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LACERS PERFORMANCE BUDGET

BOARD PRESENTATION OF MAY 23, 2023

FISCAL
YEAR
2023-24



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Introduction



On March 6, 2023, LACERS officially transitioned into the new Headquarters office building in Chinatown, and opened the building for Member Services on April 3, 2023. LACERS is excited to welcome the new Fiscal Year with renewed energy and a fresh perspective in serving our Members. The future is bright as we complete Fiscal Year 2022–23 (FY23) projects and introduce new projects for Fiscal Year 2023–24 (FY24).

The LACERS FY24 budget development process is guided by our Strategic Plan and goal areas, which include providing outstanding customer service, delivering accurate and timely Member benefits, improving health and wellness benefits, managing risks for superior investments, upholding good governance practices, increasing organizational efficacy, and maintaining a high-performance workforce.

LACERS FY24 Business Plan incorporates several key initiatives including the development of a new Strategic Plan, the Mayor's Language Access Plan directive, as well as continued efforts on knowledge transfer and succession planning, growth of internal Diversity, Equity, and Inclusion efforts, investment in staff development and internal communication, the continued integration of Environmental, Social and Governance investing principles, and the implementation of the Central Data Repository.

The budget reflects our mission, vision, and values. We look forward to taking on transformative projects that improve the quality of service to our Members, advances staff development, and promote financially sound investments.

	FY24	FY23	CHANGE	% CHANGE
City Contribution	\$ 823,897,034	\$ 763,866,451	\$ 60,030,583	7.9
Investment Management Fees & Expenses	\$ 129,674,876	\$ 106,923,414	\$ 22,751,462	21.3
Administrative Expenses	\$ 44,436,683	\$ 40,538,982	\$ 3,897,701	9.6
Health Care Fund Administrative Expense	\$ 1,035,000	\$ 1,013,000	\$ 22,000	2.2
Regular Position Authorities	195	187	8	4.3

Budget Overview



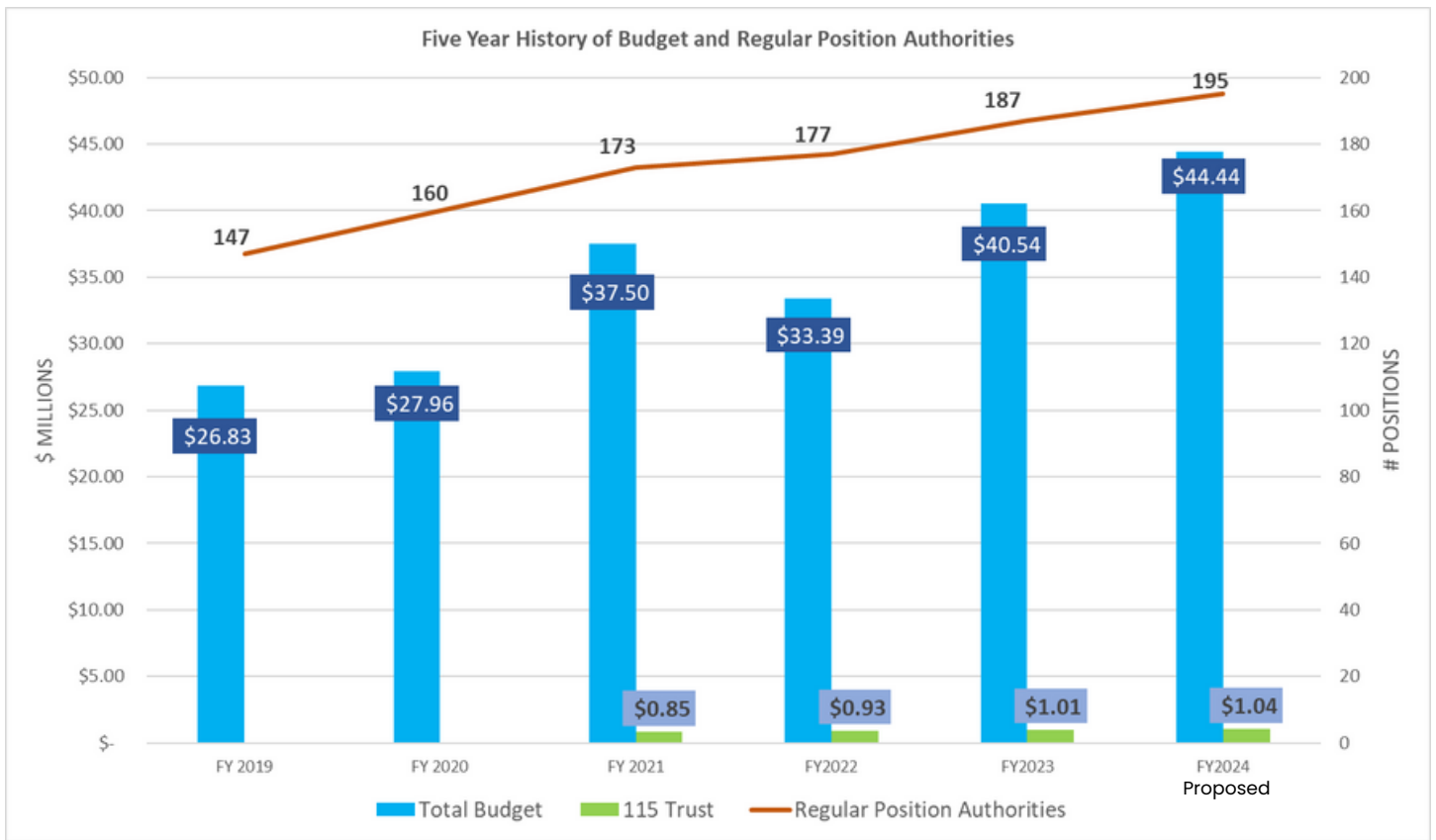
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS’ budget is transmitted to the Mayor for inclusion in the City’s proposed budget, which is due to City Council by April 20, and finalized by June for the fiscal year beginning July 1st. The Board’s approval of the Administrative and Investment Expense budget establishes the General Manager’s expenditure authority for the fiscal year.

LACERS’ budget is comprised of the Administrative Expense Budget, the Health Care Fund Budget (“115 Trust”), the Investment Management Fees and Expenses Budget, and the City’s contribution to the LACERS Retirement Trust Fund and 115 Trust Fund. Key decisions made by the Board throughout the year will determine certain aspects of the budget. This includes the adoption of the actuarial valuation in November which sets the annual contribution rate (a percentage of City payroll) that the City will provide to LACERS to fund the retirement benefits for City employees. The Board approves asset allocations and investment contracts which set fee rates used to establish the Investment Management Fee Budget. The Board also considers programs and annual business plan initiatives to fund for the coming fiscal years reflected in the Administrative Expense Budget.

An overview of the major components of the LACERS’ budget, with the Board’s discretionary decisions is reflected as follows:

CITY CONTRIBUTION	=	CONTRIBUTION RATE Adopted in LACERS Valuation	x	CITY’S COVERED PAYROLL As Adopted by City Council
INVESTMENT MANAGEMENT FEES	=	ASSET MANAGEMENT FEES Established in LACERS-Approved Investment Contracts	x	ASSUMED MARKET VALUE OF ASSETS Based on Capital Market Assumptions
ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Salary Increases, Cost-of-Living Increases, Retirement & Benefit Costs, Lease Cost, Legal Fees	+	APPROVED DISCRETIONARY CHANGES New Positions, Programs & Initiatives, Service Enhancements, Salary Savings Rate
HEALTH CARE FUND ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Approved Third-Party Administrator, Audit Contract Fees	+	APPROVED DISCRETIONARY CHANGES Program Enhancements

Administrative Expense Budget



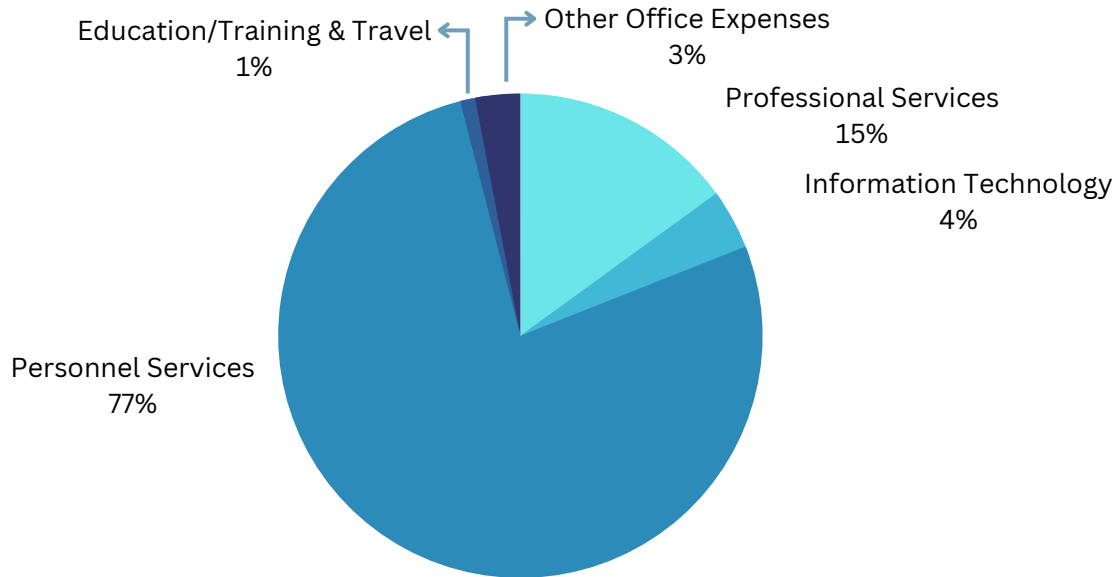
The Administrative Expense Budget of \$44.44 million reflects a net increase of \$3.90 million, or 9.6% over the FY23 base budget. Obligatory changes to the budget account for \$3.27 million in increases over the FY23 adopted budget. This includes \$0.69 million in employee benefit and pension costs, \$0.96 million for cost of living adjustments, and \$1 million for the restoration of salary savings (See Summary of Changes table, [page 4](#)). Obligatory costs are partially offset by the adoption of a 6% salary savings rate equivalent to \$1.43 million, and \$0.6 million in one-time and various expense reductions. The Budget invests \$2.6 million in core services and \$0.33 million to fund six on-going Business Plan Initiatives (BPI): Governance Initiative, Language Access Plan Initiative, Knowledge Transfer Initiative, Workforce Diversity, Equity, and Inclusion Initiative, Diversity in Hiring Initiative, Investment's Environmental, Social and Governance efforts, and the Central Data Repository. (See 2023-24 Annual Business Plan, starting on [page 9](#)).

Summary of Changes



Category Item	Dollars	Positions	
		Regular	Substitute
2022-23 Adopted Budget	\$ 40,538,982	187	12
Obligatory Changes	3,272,945	-	-
Cost-of-Living Adjustment	957,689	-	-
Restoration of Salary Savings	1,044,697	-	-
Salary Rate Increases, Turnover, Excess Sick Pay	373,031	-	-
Part-Time Salaries	125,567	-	-
LACERS' Employer Share of Retirement Contributions	438,200	-	-
LACERS' Share of Employee Benefits	252,780	-	-
LACERS' Share of City Attorney and Outside Legal Counsel	80,981	-	-
Deletion of One-Time Funding	(327,144)	-	-
Deletion of Funding for Substitute Authorities	(263,394)	-	-
Deletion of Funding for One-Time Services, Expenses, & Equipment	(63,750)	-	-
Efficiencies to Services	(1,966,615)	-	-
Salary Savings Rate Adjustment [6%]	(1,430,428)	-	-
Expense Account Savings	(536,187)	-	-
Continuation of Services	2,587,715	-	-
Investment Program Expenses	29,080	-	-
Benefits Administration Expenses	1,479,730	7	6
General Administration & Support Expenses	1,078,905	1	5
New/Enhanced Services	330,800	-	-
Language Access Plan	40,000	-	-
Knowledge Transfer	68,000	-	-
Workforce DEI	67,800	-	-
Governance	125,000	-	-
Central Data Repository	30,000	-	-
Total Changes	\$ 3,897,701	8	11
2023-24 Proposed Budget	\$ 44,436,683	195	23

FY24 Allocation of Expenses



This budget year continues to invest in Personnel resources as part of the multi-year staffing plan. In the five major categories of expenses, Personnel Services account for 77% of the FY24 budget (+10.8% total expense year-over-year (YOY)). Professional Services comprise 15% of the budget (+25% total expense YOY) followed by Office Expenses at 3% of the budget (-49% total expense YOY). Information Technology is 4% of the budget (+14.7% total expense YOY) and finally Education/Training and Travel are 1% of the budget (+36.4% total expense YOY).

The Administrative Budget Detail includes the following notable items:

- Salary increases by \$2.7 million (+13.1% YOY) and Employee Benefits increase by \$690,980 (+7.3% YOY). The increase in Employee Benefits coincide with the increase in requested positions and corresponding salaries. A salary savings rate of \$1.43 million (6%) was implemented to account for vacancies and partial funding for new positions.
- Overtime decreases by \$63,179 (-13% YOY) in part due to additional positions added.
- Training and Related Travel increase by \$100,345 (+36.4% YOY), consisting of \$17,920 (+14.5% YOY) for Employee Development and \$82,425 (+54.2% YOY) for Conferences and Travel. These increases intend to return funding back to pre-COVID levels as in-person activities resume. This also includes due-diligence travel by the Investment Division.
- Other Consulting increases by \$1.4 million (+57.2% YOY) due to the inclusion of property insurances and additional services required for a full year occupancy within the operations budget. Subsequently, Insurance Expenses decrease by \$128,500 (-51.5% YOY).
- Other Computing Consulting increases by \$69,482 (+77.6% YOY) and covers various areas in strengthening information security and Business Plan Initiatives including the Workforce DEI Initiative.
- Furniture and Other Equipment increases by \$170,000 (+680% YOY) primarily attributed to the recent Headquarters move and additional outfitting of the building.
- Other Office expenses such as Printing and Binding and Office Equipment services decrease by \$46,000 (-24.1% YOY) and \$25,000 (-29.4% YOY), respectively, due to the digitalization of forms and one-time purchases of Office Equipment.

FY24 Allocation of Expenses

- Transportation Expenses increase by \$12,000 (+109.1% YOY) due to the anticipated implementation of a Transit Subsidy Reimbursement Program, which will provide staff \$50 per month for 20 staff taking public transit. Staff are currently working out the details of this program.
- Board Member Election is a one-time expense of \$65,000 for preparation and funding of the election in FY24.

Additional items to note include:

- The Office Lease has a reduction of \$1.2 million attributable to the surrender of LA Times Headquarters Building in FY23.
- The budget for the 115 Trust Administrative Expense is shown in the table following the Administrative Expense Budget. The 115 Trust Fund was established in 2018 to better manage future costs and decrease future tax liability for LACERS health and welfare benefits. The 115 Trust Budget pays for administrative expenses including third party fees charged for the administration of Self-Funded Dental and Vision benefit claims, audit fee, legal counsel cost, and the Fund's share in LACERS' overall administrative expenses. The Proposed 115 Trust Budget of \$1,035,000 represents an increase of \$22,000 (+2.2% YOY).
- This budget invests in the continuation of 16 substitute authority positions, regularization of 6 substitute authority positions, and adding 7 new substitute authority positions and 4 new regular positions. The purpose of and justifications for these positions begin on [page 8](#).
- The budget funds programs currently underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as continuing five initiatives in the FY24 Business Plan including the Language Access Plan Initiative, the Knowledge Transfer Initiative, the High-Performing Workforce Initiative, Environmental, Social, and Governance Investing, and Governance Initiative centered on strategic planning, plus a new Central Data Repository initiative.

Detail of Administrative Expenses

	City Account Number	MAY FY2023-24 Proposed Budget	FY2022-23 Adopted Budget	Budget \$ Change	Budget % Change
FUND 800: ADMINISTRATIVE EXPENSE BUDGET					
Personnel Services					
601	Salaries	101 \$ 23,387,186	\$ 20,686,136	\$ 2,701,050	13.1%
602	Overtime	109 423,675	486,854	\$ (63,179)	-13.0%
605	Employee Benefits	175 10,203,880	9,512,900	\$ 690,980	7.3%
Personnel Services Total		\$ 34,014,741	\$ 30,685,890	\$ 3,328,851	10.8%
Professional Services					
611	Actuarial Service	304 \$ 360,000	\$ 411,500	\$ (51,500)	-12.5%
612	Audit Services	304 186,500	231,500	\$ (45,000)	-19.4%
613	Legal Services	304 1,258,997	1,178,616	\$ 80,381	6.8%
614	Disability Services	304 150,000	200,000	\$ (50,000)	-25.0%
615	Other Consulting	304 3,965,755	2,522,137	\$ 1,443,618	57.2%
616	Benefit Payroll Processing Servs.	304 275,000	272,000	\$ 3,000	1.1%
617	Retiree Health Adm. Consultant	304 700,000	700,000	\$ -	0.0%
Professional Services Total		\$ 6,896,252	\$ 5,515,753	\$ 1,380,499	25.0%
Information Technology					
622	Pension Adm. System Vendor	304 \$ 547,687	\$ 470,068	\$ 77,619	16.5%
623	Computer Hardware	730 232,100	222,100	\$ 10,000	4.5%
624	Computer Software	601 640,659	565,025	\$ 75,634	13.4%
625	Computer Maint. & Support	601 360,989	344,899	\$ 16,090	4.7%
626	Other Computer Consulting	304 159,000	89,518	\$ 69,482	77.6%
Information Technology Total		\$ 1,940,435	\$ 1,691,610	\$ 248,825	14.7%
Training & Related Travel					
604	Employee Development	601 \$ 141,415	\$ 123,495	\$ 17,920	14.5%
634	Conferences & Travel	213 234,590	152,165	\$ 82,425	54.2%
Training & Related Travel Total		\$ 376,005	\$ 275,660	\$ 100,345	36.4%
Office Expenses					
606	Transportation Expenses	331 \$ 23,000	\$ 11,000	\$ 12,000	109.1%
631	Printing and Binding	212 144,500	190,500	\$ (46,000)	-24.1%
632	Postage	601 193,950	185,200	\$ 8,750	4.7%
633	Telephone and Utilities	601 60,600	60,600	\$ -	0.0%
635	Office Lease	304 -	1,215,750	\$ (1,215,750)	-100.0%
636	Office Equipment Services	304 60,000	85,000	\$ (25,000)	-29.4%
651	Petty Cash	601 6,000	12,000	\$ (6,000)	-50.0%
652	Board Member Election Expense	601 65,000	48,600	\$ 16,400	33.7%
653	Furniture and Other Equipment	730 195,000	25,000	\$ 170,000	680.0%
655	Other Office Expense	601 161,425	141,510	\$ 19,915	14.1%
656	Membership Dues & Subscriptions	601 172,775	140,409	\$ 32,366	23.1%
658	Promotional Supplies	601 6,000	5,000	\$ 1,000	20.0%
659	Insurance Expense	304 121,000	249,500	\$ (128,500)	-51.5%
Office Expenses Total		\$ 1,209,250	\$ 2,370,069	\$ (1,160,819)	-49.0%
TOTAL ADMINISTRATIVE EXPENSE BUDGET		\$ 44,436,683	\$ 40,538,982	\$ 3,897,701	9.6%
FUND 871: 115 TRUST EXPENSE BUDGET					
612	Audit and Consulting CPA	304 10,000	10,000	-	0.0%
613	Legal	304 15,000	30,000	(15,000)	-50.0%
660	Self-Funded Insurance Admin Fee	304 1,010,000	973,000	37,000	3.8%
TOTAL 115 TRUST EXPENSE BUDGET		\$ 1,035,000	\$ 1,013,000	\$ 22,000	2.2%

Summary of Changes in Personnel

This table provides a look at the distribution and movement of personnel in the department among its business units.

DIVISION/SECTION	2022-23 Adopted Budget	Proposed Changes				2023-24 Proposed Budget	2023-24 Proposed Substitute Authorities		
		Regular Authorities	Add/Delete	Transfers	Regularize Substitute Authorities		New	Regular Authorities	Cont.
Executive	7		-1			6		+1	1
Investments	14	-1		+1		14			
Human Resources	6					6			
Internal Audit	3					3			
Retirement Services	45			+1	+1	47	+2		2
Health, Wellness, and Buyback	37			+2		39	+8	+5	13
Member Services	17		-17						
Communications & Stakeholder Relations			+18	+1	+2	21	+2		2
Member Stewardship Section	14					14	+1		1
Administration	15		-1			14	+2		2
Fiscal Management	15	-1		+1		15	+1		1
Systems	11		+1		+1	13		+1	1
Systems Operations Support	3					3			
TOTAL	187*	-2	0	6	4	195	16	7	23

*FY23 Total positions = 199 (187 regular + 12 substitute authorities)

Note organizational transfers to better align resources:

- Member Services has been re-branded and expanded into the new Communications and Stakeholder Relations Division
 - Additional position reflects one transfer from Executive to better support the division
- One additional position in Systems reflects one transfer from Administration Division to support cybersecurity

Annual Business Plan for FY 2023-24



Department Programs

Annual Work Plan and Business Plan Initiatives for FY24

INVESTMENT ADMINISTRATION

Positions: 14 Regular

Admin Budget: \$2.5M

- Environmental, Social, and Governance Investment Policy Implementation
- Broadening Emerging Managers program
- Custodian Bank search
- Triennial Asset Allocation Study

BENEFITS ADMINISTRATION

Positions: 107 Regular | 17 Substitute Authorities

Admin Budget: \$13.5M

- Respond to 62,000 Member inquiries to the Member Service Center
- Deliver more than 52 mass communication pieces
- Hold 96 seminars and events for Members
- Develop a Strategic Communications Plan
- Counsel and retire 1,000 Members
- Counsel and process 1,000 death benefits
- Perform reviews of 3,200 legal documents related to Member caseload
- Public Safety Officer - Benefit Design Change Analysis
- Administer retiree health benefits for 24,000 covered lives
- Respond to over 24,000 retiree health benefits-related claims and contacts
- Develop a LACERS *Well* Strategic Initiative encompassing disease prevention programs
- Process approximately \$148.3M in medical, dental and vision subsidies
- Member Service Agreement Enhancements - Year 2
- Retirement Application Portal Enhancements
- Implement the Language Access Plan - Year 2
- Knowledge Transfer Initiative - Year 2
 - Retirement Services Division
 - Health, Wellness, and Buyback Division

GENERAL ADMINISTRATION AND SUPPORT

Positions: 74 Regular | 6 Substitute Authorities

Admin Budget: \$18.2M

- Governance Initiative - Year 2
 - Strategic Planning
 - Board Policies Review
- Workforce Diversity, Equity, and Inclusion Initiatives
 - Fellowship Program
 - Learning Management System
 - Investment Officer Bridge Class
- Central Data Repository
- Strengthening Cybersecurity
- Capital Plan

BENEFITS ADMINISTRATION OPERATIONS

The Benefits Administration Operations provides services to over 47,000 Active and Retired Members inclusive of education and outreach relating to their LACERS retirement and retiree health benefits; counseling and calculation of their retiree benefits; and enrollment and administration of their retiree health insurance and subsidies. Administration of the program also involves ensuring statutory, regulatory, and legal compliance with various local, state and Federal statutes; and advising the plan sponsor on benefit plan design considerations. Benefits administration is primarily provided by three divisions totaling 124 full-time employees representing 57% of the employees of the department:

- Health, Wellness, and Buyback (HWABD)
- Retirement Services (RSD)
- Communications and Stakeholder Relations (CSRD)

LACERS proceeds with year four of the multi-year plan to fill the service level gap in benefits administration. The continuation of this effort to incrementally increase staffing is aimed at developing a workforce with the specialized benefits administration experience, skills, and knowledge to sustain a strong program despite knowledge loss through staff retirements and attrition; the plan will also create a workload standard with appropriate metrics for resourcing, that create an environment for employees to feel balanced, not overcome, by their workload, and provides challenging opportunities to be proactive, innovate, and develop professionally within LACERS.

In FY24, seven new positions are requested, along with seventeen substitute positions. It is recognized that this is a significant investment in staffing, particularly when viewed in totality with the 17 regular benefits administration positions added in the past three budget years. Cognizant of the City's fiscal condition and LACERS responsibility to defray administrative expenses, we continue to employ strategies throughout the year such as cross-training, streamlining policies/procedures/processes, maximizing use of technology, increasing communications and collaboration across functions, and considering industry and peer standards before proposing new positions.

The proposed budget for benefits administration program seeks to achieve the following:

ENHANCE MEMBER SERVICES, CUSTOMER SATISFACTION, AND STAKEHOLDER ENGAGEMENT

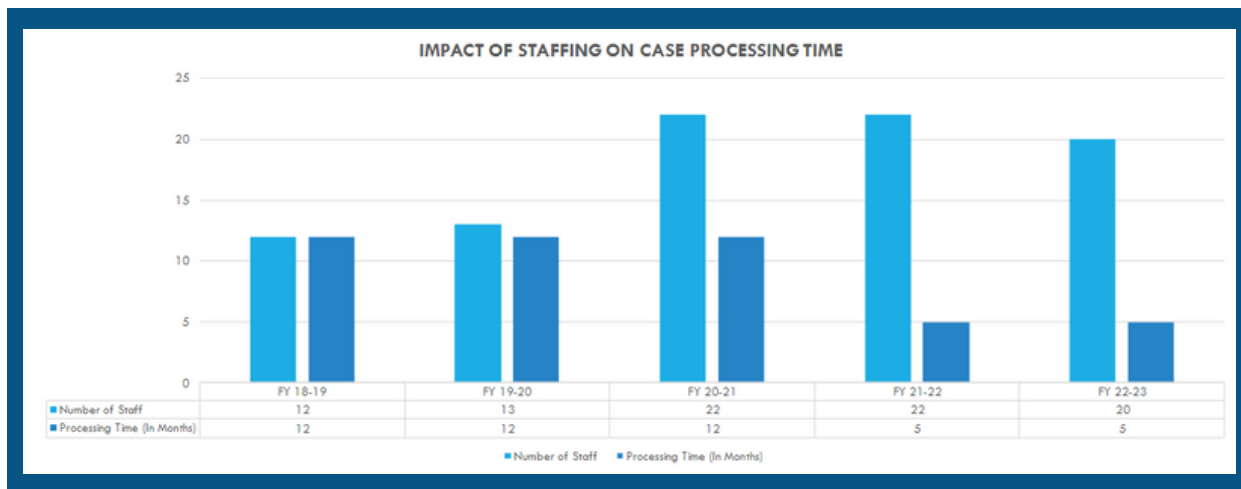
DEEPER ENGAGEMENT WITH MEMBERS AND STAKEHOLDERS

LACERS seeks not just to increase and broaden communications, but to engage Members and stakeholders, to better understand their expectations of LACERS. The new Communications and Stakeholder Relations Division (CSRD) was formed to develop and implement a strategic communications plan to deepen our relationship with our Member/stakeholders and to build additional partnerships. Other deliverables for the CSRD in the FY24 workplan include launching the department Language Access Program to ensure English Language Learners have equal access to our services; creating a Crisis Communications Plan; conducting a Member Engagement Survey and Report; and developing Member Service metrics to measure our abilities to deliver on our customer service metrics.

FY24 Business Plan Benefits Administration

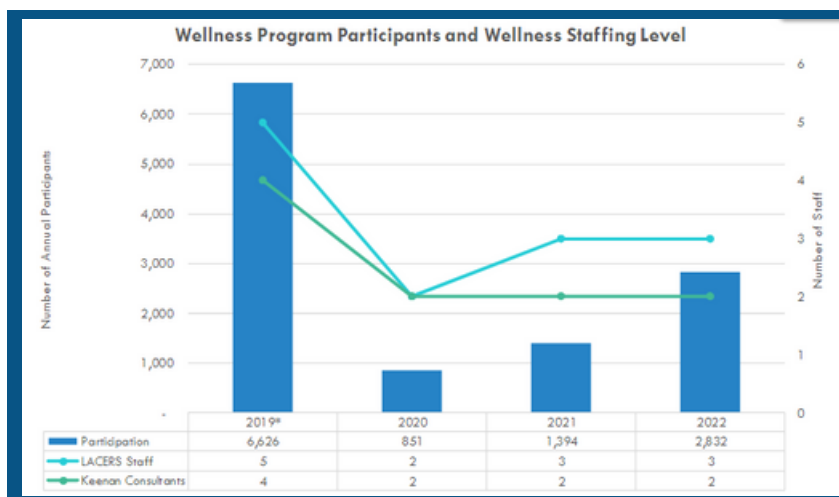
TIMELY SERVICE PURCHASES FOR ACTIVE MEMBERS

Active Members may purchase other government service or past City service to increase their retirement allowance. The Service Processing Section (SPS) handles these requests. Since the addition of positions to SPS in Fiscal Year 2021-22 (FY22), the average processing time was reduced from 12 months to 5 months, and all outstanding cases greater than six months were eliminated. Renewal of the current substitute authority positions will ensure continued timely service to our Members.



INCREASED OUTREACH FOR THE RETIREE WELLNESS PROGRAM

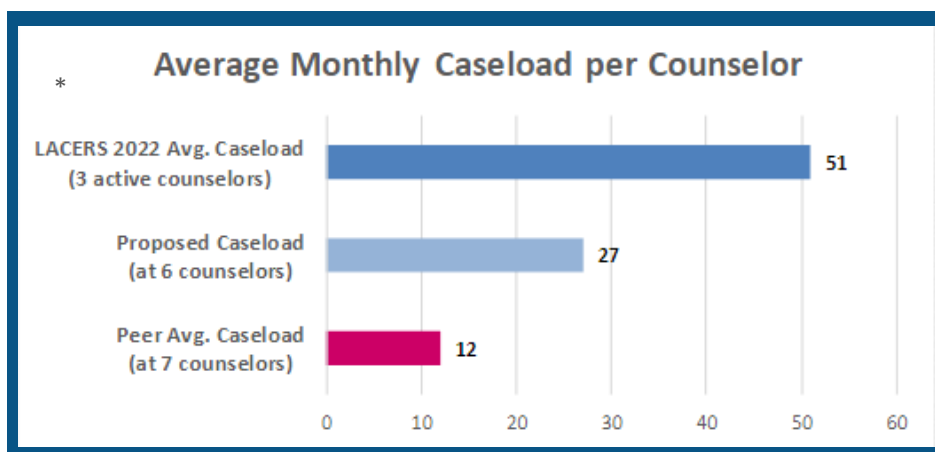
The long-term goal of the Wellness program is to contribute to the reduction in medical plan costs through the promotion of preventative health screenings and wellness measures for disease prevention. The Wellness Team plans programs that enhance retired Members experience through informational seminars, workshops, and activities supporting the five pillars of the program: Purpose, Health, Financial Wellness, Social Engagement, and Community. The continuation of the Senior Project Coordinator substitute authority position and the Administrative Clerk substitute authority position will ensure that Wellness events continue to operate in an organized manner as program participants are expected to increase with the resumption of in-person events. The Wellness Program also seeks to expand into a nationally recognized retirement wellness program by partnering with other retirement systems for knowledge-sharing, and senior community influencers for promotions and business sponsorships. The addition of a new Senior Benefits Analyst substitute authority position will allow the Wellness Team to expand the Wellness Program preventative care offerings through partnerships with nonprofit organizations and outreach to pension peers.



FY24 Business Plan Benefits Administration

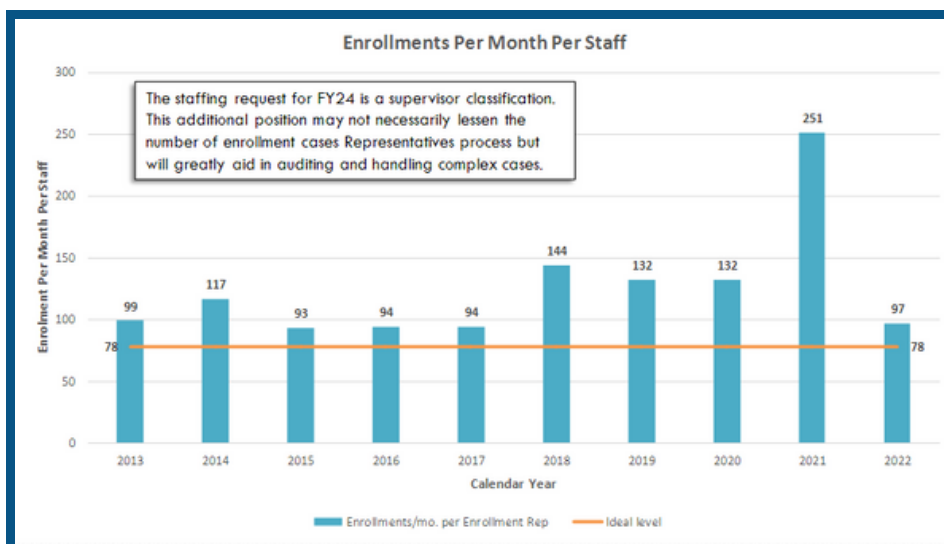
HEALTH ADVOCACY UNIT

The Health Advocacy Unit (HAU) is the "frontline" Health spokespersons, educators, and carrier claim issue communicators. The unit of five, including one substitute authority position, provide support by responding to health benefit clarifications and investigating claim issues and service offerings through various means of communication (phone, email, and in-person appointments). In addition, HAU also provides various Health presentations such as Annual Open Enrollment and Medicare. Continuation of the Benefit Specialist substitute authority position and the addition of two new Substitute Authority positions, a Benefit Specialist and a Benefits Analyst, are needed to meet the existing workload and the rising number of cases.



INCREASING ABILITY TO ACCURATELY MEET MONTHLY HEALTH ENROLLMENT DEADLINES

The Health Enrollment Unit (HEU) provides life-long service to Members by handling enrollment applications. Aside from the Annual Open Enrollment, this unit also processes new enrollments, plan change requests, and terminations for Members' and Survivors' qualifying life events. With the constant changes to Medicare, state and federal regulations, and carrier rules, the enrollment process has become increasingly complex. The continuation of the Benefits Specialist substitute authority position and the addition of a Benefits Analyst substitute authority position will address the increase of enrollment paperwork while also mitigating potential errors that accompany an increased workload.



FY24 Business Plan Benefits Administration



TIMELY PROCESSING OF RETIREE HEALTH ACCOUNT TRANSACTIONS

The Accounts Reconciliation Unit (ARU) is responsible for analyzing and confirming health carrier billings, calculating health benefit premiums and rates, processing Medicare subsidies, and processing Medical Premium Reimbursement applications and claims. Recently, a major medical carrier has switched to a quarterly reporting schedule and, due to staffing shortage issues on their end, has been sending reports on an irregular schedule, leading to a greater number of discrepancies but a shorter resolution time frame. The continuation of the Benefits Analyst substitute authority positions and the addition of one more Benefits Analyst substitute authority position will address the increasing discrepancies while ensuring that other existing tasks are completed within a timely manner.

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Chief Benefits Analyst (Regularize Substitute Authority), CSRD • 1 Benefits Analyst (New Regular), CSRD • 1 Development and Marketing Director (Continue Substitute Authority), CSRD • 1 Benefits Analyst (Continue Substitute Authority), CSRD • 1 Senior Administrative Clerk (New Regular), CSRD • 1 Senior Benefits Analyst (Continue Substitute Authority), SPS • 1 Benefits Specialist (Continue Substitute Authority), SPS • 1 Accounting Clerk (Regularize Substitute Authority), SPS • 1 Senior Benefits Analyst (New Substitute Authority), Wellness Program • 1 Senior Project Coordinator (Continue Substitute Authority), Wellness Program • 1 Administrative Clerk (Continue Substitute Authority), Wellness Program • 3 Benefits Analysts, (New Substitute Authority), ARU • 1 Benefits Specialist (New Substitute Authority), ARU • 2 Benefits Specialists, (Continue Substitute Authority), HEU • 1 Benefits Analyst (Continue Substitute Authority), HEU 	<p>These additional staff will:</p> <ul style="list-style-type: none"> • Increase access to translated materials in threshold language(s) by 25% by the end of FY24 • Ensure 100% completion of Metrics Dashboard by the end of FY24 • Maintain average processing wait time for service purchases to less than 5 months • Maintain outstanding service purchase caseload to ensure that aging cases remain at 0. • Achieve 500 engagements on LACERS Well Facebook group • Achieve 95% of the targeted number of 500 survey responses for 2023 events and activities to solicit feedback of the LACERS Well program. • Provide quality Wellness programming service due to the anticipated increase in program participants • Establish monthly reporting for baseline information and metric determination • Resolve 500+ premium monthly discrepancies between all medical carriers • Process 8,000+ enrollment transactions • Administer medical, dental, and vision benefit subsidies and claims for up to 25,000 covered lives



RESTRUCTURE FOR MAXIMUM EFFICIENCY

HIGHER-LEVEL OVERSIGHT IN HEALTH DIVISION STRUCTURE

This proposal seeks continued support for a staffing structure where a Senior Benefits Analyst I oversees each major unit in the Health Division. This model, successfully employed in Retirement Services Division, provides the units with senior-level oversight, to engage in resolving the more complex Member issues aimed at reducing line staff burnout, and handling higher level management tasks and priorities such as reviewing procedures, writing board reports, developing budgets, and working with contractors. The structure also assists in developing candidates for succession planning purposes. The recommended Senior Benefits Analysts (SBA) positions include regularizing the SBA in Health Administration and continuing the substitute authority SBA in ARU.

PROCESS IMPROVEMENTS IN RETIREMENT SERVICES

Retirement Services Division's (RSD) central mission is to deliver retirement benefits accurately, efficiently, and timely. The proposed Performance Review Unit (PRU) consisting of three existing substitute authority positions, will review management controls and utilize process improvement strategies for business optimization within the various units of RSD.

IMPROVED PROCESSING TIME FOR SURVIVOR BENEFITS

A carryover of 1,176 survivor benefits cases occurred from FY22 to FY23. Analysis of work performed by counselors in the Survivor Benefit Unit (SBU) uncovered that 30-40% of their time was spent on clerical tasks. The addition of a regular Senior Administrative Clerk is proposed to permit counselors to resolve cases and improve overall processing times.

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES

- 1 Senior Benefits Analyst (Regularize Substitute Authority), Health Administration
- 1 Senior Benefits Analyst (Continue Substitute Authority), ARU
- 1 Benefits Analyst (Regularize Substitute Authority), RSD PRU
- 2 Benefits Specialists (Continue Substitute Authority), RSD PRU
- 1 Senior Administrative Clerk (New Regular), SBU

PERFORMANCE OBJECTIVES

These additional staff will:

- Provide managerial oversight to the Health Administration and the Health Accounts Reconciliation Unit
- Perform quality assurance checks on retirement benefits delivery and coordinate special projects
- Eliminate 35% of clerical duties performed by Survivor Benefits counselors thereby improving processing times



INVESTMENT OPERATIONS

The Investment Division is responsible for the management of a \$21 billion investment portfolio. LACERS' primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. In FY24, the Investment Team continues efforts in fulfilling LACERS' obligations as a Principles for Responsible Investment (PRI) signatory including continued works in Environmental, Social, and Governance (ESG) investing strategies. Continuing initiatives include promoting the Emerging Investment Manager Program while new initiatives include the Triennial Asset Allocation Study and the search for a new Custodian Bank.

The proposed budget for general administration administration program seeks to achieve the following:

GREATER SUPPORT FOR LACERS' ASSETS UNDER MANAGEMENT

BETTER MANAGEMENT OF ADMINISTRATIVE TASKS

The Investment Division's project-based workload is largely driven by the Asset Allocation Policy that is subject to Board approval. The work is primarily carried about by the CIO and a team of Investment Officers. Administrative tasks have increased significantly as LACERS' Assets under Management (AUM) have grown and the breadth of strategies to achieve policy objectives have increased, which requires greater attention by the Investments team to manage and monitor the performance and quality of a complex and sophisticated institutional investment portfolio. Regularization of the Executive Administrative Assistant II will ensure the following administrative support will be provided to the CIO to enhance business efficiency.

- Coordinate senior staff reporting and correspondence
- Coordinate administrative procedures and all aspects of management of requests for proposals
- Manages highly critical reports, tracking logs, and time-sensitive communications with investment managers and bank custodian
- Assists in other administrative duties for the division as necessary

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Executive Administrative Assistant II (Regularize Substitute Authority) 	<p>This additional staff will:</p> <ul style="list-style-type: none"> • Provide administrative support to the Chief Investment officer (CIO) thereby allowing more focus on Investment's on-going activities and initiatives. <ul style="list-style-type: none"> ◦ Environmental, Social, and Governance Program ◦ Emerging Investment Manager Program ◦ Risk Management Program ◦ Custodian Bank Search ◦ Triennial Asset Allocation Study

GENERAL ADMINISTRATION OPERATIONS

The General Administration consists of seven (7) divisions/sections working in concert under Executive management to ensure that LACERS' programs and businesses run efficiently and effectively.

- o Administration
- o Fiscal Management
- o Human Resources
- o Internal Audit
- o Member Stewardship
- o Systems
- o Systems Operations Support

The FY24 proposed staffing for the General Administration maintains the existing administration support for LACERS operations with enhancements to business processes and includes (2) new regular authority and regularized substitute authority positions, and (6) substitute authority positions.

The proposed budget for general administration administration program seeks to achieve the following:

INCREASE ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY AND PROMOTE A HIGH PERFORMING WORKFORCE

STRATEGIC PLAN

LACERS' strategic plan sets the course for risk management and strategic vision for the next 3-5 years. The current Strategic Plan was adopted on February 12, 2019, which has been more than four years ago, and most of the initiatives highlighted are largely completed. FY23 began the development of a Request for Qualifications (RFQ) to develop a bench of qualified governance consultants for the creation of the next Strategic Plan. Efforts will continue into FY24 as LACERS staff will start engagement with the consultants on developing the new Strategic Plan.

HUMAN RESOURCES, AND PAYROLL PROJECT

The Systems Operation Support (SOS) Unit is responsible for all facets of the Pension Administration System, including support in benefits administration, payroll processing, workflow development, design modifications, testing, and the MyLACERS Portal. The SOS team, along with the Data Office, is actively involved with the Phase 2 of the Human, Resources, and Payroll (HRP) project, directed by the City to replace its existing payroll system, for test cases to ensure that all parts of the Member payment process are properly implemented. The SOS team collaborates with other LACERS units and City departments, such as LAFPP and Controller's Office, to resolve any errors or discrepancies to ensure that the payroll system will have a seamless integration once it goes live, which is in alignment with the strategic goal of delivering accurate and timely Member benefits.

FY24 Business Plan

General Administration



LACERS HEADQUARTERS AND RETURN OF IN-PERSON ACTIVITIES

As LACERS has transitioned to the new headquarters and the easing of the City's "Safer at Home" directive to end on April 19, 2023, LACERS is preparing for resumption of in-person activities. Additionally, a variety of office equipment, such as high-speed scanners, cellphones and tablets, and mail and storage organization, are slated to be replaced in FY24, ensuring all equipment will be up to date for operations. Staff requests have also increased proportionally to the increase of positions in LACERS, therefore the continuation of the Management Analyst and Management Assistant substitute authority will assist the Administration Division to continue to provide support at its current level to prevent delays to the workflows of other divisions, supporting the strategic goal of increasing organizational effectiveness and efficiency.

ACCOUNTING OVERSIGHT

The Fiscal Management Division primarily provides proper accounting and oversight of LACERS' financial operations including investment transactions, benefit payments and maintenance, employee payroll, cash receipts and disbursements, as well as accurate and timely financial reporting. In FY23, Fiscal Management has undergone staff turnover and a loss of seasoned employees. Regularization of the Payroll Supervisor would allow Fiscal Management to continue to deliver the necessary payroll support without the reallocation of other resources to oversee LACERS' growing financial operations.

DATA INFRASTRUCTURE

The Systems Division maintains the Information Technology (IT) functions of the organization in keeping business operational and running efficiently. FY23 initiated the build out of a data center and a redesign of the computing environment at the new headquarters to secure the availability of business systems during power interruptions. In FY24, Systems will continue these initiatives to ensure that the new headquarters is fully equipped with the proper tools for business operations.

The Data Office is responsible for developing and maintaining systems and applications that facilitate operations, such as budget and accounting processes and works closely with Systems and the Fiscal Division. FY23 began the development of a more robust cloud-based Central Repository capable of developing business intelligent reports and integrating with artificial intelligence tools. The addition of a new Systems Analyst substitute authority will help oversee the implementation of the Central Repository and continue to maintain and evolve the repository as LACERS operations grow.

CYBERSECURITY

In response to the COVID-19 pandemic, Systems Division deployed a variety of mobility solutions to develop a virtual workplace. As the City resumes back to its regular operations, LACERS sees the benefit of continuing a hybrid virtual workplace in improving staff retention and collaboration. The addition of a new regular Senior Cybersecurity Analyst II will assist in technical cybersecurity assessments on applications and systems to ensure LACERS is operating safely in the virtual work environment, which aligns with the strategic goals of organizational effectiveness.

FY24 Business Plan General Administration

DIVERSITY, EQUITY, AND INCLUSION

The Human Resources Unit (HRU) oversees essential functions to support individuals throughout their entire employment journey at LACERS. One of the major on-going initiatives for LACERS is Diversity, Equity, and Inclusion (DEI), which focuses on instilling a high development culture that provide equal opportunity growth within the organization by strengthening cross-divisional relationships in the workplace. HRU will continue to solicit feedback from staff on how to improve leadership opportunities while gathering management insights on required soft skills for promotability. This initiative is in agreement with the strategic goal of retain, mentor, empower, and promote a high-performing workforce.

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES

- 1 Management Analyst (Continue Substitute Authority), Administration
- 1 Management Assistant (Continue Substitute Authority), Administration
- 1 Benefits Analyst (Continue Substitute Authority), Membership Stewardship
- 1 Payroll Supervisor (Regularize Substitute Authority), Fiscal Management
- 1 Systems Analyst I (New Substitute Authority), Data Office
- 1 Senior Cybersecurity Analyst II (New Regular), Systems

PERFORMANCE OBJECTIVES

These additional staff will:

- Provide project support and guidance by becoming facilitators, engagement initiators, and trainers
- Provide support to benefits administration utilizing the Pension Administration System (PAS)
- Preparation of payroll documentation
- Develop and implement Central Data Repository and Reporting
- Implement and maintain control system software

FY24 Business Plan Initiatives

Governance - Year 2

ADVANCES THE STRATEGIC PLAN GOALS OF CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE & ORGANIZATION

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$150,000	
Board Governance Consulting Services	\$150,000	



PURPOSE

The last strategic planning process was conducted in FY19 prompting a new strategic planning session to be completed. The Governance BPI seeks to affirm and strengthen LACERS' mission, vision, and goals. FY23 initiated a search for Board Governance Consulting Services and continuing in FY24, once a contractor has been secured, LACERS will develop a new strategic plan setting the direction of the organization for the next three to five years.

DELIVERABLES

- New LACERS Strategic Plan
- Updated Board Governance Policies

FY24 Business Plan Initiatives

Language Access Plan- Year 2

ADVANCES THE STRATEGIC PLAN GOALS OF CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE & ORGANIZATION

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$40,000	
Translation and Interpretation Service	\$40,000	



PURPOSE

Prompted by Mayor Garcetti's Executive Directive 32 - Strengthening Language Access in the City of Los Angeles, LACERS' "Language Access Plan" (LAP) BPI is a multi-phase initiative seeking to expand accessibility to benefits-related information to LACERS Members, including those who are not fluent in English. Phase One in FY23 launched the initiative with the research and development of the LAP. Phase Two will include implementation of the plan and securing a vendor for translation and interpretation services.

DELIVERABLES

- Implementation of the necessary translation and interpretation tasks developed from the Four-Factor analysis outlined in the Citywide Language Access Plan template
- Procure a vendor for translation and interpretation services for the following:
 - Board Meetings
 - Summary Plan Descriptions
 - Reception Kiosk

FY24 Business Plan Initiatives

Knowledge Transfer-Year 2 (RSD and HWABD)

ADVANCES THE STRATEGIC PLAN GOAL OF CUSTOMER SERVICE, BENEFITS DELIVERY, ORGANIZATION & WORKFORCE

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$70,500	
Software Training Modules	\$70,500	



PURPOSE

This initiative seeks to deploy a two-phased approach for institutional knowledge transfer from retiring senior staff to new staff. Phase One in FY24 will result in requirements gathering and the launch of an RFP to secure a vendor to implement an AI-enabled knowledge base for benefits related topics as part of an internal training program. Phase Two will seek to continue and expand the knowledge base to incorporate other areas of information such as administrative and personnel topics thereby strengthening department-wide institutional knowledge transfer. Phase Two also seeks to implement the training schedule and develop metrics for future analysis.

DELIVERABLES


- A robust AI-enabled knowledge base with chat functionality capable of retaining and providing valuable department-wide information
- Implementation of a dynamic training schedule targeted to supervisors and staff for succession planning

FY24 Business Plan Initiatives

Environmental, Social & Governance Investing-Year 3

ADVANCES THE STRATEGIC PLAN GOAL OF GOVERNANCE AND INVESTMENT

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$27,750	
PRI Membership	\$14,000	
MSCI ESG Research Software	\$13,750	

IMPACT
<p>Mitigate risk through ESG risk factors to generate sustainable returns</p> 

PURPOSE

This initiative seeks to optimize long-term risk adjusted returns and enhance LACERS ESG directives guided by the Responsible Investment Policy to be consistent with the Board and staff's fiduciary responsibilities to act in the best interest of LACERS Members and beneficiaries. FY24 seeks the continuation of the development of LACERS ESG investment risk exposure reporting through an internal and third-party software as well as to further include ESG risk factors in the investment manager selection process.

DELIVERABLES

- Evaluation of additional third party ESG analytical tools and resources
- Development of analysis and metrics reporting from MSCI ESG Manager
- Review of PRI and ESG risk framework action plans and delegation of subtasks

FY24 Business Plan Initiatives

Workforce Diversity, Equity, & Inclusion-Year 3

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION AND WORKFORCE

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$175,000	
DEI Consultant	\$100,000	
Learning Management System	\$75,000	



PURPOSE

This initiative seeks to align the organization and staff on performance needs and support requirements to enable professional growth, achieve an equitable workplace, and resource the organization to support employee development. An outside vendor has been secured to develop a LACERS Fellowship program that will identify organizational expectations of staff for professional success at LACERS as well as employee expectations for organizational support in professional growth. Upon completion of the Fellowship program, content developed will be embedded into the Learning Management System as advanced training for LACERS staff.

DELIVERABLES

- Launch of the Fellowship program with staff specific cohort to identify employee growth needs
- Learning materials created to mentor and retain future staff
- Resolve organizational and leadership gaps for employee growth

FY24 Business Plan Initiatives

Diversity in Hiring-Year 2




ADVANCES THE STRATEGIC PLAN GOAL OF WORKFORCE

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$0	

IMPACT

An Investment Officer Bridge Job Class that would enable Investment staff to outreach to diverse non-traditional talent



PURPOSE

This initiative seeks to develop an Investment Officer Job Class for the Bridge to Jobs Program to achieve hiring diversity within the Investment Divisions of the City of Los Angeles. LACERS aims to perform outreach with other Investment Officers within the City to rally support for the job class to be adopted by the City. In FY23, LACERS developed a revolving volunteer group of Investment staff that drove this initiative by creating a framework for the Bridge Job Class specification according to industry recommendations. FY24 continues this initiative by flushing out the roadmap for the adoption of the job class and potentially initiate contact with other Investment Officers within the City to discuss.

DELIVERABLES

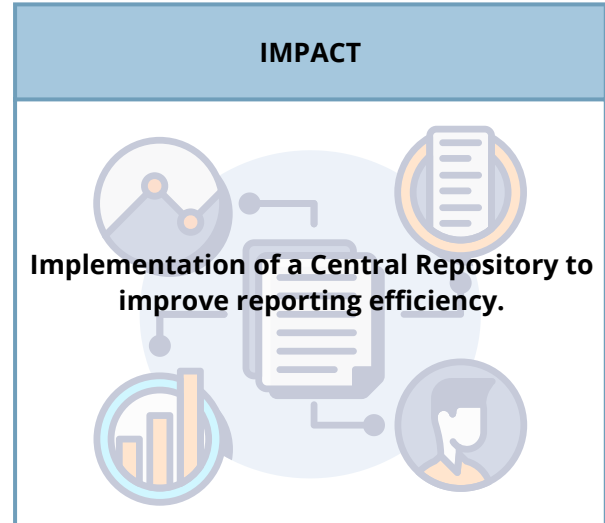
- Development of an Investment Officer Bridge Job Class specification
- Engagement with other City of LA Investment Officers

FY24 Business Plan Initiatives

Central Data Repository -Year 1

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION

FY24 BUDGET REQUEST		
	Expense	Positions
Total Request	\$30,500	
Microsoft Virtual Agent	\$2,400	
Microsoft Power Apps	\$9,600	
Microsoft Automate	\$18,000	
Power BI Premium	\$500	



PURPOSE

This initiative seeks to launch a Central Data Repository (CDR) which is a modernized, centralized, and organized platform to house LACERS' data and reporting. The CDR will serve as LACERS' single source of truth and can be managed and accessed by authorized users to enhance business intelligence reporting due to increased data quality, consistency, availability, and accuracy. FY24 aims to complete buildout of the CDR and initiate end user testing for deployment.

DELIVERABLES

- Development of a robust Central Data Repository
- Integrating data file imports
- Development of dashboards and reports

Capital Expense Budget



LACERS has established a 10-Year Capital Plan that ensures proactive planning of capital expenditures and establishes spending priorities and overall capital improvement goals.

The plan prioritizes performing routine evaluations of the building’s mechanical and structural resilience. This includes tracking the lifespan of the building’s HVAC system, elevator lift, generators, and electrical components. Modernization of the mentioned systems and implementing eco-friendly technology are also part of the 10-Year Capital Plan. As new technology becomes available, LACERS will evaluate how to incorporate these technologies into the HQ to promote sustainability and reduce our energy costs. This plan will also include routine reviews of how our LACERS HQ serves our Members and staff and promotes human health and wellbeing.

For FY24, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

FY24 CAPITAL PLAN BUDGET REQUEST – YEAR 2

Category	Property Component	Expense
Parking Garage	<u>Electric Car Charging Stations</u> : Procurement and installation of Electric Car Charging stations. Inclusion of contingency for additional consultants, permitting, and construction.	\$107,886
Mechanical	<u>Heating, Ventilation, and Air Conditioning Systems</u> : Allowance for Cooling Tower replacements, repairs, and other unforeseen components. Inclusion of contingency for any necessary maintenance identified during evaluation of the Cooling Tower. Also includes allowance for repair of existing HVAC pumps, such as condenser water pump and water source heat pumps.	\$325,838
Electrical	<u>Main Switchboard</u> : Repairs including rebuilding of any electrical system components found to be lacking as a result of the Infrared Testing.	\$72,800
Plumbing	<u>Sump Pumps</u> : Replacement of the storm water sump pumps and controller.	\$70,914
Soundproofing	<u>Sound Traveling</u> : Work to damper sound traveling between offices and conference rooms to reduce distraction and bolster privacy. A three year program was developed for the completion of the work.	\$100,000
Administrative	<u>Fee</u> : Contractual fee for capital project oversight 4% of project cost.	\$46,393
	TOTAL	\$723,831



	FY24	FY23	% CHANGE
Total	\$ 823,897,034	\$ 763,866,451	7.9
Retirement and Health Benefits	903,808,063	837,626,811	7.9
True-up Adjustment	(81,477,029)	(75,194,360)	8.4
Family Death Benefit Plan	51,000	47,000	8.5
Excess Benefit Plan	1,332,000	1,332,000	0.0
Limited Term Retirement Plan	183,000	55,000	232.7

The City contributes funding for four plans administered by LACERS: Retirement and Health Benefits, the Excess Benefit Plan, the Family Death Benefit Plan, and the Limited Term Retirement Plan.

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the amount of the City's contribution is determined on the final covered payroll adopted in the City's budget. The FY24 City Contribution is based on the latest FY24 covered payroll provided by the City and the updated LACERS' FY24 covered payroll. The final covered payroll will be determined in June once the City and proprietary departments budget gets adopted. As of now, the estimate is based on the latest FY24 covered payroll of \$1.8 billion for Tier 1 Members and rate of 34.07%; and a covered payroll of \$917 million and rate of 31.45% for Tier 3 Members. A credit adjustment of \$81,477,029 is applied toward the FY24 contribution to LACERS. This credit amount represents a true-up of the FY23 contribution -- the difference between the contributions paid on July 15, 2022 based on the budgeted covered payroll amount and the actual payroll toward the end of the Fiscal Year. The City is also required by statute to make employer contributions for the Family Death Benefit Plan, the Excess Benefit Plan, and the Limited Term Retirement Plan.

Family Death Benefit Plan

Approximately 2,067 Active Members are opted into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City's contribution to the Family Death Benefit is equivalent to a match of the Member's contribution of \$1.90 per month for FY24. This monthly amount is established pursuant to a biennial study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.



Excess Benefit Plan

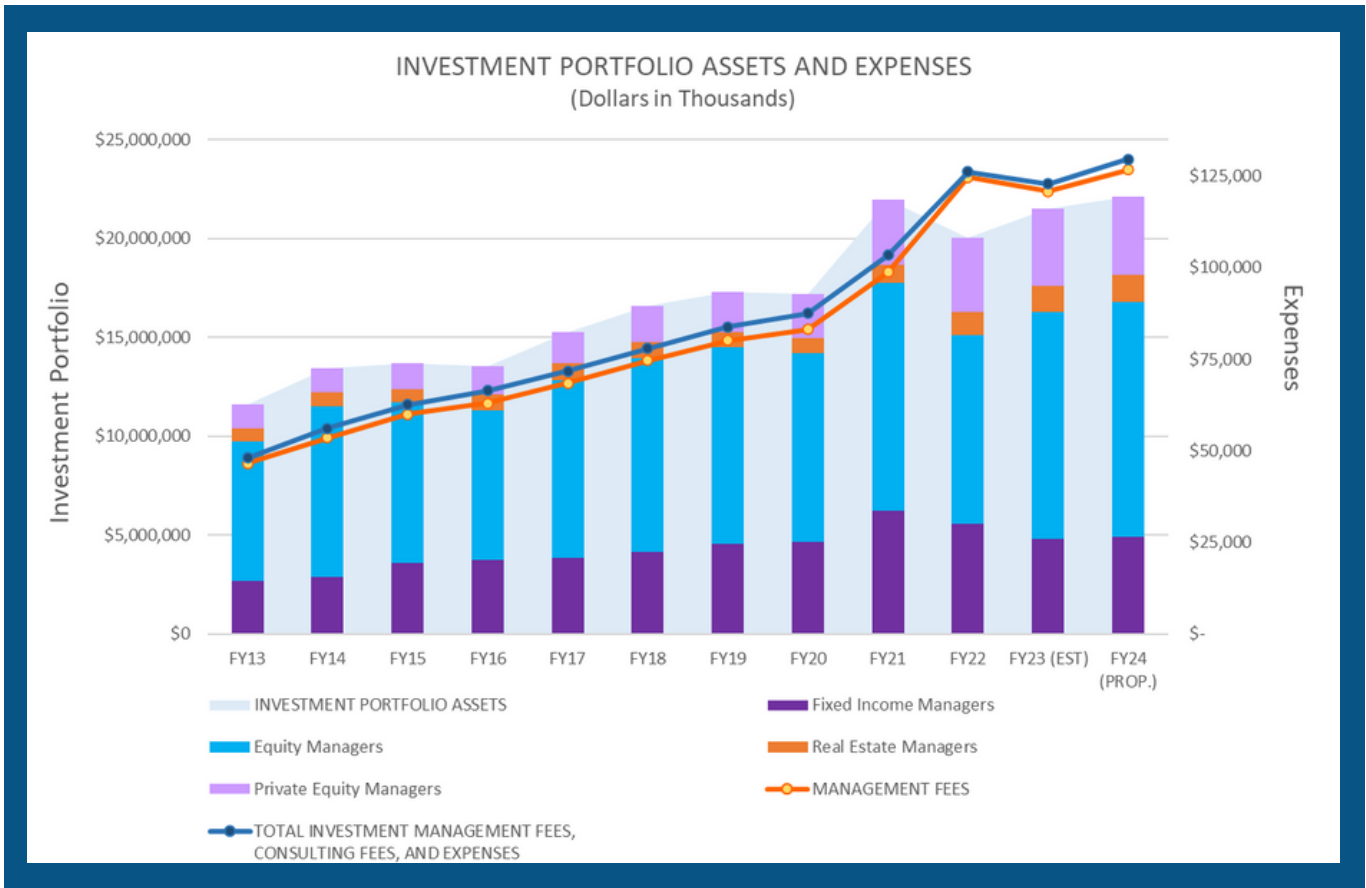
The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently \$265,000¹ for 2023. In 2023, there are 37 LACERS Members who receive their monthly LACERS' retirement benefit up to the limit allowable by the IRC, and the remainder of their benefit is paid separately by City funds. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for FY24, plus reasonable administrative expenses.

Limited Term Retirement Plan (LTRP)

The LTRP provides elected officials, who serve four-year terms, the option of participating in a defined contribution plan until they have completed the five years of City service needed to vest in the defined benefit plan. The City provides a contribution to LTRP Members at the same rate as the employer contribution to the LACERS defined benefit plan. There are currently two LTRP Members in the plan.

¹ This represents the unadjusted Excess Benefit limit. The individual limit must be adjusted based on the age of the Member at retirement, years of City service, service purchases, and calculated on a single-life annuity basis.

Investment Management Fees and Expenses



In the past ten-year period, overall fees have increased along with the increase in portfolio value.

The Investment Management Fees are largely asset-based fees established in the respective contracts with investment managers hired by LACERS. Investment consulting fees are flat fees paid to our General Fund consultant, our Private Equity consultant, and our Real Estate consultant. Other expenses include research and services which support administration of the investment program.

	FY24	FY23	\$ CHANGE	% CHANGE
Total	\$ 129,674,876	\$ 106,923,414	\$ 22,751,462	21.3
Investment Management Fees	126,828,476	104,026,264	22,802,212	21.9
Investment Consulting Fees	2,521,650	2,532,000	(10,350)	(0.4)
Other Investment Expenses	324,750	365,150	(40,400)	(11.1)

Investment Management Fees and Expenses



INVESTMENT FEE RATE OVERVIEW

The 2023-24 proposed Investment Management Fees & Expenses Budget is \$129.7 million and is based on several factors:

- Estimated Fair Value (FV) of Investments of \$22.1 billion as of June 30, 2024
- Reported FV of Investments of \$21.6 billion as of January 31, 2023
- An assumed rate of return of 3% for all assets
- Estimated fees based on additional fund commitments anticipated to be made during FY24 to the Private Equity, Private Credit, and Real Estate asset classes.

LACERS estimates the FY23 investment fees and expenses will be approximately \$122.9 million. Investment management fee increases (or decreases) are a function of the following factors:

- Change in the FV of Investments
- Asset Allocation Policy and the respective weights of asset classes
- Investment management fee structures that vary by asset class

The difference between the proposed FY24 and the FY23 adopted budget for investment management fees and expenses is \$22.8 million. This increase is due to a policy decision to increase investment exposures to higher yielding Private Equity and Real Estate investment asset classes that are subject to elevated investment management fee structures.