County of Los Angeles
CHIEF EXECUTIVE OFFICE
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500 West Temple Street, Room 713, Los Angeles, California 90012
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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
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First District

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Second District

ZEV YAROSLAVSKY
Third District

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Fourth District

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Fifth District

May 15, 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES
20 May 15, 2012
Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

TRUST AND INVESTMENT SERVICES AGREEMENT
RETIREE HEALTH PROGRAM
(ALL DISTRICT) (3 VOTES)

SUBJECT

California Government Code Sections 31694.3 and 31694.4 authorize the County to establish, by resolution, a tax-exempt Other Post-Employment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which is administered by the Los Angeles County Employees Retirement Association (LACERA), for certain retired LACERA members, as well as certain dependents and survivors of LACERA members.

The County may establish an OPEB Trust and hire the LACERA Board of Investments to act as Trustee and Investment Manager by entering into a Trust and Investment Services Agreement (Trust Agreement). The parties to the Trust Agreement will be the Board of Supervisors for the County of Los Angeles, as employer and settlor of the Trust, and the Board of Investments for LACERA (Trustee, Investment Manager). The Board of Supervisors, in its exclusive discretion, from time-to-time, shall determine the amount, if any, of contributions and/ or transfers the County may invest and allocate to the OPEB Trust.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the establishment of the OPEB Trust pursuant to the attached Trust and Investment Services Agreement (Agreement) that will be entered into between the County of Los Angeles and LACERA (Board of Investments), and authorize the Chief Executive Officer (CEO) to execute such Agreement on behalf of the County, contingent upon approval and adoption of such Agreement by the Board of Investments or its delegate.

2. Approve the attached resolution relating to the establishment of the OPEB Trust through adoption and execution of the Trust Agreement.

3. Instruct the Auditor-Controller to make the system changes necessary to implement these recommendations.

4. Direct the Chief Executive Officer to revise the Board of Supervisors Policy 4.030 – Budget Policies and Priorities to update the County's policy as outlined in this report.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Establishment of an OPEB Trust

The purpose of these recommendations is to establish a tax-exempt OPEB Trust, as a first-step, to reduce the County's OPEB unfunded liability. In accordance with the Trust Agreement, LACERA is the Trustee that will hold and invest assets contributed to pre-fund the Retiree Health Program. The OPEB Trust is a first step, among several cost reductions options, that will enable the Board, in its discretion, to make certain contributions to the OPEB Trust to mitigate and control the cost of future retiree health insurance.

Budget Policy Regarding Excess Premium Reserves

We are recommending that your Board establish a budget policy that, should the amount of premium reserve exceed the prudent reserve level established by LACERA, the County will direct LACERA to transfer the County's share of the excess premium reserves to the OPEB trust fund. The County would review the premium reserve funding level on an annual basis and communicate their request to LACERA accordingly.

Implementation of Strategic Plan Goals

The adoption of the Trust Agreement and creation of the OPEB Trust is directly responsive to the Strategic Plan Goal of Operational Effectiveness and fiscal prudence by strategically developing a trust vehicle to plan and control retiree health costs.

FISCAL IMPACT/FINANCING

Contributions or transfers to the OPEB Trust will be determined in the Board's discretion. The County has set aside $11.8 million in a reserve to fund these future costs, in addition to a projected balance in excess of $400.0 million from pension fund surplus earnings.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Background

In Fiscal Year 2006-2007, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. During 2006 negotiations, the County and employee organizations (SEIU Local 721 and Coalition of County Unions) agreed to establish joint labor management retiree health committees to study and make recommendations to the Chief Executive Officer to control and mitigate future retiree health costs.

On July 26, 2007, the SEIU Local 721 joint labor-management retiree health committee submitted its interim status report to the Chief Executive Officer as a first step to mitigate the cost of future retiree health insurance. On August 13, 2007, the Coalition of County Union's EBAC Retiree Health Subcommittee submitted similar recommendations to the Chief Executive Officer to mitigate retiree health insurance costs. Both SEIU Local 721 and the Coalition of County Unions support the establishment of a tax-exempt OPEB Trust to deposit and invest funds to pre-fund retiree health benefits.

On June 18, 2007, your Board instructed the Chief Executive Officer to review and prepare an analysis of the joint labor-management committee recommendations, which was submitted to your Board on October 11, 2007. The CEO's analysis and report recommended that the Board take the necessary steps, with the assistance of tax and benefit counsel, to establish a tax-exempt OPEB Trust. The analysis and report supported the goal of pre-funding including that certain designated funds, in the Board's discretion, be set aside to mitigate the unfunded liability of Retiree Health Insurance.

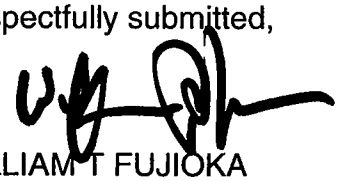
The CEO's report noted that the joint committee's recommendations did not address any significant cost mitigation efforts such as plan design changes or other efforts to control the cost of future retiree health insurance.

The parties to the Trust Agreement are the Board of Supervisors for the County of Los Angeles, and the Board of Investments for LACERA. The Trust Agreement and its provisions meet the applicable requirements of the County Employees Retirement Law of 1937, Sections 31694.3 - 31694.5, (governing Other Post-Employment Benefit Trust), as well as applicable federal tax requirements. The rights, duties, and responsibilities of the County of Los Angeles, as employer and settlor of the Trust, and the LACERA Board of Investments, as Trustee, are set forth in the Trust Agreement. We have met and conferred regarding funding of the OPEB Trust through adoption of the Trust Agreement with SEIU Local 721 and the Coalition of County Unions (§31694.4). CEO Risk Management has reviewed and approved the Trust Agreement provisions relating to liability and indemnification.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Implementation of these recommendations will not impact any existing County service or project.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:BC:JA
DLW:mst

Attachments (2)

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer-Tax Collector
Los Angeles County Employee Retirement Association
SEIU Local 721
Coalition of County Unions

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA PROVIDING TRUST AND INVESTMENT SERVICES AGREEMENT

WHEREAS, the County of Los Angeles (County) has established and maintains a retiree health program (Retiree Health Program) for certain retired members of the Los Angeles County Employees Retirement Association (LACERA);

WHEREAS, the County wishes to establish a trust to fund benefits provided under the Retiree Health Program;

WHEREAS, Section 31694.3 of the County Employees Retirement Law of 1937 (CERL) provides authority to the Board of Supervisors to establish a trust to fund the Retiree Health Program and for the Board of Investments for LACERA to be appointed and serves as trustee and investment manager for such trust;

WHEREAS, the County wishes to appoint the Board of Investments, and the Board of Investments has agreed to serve, as a discretionary trustee to hold and invest the assets of a trust established to fund benefits provided under the Retiree Health Program;

WHEREAS, the County and LACERA have agreed to the terms set forth in the Trust and Investment Services Agreement between the County of Los Angeles and the Board of Investments for the Los Angeles County Employees Retirement Association

with respect to the County of Los Angeles Retiree Health Program (Agreement), attached hereto as Exhibit A;

WHEREAS, the County has met and conferred with the Service Employees International Union CTW, Local 721 (Local 721) and the Coalition of County Unions (CCU) with regard to the adoption of the Agreement, and Local 721 and CCU each have ratified creation of a trust pursuant to the Agreement in accordance with CERL Section 31694.4; and

WHEREAS, once a trust is established, contributions to that trust shall be made in the sole discretion of the County;

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Supervisors hereby establishes a trust to fund benefits provided under the Retiree Health Program (Trust) by adopting the Agreement, which sets forth the terms of the Trust;

RESOLVED, FURTHER, that the establishment of the Trust shall give no vested right to any active or retired member of LACERA, and the County reserves its right to remove the Board of Investments as trustee, and to amend or terminate the Trust at any time in the future, subject to the terms of the Agreement and any collective-bargaining obligations it may have under applicable law; and

RESOLVED, FURTHER, that the Chief Executive Officer is authorized to execute the Agreement on behalf of the County.

The foregoing resolution was on the 15th day of May 2012, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which said Board so acts.

SACHI A. HAMAI
Executive Officer
Board of Supervisors

By Lachelle Smitherman
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI
Acting County Counsel

By
RICHARD D. BLOOM
Principal Deputy County Counsel
Labor & Employment Division

N:\BENEFITS & COMP POLICY\BOARD LETTERS & ORDINANCES\2012\Chron\05-15-12 Retiree Health Resolution LAI_3145580_3.DOC

TRUST AND INVESTMENT SERVICES AGREEMENT

between

COUNTY OF LOS ANGELES

and

The BOARD OF INVESTMENTS

for the

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

with respect to the

COUNTY OF LOS ANGELES OPEB PROGRAM

Dated: May 15, 2012

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TRUST AND INVESTMENT SERVICES AGREEMENT FOR THE

COUNTY OF LOS ANGELES

OPEB PROGRAM

This Trust and Investment Services Agreement ("Agreement") is entered into this [__] day of [_____], 2012, by and between the Board of Supervisors for the County of Los Angeles ("Employer") and the Board of Investments for LACERA ("Trustee").

WHEREAS, the Employer has established and maintains the OPEB Program for the benefit of certain retired LACERA members, as well as certain dependents and survivors of such members;

WHEREAS, the Board of Retirement for LACERA administers the OPEB Program;

WHEREAS, CERL Section 31694.3 provides authority to the Board of Supervisors to establish a trust to fund the OPEB Program and for the Board of Retirement or Board of Investments, as applicable, to be appointed and serve as trustee, investment manager and/or third-party administrator for such trust;

WHEREAS, the Employer has met and conferred with Local 721 and CCU with regard to the adoption of this Agreement, and Local 721 and CCU each have ratified creation of the Trust in accordance with CERL section 31694.4;

WHEREAS, in connection with the adoption of this Agreement, the Board of Supervisors resolves to establish the Trust to fund the OPEB Program;

WHEREAS, the Employer desires to retain the Trustee to provide trustee and related services for the Trust, and the Trustee desires to provide such services.

NOW THEREFORE, the Employer and the Trustee hereby agree as follows:

1. ACCEPTANCE OF THE TRUST

(a) Acceptance of Trust. The Trustee agrees to hold in trust and administer the assets that are delivered to it, as a discretionary trustee, upon the terms and conditions of this Agreement. The Trustee shall have only such duties with respect to the Trust and its assets as are set forth in this Agreement. Subject to Section 5(b), all rights, title and interest in and to the assets of the Trust shall at all times be vested exclusively in the Trustee.

(b) Trust Purpose. The Trust is established for the purposes of holding and investing assets to fund and pay benefits under the OPEB Program. Notwithstanding the foregoing, no Participant shall have any individual right or interest in any of the assets of the Trust. The terms of this Agreement are not intended to, and do not, modify the terms of the 82 Agreement or the rights and obligations of the parties thereunder with regard to the Retiree Health Program.

2. DEFINITIONS

(a) Agreement. Means this Trust and Investment Services Agreement by and between the Board of Supervisors and the Board of Investments.

(b) Board of Investments. Means the Board of Investments for LACERA.

(c) Board of Retirement. Means the Board of Retirement for LACERA.

(d) Board of Supervisors. Means the Board of Supervisors for the County of Los Angeles.

(e) CCU. Means the Coalition of County Unions.

(f) CEO. Means the Chief Executive Officer for the County of Los Angeles, and his staff.

(g) CERL. Means the County Employees Retirement Law of 1937, as amended from time to time.

(h) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(i) Contributing Employer. Means each of the Employer and LACERA (in its capacity as an employer).

(j) Employer. Means the County of Los Angeles, acting through its Board of Supervisors. Such term does not include the Superior Court or any other employer for which the Board of Supervisors is not the governing body.

(k) LACERA. Means the Los Angeles County Employees Retirement Association.

(l) Local 721. Means Service Employees International Union (SEIU) CTW, Local 721.

(m) OPEB Program (Other Post-Employment Benefit Program). Means the Retiree Health Program and the death benefit program established by the Employer pursuant to CERL section 31789.3.

(n) Participant. Means each person who is eligible to receive benefits pursuant to the terms of the OPEB Program.

(o) Retiree Health Program. Means the retiree health program adopted and maintained under CERL section 31691 by the Employer, the terms of which are established under the 82 Agreement and Los Angeles County Code section 5.20.080, or any successor to such program.

(p) Retirement Fund. Means the employees retirement fund established under CERL section 31588 for the purposes of holding the assets of the retirement system administered by LACERA.

(q) Separate Account. Means the recordkeeping account required to be established with respect to each Contributing Employer in accordance with Section 3(c).

(r) Trust. Means the trust established pursuant to resolution of the Board of Supervisors and this Agreement.

(s) Trustee. Means the Board of Investments.

(t) 82 Agreement. Means the funding agreement entered between the Employer, the Board of Retirement and the Board of Investments on April 20, 1982, as subsequently amended by the parties.

3. CONTRIBUTIONS TO THE TRUST

(a) Contributions. Each Contributing Employer, in its discretion, shall determine the amount, if any, of contributions to make to the Trust from time to time.

The Trustee shall receive Contributing Employer contributions to the Trust in cash or other property acceptable to the Trustee. The Trustee shall be responsible for investing and managing the sums of monies, securities and other properties actually received by it.

(b) Trust Assets. The assets of the Trust shall consist of all money and property contributed by Contributing Employers to the Trust, together with any income on or increment in such assets, less any loss or diminution in value of such assets. The Trustee shall hold the assets of the Trust separately, but without distinction between principal and income; provided, however, that the Trustee may commingle the assets of the Trust with the assets of the Retirement Fund for the purposes of co-investments in accordance with Section 5 of this Agreement;

provided further, if Trust assets are commingled with Retirement Fund assets, the Trustee will keep records distinguishing the assets of the Trust from those of the Retirement Fund.

(c) Separate Accounting. The Trustee shall maintain a Separate Account for each Contributing Employer, reflecting the contributions made by that Contributing Employer, investment experience and expenses allocable to those contributions, and disbursements made to pay benefit or expense obligations of that Contributing Employer.

4. PAYMENTS FROM TRUST

(a) Payments by the Trustee. Payments of money or property from the Trust shall be solely for the purposes of paying or reimbursing the costs of health coverage that a Contributing Employer otherwise would be obligated to pay for Participants and paying the reasonable expenses of administering the OPEB Program and the Trust.

The Trustee shall make disbursements from the Trust as necessary to cover such costs and administrative expenses except to the extent the Contributing Employer has provided for payment from other sources (which, in the case of the Employer, are Employer-funded sources), and provided that disbursements with respect to a Contributing Employer's obligations shall be made only to the extent of Trust assets allocated to that Contributing Employer's Separate Account. The Trustee may make disbursements from the Trust based on claims and expenses presented by or on behalf of the OPEB Program.

(b) Disputed Payments. If a dispute arises over the propriety of any payment from the Trust, the Trustee may withhold payment until the dispute has been resolved by a court of competent jurisdiction or settled by the parties to the dispute. The Trustee may consult its legal counsel or legal counsel of the Employer and shall be protected to the extent permitted by law in acting upon advice of counsel. The Trustee is authorized to make any payments directed by court order in any action in which the Trustee has been named as a party.

(c) Expenses of Administration. All appropriate and reasonable expenses incurred by the Contributing Employer or other persons designated to act on behalf of the Contributing Employer in administering the Trust shall be paid promptly from the Contributing Employer's Separate Account upon written request from the Contributing Employer. Expenses of the Trustee shall be paid from the Trust as provided in Section 8 of this Agreement.

5. POWERS AND DUTIES OF THE TRUSTEE

(a) Investments. The Trustee shall have sole and exclusive authority, control over and responsibility for directing the investment and management of the Trust's assets. The Trustee shall not issue a direction in violation of the terms of this

Agreement. The Trustee shall have all powers necessarily and reasonably implied from its investment and management responsibilities, including but not limited to:

(i) Adopt an investment policy and asset allocation formula consistent with the purpose of the Trust described in Section 1(b).

(ii) Invest and reinvest the principal and income of the Trust, without distinction between principal and income, in any form or type of investment, financial instrument, or financial transaction deemed prudent by the Trustee, including without limitation in such securities or in such property, real or personal, tangible or intangible, or part interest therein, wherever situated, whether or not productive of income, or consisting of wasting assets, as the Trustee deems proper, including but not limited to stocks, common or preferred, trust and participation certificates, interests in investment companies, limited partnerships, limited liability companies and other similar investment funds or vehicles, leaseholds, fee titles, beneficial interest in any trusts, equipment trust certificates, bonds, debentures, notes, mortgages and other evidences of indebtedness or ownership, and to retain the same for such period of time as it deems appropriate;

(iii) Without limiting Trustee's powers described in Section 5(a)(ii), hold Trust assets (A) in cash, (B) in obligations issued or fully guaranteed as to payment of principal or interest of the U.S. Government, (C) in commercial paper, (D) in variable-amount demand notes, or (E) in accounts (bearing a rate of interest that is reasonable for such accounts at the time held) of a bank acting as a fiduciary with respect to Trust assets that it holds;

(iv) Without limiting the Trustee's powers described in Section 5(a)(ii), to invest in guaranteed investment contracts issued by insurance companies, including group annuity contracts, and similar investments issued by banking institutions located either domestically or internationally.

(v) Without limiting the Trustee's powers described in Section 5(a)(ii), to lend securities upon a secured basis, permitting custody and control and voting authority of the securities to pass to the borrower during the period of the loan and to receive a lending fee or other consideration, and without limiting the foregoing, to engage in any securities lending program on behalf of the Trust, and in connection therewith to direct or manage the investment of cash collateral and other assets received as collateral.

(vi) Without limiting the Trustee's powers described in Section 5(a)(ii), hold such portion of the Trust in non-U.S. currencies as deemed desirable by the Trustee consummating investment transactions and in facilitating investment of income and other payments accruing to investment assets held by the Trust;

(vii) Establish and maintain bank, brokerage, commodity, currency and other similar accounts, whether in the United States or in any other country, to enter agreements in connection therewith and, from time to time, to deposit securities or other Trust assets in such accounts;

(viii) To vote, either in person or by general or limited proxy, or refrain from voting, any corporate securities for any purpose; to exercise or sell any option, subscription or conversion rights; to consent to or join in any voting trusts, reorganizations, consolidations, mergers, foreclosures and liquidations, and in connection therewith to deposit securities with or under the direction of any protective committee; and to accept and hold any securities or other property received through the exercise of any of the foregoing powers;

(ix) To lease or grant options to lease Trust property for any period of time even though commencing in the future and even though extending beyond the termination of the Trust;

(x) To borrow money, extend or renew any existing indebtedness and mortgage or pledge any property in the Trust; no mortgagee shall be obliged to see to the application of any mortgage money or inquire into the validity, expediency or propriety of any such mortgage;

(xi) To convey, assign, transfer, exchange, partition, grant options with respect to, sell at a public or private sale or otherwise dispose of any and all of the Trust assets and any reinvestments thereof from time to time for such price and upon such terms as the Trustee sees fit; no purchaser shall be obliged to see to the application of any purchase money or inquire into the validity, expediency or propriety of any such sale or other disposition;

(xii) Without limiting the generality of any of the foregoing, to perform all acts whether or not expressly authorized herein which the Trustee deems necessary or desirable for the protection and operation of the Trust; and

(xiii) Without limiting the generality of any of the foregoing, to co-invest all or any portion of the Trust assets with the Retirement Fund assets, but without any obligation to do so.

(b) Management of the Trust by Trustee. Subject to the rights expressly reserved to the Employer in this Agreement, the Trustee shall have the sole and exclusive authority, control over and responsibility for the management and investment of Trust assets. The Trustee shall have all powers necessarily and reasonably implied from such authority, control and responsibility, including, but not limited to, the following:

(i) To invest the Trust assets pursuant to this Agreement and to enter into and carry out every agreement with respect to the Trust that may be necessary or advisable to discharge its investment responsibility;

(ii) To cause a state or federally chartered depository institution, the deposits of which are insured by the Federal Deposit Insurance Corporation, or any trust company licensed under state or federal law to conduct the business of a trust company or any Federal Reserve Bank, to act as custodian for the Trust assets;

(iii) To cause any securities or other property, real or personal, belonging to the Trust to be held or registered in the Trustee's name or in the name of a nominee or in such other form as the Trustee deems best, provided that the books and records of the Trustee shall at all times show that all such investments are part of the Trust;

(iv) To employ and delegate any powers granted hereunder to investment advisers, investment consultants, investment managers, other investment professionals, agents, attorneys, custodians, and employees, and pay their reasonable compensation and expenses;

(v) To defend, settle, compromise, contest, prosecute, foreclose on or abandon claims in favor of or against the Trust, and all costs, expenses (including without limitation, attorneys' fees) and disbursements in connection therewith shall be a charge against the Trust; and

(vi) To organize (under the laws of any state) corporations, partnerships, limited liability companies or trusts for the purpose of acquiring and holding title to any property which the Trust acquires.

(vii) To make, execute, and file any and all tax elections, filings, returns and forms deemed necessary, desirable or appropriate under the provisions of any U.S., non-U.S., state or local laws and regulations.

(viii) To perform any and all other acts necessary or appropriate for the administration of the Trust and, in the exercise of any power or discretion, to execute and deliver all necessary instruments and give full receipts and discharges.

6. FIDUCIARY RESPONSIBILITIES AND INDEMNITIES

(a) Relationship of Fiduciaries. The Trustee is a fiduciary. Except as otherwise provided herein, the Trustee shall be solely responsible for its own acts or omissions and for the acts and omissions of its agents and assigns with respect to the Trust. The Trustee shall be liable for a breach of duty committed by another fiduciary with respect to the Trust (a "co-fiduciary") under the following circumstances: (i) where the Trustee participates in the breach of duty committed by a co-fiduciary, (ii) where the Trustee improperly or negligently delegates its duties to a co-fiduciary, (iii) where the Trustee approves, knowingly acquiesces in, or conceals a breach of duty committed by a co-fiduciary, (iv) where the Trustee negligently enables a co-fiduciary to commit a breach of duty, or (v) where the Trustee fails to take reasonable steps to compel a co-fiduciary to

redress a breach of duty if the fiduciary knows of, or has information from which he or she reasonably should have known of, the breach of duty.

(b) Fiduciary Duties. The Trustee, and its officers and employees shall:

(i) Discharge their duties under this Agreement solely in the interest of, and for the exclusive purpose of providing benefits to Participants under the OPEB Program, minimizing Contributing Employer contributions necessary to fund such OPEB Program, and defraying reasonable expenses of the Trust. No part of the principal or income of the Trust shall be used for, or diverted to, purposes other than the exclusive benefit of Participants or for the payment of reasonable expenses of administering the Trust and OPEB Program. No portion of a Contributing Employer's Separate Account may be used to pay benefit or expense obligations of another Contributing Employer.

(ii) Discharge their duties under this Agreement with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and in accordance with the terms of this Agreement.

(iii) Diversify the investments of the Trust so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(c) Limitation of Liability; Indemnification.

To the extent the Trustee is authorized to act only at the direction of the Employer, it shall not be liable by reason of its taking or refraining from taking any action at the direction of the Employer, and shall not be liable by reason of its refraining from taking any action because of the failure of the Employer to give direction or order. Trustee may defend any action in which the Trustee is named and any reasonable expense incurred in such defense shall be a charge against the Trust except to the extent: (a) the expense is covered by insurance; (b) a Contributing Employer agrees to pay such expense; or (c) such expense arises from the Trustee's own negligence, willful misconduct, material breach of this Agreement or breach of its fiduciary obligations.

(i) The Employer shall indemnify, defend, and hold the Trustee harmless against any loss, liability, claims, causes of action, suits, or expense (including reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Trust or covered by insurance and imposed upon the Trustee as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss,

liability, suit or expense results or arises from the Trustee's own negligence, willful misconduct, material breach of this Agreement or breach of its fiduciary obligations, or (ii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Trustee to act in the absence of such written directions to the extent the Trustee is authorized to act only at the direction of the Employer.

(ii) For the purposes of this Section, determination of the Trustee's negligence, willful misconduct, material breach of this Agreement or breach of fiduciary obligations shall be made by a final adjudication without opportunity for further appeal. Upon such a determination, the Trustee shall reimburse the Trust for any expenses previously charged to the Trust in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Trustee as a result of or arising from such conduct.

(iii) The Trust may purchase liability insurance covering the Trustee, its officers and employees in accordance with California Government Code section 7511, and the Trust shall purchase such insurance if so directed by the Employer.

(iv) Employer's obligations under this section 6(c) survive the termination of this Agreement.

(d) Conflict of Interest and Investment/Divestment Opportunities. The Board of Supervisors acknowledges and agrees that the Trustee has a potential conflict of interest in performing its duties as the Trustee of the Trust on the one hand, and in performing its duties as the Board of Investments for the Retirement Fund on the other hand, and the Board of Supervisors expressly waives any conflict that actually arises. Furthermore, the Board of Supervisors acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot be eliminated, the Trustee may put the interests of the Retirement Fund above the interests of the Trust in performing its duties and obligations under this Agreement. The Board of Supervisors further acknowledges and agrees that the Trustee has no obligation to pursue for the Trust any investment or divestment opportunity which the Trustee may pursue for the Retirement Fund.

(e) Advice of Counsel. The Trustee may consult with qualified legal counsel, including without limitation LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations hereunder.

7. ACCOUNTS AND REPORTS OF THE TRUSTEE

(a) Records. The Trustee shall establish and maintain accurate records and accounts of all transactions and assets of the Trust in accordance with all pertinent requirements. Within ten days of the Employer's written request, and except where disclosure is not permitted under investment-related agreements with third parties, the Trustee shall allow the Employer or any other authorized state or federal agency or any duly authorized representative thereof to access, examine, audit, excerpt, copy, or transcribe any pertinent transaction, activity, or other record relating to this Agreement. Unless otherwise expressly authorized by Employer, or unless they have been transferred to a successor trustee in accordance with Section 9(c), the Trustee shall make available at a location within Los Angeles County such materials including all Trust investment, billing, and other statistical and financial records for four years after termination of this Agreement, or until all audits commenced prior to the fourth anniversary of the termination of this Agreement are complete, whichever is later.

(b) Reports. Upon request, the Trustee shall provide the Employer with a monthly accounting report of all transactions at the same time and in substantially the same format that such reports are provided for the Retirement Fund. The monthly accounting report shall also include a listing of the assets of the Trust, showing the carrying and market values of such assets.

(c) Financial Statements. The Trustee shall file annual financial statements with the Employer showing the financial condition of the Trust at the close of the preceding fiscal year. The financial statements shall be prepared in accordance with generally accepted accounting principles on the basis of pronouncements of the Government Accounting Standard Board or its successor organization, and filed with the Employer at the time the financial statements for the Retirement Fund are filed.

(d) Audits. The Trustee shall conduct a financial audit of the Trust at least once each fiscal year and report the results of such audit to the Employer. The Trustee shall retain the services of a certified public accountant to perform the annual audit. The audit report shall address the financial condition of the Trust, internal accounting controls and compliance with applicable laws and regulations. The audit shall be performed in accordance with generally accepted auditing standards. In addition to the audit performed by the accountant selected by the Trustee, the Board of Supervisors, by majority vote, may direct that an audit of the Trust be performed by the County of Los Angeles auditor or his contractually-retained certified public accountant.

The cost of the audit shall be considered a cost of Trust administration; provided that, in the event the Board of Supervisors so directs and the County of Los Angeles auditor (or his contractually-retained accountant) performs an audit of the Trust in addition to the one performed by the accountant retained by the Trustee

for the same audit period, the expense of the additional audit shall be paid by the County of Los Angeles and shall not be chargeable to the Trust.

In the event this Agreement is terminated, and without regard to whether a new trustee is selected, the Trustee will provide staff and records reasonably needed to allow for the timely completion of the annual financial audit as set forth in the preceding paragraph. The Trustee shall also make staff available to answer questions and provide technical assistance as reasonably needed during the transition period.

(e) Compliance with Privacy Laws. Any records, reports or other information furnished under this Section 7 shall be furnished in accordance with and subject to any applicable privacy laws, including but not limited to Title II of the Health Insurance Portability and Accountability Act of 1996, as may be amended from time to time, and the guidance promulgated thereunder.

8. REIMBURSEMENT OF EXPENSES

(a) No Compensation Paid to Trustee. The Trustee shall serve without compensation beyond what is provided for in accordance with CERL Sections 31521, 31521.1, and 31522.

(b) Payment of Expenses. The Trustee shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in administering or investing the Trust in accordance with this Agreement. The expenses of the Retirement Fund shall not be treated as expenses of this Trust, and the expenses of this Trust shall not be treated as expenses of the Retirement Fund.

The Trustee shall furnish monthly invoices to each Contributing Employer for its pro rata share of Trust administration and investment services expenses, as reasonably determined by the Trustee in its sole and absolute discretion. Unless the Contributing Employer elects to pay the expenses directly within 10 days of receiving the invoice, the Trustee shall pay the invoiced expenses from Trust assets allocated to that Contributing Employer's Separate Account. The Contributing Employer shall promptly pay the invoiced expenses to the extent there are insufficient Trust assets allocated to its Separate Account to pay such expense. The Trustee shall maintain adequate records of expenses incurred in administering or investing the Trust, which records shall be subject to audit by the Contributing Employer upon written request.

(c) Audit Settlement Clause. If, at any time during the term of this Agreement or at any time prior to the fourth anniversary of the termination of this Agreement, authorized representatives of a Contributing Employer conduct an audit of the Trustee's expenses incurred in administering or investing the Trust, and if such audit reasonably finds that appropriate, reasonable incurred expenses were less than the amount paid to the Trustee for its expenses, the Trustee shall, at the affected Contributing Employer's discretion, either (i) repay such excess amount

to the Trust by cash payment (with such amount allocated to the appropriate Separate Account), or (ii) provide a credit against any future payments due to the Trustee from the Contributing Employer's Separate Account. Conversely, if such audit finds that appropriate, reasonable incurred expenses were more than the amount paid to the Trustee for its expenses, the Trustee shall pay the difference to itself from the Contributing Employer's Separate Account or the Contributing Employer shall, at the Trustee's discretion, (i) pay such excess amount to the Trust by cash payment, or (ii) pay such excess amount to the Trustee directly.

9. RESIGNATION AND REMOVAL OF THE TRUSTEE

(a) Resignation. The Trustee may resign at any time from its responsibilities with respect to the Trust upon at least one hundred eighty (180) days written notice to the Employer.

(b) Removal. The Employer may remove the Trustee from its responsibilities with respect to the Trust upon at least one hundred eighty (180) days written notice to the Trustee. Notwithstanding the foregoing, if the Employer concludes that the Trustee is in material breach of any of its obligations under this Agreement, and such default is not cured within thirty (30) days of the receipt of notice of default from the Employer, which notice describes in reasonable detail the nature of the default and Employer's view as to the cure required to bring Trustee's performance into compliance with this Agreement, or within such longer period as the Employer may grant, the Employer may immediately remove the Trustee and the breaching party shall be liable for all direct damages resulting from the breach. Trustee will not have any liability for any indirect, special, consequential, punitive or exemplary damages, even if advised in advance of the possibility of these types of damages. Notwithstanding the foregoing or the requirements of Section 9(c), if any Trust assets are co-invested with Retirement Fund assets, the Employer shall allow at least three hundred sixty (360) days following written notice of removal for the transfer of such assets to the successor trustee in cash, in kind, or in some combination of both as determined by the Trustee.

(c) Appointment of a Successor. Upon resignation or removal of the Trustee, the Employer shall appoint a successor. Upon failure of the Employer to appoint a successor trustee by the effective date of resignation or removal, the Employer shall become successor trustee until another successor trustee is appointed.

Within a reasonable time after appointment of a successor trustee, the Trustee shall deliver to the successor trustee such records as may be reasonably required to enable the successor trustee to administer the Trust, and subject to the terms of Section 9(b), shall deliver to the successor trustee all property of the Trust in cash, in kind, or in some combination of both as determined by the Trustee.

(d) Settlement of Account. Upon resignation or removal as trustee, the Trustee shall have the right to a settlement of its account, which settlement shall be made, at the Trustee's option, either by a judicial settlement in an action instituted by the

Trustee, or by an agreement of settlement between the Trustee and the Employer. The cost of such settlement is chargeable to the Trust. This Section 9(d) survives the termination of this Agreement.

(e) Termination of Responsibility. Upon transfer of the assets of the Trust to the successor trustee, all rights and privileges with respect to the assets of the transferred Trust under this Agreement shall vest in the successor trustee. Upon such transfer, the Trustee's responsibilities and duties under this Agreement with regard to the Trust assets shall terminate.

10. AMENDMENT AND TERMINATION

(a) Amendment. The parties may not amend this Agreement, except by a written agreement that each party signs. No amendment shall be made that will permit any part of the Trust to be used for, or diverted to, any purpose other than to provide benefits to Participants under the OPEB Program or to pay reasonable expenses of administering the OPEB Program and the Trust until all liabilities under the OPEB Program have been satisfied.

(b) Termination. The Trust may be terminated for convenience by the Employer at any time with written notice to the Trustee. Notwithstanding the foregoing, the Trust shall terminate automatically upon the satisfaction of all liabilities under the OPEB Program. Any assets remaining in a Contributing Employer's Separate Account upon termination of the Trust shall be used solely to satisfy any obligation that Contributing Employer may have to provide benefits to Participants under the OPEB Program; provided, however, that notwithstanding anything in this Agreement to the contrary, any assets that remain in a Contributing Employer's Separate Account upon termination and after satisfaction of all of that Contributing Employer's liabilities with regard to the OPEB Program shall revert solely to that Contributing Employer. Upon termination of the Trust:

(i) Each Contributing Employer shall appoint a custodian to hold any remaining Trust assets credited to its Separate Account to be applied toward satisfaction of any of its remaining liabilities under the OPEB Program. Upon failure of a Contributing Employer to appoint a custodian at the time the Trust is terminated, that Contributing Employer shall become custodian with regard to the assets remaining in its Separate Account until another custodian is appointed. Within a reasonable time after appointment of a custodian, the Trustee shall deliver to the custodian such records as may be reasonably required to enable the custodian to administer the Trust, and shall deliver to the custodian all property of the Trust in cash, in kind, or in some combination of both as determined by the Trustee. The Trustee's responsibilities and duties under this Agreement with regard to the Trust assets shall terminate upon transfer of the assets of the Trust to the custodian. If any Trust assets are co-invested with Retirement Fund assets, the Contributing Employer shall allow at

least three hundred sixty (360) days following written notice of termination for the transfer of such assets to the custodian.

(ii) The Trustee shall have the right to a settlement of its account, which settlement shall be made, at the Trustee's option, either by a judicial settlement in an action instituted by the Trustee, or by an agreement of settlement between the Trustee and the Employer. The cost of such settlement is chargeable to the Trust. This Section 10(b)(ii) survives the termination of this Agreement.

11. MISCELLANEOUS

(a) Employer's Directions. Directions by the Employer to the Trustee shall be in writing and signed by a person authorized by the CEO to give directions on behalf of the Employer. Persons authorized to give directions to the Trustee on behalf of the Employer shall be identified to the Trustee by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Trustee shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Trustee.

(b) Electronic Communications. Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) Construction and Governing Law. The parties intend that the income of the Trust qualify for exemption from federal income tax under Section 115(1) of the Code or as an integral part of the Employer. This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent.

Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement.

The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(d) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and said counterparts shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(e) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(f) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(g) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(h) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement, will survive the expiration of this Agreement.

(i) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(j) Notices. All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 11(b), or three business days after being mailed by first class registered or certified mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision):

To LACERA:	To Employer:
Gregg Rademacher Chief Executive Officer LACERA 300 N. Lake Ave., Suite 820 Pasadena, CA 91101	William Fujioka Chief Executive Officer County of Los Angeles _____ Los Angeles, CA 9

Fax No.: (626) 564-6___	Fax No.: _____
Email: _____	Email: _____
With copy to:	With copy to:
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Fax No.: _____	Fax No.: _____
Email: _____	Email: _____

(k) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY BLANK.

SIGNATURES FOLLOW ON NEXT PAGE.]

IN WITNESS WHEREOF, the Trustee has executed this Agreement, or caused it to be duly executed, and the Employer, by order of its Board of Supervisors, has caused this Agreement to be executed on its behalf by its Chief Executive Officer and attested by the Executive Officer-Clerk of the Board of Supervisors thereof, the day and year first above written.

TRUSTEE:

By_____
GREGG RADEMACHER
Chief Executive Officer, LACERA

EMPLOYER (County of Los Angeles):

By_____
WILLIAM T FUJIOKA
Chief Executive Officer

ATTEST:

SACHIA. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By_____

APPROVED AS TO FORM:

JOHN F. KRATTLI
Acting County Counsel

By_____
RICHARD D. BLOOM
Principal Deputy County Counsel

LACERA

By_____
ROBERT S. VAN DER VOLGEN JR.
Chief Counsel