



April 16, 2026

Los Angeles City Council
c/o City Clerk
200 N. Spring Street
Room 395, City Hall
Los Angeles, CA 90012

LACERS PROPOSED CHANGES TO THE CITY CHARTER

Honorable City Council Members:

The Los Angeles City Employees' Retirement System (LACERS) appreciates the opportunity to participate in the City's Charter reform process and offers these recommendations to strengthen governance, enhance fiduciary stewardship, and ensure the Charter continues to support a modern and resilient retirement system.

Established by the City Charter, LACERS is the City department entrusted to administer the retirement benefits the City has promised its civilian employees. These benefits include a traditional defined benefit pension allowance, subsidies for retiree health coverage, and death and disability benefits. LACERS is overseen by the LACERS Board of Administration (Board), which, as established in California Constitution Section XVI, Section 17 and City Charter Sections 1100 through 1114, has the "sole and exclusive responsibility" to administer retirement benefits and exercise fiduciary responsibility over the trust funds that pay for those benefits today and into the future. While the Charter provides a strong foundation for LACERS' operations, several provisions can be modernized to reflect best practices and support the system's evolving operational and fiduciary needs. Specifically, the LACERS Board recommends the following Charter reform proposals that would strengthen LACERS' ability to carry out its mission effectively, while reinforcing the system's long-term operational sustainability:

1. Grant LACERS the exclusive authority to meet staffing needs and set appropriate compensation levels as determined by the Board.
2. Allow LACERS to set the frequency and timing of its Board meetings.
3. Grant the LACERS Board independent authority to select its chief executive (i.e., General Manager) and determine the General Manager's compensation.
4. Grant LACERS the ability to select its own legal counsel if by Board action it is determined that the Los Angeles City Attorneys' Office has an incurable conflict of interest.

The recommendations are based on findings from the 2013 and 2022 Management Audits of LACERS, which were jointly administered by the Mayor's

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Office, the City Council, and the City Controller. These audits highlighted the importance of operational independence, adequate staffing flexibility, and timely decision-making as key components of a well-managed and resilient retirement system.

The proposed Charter revisions are intended to reduce risks to retirement and healthcare benefits, strengthen governance and fiduciary oversight, and enhance operational flexibility. Through these Charter reform proposals, LACERS seeks to ensure that the system remains properly equipped to safeguard Member benefits, sustain the trust fund, and continue delivering reliable, high-quality service to current and future Members.

1. Independence of Staff Hiring and Compensation

Charter Section 1000 states:

The provisions of this Article [Article X Employment Provisions] shall apply to all employees of the City, except for those specifically exempted in Section 1001.

At present, LACERS operates under this provision and employment practices are governed by City rules and procedures for classifications of positions and salary structures. While abiding by these rules and procedures ensures consistency across most City departments, it hinders LACERS' recruiting and retention efforts due to its unique fiduciary and operational needs. The lack of an independent salary structure and the inability to set its own compensation levels impacts LACERS' ability to recruit and retain professional staff who specialize in areas where LACERS must compete for talent with private employers and other pension systems that offer more attractive compensation packages. Other public pension funds have been granted authority by their respective legislatures to exercise independence over their staff hiring and compensation, reflecting this reality.

2. Frequency and Length of Board Meetings

Charter Section 503(b) states:

Meetings. *Each board shall hold a regular meeting at least twice a month. All meetings shall be in a municipal or other facility open to the public.*

Currently, LACERS' regular Board meetings are held twice a month on the second and fourth Tuesdays. The Management Audit report states this frequency is unusual relative to current best practices and creates a significant time and resource burden for both Board members and staff. Amending the City Charter to allow the Board to set its own meeting schedule would enable more flexibility to adopt modern governance practices, improve efficiency, and lessen administrative burdens, while still maintaining the option for frequent meetings if necessary.

3. Independent Authority for Executive Appointments

Charter Section 1108(b) states:

Appointing Authority. *The Board of Fire and Police Pension Commissioners and the Board of Administration of the Los Angeles City Employees' Retirement System shall appoint their respective general manager subject to confirmation by the Mayor and Council and shall remove their respective general manager subject to confirmation by the Mayor. A general manager removed pursuant to the provisions of this section may appeal the removal to the Council in the manner provided in Section 508(e).*

Originally highlighted in the City's 2013 Management Audit of LACERS, the City Auditor indicated that all but one Board in LACERS' peer group had independent authority to select their Chief Executive. Not only is this consistent with the recommended best practice that the governing body of a retirement system independently select and appoint its chief executive; doing so is consistent with the fiduciary duties and plenary authority the California Constitution and Charter Section 1106 confer upon the LACERS Board. However, Section 1108(b) makes the appointment of LACERS General Manager subject to confirmation by both the Mayor and City Council. This confirmation requirement restricts the Board's ability to exercise its full fiduciary authority. Granting independent appointment authority would align LACERS with peer systems and improve leadership stability.

Extending this authority would strengthen governance by ensuring that leadership appointments reflect qualifications and alignment with the system's mission. This independence enhances fiduciary oversight, operational stability, and the leadership framework necessary to safeguard Member benefits and the trust fund's financial integrity over time.

4. Authority to Retain Legal Counsel

Charter Section 1106 states, in part:

Consistent with Article XVI, Section 17 of the California Constitution, and any successor constitutional provision, and subject to the limitations set forth elsewhere in the Charter concerning anything other than pension and retirement system administration and control over system investments, each pension and retirement board of the City shall:

- (a) Administration of the Pension or Retirement System. Have sole and exclusive responsibility to administer its system for the following purposes:
 - (1) to provide benefits to system participants and their beneficiaries and to assure prompt delivery of those benefits and related services;*
 - (2) to minimize City contributions; and*
 - (3) to defray the reasonable expenses of administering the system.**

The duty to system participants and their beneficiaries shall take precedence over any other Duty.

Charter Section 271(b) states, in part, "The City Attorney shall be the legal advisor to the City, and to all City boards, departments, officers, and entities."

Pursuant to Section 271(b), the Charter includes the LACERS Board among "all City boards" and includes LACERS among "all City ... departments." Accordingly, LACERS relies on the City

Attorney's Office as its designated General Counsel. While the City Attorney and LACERS have established policies and procedures for the LACERS Board to contract with outside legal counsel for specialized advice and services and to ensure that LACERS can retain independent counsel when the City Attorney identifies a conflict of interest that precludes it from representing LACERS. Relying solely on City-provided counsel can create delays or limitations when conflicts arise. Independent legal authority would ensure timely, conflict-free advice. While the City Attorney's Public Pensions General Counsel Division (PPGC) provides legal services dedicated to the City's three retirement systems, and neither the LACERS Board nor its staff has any concerns about the quality of this representation, if conflicts were to arise between retirement systems or between the City, as plan sponsor, and LACERS, as plan administrator, PPGC attorneys may be limited in how they can advocate for LACERS or represent the Board's interests. The exercise of such authority would be predicated on the Board finding that both: A) A conflict of interest with the City Attorneys' Office and B) the best interest of LACERS is to seek independent counsel.

A change in this authority would expand the LACERS Board's ability to exercise its fiduciary independence and reduce concerns over delays and challenges obtaining legal representation in the event a conflict requires the City Attorney's recusal on a given matter.

LACERS appreciates the thoughtful consideration of these recommendations as part of the Charter reform process and we are available for further discussion as desired. We remain committed to working collaboratively with City leaders and other stakeholders to ensure that the City's retirement system continues to serve its Members with integrity, efficiency, and fiscal prudence for generations to come.

Please contact LACERS General Manager Todd Bouey for any inquiries and follow-up related to this matter.

Sincerely,



Annie Chao, President
LACERS Board of Administration

c: LACERS Board of Administration
Honorable Karen Bass, Mayor
Honorable Hydee Feldstein Soto, City Attorney
Matt Szabo, City Administrative Officer
Sharon Tso, Chief Legislative Analyst
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