



Board of Administration Agenda

SPECIAL MEETING

WEDNESDAY, FEBRUARY 22, 2023

TIME: 9:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's February 22, 2023, Special Meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and or participate:

Dial: (669) 444-9171 or (669) 900-6833

Meeting ID# 858 4290 5352

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

Please click on the link below to join this webinar:

<https://us02web.zoom.us/j/85842905352>

Instructions for webinar public comments:

Use "raise hand" function located at the bottom of the Zoom screen

President: Nilza R. Serrano

Vice President: Elizabeth Lee

Commissioners: Annie Chao
Thuy Huynh
Janna Sidley
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

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Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at ani.ghokassian@lacers.org.

Disclaimer to Participants

Please be advised that LACERS Board Meeting proceeding will be audio and video recorded.

Information to listen only: Live Board Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

LACERS Website Address/link:

www.LACERS.org

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – **CALL-IN PARTICIPANTS PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD. WEBINAR LINK PARTICIPANTS USE “RAISE HAND” FUNCTION LOCATED AT BOTTOM OF ZOOM SCREEN.**

- II. LACERS 2023 PENSION SYMPOSIUM
 - A. OPENING REMARKS BY LACERS BOARD PRESIDENT
 - B. OPENING REMARKS BY LACERS GENERAL MANAGER
 - C. A NATIONAL PERSPECTIVE OF STATE AND LOCAL PENSIONS:
 - [NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS \(NASRA\)](#)
 - D. PLAN MATURITY:
 - [SEGAL CONSULTING SERVICES](#)
 - E. INVESTMENTS:
 - [INTRODUCTION TO ASSET ALLOCATION](#)
 - [RESPONSIBLE INVESTMENT WITHIN AN ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FRAMEWORK](#)
 - [LACERS EMERGING MANAGER PROGRAM](#)

LUNCH BREAK

(DURING THE LUNCH BREAK BETWEEN PRESENTATIONS, LACERS WILL DISPLAY A VIDEO HIGHLIGHTING LACERS SERVICES. THE LACERS VIDEO CAN BE ACCESSED ON FEBRUARY 22, 2023 BY CLICKING HERE: <https://youtu.be/CcdsFKGNEg4>)

- F. HEALTH AND BENEFITS:
 - [THE FUTURE OF MEDICARE AND CONTROLLING HEALTHCARE COSTS; AND WELLNESS](#)
 - [PANEL OF RETIREES](#)
 - [MEMBER EXPERIENCE](#)
 - G. [LACERS VISION AND INITIATIVES](#)
 - H. CLOSING REMARKS
- III. OTHER BUSINESS

IV. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, February 28, 2023, at 10:00 a.m., via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings.

V. ADJOURNMENT



A National Perspective of State and Local Pensions

Alex Brown

LACERS Symposium

February 22, 2023

Public Pensions in the U.S.

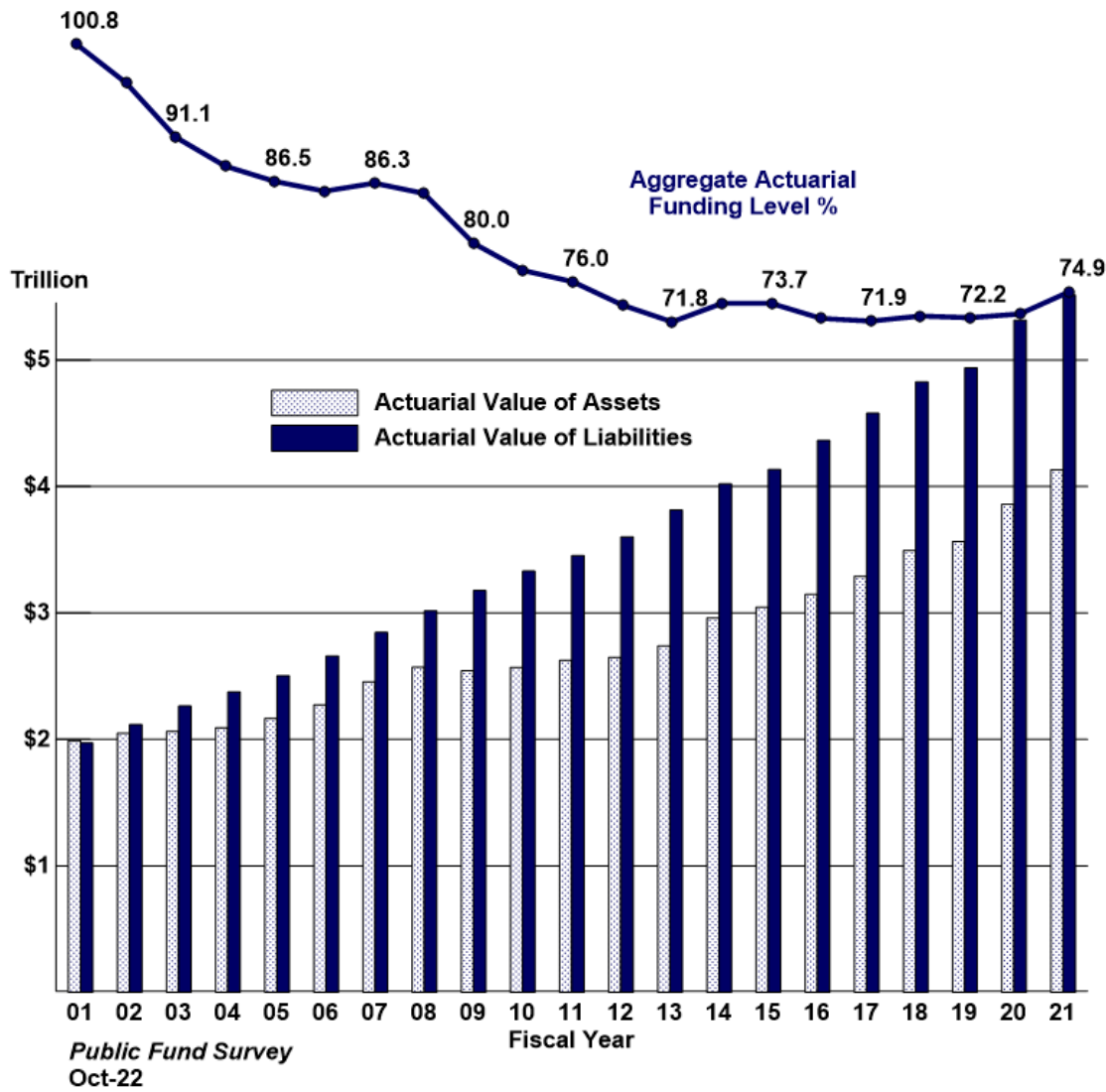
- \$4.99 trillion in assets (as of 9/30/22)
- 14.6 million active (working) participants
 - 10 percent of the nation's workforce
- 11.2 million retirees and survivors
 - Received \$320+ billion in benefits
- Annual contributions = \$238 billion
- Of 5,000 public retirement systems, the largest 75 account for 80+ of assets and members



Public Pensions in California

- \$1.2 trillion in assets as of FY 21
- 2.3 million active (working) participants
 - 12 percent of the state workforce
- 1.6 million retirees and survivors
 - Received ~\$65 billion in benefits
- Annual contributions = \$55.8 billion
 - \$13.2 billion, or 24 percent, from employees
 - \$42.6 billion, or 76 percent, from employers
- 82 retirement systems
 - CalPERS and CalSTRS account for \$790 billion
 - Largest other plans: UCRP, LA County, LA Fire & Police, LACERS

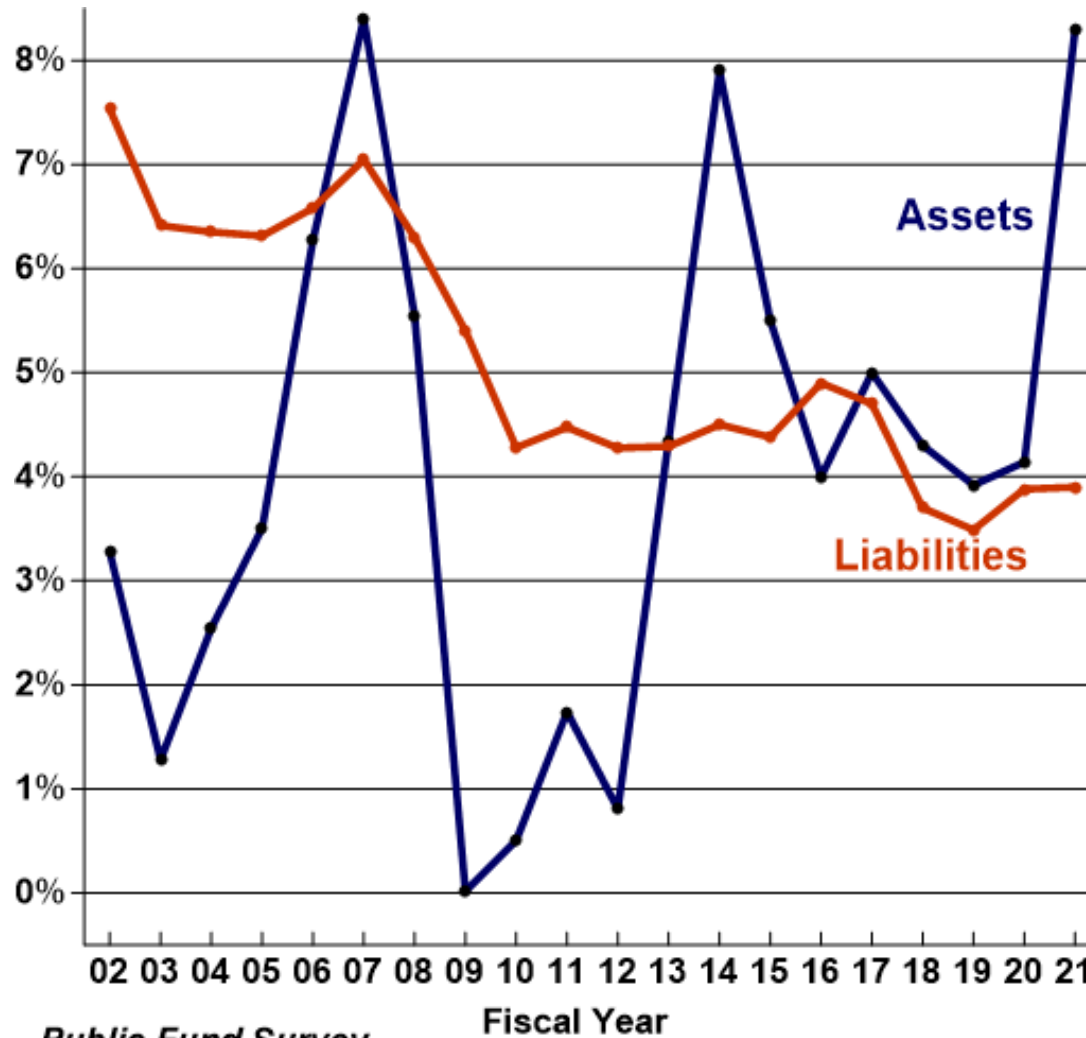




Change in aggregate public pension actuarial value of assets and liabilities and funding level, FY 01 to FY 21



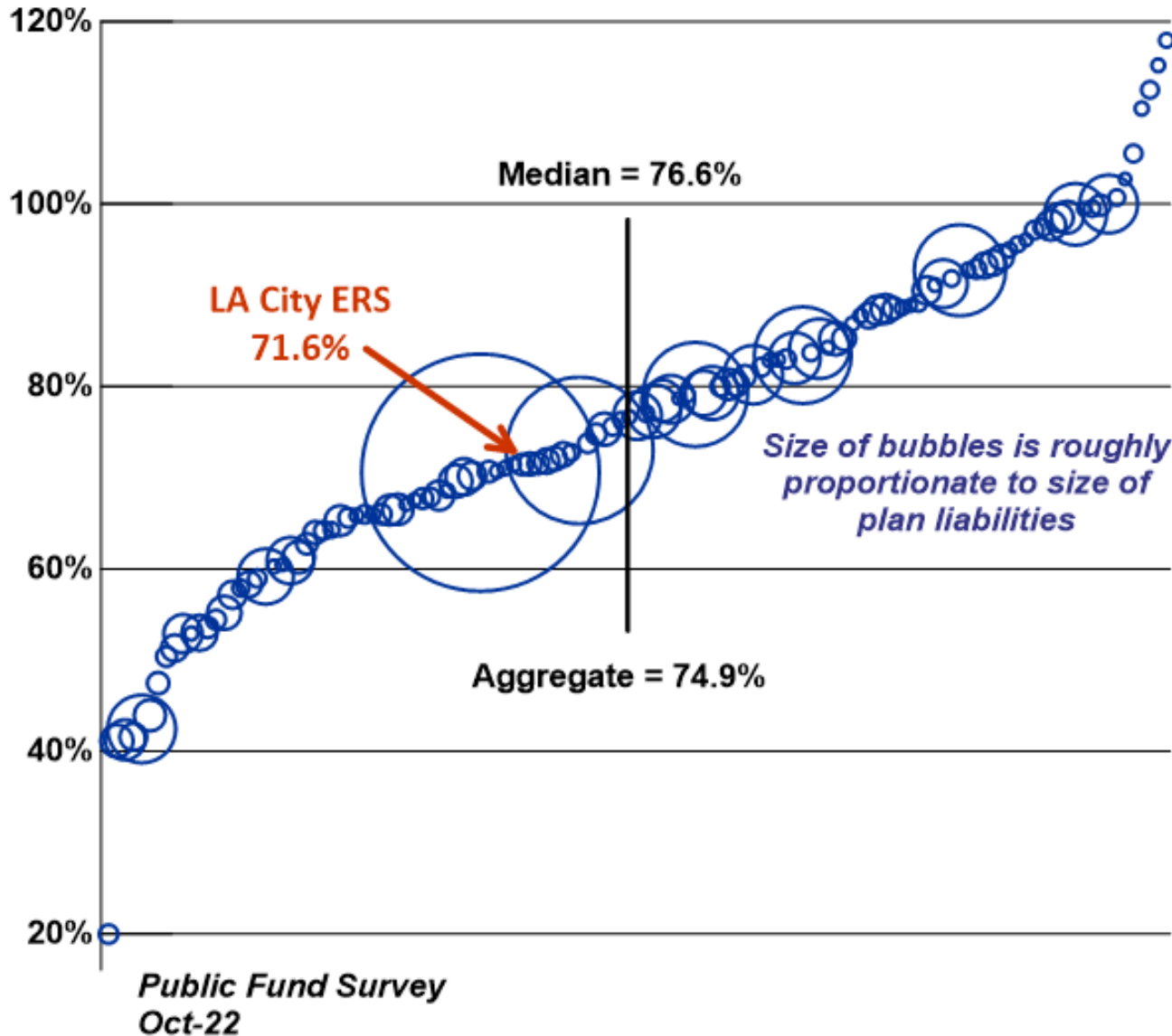
Median Annual Change in Combined Actuarial Assets and Liabilities



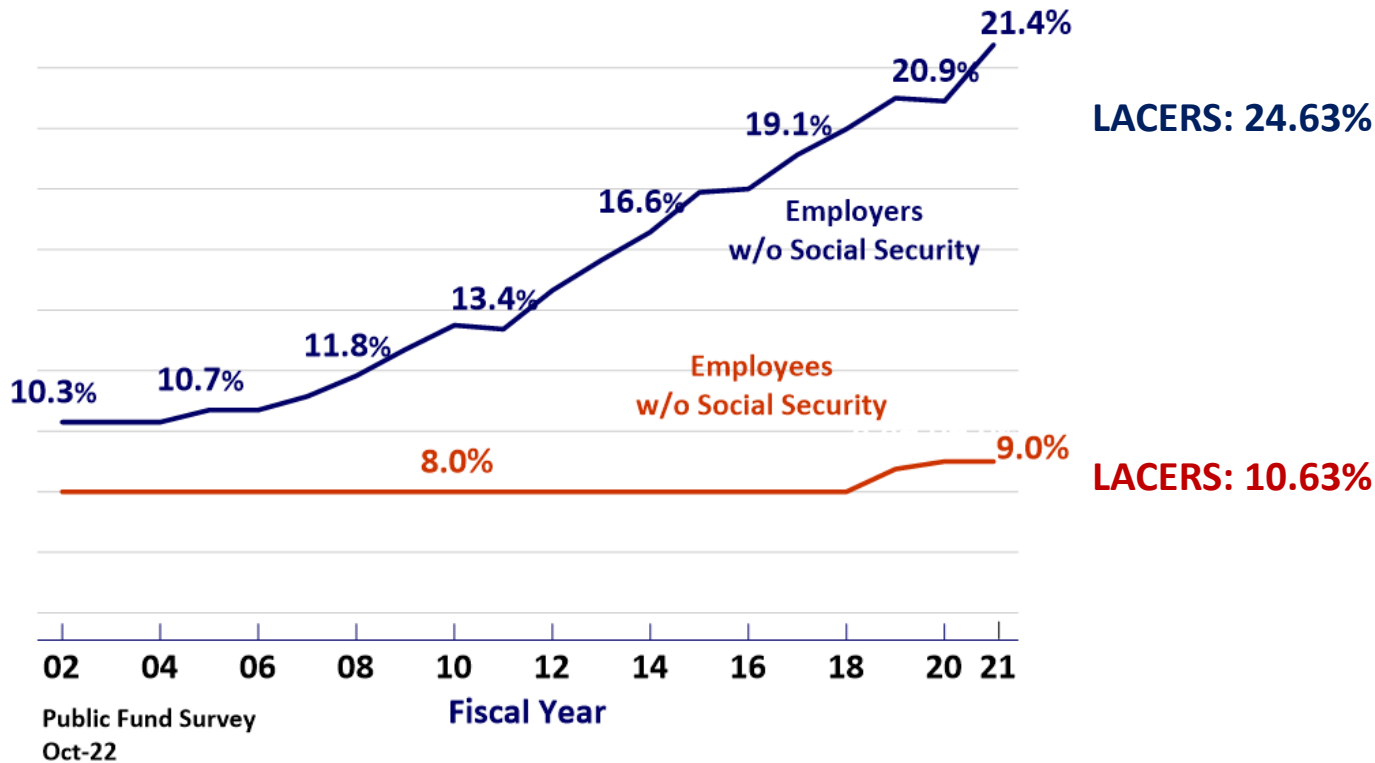
Public Fund Survey
Oct-22



Distribution of Public Pension Funding Levels, FY 21

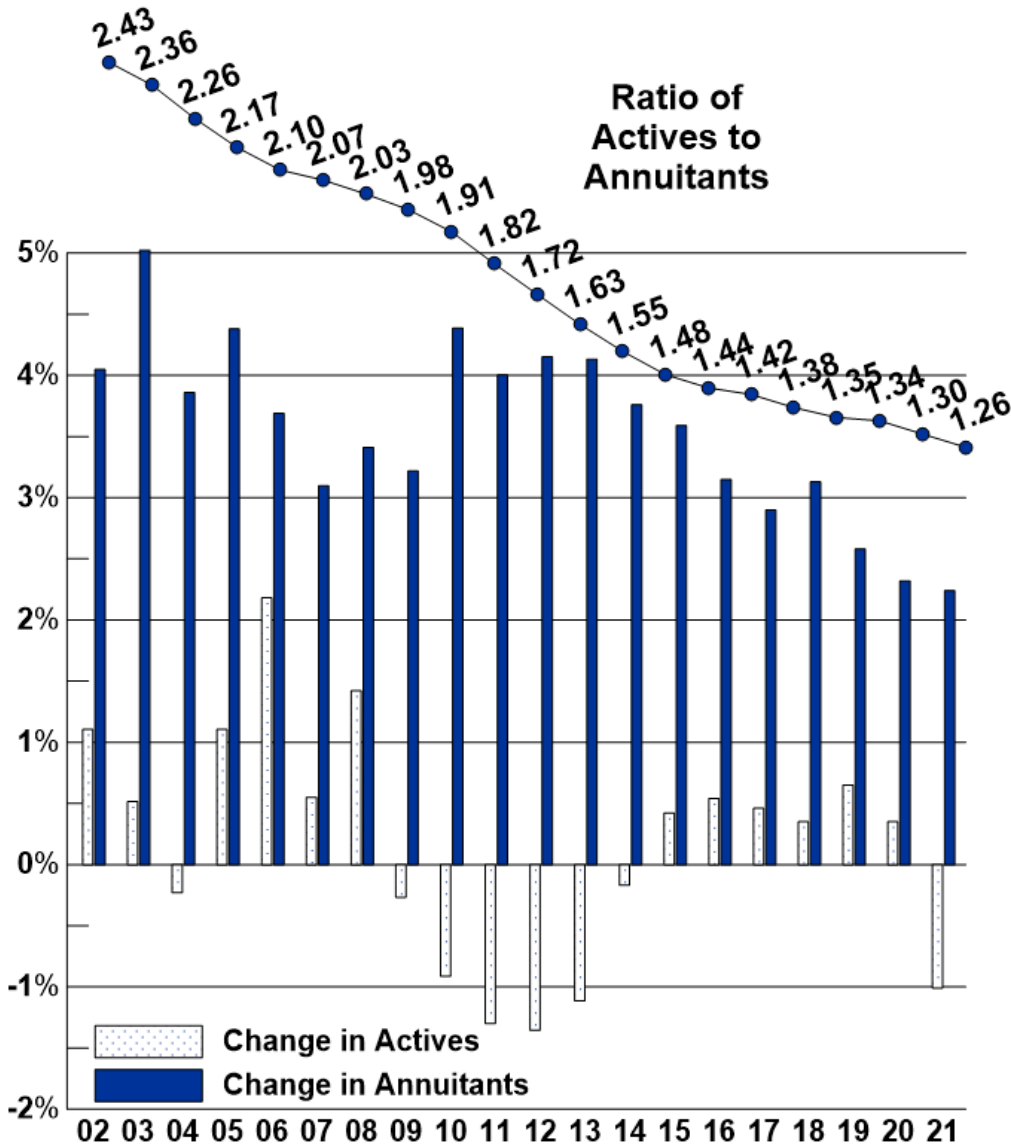


Median Contribution Rates Employee and Employer Non-Social Security



Contribution rates reflected here are those for general employees and public school teachers and predominantly exclude rates for public safety personnel



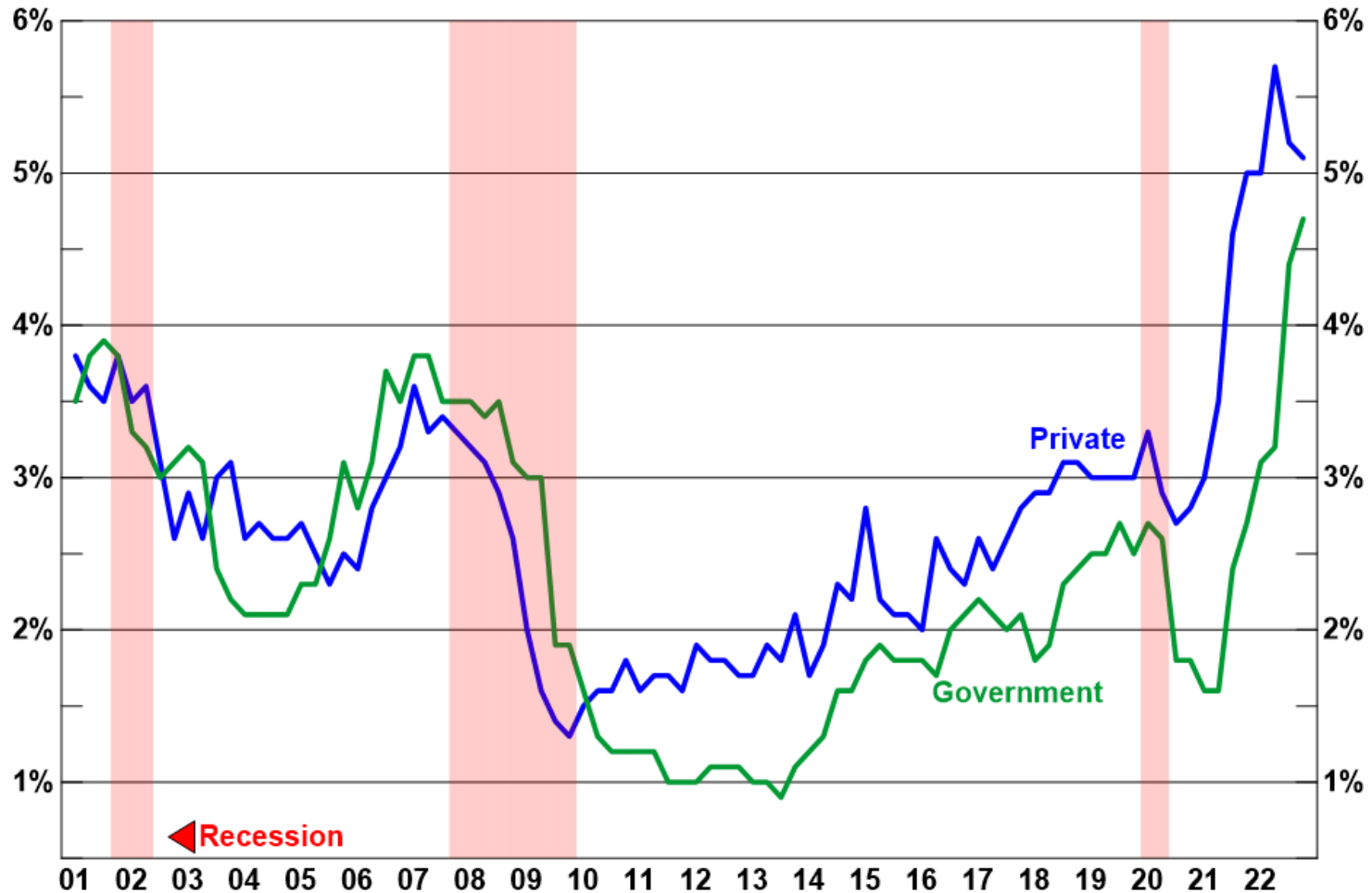


Median annual change in actives and annuitants

Public Fund Survey
Oct-22



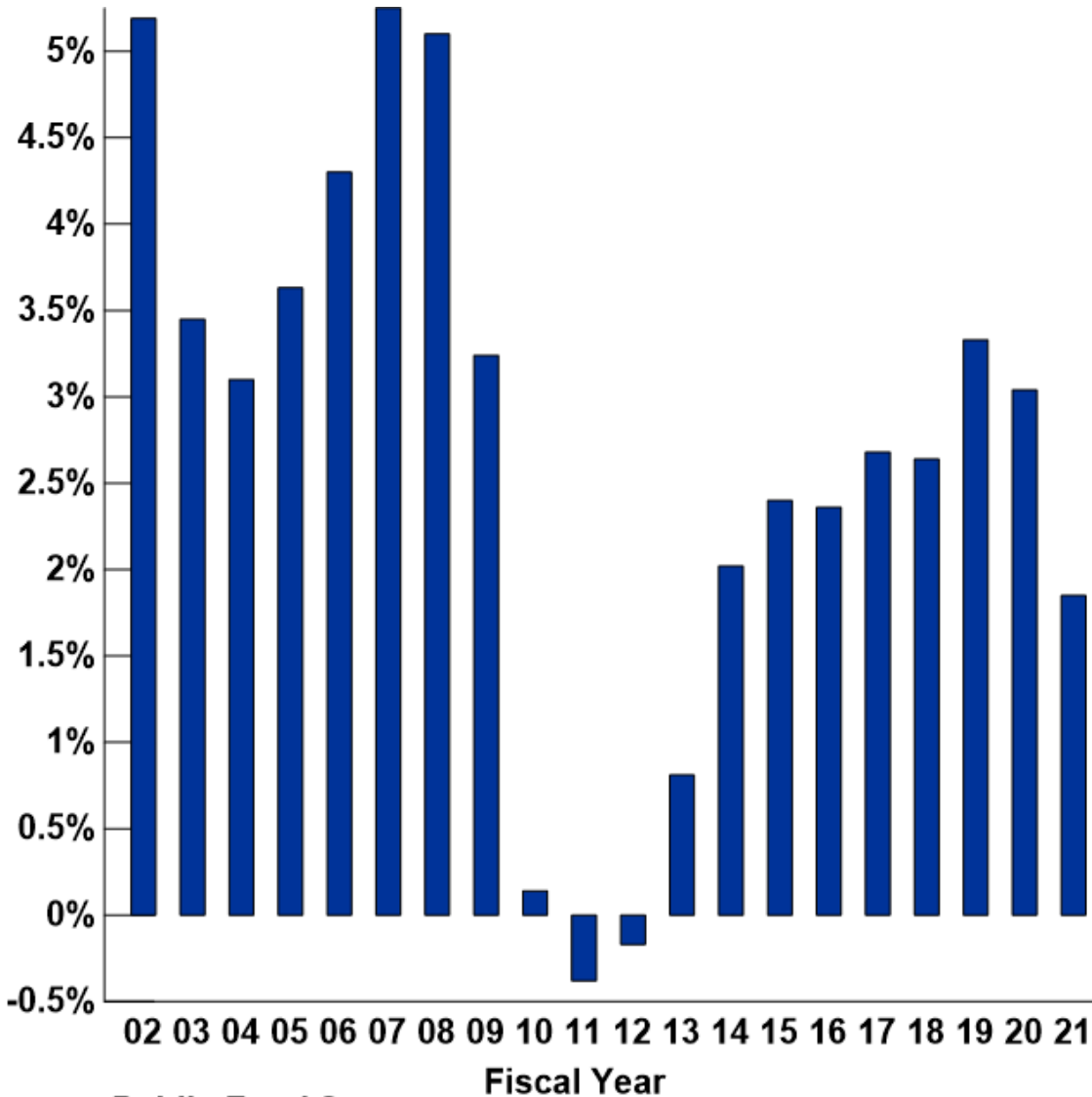
Annualized Quarterly Change in Wage and Salary Costs for Private and State and Local Workers since 2001



U.S. Bureau of
Labor Statistics,
compiled by NASRA

Data final as of Q4 2022



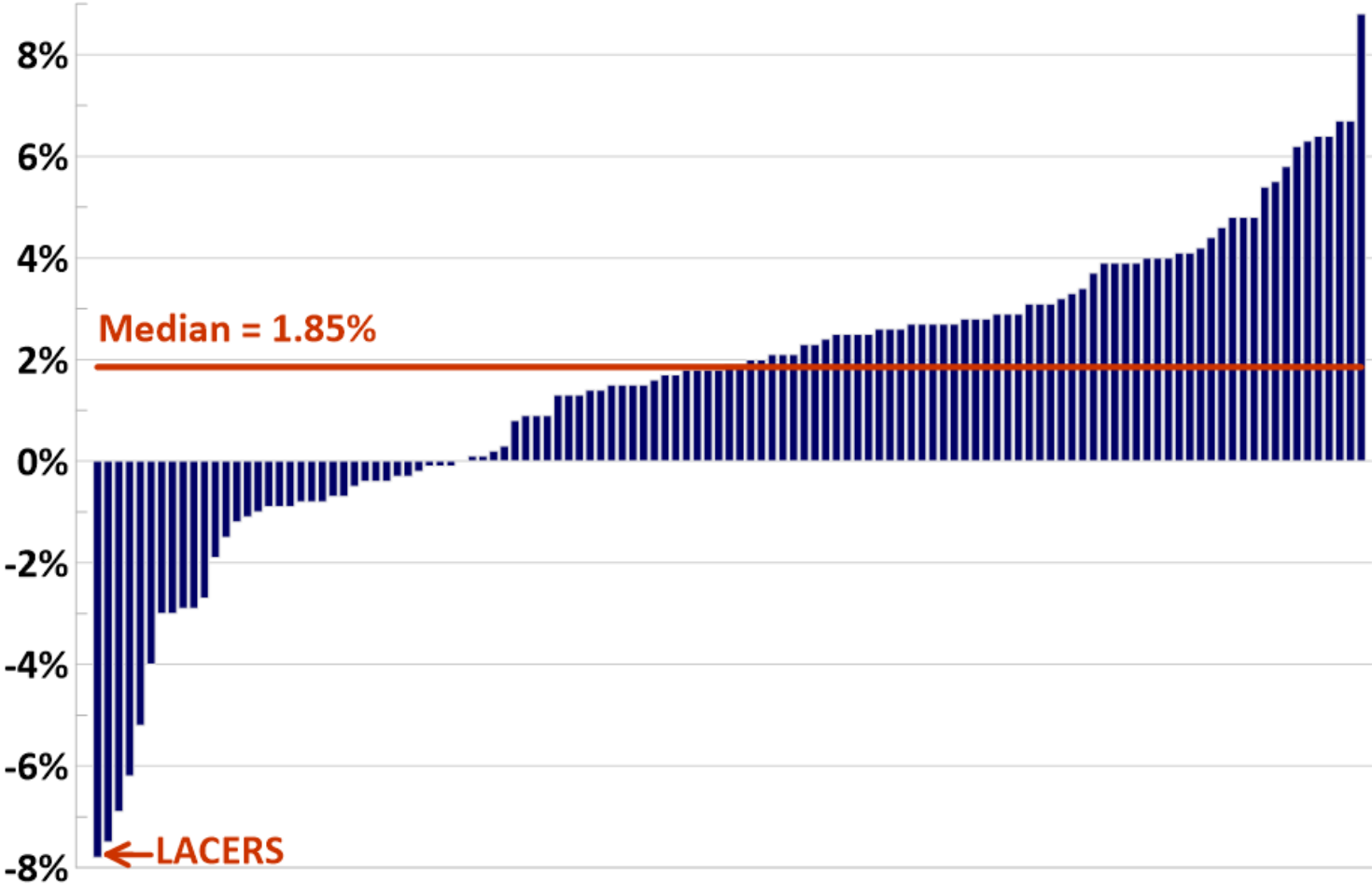


**Median Annual
Change in
Payrolls
FY 02 to FY 21**

*Public Fund Survey
Oct-22*



Distribution of payroll growth, FY 21



Public Fund Survey
Oct-22



Where Will Public Pension Funding Conditions Go From Here?

- Sub-par investment returns for FY 22 to be incorporated
- More conservative actuarial assumptions and methods
- Rates of public sector hiring and salary growth remain below previous levels
- Most (but not all) employers contributing the full ADC

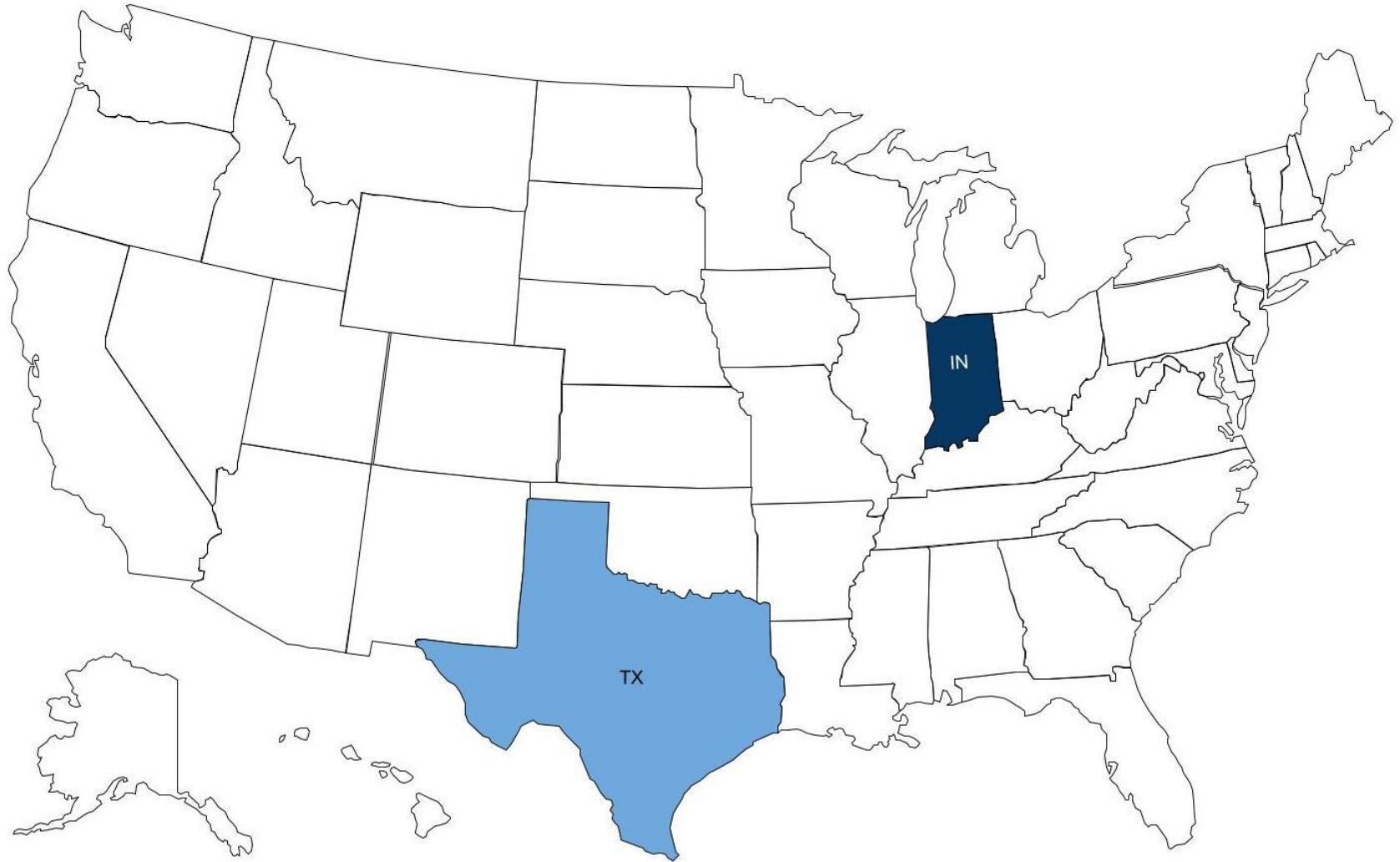


Pension Reforms in Recent Years

- Since the 2008-09 market decline and recession, states and other public pension plan sponsors have implemented an unprecedented series of reforms to their pension plans
- Unprecedented both in the number of states enacting reform and in their magnitude
- A major theme of reforms has been establishment of features intended to share risk among employers and employees
- Also, lower benefits and higher employee contributions



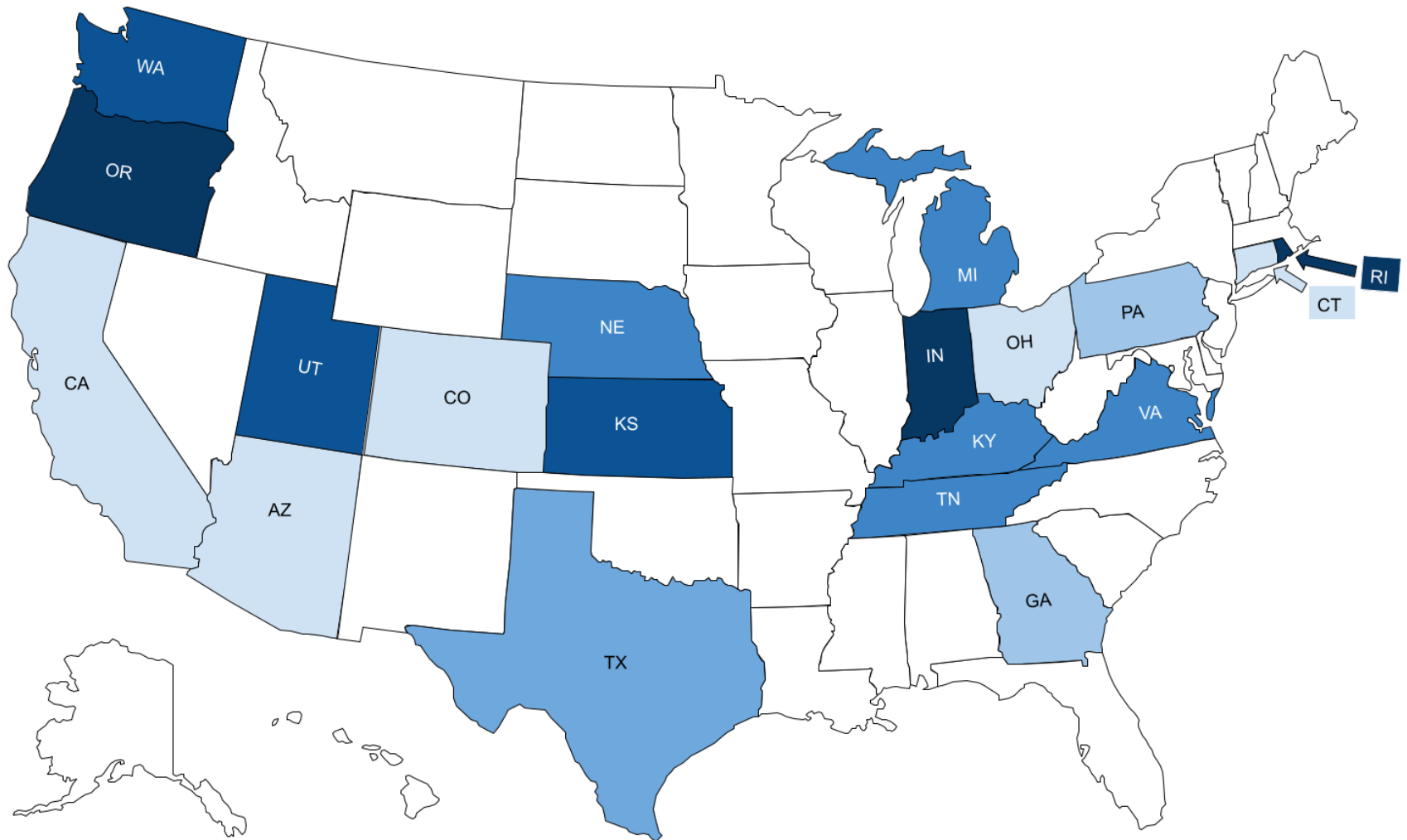
Statewide hybrid plans, 1995



26-40% 75-100%



Statewide Hybrid Plans, 2021

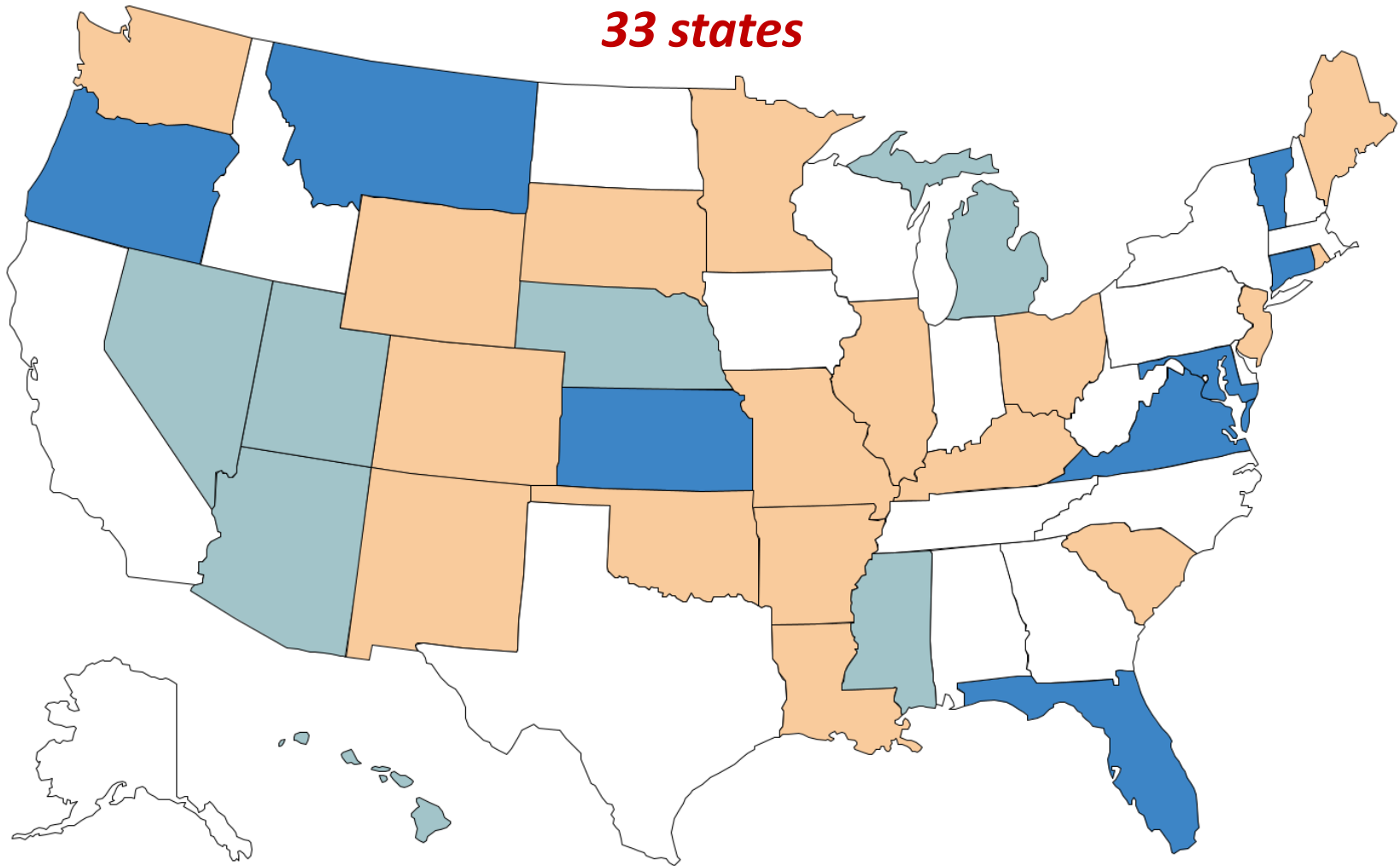


0-5% 5-10% 15-20% 20-35% 35-40% < 65%



States that reduced automatic COLAs

33 states

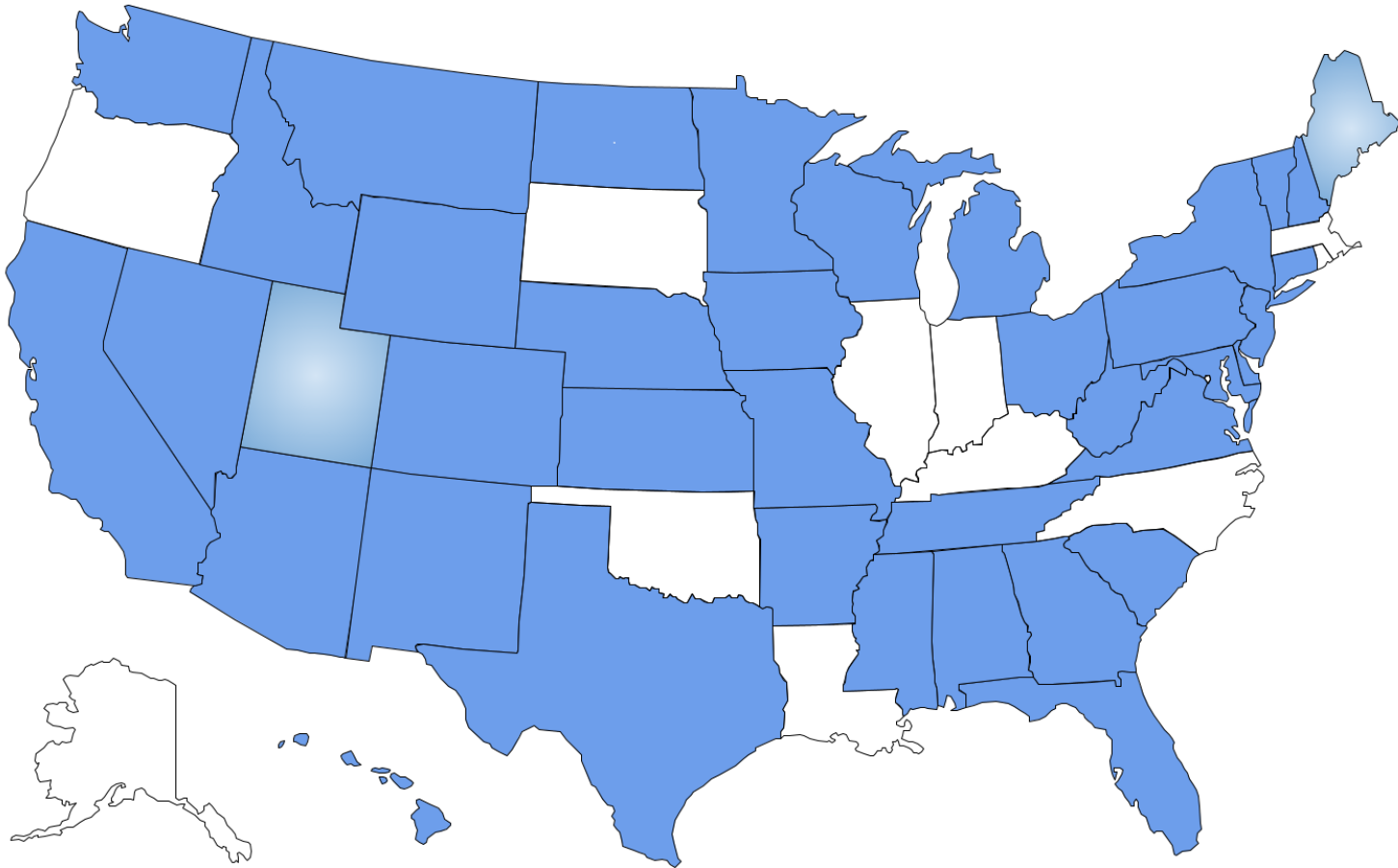


 Affecting New Hires Only  Affecting Current Employees & New Hires  Affecting Retirees



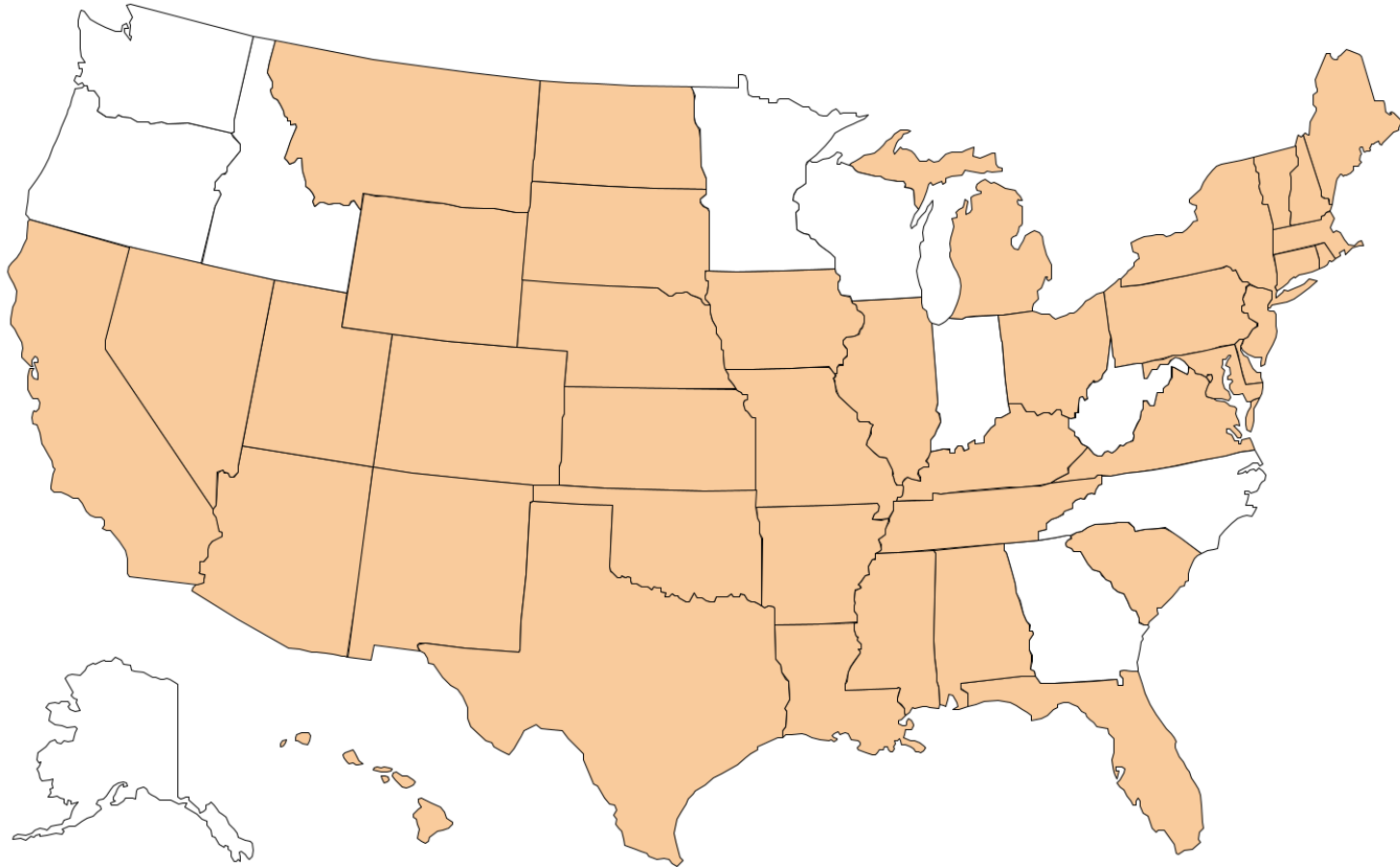
States that increased employee contributions

39 states



States that reduced pension benefits

40 states



Risk Sharing Conceptually

$$C + I = B + E$$

- Over time, the revenue into a retirement plan must equal the plan's expenses
- This balance is maintained when the plan's actuarial assumptions are approximately correct over time
- In a traditional defined benefit plan, when this balance is disrupted, employer contribution rates must rise
- Risk-sharing introduces the possibility that employee contributions or benefit levels will be adjusted under certain conditions

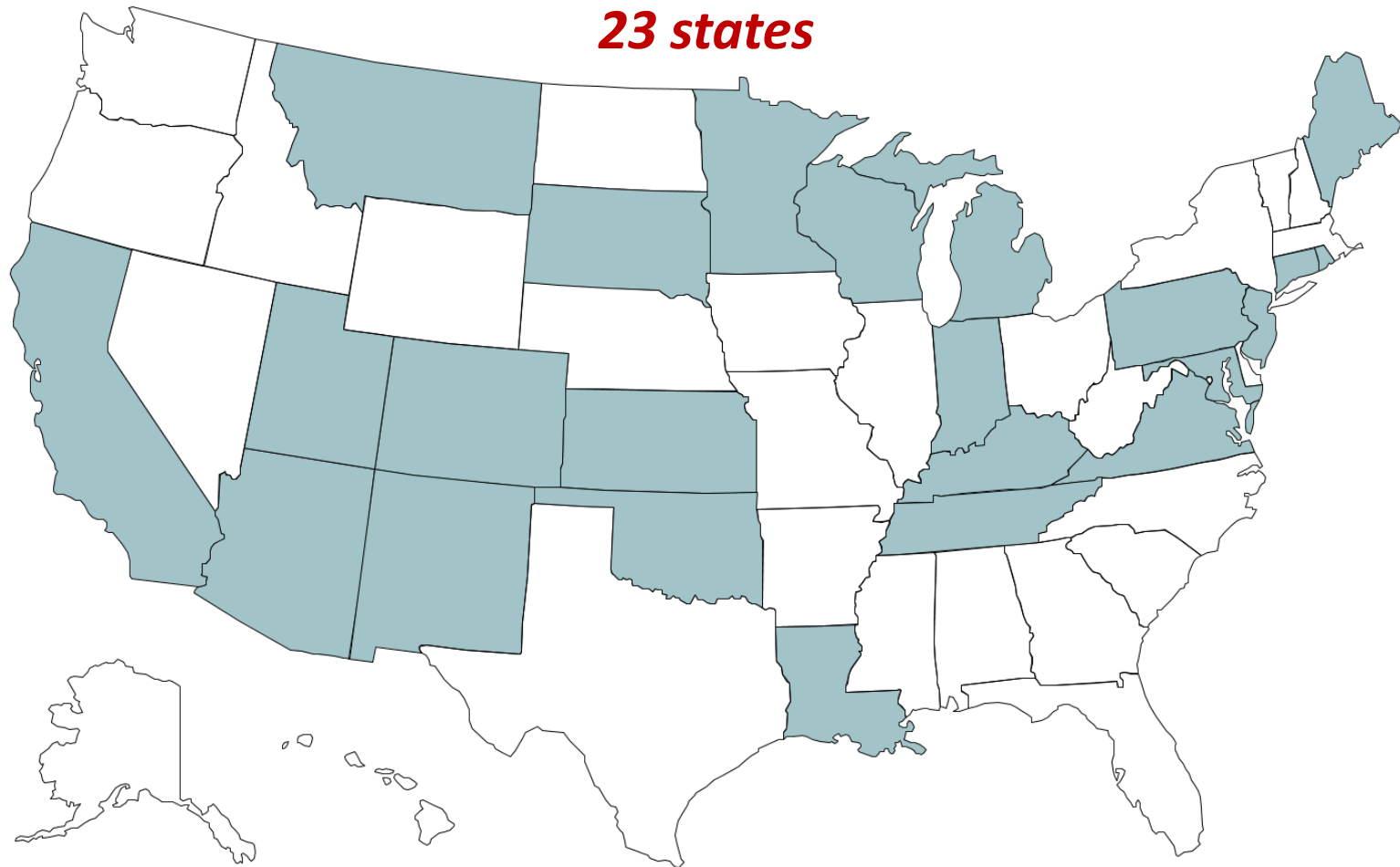


Examples of Risk-Sharing

- Hybrid retirement plans
 - DB+DC
 - Cash balance
- Contingent or limited cost-of-living adjustments
- Flexible employee contribution rates
- Adjustable benefit levels



States Adding or Modifying Shared-Risk Plan Design Features Since 2000



Pension Reform at LACERS

Tier	Normal Retirement Eligibility	Multiplier	Early Retirement Eligibility	Final Average Salary	COLA
Tier 1 (hired prior to 2/21/16)	70/any, 60/10, or 55/30	2.16%	55/10 or any/30	Highest 12 continuous months	Based on Los Angeles area CPI, up to 3%
Tier 3 (hired on or after 2/21/16)	60/30 or 63/10	2.0% (2.10% for those retiring at 63/30)	60/10	Highest 36 continuous months	Based on Los Angeles area CPI, up to 2%



Final Thoughts

- Reforms for plans whose employees are not covered by Social Security generally have been less austere than reforms for plans whose participants are covered by Social Security
- Pension reforms at LACERS are consistent with the types of reforms affecting public pension plans nationwide
- The LACERS plan design includes principles of shared risk through the COLA



Thank you

Alex Brown

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202-624-8461

Los Angeles City Employees' Retirement System

Pension Symposium – Plan Maturity

Todd Tauzer / Andy Yeung

| Agenda

- **Current Plan Environment**
- **The Maturing of LACERS**
- **Actuarial Considerations on Maturity**
- **Actuarial Discussion on Unfunded Liability**

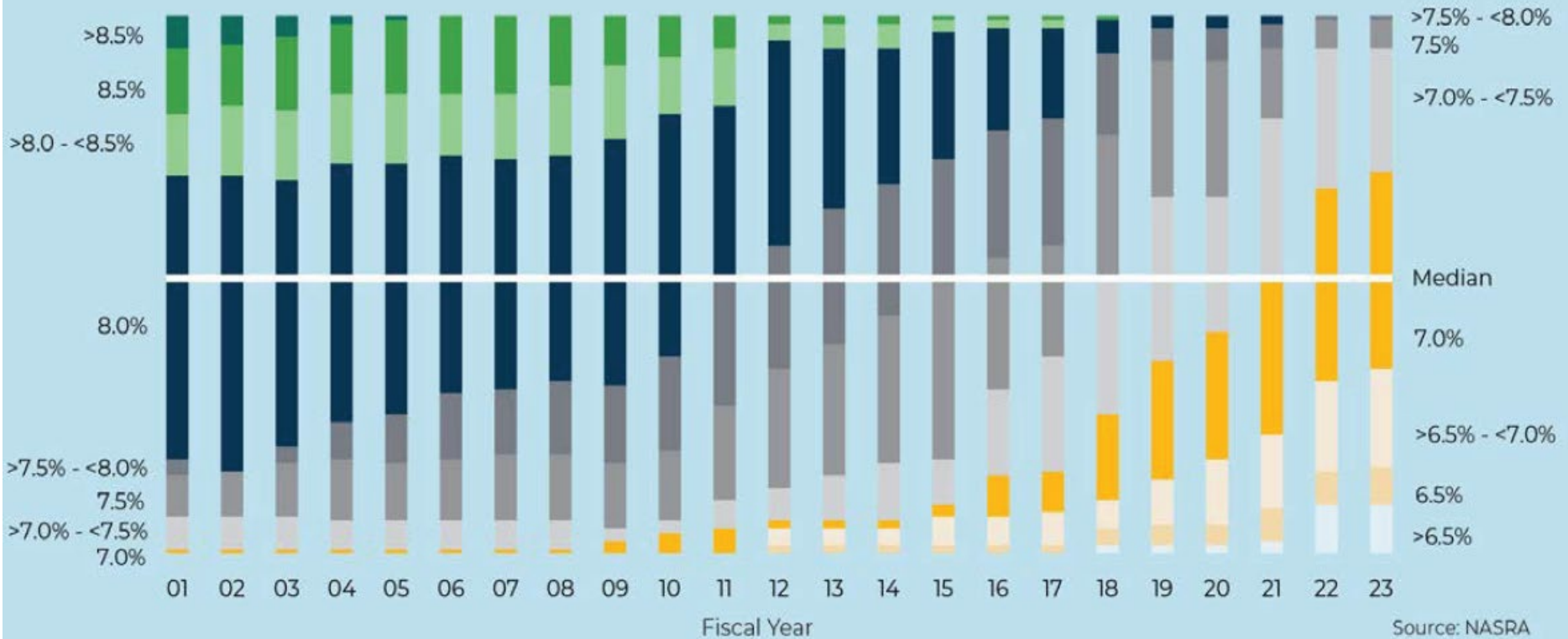
National Institute on Retirement Security Research

EXAMINING THE EXPERIENCES OF PUBLIC PENSION PLANS SINCE THE GREAT RECESSION



Changes in the Economic Environment

Figure 7: Change in Distribution of Public Pension Investment Return Assumption, FY 01 to FY 22



The median Investment Return Assumption has dropped a full percent this century.

Changes in the Demographic Environment



People Are Now Living More Years in Good Health: Study

March 17, 2022, at 11:52 a.m.



Lifespan is continuing to increase regardless of socioeconomic factors, Stanford researchers find

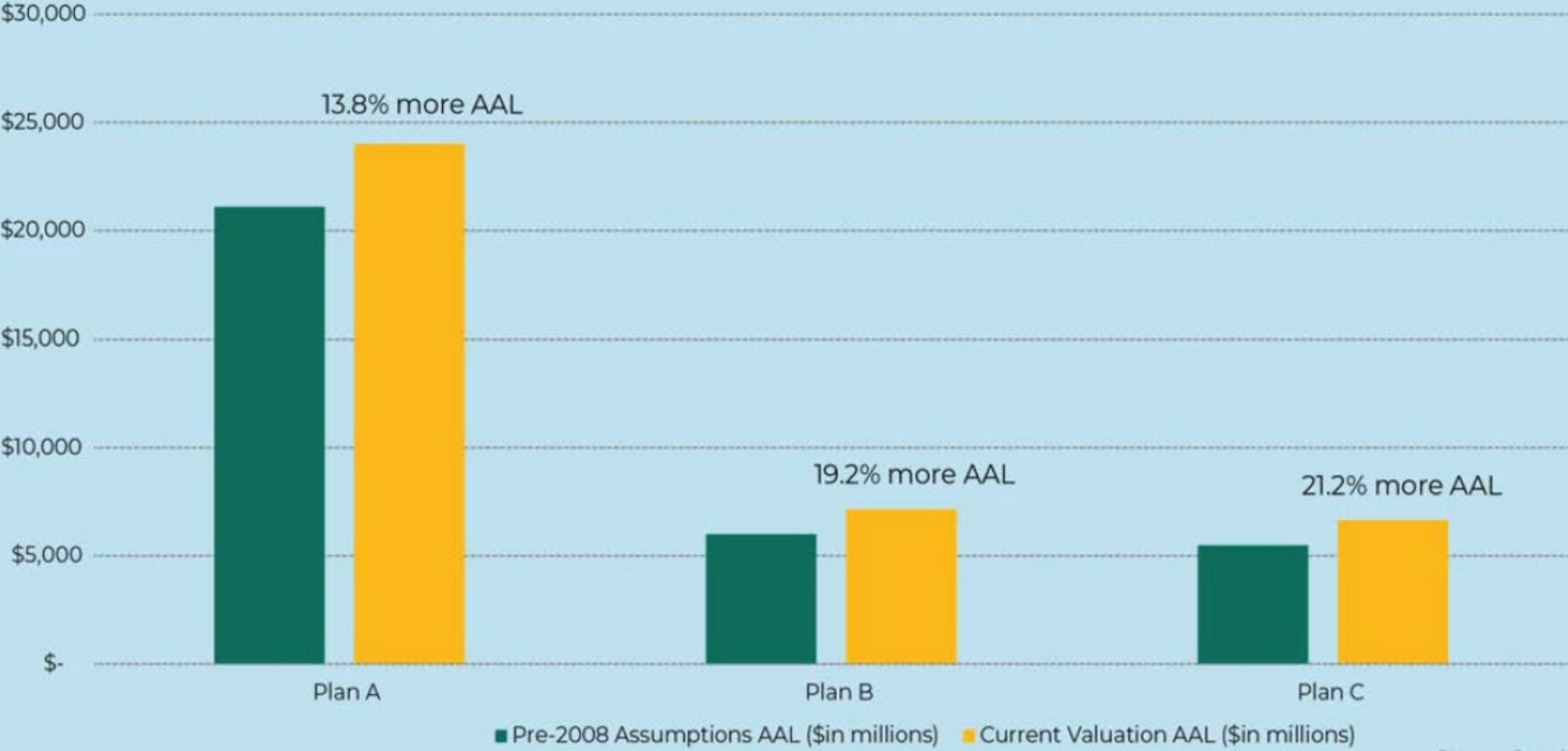


We're living longer than ever before – how ageing has changed over time

Longevity has improved significantly over the same window.

Combined Effect on Pension Plans

Figure 8: Actuarial Accrued Liability with Prior Economic and Mortality Assumptions (\$ in millions)



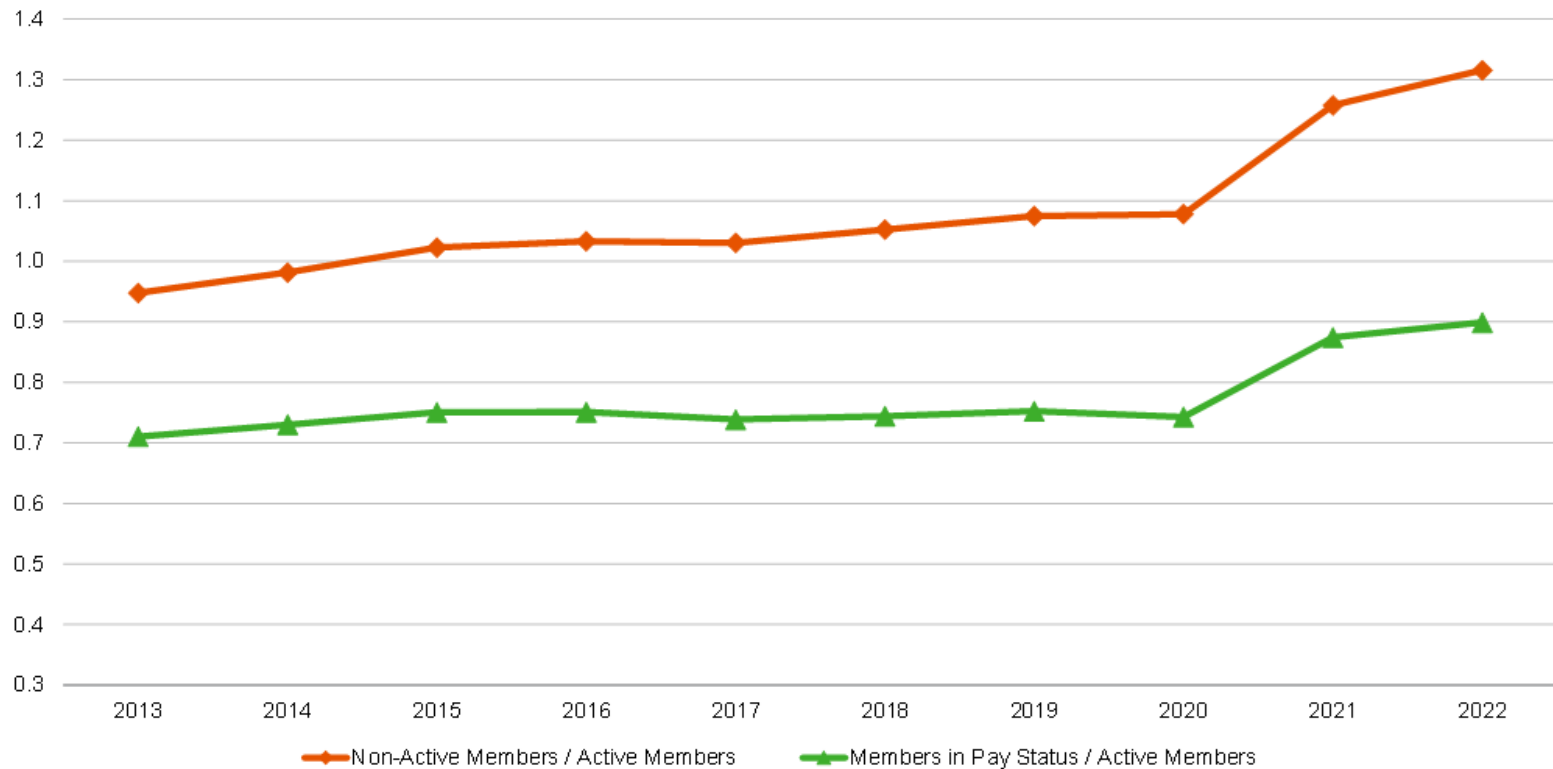
Source: Segal

Resulting in material increases in measured plan liability.

LACERS' Plan Maturity Progression: Retirement

RETIREMENT PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members in June 30, 2013 to 2022 Valuations

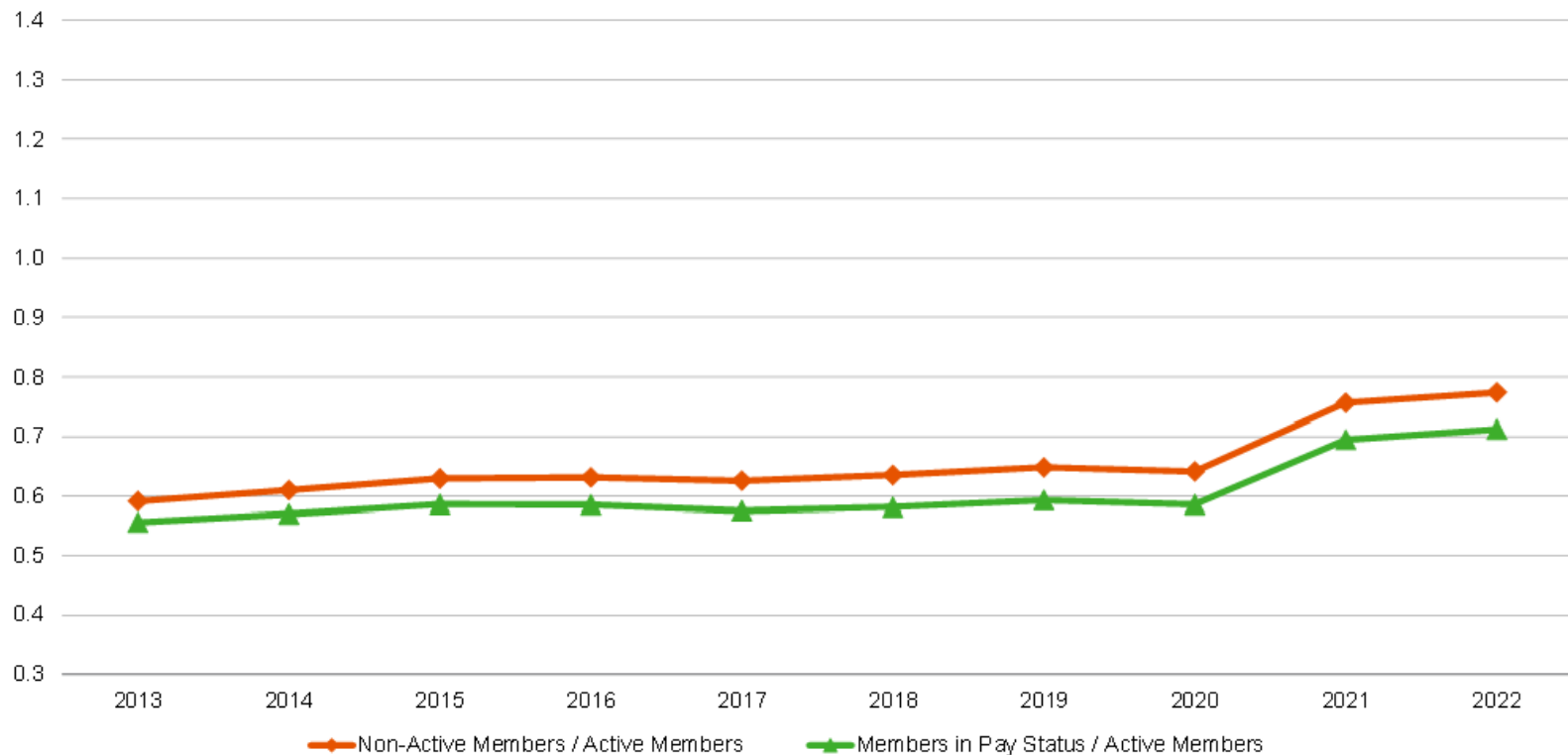


LACERS' membership has consistently trended towards a relatively larger retiree population, and will soon have more members in pay status than active members.

LACERS' Plan Maturity Progression: Health

HEALTH PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members in June 30, 2013 to 2022 Valuations



The trend is not as pronounced, but still exists, on the health plan side.

LACERS Volatility Ratios

- Determines the value of key metrics relative to the size of plan payroll
 - Asset Volatility Ratio (AVR)
 - Liability Volatility Ratio (LVR)
- Indicates contribution rate sensitivity to changes in those metrics

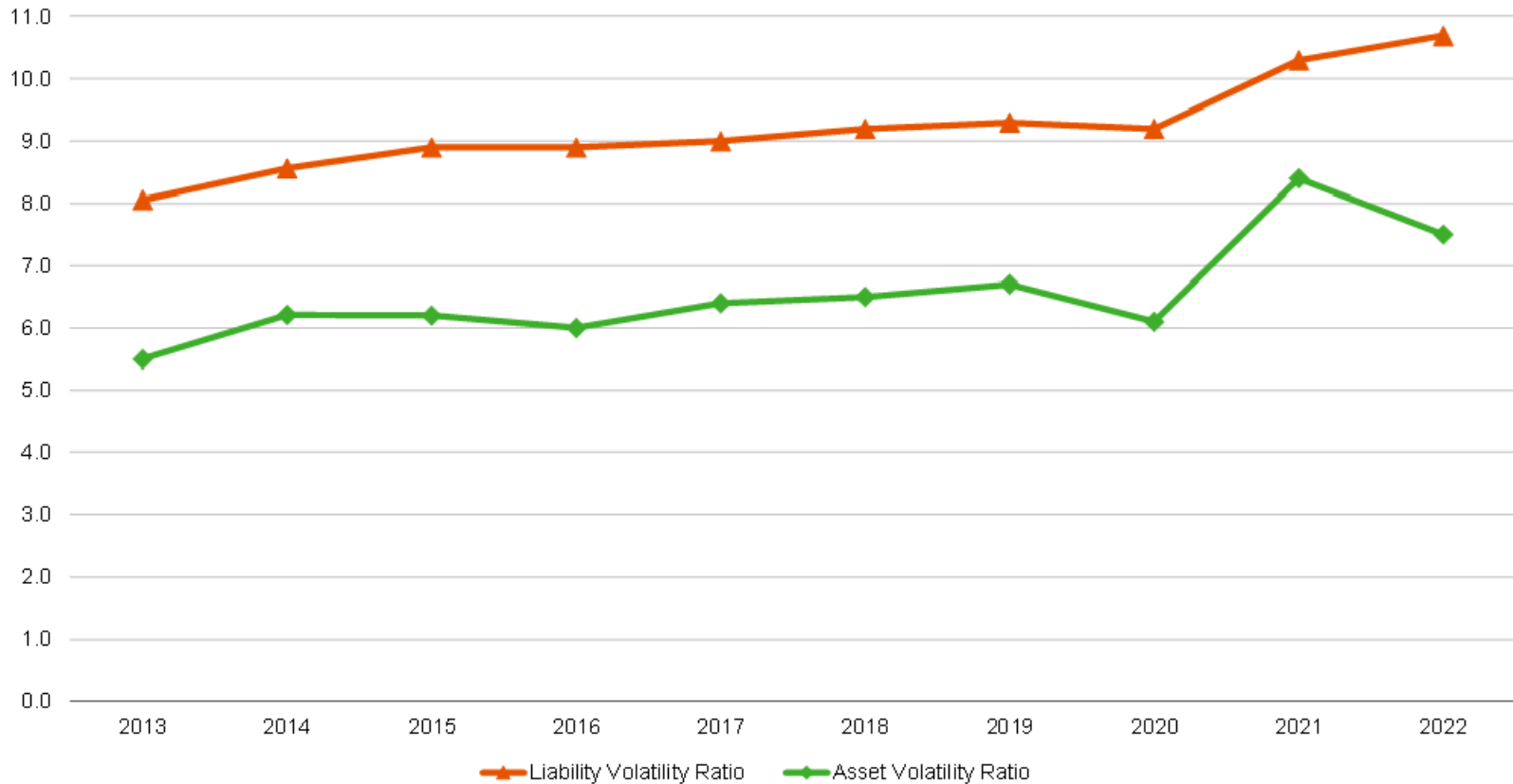
June 30, 2022

Plan	<u>AVR</u>	10% Investment Loss Compares to	LVR	10% Liability Change Compares to
Retirement Plan	7.5	75% of payroll	10.7	107% of payroll
Health Plan	1.5	15% of payroll	1.6	16% of payroll
Combined	9.0	90% of payroll	12.3	123% of payroll

LACERS' Volatility Ratios: Retirement

RETIREMENT PLAN

Volatility Ratios in June 30, 2013 to 2022 Valuations

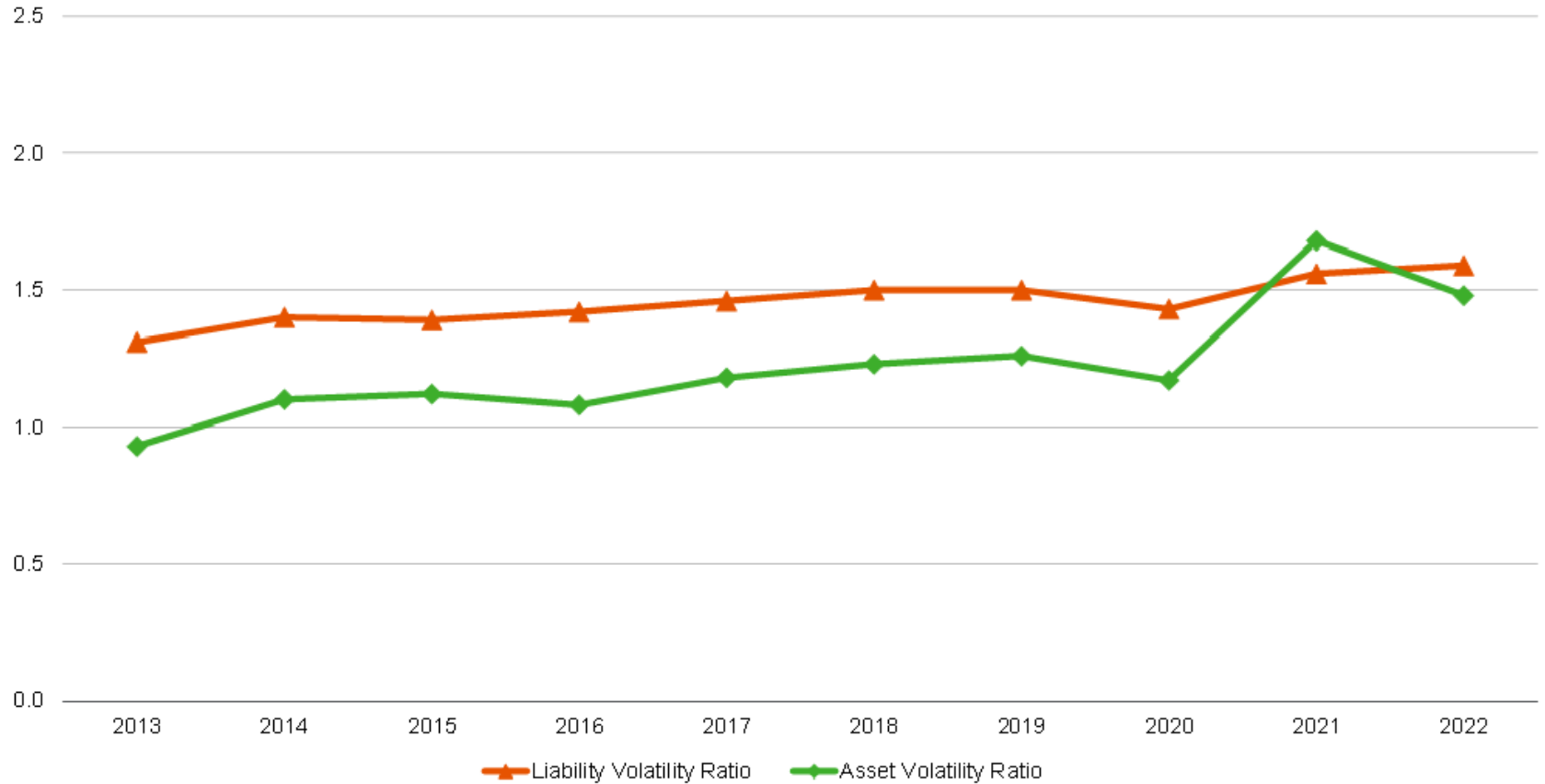


Contributions are more sensitive today to swings in liabilities and assets than they were ten years ago.

LACERS' Volatility Ratios: Health

HEALTH PLAN

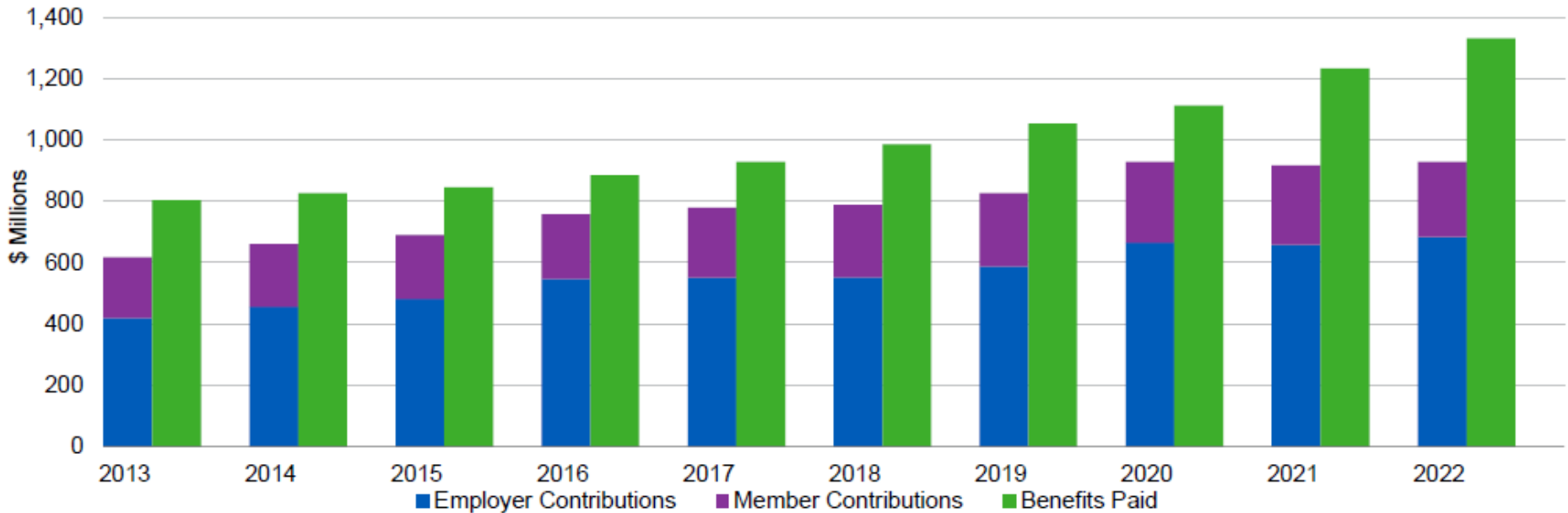
Volatility Ratios in June 30, 2013 to 2022 Valuations



The same story is true for health, on a smaller scale.

LACERS' Net Cash Flows

Comparison of Contributions Made with Benefits
for Years Ended June 30, 2013 – 2022



Negative net cash flows have progressively increased to approximately 2% of assets on hand.

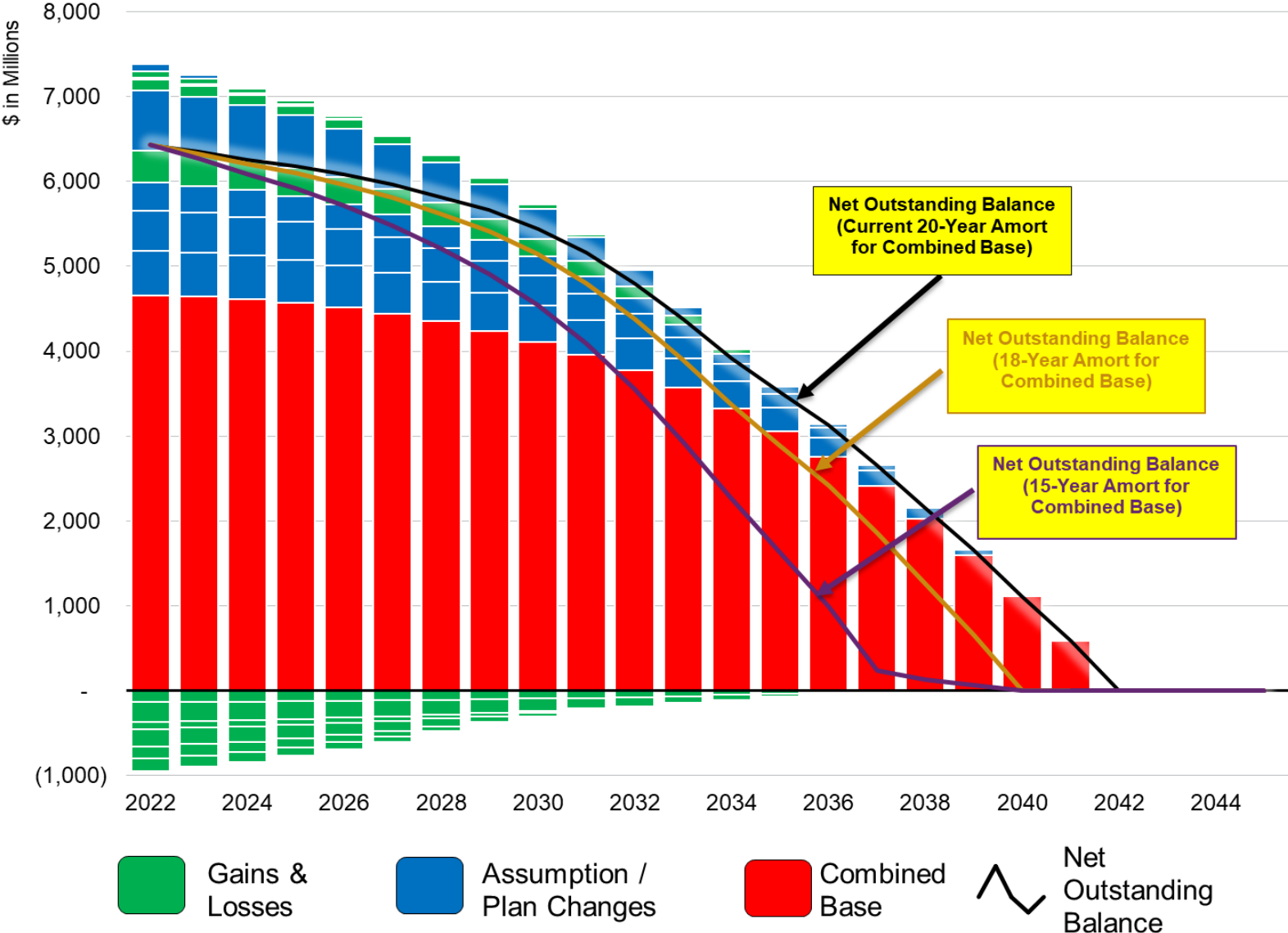
Actuarial Considerations on Maturity

- Progressive plan maturity and negative cash flow is completely natural for a pension plan
- Still informative and useful to understand
 - How liability swings affect contribution volatility
 - How asset swings affect contribution volatility
 - How cash flows affect asset experience
- Some of this is partially mitigated by new tiers with lower benefits relative to payroll

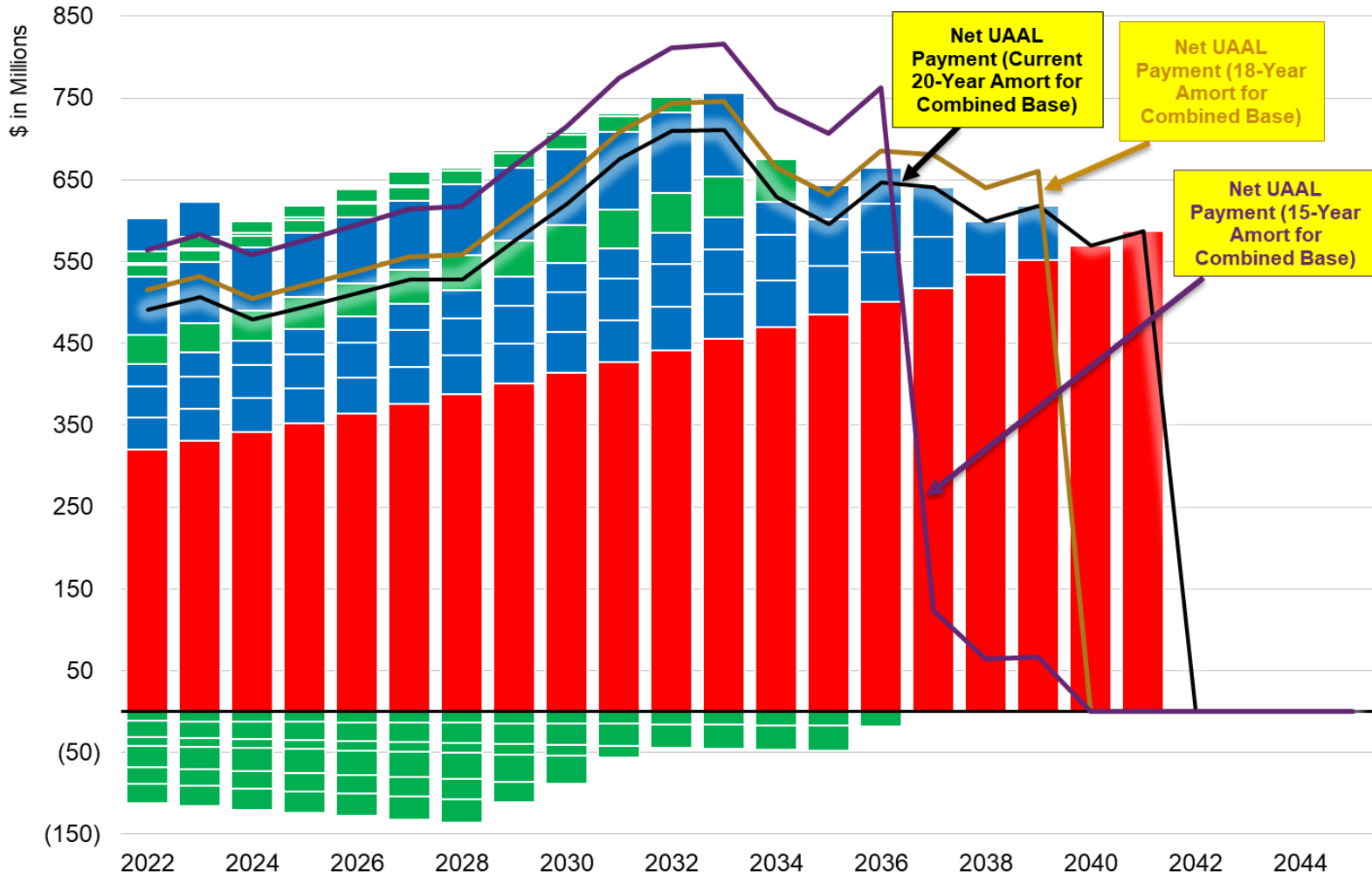
Considerations for Accelerating UAAL Payments

- Accelerating payments increases immediate contributions but reduces total interest cost and accelerates full funding
 - Longest amortization period in pension valuation: 20 years for Combined Base as of 6/30/2022
 - Reducing that amortization period by 2 years:
 - Decrease future interest cost by \$570.9 million over 18 years
 - Increase current annual contribution by \$24.5 million or 1.1% of payroll (payable beginning of year)
 - Reducing that amortization period by 5 years:
 - Decrease future interest cost by \$1,359.5 million over 15 years
 - Increase current annual contribution by \$73.9 million or 3.3% of payroll (payable beginning of year)

Actuarial Considerations: Utilize Savings Associated with Replacement of Tier 1 Members



Actuarial Considerations: Utilize Savings Associated with Replacement of Tier 1 Members



■ Gains & Losses
 ■ Assumption / Plan Changes
 ■ Combined Base
 Net UAAL Payment

Questions?



Board Mtg: 02/22/23

Item: II-E



INTRODUCTION TO ASSET ALLOCATION

FEBRUARY 22, 2023

Carolyn Smith, Partner

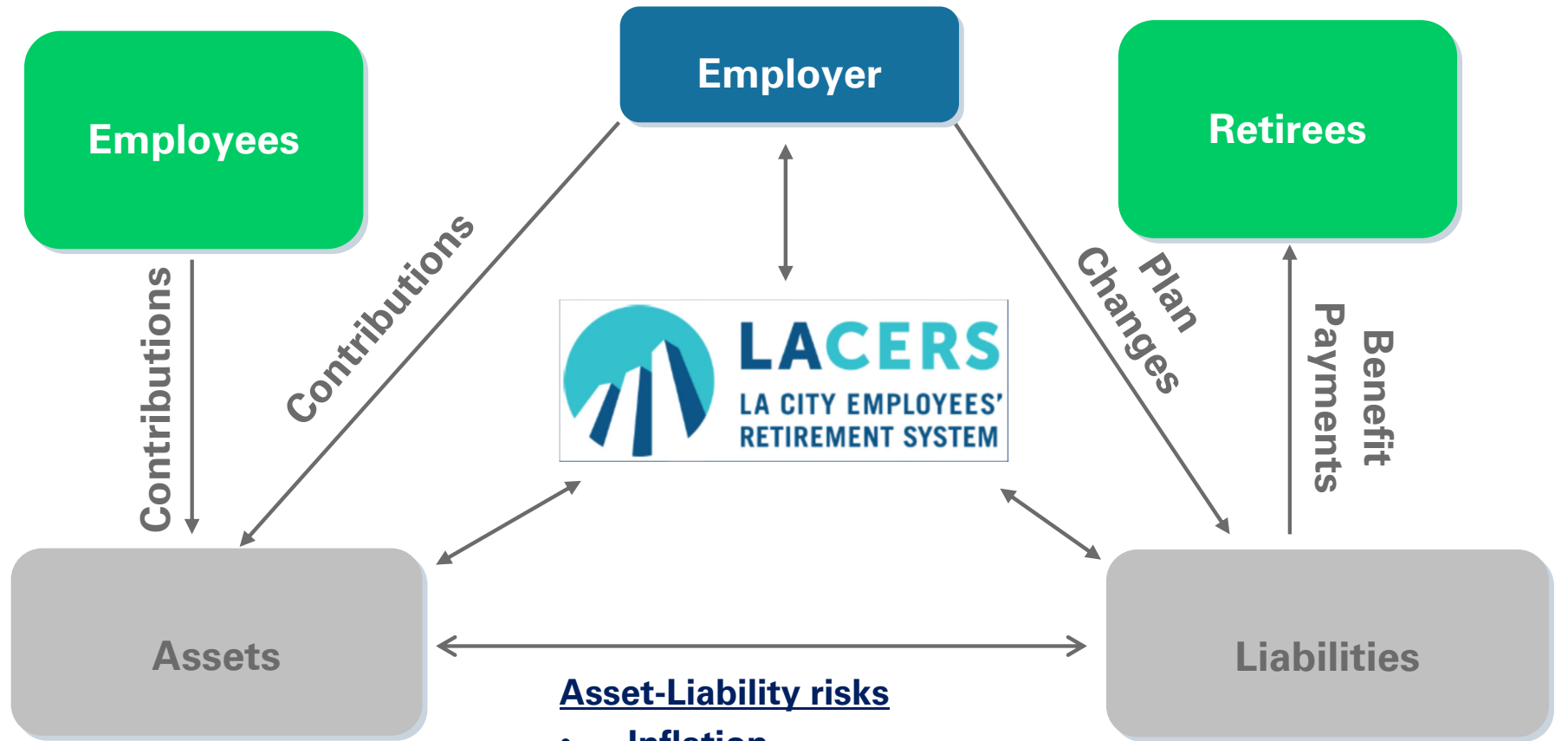
Kevin Novak, Senior Consultant and Principal



INVESTMENT CHALLENGE FOR PENSION PLANS

- **How to invest today's contributions so that enough money is available to pay future benefits?**
- **One of the main functions of the Retirement Board is to prudently invest the Plan's assets**
 - The Retirement Board determines the asset allocation of the fund and hires professionals to invest on behalf of LACERS
- **Retirement Board determines what asset classes are acceptable and how much to invest in each asset class**

PLAN LINKAGES



Asset-Liability risks

- Inflation
- Economic Growth
- Interest Rates

Asset specific risks

- Market performance
- Manager structure
- Rebalancing

Liability specific risks

- Demographics
- Benefit Changes
- Adequacy of existing reserves for existing retirees

ASSET LIABILITY FRAMEWORK

Identify Key Issues

- **Investment-related themes**
- **Demographic trends/changes**
- **Regulatory environment**

Projection of Assets & Liabilities

- **Funded status**
- **Contribution requirements**

Multi-Faceted Risk Assessment

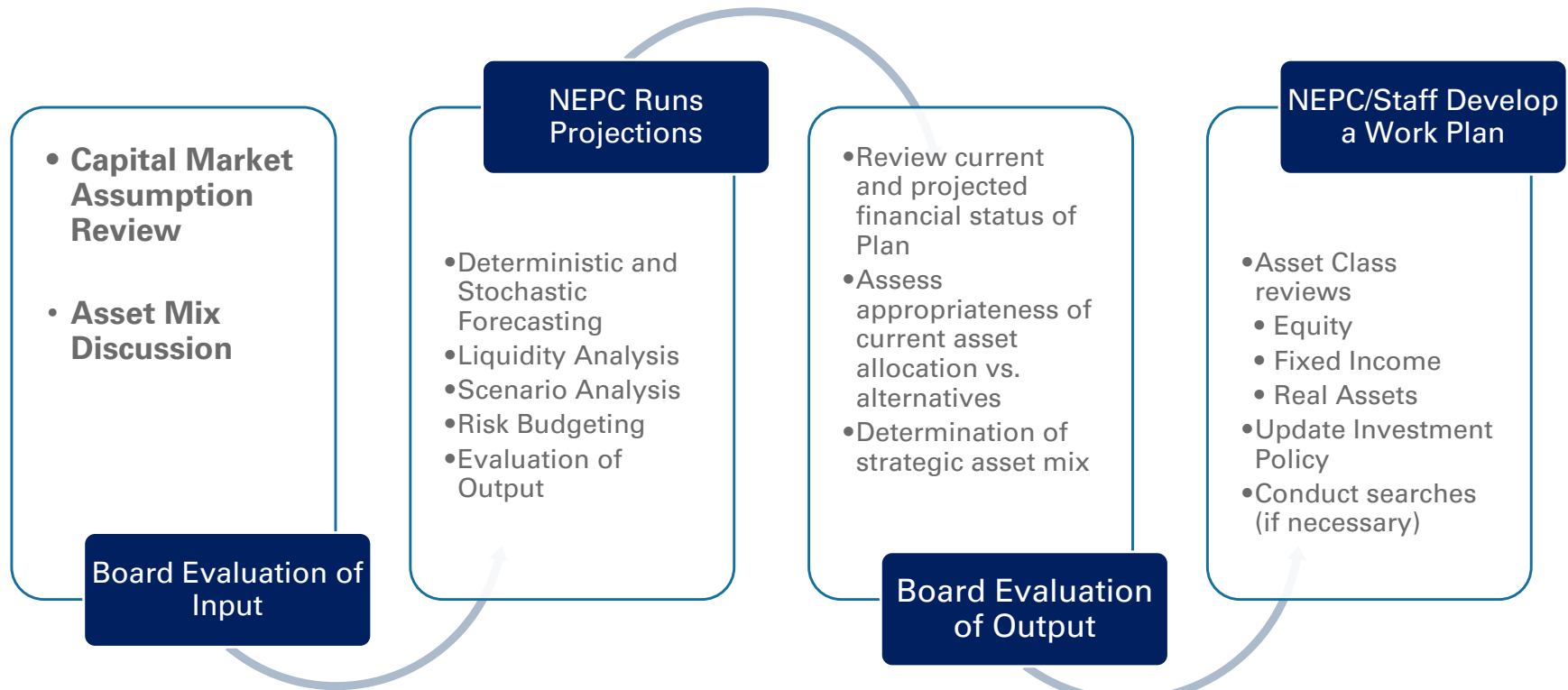
- **Mean-variance optimization**
- **Risk budgeting**
- **Economic scenario analysis including assessment of non-consensus outcomes**
- **Liquidity stress test**
- **Sensitivity to market shocks**



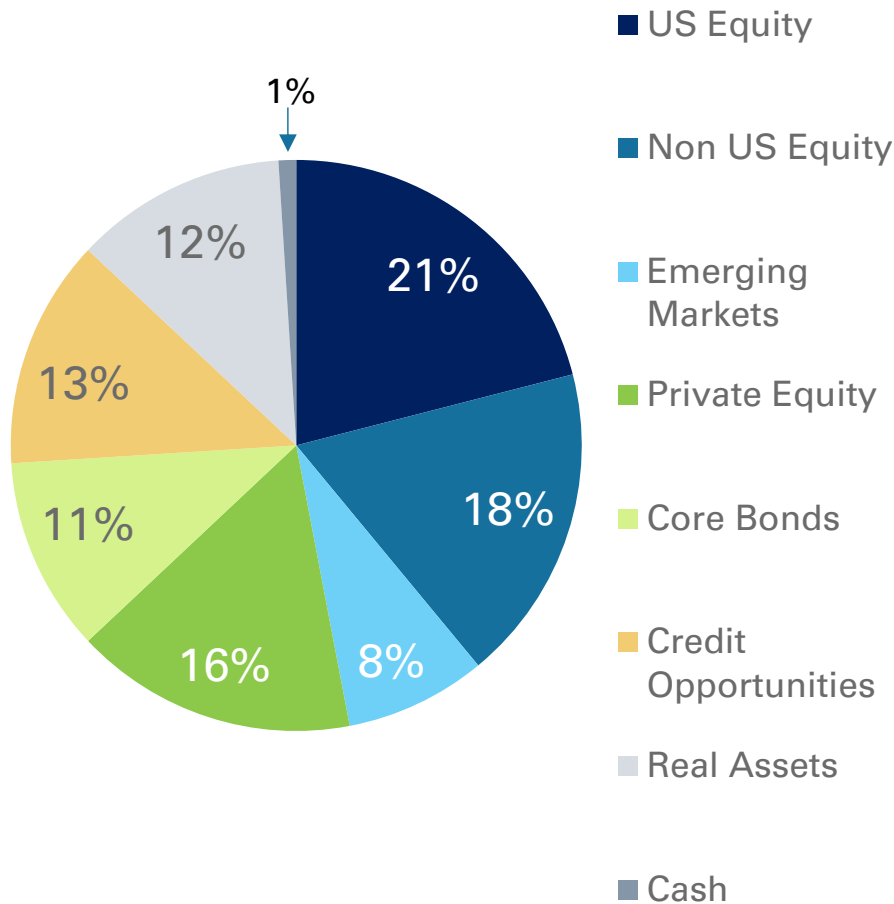
Asset Allocation Recommendation

- **Better risk-adjusted returns**
- **Better performance in specific economic environments**

ASSET LIABILITY MODELING PROCESS



LACERS TARGET ASSET MIX



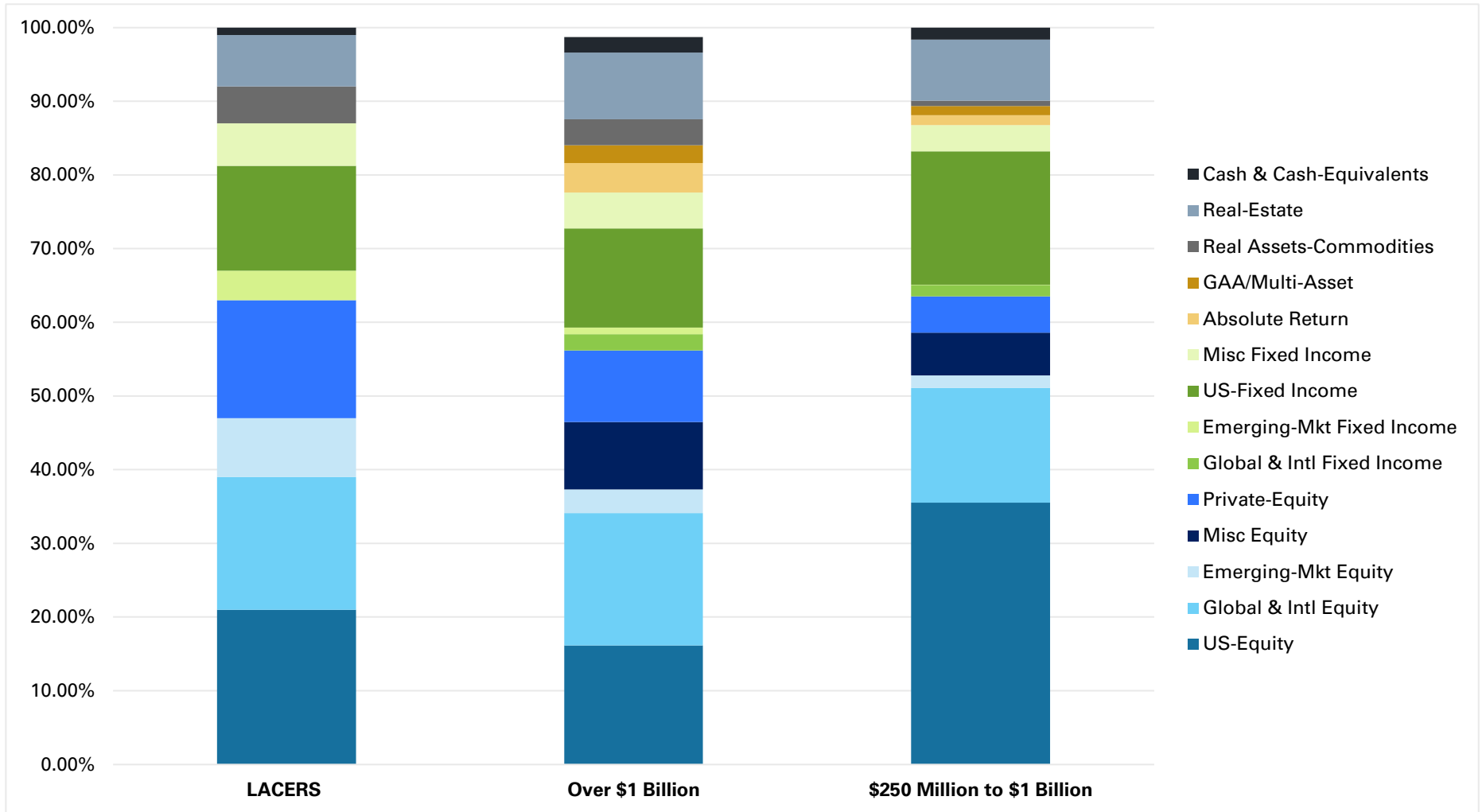
- **Almost one-third of assets (32%) are invested in index funds¹**
 - The majority (62%) of the equity exposure is passively managed
 - US Equity 80% index funds
 - Non-US Equity 48% index funds
- **Due to the heavy use of passive management and the LACERS staff's diligence with negotiating investment management fees, LACERS has lower investment costs versus its peers²**

¹Based on values as of 11/30/2022.

²Based on the 2021 fee study conducted by CEM Benchmarking Inc.

HOW DO PUBLIC FUNDS INVEST?

AS OF 6/30/2022



LACERS assets were \$20.8 Billion as of 12/31/2022



Source: InvMetrics average public fund asset allocation by fund size. Allocations may not add to 100% due to rounding.

NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

Some of the information presented herein has been obtained from external sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the publication date and are subject to change at any time.

This presentation contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.



Board Mtg: 02/22/23

Item: II-E



An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

Responsible Investment within an Environmental, Social, and Governance Framework

LACERS Pension Symposium, February 22, 2023



The PRI: One mission – six principles

Developed by investors, for investors

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole."

"The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation."

1 We will incorporate ESG issues into investment analysis and decision-making processes.

2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4 We will promote acceptance and implementation of the Principles within the investment industry.

5 We will work together to enhance our effectiveness in implementing the Principles.

6 We will each report on our activities and progress towards implementing the Principles.

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



5100+

SIGNATORIES:

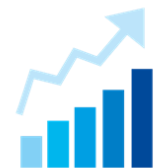
ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



120+

US\$ trn

**ASSETS UNDER
MANAGEMENT**



What is responsible investment?

Considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets

- Responsible investors can have different objectives:
 - Some focus exclusively on risk-adjusted financial returns, and consider ESG issues that could impact these
 - Others also aim to achieve positive outcomes for people and the planet
- ESG issues that investors can consider when investing responsibly include:



ENVIRONMENTAL

- Climate change
- Circular economy
- Biodiversity
- Deforestation



SOCIAL

- Human rights
- Decent work
- Diversity, equity, and inclusion



GOVERNANCE

- Board structure
- Executive remuneration
- Tax fairness
- Responsible political engagement

Who invests responsibly?

PRI Signatory categories

Asset Owners

Representing institutional investors at the top of the investment chain.

Investment Managers

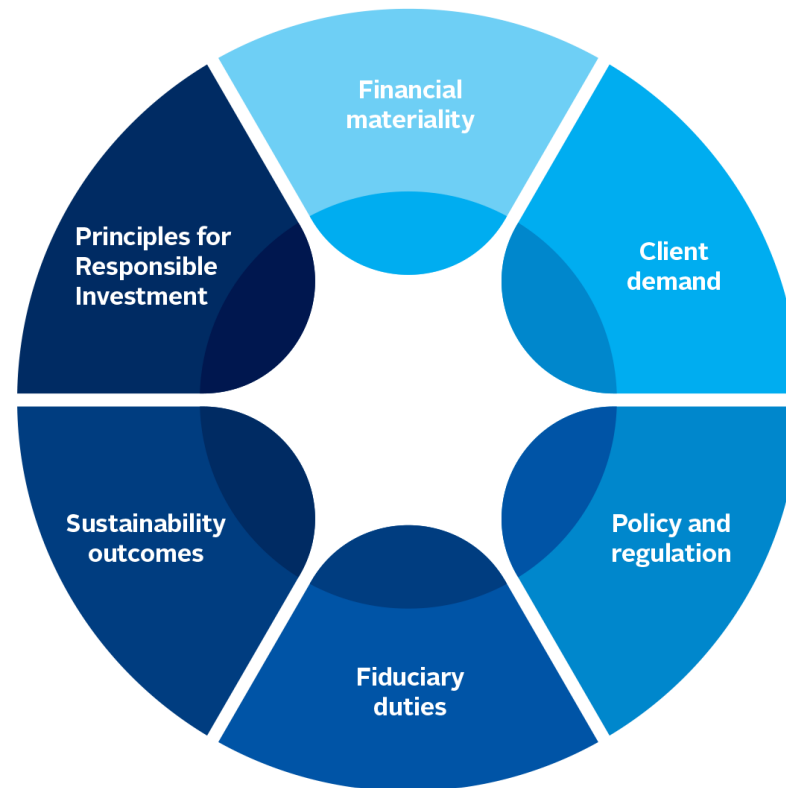
Managing or controlling investment funds as a third-party, serving an institutional and/or retail market.

Service Providers

Offering products or services to asset owners and/or investment managers.

Why invest responsibly?

Several related forces are driving the growth of responsible investment, including:



How to invest responsibly: ESG incorporation

Assess, review, and consider ESG issues in existing investment practices, by combining any of these approaches



Screening involves applying filters to a universe of securities, issuers, sectors or other financial instruments to decide whether to consider them for investment.

It is based on criteria, such as an investor's preferences or specific investment metrics, set out in an investment process or that reflect a client or fund mandate.

Screening can be positive, norms-based or negative.



ESG integration involves considering ESG issues in investment analysis and decisions to better manage risks and improve returns.



Thematic investing involves looking for opportunities created by long-term ESG trends, such as the move towards renewable energy or circular economies. This could mean selecting a thematic product, such as a fund or index, or constructing a portfolio around such a trend.

How to invest responsibly: Stewardship

Stewardship and ESG incorporation are complimentary strategies, and work together in a well-developed responsible investment program

- Stewardship means using influence to maximise overall long-term value – including the value of common economic, social, and environmental assets – upon which client and beneficiary returns and interests depend. Three primary methods:
 - **Engagement**
 - Individual investor engagement
 - Collaborative engagement
 - **Escalation**
 - Shareholder resolutions
 - Speaking out publicly
 - Litigation
 - **Proxy Voting**
 - Individual investor voting
 - Service provider voting



The role of the PRI

The world's leading proponent of responsible investment

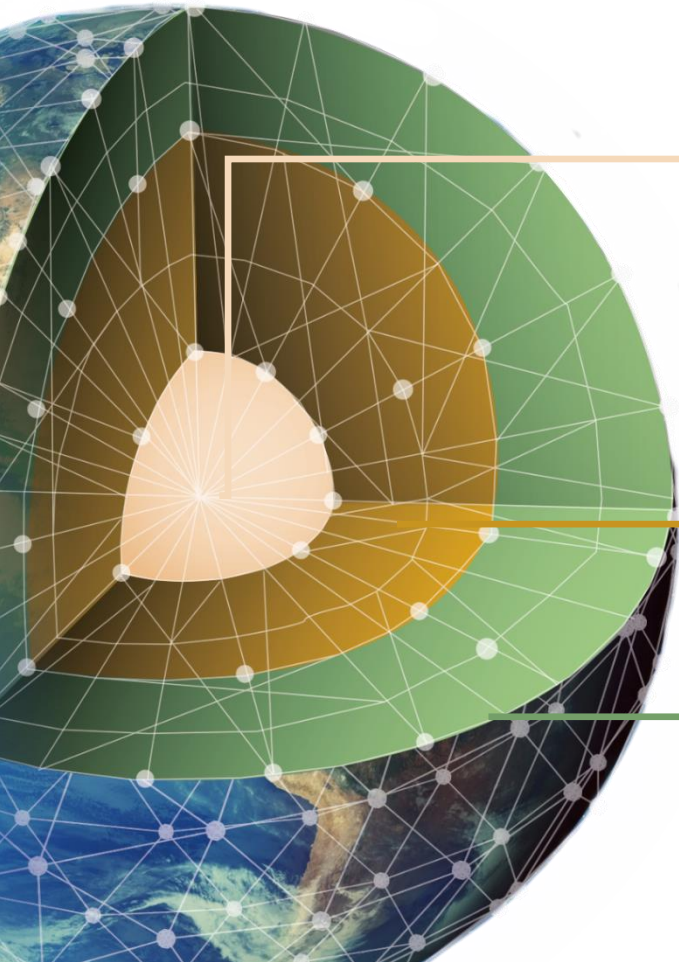
The PRI acts in the long-term interests of:

- Its signatories
- The financial markets and economies in which they operate
- Ultimately, the environment and society more broadly

The PRI helps signatories implement the six Principles of Responsible Investment via:

- Practical resources and guidance
- Collaborative stewardship initiatives
- Public policy research and engagement
- Academic research
- Convening power
- Reporting – largest global program
- PRI Academy – training

The Blueprint vision



Responsible investors

- Empower asset owners
- Support investors incorporating ESG issues
- Create an industry of active owners
- Showcase leadership and increase accountability
- Convene and educate responsible investors

Sustainable markets

- Challenge barriers to a sustainable financial system
- Drive meaningful data throughout markets

A prosperous world for all

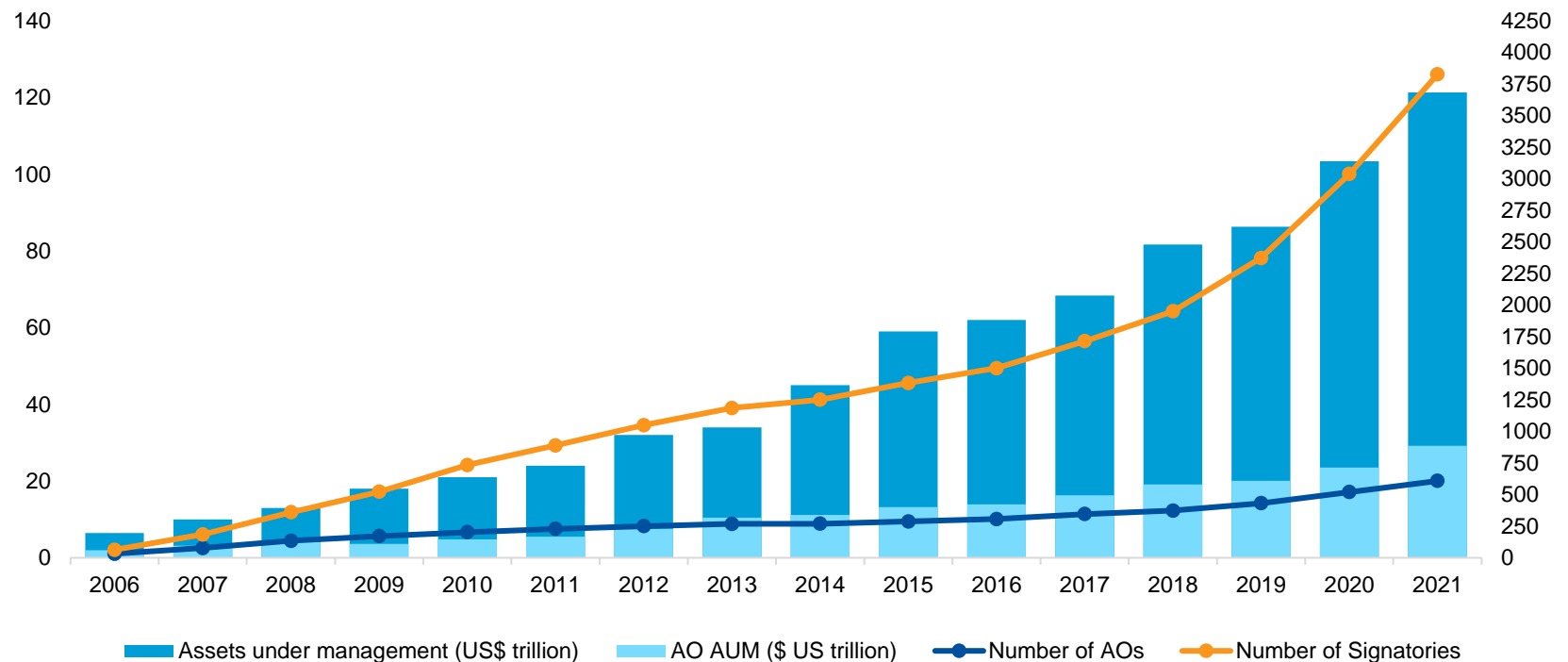
- Champion climate action
- Enable real-world impact aligned with the SDGs

A growing signatory base

AUM, total number of signatories and number of asset owner signatories all increase*

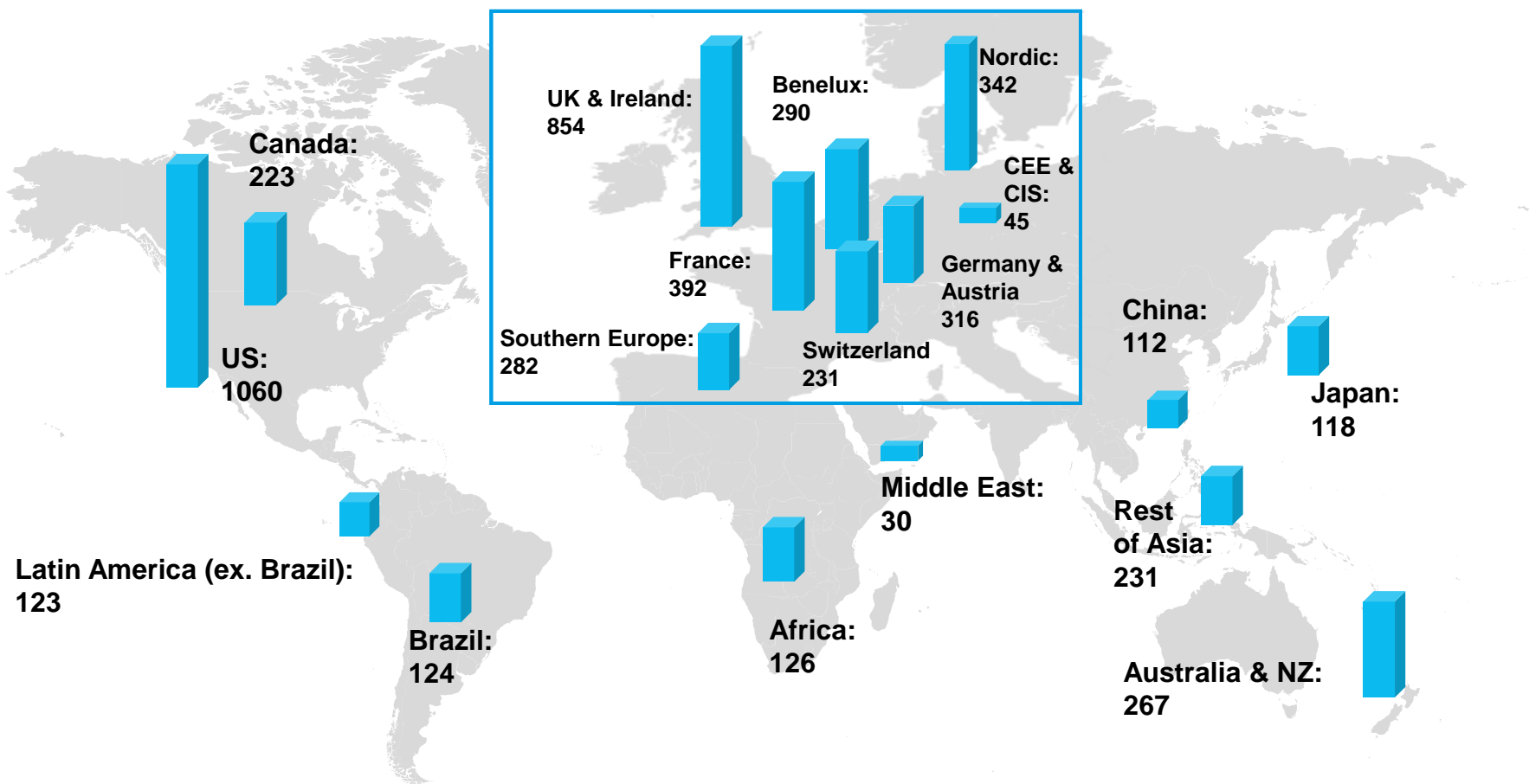
Assets under management (US\$ trillion)

N° Signatories



*As of Fiscal Year 2021

More than 5,100* investors worldwide have committed to the Principles for Responsible Investment



*As of 30 September 2022

The PRI

...the world's leading proponent of responsible investment



Board Mtg: 02/22/23

Item: II-E



LACERS

LA CITY EMPLOYEES'
RETIREMENT SYSTEM

LACERS Emerging Manager Program



Key Goals of the Emerging Manager (EM) Program

- “...to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process.” (EM Policy, Section IX.A)
- “...to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk (EM Policy, Section IX.A)
- “...to reach the broadest number of qualified investment managers to participate in LACERS investment manager searches.” (EM Policy, Section IX.E)



Summary Points of the EM Policy

- Firms might be overlooked under the LACERS Institutional Selection Process
- Goal of not less than 10% of LACERS capital made available to EMs
- Flexibility/nimbleness of firms with smaller asset bases
- In the early business stage with limited amounts of assets under management
- Team is experienced at generating risk-adjusted outperformance
- EMs must compete and have risk and return profiles that are no less favorable than non-EM firms
- Annual EM Report provides progress metrics and performance information
- Statistical Research is part of enhancing LACERS outreach efforts
- EM Policy and Program are components of LACERS ESG initiatives and efforts

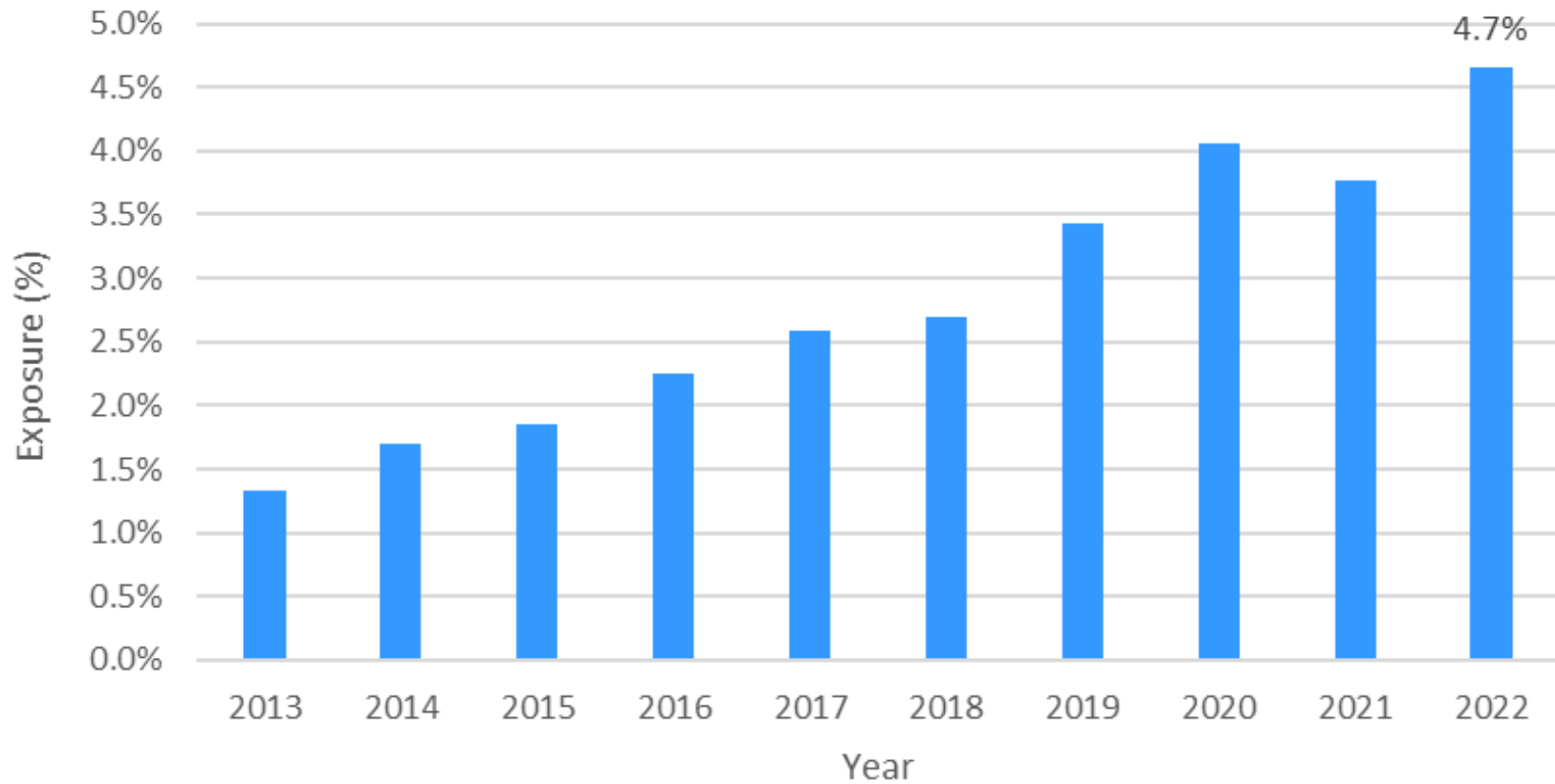


Distinguishing Operational Features

- Staff and Consultant conduct extensive Outreach Efforts
 - Staff frequently attends EM Conferences
 - LACERS advertises RFPs in EM Community websites and publications
 - EM Symposiums – Three Symposiums held since Fall 2021
 - LACERS manages an RFP/RFI Notification Service to announce investment searches
- Open Door Meeting Approach with staff
- Introductions to LACERS investment consultants
- EM Policy is updated periodically to reflect changes in the market
- LACERS collects diversity information from firms to enhance EM outreach

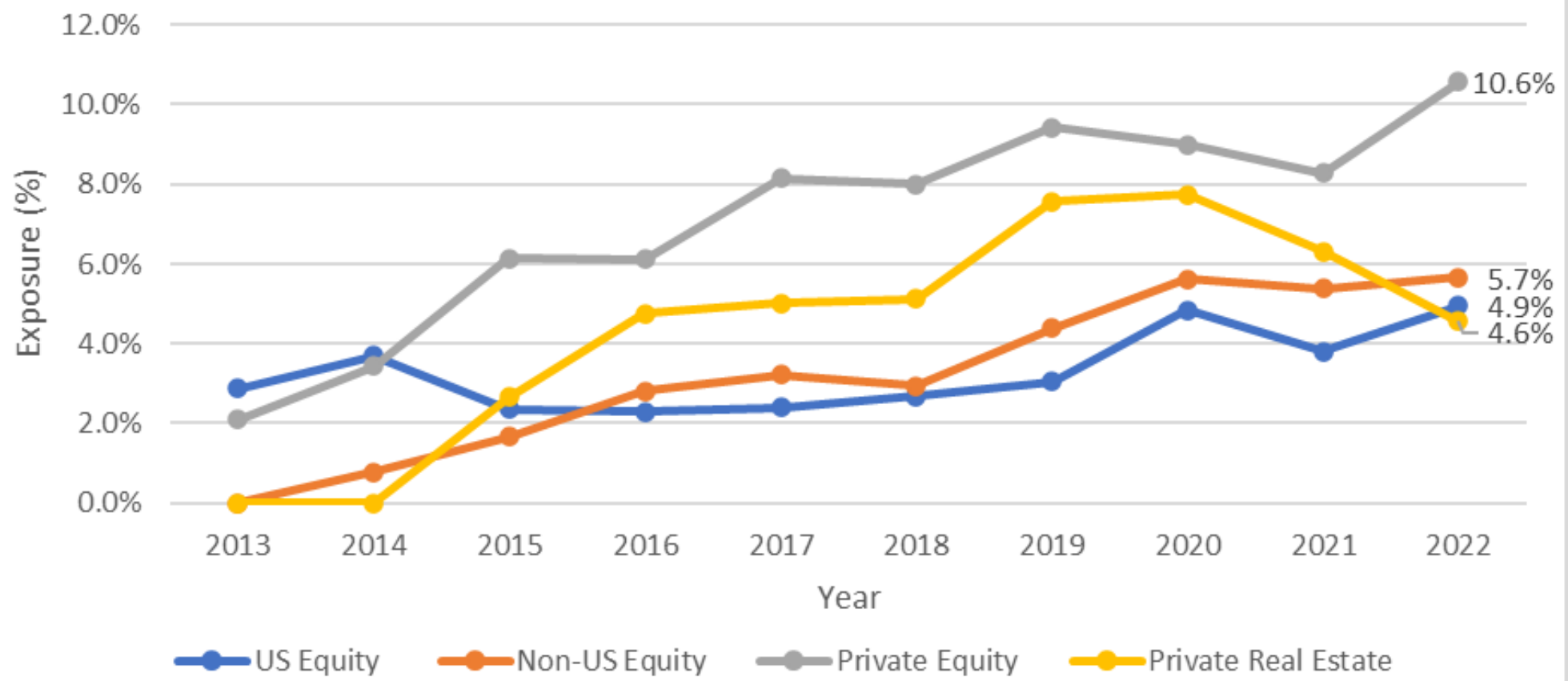


Emerging Manager Exposure (% of Total Fund)





Emerging Manager Exposure by Asset Class





EM Initiatives & Efforts in 2023

- Emerging Manager Networking Day – Spring 2023
- Emerging Manager Symposium – Fall 2023
- Continue evaluation of the EM Policy; consider amendments
- Attend and speak at EM conferences – local and nationwide
- Continue introductory meetings between staff and EMs
- Continue to introduce consultants to emerging managers
- Dedicate more resources to improve the EM Program
- Collaborate with other public retirement systems to improve outreach efforts and facilitate EM introductions



Emerging Manager Community Partners

- 100 Women in Finance
- Women's Alliance
- Girls Who Invest
- National Association of Securities Professionals (NASP)
- National Association of Investment Companies (NAIC)
- New America Alliance (NAA)
- Hispanic Heritage Foundation
- Association of Asian American Investment Managers (AAAIM)
- Seizing Every Opportunity (SEO)
- Toigo Foundation
- TIDE
- Accelerate Investors



More Information

- **Emerging Manager Information**

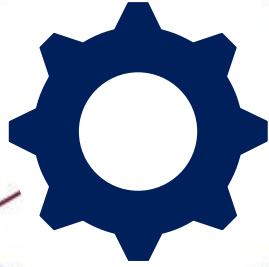
- <https://www.lacers.org/emerging-manager-resource-library>

- **Email Correspondence**

- Lacers.invest@lacers.org Attention: EM Program

Board Mtg: 02/22/23

Item: II-F



LACERS' Symposium
The Future of Medicare - Panelist

Presented by

Ju Anderson, Senior Vice President
Laurie LoFranco, Senior Vice President

February 22, 2023

Agenda

- The History of Medicare
 - Three Points about Medicare
 - Cost and Coverage
 - The Original Medicare Parts A, B,D and Medicare Supplemental Insurance
 - Medicare Advantage and Supplement Plans
 - LACERS Benefits
- The Future of Medicare
 - Planned Changes based on Federal Legislation
 - Kaiser's Perspective
 - Anthem Blue Cross' Perspective
- Controlling Healthcare Cost
 - Understanding our Healthcare Systems
 - Artificial Intelligence's (AI) Role in the Future of Healthcare
 - The 80/20 Rule
 - Global Drug Cost
 - Advertisement Impact on Drugs
 - Evening the Playing Field for Prescription Drugs
 - Government's Role in Healthcare? Socialized? Legislative?
 - Working for a Better Healthcare Future

The History of Medicare

1940 to 1960s

- 1945 Harry S. Truman introduces a health care plan for all Americans (fails).
- 1960s John F. Kennedy introduces a health care plan for all Americans age 65+ (fails).
- 1965 Lyndon B. Johnson signs Medicare into law.
- 1966 Medicare goes live.
- Harry S. Truman first Medicare enrollee.
- 1966 19 million enrollees

1980s

- 1980, home health services expanded
- 1980, Medicare supplement insurance (Medigap insurance) under federal oversight.
- 1982, hospice services for the terminally ill was added.
- 1988, Medicare Catastrophic Coverage Act, added a limit to the total out-of-pocket expenses for Part A and Part B, along with a limited prescription drug benefit.

1990s

- New legislation required state Medicaid programs to cover new Specified Low-Income Medicare Beneficiary (SLMB) eligibility group – those eligible for Medicare with incomes between 100 and 120 percent of the federal poverty level.
- Qualified Individual (QI) programs requires Medicaid to pay for Part B members with incomes between 120 and 135 percent of poverty.

2000s

- Amyotrophic lateral sclerosis (ALS) covered for pre-65.
- George W. Bush signed Medicare Prescription Drug Improvement and Modernization Act of 2003 (added Medicare Part D prescription drug benefit effective 2006).
- Starting in 2007, a high-income surcharge Income-Related Monthly Adjustment Amount (IRMAA) began to be added to Part B premiums.

2010s (continued)

- A high-income charge (IRMAA) added to Part D premiums effective 2011
- 2015, Congress passed the Medicare and CHIP Reauthorization Act (MACRA).
- MACRA changed how Medicare pays providers (value and quality measured).
- 2019, MACRA added a 5th income bracket to IRMAA (\$500,000).
- 2019-2020, RX donut hole was closed, as a result of the ACA.
- In 2019, MA plans offer more supplemental benefits, to address social determinants of health.



1970s

- 1972 Richard M. Nixon expands Medicare to cover pre-65 with disabilities and end-stage renal disease.

1980s (continued)

- 1989 Most of Catastrophic Care law repealed due to opposition from senior groups over cost.
- The law also added Medicaid healthcare to Medicare.

1990s (continued)

- Private market solutions introduced as Medicare Part C, Medicare Advantage (MA).
- Part C add-on benefits could include prescription drug coverage.

2010s

- The Patient Protection and Affordable Care Act (ACA) of 2010 includes a long list of reform provisions intended to:
 - contain Medicare costs,
 - increase revenue,
 - improve and streamlining its delivery systems, and
 - increase services to the program.

2020s

- 2020, IRMAA income surcharges adjusted for inflation for Part B/D.
- 2020, COVID pandemic resulted in numerous temporary and emergency regulatory changes.
- August 2022, The Inflation Reduction Act becomes law. This legislation includes significant improvements in drug coverage.

Introduction to Medicare – Points to Note

- **Medicare is Young**
 - Medicare will be 58 years old this year
- **Medicare is Ever Changing**
 - We've seen vast improvements in coverage and services
- **LACERS has a Voice with Medicare**
 - Retiree groups have had an active role in the formation of Medicare

Original Medicare Parts A, B, D, and Medicare Supplemental Insurance



Part A (Hospital Insurance): Helps cover inpatient care in hospitals, skilled nursing facility care, hospice care, and home health care.



Part B (Medical Insurance): Helps cover services from doctors and other health care providers, Outpatient care, Home health care, Durable medical equipment (like wheelchairs, walkers, hospital beds, and other equipment), and many preventive services (like screenings, shots or vaccines, and yearly “Wellness” visits)



Part D (Drug coverage): Added in 2006, helps cover the cost of prescription drugs (including many recommended shots or vaccines). You join a Medicare drug plan in addition to Original Medicare, or you get it by joining a Medicare Advantage Plan (Part C) with drug coverage. Plans that offer Medicare drug coverage are run by private insurance companies that follow rules set by Medicare.



Medicare Supplemental Insurance (Medigap): Extra insurance you can buy from a private company that helps pay your share of costs in Original Medicare. Policies are standardized, and in most states named by letters, like Plan G or Plan K. The benefits in each lettered plan are the same, no matter which insurance company sells it.

Cost Comparison - Original Medicare Parts A, B, and D with Medicare Supplemental Insurance versus Medicare Part C and Part D

	Parts A, B, D and Medigap Coverage	Part C and D	LACERS Requirements
Part A	\$0	\$0	\$0 – required, premium free for A & B only*
Part B	\$164.90	\$164.90	\$164.90 – required
Part C	Not applicable	Varies by Plan	\$0 – not required
Part D	Varies by Plan	Varies by Plan (May be included in Part C)	Included in LACERS Plan – Members not required to enroll, except for IRMAA
Medicare Supplemental	Varies by Plan	Not applicable	Not available
Medicare Advantage			Available

- *LACERS Medicare Part B Only Members are not qualified for Part A, but has hospitalization coverage under the employer-sponsored plan
- Assumes a non-high-income beneficiary, who enrolled timely into the plans.

How does Original Medicare work?

- Original Medicare covers most, but not all the costs for approved health care services and supplies.
- After you meet your deductible, you pay your share of costs for services and supplies as you get them.
- There's no limit on what you'll pay out-of-pocket in a year unless you have other coverage (like Medigap, Medicaid, or employee or union coverage).
- Services covered by Medicare must be medically necessary.
- Medicare also covers many preventive services, like shots and screenings.
- If you go to a doctor or other health care provider that accepts the Medicare-approved amount, your share of costs may be less. If you get a service that Medicare doesn't cover, you pay the full cost.
- With Original Medicare, you can:
 - Go to any doctor or hospital that takes Medicare, anywhere in the U.S.
 - Join a separate Medicare drug plan (Part D) to get drug coverage.
 - Buy a Medicare Supplement Insurance (Medigap) policy to help lower your share of costs.
- If you're not lawfully present in the U.S., Medicare **won't** pay for your Part A and Part B claims, and you **can't** enroll in a Medicare Advantage Plan or a Medicare drug plan.

How does Medicare Supplement versus Advantage work?

Supplement	Advantage
Provider sends the bill directly to CMS. Medicare is primary and will pay (80%) of the allowable charge. Carrier is the secondary payer and will reimburse the remaining (20%) of the Medicare allowable.	Providers sends the bill for payment to the carrier/provider as they are the primary. The carrier/provider will pay 100% of the Medicare allowable. CMS pays carrier/provider a monthly capitation amount, as they do for other Medicare Advantage plans.
Authorization is completed on the back-end post rendered procedure. If procedure is not within the CMS guidelines, the procedure could be denied, and members would be responsible for the bill.	Certain procedures require pre-authorization/pre-determination and is completed on the front-end prior to services being rendered.
Original Medicare includes Medicare Part A (Hospital Insurance), Part B (Medical Insurance), and could possibly Part D* (Prescription). You pay for services as you get them. Original Medicare pays for much, but not all, of the cost for covered health care services and supplies. A Medicare Supplement Insurance (Medigap) policy can help pay some of the remaining health care costs, like copayments, coinsurance, and deductibles.	Medicare Advantage bundles your Part A, Part B, and usually Part D coverage into one plan. Plans may offer some extra benefits that Original Medicare doesn't cover — like vision, hearing, and dental services. Medicare Advantage Plans have yearly contracts with Medicare and must follow Medicare's coverage rules.

* All LACERS current and previous plans include Medicare Part D.



LACERS Benefits

LACERS continuously seeks to optimize and improve Member health plan benefits while managing health plan funding.

- LACERS' Pre-65 Retiree Benefit Value* compared to Covered California has maintained:
 - higher comprehensive benefit values
 - lower costs
 - Lower annual cost adjustments
- LACERS' Medicare-eligible Retiree health plans have:
 - Been continuously improved to offer greater benefits and services to Members
 - Maintained affordability to eligible Members

* Measured from 2017 through 2022

The Future of Medicare as Outline by Current Legislation

2023 through 2029

- 2023, under the Inflation Reduction Act (IRA):
 - Recommended vaccines will be free under Medicare Part D (vaccines covered by Part B are already free).
 - Part D plans will have to offer their covered insulin products with cost-sharing of no more than \$35/month.
- 2024, the Part D full Low-Income Subsidy (Extra Help) will be available to more people.
 - There will no longer be cost-sharing once Part D beneficiaries reach the catastrophic coverage phase.
 - From 2024 through 2030, growth of the Part D national base beneficiary premium will be capped at 6% per year.
- 2025, there will be an out-of-pocket cap of \$2,000 for Part D coverage, including stand-alone Part D plans and Part D coverage that's integrated with Medicare Advantage. (The cap will then be indexed in future years.)
- 2026, Medicare will begin to negotiate with drug manufacturers over the price of certain high-cost drugs. This will be phased in from 2026 through 2029, with additional drugs added each year.

The Future of Medicare: Kaiser's Perspective

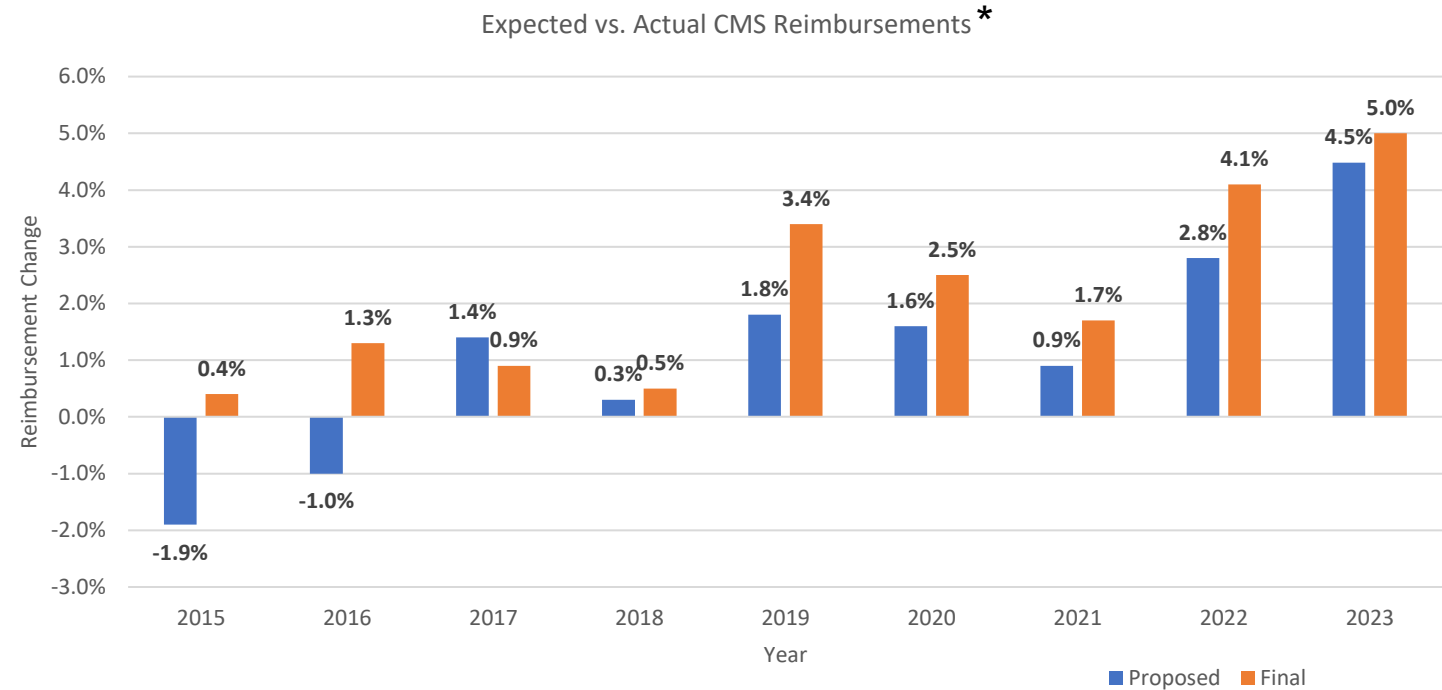
CMS Medicare Advantage (MA) Reimbursements

1. Lower Costs – In 2022, the average MA Plan cost has gone down to \$19 Per Month[‡]
2. More Choices – 98% of MA eligible Americans have a choice of 10 carriers
3. Better benefits – Competition has expanded benefits as carriers look to capture MA membership
 - Meals
 - Transportation
 - Gym Membership
 - Dental
 - Over the Counter
 - Advanced care at home

CMS hired first ever Chief Dental Officer –
Dr. Natalia Chalmers

[‡]Source: AHIP.org – Market Competition in Medicare Advantage, CMS.GOV press release Aug 30, 2021,

*Source: CMS, BMO Capital Markets



The Future of Medicare: Anthem's Perspective

MEDICARE ADVANTAGE - A FUTURE STATE

- ✓ DRIVE ACCOUNTABLE CARE
- ✓ ADVANCE HEALTH EQUITY
- ✓ SUPPORT INNOVATION
- ✓ ADDRESS AFFORDABILITY
- ✓ PARTNER TO ACHIEVE SYSTEM TRANSFORMATION

How we get there



Agenda: Controlling Healthcare Cost

- Understanding our Healthcare Systems
- Artificial Intelligence's (AI) Role in the Future of Healthcare
- The 80/20 Rule
- Global Drug Cost
- Advertisement Impact on Drugs
- Evening the Playing Field for Prescription Drugs
- Government's Role in Healthcare? Socialized? Legislative?
- Working for a Better Healthcare Future
- How LACERS manage Healthcare Cost

Understanding Healthcare Systems Funding

*Four guys walk into a hospital,
All get the same procedure,
Hospital receives 4 different payments
How did that happen?*

Patient	Coverage	Payment	Program
1	Indigent	0 to \$	Charity / County
2	MediCal	\$\$	State / Federal
3	Medicare	\$\$\$	Federal
4	Commercial	\$\$\$\$(\$)	Individual/Employer

Which patient does Healthcare Systems (HCS) prefer?

HCS determine pricing based on the projected mix of program patients.

Are we OK with the four tiers of healthcare funding?

Are our Healthcare Systems broken or running as they should?

Or is it Socio-Economic Status? Help patients 1 and 2 gain patients 3 or 4 status?

Artificial Intelligence's (AI) Role in the Future of Healthcare

How is Artificial Intelligence (AI) Helping Healthcare?

- AI is helping providers with:
 - Surgical procedures
 - Prescription fulfillment
 - Best of class treatment programs
 - Pricing protocol
- Streamlining Electronic Medical Records
 - Gives consumers easy access to their complete medical records
 - Allows medical record to develop healthcare database
 - Develop data driven pricing protocols (reference-based pricing)
 - Could eliminate the carrier's need to negotiate with providers for network affiliation
 - Improve predictive modeling of future healthcare cost projections (especially high-cost claimants)
 - Concern: security breach of HIPAA, PHI information
- Your Personal Assistant
 - Simplifying your life
 - Keeping you healthy

The 80/20 Rule

The 80/20 Rule:

Approximately 80% of people incur 20% of healthcare cost, Conversely, approximately 20% of the people incur 80% of the cost

What does that mean for LACERS?

- The healthiest 80% of LACERS members could have rates 75% lower
- The unhealthiest 20% of LACERS members would have rates 300% higher

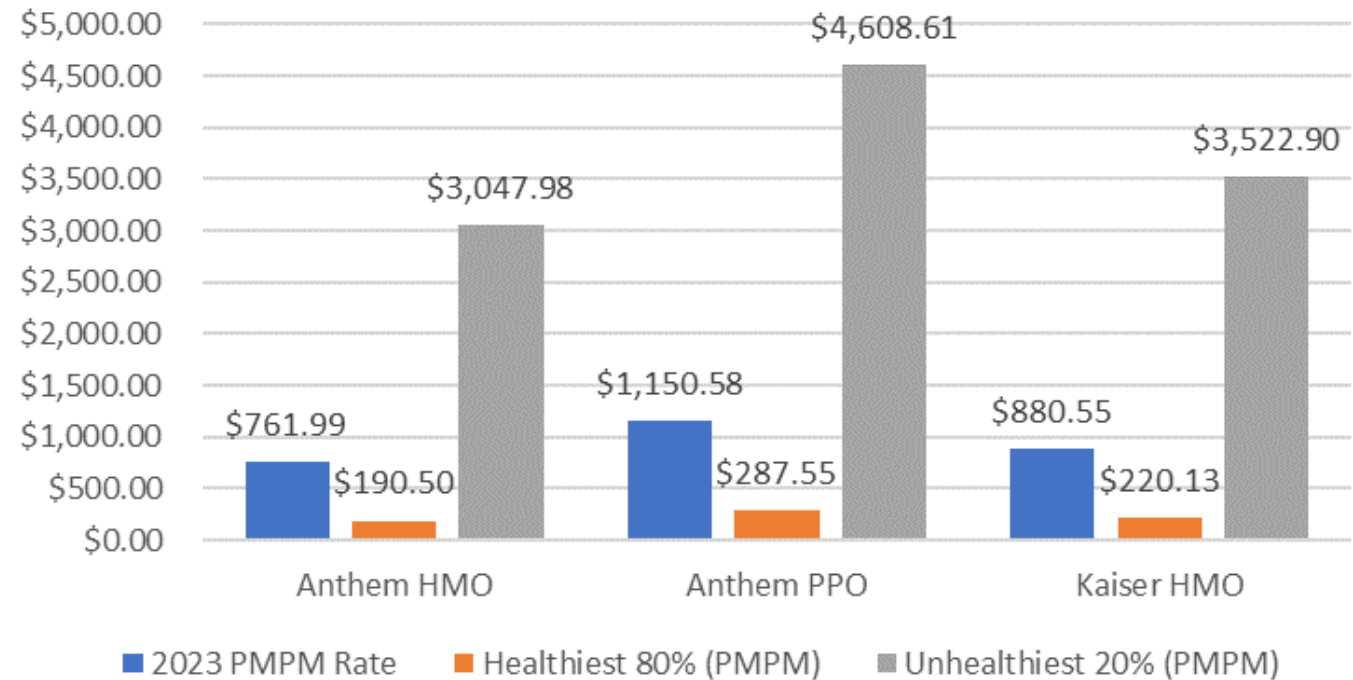
How do we manage the 20% incurring 80% of cost?

- Wellness
- Condition management

New approach to consider: Funding high-cost claimants via a federal tax?

- Reinsurance costs could be redirected to federally fund tax
- Feds could use Medicare pricing to reduce overall costs
- Employers would be left with more predictable and manageable healthcare costs

Commercial PMPM Rate by Health Risk

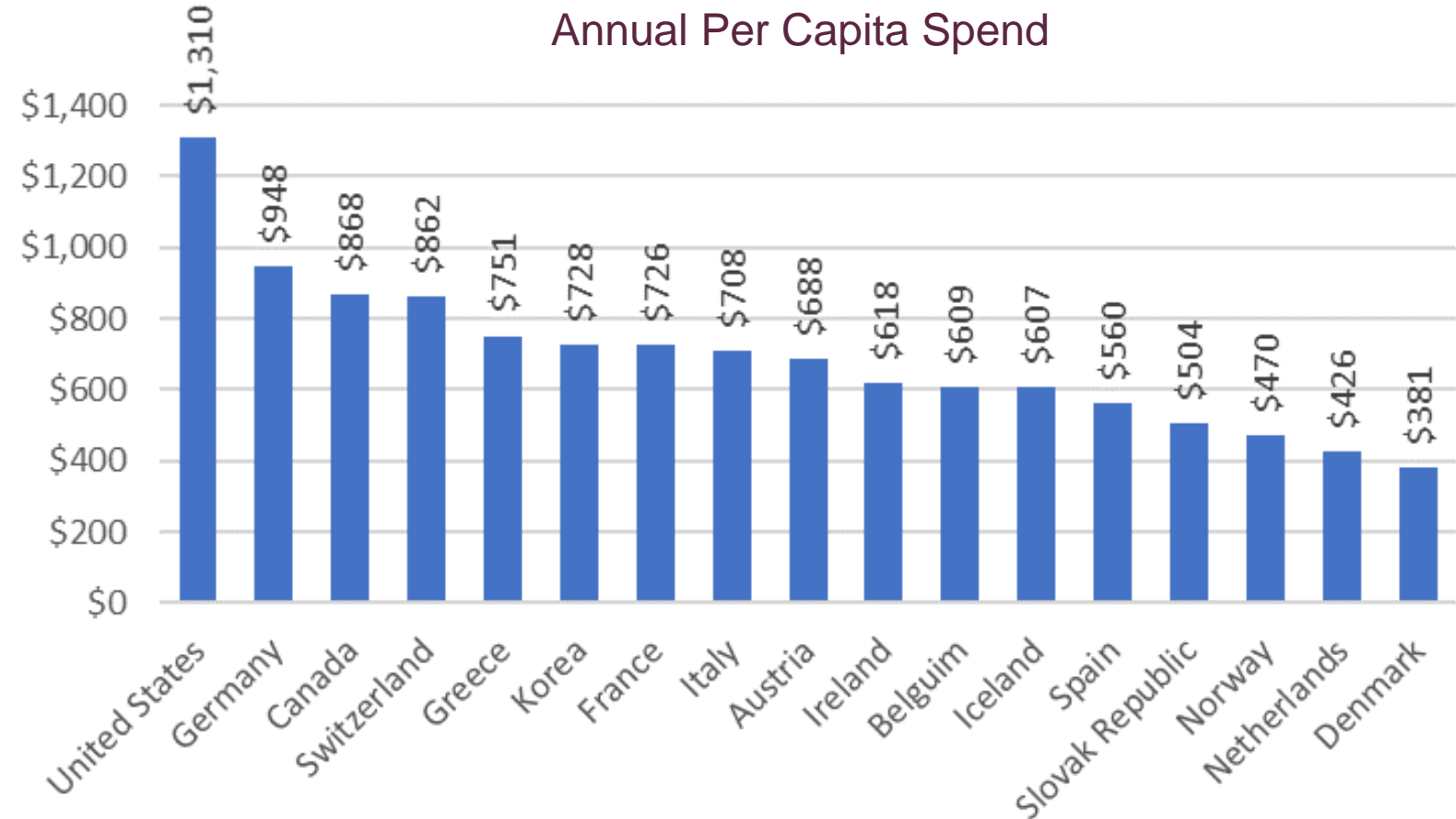


Note: PMPM - Per Member Per Month

Global Drug Cost, the USA leading the way!

Why are US drug costs more than other developed nations?

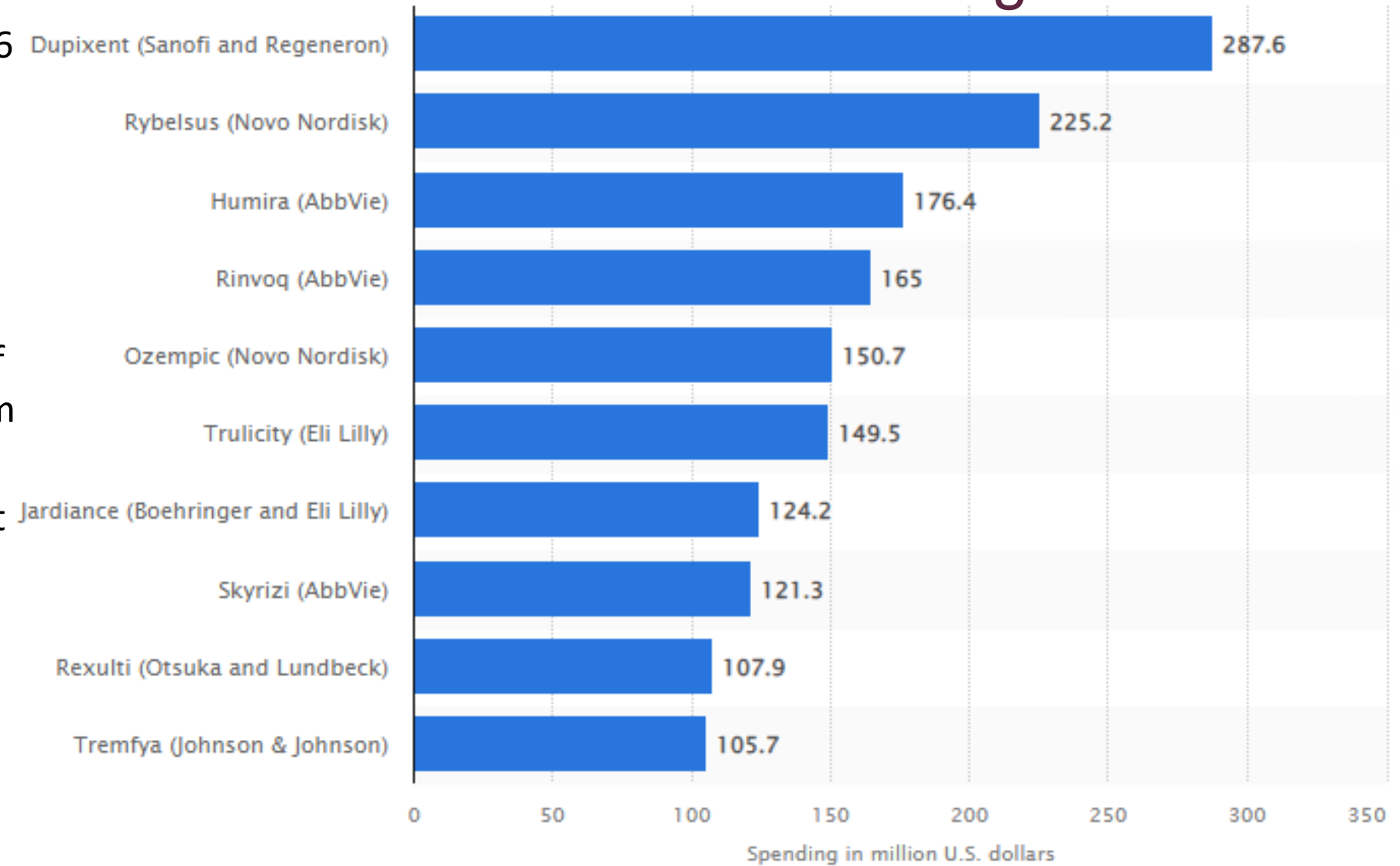
- Food and Drug Administration (FDA) require drugs to be safely developed and delivered to US consumers
- Research and development cost by drug manufacturers borne by US consumers due to price control in foreign markets
- Limited competition: Patent product drug protection for 7 years or more
- The Squeeze - Foreign Countries' government drug price control, raises prices in countries without price control (the USA)



Source: 2022 Statista

Top Drugs by National Television Advertisement Budget 2021

- Drug Manufacturers spent \$1.6 billion in 2021 on television advertisement for these top drugs.
- Are providers and consumers influenced by advertisement?
- Disclosure of the actual cost of these top drugs is masked from the providers and consumers.
- Would knowing the actual cost of these drugs, influence consumer behavior?



Top Drugs by National Television Advertisement by 2022 Cost

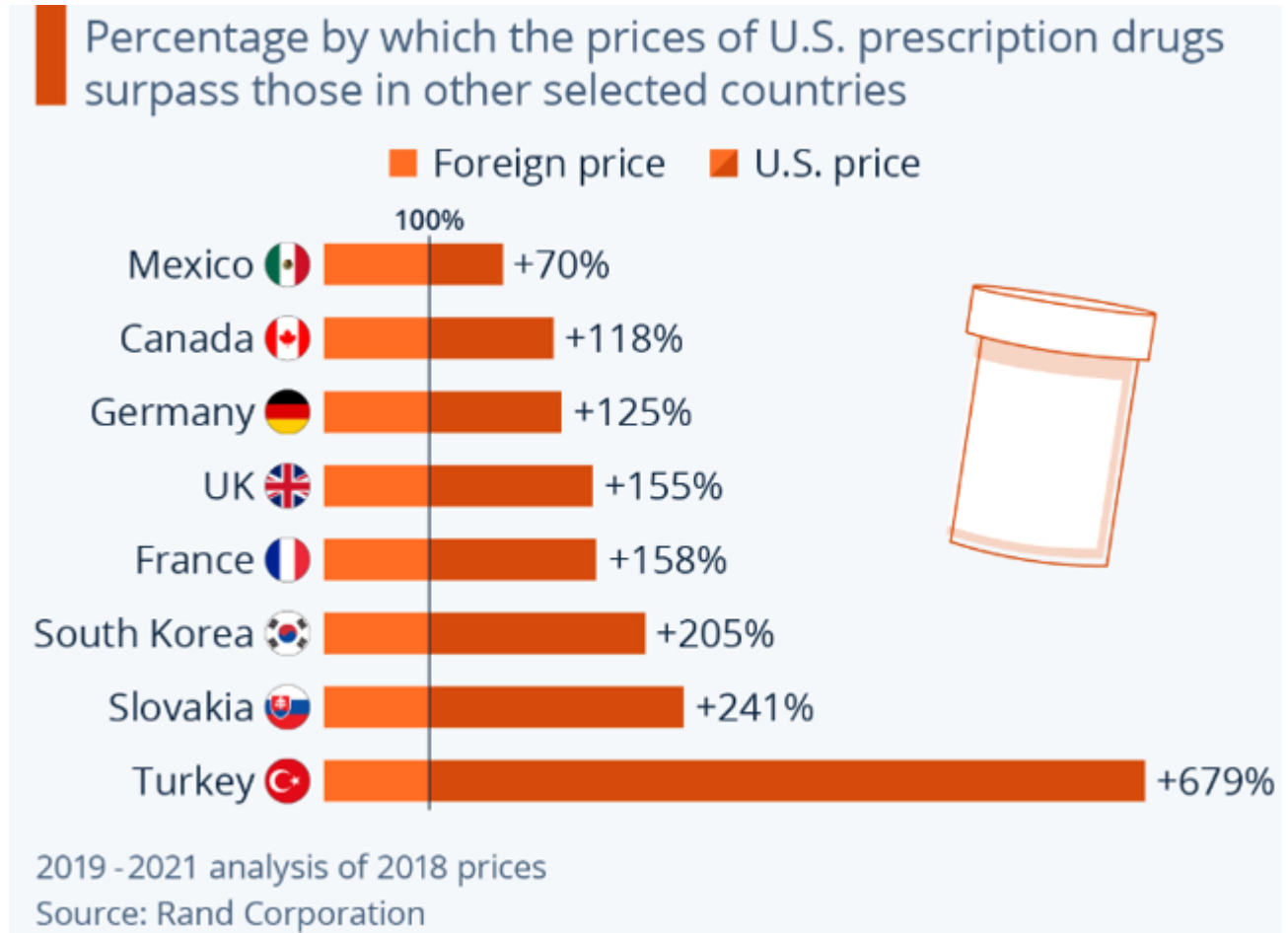
Prescription Drug	Description / Purpose	Avg. Monthly Price	Avg. Annual Price
Dupixent	Used to treat certain patients with eczema, asthma, and nasal polyps.	\$4,622.38	\$55,469
Rybelsus	Used to improve blood sugar control in adults with type 2 diabetes.	\$1,061.66	\$12,740
Humira	Used to treat rheumatoid and psoriatic arthritis.	\$9,158.60	\$109,903
Rinvoq	Used to treat rheumatoid arthritis, psoriatic arthritis, eczema, ulcerative colitis, ankylosing spondylitis, and non-radiographic axial spondyloarthritis.	\$9,699.39	\$116,393
Ozempic	Used to improve blood sugar control in adults with type 2 diabetes.	\$1,025.40	\$12,305
Trulicity	Used as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.	\$1,033.69	\$12,404
Jardiance	Used to control blood sugar and treat type 2 diabetes.	\$674.78	\$8,097
Skyrizi	Used to treat plaque psoriasis, psoriatic arthritis and Crohn's disease.	\$31,636.29	\$379,635
Rexulti	Antipsychotic, used in combination with antidepressants to treat major depressive disorder and/or schizophrenia.	\$1,581.45	\$18,977
Tremfya	Used to treat adults with moderate to severe plaque psoriasis and active psoriatic arthritis.	\$14,537.36	\$174,448

Source: GoodRx 2022 Cash Pricing

Evening the Playing Field for Prescription Drugs

What is the answer for the US?

- Government price control?
- Reimportation of drugs?
- Importation of foreign made drugs (Safety concerns if done outside of the FDA jurisdiction)?
- Loosen FDA safety standards?
- Loosen patent protection?



Government's Role in Healthcare – Legislative

Our government has always had a role in providing healthcare legislation.

- As we look to the future, legislation will have a role in healthcare, including considering:
 - Are we satisfied in our approach to healthcare system funding?
 - Are we properly supporting AI in Healthcare?
 - Should we consider moving the unhealthiest 20% of members to a federally funded high-cost claimant pooled program?
 - Should we use legislation to bring the cost of drugs down, including:
 - Government price control?
 - Reimportation of Drugs?
 - Importation of foreign made drugs (Safety concerns if done outside of the FDA jurisdiction)?
 - Loosen FDA safety standards?
 - Loosen patent protection?
 - Should we use legislative incentives to develop more providers?

Working for a Better Healthcare Future

- Does government have a role in Healthcare?
 - 100% takeover?
 - What is the appropriate balance for government in Healthcare?
- How can we level the playing field for Healthcare Systems?
 - Status Quo (four guys walk into a hospital...)?
 - Limit Services (ER only)?
 - Socio-Economic development?
- Can we find the right drug deal?
 - Can we overcome cost components unique to the USA?
- AI can it make us healthier?
- Conclusion: Healthcare will change in the future
 - Government has its role in it!
 - LACERS has a role and can be heard!
 - Be prepared to embrace healthcare change and its impact on you

Acknowledgement

AP Keenan & Associates would like to thank LACERS for hosting this symposium and allowing us to present these topics.

Questions and Answers

Appendix

- Appendix 1 - Expanded History of Medicare

Appendix 1 - The History of Medicare: 1940s to 1960s

The '40s

- On November 19, 1945, seven months into his presidency, Truman sent a message to Congress, calling for the creation of a national health insurance fund, open to all Americans. The plan Truman envisioned would provide health coverage to individuals, paying for such typical expenses as doctor visits, hospital visits, laboratory services, dental care and nursing services.

The '60s

- President John F. Kennedy made his own unsuccessful push for a national health care program for seniors after a national study showed that 56% of Americans over the age of 65 were not covered by health insurance.
- But it wasn't until after 1966 – after legislation was signed by President Lyndon B Johnson in 1965 that Americans started receiving Medicare health coverage when Medicare's hospital and medical insurance benefits first took effect. Harry Truman and his wife, Bess, were the first two Medicare beneficiaries. On July 30, 1965, President Lyndon B. Johnson made Medicare law by signing H.R. 6675 in Independence, Missouri. Former President Truman was issued the very first Medicare card during the ceremony. In 1965, the budget for Medicare was around \$10 billion.
- In 1966, Medicare's coverage took effect, as Americans age 65 and older were enrolled in Part A and millions of other seniors signed up for Part B. Nineteen million individuals signed up for Medicare during its first year.

Appendix 1 - The History of Medicare: 1970s

The '70s

- In 1972, President Richard M. Nixon signed into the law the first major change to Medicare. The legislation expanded coverage to include individuals under the age of 65 with long-term disabilities and individuals with end-stage renal disease (ESRD). People with disabilities have to wait for Medicare coverage, but Americans with ESRD can get coverage as early as three months after they begin regular hospital dialysis treatments – or immediately if they go through a home-dialysis training program and begin doing in-home dialysis. This has served as a lifeline for Americans with kidney failure – a devastating and extremely expensive disease.

Appendix 1 - The History of Medicare: 1980s

The '80s

- When Congress passed the Omnibus Reconciliation Act of 1980, it expanded home health services. The bill also brought Medigap – or Medicare supplement insurance – under federal oversight.
- In 1982, hospice services for the terminally ill were added to a growing list of Medicare benefits.
- In 1988, Congress passed the Medicare Catastrophic Coverage Act, adding a true limit to the Medicare's total out-of-pocket expenses for Part A and Part B, along with a limited prescription drug benefit. Most of the Catastrophic Care law was repealed less than a year later after opposition from senior groups over the program's higher premiums. (To this day, there continues to be no cap on out-of-pocket costs for Medicare A and B.)
- The new law also required states to “buy-in” to the Medicare system by using Medicaid funds to cover Medicare premiums and cost-sharing for impoverished Medicare beneficiaries. These individuals are known as Qualified Medicare Beneficiaries (QMB). In 2016, there were 7.5 million Medicare beneficiaries who were QMBs, and Medicaid funding was being used to cover their Medicare premiums and cost-sharing. To be considered a QMB, you have to be eligible for Medicare and have income that doesn't exceed 100 percent of the federal poverty level.

Appendix 1 - The History of Medicare: 1990s

The '90s

- New legislation required state Medicaid programs to cover premiums of the new Specified Low-Income Medicare Beneficiary (SLMB) eligibility group – those eligible for Medicare with incomes between 100 and 120 percent of the federal poverty level.
- Congress also passed the Qualified Individual (QI) programs and the remaining program (of two originally enacted) requires Medicaid to pay premiums (through a federal grant) for Part B members with incomes between 120 and 135 percent of poverty. The annual funding for QI is limited and once exhausted, beneficiaries are not entitled to receive the benefit – though states can provide it on their own dime. Unlike QMB and SLMB, the QI program must be reauthorized by Congress every few years, and states generally do not take part in financing it.
- Other legislation gave those eligible for Medicare coverage more options on the private market through Medicare Part C – Medicare Advantage (MA). Originally known as Medicare HMOs or “Medicare+Choice” (among other names), the new private options ultimately offered add-on benefits such as prescription drug coverage for new enrollees. The Affordable Care Act requires more accountability from these plans, including tying the insurers’ reimbursements to the star rating system – a measure of several different ways the plans are required to provide quality care.

Appendix 1 - The History of Medicare: 2000s

The '00s

- Americans younger than age 65 with amyotrophic lateral sclerosis (ALS) are allowed to enroll in Medicare without a waiting period if approved for Social Security Disability Insurance (SSDI) income. (Most SSDI recipients have a 24-month waiting period for Medicare from when their disability cash benefits start.)
- President George W. Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003, adding an optional prescription drug benefit known as Part D, which is provided only by private insurers. Until this time, about 25 percent of those receiving Medicare coverage did not have a prescription drug plan. Medicare Part D plans became available as of 2006; Part D can be purchased as a stand-alone plan, but it can also be integrated with Medicare Advantage plans (90 percent of Medicare Advantage plans include Part D coverage as of 2019). As of early 2019, more than 45 million Medicare beneficiaries — about three-quarters of the Medicare population — had Medicare Part D coverage (Medicare beneficiaries can also obtain prescription coverage from an employer or retiree program, or from Medicaid if they're eligible for both Medicare and Medicaid).
- Starting in 2007, a high-income surcharge (the income-related monthly adjustment amount, or IRMAA) began to be added to Part B premiums for enrollees with income above a certain threshold. This was part of the Medicare Prescription Drug Improvement and Modernization Act of 2003.

Appendix 1 - The History of Medicare: 2010 -2015

2010 to 2015

- The Patient Protection and Affordable Care Act of 2010 includes a long list of reform provisions intended to contain Medicare costs while increasing revenue, improving and streamlining its delivery systems, and even increasing services to the program.
- The income-related monthly adjustment amount (IRMAA) began to be added to Part D premiums for beneficiaries with high incomes in 2011.

Appendix 1 - The History of Medicare: 2015 to 2019

2015 through 2019

- As of August 2022, there were nearly 65 million people enrolled in Medicare. Enrollment had stood at fewer than 50 million people as of 2014, but has been rapidly growing as Baby Boomers turn 65.
- In early 2015, after years of trying to accomplish reforms, Congress passed the Medicare and CHIP Reauthorization Act (MACRA), repealing a 1990s formula that required an annual “doc fix” from Congress to avoid major cuts to doctor’s payments under Medicare Part B. MACRA served as a catalyst through 2016 and beyond for CMS to push changes to how Medicare pays doctors for care – moving to paying for more value and quality over just how many services doctors provide Medicare beneficiaries.
- MACRA also extended the QI program for certain low-income members’ Part B premium payments (among other extensions of Medicaid and CHIP – related programs).
- MACRA also added a 5th income bracket for IRMAA, starting in 2019. Prior to that, the highest bracket was for individuals with income above \$160,000. But the 5th bracket began to apply in 2019 for people with an income of at least \$500,000 and has remained at that level ever since (the other bracket thresholds have been indexed for inflation since 2020, but the 5th level has remained at \$500,000).

Appendix 1 - The History of Medicare: 2015 to 2019 (continued)

2015 through 2019

- Premiums for Part B increased for several years, after declining in 2012 and then remaining steady for the next three years. But they've decreased again for 2023, for the first time in more than a decade. When Medicare Part B debuted, enrollees' premiums were set at \$3 per month. By the early 2000s, premiums had reached about \$50/month, and they now stand at \$164.90 per month as of 2023 for most enrollees.
- The donut hole has closed, as a result of the ACA. It was fully eliminated as of 2020 (it closed one year early – in 2019 – for brand-name drugs, but generic drugs still cost more while enrollees were in the donut hole in 2019). Enrollees with standard Part D plans now pay 25% of the cost of their drugs until they reach the catastrophic coverage limit (as opposed to paying the full cost of the drugs while in the donut hole, which had been the case before the ACA started to close the donut hole in 2010/2011).
- In 2019, CMS began allowing Medicare Advantage plans to offer more supplemental benefits, by relaxing the definition of “primarily health-related.” And in 2020, CMS began allowing Medicare Advantage plans to offer additional supplemental benefits to chronically ill enrollees, in an effort to address social determinants of health.

Appendix 1 - The History of Medicare: 2020 to Present

2020 to Present

- In 2020, the income thresholds for IRMAA surcharges began to be adjusted for inflation. (IRMAA surcharges are added to Part B and Part D premiums for high-income Medicare beneficiaries).
- The COVID pandemic, which began in 2020, resulted in numerous regulatory changes for the Medicare program. Most were introduced on a temporary and emergency basis, avoiding the lengthy notice-and-comment process that new rulemaking normally must follow. But some, including increased access to telehealth, are likely to remain in place after the pandemic is over. The Commonwealth Fund has a good overview of the measures that have been put in place to protect Medicare beneficiaries and providers during the COVID pandemic.
- The Inflation Reduction Act was signed into law in August 2022. This legislation includes significant improvements in drug coverage for Medicare beneficiaries.

Source: CMS website

WELLNESS PROGRAM

HEALTH, WELLNESS and BUYBACK DIVISION

LACERS Symposium
February 2023



WELLNESS PROGRAM | THE PAST

The **LACERS Well** program was formed to take an innovative approach toward retiree health optimization through the development of educational and interactive support to improve the health of retired Los Angeles City employees (Members).

The goal is to educate Members on ways to maintain their health and inform them of the various programs and benefits available through their LACERS medical plans. By engaging Members in their health care, LACERS aims to reduce claims costs and minimize premium increases.

2008 – The LACERS Well program was introduced as a **LACERS Strategic Plan Initiative** with the goal of maximizing value and minimizing costs of our health and welfare program.

2012 – **The LACERS Well program**, funded by LACERS medical plan carriers, was launched.

2014 – **The LACERS Well Champion program** was established. Additionally, a **Wellness Coordinator**, funded by carrier contributions, was hired to assist in developing and promoting the wellness program.

2019 – **The Purposeful Living Campaign** was introduced.

2020 – A **Wellness Manager** was brought on board to helm the LACERS Wellness program.

2020 to present – Due to COVID-19 pandemic restrictions and the implementation of stay-at-home orders, the Wellness Program pivoted by increasing **virtual offerings** and conducting classes and activities over Zoom.

WELLNESS PROGRAM | THE PRESENT



PURPOSEFUL LIVING: THE FIVE ELEMENTS OF WELL-BEING

The Wellness Program promotes a Purposeful Living Campaign based on **5** essential elements of overall well-being:

PURPOSE | **PHYSICAL HEALTH** | **FINANCIAL WELLNESS**
SOCIAL ENGAGEMENT | **COMMUNITY INVOLVEMENT**

WELLNESS PROGRAM | THE PRESENT

Mission: To enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness. LACERS Members gain access to all the benefits of the Wellness Program automatically upon retirement. **LACERS is one of the few retirement systems to have a fully developed retiree-focused wellness program.**

- **LACERS Health Plans** offer webinars, seminars, and programs aimed to avoid unnecessary health care utilization, control health care costs, and optimize the quality of life for LACERS Members throughout their retirement.
- **The Wellness Champion Program** provides retired Members the opportunity to lead regular group activities, in-person or virtually, with other LACERS retirees.
- **LACERS-facilitated Wellness Program Offerings** include technology, fitness, brain health classes; the Aging Mastery Program; informational webinars; online Open Enrollment meetings.
- **The LACERS Well Website** is updated regularly and contains helpful online resources and health information.
- **The Wellness Program Newsletter** is sent to Members semi-annually, and those registered with LACERS *Well* receive wellness updates via email and can participate in incentive programs.

WELLNESS

CHAMPION PROGRAM



The **LACERS Well Champion Program** provides Retired members an opportunity to become a Champion and work directly with the Wellness Team to plan, coordinate, and promote the health and well-being of our Members, through the sharing of a special skill, hobby or activity that they enjoy either virtually or in-person. We currently have 16 Champions involved in the program.

The LACERS Well Champions lead **in-person** events such as walking and hiking activities throughout the LA County. We have the Playa Del Rey Beach walk, and hikes in Griffith Park and in the Northridge Area. Other outdoor activities include Golfing at the Alondra Golf Course and Botanical Garden Tours.

We also have Champions who facilitate **virtual** events: 3 Book Clubs, 2 Movie Review Clubs, 1 Cooking Class, and a Chess Club.

The LACERS Well Champions are the backbone of the program. Members can avail of and participate in an array of different Champion-led activities that complement their personality, expertise, interest, and personal goals.



WELLNESS | METRICS FOR 2023-24 INITIATIVES

INITIATIVE METRICS	COUNT FOR 2022-23	GOAL COUNT FOR 2023-24	PERCENTAGE INCREASE/DECREASE
Number of Member Participants in Wellness Activities	2748	3200	+ 16%
Percentage of “Satisfactory and above” Marks on Customer Feedback Survey for Wellness Events	85%	95%	+ 12%
Number of Carrier-facilitated Preventative Care and Disease Management Webinars and Coaching	11	15	+ 36%
Number of LACERS Well Champions	16	20	+ 25%
Number of Champion-facilitated Activities (to include more areas of interest and geographic regions such as the San Fernando Valley, San Gabriel Valley, Harbor, East LA, Orange County, LA Metro area, and the Inland Empire; and possibly to other states)	15	19	+ 27%
Number of Other Retirement Systems, Non-profit Agencies, and Other Organizations that LACERS Partners and Collaborates with for Knowledge-sharing (also to include senior community influencers for promotions and business sponsorships)	4	6	+ 50%

WELLNESS PROGRAM | THE FUTURE

LACERS WELL INITIATIVES (2023-24)

- **Increase** Carrier-facilitated Condition and Disease Management Webinars and Coaching. The focus areas are Overweight/Obesity, Pre-Hypertension/Hypertension, Pre-Diabetes/Diabetes, Osteoarthritis/Low Back Problems, and Depression.
- **Enhance** the Champion program participation and increase recruitment of new Champions to lead more in-person and virtual activities.
- **Expand** Champion-facilitated activities to include more areas of interest and diverse geographic areas, regions and possibly to other states.
- **Resume** in-person events to create socialization and connections.
- **Expand** partnerships with other retirement systems, non-profits, and other organizations for knowledge-sharing, as well as with senior community influencers for promotions and business sponsorships.

WELLNESS PROGRAM | THE FUTURE

In 2023-24, LACERS Wellness Program will continue to provide quality programming service and staff support to its Members.

- **Liase** with health carriers and outside entities to improve program offerings
- **Provide** communication and web support to augment LACERS Well with carrier-offered programs and marketing
- **Explore** more non-profit programs, such as the Loneliness Campaign to avail of additional senior self-help programs for LACERS retired seniors

WELLNESS PROGRAM | THE FUTURE

Setting Health Management Goals/Strategies for LACERS Medical Benefits Carriers

As part of its carrier-facilitated health management initiatives, LACERS Well will work with the medical benefits carriers in 2023-24 to set specific, measurable multi-year goals, along with strategies and communications campaigns for attaining those goals, and metrics for tracking progress and success. Other LACERS carriers, including dental and vision plans, will also be solicited for their involvement and support for these health management initiatives and to provide relevant health-related data. A preliminary draft of some of the key goals for improving LACERS members' health and well-being are listed below.

ENGAGEMENT:

Increase % of members using the **carrier's online resources and apps**

Increase % of members using **telephonic health coaching**

PREVENTIVE CARE COMPLIANCE:

Increase % of members getting **preventive care visits (in-person or virtual)**

Increase % of members getting **flu immunization**

Increase % of members getting **cholesterol screening**

Increase % of members getting **colorectal cancer screening**

Increase % of female members getting **cervical cancer screening**

Increase % of female members getting **breast cancer screening**

Increase % of male members getting **PSA screening**

WELLNESS PROGRAM | THE FUTURE

HEALTH RISKS:

Reduce the % of members who have **inadequate exercise**

Reduce the % of members who are **overweight/obese**

Reduce the % of members who have **prediabetes**

Reduce the % of members who have **prehypertension**

CHRONIC CONDITIONS:

Reduce the % of members who have **diabetes**

Reduce the % of members who have **hypertension**

Reduce the % of members who have **osteoarthritis**

Reduce the % of members who have **low back problems**

WELLNESS PROGRAM | THE FUTURE

CONDITION MANAGEMENT:

Increase the % of members actively engaged in **prediabetes management**

Increase the % of members actively engaged in **prehypertension management**

Increase the % of members actively engaged in **condition management**

Increase the % of members whose **diabetes is well-managed**

Increase the % of members whose **hypertension is well-managed**

Increase the % of members whose **hyperlipidemia is well-managed**

Increase the % of members whose **chronic depression is well-managed**

Increase the % of members meeting **medication adherence for diabetes**

Increase the % of members meeting **medication adherence for hypertension**

Increase the % of members meeting **medication adherence for hyperlipidemia**

Increase the % of members meeting **medication adherence for chronic depression**

- This was a very thorough webinar session and was just the right amount of information and time involved. It was very informative.
- Great and very relevant program.
- Very informative Class.
- I applaud the staffers for including the topic of Alzheimer's in our wellness program.



MEMBER TESTIMONIALS

QUESTIONS?

Wellness Program
LACERS Symposium
February 2023



Board Mtg: 02/22/23

Item: II-F



LACERS 2023 Member Symposium

My LACERS Retirement Experience

Recent Retirees Share Their Perspectives



MODERATORS

**Ferralyn Sneed, Chief Benefits Analyst
Retirement Services Division**

**Delia Hernandez, Assistant Division Manager
Member Counseling Section
Retirement Services Division**

PANELISTS

FAUSTO MACARIO

Tax Auditor
Office of Finance



GARY SEMENTELLI

Recreation Assistant
Department of Recreation and Parks



CATHERINE O'CONNOR

Librarian II
Library Department



BRIAN KEITH SIBERT

Collection Truck Operator II
Sanitation Department



RAYMOND CIRANNA

General Manager
Los Angeles Fire and Police Pension



RICARDO SILVA

Senior Administrative Clerk
General Services Department



SESSION AGENDA

- Part I Panel Discussion**
- Part II Questions & Answers**
- Part III Closing Remarks**

Part I

**Panel
Discussion**

Part 2

Question and Answers

Panel and LACERS staff

Estella Priebe – Benefit Analyst

Mildred Corpin – Benefit Analyst

Veronica Sanchez – Benefit Specialist

CONTACT INFORMATION



(800) 779-8328



lacers.services@lacers.org



**PO Box 512218
Los Angeles CA 90051-0218**



www.lacers.org



**In Office Appointments
Tentatively Available in
March 2023**



www.youtube.com/@lacersyoutube

Part 3

Closing Remarks

Board Mtg: 02/22/23

Item: II-F



CREATING THE **LACERS** MEMBER EXPERIENCE

Presenter: Gabriel J Perez

Q&A Moderator: Heather Ramirez

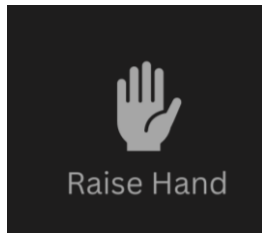


Helpful Webinar Information

- All participants are muted with their video turned off upon entry.



DO submit all questions using the “Q & A” button through Zoom.



DO NOT use the “Raise Hand” icon to ask a question.

- Keep all questions and comments professional.

For more info, email us: lacers.services@lacers.org

LACERS MEMBER EXPERIENCE OVERVIEW

1. LACERS Member Service Agreement
2. Member Service Innovations
 - Member Service Center
 - Member Experience
3. Looking Forward

MEMBER EXPERIENCE AGREEMENT

Excerpts from Our Service Philosophy:

- Members should have easy, 24-hour online access to services and information. First contact resolution is our goal.
- Member interactions should be simple and streamlined, with LACERS looking for opportunities for further improvement, including small, meaningful changes or “nudges.”
- Automated, self-service, and other innovative options will be reviewed and expanded where possible (balanced with the security of Member data) for Member convenience.



We are refreshing and updating the agreement to keep it current with our Member’s needs!

To access the full Member Service Agreement, visit: lacers.org/member-experience-agreement



MEMBER SERVICE CENTER INNOVATIONS

CLOUD-BASED CONTACT CENTER

Implemented at LACERS in June 2020

Amazon Connect provides:

- Member Service Center (MSC) Staff can access the system from anywhere, allowing them to safely work remotely
- On-demand access to update messaging
- Improved statistics for tracking trends to improve service offerings



CLOUD-BASED CONTACT CENTER

- Flexibility to create customizable prompts to allow LACERS to provide information for hot issues timely
- Auto Callback Function to reduce on-hold wait times
- Ability to route directly to an English or Spanish-speaking agent
- Use of artificial intelligence via the Contact Lens, sentiment detecting software, ensuring quality customer service
- Capturing post-call Member Surveys








IN-PERSON APPOINTMENT SCHEDULING

Limited Reopening, by Appointment-only – Currently Suspended due to move

Microsoft Bookings Application



- 
 Implemented appointment system using existing Software
- 
 LACERS staff can define appointment availability
- 
 Members or staff can book appointments from the web
- 
 Email/text confirmations/reminders are sent automatically
- 
 Custom fields allow staff to request and users to provide additional information about parking, Health requirements, or translation needs

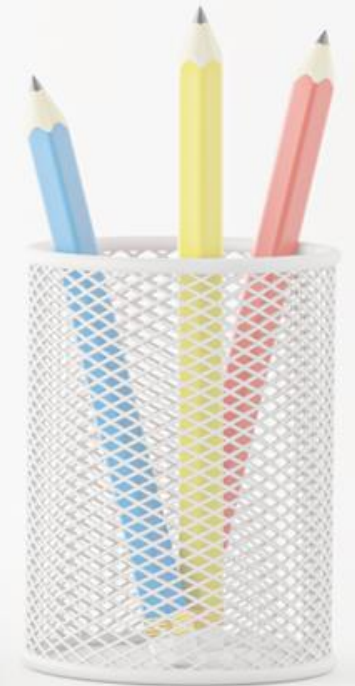


MEMBER ENGAGEMENT INNOVATIONS

E-BLAST COMMUNICATIONS



- Monthly updates and newsletters through email
- **COST-EFFECTIVE:** Eliminates print and mail costs
- **TIMELY:** Relevant content and information
- **PERSONALIZED:** Reaches you directly whether you are Active or Retired
- **TRACKABLE METRICS:** Open rate and click-through



ZOOM WEBINARS

- In July 2020, implemented Zoom for Member presentations

Ability to accommodate a large number of attendees

Allows Members to access presentations from anywhere

Easy recording for upload to LACERS' YouTube Channel

Efficient use of staff and Member time

Ability to send customer satisfaction survey electronically after each presentation



ONE-ON-ONE VIDEO COUNSELING

- In Fall 2021, LACERS procured Zoom Government licenses that provide enhanced security settings to safeguard Member information during counseling
- Provides an additional avenue for Members to receive virtual face-to-face meetings when a phone call won't do
- Allows a visual component to help communicate information

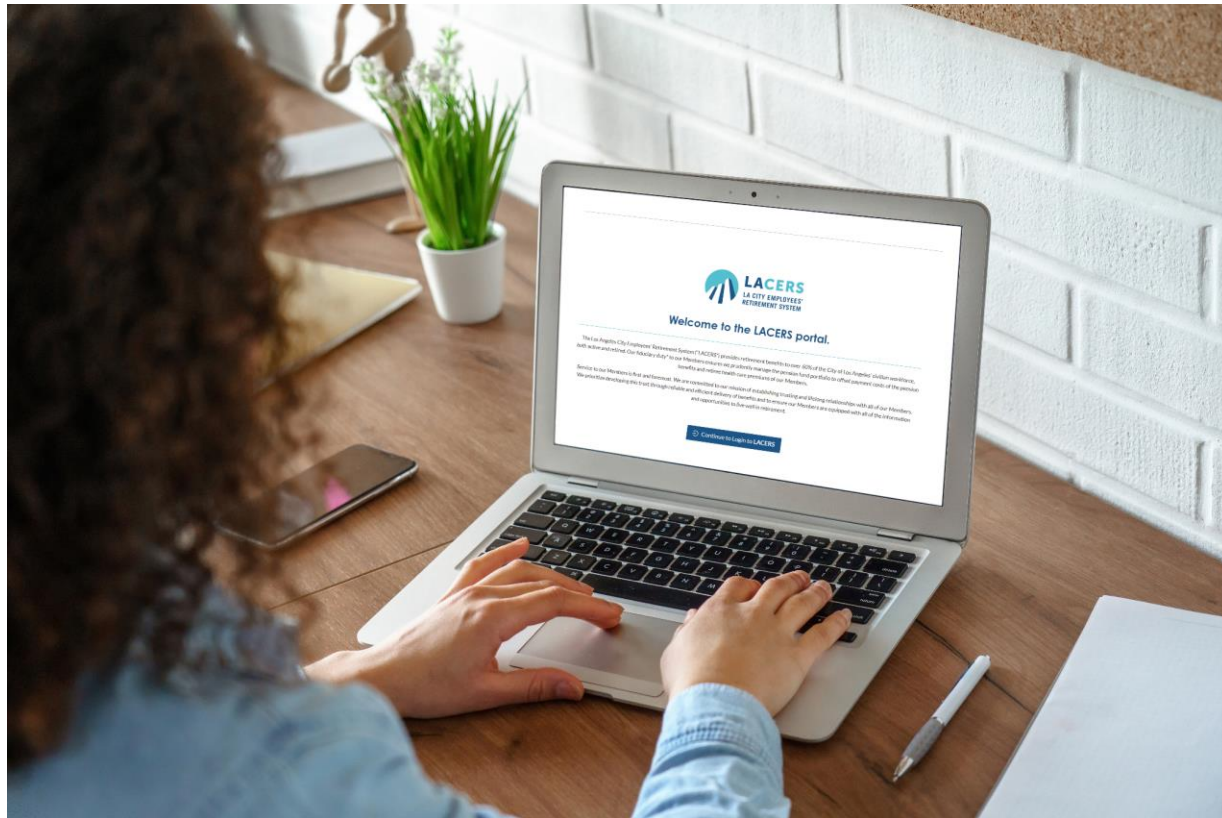



RETIREMENT APPLICATION PORTAL

- Launched in Summer 2021
- LACERS' online Retirement Application Portal (RAP) is a secure and convenient portal where eligible Members (those applying for a Tier 1 Normal Service Retirement or a Tier 1 Early Service Retirement) apply to retire
- Access our RAP Playlist on the LACERS' YouTube channel to view a demo and instructional videos to help guide you through the retirement process



RETIREMENT APPLICATION PORTAL



retire.lacers.org 

This easy-to-use portal allows you to apply for retirement online!

- Upload and submit your required documents securely via the portal
- Sign application electronically
- Check your application status

...and more from the comfort of your home. **75% of eligible applicants utilized the RAP to retire in 2022!**

LACERS YOUTUBE CHANNEL

Created in January 2020

Over 1,500 subscribers

Produced/posted over 120 videos

Hosts a variety of content, including:

- Single Topic Sessions (2-5 minutes) on Disability, Legal, Health, Medicare, Survivor Benefits, and more
- Full-length Planning for Retirement seminars
- Playlists on the Retirement Application Portal
- Open Enrollment Sessions, Technology Workshops, and Wellness content



LACERS YOUTUBE CHANNEL



Visit youtube.com/lacersyoutube
or scan the QR code



FY 21-22 HIGHLIGHTS

62,000 Total Member Inquiries; phone calls, emails, MyLACERS

99% of emails were responded to within 1 business day

21,000 Members took advantage of 24/7 access to their LACERS information through their online MyLACERS Account

78 Seminars were conducted hosting over 1,800 participants

Member Service Center responded to 53% of the 44,000 phone calls they receive per year within 2.5 minutes

Member Service Center agents handled 135 calls on average per week

LOOKING AHEAD



- Retirement Application Portal (RAP) user expansion
- Opening of the new LACERS Headquarters
- Reintroducing in-person Planning for Retirement Seminars (March 2023)
- MyLACERS Member-initiated contact Information updates
- Expansion and refresh of LACERS YouTube Channel content

CONTACT:



CALL

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RTT (888) 349-3996



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WEBSITE

LACERS.org



VISIT

TEMPORARILY SUSPENDED
Visit our website for the most
up-to-date information



YOUTUBE

youtube.com/lacersyoutube



LACERS VISIONS



Members

Improving the Member experience



Finance

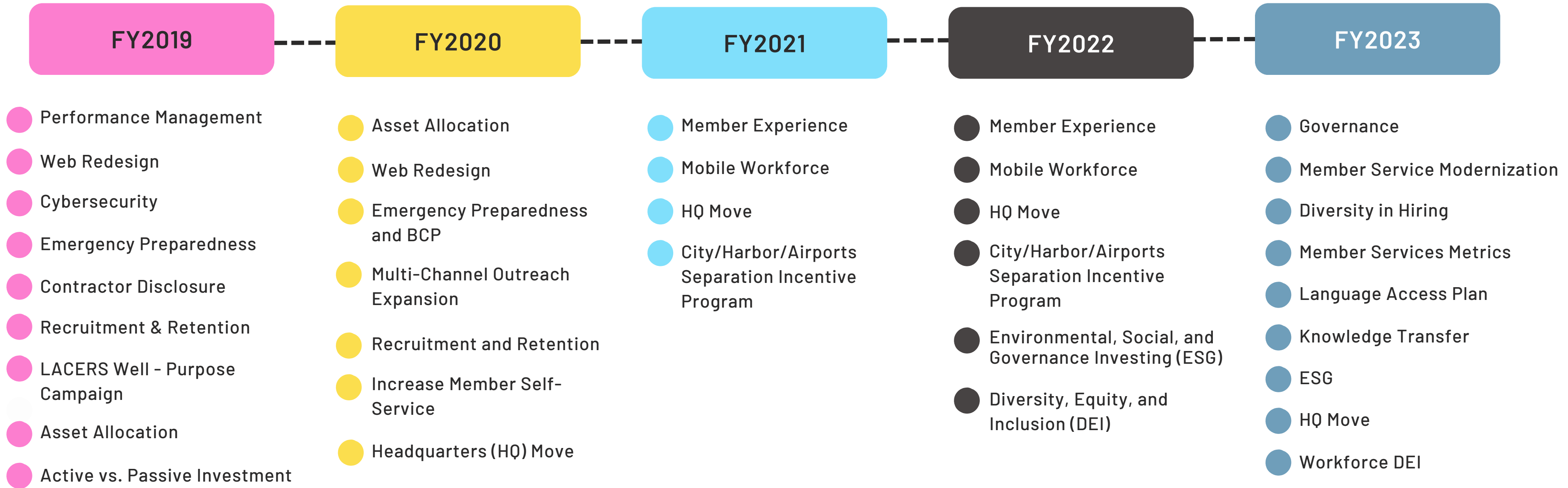
Achieving fiscal resiliency



Governance

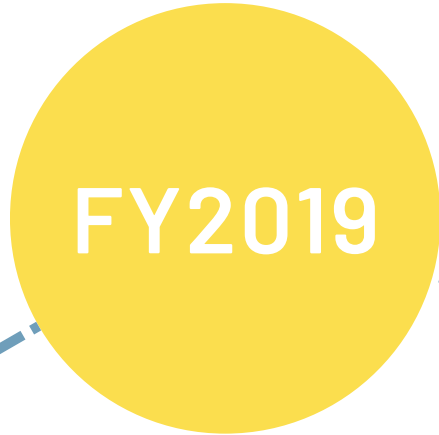
Good governance, organizational efficacy, and a high-performing workforce

BUSINESS PLAN INITIATIVES



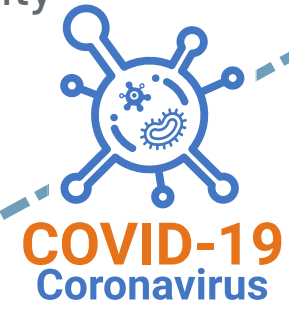
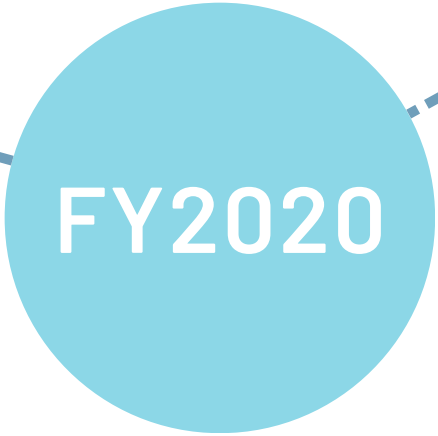
KEY ACCOMPLISHMENTS

- Successful implementation of new Pension Administration System (PAS)
- Launched new “MyLACERS” Web Portal
- Achieved average annual savings of \$2.2 million over the last 10 years for Health Plan Renewal
- Negotiated favorable fee terms in public markets investment manager contracts
- Approval of Asset Allocation Strategy



- Developed a new Multi-year Strategic Plan
- Established a Member Experience Commitment
- Improved Member and Public Access to LACERS Commission and Committee meetings
- Established 115 Trust and self-insured dental benefit
- Reviewed passive vs. active management strategies in portfolio
- Implemented New Asset Allocation Plan

- Built Resiliency to Cyber Threats
- Launched a redesigned website
- Created a career ladder for Benefit series employees
- Initiated the Wellness Campaign on Purposeful Living
- Explored Buy Down of Unfunded Liability
- Purchased a permanent Headquarters building



TRANSFORMING OPERATIONS THROUGHOUT A PANDEMIC

The global COVID-19 pandemic suddenly accelerated the need for organizations to transform and respond to unprecedented change in operations and societal behaviors.

As the new world has taken shape, LACERS has responded by modernizing operations in transformative ways.



Creating an Immersive Member Experience

Improving how we engage and service Members



Growing and Protecting the Fund

Strategies for navigating the turmoil of the financial markets



Powering the Future of Work

LACERS digital transformation



Building a Member Services Center

LACERS new headquarters building and Member Services Center of the future

IMMERSIVE MEMBER EXPERIENCE

Retirement Application Portal

Streamlining and digitizing the retirement application process



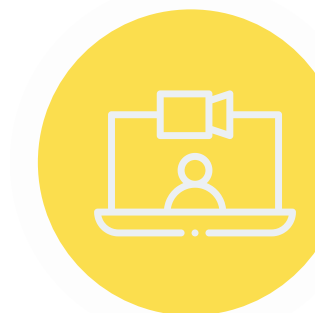
Tele-Conference

Increasing access to operators to service Members in both English and Spanish



Modern Website and YouTube Channel

Improving access to content and education about benefits



Video-Conference

Enabling a more personalized experience for Members

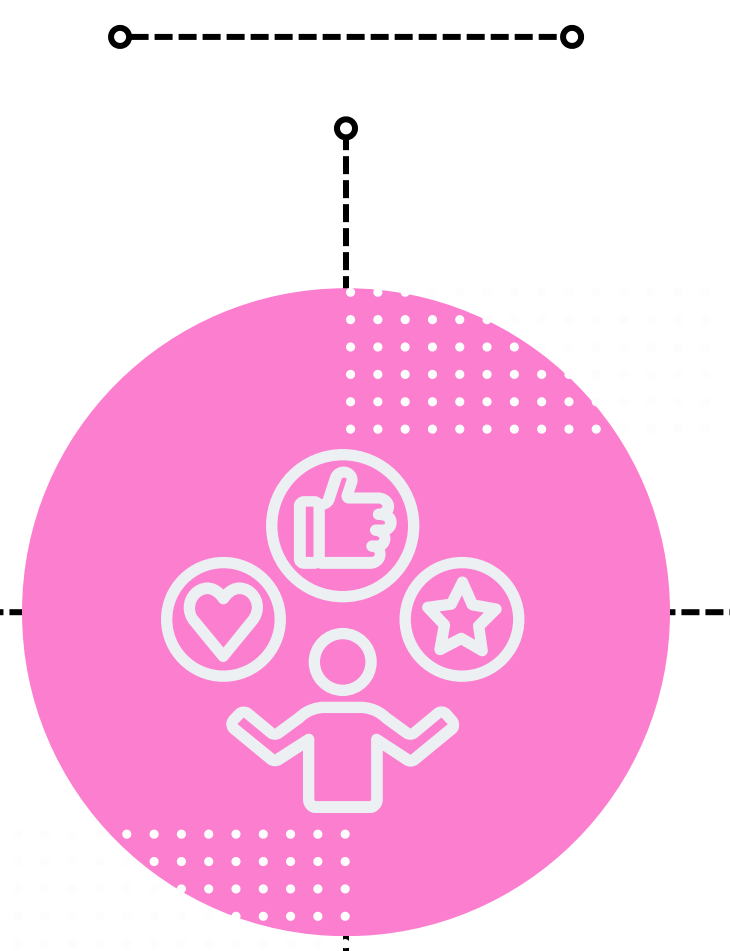
Communications

Refining publications to give Members the content needed in more useable formats



Digital Forms and Signatures

Digitizing forms and document submission



GROWING AND PROTECTING THE FUND

1

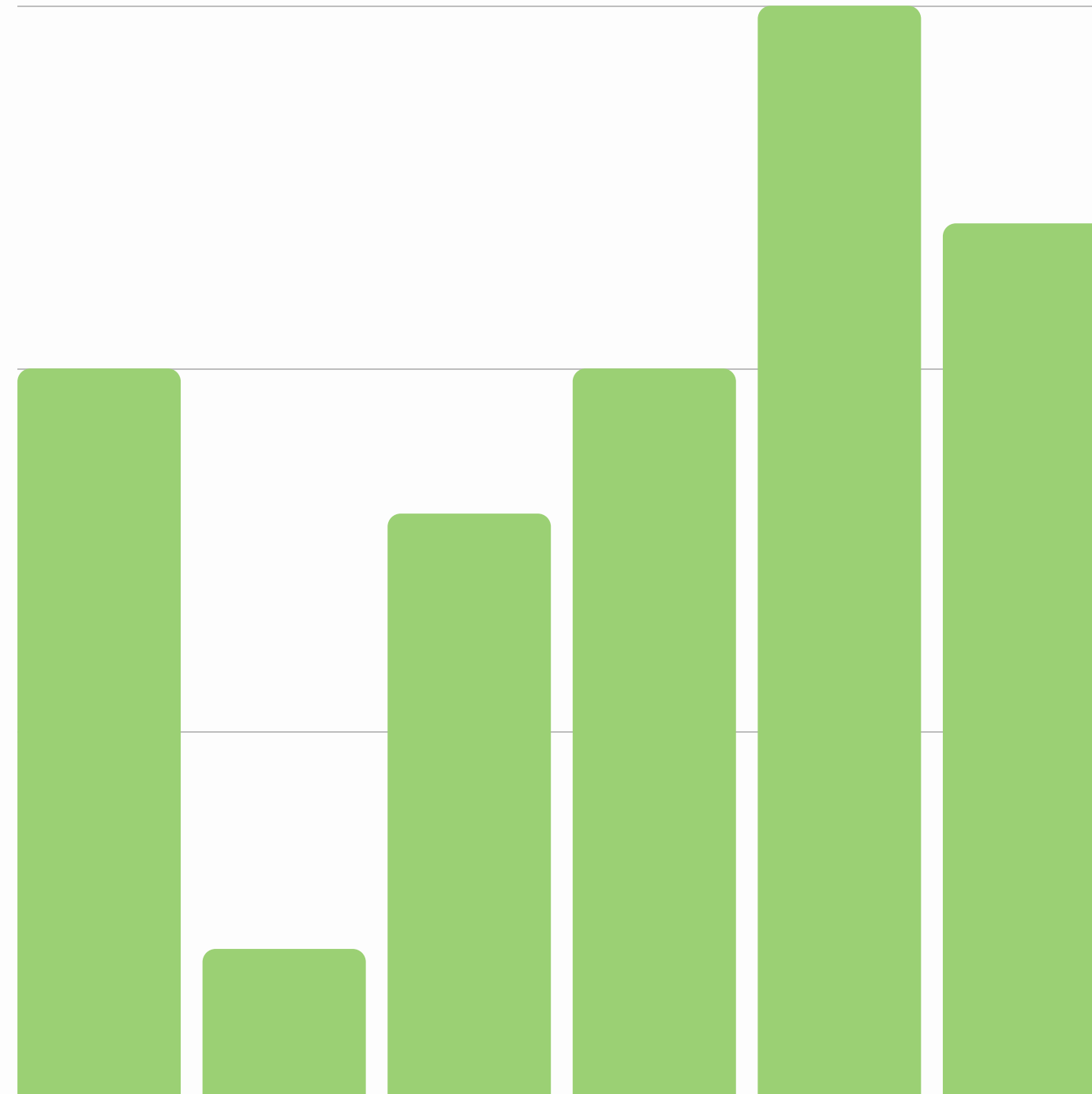
INCREASE CASH

Increase cash holdings temporarily for operational liquidity

2

REBALANCING

Provide staff flexibility to defer portfolio rebalancing



3

RISK MANAGEMENT

Reduce the exposure of the Securities Lending Program

4

OPPORTUNITIES

Evaluate investment opportunities arising from the situation

THE FUTURE OF WORK

Tools

- Laptops
- Mobile Phones
- Ergonomics



Digital

- Electronic Documents
- e-Signature
- Workflows



Web

- Website
- Intranet



Security

- Cybersecurity
- Governance
- Identity Management

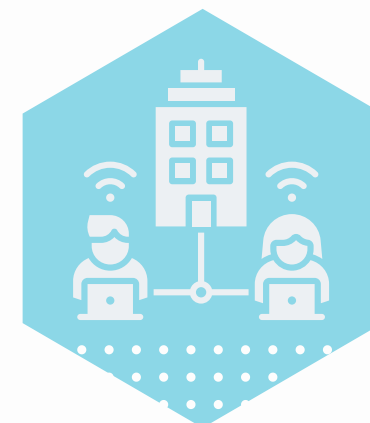
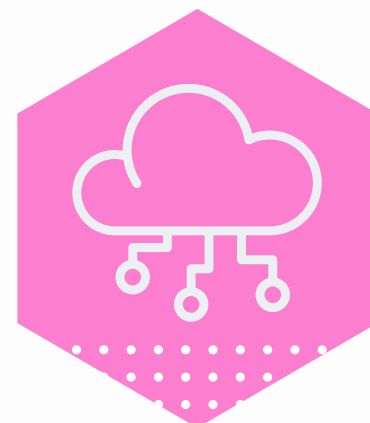


Remote

- Collaboration Tools
- Productivity Suite
- Virtual Desktop

Cloud

- Document Management
- Business Intelligence

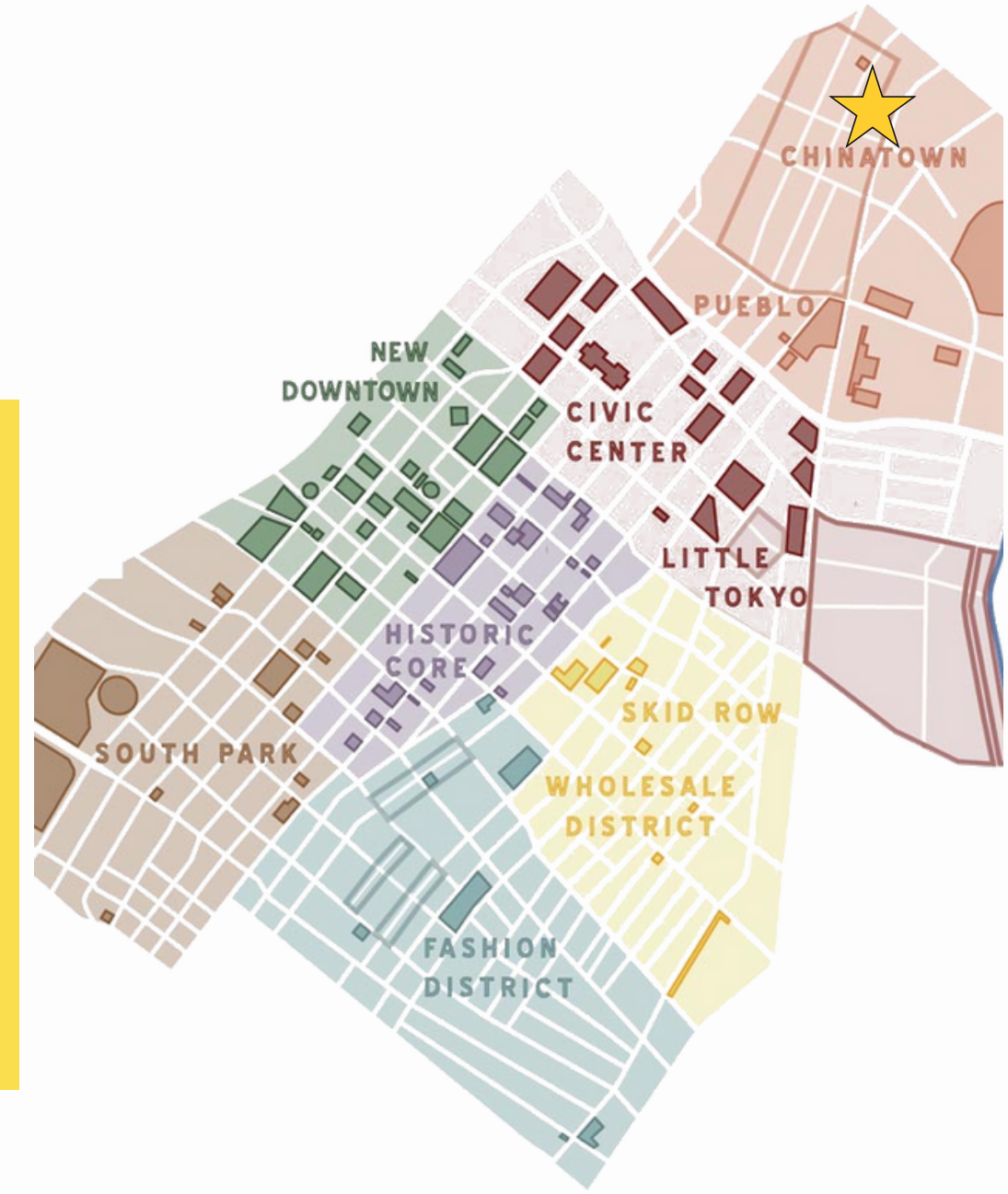


Headquarters

- Wi-Fi
- Docking Stations
- Video Conferencing

MODERN WORKSPACE AND MEMBER SERVICE CENTER

LACERS is relocating its headquarters to the Chinatown neighborhood in a move that will allow LACERS to provide an enhanced level of services for Members and a commitment to employee health, wellness, teamwork and collaboration in a modern workspace with enhanced technology capabilities and improved operational resiliency.



LACERS FUTURE IS BRIGHT





LACERS

*Thank
You*

We appreciate you attending our virtual Pension Symposium and we look forward to seeing you in our future events.

A special thanks to our panelists and speakers on their valuable contributions in making this event possible.

LACERS FUTURE VISION

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency