeypox a Public Health Emergency. At this time, monkeypox is not expected to affect large numbers of City employees. As such, no tracking and no Contact Tracing for suspected cases of monkeypox is required by staff. There are currently no special time codes for cases of monkeypox. This may change as the situation develops. Human Resources staff will continue to monitor any new developments concerning monkeypox.

## **ADMINISTRATIVE OPERATIONS DIVISION**

### **PRINTING SERVICES RFP**

On August 20, 2020, the Board approved a three-year contract extension with Northern Trust through October 4, 2023 for third-party print services to print checks, direct deposit advices, and 1099-Rs. The Board also instructed staff to return with a report in June 2022 to request authority to issue a Request for Proposal (RFP) for the third-party print services. Since the Master Custodian contract with Northern Trust is expiring in 2024 staff believes it would be optimal to conduct the Printing Services RFP in parallel. As such, if the Board does not have an objection, staff will coordinate with the Investments section as to the timing of their RFP.

This approach is also more advantageous since staff is in the middle of the new Human Resources and Payroll (HRP) project of the Controller's Office to replace the existing Legacy HR system, Payroll System Replacement (PaySR) in which staff will be heavily involved in Phase 2 of the project to develop and test the Active Payroll files from the new system before PaySR is turned off.

### **PERFORATED 1099-Rs**

On April 21, 2022 Commissioner Buzzell requested staff to consider using perforated paper for the 1099-Rs mailed to members. Staff researched this with our vendor (Northern Trust) and determined the cost would increase from \$1.00 per 1099-R to \$1.43 per perforated 1099-R. For 2021 a total of 16,493 1099-Rs were mailed to recipients, so this change would increase costs from \$16,493 to approximately \$23,585 (a 43% increase).

The Board instructed Staff to begin utilizing perforated paper for all future 1099-R printing beginning with the 2022 tax year. The General Manager recently sent a letter to Northern Trust notifying them of the change and staff is working with the NT transmission team to coordinate the testing with the Print Vendor.

### **IN-HOUSE PARKING PROGRAM**

On February 6, 2020, the Board directed staff to work with the relevant City departments to implement an in-house parking and transit subsidy program by June 30, 2020. Staff conducted research of other proprietary department parking programs and discussed the City parking and transit subsidy programs with staff from the Personnel Department. During this discussion, Personnel staff explained that the Joint Labor-Management Committee (JLMC) was working on a new Parking Memorandum of Understanding (MOU) and indicated LAFPP may be able to leverage parts of that work into the LAFPP in-house parking and transit subsidy program. As staff believed review of the parking and transit subsidy programs would require a bit of a paradigm shift, particularly given the expectation that telework in some form would become a permanent option for the City in the future, the decision was made to await and take into consideration any determinations from the JLMC on these programs.

On February 23, 2021, the City Council approved JLMC recommendations to: 1) suspend the parking fees for all City employees for six consecutive pay periods (about 60 days),



## **ADMINISTRATIVE OPERATIONS DIVISION**

2) review the status of the parking fee suspension after sixty days, and 3) allow the JLMC the option to extend the suspension by revising the Letter of Agreement. As part of the JLMC report, they acknowledged that the greater prevalence of telework over the long-term may require the JLMC to consider moving to a daily-use parking fee option to meet the needs of employee's rideshare, public transit and driving commute options. However, the JLMC's work in these areas was delayed due to the prolonged emergency response to COVID-19.

Subsequently, a JLMC report was issued to the City Council on March 1, 2022 recommending that the public transit subsidy be increased from \$50/month to \$100/month for a one-year period. No action on revised parking fees has been proposed by the JLMC to date.

While LAFPP staff returned to the office twice a week beginning March 7, 2022, management continues to assess staff parking needs.

The Personnel, Audits, and Animal Welfare Committee report relative to the proposed JLMC Letter of Agreement (LOA) modifying the Special Memorandum of Understanding on Commute Options and Parking (Special MOU) was approved unanimously by City Council on April 13, 2022. The approved LOA will increase the transit reimbursement amount from \$50/month to \$100/month for a one-year period beginning with the effective date of the change within the Special MOU. The \$100/month amount may be extended beyond the one-year period by formal approval of the JLMC subject to a financial review conducted by the Personnel Department.

Based on the current parking usage management will continue the current parking arrangement for LAFPP. Staff will continue to utilize overflow parking as necessary and a parking attendant will be onsite only for Board meetings. Management will also assess whether the City's increased transit subsidy amount (coupled with increasing gas prices) may impact parking needs.

### **PROOF OF FULL COVID-19 VACCINATION REQUIRED TO ENTER CERTAIN PUBLIC LOCATIONS**

On October 6, 2021, the City Council adopted Ordinance No. 187219, which required proof of full vaccination to enter a "covered location." The Ordinance was subsequently revised on March 30, 2022 that repealed most of the provisions of the Ordinance, effective April 1, 2022. With this change, most businesses within City limits will not be required to check proof of vaccination status, although companies are allowed to voluntarily require proof of vaccination. Under the revised Ordinance the City Council opted to continue requiring proof of vaccination to enter City facilities. (The City Attorney has interpreted that the LAFPP Headquarters (Neptune) Building is exempt from this Ordinance.)

The LAFPP building re-opened to members with appointments and the general public to attend LAFPP Board meetings at the end of February 2022. Consistent with the revised Ordinance, re-opening safety measures include asking all visitors and LAFPP Members to show proof of full COVID-19 vaccination or negative COVID-19 test (conducted within last 72 hours), accompanied with photo identification, prior to entering the LAFPP offices.

## **ADMINISTRATIVE OPERATIONS DIVISION**

Effective October 3, 2022, masking is optional in City facilities, regardless of vaccination status, pursuant to the current Safer L.A. Order and City's COVID-19 Workplace Safety Standards.

**DEPARTMENT OF FIRE AND POLICE PENSIONS**  
**BUDGET TO ACTUAL - RECEIPTS AND EXPENSES**  
**As of September 30, 2022 (25% of year)**

	(A)	(B)	(C)	(D)	(E)
	ADOPTED BUDGET	ACTUAL YEAR TO DATE	YEAR END PROJECTIONS	DIFFERENCE (UNDER)/OVER PROJECTED (C - A = D)	VARIANCE % (D / A = E)
<b>RECEIPTS</b>					
<i>Pension</i>					
General Fund <sup>1</sup>	476,645,411	476,645,411	476,645,411	-	0%
Less: Excess Benefit Plan <sup>1</sup>	(2,013,500)	(2,013,500)	(2,013,500)	-	0%
Special Fund (Harbor)	4,588,702	4,588,702	4,588,702	-	0%
Special Fund (Airport)	2,603,682	2,603,682	2,603,682	-	0%
<i>Subtotal Pension</i>	<b>\$ 481,824,295</b>	<b>\$ 481,824,295</b>	<b>\$ 481,824,295</b>	<b>\$ -</b>	<b>0%</b>
<i>OPEB</i>					
General Fund	184,299,998	184,299,998	184,299,998	-	0%
Special Fund (Harbor)	1,062,792	1,062,792	1,062,792	-	0%
Special Fund (Airport)	1,055,690	1,055,690	1,055,690	-	0%
<i>Subtotal OPEB</i>	<b>\$ 186,418,480</b>	<b>\$ 186,418,480</b>	<b>\$ 186,418,480</b>	<b>\$ -</b>	<b>0%</b>
Combined Total City Contribution - to LAFPP	<b>\$ 668,242,775</b>	<b>\$ 668,242,775</b>	<b>\$ 668,242,775</b>	<b>\$ -</b>	<b>0%</b>
Member Contributions <sup>2</sup>	165,936,895	33,672,105	145,506,000	(20,430,895)	-12%
Earnings on Investments	506,000,000	156,047,489	506,000,000	-	0%
Miscellaneous <sup>3</sup>	500,000	47,997	192,000	(308,000)	-62%
Total Receipts	<b>\$ 1,340,679,670</b>	<b>\$ 858,010,366</b>	<b>\$ 1,319,940,775</b>	<b>\$ (20,738,895)</b>	<b>-2%</b>
<b>EXPENSES</b>					
<i>Pension</i>					
Service Pensions	881,000,000	219,552,719	879,351,000	(1,649,000)	0%
Service Pensions - DROP Distributions	211,740,500	48,031,242	181,983,965	(29,756,535)	-14%
Disability Pensions	113,000,000	28,243,393	112,376,000	(624,000)	-1%
Surv. Spouse/Domestic Partner Pensions	152,000,000	38,635,167	153,824,000	1,824,000	1%
Minor/Dependent Pensions	4,400,000	754,730	3,019,000	(1,381,000)	-31%
Refund of Contributions	6,900,000	2,430,762	9,723,000	2,823,000	41%
<i>Subtotal Pension Benefits</i>	<b>\$ 1,369,040,500</b>	<b>\$ 337,648,013</b>	<b>\$ 1,340,276,965</b>	<b>\$ (28,763,535)</b>	<b>-2%</b>
<i>OPEB</i>					
Health Insurance Premium Subsidy	142,000,000	32,954,197	132,140,000	(9,860,000)	-7%
Dental Insurance Premium Subsidy	5,200,000	1,201,791	4,838,000	(362,000)	-7%
Medicare Reimbursement	16,000,000	3,989,439	14,520,000	(1,480,000)	-9%
Health Insurance Premium Reimbursement	1,600,000	403,379	1,637,000	37,000	2%
<i>Subtotal OPEB Benefits</i>	<b>\$ 164,800,000</b>	<b>\$ 38,548,806</b>	<b>\$ 153,135,000</b>	<b>\$ (11,665,000)</b>	<b>-7%</b>
Total Benefits Expenses	<b>\$ 1,533,840,500</b>	<b>\$ 376,196,819</b>	<b>\$ 1,493,411,965</b>	<b>\$ (40,428,535)</b>	<b>-3%</b>
Investment Management Expense	151,941,649	14,747,670	151,941,649	-	0%
Administrative Expense <sup>4</sup>	27,327,550	10,137,463	27,023,771	(303,779)	-1%
Total Expenses	<b>\$ 1,713,109,699</b>	<b>\$ 401,081,952</b>	<b>\$ 1,672,377,385</b>	<b>\$ (40,732,314)</b>	<b>-2%</b>
<b>RECEIPTS OVER EXPENSES<sup>5</sup></b>	<b>\$ (372,430,029)</b>	<b>\$ 456,928,414</b>	<b>\$ (352,436,610)</b>	<b>\$ (19,993,419)</b>	
	<b>CURRENT MONTH</b>	<b>YTD MOVING AVERAGE</b>			
<b>PENSION PAYROLL</b>	<b>\$ 118,214,112</b>	<b>\$ 124,588,686</b>			

<sup>1</sup> Represents the City of Los Angeles (City) General Fund Annual Required Contribution, including the amount earmarked to pay excess benefits and associated administrative costs in compliance with IRC Section 415. For 2022-23, funds totaling \$783,111 from the prior fiscal year will be re-appropriated to the current year Excess Benefit Plan (EBP) fund budgeted at \$2,013,500. Since the EBP revenue is not transferred to LAFPP, it is excluded from the department's total revenue.

<sup>2</sup> Actual Year to Date includes contributions from Pay Period Ending July 2, 2022 through Pay Period Ending September 10, 2022, and revenue from member buybacks through September 28, 2022.

<sup>3</sup> Reflects miscellaneous receipts from various sources.

<sup>4</sup> Actual Year to Date reflects Year-to-Date commitments which include encumbrances and expenditures.

<sup>5</sup> Figures may be rounded.

**DEPARTMENT OF FIRE AND POLICE PENSIONS**  
**BUDGET TO ACTUAL - ADMINISTRATIVE AND INVESTMENT MANAGEMENT EXPENSES**  
**As of September 30, 2022 (25% of year)**

ADMINISTRATIVE EXPENSE	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	ADOPTED	BUDGET	ADJUSTED	YEAR TO DATE	REMAINING	YEAR END	DIFFERENCE	VARIANCE
ACCOUNT TITLE	BUDGET	CHANGES	BUDGET	TOTAL	BALANCE	PROJECTED	(UNDER)/OVER	% <sup>2</sup>
			(A + B = C)	COMMITTED <sup>1</sup>	(C - D = E)	EXPENSES	(F - C = G)	(G / C = H)
Salaries-General <sup>3</sup>	14,570,000	-	14,570,000	2,437,206	12,132,794	14,570,000	-	0%
Salaries-As-Needed <sup>3</sup>	163,370	-	163,370	3,361	160,009	163,370	-	0%
Overtime <sup>3</sup>	85,060	-	85,060	23,760	61,300	85,060	-	0%
Printing & Binding	47,000	-	47,000	47,000	-	47,000	-	0%
Travel	100,000	-	100,000	16,876	83,124	100,000	-	0%
Contractual Services	4,327,270	-	4,327,270	839,904	3,487,366	4,327,270	-	0%
Transportation	6,000	-	6,000	1,250	4,750	6,000	-	0%
Medical Services	320,000	-	320,000	320,000	-	320,000	-	0%
Health Insurance	1,703,000	-	1,703,000	1,703,000	-	1,552,098	(150,902)	-9%
Dental Insurance	60,000	-	60,000	60,000	-	54,406	(5,594)	-9%
Other Employee Benefits	46,000	-	46,000	46,000	-	41,771	(4,229)	-9%
Retirement Contribution	4,464,000	-	4,464,000	4,443,390	20,610	4,448,291	(15,709)	0%
Medicare Contribution	215,000	-	215,000	-	215,000	214,867	(133)	0%
Election	-	-	-	-	-	-	-	0%
Office & Administrative	1,208,550	-	1,208,550	194,175	1,014,375	1,081,337	(127,213)	-11%
Furniture, Office & Tech.	-	-	-	-	-	-	-	0%
Unappropriated Balance	-	-	-	-	-	-	-	0%
Tuition Reimbursement	12,300	-	12,300	1,541	10,759	12,300	-	0%
<b>TOTAL ADMINISTRATIVE EXPENSE</b>	<b>\$ 27,327,550</b>	<b>\$ -</b>	<b>\$ 27,327,550</b>	<b>\$ 10,137,463</b>	<b>\$ 17,190,087</b>	<b>\$ 27,023,771</b>	<b>\$ (303,779)</b>	<b>-1%</b>
<b>TOTAL INVESTMENT MANAGEMENT EXPENSE</b>	<b>\$ 151,941,649</b>	<b>\$ -</b>	<b>\$ 151,941,649</b>	<b>\$ 14,747,670</b>	<b>\$ 137,193,979</b>	<b>\$ 151,941,649</b>	<b>\$ -</b>	<b>0%</b>

<sup>1</sup> Year to Date Total Committed includes encumbrances and expenditures.

<sup>2</sup> Percentage difference between Year End Projected Expenses and the Adjusted Budget.

<sup>3</sup> Year to Date Total Committed includes partial Pay Period 1 (July 1-2, 2022) through the end of Pay Period Ending September 10, 2022.

**DEPARTMENT OF FIRE AND POLICE PENSIONS**  
**Active, Expired, and Upcoming Contracts**  
**September 30, 2022**

Contract	Vendor / Services	Contract Term		Marketing Cessation Start Date <sup>1</sup>	Board Authorization Date			Comments
		Start Date	Expiration Date		New Search Date	Vendor/Candidate Finalist Date	Contract Award / Renewal Date	
<b>INVESTMENTS</b>								
SEARCH	Private Equity	tbd	tbd	09/15/22	09/15/22			On 09/15/22 the Board approved release of a Search and Minimum Qualifications for Private Equity services. Search was released on 10/03/22 and is scheduled to close on 10/28/22.
SEARCH	Private Equity - Specialized Manager	tbd	tbd	09/15/22	09/15/22			On 09/15/22 the Board approved release of a Search and Minimum Qualifications for Private Equity - Specialized Manager services. Search was released on 10/03/22 and is scheduled to close on 10/28/22.
SEARCH	Tax Reclaim Manager	tbd	tbd		04/21/22	10/06/22	10/06/22	Finalist presentations to the Board occurred on 10/06/22. The Board awarded a three-year contract to WTax. Contract execution is pending.
SEARCH	Private Credit Consultant	tbd	tbd	06/02/22	06/02/22			Search was released on 08/01/22 and closed on 09/16/22; 5 responses were received. Review of responses is in progress.
SEARCH	Index Provider	tbd	tbd		11/04/21	08/04/22	08/04/22	New Contract No.'s 794PEN Alliance Bernstein (AB), 795PEN BlackRock, 796PEN Northern Trust, and 797PEN Rhumblin are effective 11/01/22.
737PEN	AllianceBernstein, L.P. (Commodities)	10/01/19	09/30/22					Contract will not be renewed.
736PEN	Boston Partners, Inc. (Domestic Equity)	11/01/19	10/31/22				09/15/22	A three-year contract extension through 10/31/25 was approved by the Board on 09/15/22. Marketing Cessation period has ended.
739PEN	Principal Real Estate Investors, LLC (Global REIT Manager)	12/01/19	11/30/22				10/06/22	A three-year contract renewal through 11/30/25 was approved by the Board on 10/06/22. Marketing cessation period has ended.
740PEN	Principal Real Estate Investors, LLC (U.S. REIT Manager)	12/01/19	11/30/22				10/06/22	A three-year contract renewal through 11/30/25 was approved by the Board on 10/06/22. Marketing cessation period has ended.
744PEN	Harding Loevner (International Emerging Markets)	02/01/20	01/31/23	11/01/22				Staff recommendation to the Board is scheduled for 11/17/22.
745PEN	Northern Trust Investments, Inc. (Domestic Equity)	02/01/20	01/31/23	11/01/22				Staff recommendation to the Board is scheduled for 11/17/22.
746PEN	The Townsend Group (Real Estate Consultant)	02/01/20	01/31/23	11/01/22				Staff recommendation to the Board is scheduled for 11/03/22.
725PEN	Portfolio Advisors, LLC (Private Equity)	04/01/19	03/31/23					
726PEN	Portfolio Advisors, LLC (Private Equity - Specialized Manager)	10/01/19	03/31/23					
747PEN	Denali Advisors, LLC (Domestic Equity)	05/01/20	04/30/23					
748PEN	Eastern Shore Capital Management (Domestic Equity)	05/01/20	04/30/23					
749PEN	Lisanti Capital Growth, LLC (Domestic Equity)	05/01/20	04/30/23					
731PEN	AllianceBernstein, L.P. (Domestic Equity)	06/21/19	05/31/23					
750PEN	MacKay Shields, LLC (Fixed Income - High Yield Bond)	07/01/20	06/30/23					
732PEN	Brandes Investment Partners, LP (International Equity)	08/01/19	07/31/23					
752PEN	Payden & Rygel (Unconstrained Fixed Income Manager)	08/01/20	07/31/23					
753PEN	Scout Investments, Inc. - Reams Asset Management Division (Unconstrained Fixed Income Manager)	08/01/20	07/31/23					
755PEN	AllianceBernstein, L.P. (Domestic Equity)	10/01/20	09/30/23					
756PEN	Westwood Management Corp. (Domestic Equity)	10/01/20	09/30/23					
777PEN	PHOCAS Financial Corporation (Domestic Equity)	10/01/21	09/30/23					

DEPARTMENT OF FIRE AND POLICE PENSIONS  
Active, Expired, and Upcoming Contracts  
September 30, 2022

Contract	Vendor / Services	Contract Term		Marketing Cessation Start Date <sup>1</sup>	Board Authorization Date			Comments
		Start Date	Expiration Date		New Search Date	Vendor/Candidate Finalist Date	Contract Award / Renewal Date	
782PEN	Semper Capital Management, L.P. (Fixed Income)	10/01/21	09/30/23					
759PEN	Dimensional Fund Advisors, LP (International Emerging Markets)	01/01/21	12/31/23					
760PEN	Cohen & Steers Capital Management, Inc. (Real Estate Investment Trust Manager (Active))	01/01/21	12/31/23					
761PEN	AEW Capital Management, L.P. (Real Estate Separate Account Manager)	01/01/21	12/31/23					
762PEN	BlackRock Institutional Trust Company (International Equity)	02/01/21	01/31/24					
721PEN	RVK, Inc. (General Investment Consultant)	03/01/19	02/29/24					
764PEN	AllianceBernstein, L.P. (Global REIT)	03/01/21	02/29/24					
765PEN	Baillie Gifford Overseas Limited (International Equity)	03/01/21	02/29/24					
768PEN	Principal Global Investors, LLC (International Equity)	05/01/21	04/30/24					
769PEN	Victory Capital Management, Inc. (Trivalent Investments, a Victory Capital Investment Franchise) (International Equity)	05/01/21	04/30/24					
771PEN	Frontier Capital Management Company, LLC (Domestic Equity)	07/01/21	06/30/24					
774PEN	LM Capital Group, LLC (Fixed Income)	09/01/21	08/31/24					
735PEN	Northern Trust Company (Custodian Bank)	10/01/19	09/30/24					
776PEN	Boston Common Asset Management, LLC (International Equity Emerging Manager)	10/01/21	09/30/24					
778PEN	Loomis, Sayles & Co., LP (Fixed Income)	10/01/21	09/30/24					
780PEN	GIA Partners, LLC (Domestic Fixed Income)	10/01/21	09/30/24					
783PEN	Northern Trust Investments, Inc. (Fixed Income)	12/01/21	11/30/24					
784PEN	Scout Investments, Inc. - Reams Asset Management Division (Fixed Income)	12/01/21	11/30/24					
741PEN	AllianceBernstein, L.P. (Domestic Equity)	01/01/20	12/31/24					
786PEN	Glass, Lewis, & Co., LLC (Proxy Voting Services)	01/01/22	12/31/24					
729PEN	Palisade Capital Management, LLC (Small Cap Equity) (Domestic Equity)	07/01/19	06/30/25					
730PEN	Pacific Investment Management Company, LLC (PIMCO) (Domestic Equity)	08/01/19	07/31/25					
791PEN	Loomis, Sayles & Co., LP (Global Credit Investment Manager)	08/01/22	07/31/25					
793PEN	Scout Investments, Inc. - Reams Asset Management Division (Fixed Income - TIPS)	09/01/22	08/31/25					
775PEN	Channing Capital Management, LLC (Domestic Equity)	10/01/21	09/30/25					
<b>ADMINISTRATIVE OPERATIONS</b>								
785PEN	CEM Benchmarking, Inc. (Pension Administration Benchmarking)	10/15/21	10/14/22					
763PEN	Haworth, Inc. (HQ Furniture)	01/01/21	12/31/23					
788PEN	Segal Select Insurance Services, Inc. (Cyber Liability Insurance) (Governmental Side-A D&O Insurance)	11/01/21	10/31/24					
789PEN	DePasquale, Kelley & Company (Property Tax Consultant)	01/17/22	01/16/25					
792PEN	Total Commercial Real Estate, Inc. (Property Management Services - Neptune)	07/01/22	06/30/25					
<b>ADMINISTRATIVE SERVICES</b>								
RFP	Executive Recruitment	tbd	tbd		07/07/22		09/01/22	On 09/01/22 the Board approved a one-year contract with EFL Associates for Executive Recruitment. Contract execution is pending.

DEPARTMENT OF FIRE AND POLICE PENSIONS  
Active, Expired, and Upcoming Contracts  
September 30, 2022

Contract	Vendor / Services	Contract Term		Marketing Cessation Start Date <sup>1</sup>	Board Authorization Date			Comments
		Start Date	Expiration Date		New Search Date	Vendor/Candidate Finalist Date	Contract Award / Renewal Date	
757PEN	South Bay Document Destruction (Secure Document Shredding)	09/01/20	08/31/23				08/19/22	A one-year contract extension through 08/31/23 was executed on 08/19/22. On 07/01/21 Access acquired South Bay Document Destruction.
<b>BOARD OF FIRE &amp; POLICE PENSION COMMISSIONERS</b>								
C-137251	Reed Smith, LLP (Independent Conflict Counsel)	09/01/20	08/31/23					
<b>CITY ATTORNEY'S OFFICE</b>								
RFP	Outside Securities Monitoring and Litigation Counsel	tbd	tbd		11/18/21			On 06/16/22 the Board awarded three-year contracts to Bernstein Litowitz Berger & Grossmann LLP, Bleichmar Fonti & Auld LLP, Cohen Milstein Sellers & Toll PLLC, Robbins Geller Rudman & Dowd LLP, and Saxena White P.A. Contract executions are pending.
C-132366	Ice Miller, LLP (Outside Tax Counsel)	09/21/18	09/20/22					
C-132426	Reed Smith, LLP (Outside Tax Counsel)	09/21/18	09/20/22					
C-134747	Polsinelli, LLP (Health Law and Data Privacy)	12/01/19	11/30/22				02/17/22	A one-year contract extension through 11/30/23 was approved by the Board on 02/17/22.
C-134864	Foley & Lardner, LLP (Health Law and Data Privacy)	12/01/19	11/30/22				02/17/22	A one-year contract extension through 11/30/23 was approved by the Board on 02/17/22.
C-131108	Cohen Milstein Sellers & Toll, PLLC (Securities Litigation Monitoring Services)	03/01/18	02/28/23					
C-131110	Robbins Geller Rudman & Dowd, LLP (Securities Litigation Monitoring Services)	03/01/18	02/28/23					
C-137236	Kutak Rock, LLP (Independent Conflict Counsel)	09/01/20	08/31/23					
C-137238	Kutak Rock, LLP (Fiduciary Counsel)	09/01/20	08/31/23					
C-137243	Nossaman, LLP (Fiduciary Counsel)	09/01/20	08/31/23					
C-137247	Nossaman, LLP (Independent Conflict Counsel)	09/01/20	08/31/23					
C-137988	Foley & Lardner, LLP (Independent Conflict Counsel)	09/01/20	08/31/23					
C-137989	Foley & Lardner, LLP (Fiduciary Counsel)	09/01/20	08/31/23					
C-138738	Kutak Rock, LLP (Outside Real Estate and Investment Counsel)	07/01/21	06/30/24					
C-138739	Nossaman, LLP (Outside Real Estate and Investment Counsel)	07/01/21	06/30/24					
C-140007	Best Best & Krieger, LLP (Outside Tax Counsel)	03/01/22	02/28/25					
C-140008	Wellington Gregory, LLP (Outside Tax Counsel)	03/01/22	02/28/25					
C-140274	Ice Miller, LLP (Outside Tax Counsel)	03/01/22	02/28/25					
C-132346	Cohen Milstein Sellers & Toll, PLLC (Legal Representation)	08/02/18	until completion					
C-134354	Morgan Lewis & Bockius, LLP (Bingham) (Tribune Shareholders Legal Representation)	12/20/18	until completion					
C-139738	Danning, Gill, Israel & Krasnoff, LLP (Legal Representation)	11/18/21	until completion					
<b>COMMUNICATIONS &amp; EDUCATION</b>								
RFP	Seminar Program Catering Services	tbd	tbd		08/18/22			RFP was released on 09/30/22 and is scheduled to close on 10/21/22.
743PEN	Four Square Financial Literacy Partners, Inc. (Financial Planning Education)	12/05/19	12/04/22				07/21/22	A one-year contract extension through 12/04/23 was approved by the board on 07/21/22.
742PEN	Cambridge Financial Partners, LLC (Financial Counseling Services)	12/10/19	12/09/22				07/21/22	A one-year contract extension through 12/09/23 was approved by the Board on 07/21/22.
781PEN	Digital Deployment, Inc. (Website Design and Support Services)	10/01/21	09/30/23					
779PEN	Ourhome Catering (Seminar Program Catering Services)	10/01/21	09/30/24					

**DEPARTMENT OF FIRE AND POLICE PENSIONS**  
**Active, Expired, and Upcoming Contracts**  
**September 30, 2022**

Contract	Vendor / Services	Contract Term		Marketing Cessation Start Date <sup>1</sup>	Board Authorization Date			Comments
		Start Date	Expiration Date		New Search Date	Vendor/Candidate Finalist Date	Contract Award / Renewal Date	
790PEN	Geographics (Graphic Design Services)	06/16/22	06/15/25					
<b>DISABILITY PENSIONS</b>								
738PEN	Argus West, Inc. (Investigative Services)	11/01/19	10/31/22				04/07/22	A one-year contract extension through 10/31/23 was approved by the Board on 04/07/22.
751PEN	U.S. Legal Support (Court Reporting)	07/01/20	06/30/23					
766PEN	QTC Medical Group, Inc. (Independent Medical Exam Services)	07/01/21	06/30/24					
<b>INTERNAL AUDIT</b>								
773PEN	Simpson & Simpson Certified Public Accountants (Annual Financial Statements Audits)	07/18/21	07/17/24					
<b>MEDICAL &amp; DENTAL BENEFITS</b>								
N/A	Los Angeles Police Protective League (Dental Insurance Administration)	07/01/18	06/30/23					On 06/16/22 the Board tabled the release of an RFP for Dental Insurance Administration.
N/A	United Firefighters of Los Angeles City (Medical and Dental Insurance Administration)	07/01/18	06/30/23					On 06/16/22 the Board tabled the release of an RFP for Medical and Dental Insurance Administration.
N/A	Los Angeles Firemen's Relief Association (Medical Insurance Administration)	07/01/18	06/30/23					On 06/16/22 the Board tabled the release of an RFP for Medical Insurance Administration.
N/A	Los Angeles Police Relief Association (Medical and Dental Insurance Administration)	07/01/18	06/30/23					On 06/16/22 the Board tabled the release of an RFP for Medical Insurance Administration.
N/A	Los Angeles City Employee Retirement System (Health and Dental Plan Subgroups)	01/01/21	12/31/23					
772PEN	USI Insurance Services (Health Consulting Services)	06/07/21	06/06/24					
<b>PENSIONS DIVISION</b>								
767PEN	The Segal Company (Western States), Inc. (Actuarial Consulting Services)	07/01/21	06/30/24					
<b>SYSTEMS</b>								
619PEN	Verizon (CALNET4 Phone)	11/15/13	05/23/23					The contract has been extended as CALNET4 to 05/23/23 by the City of Los Angeles.
626PEN	Avenu Insights and Analytics, LLC. (Pension Administration System Replacement Project)	07/02/15	07/01/23					
687PEN	Northern Trust Company (Integrated Disbursement Services)	10/05/17	10/04/23					
616PEN	AT&T (CALNET4 Phone)	11/15/13	06/30/25					The contract has been extended as CALNET4 to 06/30/25 by the State of California.
617PEN	AT&T (CALNET4 Data)	11/15/13	06/30/25					The contract has been extended as CALNET4 to 06/30/25 by the State of California.

<sup>1</sup>Marketing Cessation: The purpose of this policy is to prevent, and avoid the appearance of, undue influence on the Board or any of its members in the award of all Investments contracts. In accordance with Section 9.0 of the Investment Policy, from the time the search begins with the Board's approval of the minimum criteria for the search until the search ends with the selection of the firm(s) to receive the contract(s), all direct marketing contact with firms that meet the search criteria will be limited to meetings with the Consultant, information sent to the Consultant or Department, questions about the search directed to the Staff or Consultant, one meeting at the Department's office with Staff and any site visits. The Board members, Department Staff or Consultant will accept no entertainment or gifts of any kind from any firm qualifying for the search. This policy does not prohibit contact with potential interview candidates at group social events, educational seminars, conferences, or charitable events so long as there is no direct marketing.

During the three months prior to the renewal of a contract with a firm currently under contract, the Board Members, Department Staff and Consultant will accept no entertainment or gifts from that firm until the contract has been renewed or terminated by the Board. Firms who currently have contracts with the Los Angeles Fire and Police Pension System are allowed to continue contact related to the existing contract with Staff and Consultant.

\*Expired contracts are listed in red. Expired investments contracts will remain on the list if the marketing cessation period is active and until a new contract is awarded.





## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022 **ITEM:** F.1

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** DETERMINATION TO CONTINUE TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361 AND POSSIBLE BOARD ACTION

---

#### **RECOMMENDATION**

That the Board adopt the attached Resolution that authorizes the Board to continue meeting via teleconference and/or videoconference, under Government Code Sections 54953(e)(1)(B)-(C) and 54953(e)(3)(A) and (B)(i).

#### **DISCUSSION**

LAFPP is committed to public access and participation in meetings of the Board of Fire and Police Pension Commissioners. All LAFPP Board meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code §§ 54950 – 54963), so that any member of the public may attend and participate as the LAFPP Board conducts its business. The Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions. The COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020, remains active and continues to be a public health concern in Los Angeles, with a High or Substantial rate of community transmission.

The Board met via teleconference and/or in the Board room on October 7, 2021, and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person without continuing to provide a teleconference and/or videoconference option for Board members and the public, as permitted by the Brown Act, would present imminent risks to the health or safety of attendees.

The attached draft resolution, if adopted by the Board by majority vote, would allow the Board to meet remotely under AB 361 for an additional thirty (30) days. Thereafter, the Board would need to reconsider the circumstances of the State of Emergency and make certain findings by majority vote every 30 days or fewer. Therefore, staff should also be directed to return to the Board on November 3, 2022, and every 30 days or fewer through December 2022, with the appropriate resolution for the Board to consider if it desires to hold future meetings remotely under the Brown Act, as amended by AB 361.

#### **BUDGET**

There is no budget impact.

## **POLICY**

There are no policy changes.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

William S. Raggio, Executive Officer  
Administrative Operations Division

JS:WS

Attachment: Resolution

**RESOLUTION TO CONTINUE HOLDING LAFPP BOARD MEETINGS BOTH IN THE LAFPP BOARD ROOM AND VIA TELECONFERENCE AND/OR VIDEOCONFERENCE, UNDER GOVERNMENT CODE SECTIONS 54953(e)(1)(B)-(C) AND 54953(e)(3)(A) and (B)(i).**

**PROPOSED RESOLUTION**

WHEREAS, LAFPP is committed to preserving public access and participation in meetings of the Board of Fire and Police Pension Commissioners; and

WHEREAS, all LAFPP Board meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code §§ 54950 – 54963), so that any member of the public may attend and participate as the LAFPP Board conducts its business; and

WHEREAS, the Brown Act, at Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020, remains active; and

WHEREAS, on October 7, 2021, the Board met via teleconference and/or in the Board room and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person without continuing to provide a teleconference and/or videoconference option for Board members and the public, as permitted by the Brown Act, would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with a High or Substantial rate of community transmission.

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board meetings in person without continuing to provide a teleconference and/or videoconference option for Board members and the public, as permitted by the Brown Act, would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of all Board members to meet safely in person.

BE IT FURTHER RESOLVED that the Board instruct staff to report back on November 3, 2022, and every thirty (30) days or fewer through December 2022, for the Board to reconsider the circumstances of the State of Emergency and determine, as required by Assembly Bill 361, whether that State of Emergency continues to directly impact the ability of the members to meet safely in person and/or state or local officials continue to impose or recommend measures to promote social distancing.



# ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** OCTOBER 20, 2022 **ITEM:** F.2

**FROM:** JOSEPH SALAZAR, INTERIM GENERAL MANAGER

**SUBJECT:** APPROVAL OF THE 2023 BOARD MEETING SCHEDULE

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### **RECOMMENDATION**

That the Board adopt the 2023 Board Meeting Schedule.

### **DISCUSSION**

Section 14.5 of the Board Governance Policy states, in relevant part, “the Board shall annually adopt a schedule for regular Board meetings.” Accordingly, staff submits the 2023 calendar to assist Board Members in preparation to attend regularly scheduled meetings.

As requested by the Board, major holidays, as well as religious holidays observed by Commissioners, are noted on the calendar. In 2023, there appears to be no conflicts with scheduled Board Meetings or holidays. If a Commissioner would like to modify the 2023 schedule, however, it is recommended that changes be made now to allow Commissioners to plan accordingly.

The regular Board meetings are held on the first and third Thursdays of the month in the Sam Diannitto Boardroom, located in the Los Angeles Fire and Police Pensions Building, 701 East 3rd Street, Suite 400, Los Angeles, CA 90013.

### **BUDGET**

There is no budget impact.

### **POLICY**

There are no policy changes.

### **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Evangelina Masud  
Commission Executive Assistant II  
Administrative Operations Division

JS:WSR:EM

Attachment: 2023 Board Meeting Schedule



**BOARD OF FIRE & POLICE PENSION COMMISSIONERS  
2023 BOARD MEETING SCHEDULE**

**2023**

**HOLIDAYS**

**JANUARY**

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**FEBRUARY**

SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

**JANUARY 2**  
NEW YEAR'S DAY  
**JANUARY 16**  
MARTIN LUTHER KING, JR. DAY

**FEBRUARY 20**  
PRESIDENT'S DAY

**MARCH**

SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

**APRIL**

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**MARCH 27**  
CESAR CHAVEZ DAY

**APRIL 5 (SUNSET) -  
APRIL 13 (NIGHTFALL) \***  
PASSOVER

**MAY**

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**JUNE**

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**MAY 29**  
MEMORIAL DAY

**JULY**

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

**AUGUST**

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**JULY 4**  
INDEPENDENCE DAY

**SEPTEMBER**

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

**OCTOBER**

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**SEPTEMBER 4**  
LABOR DAY  
**SEPT. 15 (SUNSET) -  
SEPT. 17 (NIGHTFALL) \***  
ROSH HASHANAH  
**SEPT. 24 (SUNSET) -  
SEPT. 25 (NIGHTFALL) \***  
YOM KIPPUR  
**OCTOBER 9**  
INDIGENOUS PEOPLES DAY

**NOVEMBER**

SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

**DECEMBER**

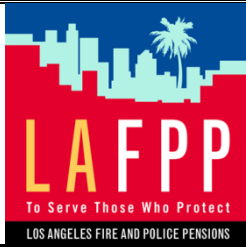
SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

**NOVEMBER 10**  
VETERAN'S DAY  
**NOVEMBER 23 & 24**  
THANKSGIVING

**DECEMBER 25**  
CHRISTMAS DAY

**LEGEND:** Board Meeting  
City Observed Holiday  
Jewish Holidays (\*Per Chabad.org)

Regular Board meetings are held in the Sam Diannitto Boardroom located at the Los Angeles Fire and Police Pensions building, 701 East 3rd Street, Suite 400, Los Angeles 90013 on the first and third Thursdays of the month at 8:30 a.m. Board meetings may be added or deleted at the discretion of the Board President.



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## ***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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### **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE: OCTOBER 20, 2022**

**ITEM: F.3**

**FROM: JOSEPH SALAZAR, INTERIM GENERAL MANAGER**

**SUBJECT: QUARTERLY TRAVEL REPORT FOR COMMISSIONERS AND STAFF**

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**THIS REPORT IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES.**

#### **DISCUSSION**

Staff provides the Board quarterly updates on travel expenditures for both Commissioners and staff. For Fiscal Year (FY) 2022-23, the department budgeted \$100,000 for Travel Expense. Through September 30, 2022, the department recorded total travel expenditures of \$12,600 of which \$6,787 was spent for Commissioners and \$5,813 was spent for staff.

In October 2019, the Board directed staff to include comparison data for the past three fiscal years. That information is provided in Attachment 2 of this report.

The following attachments are provided for the Board's information:

- 1) Fiscal year to date travel expenditures for Commissioners and Staff for FY 2022-23; and,
- 2) LAFPP Travel Quarterly Expense Trend (FY 2020 – 2023).

This report was prepared by:

Blas Rafols, Principal Accountant II  
Administrative Operations Division

JS:WSR:MC:BR

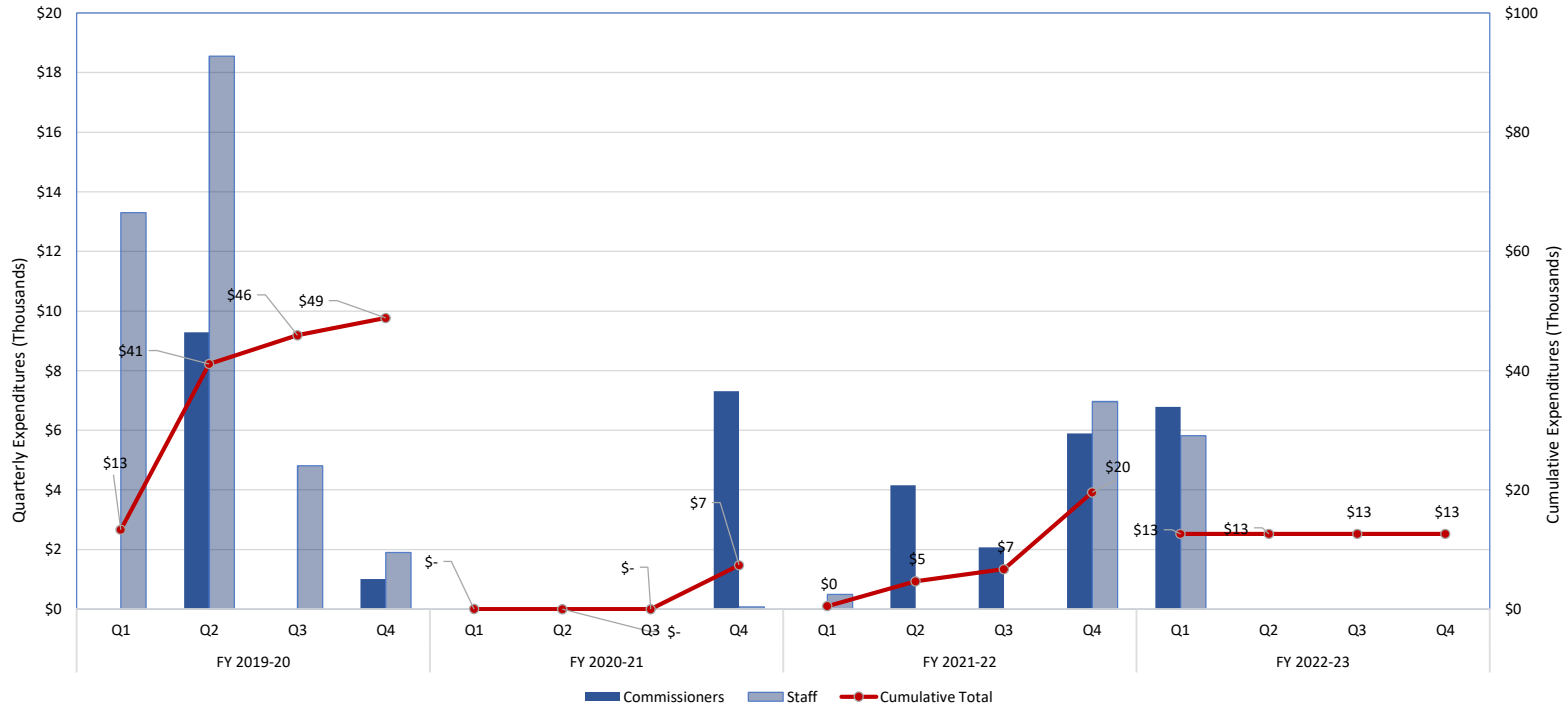
Attachments: I) Fiscal Year to Date Expenditures Summary for Commissioners & Staff  
II) LAFPP Travel Quarterly Expense Trend (FY2020 - FY23)

**DEPARTMENT OF FIRE AND POLICE PENSIONS  
STAFF & COMMISSIONERS TRAVEL REPORT  
SUMMARY FOR FISCAL YEAR 2022-23 (JULY 1, 2022 TO JUNE 30, 2023)**

Name	Location	Travel Dates	Estimated Expenses	Actual Expenses*	Date Submitted to Accounting	Date Approved by Accounting in FMS	# of Business Processing Days	Event/Organization**	Remarks
<b>STAFF</b>									
Ortiz, Bernice	Coronado, CA	08/25/22 08/27/22	\$ 844	\$ 844				LA Police Protective League Delegates Conference 2022	
Trevizo, Elizabeth	Coronado, CA	08/25/22 08/27/22	\$ 890	\$ 890				LA Police Protective League Delegates Conference 2022	
Yan, Bob	San Francisco, CA	08/28/22 09/01/22	\$ 4,079	\$ 4,079				VMWorld Conference 2022	
<b>TOTAL STAFF TRAVEL EXPENDITURES</b>				<b>\$ 5,813</b>					
<b>COMMISSIONERS</b>									
Ambriz, Andrea	Berkeley, CA	07/16/22 07/20/22	\$ 4,821	\$ 4,719	09/07/22	09/19/22	8	SACRS - Public Pension Investment Management Program	Paid
Parekh, Sumi	Berkeley, CA	07/16/22 07/20/22	\$ 4,807	\$ 2,068	(a) 08/24/22	08/26/22	2	SACRS - Public Pension Investment Management Program	Paid
<b>TOTAL COMMISSIONERS TRAVEL EXPENDITURES</b>				<b>\$ 6,787</b>					
<b>TOTAL TRAVEL EXPENDITURES</b>				<b>\$ 12,600</b>					
<b>AVERAGE NO. OF PROCESSING DAYS (BUSINESS DAYS) FROM DATE ACCOUNTING RECEIVES TO FMS APPROVAL DATE</b>									<b>5.0</b>
*If PES not yet submitted, amount used is estimate.									
**Event/Organization Acronym Guide									
SACRS	State Association of County Retirement Systems								
Notes:									
(a)	Resolution 22196 authorized prepayment of registration fee of \$2,500 from FY 21-22 budget.								

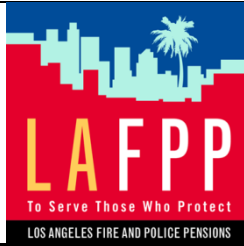
## LAFPP TRAVEL QUARTERLY EXPENSE TREND (FY 2020 - FY 2023)

	FY 2019-20				FY 2020-21				FY 2021-22				FY 2022-23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Commissioners	\$ -	\$ 9,285	\$ -	\$ 1,007	\$ -	\$ -	\$ -	\$ 7,305	\$ -	\$ 4,154	\$ 2,068	\$ 5,899	\$ 6,787	\$ -	\$ -	\$ -
Staff	\$ 13,300	\$ 18,546	\$ 4,805	\$ 1,895	\$ -	\$ -	\$ -	\$ 68	\$ 492	\$ -	\$ -	\$ 6,962	\$ 5,813	\$ -	\$ -	\$ -
Quarterly Total	\$ 13,300	\$ 27,831	\$ 4,805	\$ 2,902	\$ -	\$ -	\$ -	\$ 7,373	\$ 492	\$ 4,154	\$ 2,068	\$ 12,861	\$ 12,600	\$ -	\$ -	\$ -
Cumulative Total	\$ 13,300	\$ 41,131	\$ 45,936	\$ 48,838	\$ -	\$ -	\$ -	\$ 7,373	\$ 492	\$ 4,646	\$ 6,714	\$ 19,575	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600
Adopted/Adjusted Budget	\$ 162,400	\$ 162,400	\$ 141,000	\$ 66,000	\$ 79,000	\$ 79,000	\$ 79,000	\$ 79,000	\$ 92,500	\$ 92,500	\$ 92,500	\$ 92,500	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Remaining Balance	\$ 149,100	\$ 121,269	\$ 95,064	\$ 17,162	\$ 79,000	\$ 79,000	\$ 79,000	\$ 71,627	\$ 92,008	\$ 87,854	\$ 85,786	\$ 72,925	\$ 87,400	\$ 87,400	\$ 87,400	\$ 87,400
% of Budget Expended	8.2%	25.3%	32.6%	74.0%	0.0%	0.0%	0.0%	9.3%	0.5%	5.0%	7.3%	21.2%	12.6%	12.6%	12.6%	12.6%



FY 19-20 4th Qtr was reduced by \$7,445 - refund from IFEPP





# **DEPARTMENT OF FIRE AND POLICE PENSIONS**

701 E. 3rd Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE: OCTOBER 20, 2022**

**ITEM: F.4**

**FROM: JOSEPH SALAZAR, INTERIM GENERAL MANAGER**

**SUBJECT: QUARTERLY LEGISLATION TRACKING REPORT**

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**THIS REPORT IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES.**

Pursuant to the Board Governance Policy 9.17, Staff provides quarterly updates highlighting pension and healthcare benefit-related legislation introduced within and progressing through the State legislature and U.S. congressional chambers. This report provides the third quarter's activity for the 2022 calendar year.

### **DISCUSSION**

#### State Legislation

The Governor signed into law several pieces of legislation affecting public meetings:

- AB 2449 provides additional options and rules for teleconferencing under the Brown Act;
- AB 2647 allows a local agency to forego making meeting agendas and related Board materials available for public inspection, so long as they are posted to the agency's website and the web address is listed on the meeting agenda; and
- SB 1100 authorizes the presiding member of a legislative body to remove an individual for willfully interrupting a meeting.

Later this year, staff and the City Attorney will provide the Board with education on the changes to the Ralph M. Brown Act as a result of the passage of AB 2449 and AB 2647.

In addition, AB 1751, which applies the expanded definition of an employee injury to include illness or death resulting from COVID-19, was extended until January 1, 2024.

#### Federal Legislation

Staff continued to monitor S.4808 - *Enhancing American Retirement Now Act (EARN)*. On September 8, 2022, amended legislative text was introduced. The text included the amendments the committee approved, as well as a few technical corrections. The EARN Act had previously passed in the Senate Finance Committee in June 2022. In its current form, the EARN Act broadly reforms American retirement plans. Some changes this bill would make include:

- Under present law, an additional 10% tax applies to early distributions from tax-preferred retirement accounts such as 401(k) plans and IRAs. “This provision would provide an exception for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses,” the summary states. “Only one distribution would be permissible per year of up to \$1,000, and a taxpayer would have the option to repay the distribution within 3 years.”
- The EARN Act would also allow for penalty-free withdrawals from retirement plans for individuals in cases of domestic abuse.
- The bill also increases the age for required minimum distributions to 75 from 72, effective after 2031, and allows for indexing the limit on IRA catch-up contributions.

Details about these and additional legislative activity are included in the attached report.

## **BUDGET**

No budget impact associated with this report.

## **POLICY**

No policy changes associated with this report.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

Elizabeth Trevizo, Benefits Analyst  
Communications & Education

JS:GFM:ET

Attachment – Legislation Tracking

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
AB 386 (02/02/21)	Cooper	<p><b>AB 386 – Public Employees’ Retirement Fund: Investments: Confidentiality</b></p> <p>The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Current law excludes from the disclosure requirement certain records regarding alternative investments in which public funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by the Public Employees’ Retirement Fund. Under the bill, these records would include quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information.</p>	07/13/21 - In committee: Set, first hearing. Failed passage. Reconsideration granted.
AB 1130 (02/18/21)	Wood	<p><b>AB 1130 - California Health Care Quality and Affordability Act.</b></p> <p>This bill would establish, within HCAI (Department of Health Care Access and Information), the Office of Health Care Affordability to analyze the health care market for cost trends and drivers of spending, develop data-informed policies for lowering health care costs for consumers, set and enforce cost targets, and create a state strategy for controlling the cost of health care and ensuring affordability for consumers and purchasers. The bill would also establish the Health Care Affordability Advisory Board to recommend health care cost targets and to advise the Director of Statewide Health Planning and Development and the office.</p> <p>The bill would require the director to establish a statewide health care cost target for total health care expenditures and specific targets by health care sector and geographic region. The bill would authorize the office to take progressive actions against health care entities for failing to meet the cost targets, including corrective action plans and escalating administrative penalties. The bill would establish the Health Care Affordability Fund for the purpose of receiving and, upon appropriation by the Legislature, expending revenues collected pursuant to the provisions of the bill.</p>	02/14/22 - From committee chair, with author’s amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Cmte. on HEALTH.

LEGISLATION TRACKING

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
		<p>The bill would require the office to set priority standards for various health care metrics, including health care quality and equity, alternative payment methods, primary care and behavioral health investments, and health care workforce stability. The bill would require the office to gather data and present a report on baseline health care spending trends and underlying factors on or before June 1, 2024. On or before June 1, 2025, the bill would require the office to prepare and publish annual reports concerning health care spending trends and underlying factors, along with policy recommendations to control costs and the other stated metrics.</p>	
<p>ACA 11 (01/05/22)</p>	<p>Kalra</p>	<p><b>ACA-11 - Taxes to Fund Health Care Coverage and Cost Control</b></p> <p>This measure imposes an excise tax, payroll taxes, and a State Personal Income CalCare Tax to fund comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of all state residents, as well as reserves to ensure payment, to be established in statute. The CalCare Trust Fund (State Treasury) is established for deposit of these tax revenues and disbursement as purposed. By statute passed by majority vote of both houses, the Legislature is authorized to, 1) increase any or all of these tax rates based on economic analysis determining insufficient funds; and 2) appropriate CalCare funds (excluded from the limitation on appropriations and consideration for purposes of educations funding). These provisions are prohibited from becoming operative until the later operative date of a statute establishing comprehensive universal single-payer health care coverage, cost control system and necessary reserves, and a statue that establishes the administration, collection, and enforcement of the taxes imposed by the measure.</p>	<p>01/06/22 - From printer. May be heard in committee February 5.</p> <p>This amendment relies on passage of AB 1400 or statute for comprehensive universal healthcare and other related provisions.</p>

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
AB 1711 (01/26/22)	Seyarto	<p><b>AB 1711- Privacy: Breach</b></p> <p>This bill would require an agency to post a notice on the agency’s internet website when a person or business operating a system on behalf of the agency is required to issue a security breach notification for that system pursuant to the described provisions, as specified</p>	09/23/22 – Vetoed by the Governor.
AB 1751 (02/01/22)	Daly	<p><b>AB 1751 – Workers’ compensation: COVID-19: critical workers.</b></p> <p>Existing law defines “injury” for an employee to include illness or death resulting from the 2019 novel coronavirus disease (COVID-19) under specified circumstances, until January 1, 2023. It creates a disputable presumption, as specified, that the injury arose out of and in the course of the employment and is compensable, for specified dates of injury.</p> <p>This bill would extend the above-described provisions relating to COVID-19 until January 1, 2024.</p>	09/12/22 – Enrolled and presented to the Governor. 09/29/22—Approved by the Governor
AB 1944 (02/10/22)	Lee	<p><b>AB 1944 - Local government: open and public meetings</b></p> <p>This bill would specify that if a member of a legislative body elects to teleconference from a location that is not public, the address does not need to be identified in the notice and agenda or be accessible to the public when the legislative body has elected to allow members to participate via teleconferencing.</p> <p>This bill would require all open and public meetings of a legislative body that elects to use teleconferencing to provide a video stream accessible to members of the public and an option for members of the public to address the body remotely during the public comment period through an audio-visual or call-in option.</p>	06/22/22 – In Committee: Hearing postponed by committee.  This is a follow-up bill to AB 339 (vetoed).

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
<p>AB 2449 (02/17/22)</p>	<p>Rubio</p>	<p><b>AB 2449 - Open meetings: local agencies: teleconferences.</b></p> <p>Existing law, until January 1, 2024, authorizes a local agency to use teleconferencing without complying with certain strict Brown Act requirements when a declared state of emergency exists and the board finds that it continues to directly impact the ability of members to meet safely in person.</p> <p>Beginning January 1, 2023 until January 1, 2026, this bill provides additional options and rules for teleconferencing without complying with certain strict Brown Act requirements.</p> <p>If at least a quorum participates in person from a singular physical location that is clearly identified on the agenda, open to the public and situated within the local agency’s jurisdiction, then a member may participate remotely (with both video and audio on) under two circumstances:</p> <ul style="list-style-type: none"> <li>• For “just cause”—by notifying the board at the earliest opportunity (as late as the beginning of the meeting) and providing a general description of the circumstances justifying virtual attendance (e.g., childcare or caregiving need, contagious illness, physical or mental disability, or traveling while on official board business); or</li> <li>• Due to “emergency circumstances”—by requesting the board allow the member’s virtual attendance (board action/vote required) and providing a general description of the emergency circumstances (e.g., physical or family medical emergency described in 20 words or less without disclosing any personal medical information, diagnosis or disability).</li> </ul> <p>A member participating remotely must disclose whether a person over 18 is present in the room with the member and the general nature of their relationship.</p> <p>Remote participation cannot exceed three consecutive months or 20% of regular meetings per calendar year, and a member is limited to two virtual attendances based on “just cause” per calendar year.</p>	<p>09/13/22 – Approved by the Governor</p>

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
AB 2647 (02/18/22)	Levine	<p><b>AB 2647 – Local government: open meetings</b></p> <p>This bill modifies requirements for distribution of agendas and related public records. A local agency may forego making meeting agendas and related Board materials available for public inspection, so long as they are posted to the agency’s website and the web address is listed on the meeting agenda.</p>	<p>08/29/22 – Enrolled and presented to the Governor.</p> <p>09/30/22—Approved by the Governor</p>
SB 284 (02/01/21)	Stern	<p><b>SB 284 – Workers’ Compensation: Firefighters and Peace Officers: Post-Traumatic Stress</b></p> <p>Current law, under the workers’ compensation system provides, only until January 1, 2025, that, for certain state and local firefighting personnel and peace officers, the term “injury” includes post-traumatic stress that develops or manifests during a period in which the injured person is in the service of the department or unit but applies only to injuries occurring on or after January 1, 2020. Existing law requires the compensation awarded pursuant to this provision to include full hospital, surgical, medical treatment, disability indemnity, and death benefits. This bill would make that provision applicable to active firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, and the Military Department, and to additional peace officers, including security officers of the Department of Justice when performing assigned duties as security officers and the officers of a state hospital under the jurisdiction of the State Department of State Hospitals or the State Department of Developmental Services, among other officers.</p>	<p>09/29/22 – Vetoed by the Governor.</p>
SB 937 (02/07/22)	Bogh	<p><b>SB 937 – Subpoenas: business records.</b></p> <p>This bill would additionally allow deposition subpoenas that command only the production of business records to be served not only personally, but by overnight delivery, facsimile transmission, or electronic means, as specified.</p> <p>This bill would extend the time period for compliance by two additional court days if a subpoena is served by overnight delivery, facsimile transmission, or electronic means.</p>	<p>06/07/22 - June 14 set for first hearing canceled at the request of author.</p>
SB 1100 (02/16/22)	Cortese	<p><b>SB 1100 – Open Meetings: Orderly Conduct</b></p>	

LEGISLATION TRACKING

Attachment

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Statewide Legislation: 2021-2022</b>			
		<p>This bill would authorize the presiding member of the legislative body conducting a meeting to remove an individual for willfully interrupting the meeting. The bill, except as provided, would require removal to be preceded by a warning by the presiding member of the legislative body that the individual is disrupting the proceedings, a request that the individual curtail their disruptive behavior or be subject to removal, and a reasonable opportunity to respond to the warning.</p>	<p>08/22/22 – Approved by the Governor.</p>



Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Federal Legislation – 117<sup>th</sup> Congress: 2021-2022</b>			
<p>H.R. 82 (01/04/21)</p> <p>S. 1302 (04/22/21)</p>	<p>Davis</p> <p>Brown</p>	<p><b>H.R. 82 - Social Security Fairness Act of 2021</b></p> <p>This bill repeals provisions that reduce Social Security benefits for individuals who receive other benefits, such as a pension from a state or local government. The bill eliminates the government pension offset, which in various instances reduces Social Security survivors' benefits for spouses, widows, and widowers who also receive government pensions of their own. The bill also eliminates the windfall elimination provision, which in some instances reduces Social Security benefits for individuals who also receive a pension or disability benefit from an employer that did not withhold Social Security taxes. These changes are effective for benefits payable after December 2021.</p>	<p>09/21/22 – Placed on the Union Calendar, Calendar No. 372.</p> <p>06/16/21 – Los Angeles City Council passed a resolution in support of H.R. 82. (CFNo. 21-0002-S135)</p>
<p>H.R. 409 (01/21/21)</p> <p>H.R. 423 (01/21/21)</p> <p>S. 547 (03/02/21)</p>	<p>Neal</p> <p>Scott</p> <p>Brown</p>	<p><b>H.R. 409 – Emergency Pension Plan Relief Act of 2021</b></p> <p>This bill modifies the funding rules and provides financial assistance for certain pension plans that are underfunded or insolvent.</p> <p>First, the bill expands the authority of, and provides funding for, the Pension Benefit Guaranty Corporation (PBGC) to provide special partition assistance to a multiemployer pension plan that is insolvent or at risk of insolvency. The bill expands eligibility for partition assistance, provides funding for a plan to reach a projected funded ratio of 80% over a 30-year period, and does not require a plan to repay such assistance.</p> <p>The bill further permits a multiemployer pension plan to elect to retain its funding zone status from the previous year for either (1) the first plan year beginning during the period from March 1, 2020, through February 28, 2021; or (2) the next succeeding plan year, as designated by the plan sponsor. A plan may also extend by five years the funding improvement or rehabilitation period if the plan is designated as in endangered or critical status for a plan year beginning in 2020 or 2021. A plan in critical and declining status may not suspend payment of plan benefits.</p>	<p>01/21/21 – Referred to Cmte. on Education and Labor and in addition to the Cmte. on Ways and Means.</p>

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Federal Legislation – 117<sup>th</sup> Congress: 2021-2022</b>			
		<p>Additionally, the bill adjusts the minimum funding standards for a multiemployer pension plan to account for investment losses and other losses related to the COVID-19 pandemic and modifies the PBGC guarantee formula to increase the maximum potential benefits under a multiemployer pension plan.</p> <p>Finally, the bill makes changes with respect to single employer pension plans, including revising the amortization rules and extending and modifying the pension funding stabilization percentages.</p>	
<p>H.R. 480 (01/25/21)</p>	<p>Porter</p>	<p><b>H.R. 480 - Medicare Economic Security Solutions Act</b></p> <p>This bill modifies provisions relating to enrollment periods for Medicare medical services.</p> <p>Among other things, the bill establishes a late enrollment penalty of 15% of monthly premiums and applies the penalty for a period equal to twice the number of months in each 12-month period during which the individual was not enrolled. Currently, the late enrollment penalty is 10% of monthly premiums for each 12-month period during which the individual was not enrolled, and the penalty continues to apply for as long as the individual is enrolled in Medicare medical services. The bill also expands the special enrollment periods to individuals who have health insurance coverage other than through their employer.</p>	<p>02/02/21 - Referred to the Subcmte. on Health.</p> <p>08/16/21 – Board’s recommendation referred to the Council Cmte. on Rules, Elections and Intergovernmental Relations to include support for HR 480 in the 2021-2022 Federal Legislative Program. CFNo. 21-0002-S157</p>

Bill No./ Initiative (Version)/ Introduced	Author	Summary	Status
<b>Federal Legislation – 117<sup>th</sup> Congress: 2021-2022</b>			
H.R. 483 (01/25/21)	Ruiz	<p><b>H.R. 483 – Heroes Lesley Zerebny and Gilbert Vega First Responders Survivors Support Act of 2021</b></p> <p>This bill makes changes to benefits under the Public Safety Officers' Benefits (PSOB) program. The PSOB program provides death, disability, and education benefits to public safety officers and survivors of public safety officers who are killed or permanently disabled in the line of duty.</p> <p>Specifically, the bill modifies the program to (1) increase the death [from \$250,000 to \$550,000] and disability benefit, (2) revise the date of determination for the amount of the death and disability benefit [from date of death or catastrophic injury to date determination is made subsequent to application or to make payment respectively,] and (3) increase the monthly education assistance benefit and otherwise revise the computation method for such benefit.</p> <p>The bill also directs the Government Accountability Office to examine and identify ways to improve access to benefits and the processing of claims under the program.</p>	03/05/21 – Referred to the Subcmte. on Crime, Terrorism, and Homeland Security.
H.R. 725 (02/02/21)  S. 153 (02/02/21)	Roy  Cruz	<p><b>H.R. 725 – Personalized Care Act of 2021</b></p> <p>This bill revises provisions relating to health savings accounts (HSAs), including to:</p> <ul style="list-style-type: none"> <li>• redefine <i>eligible individual</i> for HSA purposes to allow increased participation in HSAs [decouples HSAs from high deductible health insurance plans],</li> <li>• increase the limit on contributions to HSAs,</li> <li>• permit the payment of health insurance premiums from HSAs,</li> <li>• include within the definition of <i>qualified medical expenses</i> periodic fees paid for medical services and amounts paid by a member of a health care sharing ministry,</li> <li>• treat periodic provider fees as deductible medical expenses, and</li> <li>• lower the 20% penalty for nonqualified distributions from HSAs to 10%.</li> </ul>	02/02/21 – Referred to the House Cmte. on Ways and Means.

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<p>H.R. 1068 (02/15/21)</p> <p>S. 1598 (05/12/21)</p>	<p>Pascrell</p> <p>Baldwin</p>	<p><b>H.R. 1068 – Carried Interest Fairness Act of 2021</b></p> <p>This bill modifies the tax treatment of carried interest, which is compensation that is typically received by a partner of a private equity or hedge fund and is based on a share of the fund's profits. (Under current law, carried interest is taxed as investment income rather than at ordinary income tax rates.)</p> <p>This bill includes provisions that:</p> <ul style="list-style-type: none"> <li>• set forth a special rule for the inclusion in gross income of partnership interests transferred in connection with the performance of services,</li> <li>• treat as ordinary income the net capital gain with respect to an investment services partnership interest except to the extent such gain is attributable to a partner's qualified capital interest,</li> <li>• exempt income from investment services partnership interests from treatment as qualifying income of a publicly traded partnership,</li> <li>• exempt certain family partnerships from the application of this bill,</li> <li>• increase the penalty for underpayments of tax resulting from failure to treat income from an investment services partnership interest as ordinary income, and</li> <li>• include income and loss from an investment services partnership interest for purposes of determining net earnings from self-employment and applicable self-employment taxes.</li> </ul> <p>The bill defines <i>investment services partnership interest</i> as any interest in a partnership held by a person who provides services to a partnership by (1) advising the partnership about investing in, purchasing, or selling specified assets; (2) managing, acquiring, or disposing of specified assets; or (3) arranging financing with respect to acquiring specified assets.</p>	<p>02/15/21 – Referred to the House Cmte. on Ways and Means.</p>
<p>H.R. 1860 (03/11/21)</p>	<p>Stivers</p>	<p><b>H.R. 1860 – Responsible Additions and Increases to Sustain Employee Health Benefits Act of 2021.</b></p>	<p>03/11/21 – Referred to the House Cmte. on Ways and</p>

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		<p>This bill modifies the tax exclusion for distributions from health flexible spending arrangements provided to employees under a cafeteria plan to (1) increase the annual limit on employee salary reduction contributions to \$5,000, with an additional \$500 for each additional employee dependent above two dependents that has not been taken into account by another person for the year; (2) revise the adjustment for inflation after 2021; and (3) allow a carryforward into the next year for unused amounts in such plans.</p>	Means.
H.R. 1976 (03/17/21)	Jayapal	<p><b>H.R. 1976 - Medicare for All Act of 2021</b></p> <p>This bill establishes a national health insurance program that is administered by the Department of Health and Human Services (HHS).</p> <p>Among other requirements, the program must (1) cover all U.S. residents; (2) provide for automatic enrollment of individuals upon birth or residency in the United States; and (3) cover items and services that are medically necessary or appropriate to maintain health or to diagnose, treat, or rehabilitate a health condition, including hospital services, prescription drugs, mental health and substance abuse treatment, dental and vision services, and long-term care.</p> <p>The bill prohibits cost-sharing (e.g., deductibles, coinsurance, and copayments) and other charges for covered services. Additionally, private health insurers and employers may only offer supplemental, not duplicative, benefits. Health insurance exchanges and specified federal health programs (excluding coverage through VA and Indian Health Service) terminate upon program implementation.</p> <p>The bill also establishes a series of implementing provisions relating to (1) health care provider participation; (2) HHS administration; and (3) payments and costs, including the requirement that HHS negotiate prices for prescription drugs.</p> <p>Individuals 18 or younger, age 55 or older, or already enrolled in Medicare may enroll in the</p>	05/18/21 – Referred to the Subcmte. on Crime, Terrorism and Homeland Security.

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		<p>program starting one year after enactment of this bill; other individuals may buy into the program at this time.</p>	
<p>H.R. 2010 (03/18/21)</p> <p>S. 983 (03/25/21)</p>	<p>DeFazio</p> <p>Whitehouse</p>	<p><b>H.R. 2010 – Public Option Deficit Reduction Act</b></p> <p>This bill seeks to amend the Patient Protection and Affordable Care Act to establish a public health insurance option through health insurance exchanges that must be administered directly by HHS.</p> <p>The public option must comply with the same general requirements as other plan types available on exchanges, including with respect to available benefits, benefit levels, provider networks, notices, consumer protections, and cost sharing. Medicare health care providers are automatically participants in the public option unless they opt out, and providers not participating in Medicare may opt in. In addition, the bill establishes requirements for setting premiums, payment rates, and provider incentives.</p> <p>The bill provides funding to establish the public health insurance option, which HHS must repay over 10 years.</p>	<p>03/19/21 – Referred to the Subcmte. on Health.</p>
<p>H.R. 2337 (04/01/21)</p>	<p>Neal</p>	<p><b>H.R. 2337 – Public Servants Protection and Fairness Act of 2021.</b></p> <p>To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.</p> <p>This bill establishes an alternative formula to calculate Social Security retirement benefits for those who receive pensions for certain non-covered employment. (The existing formula is known as the Windfall Elimination Provision.)</p> <p>The alternative formula adjusts an individual’s total lifetime earnings based on the proportion of covered earnings (i.e., earnings subject to Social Security payroll taxes). It applies to</p>	<p>04/01/21 – Referred to the Subcmte. on Social Security.</p>

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		<p>individuals who (1) first become eligible for benefits after 2022, (2) have earnings from non-covered service performed after 1977, and (3) have less than 30 years of coverage (i.e., years in which a beneficiary is considered to have contributed a substantial amount into the Social Security trust funds).</p> <p>Beneficiaries receive the higher benefit amount as calculated under the alternative method or the existing formula. In addition, the bill provides rebates for certain beneficiaries currently impacted by the existing formula.</p> <p>The Social Security Administration must include non-covered earnings in Social Security account statements, and the Government Accountability Office must study the availability of certain information related to retirement plans maintained by state and local governments.</p>	
H.R. 2954 (05/04/21)	Neal	<p><b>H.R. 2954 – Securing a Strong Retirement Act of 2021 [SECURE ACT 2.0]</b></p> <p>This bill seeks to increase retirement savings, simplify and clarify retirement plan rules, and for other purposes. Amendments include the following:</p> <p>1. Sec. 105.; Increase the age trigger for Required Minimum Distributions incrementally to age 75 by 2032.</p> <p>2. Sec.301. RECOVERY OF RETIREMENT PLAN OVERPAYMENTS.</p> <p>(1) (bb) SPECIAL RULES APPLICABLE TO BENEFIT OVERPAYMENTS</p> <p>(1) A plan shall not fail to be treated as satisfying the requirements of section 219(g)(5) (A)(i-iv), 401(a) or 403 because—(A) the plan fails to obtain payment from any participant, beneficiary, employer, plan sponsor, fiduciary, or other party on account of any inadvertent benefit overpayment made by the plan, or (B) the plan sponsor amends the plan to increase past or future benefit payments to affected participants and beneficiaries in order to adjust for prior inadvertent benefit overpayments.</p> <p>(2) REDUCTION IN FUTURE BENEFIT PAYMENTS AND RECOVERY FROM RESPONSIBLE PARTY. Paragraph (1) shall not fail to apply to a plan merely because, after</p>	03/30/22 – Received in Senate and read twice and referred to the Cmte. on Finance.
H.R. 2741 (04/21/21)	Panetta		
S. 1770 (05/20/21)	Cardin		

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		<p>discovering a benefit overpayment, such plan— (A) reduces future benefit payments to the correct amount provided for under the terms of the plan, (B) seeks recovery from the person or persons responsible for such overpayment.</p> <p>Sec.302.(b) REDUCTION IN EXCISE TAX ON FAILURES TO TAKE REQUIRED MINIMUM DISTRIBUTIONS (from 25% to 10%)</p> <p>SEC.311.EXCLUSION OF CERTAIN DISABILITY-RELATED FIRST RESPONDER RETIREMENT PAYMENTS (a) IN GENERAL.— Chapter I, Part III of subchapter B is amended: In the case of an individual who receives qualified first responder retirement payment for any taxable year, gross income shall not include so much of such payment as do not exceed the annualized excludable disability amount with respect to such individual.</p>	
H.R. 3458 (05/21/21)	Babin	<p><b>H.R. 3458 - State and Local Pensions Accountability and Security Act</b></p> <p>This bill prohibits the Department of the Treasury and the Federal Reserve Board from providing any loan, grant, or other form of financial assistance in support of a state or local pension plan.</p>	05/21/21 - Referred to the Cmte. on Education and Labor, and in addition to the Cmte. on Financial Services.
H.R. 3775 (06/08/21)	Khanna	<p><b>H.R. 3775 - State-Based Universal Health Care Act of 2021</b></p> <p>This bill establishes the option for states, or groups of states, to apply to waive certain federal health insurance requirements and provide residents with health insurance benefits plans through a state-administered program. Such programs must cover 95% of the residents in the state within five years and plan benefits must be at least as comprehensive and affordable as the coverage under the equivalent federal program.</p> <p>State programs are supported with funds from the federal programs the state programs replace, which may include Medicare, Medicaid, the Children's Health Insurance Program, the Federal Employee Health Benefits program, certain federal tax credits, and premium-assistance funds, among others.</p>	<p>06/09/21 - Referred to the Subcmte. on Health.</p> <p>AB 1400 is a state counterpart bill to this bill whose author is a CA representative.</p>



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H.R. 3833 (06/11/21)	Levin	<p><b>H.R. 3833 – Equal Dignity for Married Taxpayers Act of 2021</b></p> <p>This bill modifies several tax provisions that refer to married couples to make the provisions equally applicable to legally married same-sex couples.</p>	06/11/21 - Referred to the House Cmte. on Ways and Means.
H.R. 3874 (06/14/21)	McHenry	<p><b>H.R. 3874 - To amend the Internal Revenue Code of 1986 to provide that governmental pension plans may include certain firefighters, emergency medical technicians, and paramedics, and for other purposes.</b></p> <p>This bill expands tax-exempt governmental pension plans to include plans maintained by a tax-exempt public safety agency all of whose employees are emergency response providers performing firefighting services or out-of-hospital emergency medical services.</p>	06/14/21 - Referred to the Cmte. on Education and Labor, and in addition to the Cmte. on Ways and Means.
H.R. 4148 (06/24/21)  S. 2236 (06/24/21)	Malinowski  Brown	<p><b>H.R. 4148 – Expanding Health Care Options for Early Retirees Act</b></p> <p>This bill allows first responders aged 50 to 64 to enroll in Medicare if they are retired or otherwise separated from service due to a disability. Coverage under the existing Medicare program would remain unchanged. Retirees would be eligible for tax credits, subsidies, and tax-advantaged contributions from their former employer or pension plan.</p>	06/25/21 - Referred to the Subcmte. on Health.  Effort is underway to attach this bill to H.R. 2954, Secure Act 2.0 (see above).
H.R. 4453 (07/16/21)	Gosar	<p><b>H.R. 4453 - No Tax on Social Security Act of 2021</b></p> <p>This bill excludes from gross income, for income tax purposes, social security benefits (i.e., Title II retirement benefits).</p>	07/16/21 - Referred to the House Cmte. on Ways and Means.
H.R. 4640 (07/22/21)	Doggett	<p><b>H.R. 4640 – Close the Medigap Act of 2021</b></p> <p>To amend title XVIII of the Social Security Act to provide for certain reforms with respect to Medicare supplemental health insurance policies.</p> <p>This bill (1) expands guaranteed issue rights with respect to Medigap policies (Medicare supplemental health insurance policies), (2) eliminates certain limitations on Medigap policies for newly eligible Medicare</p>	07/23/21 – Referred to the Subcmte. on Health.

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		beneficiaries, and (3) modifies other provisions related to Medigap policies. (Guaranteed issue rights require that a policy be offered to any eligible applicant without regard to health status.)	
H.R. 4788 (07/29/21)	Letlow	<p><b>H.R. 4788 – Wellbeing for Every Public Servant Act of 2021</b></p> <p>To amend title II of the Social Security Act to restrict the application of the windfall elimination provision to individuals whose combined monthly income from benefits under such title and other monthly periodic payments exceeds a minimum wage-indexed amount of \$5,500 and to provide for a graduated implementation of such provision on amounts above such minimum amount.</p>	07/29/21 – Referred to the Subcmte. on Social Security.
H.R. 5165 (09/03/21)  H.R. 5099 (08/24/21)  S.1844 (05/26/21)	Jayapal	<p><b>H.R. 5165 – Improving Medicare Coverage Act</b></p> <p>To amend titles II and XVIII of the Social Security Act to temporarily expand eligibility for Medicare.</p> <p>Specifically, the bill lowers the age of eligibility for Medicare from 65 to 60. The Centers for Medicare &amp; Medicaid Services must establish procedures to provide for automatic enrollment of qualifying individuals. Enrollment must be completed within 11 months of the bill's enactment.</p> <p>The bill's provisions take effect six months after the bill's enactment and terminate five years later.</p>	09/06/21 - Referred to the Subcmte. on Health.

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H.R. 5376 (09/27/21)	Yarmuth	<p><b>H.R. 5376 –Inflation Reduction Act of 2022</b></p> <p>This bill addresses individual retirement accounts, required minimum distributions and Medicare Part D benefit redesign. Its provisions include the following:</p> <ol style="list-style-type: none"> <li>1. a tax on employers failing to maintain or facilitate automatic contribution plan or arrangement</li> <li>2. requirements for deferral only arrangements</li> <li>3. contribution limits on individual retirement plans of high-income taxpayers with large account <i>balances [the effective date was delayed to 2029]</i></li> <li>4. an increase in required minimum distributions for high income taxpayers with large account balances <i>[the effective date was delayed to 2029]</i></li> <li>5. expansion of Medicare Part D coverage to include vision, dental and hearing benefits, and eligibility rules for enrollment. The House bill authorizes Medicare to negotiate pricing of specific medications and includes private insurance (employer-sponsored and marketplace coverage) in reduced cost sharing for lifesaving medication/insulin. medication. Medicare Part B and Medicare Advantage will cover hearing services, and hearing aids based on level of auditory severity.</li> </ol>	08/16/22 – Became Public Law No: 117-169
H.R. 5563 (10/12/21)	Latta	<p><b>H.R. 5563 – Stop Penalizing Working Seniors Act</b></p> <p>This bill allows Medicare-eligible individuals who are age 65 or older to contribute to health savings accounts if their entitlement to Medicare benefits is limited to hospital insurance benefits under Medicare Part A.</p>	10/12/21 – Referred to the Subcmte. on Health.
H.R. 5600 (10/15/21)  S. 2881 (09/28/21)	Soto	<p><b>H.R. 5600 – Guardianship Accountability Act of 2021</b></p> <p>To assist States in improving guardianship oversight and data collection. The purpose of this act is to designate a National Resource Center on Guardianship; authorize grants for the purpose of developing State Guardianship Databases; and establishing procedures for</p>	10/15/21 – Referred to the House Cmte. on the Judiciary.

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		sharing background check information related to appointed guardians with other jurisdictions.	
H.R. 5622 (10/19/21)	Gallego	<p><b>H.R. 5622 – Vaccine Accountability and Premium Protection Act</b></p> <p>To amend title XXVII of the Public Health Service Act to allow for premium rates in the group and individual health insurance markets to vary during the COVID-19 emergency period based on COVID-19 vaccination status and for other purposes.</p>	10/20/21 – Referred to the Subcmte. on Health.
H.R. 5723 (10/26/21)  S. 3071 (10/26/21)	Larson  Blumenthal	<p><b>H.R. 5723 - Social Security 2100: A Sacred Trust</b></p> <p>To protect our Social Security system and improve benefits for current and future generations. Among other means, this bill seeks to strengthen benefits by repealing the government pension offset and windfall elimination provisions, providing for a more accurate cost-of-living adjustment, improving benefits for widows and widowers in two-income households. It also seeks to strengthen the Trust Fund by creating the Social Security Trust Fund comprised of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, and directing all securities, appropriations, and applicable taxes to it; and to improve services.</p>	10/27/21 - Referred to the Subcmte, on Health.
H.R. 5834 (11/03/21)	Brady	<p><b>H.R. 5834 – Equal Treatment of Public Servants Act of 2021</b></p> <p>To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment, and for other purposes</p>	11/03/21 – Referred to the Subcmte. on Social Security.
H.R. 5891 (11/05/21)	Scott	<p><b>H.R. 5891 – Retirement Improvement and Savings Enhancement Act [RISE Act]</b></p> <p>To improve and enhance retirement savings, and for other purposes.</p> <p>This bill establishes provisions for the following:</p> <ul style="list-style-type: none"> <li>• A Retirement Savings Lost and Found</li> <li>• A Retirement Plan Modernization Act</li> </ul>	02/25/22 - Reported (Amended) by the Cmte. on Education and Labor. <u>H. Rept. 117-250</u> , Part I. Cmte. on Ways and Means discharged.

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		<p>that amends IRC sections 401(a)(31)(B)(ii) and 411(a)(11)(A) whereby an eligible plan will provide that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed \$7,000 [up from \$5,000] shall be immediately distributed to the participant</p> <ul style="list-style-type: none"> <li>• Multiple Employer 403(b) Plans shall be treated as one single employer in the case of annuity contracts.</li> <li>• Performance benchmarks for asset allocation funds</li> <li>• Pooled employer plans modification</li> <li>• The recovery of retirement plan overpayments, and for other purposes.</li> </ul>	
H.R. 6228 (12/09/21)	Manning	<p><b>H.R. 6228 – Capping Prescription Costs Act of 2021</b></p> <p>To limit cost-sharing for prescription drugs, and for other purposes.</p>	12/09/21 – Referred to the House Cmte. on Energy and Commerce.
H.R. 6474 (01/21/22)	Van Dyne	<p><b>H.R. 6474 – Health Savings Freedom Act of 2022</b></p> <p>This bill revises health savings account (HSA) provisions to (1) increase the limit on contributions to such accounts for individuals and families, (2) eliminate the requirement to maintain high deductible coverage as a condition of eligibility for participation in such accounts, and (3) expand the definition of qualified medical expenses for purposes of HSAs to include medicine and drugs and certain long-term care expenses.</p>	01/21/22 - Referred to the House Cmte. on Ways and Means.
H.R. 6515 (01/28/22)	Biggs	<p><b>H.R. 6515 – Responsible Path to Full Obamacare Repeal Act.</b></p> <p>To repeal the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.</p>	01/28/22 - Referred to the Cmte. on Energy and Commerce, and the Cmtes. on Ways and Means, Education and Labor, Natural Resources, the Judiciary, House Administration, Rules, and Appropriations.
H.R. 6943 (03/07/22)	Trone	<p><b>H.R. 6943 – Public Safety Officer Support Act of 2022</b></p>	08/16/22 – Became Public Law No: 117-172.
S. 3635 (02/10/22)	Duckworth	To amend the Omnibus Crime Control and Safe Streets Act of 1968 to authorize public safety	

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		officer death benefits to officers suffering from post-traumatic stress disorder or acute stress disorder, and for other purposes.	
H.R. 7107 (03/16/22)	Wagner	<b>H.R. 7107 – Long-Term Care Affordability Act</b>  To amend the Internal Revenue Code of 1986 to expand the use of retirement plan funds to obtain long-term care insurance, and for other purposes.	03/16/22 - Referred to the Cmte. on Ways and Means, and the Cmte. on Education and Labor.
H.R. 7203 (03/24/22)	Chabot	<b>H.R. 7203 - HELPS Retirees Improvement Act of 2022</b>  This bill increases from \$3,000 to \$6,000 the amount of the exclusion from gross income of distributions from a tax-exempt retirement plan for health and long-term care insurance for public safety officers. It also eliminates the requirement that insurance premiums must be paid directly to the provider of the accident or health plan or long-term care insurance contract as a condition of eligibility for the tax exclusion.	03/24/22 - Referred to the House Committee on Ways and Means.
S. 275 (02/08/21)	Cruz	<b>S. 275 – Retirement Freedom Act</b>  This bill allows an individual to opt out of Medicare hospital services benefits without also having to opt out of Old Age, Survivors, and Disability Insurance benefits and without having to repay Medicare hospital services benefits already received. The bill also allows an individual to opt back in with no penalty.	02/08/21 – Read twice and referred to the Cmte. on Finance.
H.R.1166 (02/18/21)	Palmer		
S. 352 (02/22/21)  S. 4521 (08/11/20)	Warner  Warner	<b>S. 352 – Health Care Improvement Act of 2021</b>  This bill amends the Patient Protection and Affordable Care Act to reduce health care costs, protects affordability of coverage for people with preexisting conditions and makes various changes to the health care marketplace, such as expanding premium assistance, encouraging states to expand Medicaid, and establishing a public health insurance option through individual marketplaces. Providers participating in Medicare or Medicaid also must participate in the public option. Finally, the bill establishes guidelines for employers to provide information about available health coverage and requires the Government Accountability Office to evaluate the	02/22/21 – Read twice and referred to the Cmte. on Finance.

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		employer notification process for the advance payment of premium tax credits.	
<p>S. 380 (02/23/21)</p> <p>H.R. 6271 (12/14/21)</p>	<p>Rubio</p> <p>LaTurner</p>	<p><b>S. 380 – Health Savings Act of 2021</b></p> <p>This bill modifies the requirements for health savings accounts to rename high deductible health plans as HSA-qualified health plans; allow spouses who have both attained age 55 to make catch-up contributions to the same HSA; make Medicare Part A (hospital insurance benefits) beneficiaries eligible to participate in an HSA; allow individuals eligible for hospital care or medical services under a program of the Indian Health Service or a tribal organization to participate in an HSA; include amounts paid for prescription and over-the-counter medicines or drugs as <i>qualified medical expenses</i> for which distributions from an HSA or other tax-preferred savings accounts may be used; increase the limits on HSA contributions to match the sum of the annual deductible and out-of-pocket expenses permitted under a high deductible health plan; and allow HSA distributions to be used to purchase health insurance coverage. The bill also exempts HSAs from creditor claims in bankruptcy and allows for specific medical care tax deductions.</p>	<p>02/23/21 – Read twice and referred to the Cmte. on Finance.</p>
<p>S. 386 (02/23/21)</p> <p>H.R.1227 (02/23/21)</p>	<p>Bennet</p> <p>Delgado</p>	<p><b>S. 386 - Medicare-X Choice Act of 2021</b></p> <p>This bill establishes and funds the Medicare Exchange health plan, which allows individuals who are not otherwise eligible for Medicare to enroll in a government-administered health insurance plan. The Centers for Medicare &amp; Medicaid Services (CMS) must offer such plan in certain individual health insurance exchanges beginning plan year 2022 and offer it in all individual health insurance exchanges beginning plan year 2025. CMS must offer the plan in the small group market in all geographic areas for plan year 2025.</p> <p>The plan must cover primary care services without cost sharing and meet the same requirements, including essential health benefits, as existing health insurance exchange plans.</p>	<p>02/23/21 – Read twice and referred to the Cmte. on Finance.</p>

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		<p>Unless they opt out, health care providers enrolled under Medicare or under a state Medicaid plan must participate in the plan and are reimbursed at Medicare rates.</p> <p>Additionally, the bill expands the premium tax credit available for plans purchased through an exchange and eliminates the restriction on the Department of Health and Human Services negotiating prescription drug prices for Medicare.</p>	
<p>S. 1618 (05/13/21)</p> <p>H.R. 3060 (05/07/21)</p>	<p>Daines</p> <p>Norman</p>	<p><b>S. 1618 - Putting First Responders First Act</b></p> <p>This bill modifies the requirements for calculating taxable income to allow first responders to exclude from gross income certain service-connected disability payments received as part of a pension or annuity after reaching the age of retirement. The bill applies to law enforcement officers, employees in fire protection activities, and individuals who provide out-of-hospital emergency medical care.</p>	<p>05/13/21 - Read twice and referred to the Cmte. on Finance.</p>
<p>S. 1770 (05/20/21)</p> <p>H.R. 2954 (05/04/21)</p>	<p>Cardin</p> <p>Neal</p>	<p><b>S. 1770 – Retirement Security and Savings Act of 2021</b></p> <p>Among its provisions this bill addresses the following:</p> <p>SEC. 108 Establishes an increase in age for the required beginning date for mandatory distributions: - (I) the first calendar year in which the employee attains the applicable age for such calendar year shall be as follows:</p> <p>I. for calendar years before 2032, 72, and</p> <p>II. for calendar years after 2031, age 75.</p> <p>SEC. 109. Provides for a reduction in excise tax on certain accumulations in qualified retirement plans. SEC. 322. Recovery of Retirement Plan Overpayments. (See H.R. 2954), and, for other purposes.</p>	<p>05/20/21 – Read twice and referred to the Cmte. on Finance.</p>
<p>S. 1870 (05/27/21)</p>	<p>Lankford</p>	<p><b>S. 1870 - Enhancing Emergency and Retirement Savings Act of 2021</b></p> <p>(I) DISTRIBUTIONS FOR CERTAIN EMERGENCY EXPENSES.—(i) IN</p>	<p>05/27/21 - Read twice and referred to the Cmte. on Finance.</p>



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		<p>GENERAL.—Any emergency personal expense distribution.</p> <p>(ii) ANNUAL LIMITATION.—Not more than 1 distribution per calendar year may be treated as an emergency personal expense distribution by any individual.</p> <p>(iii) DOLLAR LIMITATION.—The amount which may be treated as an emergency personal expense distribution by any individual in any calendar year shall not exceed the lesser of \$1,000 or an amount equal to the excess of—(I) the individual's total nonforfeitable accrued benefit under the plan (the individual's total interest in the plan in the case of an individual retirement plan), determined as of the date of each such distribution, over (II) \$1,000.</p> <p>(iv) EMERGENCY PERSONAL EXPENSE DISTRIBUTION.—For purposes of this subparagraph, the term ‘emergency personal expense distribution’ means any distribution from an applicable eligible retirement plan (as defined in subparagraph (H)(vi)(I)) to an individual for purposes of meeting unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses. The administrator of an applicable eligible retirement plan may rely on an employee’s certification that the employee satisfies the conditions of the preceding sentence in determining whether any distribution is an emergency personal expense distribution.</p> <p>(v) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to clause (iii)) be an emergency personal expense distribution, a plan shall not be treated as failing to meet any requirement of this title merely because the plan treats the distribution as an emergency personal expense distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer, determined as provided in subparagraph (H)(iv)(II)) to such individual exceeds the limitation determined under clause (iii).</p>	

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S. 1889 (05/27/21)	Burr	<p><b>S. 1889 – Compassionate Retirement Act of 2021</b></p> <p>This bill allows premature distributions, without penalty, from tax-exempt retirement plans that are made to an individual who is certified by a physician as terminally ill. It also modifies the definition of <i>terminally ill individual</i> to increase from 24 to 84 the number of months after certification that an individual's illness can reasonably be expected to result in death.</p>	05/27/21 – Read twice and referred to the Cmte. on Finance.
S. 1898 (05/27/21)	Smith	<p><b>S. 1898 - Affordable Medications Act</b></p> <p>This bill revises and expands various requirements relating to prescription drug pricing and affordability. The bill provisions include the following: expands financial reporting requirements for drug manufacturers with corresponding civil penalties for noncompliance; adds reporting requirements for certain nonprofit patient-assistance programs; requires the Centers for Medicare &amp; Medicaid Services (CMS) to negotiate prices for certain prescription drugs under Medicare; requires the Centers for Medicare and Medicaid Innovation within the CMS to test specified models for negotiating drug prices; establishes reporting requirements for pharmaceutical companies with respect to spikes in prescription drug prices with and corresponding civil penalties for noncompliance; establishes an excise tax on prescription drugs subject to price spikes; lessens prescription drug cost-sharing requirements under qualified health plans and group health plans; modifies requirements for the importation of prescription drugs; requires drug manufacturers to provide rebates for drugs dispensed to certain low-income individuals under the Medicare program; and, limits the time frame that trade agreements are required to provide market exclusivity for biological products.</p> <p>Additionally, the bill (1) requires the Food and Drug Administration to establish a database of generic drugs; (2) modifies other provisions related to generic drugs, prescription drug advertising, disclosure of wholesale acquisition prices, and patent-infringement proceedings;</p>	05/27/21 - Read twice and referred to the Cmte. on Finance.

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		<p>and (3) revises certain time frames and conditions related to drug exclusivity.</p> <p>Finally, it establishes an innovation incentive fund for new or more effective treatments of bacterial infections and establishes the Center for Clinical Research within the National Institutes of Health.</p>	
S. 1959 (06/07/21)	Kennedy	<p><b>S. 1959 – Keeping Your Retirement Act of 2021</b></p> <p>This bill increases from 72 to 75 the age for mandatory distributions from tax-exempt retirement plans, and for other purposes.</p>	06/07/21 - Read twice and referred to the Cmte. on Finance.
S. 2327 (07/13/21)	Cassidy	<p><b>S. 2327 – Seniors Prescription Drug Relief Act</b></p> <p>A bill to amend title XVIII of the Social Security Act to provide for a Medicare Part D modernization redesign and to establish a monthly out-of-pocket cost sharing maximum for enrollees who incur a significant portion of costs towards the annual out-of-pocket threshold under Medicare Part D.</p>	07/13/21 – Read twice and referred to the Cmte. on Finance.
S. 2583 (08/03/21)  H.R. 6241 (12/09/21)	Cassidy  Thompson	<p><b>S. 2583 - A bill to amend the Internal Revenue Code of 1986 to provide for rules for the use of retirement funds in connection with federally declared disasters.</b></p> <p>This bill allows penalty-free distributions from tax-exempt retirement plans for a federally declared disaster (i.e., a qualified disaster recovery distribution). The bill defines <i>qualified disaster recovery distribution</i> as any distribution within a 180-day period after a disaster declaration that is made to an individual whose principal residence is located in a qualified disaster area (an area for which a major disaster has been declared) and who has sustained an economic loss due to the disaster.</p> <p>The bill sets forth rules for the recontribution of withdrawals from a plan for first-time home purchases or for purchases or construction of a principal residence in a disaster area and increases the limit on loans from a qualified</p>	08/03/21 - Read twice and referred to the Cmte. on Finance.

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		employer plan that an individual may take in lieu of a distribution.	
S. 2603 (08/04/21)	Todd	<p><b>S. 2603 – Commission on Retirement Security Act of 2021</b></p> <p>This bill establishes within the executive branch the Commission on Retirement Security to,</p> <p>(1) conduct a comprehensive study of the state of retirement security that will review (a) private benefit programs in the United States focusing on the historical movement from the defined benefit model to the defined contribution model; (b) private retirement coverage (individual and household accounts balances), investment trends, costs and net returns, retention and distribution during retirement; (c) societal trends (wage and economic growth, serial employment, health care costs, etc.);and, (d) other countries' retirement programs;</p> <p>and,</p> <p>(2) submit to Congress recommendations on how to improve or replace existing private retirement programs by legislative and/or administrative action.</p>	08/04/21 – Read twice and referred to the Cmte. on Health, Education, Labor, and Pensions.
S. 2639 (08/05/21)  H.R. 4974 (08/05/21)	Schatz  Schrier	<p><b>S. 2639 – State Public Option Act</b></p> <p>This bill allows residents who are not already eligible for Medicaid and not concurrently enrolled in other health insurance coverage to buy into a state Medicaid plan beginning January 1, 2022, at the option of the state. State Medicaid programs may set premiums and cost-sharing requirements for such coverage in accordance with specified limitations.</p> <p>The bill also (1) provides the enhanced Federal Medical Assistance Percentage (i.e., federal matching rate) to every state that expands Medicaid coverage for individuals who are newly eligible under the Patient Protection and Affordable Care Act, regardless of when such expansion takes place; and (2) requires state Medicaid programs to cover comprehensive reproductive health care services, including abortion services.</p>	08/05/21 – Read twice and referred to the Cmte. on Finance.

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S. 3124 (11/01/21)	Paul	<p><b>S. 3124 – National Patient ID Repeal Act</b></p> <p>To amend title XI of the Social Security Act to repeal the requirement for unique health identifiers.</p>	11/01/21 - Read twice and referred to the Cmte. on Finance.
S. 3344 (12/08/21)	Kennedy	<p><b>S. 3344 - Protecting the American Taxpayer and Medicare Act</b></p> <p>This bill makes several budgetary and technical changes, particularly in relation to Medicare.</p> <p>Specifically, the bill continues to exempt Medicare from sequestration until March 31, 2022. (Sequestration is a process of automatic, usually across-the-board spending reductions under which budgetary resources are permanently cancelled to enforce specific budget policy goals.)</p> <p>Additionally, the bill (1) temporarily extends other provisions under Medicare, including a payment increase under the physician fee schedule; and (2) requires any debits recorded for FY2022 on the statutory pay-as-you-go scorecards to be deducted from the scorecards for 2022 and added to the scorecards for 2023.</p>	12/08/21 - Read twice and referred to the Cmte. on Finance.
S. 3615 (02/09/22)	Sanders	<p><b>S. 3615 - Cutting Medicare Prescription Drug Prices in Half Act</b></p> <p>To establish a cap on costs for covered prescription drugs under Medicare parts B and D.</p>	02/09/22 - Read twice and referred to the Cmte. on Finance.
S. 3675 (02/17/22)	Casey	<p><b>S. 3675 – BENES 2.0 Act</b></p> <p>A bill to amend title XVIII of the Social Security Act to establish a system to notify individuals approaching Medicare eligibility.</p>	02/17/22 - Read twice and referred to the Cmte. on Finance.
S. 4204 (05/12/22)	Sanders	<p><b>S. 4204 - Medicare for All Act of 2022</b></p> <p>This bill establishes a national health insurance program that is administered by the Department of Health and Human Services (HHS).</p> <p>Among other requirements, the program must (1) cover all U.S. residents; (2) provide for</p>	05/12/22 – Read twice and referred to the Committee on Finance.

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		<p>automatic enrollment of individuals upon birth or residency in the United States; and (3) cover items and services that are medically necessary or appropriate to maintain health or to diagnose, treat, or rehabilitate a health condition, including hospital services, prescription drugs, mental health and substance abuse treatment, dental and vision services, and home- and community-based long-term care.</p> <p>The bill prohibits cost-sharing (e.g., deductibles, coinsurance, and copayments) and other charges for covered services, with the exception of prescription drugs. Additionally, private health insurers and employers may only offer coverage that is supplemental to, and not duplicative of, benefits provided under the program.</p>	
S. 4267 (05/19/22)	Bennet	<p><b>S. 4267 - Public Safety Officer Health Improvement Act of 2022</b></p> <p>This bill allows eligible retired public safety officers who have not attained age 65 a tax credit for up to \$4,800 of their costs for qualified health insurance premiums (i.e., premiums for coverage for eligible retired public safety officers, their spouses, and dependents by an accident or health plan or qualified long-term care insurance contract). It also provides for an inflation adjustment to the \$3,000 exclusion amount for distributions from employer retirement plans to pay for the health and long-term insurance premiums of such public safety officers.</p>	05/19/22 – Read twice and referred to the Committee on Finance.
S. 4312 (05/25/22)	Brown	<p><b>S. 4312 – Police and Fire Health Care Protection Act of 2022</b></p> <p>This bill eliminates the requirement that payments be made directly to providers of accident or health plans or qualified long-term care insurance contracts as a condition of eligibility for the tax exclusion of distributions from tax-exempt retirement plans for such health and long-term care insurance.</p>	05/25/22 – Read twice and referred to the Committee on Finance.
S. 4314 (05/26/22)	Toomey	<p><b>S. 4314 - Protecting Public Safety Employees' Timely Retirement Act of 2022</b></p> <p>This bill modifies the eligible age (age 50) for the exemption from the retirement plan early</p>	05/26/22 – Read twice and referred to the Committee on Finance.

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		<p>withdrawal penalty for public safety officers. The bill establishes the age eligibility at age 50 or 25 years of service under the plan, whichever is earlier.</p>	
<p>S. 4353 (06/07/22)</p>	<p>Murray</p>	<p><b>S. 4353 – RISE &amp; SHINE Act</b></p> <p>To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to improve retirement plan provisions, and for other purposes.</p>	<p>06/21/22 – Placed on Senate Legislative calendar under General Orders.</p>
<p>S. 4808 (09/08/22)</p> <p>(06/22/22)</p>	<p>Wyden</p>	<p><b>Enhancing American Retirement Now Act (EARN)</b></p> <p>To amend the Internal Revenue Code of 1986 to reform retirement provisions, and for other purposes.</p> <p>The Enhancing American Retirement Now (EARN) Act will be merged with legislation approved by the Senate Health, Education, Labor and Pensions Committee (Rise and Shine Act, S. 4353). The combined bills will then be reconciled with the retirement bill already approved by the House of Representatives (commonly referred to as the SECURE Act 2.0, H.R. 2954) before going before both chambers for a final vote.</p>	<p>09/08/22 – Placed on Senate Legislative Calendar.</p> <p>06/22/22 – Approved by the Senate Finance Committee.</p>