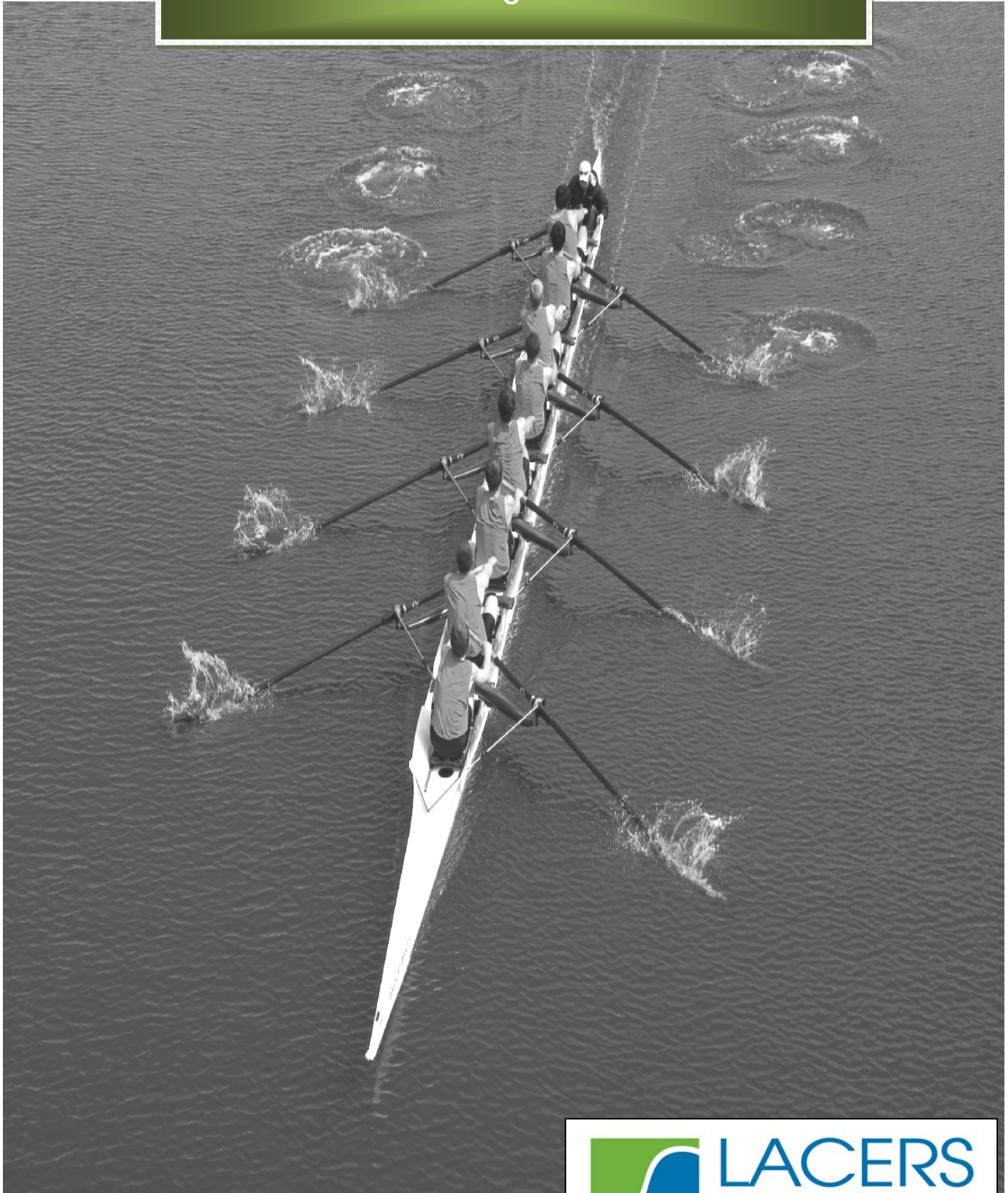


# LACERS Strategic Plan for 2010



**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM

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## GENERAL MANAGER'S MESSAGE

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The beginning of each decade presents an opportunity for each of us to define what we want this decade to represent for us. We at LACERS have identified the vision of our future to be EXCELLENCE. We will see ourselves, and others will see us, achieving excellence in all we do. We will secure this high standard through leadership of our Board and management team, and will develop leadership potential in every staff member. We strive to be proactive, and a leader in our industry, amongst City departments, and as an innovative organization. Most importantly, we will achieve excellence for our members by being a well managed organization, which understands the needs of its members, and plans strategically to address those needs both in the short-term and long-term. All the while, we will dedicate ourselves to be accountable to you, our stakeholders.

Our accountability starts here, with this plan, and a performance management approach. Key staff, management, supervisors, Board members, City Attorney's representatives, and consultants, are collaborating as teams to execute strategic initiatives which meet our pre-defined desired outcomes. Measurable data is used to objectively evaluate performance on our progress on a monthly basis. Quarterly, we will celebrate our successes and face our challenges.

A victorious team rows their boat in unison, aiming for the same shore. This strategic plan outlines our path into the new decade. Get ready for excellence, as we are synchronizing our oars!

# Sally Choi

Sally Choi  
Executive Director  
Los Angeles City Employees' Retirement System

## LACERS' STRATEGIC PLAN FRAMEWORK



### Our Strategies for Reaching our Vision:

#### GOALS:

- I. Enhance customer service by accurate, efficient and timely processing and delivery of member benefits
- II. Employ data-driven strategies and tactics to rigorously manage the health care program for maximum sustainability.
- III. Achieve long-term, sustainable, risk adjusted returns to enable payment of benefits to members and minimize contributions required from the City
- IV. Exercise fiduciary leadership by upholding political independence and implementing best practices for greater accountability and transparency
- V. Maximize organizational effectiveness and efficiency
- VI. Develop a high performing workforce
- VII. Assist members in achieving and maintaining a successful retirement through an enhanced education and communication program.

### Desired Outcomes - The measurable results that define our success toward reaching our vision:

#### Financial

1. Investment returns meeting/exceeding asset class benchmarks
2. Minimized risk
3. Minimized health care cost trends
4. Ensure reasonableness of administrative

#### Customer

1. Increased members' satisfaction
2. Increased members' knowledge of LACERS' value, benefits, and services
3. Improvements in the delivery of member services: quality, consistency, accuracy, and timeliness

#### Fiduciary

1. Board policies and procedures that enhance transparency and accountability
2. Enhanced Board knowledge in ethics, investments and benefits
3. Ensure reasonableness of administrative expenditures

#### Internal Operations

1. Performance management systematized
2. Utilization of technology maximized to improve program delivery
3. Enhanced information management capabilities and processes
4. Strengthened internal controls and resiliency of LACERS to operational risks
5. Improved organizational accountability through increased development of administrative policies

#### Learning and Growth

1. Employee performance meeting/exceeding established goals
2. Enhanced knowledge sharing
3. Enhanced leadership development opportunities

## THE STRATEGIC PLANNING PROCESS

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The themes of innovation and accountability were also applied to this strategic planning process -- resulting not just a written plan, but a system of managing implementation and monitoring results. Using elements of the "Balanced Scorecard" approach and the Los Angeles Mayors' performance management approach, LACERS' developed a focused and interactive strategic plan that includes:

- **Development of goals** from a broader, holistic view of the organization from five perspectives: a financial viewpoint; that of a customer; from our responsibilities as a fiduciary; from an operational perspective; and from the perspective of individual employees' learning and growth.
- **Translating goals into desired outcomes**, which are quantifiable, so that there is a measurable way to monitor progress toward achieving the goals.
- **Aligning all strategic planning elements** starting from mission, vision, guiding principles, to perspectives, goals, and desired outcomes. Finally developing initiatives to meet the desired outcomes and ensuring those initiatives have an action plan with milestone events and specific completion dates, as well as metrics which establish a baseline of where we began and a target of where we want to be.
- **On-going management** of progress and performance. The performance monitoring team requires monthly progress reports from each initiative team and provides management with a visual dashboard of progress in all areas, bringing attention to areas which need management intervention. The dashboards and reporting becomes a valuable tool to manage strategic activities.

## OUR VISION

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LACERS aspires to excellence in all we do through leadership, innovation, and measurable accountability.

## OUR MISSION

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Establish a trustworthy lifelong relationship with our members through reliable and efficient delivery of benefits funded by prudent investment of plan assets.

## OUR GUIDING PRINCIPLES

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### **Leadership**

Proactive, innovative, best practices, integrity, continuous improvement

### **Altruism**

Unselfish regard for the welfare of others, helpfulness, sharing knowledge

### **Creativity**

Open to new ideas, thought provoking

### **Ethics**

Acting with virtue, integrity, responsibility, courage and professionalism

### **Respect**

Appreciating knowledge, ideas & individuality, listening/considering

### **Stewardship**

Fulfilling fiduciary responsibilities entrusted to us, taking ownership, protecting, accountability, transparency

## OUR DESIRED OUTCOMES

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Using the “balanced scorecard” approach, LACERS has identified five perspectives from which our organization is viewed -- the financial perspective, the customers’ perspective, the perspective as a fiduciary, the perspective of our internal organization, and a human capital perspective. Looking at the organization from these five viewpoints provides a holistic picture of the outcomes we should strive for. These desired outcomes are specific, targeted, and measurable indicators of our success in reaching our vision.

### **Financial Perspective**

- Investment returns meeting/exceeding asset class benchmarks
- Minimize risk
- Minimize health care cost trends
- Ensure reasonableness of administrative expenditures

### **Customer Perspective**

- Increased members’ satisfaction
- Increased members’ knowledge of LACERS’ value, benefits, and services
- Improvements in the delivery of member services: quality, consistency, accuracy, and timeliness

### **Fiduciary Perspective**

- Board policies and procedures that enhance transparency and accountability
- Enhanced Board knowledge in ethics, investments and benefits
- Ensure reasonableness of administrative expenditures

### **Internal Operations Perspective**

- Performance management systematized
- Utilization of technology maximized to improve program delivery
- Enhanced information management capabilities and processes
- Strengthened internal controls and resiliency of LACERS to operational risks
- Improved organizational accountability through increased development of administrative policies

### **Learning & Growth Perspective**

- Employee performance meeting/exceeding established goals
- Enhanced knowledge sharing
- Enhanced leadership development opportunities

## GOAL I

### **Enhance customer service by accurate, efficient and timely processing and delivery of member benefits**

Our commitment to our members is foremost; our attitude and culture of service remains strong. We are always looking for ways to improve our service to members. This goal seeks to strengthen delivery of benefits to members by improving the mechanisms which support service delivery such as improvements in policies, processes, technology, information, and knowledge.

#### **INITIATIVES**

The initiatives that will help us toward achieving this goal are:

- **Audit and align, and maintain operational compliance with regulatory requirements. (this initiative is currently being re-drafted)** – this initiative was undertaken to perform a systematic review of the Los Angeles Administrative Code (LAAC) sections relative to LACERS, and between the LAAC and the Board Rules, in order to correct them. This initiative was expanded to incorporate the full continuum of the compliance process, from legal review through implementation (1.3)

#### **DESIRED OUTCOMES**

- Increased members' satisfaction
- Improvements in the delivery of member services: quality, consistency, accuracy, and timeliness
- Maximize utilization of technology to improve program delivery

## GOAL II

### **Employ data-driven strategies and tactics to rigorously manage the health care program for maximum sustainability**

The maximum subsidy provided to LACERS retirees over the last seven years covers 90-94% of the medical premium cost for HMO coverage. With the national health care spending trend estimating a 30% increase by 2012, LACERS must take proactive steps to manage the costs of our health benefits program to ensure on-going sustainability of the retiree health benefit program. Identifying cost management strategies involves working closely with our health plan carriers to identify and influence the variables which can result in more efficient use of the plans by our members. Concurrently, we can work collaboratively with other systems to broaden our legislative and business impact.

#### INITIATIVES

The initiatives that will help us toward achieving this goal are:

- **Develop measurable strategies to reduce the impact of cost drivers on medical plan premiums and improve utilization of medical services** – Significant cost drivers of medical plan premiums will be analyzed and strategies to reduce their impact on costs will be developed (2.1).
- **Build a retiree health benefits administration coalition to share cost-savings strategy ideas and create more influence with the carriers** – LACERS will lead an effort to form a Southern California coalition of public system health benefits administrators in order to exchange ideas on cost management and create greater influence to impact cost management strategies (2.2)

#### DESIRED OUTCOMES

- Minimize health care cost trends
- Ensure reasonableness of administrative expenditures
- Increased members' satisfaction
- Increased members' knowledge of LACERS' value, benefits, and services

## GOAL III

### **Achieve long-term, sustainable, risk adjusted returns to enable payment of benefits to members and minimize contributions required from the City**

The investment market is dynamic, fluid, and difficult to predict. LACERS focuses on the variables it can impact -- people, process, and performance -- to ensure maximum positive effect on investment returns on a long-term horizon. This goal aims to put into place the right people with the strongest knowledge and skills, working on our behalf. It includes developing and formalizing the complex processes for analyzing information and making investment decisions. It also means monitoring performance, by setting and measuring results of our staff, consultants, and managers against benchmarks, targets, and expectations.

#### **INITIATIVES**

The initiatives that will help us toward achieving this goal are:

- **Risk management and enhanced due diligence program** – LACERS investment portfolio is administered daily by Investment professionals and support personnel managing over 200 external relationships with investment consultants and investment managers. Given our reliance on our external partners, the quality of our consultants/managers is paramount. Stringent due diligence procedures carried out in the initial selection of our managers and enhanced on-going monitoring of these managers, in tandem with our consultants' analysis, is expected to reduce vendor selection risk and decrease investment losses (3.1).
- **Optimize asset allocation within asset classes** – LACERS investment portfolio is diversified to increase investment returns and reduce risk. Asset allocation decisions are made both between and within asset classes. Structural decisions are made within each respective asset class. Factors upon which those decisions are complex and may differ by asset class. Formalizing this process will ensure that the necessary analysis, consideration, and decisions are addressed by the Board, staff, and consultants (3.2).

#### **DESIRED OUTCOMES**

- Investment returns meeting/exceeding asset class benchmarks
- Minimize risk
- Ensure reasonableness of administrative expenditures

## GOAL IV

### **Exercise fiduciary leadership by upholding political independence and implementing best practices for greater accountability and transparency**

The Los Angeles City Charter authorizes the LACERS Board with the “sole and exclusive fiduciary responsibility over the assets of its system which are held in trust.” This means that the Board must act solely in the interest of pension system's participants and beneficiaries rather than in ones own interest or the interests of other constituencies. The Board’s authority to manage the system is exclusive, and the weight of this responsibility makes it necessary to establish governance policies which enhance transparency in decision-making and accountability for the results of those decisions.

#### **INITIATIVE**

The initiative that will help us toward achieving this goal is:

- **Comprehensive review of board governance documents** – There are approximately 17 Board Governance Policies that will be reviewed and redrafted with an eye toward industry best practices, including policies in the areas of: ethics & conflict of interest; education & travel; finances; delegated authorities; investments; and contractual relationships (4.1).

#### **DESIRED OUTCOMES**

- Board policies and procedures that enhance transparency and accountability
- Enhanced Board knowledge in ethics, investments and benefits.
- Increase leadership opportunities to develop future leaders

## GOAL V

### Maximize organizational effectiveness and efficiency

LACERS strives to maximize organizational effectiveness and efficiency. The *effectiveness* of an organization focuses on quality control and quality of service delivery. The *efficiency* of an organization focuses on whether the organization consistently delivers its key services on a cost effective basis. Highly effective and efficient organizations are characterized by a number of factors including: strong internal and external communications; clearly communicated organization objectives and performance metrics; workflow controls including systems that track the presence of and timely case completion and transaction requests; and, well documented procedures.

### INITIATIVES

The initiatives that will help us toward achieving this goal are:

- **Develop a comprehensive emergency management program that includes: Emergency readiness and business continuity** – comprehensive planning and training of staff to enable prompt recovery to normal operational levels (5.2a). **Disaster recovery plan** – A companion plan to the business continuity plan, this focuses on technology, data, and systems recovery (5.2b).
- **Develop and implement a performance management tracking and reporting system** – A system to report and track key performance indicators will help manage progress toward organizational goals (5.3).
- **Upgrade/replace pension administration software** – The aim of this initiative is to explore the possibility of replacing or upgrading the current retirement administration software. It is estimated to take 4-5 years to explore, develop and assemble the specifications for new software, and to complete the system development project life cycle (5.4).

### DESIRED OUTCOMES

- Implementation of a systematized performance management program
- Maximize utilization of technology to improve program delivery
- Enhanced information management capabilities and processes
- Strengthened internal controls and build resiliency of LACERS to operational risks
- Improve organizational accountability through increased development of administrative policies

## GOAL VI

### Develop a high performing workforce

In a high-performance workforce, people at every level and function are focused on the right priorities and understand that they are accountable for delivering strong results. They are energized, engaged and well positioned to give their best efforts. They are dedicated to building the necessary skills to grow the organization. LACERS will create an environment and infrastructure that enables a high-performance workforce and will nurture a high-performing organizational culture.

### INITIATIVES

The initiatives that will help us toward achieving this goal are:

- **Develop a workforce that aligns to long-term Department human resource needs –**  
The aim of this initiative is to develop and implement an appropriate human resources organizational structure which aligns LACERS staff with the appropriate development and suitable classification and compensation range (6.1).
- **Develop a comprehensive training program to foster leadership and innovation –**  
This initiative aims to develop and implement a leadership training program geared towards professional excellence (6.2).

### DESIRED OUTCOMES

- Increased employee performance relative to goals
- Enhanced shared knowledge
- Increase leadership opportunities to develop future leaders

## GOAL VII

### **Assist members in achieving and maintaining a successful retirement through an enhanced education and communication program**

This goal focuses on fostering a trustworthy, lifelong relationship with our members. We strive to maintain strong knowledge of the needs and concerns of our members so that we can develop education and communications programs which best assist them in planning and maintaining a successful retirement.

#### **INITIATIVES**

The initiatives that will help us toward achieving this goal are:

- **Redesign, re-organize and enhance LACERS.org to increase education capabilities and interactive services for members** – This initiative will create a service-focused web site to increase the usability of LACERS.org and to more effectively deliver the diverse range of digital resources and services needed by various audiences. This initiative will also include the design, development, and deployment of an expert system that would provide online interactive, knowledge-based, and service-based application, and the deployment of a content management solution that will put the web messaging control directly in the hands of the subject matter experts (7.2).
- **Develop a communications strategy (this initiative is currently being drafted)**

#### **DESIRED OUTCOMES**

- Increased members' satisfaction
- Increased members' knowledge of LACERS' value, benefits, and services
- Maximize utilization of technology to improve program delivery
- Enhanced information management capabilities and processes