

Communication from Public

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Comments for Public Posting: Among other things, the Los Angeles City Employees' Retirement System (LACERS) Board is charged with investing \$18 billion to help ensure the retirement security of over 46,000 active and retired City employees. Currently, there is a \$6.5 billion funding hole at LACERS at the same time the City is grappling with huge structural budget deficits in the coming years. So, who has Mayor Garcetti nominated to fill this seat with the City so fiscally challenged? An investment executive to help ensure the best possible investment returns and minimize the City's contributions to LACERS? How about an actuary to help understand the extent of the funding hole and the future stresses on the City's finances caused by the pension system? An auditor to understand where efficiencies might be found? How about an executive of a large, complex company similar to LACERS to help guide it through these challenging times? Nope. He re-nominated Ms. Serrano. I will leave it up to you whether Ms. Serrano's experience qualifies her to be on the LACERS Board. Regardless of what you think of Ms. Serrano's experience, her questionable interactions with staff and Board-hired consultants at Board meetings calls the appropriateness of her reappointment in question. Her behavior compelled me to deliver the following public comments to the LACERS Board shortly after my retirement in 2018: "I have observed the LACERS Board for about the last 17 years. For the last few years, I have observed an unfortunate trend – a breakdown in the decorum of the Board. Reversing this breakdown in the decorum of the Board is important if the Board is to properly fulfill the most important reason for its existence – its legally-required fiduciary responsibility to its active and retired members. So, you might be wondering, in what forms has this breakdown in decorum been most apparent? It has been most apparent in the way some Board Members interact with staff and consultants at Board and committee meetings. Specifically, when some Board Members treat staff members with disrespect – either through unnecessarily mean-spirited comments or a drippingly sarcastic tone of voice, these are breakdowns in Board decorum. Also, when Board Members treat LACERS consultants with disrespect by verbally attacking them unnecessarily, this also is a breakdown in the Board decorum. In one case that verbal attack was so ill-advised

that the Board President felt that it was necessary to put out a statement to distance the Board from that verbal attack. So why does this breakdown in decorum matter? And why does the breakdown in decorum have a negative impact on the very LACERS members you have a legal responsibility to? You need great staff members to fully carry out the Board's policy decisions and LACERS day-to-day business as effectively as possible. I find it interesting that the Board Member that most frequently treats staff in a disrespectful manner is the same Board Member who sometimes asks why staff members transfer from LACERS to other City departments. I don't mean to suggest that the sole reason that staff members transfer is the disrespectful treatment by this particular Board Member, but why would staff members want to stay if they are treated that way by the Board? And to treat staff that way and then wonder out loud why they are leaving is just dumbfounding. LACERS relies on being able to hire great consultants as an extension of its staff. When Board Members unnecessarily berate or inappropriately question the integrity of the consultants, why would those or other great consultants want to work for an agency that treats them in such a manner? I would suggest that the best consultants will not want to work for an agency that has such a reputation and you will be stuck choosing among lesser consultants who are willing to take the abuse because they are desperate for the business. That would be a disservice to your members. That is not to say that you cannot or even should not express appropriate disappointment in staff or consultants if it is warranted, but it is the way you express it that is important – with the best interests of you members in mind..."

Well-qualified and professionally-acting Board Members can hire and retain great staff and consultants and can make smart decisions to help secure the retirement benefits City employees have been promised. Those same smart decisions will help tax-paying City residents in the long run as the decisions can help minimize the annual City contribution to LACERS through well-informed investment decisions, thus preserving needed funds for City services. Despite the unprecedented conditions the City and its residents are facing, the City Council must do its job of properly vetting this nomination. It should not just rubber-stamping this appointment or it will own the problem just as much as the Mayor does.

Among other things, the Los Angeles City Employees' Retirement System (LACERS) Board is charged with investing \$18 billion to help ensure the retirement security of over 46,000 active and retired City employees. Currently, there is a **\$6.5 billion** funding hole at LACERS at the same time the City is grappling with huge structural budget deficits in the coming years.

The Mayor appoints four of the seven LACERS Board Members, each serving staggered five-year terms. The term of one of those Board Members, Nilza Serrano, is expiring at the end of this month. So, who has Mayor Garcetti nominated to fill this seat with the City so fiscally challenged? An investment executive to help ensure the best possible investment returns and minimize the City's contributions to LACERS? How about an actuary to help understand the extent of the funding hole and the future stresses on the City's finances caused by the pension system? An auditor to understand where efficiencies might be found? How about an executive of a large, complex company similar to LACERS to help guide it through these challenging times?

Nope. He re-nominated Ms. Serrano. I will leave it up to you whether Ms. Serrano's experience qualifies her to be on the LACERS Board.

Regardless of what you think of Ms. Serrano's experience, her questionable interactions with staff and Board-hired consultants at Board meetings calls the appropriateness of her reappointment in question. Her behavior compelled me to deliver the following public comments to the LACERS Board shortly after my retirement in 2018:

I have observed the LACERS Board for about the last 17 years. For the last few years, I have observed an unfortunate trend – a breakdown in the decorum of the Board. Reversing this breakdown in the decorum of the Board is important if the Board is to properly fulfill the most important reason for its existence – its legally-required fiduciary responsibility to its active and retired members.

So, you might be wondering, in what forms has this breakdown in decorum been most apparent? It has been most apparent in the way some Board Members interact with staff and consultants at Board and committee meetings. Specifically, when some Board Members treat staff members with disrespect – either through unnecessarily mean-spirited comments or a drippingly sarcastic tone of voice, these are breakdowns in Board decorum.

Also, when Board Members treat LACERS consultants with disrespect by verbally attacking them unnecessarily, this also is a breakdown in the Board decorum. In one case that verbal attack was so ill-advised that the Board President felt that it was necessary to put out a statement to distance the Board from that verbal attack.

So why does this breakdown in decorum matter? And why does the breakdown in decorum have a negative impact on the very LACERS members you have a legal responsibility to?

You need great staff members to fully carry out the Board's policy decisions and LACERS day-to-day business as effectively as possible. I find it interesting that the Board Member that most frequently treats staff in a disrespectful manner is the same Board Member who sometimes asks why staff members transfer from LACERS to other City departments. I don't mean to suggest that the sole reason that staff members transfer is the disrespectful treatment by this particular Board Member, but why would staff members want to stay if they are treated that way by the Board? And to treat staff that way and then wonder out loud why they are leaving is just dumbfounding.

LACERS relies on being able to hire great consultants as an extension of its staff. When Board Members unnecessarily berate or inappropriately question the integrity of the consultants, why would those or other great consultants want to work for an agency that treats them in such a manner? I would suggest that the best consultants will not want to work for an agency that has such a reputation and you will be stuck choosing among lesser consultants who are willing to take the abuse because they are desperate for the business. That would be a disservice to your members.

So, what am I asking of each of you? I am asking that you treat staff and consultants consistent with the board-adopted LACERS Guiding Principles of

- *Character*
- *Kindness*
- *Professionalism*
- *Respect, and*
- *Teamwork*

The very same Guiding Principles that you expect your staff to practice.

That is not to say that you cannot or even should not express appropriate disappointment in staff or consultants if it is warranted, but it is the way you express it that is important – with LACERS Guiding Principles in mind and most importantly, with the best interests of you members in mind...

As a retired member of LACERS, I ask that you address and fix these Board decorum issues – decorum issues that have real and negative impacts on your members.

You have a fiduciary duty to do so. Your members deserve better.

Well-qualified and professionally-acting Board Members can hire and retain great staff and consultants and can make smart decisions to help secure the retirement benefits City employees have been promised. Those same smart decisions will help tax-paying City residents in the long run as the decisions can help minimize the annual City contribution to LACERS through well-informed investment decisions, thus preserving needed funds for City services.

Ms. Serrano's re-nomination to the LACERS Board has been transmitted to the City Council for its consideration. Despite the unprecedented conditions the City and its

residents are facing, the City Council must do its job of properly vetting this nomination. It should not just rubberstamp this appointment (as it is likely to do) or it will own the problem just as much as the Mayor does.

It is time for the City to start moving toward improving its fiscal future. This nomination, as insignificant as it may seem compared with other issues the City is facing, is a first step toward a well-run pension system and a well-run City. The same well-run City that Garcetti promised when he was first elected Mayor.