



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



## ***Board of Administration Agenda***

### **REGULAR MEETING**

**TUESDAY, MAY 11, 2021**

**TIME: 10:00 A.M.**

### **MEETING LOCATION:**

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Board of Administration's May 11, 2021, 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) 900-6833 or (253) 215-8782

**Meeting ID#** 876 6424 2188

#### **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

**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).

#### **Disclaimer to Participants**

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

President: Cynthia M. Ruiz

Vice President: Sung Won Sohn

Commissioners: Annie Chao  
Elizabeth Lee  
Sandra Lee  
Nilza R. Serrano  
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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

#### **Request for Services**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

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](mailto:ani.ghokassian@lacers.org).

**[CLICK HERE TO ACCESS BOARD REPORTS](#)**

- 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* - **PRESS  
\*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

- II. [APPROVAL OF MINUTES FOR THE REGULAR MEETING OF APRIL 13, 2021 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
  - A. REPORT ON DEPARTMENT OPERATIONS
  - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
  - A. [MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD](#)
  - B. [BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER](#)
- VI. BENEFITS ADMINISTRATION
  - A. [RESPONSE TO COUNCIL MOTION 21-0295; AN ANALYSIS OF HEALTH SAVINGS ACCOUNTS FOR RETIREE HEALTH COVERAGE AND POSSIBLE BOARD ACTION](#)
- VII. INVESTMENTS
  - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
  - B. PRESENTATION BY GENERAL CATALYST REGARDING LEADERSHIP, DIVERSITY AND INCLUSION, AND POST-PANDEMIC OUTLOOK
  - C. [PRESENTATION BY NEPC, LLC REGARDING CONTINUED DISCUSSION OF ASSET ALLOCATION AND POSSIBLE BOARD ACTION](#)
  - D. [INVESTMENT MANAGER CONTRACT WITH NEUBERGER BERMAN INVESTMENT ADVISERS LLC REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION](#)
  - E. [INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION](#)
- VIII. OTHER BUSINESS
- IX. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, May 25, 2021 at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

## X. ADJOURNMENT

MINUTES OF THE REGULAR MEETING  
**BOARD OF ADMINISTRATION**  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020)  
and due to the concerns over COVID-19, the  
LACERS Board of Administration's  
April 13, 2021, meeting was conducted  
via telephone and/or videoconferencing.

**Agenda of: May 11, 2021**

**Item No: II**

April 13, 2021

10:00 a.m.

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PRESENT via Videoconferencing:	President	Cynthia M. Ruiz
	Vice President:	Sung Won Sohn
	Commissioners:	Annie Chao Sandra Lee Nilza R. Serrano Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
ABSENT:	Commissioner	Elizabeth Lee
PRESENT at LACERS offices:	Executive Assistant:	Erin Knight

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*The Items in the Minutes are numbered to correspond with the Agenda.*

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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 – PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*** – President Ruiz asked if any persons wanted to make a general public comment to which there was no response.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF MARCH 9, 2021 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Sandra Lee, Serrano, Wilkinson, Vice President Sohn, and President Ruiz -6; Nays, None.

### III

BOARD PRESIDENT VERBAL REPORT – President Ruiz stated that she will be speaking at the 2021 AIF West Coast Investors’ Forum in April.

### IV

#### GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:

- Covid vaccines for staff
- MSC Stats
- HQ Updates
- LACERS Budget
- Business Continuity Planning
- YouTube Channel
- Retirement Application Portal Update
- Planning for Retirement (PFR) Seminars
- Retiree Email Campaign
- SIP Update
- LACERS *Well* Events

B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following items:

- April 27<sup>th</sup> Board – Retirement Application Portal Demo, Response to City Council motion regarding healthcare for members, and Response to City Council motion regarding establishment of a Climate Risk Framework

### V

#### RECEIVE AND FILE ITEMS

A. MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.

B. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – This report was received by the Board and filed.

C. COMMISSIONER ELIZABETH LEE BOARD EDUCATION EVALUATION ON NASP 2021 “DAY OF EDUCATION IN PRIVATE EQUITY”, VIRTUAL; MARCH 25-26, 2021 – This report was received by the Board and filed.

### VI

## INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value of \$21.82 billion as of April 12, 2021. Mr. June discussed the following items:
- PRI Annual Report update
  - Portfolio rebalancing; staff will provide update at May 11<sup>th</sup> Board Meeting
- B. PRESENTATION BY NEPC, LLC OF THE PORTFOLIO PERFORMANCE REVIEW FOR THE QUARTER ENDING DECEMBER 31, 2020 – Carolyn Smith, Partner, and Kevin Novak, Senior Consultant, with NEPC, LLC presented and discussed this item with the Board for 40 minutes.

President Ruiz recessed the Regular Meeting at 11:33 a.m. to convene in Closed Session discussion.

## VII

## LEGAL/LITIGATION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(4) TO CONFER WITH COUNSEL REGARDING LITIGATION IN ONE CASE AND POSSIBLE BOARD ACTION: 1. IN RE: PROPOSED OPT-IN INVESTOR GROUP ACTION IN THE NETHERLANDS AGAINST STEINHOFF INTERNATIONAL HOLDINGS N.V.**

President Ruiz reconvened the Regular Meeting at 11:39 a.m.

## VIII

OTHER BUSINESS – There was no other business.

## IX

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, April 27, 2021, at 10:00 a.m. at LACERS, 977 N. Broadway, Suite 260, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

## X

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting at 11:42 a.m.

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Cynthia M. Ruiz  
President

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Neil M. Guglielmo  
Manager-Secretary



**Agenda of: MAY 11, 2021**

**Item No: V - A**

## **MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD**

The Board's Marketing Cessation Policy was adopted in order to prevent and avoid the appearance of undue influence on the Board or any of its Members in the award of investment-related and other service contracts. Pursuant to this Policy, this notification procedure has been developed to ensure that Board Members and staff are regularly apprised of firms for which there shall be no direct marketing discussions about the contract or the process to award it; or for contracts in consideration of renewal, no discussions regarding the renewal of the existing contract.

Firms listed in Attachments 1 and 2 are subject to limited communications with Board Members and staff pursuant to the Policy and will appear and remain on the list, along with the status, from the first publicized intention to contract for services through the award of the contract. Lists of current LACERS' contracts are on file in the Board office and are available upon request.

Attachments: 1) Contracts Under Consideration for Renewal  
2) Active RFPs and RFQs



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST  
FOR THE MAY 11, 2021 BOARD MEETING

**CONTRACTS PENDING FINAL EXECUTION**

NO.	VENDOR / CONSULTANT	DESCRIPTION	EXPIRING CONTRACT		MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
			START	END		START	END
ADMINISTRATIVE OPERATIONS BUREAU							
1.	Haworth Inc.	Furniture Layout Design, Delivery, Assembly, & Installation	New contract	N/A	Pending finalization.	11/9/2020	4/30/2021
2.	Unisource Solutions, Inc.	Office Furniture Delivery, Installation, Reconfiguration, Removal and Disposal	New contract	N/A	Pending finalization.	9/10/2020	4/30/2021
HEALTH BENEFITS ADMINISTRATION							
3.	Anthem 2021	Medical HMO & PPO	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021
4.	Anthem Blue View Vision 2021	Vision Services Contract	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST  
FOR THE MAY 11, 2021 BOARD MEETING

**CONTRACTS PENDING FINAL EXECUTION**

NO.	VENDOR / CONSULTANT	DESCRIPTION	EXPIRING CONTRACT		MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
			START	END		START	END
5.	Delta Dental 2021	Dental PPO and HMO	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021
6.	Kaiser 2021	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021
7.	SCAN 2021	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021
8.	United Healthcare 2021	Medical HMO	1/1/2020	12/31/2020	Board approved on 8/11/2020; contract renewed for 2021, pending finalization.	7/24/2020	4/30/2021
<b>INVESTMENTS</b>							
9.	The Northern Trust Company	Securities Lending Services	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST  
FOR THE MAY 11, 2021 BOARD MEETING

**CONTRACTS PENDING FINAL EXECUTION**

NO.	VENDOR / CONSULTANT	DESCRIPTION	EXPIRING CONTRACT		MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
			START	END		START	END
10.	The Northern Trust Company	Private Monitor Analytical Services (Core Services)	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021
11.	The Northern Trust Company	Integrated Disbursement Services	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021
12.	The Northern Trust Company	Risk Services	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021
13.	The Northern Trust Company	Compliance Analyst Service and/or Event Analyst Services	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021
14.	The Northern Trust Company	Master Custody Services	8/1/2018	7/31/2021	Investment Committee approved on 4/13/2021; pending Board approval.	4/8/2021	10/31/2021

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM CONTRACTS LIST  
FOR THE MAY 11, 2021 BOARD MEETING

**CONTRACTS PENDING FINAL EXECUTION**

NO.	VENDOR / CONSULTANT	DESCRIPTION	EXPIRING CONTRACT		MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
			START	END		START	END

**Start Date** - The estimated start date of the restricted period is three (3) months prior to the expiration date of the current contract. No entertainment or gifts of any kind should be accepted from the restricted source as of this date. Firms intending to participate in the Request for Proposal process are also subject to restricted marketing and communications.

**End Date** - The end date is the date of final contract execution. This date is estimated for general contracts, investment contracts, and health carrier contracts to be three (3) months, six (6) months, and twelve (12) months, respectively, following the Board approval of contract renewal.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
CONTRACTS LIST FOR THE MAY 11, 2021 BOARD MEETING

**ACTIVE RFPs AND RFQs**

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES	
INVESTMENTS			
1	Core Fixed Income Mandate Search	<b>RFP Release Date:</b>	August 19, 2019
		<b>Submission Deadline:</b>	October 4, 2019
		<b>Status:</b>	On January 26, 2021, the Board awarded contracts to: Robert W. Baird & Co., Inc., Garcia Hamilton & Associates, L.P., Income Research & Management, J.P. Morgan Asset Management, and Loomis, Sayles & Company, L.P.
			Negotiations in progress.
		<b>List of Respondents:</b>	Amundi Pioneer Institutional Asset Management, Inc., Baird Advisors, BlackRock, Inc., BMO Global Asset Management, Brown Brothers Harriman & Co., C.S. McKee, L. P., Calvert Research and Management (Calvert or CRM), Conning, Dimensional Fund Advisors LP, Dodge & Cox, EARNEST Partners, LLC, FIAM LLC, Galliard Capital Management, Garcia Hamilton & Associates, L.P., Goldman Sachs Asset Management L.P., Guggenheim Partners Investment Management, LLC, Income Research & Management, Integrity Fixed Income, Management, LLC, Invesco Advisers, Inc., J.P. Morgan Asset Management, Jennison Associates LLC, Lazard Asset Management LLC, LM Capital Group, LLC, Longfellow Investment Management Co., LLC, Loomis, Sayles & Company, L.P, Manulife Investment Management, MFS Institutional Advisors, Inc., Morgan Stanley Investment Management, National Investment Services, Neuberger Berman, Nuveen, LLC, Payden & Rygel, PGIM Fixed Income, Piedmont Investment Advisors, Inc., PIMCO, Princeton Asset Management, LLC, Progress Investment Management Company, LLC, Pugh Capital Management, Inc., Quadratic Capital Management LLC, Ramirez Asset Management, Schroder Investment Management North America Inc., Securian Asset Management, Inc., Segall Bryant & Hamill, Sit Investment Associates, Inc. (Sit), SLC Management, Smith Graham & Co., Investment Advisors, L.P., Sterling Capital Management LLC, T. Rowe Price Associates, Inc., TCW Group, Inc., The Capital Group Companies, Inc., Voya Investment Management (Voya IM), Wellington Management Company LLP, Wells Fargo Asset Management, Western Asset Management Company, LLC

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
CONTRACTS LIST FOR THE MAY 11, 2021 BOARD MEETING

**ACTIVE RFPs AND RFQs**

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
2	Private Credit Mandate Search	<p><b>RFP Release Date:</b> December 10, 2018</p> <p><b>Submission Deadline:</b> January 18, 2019</p> <p><b>Status:</b> On July 23, 2019, the Board awarded contracts to Alcentra Limited, Benefit Street Partners L.L.C., Crescent Capital Group LP, and Monroe Capital LLC.</p> <p>On May 26, 2020, the Board rescinded the contract award to Alcentra Limited.</p> <p>Negotiations in progress.</p> <p><b>List of Respondents:</b> Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich &amp; Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC</p>

**MEMBER SERVICES**

3	Printing, Mailing, and Graphic Design	<p><b>RFP Release Date:</b> March 10, 2021</p> <p><b>Submission Deadline:</b> April 14, 2021</p> <p><b>Status:</b> In progress.</p> <p><b>List of Respondents:</b> Ascend Printing, California Marketing Inc, Chad O'L Public Relations &amp; Events, Citizen Group, K&amp;H Integrated Print Solutions, KES Mail, Pacific Document Solutions, We the Creative, 11 24 Advertising, Harman Press, Imagine That Design Studio, Olive and Spark, Sapphire Business Solutions, The Squalls Design, Traffik, We Are Giants</p>
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**RETIREMENT SERVICES**

4	Investigative Services	<p><b>RFP Release Date:</b> April 20, 2021</p> <p><b>Submission Deadline:</b> May 28, 2021</p> <p><b>Status:</b> In progress.</p> <p><b>List of Respondents:</b></p>
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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
CONTRACTS LIST FOR THE MAY 11, 2021 BOARD MEETING

**ACTIVE RFPs AND RFQs**

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
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**\*RESTRICTED PERIOD FOR REQUEST FOR PROPOSAL OR REQUEST FOR QUALIFICATIONS:**

**Start Date** - The restricted period commences on the day the Request for Proposal is released.

**End Date** - The restricted period ends on the day the contract is executed.

## BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

### SERVICE RETIREMENTS

<u>Member Name</u>	<u>Service</u>	<u>Department</u>	<u>Classification</u>
Clarke, Linda M	46	City Planning Dept.	Sr Administrative Clerk
Moore, Nancy J	45	Police Dept.	Secretary
Dare, Katherine Q	44	City Attorney's Office	Sr Witness Service
Bob, Bradley Reese	43	Dept. of Transportation	Traf Officer
Cheffet, Jeffrey Elliott	43	Dept. of Animal Svcs.	Veterinary Technician
Cooper, Howard J	43	PW - Engineering	Civil Engrg Draft Tech
Flowers, Michael Bertran	43	PW - St. Maint.	Motor Sweeper Operator
Martinez, Anna Marie	42	Office of the City Clerk	Secretary
Foster, Alexander	41	Dept. of Transportation	Traf Officer
Molidor, Mary C	41	City Attorney's Office	Ch Asst City Atty
Schoonover, Robert Leonard	41	GSD	Heavy Duty Equip Mech
Allen, Samuel C	40	Library Dept.	Payroll Supervisor
Arias, Maria E	40	City Attorney's Office	Sr Witness Svcs Coordinator
Kimble, Laverne H	40	Dept. of Rec. & Parks	Recreation Fac Dir
Love, Ruby M	40	Controller's Office	Sr Administrative Clerk
Olivares, Ramon	40	Dept. of Airports	Exec Asst Airports
Stockli, Judith R	40	PW - Engineering	Sr Administrative Clerk
White Whetetto, Sharon E	40	Police Dept.	Sr Administrative Clerk
Zuniga, Irma H	40	Police Dept.	Sr Administrative Clerk
Tran, Lethu T	39	GSD	Accounting Clerk
De Ronde, Lisa R	38	Police Dept.	Secretary
Mendoza, Sylvia A	38	Fire Dept.	Sr Administrative Clerk
Noll, Robin Elaine	38	Zoo Dept.	Sr Animal Keeper
Poore, Keith Gregory	38	PW - Sanitation	Instrument Mech Supv
Tucker, Rodney L	38	Dept. of Rec. & Parks	Irrigation Specialist
Chang, David D	37	Dept. of Bldg. & Safety	Sr Structural Engineer
Lee, Elizabeth H	37	Office of Finance	Accounting Clerk
Phung, Dong Linh	37	Dept. of Transportation	Sr Administrative Clerk
Baham, Ida Maria	36	Police Dept.	Sr Administrative Clerk
Brice, Valerie Ann	36	Personnel Dept.	Sr Administrative Clerk
Casas, Teresa	36	Police Dept.	Secretary
Lam, Cam Nguyet	36	Police Dept.	Sr Administrative Clerk
Lee, Dean C	36	Dept. of Bldg. & Safety	Structrl Engrg Assc
Li, Lourdes J	36	Dept. of Transportation	Sr Administrative Clerk
Lomeli, Angelica M	36	City Attorney's Office	Witness Service Coordinator
Martin Spates, Yvette R	36	Police Dept.	Sr Administrative Clerk



Mata, Bertha	36	GSD	Supply Services Payment
Middleton, Jacqueline Renee	36	Office of the City Clerk	Sr Administrative Clerk
Navarrete, Darlene K	36	City Planning Dept.	Sr Administrative Clerk
Ortiz, Daniel James	36	GSD	Head Custodian Supvr
Rodriguez, Cynthia	36	Police Dept.	Sr Administrative Clerk
Benjamins, Maria	35	PW - St. Maint.	Sr Administrative Clerk
Davis, Derrick L	35	ITA	Sr Commun Operator
Lewis, Roy L	35	PW - St. Maint.	Truck Operator
Mc Nally, Constance Susan	35	Police Dept.	Management Aide
Nagos, Annette Marie	35	Dept. of Transportation	Sr Administrative Clerk
Okamoto, Marieta Manapat	35	Office of Finance	Tax Complnce Aide
Plourde, Lorraine Marie	35	Police Dept.	Sr Administrative Clerk
Price, Kenneth Ray	35	Dept. of Transportation	Traf Officer
Ruiz, Anna	35	Police Dept.	Sr Administrative Clerk
Townson, Betty A	35	City Attorney's Office	Sr Witness Service
Wagstaff, Nancy J	35	Dept. of Transportation	Sr Administrative Clerk
Woods, Elgina Joyce	35	Controller's Office	Accounting Clerk
Amato, Peter J	34	Dept. of Rec. & Parks	Irrigation Specialist
Bassett, Andrea Concetta	34	Police Dept.	Secretary
Brenner, Larry R	34	Dept. of Transportation	Transp Engrg Aide
Domingo, Billie De Leon	34	PW - Accounting	Accounting Clerk
Gonzales, Mary Margaret	34	Police Dept.	Sr Administrative Clerk
Javier, Janine Guiraud	34	Police Dept.	Secretary
Jones, Bridget Anita	34	Police Dept.	Sr Administrative Clerk
Lager, Scott D	34	Dept. of Airports	Airp Maintenance Supt
Leong, Tangerine	34	Zoo Dept.	Animal Keeper
Lopez, Bertha A	34	Police Dept.	Secretary
Marquez, Maria Guadalupe	34	Personnel Dept.	Sr Administrative Clerk
Menez, Regina Javier	34	Police Dept.	Sr Administrative Clerk
Mirto, Judy Cudia	34	Personnel Dept.	Accounting Clerk
Navarro, Frumencia M	34	PW - St. Maint.	Accounting Clerk
Ontal, Reuben Mallorca	34	Dept. of Transportation	Civil Engrg Draft Tech
Paguio, Marilyn P	34	ITA	Sr Commun Operator
Robinson, Lydia Darlene	34	Dept. of Transportation	Traf Officer
Rodriguez, Luis	34	PW - Resurf & Reconstr Div.	Heavy Duty Truck Oper
Sanford, Roger Frederick	34	Dept. of Transportation	Traf Officer
Welch, Libert C	34	Dept. of Rec. & Parks	Transitional Worker
White, Darlene E M	34	PW - Methods and Std	Commun Info Rep
Ayers, Lonnie William	33	PW - Sanitation	Sr Envrmtl Engineer
Banh, My	33	Fire Dept.	Accounting Clerk
Casillas, Jesus S	33	Dept. of Rec. & Parks	Park Maint Supvr
Delacruz, Ildefonso	33	Dept. of Transportation	Civil Engrg Draft Tech
Dixon, Valerie D	33	PW - Methods and Std	Commun Info Rep
Flores, Arthur T	33	GSD	Automotive Dispatcher
Galvan, Martha Eugenia	33	Police Dept.	Sr Administrative Clerk

Look, Nathan L	33	Dept. of Airports	Info System Mgr
Mendoza, John Phillip	33	GSD	Storekeeper
Murakami, Hank F	33	Fire Dept.	Accounting Clerk
Norman, Dexter C	33	Dept. of Transportation	Traf Pnt Sign Post
Orr, Claudia Echavarri	33	Police Dept.	Management Assistant
Paredes, Maria T	33	City Attorney's Office	Witness Service Coordinator
Perez, David Daniel	33	Police Dept.	Storekeeper
Powell, Anthony Quinn	33	Dept. of Transportation	Sr Traffic Supv
Robbins, Gregory Fred	33	Zoo Dept.	Sr Animal Keeper
Stogner, Allan J	33	PW - Sanitation	Ref Coll Supervisor
Turrietta, Angelica Maria	33	Police Dept.	Sr Administrative Clerk
Veasey, Darla Lanita	33	GSD	Sr Administrative Clerk
Wright, Robin	33	Dept. of Transportation	Traf Officer
Amanti, Julia Lynne	32	Office of the City Clerk	Sr Administrative Clerk
Calayag, Orlando Ramirez	32	Dept. of Animal Svcs.	Veterinary Technician
Campfield, Laura M	32	Dept. of Rec. & Parks	Recreation Fac Dir
Chan, Marla Jeanne	32	Zoo Dept.	Sr Administrative Clerk
Clayborn, Carmen	32	LA Housing Dept.	Sr Administrative Clerk
Dallalzadeh, Shahla	32	Dept. of Airports	Info System Mgr
Gallon, Apryl Felicia	32	Personnel Dept.	Sr Administrative Clerk
Glenn, Gregory	32	Dept. of Rec. & Parks	Recreation Fac Dir
Gonzales, Sally A	32	Fire Dept.	Sr Administrative Clerk
Guillen, Manuel P	32	Zoo Dept.	Irrigation Specialist
Harmon, Heidi M	32	Dept. of Airports	Airport Engineer
Hilliard, Deborah Rene	32	Dept. of Transportation	Traf Officer
Johnson, Yul Clemente	32	Police Dept.	Sr Police Serv Rep
Ly, Kimsa Thi	32	Personnel Dept.	Sr Administrative Clerk
Miu, Mary Ann R	32	PW - Accounting	Sr Administrative Clerk
Noble, Elizabeth M	32	LA Housing Dept.	Accounting Clerk
Pro, Mike J	32	Dept. of Animal Svcs.	Animal Control Ofcr
Quon, Mary Fay Yu	32	City Planning Dept.	Secretary
Rosen, Cecilia	32	Fire Dept.	Sr Administrative Clerk
Valencia, Virginia Alice	32	PW - General Office	Sr Administrative Clerk
Villasenor, Alberto	32	GSD	Storekeeper
Viveros Mueller, Evelyn M	32	Police Dept.	Sr Administrative Clerk
Wright, Darryl Kenneth	32	Dept. of Transportation	Traf Officer
Young, Dino	32	PW - St. Maint.	Truck Operator
Alcantara, Salvador	31	Dept. of Rec. & Parks	Upholsterer
Becerra, Alma Rosa	31	Police Dept.	Sr Administrative Clerk
Bose, Darrell	31	PW - Sanitation	Ref Coll Truck Oper
Bufford, Latrease A	31	Police Dept.	Detention Officer
Bunn, Nancy A	31	Zoo Dept.	Sr Animal Keeper
Cabral, Martha L	31	Office of the City Clerk	Accounting Clerk
Cadia, Theresa C	31	Dept. of Transportation	Accounting Clerk
Campbell, Greg S	31	Dept. of Airports	Ch Airports Engr

Chen, Linda Liu	31	Police Dept.	Sr Administrative Clerk
Cheung, Eric Ling	31	Dept. of Transportation	Civil Engrg Draft Tech
De La Rosa, Michael Gerard	31	Personnel Dept.	Ch Management Analyst
Doyle, Cynthia Marie	31	Police Dept.	Sr Administrative Clerk
Espino, Monica	31	Police Dept.	Sr Administrative Clerk
Ferraz, Maria Liri Monzon	31	Personnel Dept.	Workers Comp Claims Ast
Henry, Adrienne Marie	31	Dept. of Transportation	Traf Officer
Hilliard Moultry, Sabrina M	31	GSD	Supply Services Payment
Hurwitz, Jeffrey Alan	31	Police Dept.	Sr Administrative Clerk
Jones, Cornelis L	31	EWDD	Sr Administrative Clerk
Kao, Michele	31	Police Dept.	Sr Administrative Clerk
Lee, Daisy M	31	Police Dept.	Sr Administrative Clerk
Ling, Irene Sui	31	Police Dept.	Sr Administrative Clerk
Mckenzie, Lisa Rochelle L	31	Office of Finance	Accounting Clerk
Navarro, Ernestina	31	PW - St. Maint.	Secretary
Neustadter, Kevin E	31	Dept. of Transportation	Traf Officer
Ngo, Thu Doan Kim	31	PW - St. Maint.	Accounting Clerk
Park, Jae Eun	31	Dept. of Transportation	Accounting Clerk
Rosas, Patricia	31	GSD	Supply Services Payment
Sandoval, Julio R	31	PW - St. Tree Div.	Tree Surgeon
Smith, Vonda Loran	31	Police Dept.	Sr Administrative Clerk
Torres, Jo Ann A	31	Office of Finance	Accounting Clerk
Woo, Jill Elaine	31	Police Dept.	Sr Police Serv Rep
Anyayahan, Rene G	30	Dept. of Transportation	Traf Officer
Askew, Eric Rodney	30	Police Dept.	Management Aide
Bailey, Marvin A	30	Dept. of Transportation	Traf Officer
Cabada, Julie	30	Police Dept.	Secretary
Chaffee, Keith	30	Library Dept.	Librarian
Chapman, Charles J	30	Dept. of Rec. & Parks	Sr Gardener
Collins, Noel Ann	30	Police Dept.	Sr Administrative Clerk
Cromwell, Sonya	30	PW - St. Maint.	Sr Administrative Clerk
De La Cruz, Victor M	30	Dept. on Disability	Accounting Clerk
Del Rosario, Ramon R	30	PW - Sanitation	Envrmntl Engrg Assc
Diego, Yong C	30	Police Dept.	Sr Administrative Clerk
Fruge Moseley, Madeleine	30	Police Dept.	Pr Property Officer
Hatley, Barbara J	30	Dept. of Animal Svcs.	Animal Control Ofcr
Hollingsworth, Robert B	30	PW - Engineering	Civil Engrg Draft Tech
Lee, Enrique D	30	GSD	Storekeeper
Lewis, Debra L	30	Controller's Office	Sr Administrative Clerk
Martin, Diana L	30	Police Dept.	Sr Administrative Clerk
Montez, Mario Raul	30	Office of the City Clerk	Office Engrg Tech
Padilla, Gabriela	30	Fire Dept.	Sr Administrative Clerk
Puckett, Annette Denise	30	Police Dept	Sr Administrative Clerk
Resultado, Artemio D	30	Police Dept.	Property Officer
Speller, Desiree Veronica	30	Police Dept.	Police Service Rep

Thompson, Robert L	30	Dept. of Rec. & Parks	Park Maint Supvr
Williams, Duran M	30	PW - Sanitation	Transitional Worker
Carranceja, Jude R	29	Personnel Dept.	Accounting Clerk
Le, Quan V	29	PW - St. Lighting	Civil Engrg Draft Tech
Pecson, Fernando L	29	Fire Dept.	Sr Administrative Clerk
Brodie, Christophe Hunter	28	Dept. of Rec. & Parks	Aquarium Educator
Griffin, Walter M	28	GSD	Printing Press Oper
Quan, Lou T	28	LA Housing Dept.	Secretary
Ramos, Marlene E	28	City Attorney's Office	Legal Assistant
Shanklin, Bonita Raquel	28	Police Dept.	Sr Administrative Clerk
Tilley, Wanda Gale	28	PW - St. Maint.	Accounting Clerk
Barrera Reny, Elizabeth	27	City Attorney's Office	Deputy City Atty
Nwachukwu, Isaac U	27	Office of Finance	Pr Tax Compliance Ofcr
Rodriguez, Miriam Isabel	27	Police Dept.	Accounting Clerk
Romero, Mike E	27	Dept. of Airports	Airport Police Ofcr
Zamora, Russell R	27	PW - Sanitation	Solid Resource Supt
Craig, Remedios Flores	26	Police Dept.	Sr Administrative Clerk
Flores, Blanca	26	Dept. of Rec. & Parks	Gardener Caretaker
Herron, John	26	PW - Special Proj Constr	Heavy Duty Truck Oper
Padley, Alan M	26	LA Housing Dept.	Photographer
Abellanosa, Glenn Y	25	Police Dept.	Property Officer
Adams, Melinda A	25	Police Dept.	Sr Administrative Clerk
Armour, Jessica Earline	25	Police Dept.	Management Analyst
Armour, Randy G	25	PW - Sanitation	Ref Coll Truck Oper
Brown, Michelle D	25	PW - Admin Div.	Pr Clerk
Florin, Gary W	25	Dept. of Rec. & Parks	Photographer
Jacobs, Teresa Charee	25	Police Dept.	Police Service Rep
Oubre, Joi	25	GSD	Project Assistant
Shamam, Alisa	25	Office of Finance	Accounting Clerk
Thomas, Curtis Lee	25	Dept. of Transportation	Traf Officer
Wiley, Dorothy Nell	25	Police Dept.	Sr Administrative Clerk
Boylan, Thomas J	24	Dept. of Airports	Arpt Supt Of Oper
Carter, Michael Loren	24	Police Dept.	Property Officer
Coloso, Priscilla J	24	Dept. of Animal Svcs.	Sr Administrative Clerk
Ginete, Eliseo G	24	PW - St. Maint.	Accounting Clerk
Holaza, Joan	24	City Planning Dept.	Sr Administrative Clerk
Rollice, Augustine	24	Dept. of Rec. & Parks	Cement Finisher Worker
Adamo, Miriam P	23	City Attorney's Office	Witness Service Coordinator
Gee, Stephen	23	Police Dept.	Sr Systems Analyst
Pascua, Armand Sevilla	23	Police Dept.	Management Analyst
Baker, Robert D	22	Dept. of Rec. & Parks	Park Maint Supvr
Diaz, Mario A	22	PW - Resurf & Reconstr Div.	Heavy Duty Truck Oper
Duran, Ramona	22	City Attorney's Office	Legal Secretary
Galbraith, Annamaria	22	Dept. of Rec. & Parks	Recreation Supervisor
Huffman, Joyce A	22	City Attorney's Office	Legal Secretary

Lansdon, Theodore D	22	PW - St. Maint.	Heavy Duty Truck Oper
Moralez, James	22	PW - Engineering	Office Engrg Tech
Walker, Wanda Jean	22	City Planning Dept.	Pr Clerk
Coleman, Yvonne S	21	Personnel Dept.	Sr Administrative Clerk
Jackson, Arthur	21	Dept. of Rec. & Parks	Recreation Fac Dir
Lee, Teresita S	21	City Attorney's Office	Legal Secretary
Mccauley, Ramona Theresa	21	Personnel Dept.	Sr Administrative Clerk
Mckell, Marcia D	21	Police Dept.	Sr Administrative Clerk
Mcperson, Gaynell	21	Dept. of Transportation	Sr Traffic Supv
Nelson, Eileen D	21	Police Dept.	Secretary
Ramirez, Daniel Manuel	21	PW - Resurf & Reconstr Div.	Equip Operator
Solis, Sylvia	21	Personnel Dept.	Sr Administrative Clerk
Wang, Tien Jen	21	Dept. of Bldg. & Safety	Sr Structural Engineer
Castro, Esperanza C	20	Dept. of Animal Svcs.	Veterinary Technician
Chu, Lin Ai G	20	Police Dept.	Sr Administrative Clerk
Dunn, Robert	20	Dept. of Rec. & Parks	Recreation Coordinator
Galandeynes, Orlando	20	GSD	Supply Services Payment
Griffin, Jeanette Marlene	20	City Attorney's Office	Sr Legal Clerk
Modi, Beena B	20	PW - Engineering	Accounting Clerk
Mui, Teresa Yim Fong	20	PW - Accounting	Accounting Clerk
Noyes, Gailanne K	20	Police Dept.	Secretary
Salonga, Maria Daclan	20	Police Dept.	Sr Administrative Clerk
Tamrazian, Hariton	20	PW - Sanitation	Maintenance Laborer
Aubrey, David E	19	Dept. of Rec. & Parks	Golf Starter Supvsr
Brown, Louis L	19	Dept. of Rec. & Parks	Recreation Coordinator
Cortez, Jorge A	19	PW - St. Maint.	Truck Operator
Martinez, Sally C	19	Mayor's Office	Mayoral Aide
Nicholas, Paul D	19	Dept. of Rec. & Parks	Recreation Coordinator
Ozler, Ibrahim Abe	19	Dept. of Bldg. & Safety	Safety Engrg Elevators
Rubio, Juan	19	PW - St. Tree Div.	Tree Surgeon
Weipert, Daniel J	19	PW - St. Lighting	Accounting Clerk
Yanez, Leticia	19	City Attorney's Office	Witness Service Coordinator
Herrera, Teresita A	18	Police Dept.	Secretary
Massey, Teresa M	18	Police Dept.	Sr Administrative Clerk
Sotelo-Castillo, Alice	18	Office of the City Clerk	Sr Administrative Clerk
Anderson, Jacqueline A	17	PW - Resurf & Reconstr Div.	St Svcs Worker
Graziano, Norma Beatriz	17	Police Dept.	Sr Administrative Clerk
Le, Anh Q	17	PW - Engineering	Civil Engrg Draft Tech
Shavely, Linda M	17	Office of the CAO	Sr Admin Analyst
Valdez, Robert H	17	LA Housing Dept.	Sr Administrative Clerk
Joya, Carol A	15	LA Housing Dept.	Accounting Clerk
Velazquez, Delia	15	PW - Engineering	Civil Engrg Draft Tech
Alcedo, Maribel Ampil	14	Police Dept.	Sr Administrative Clerk
Noa, Semu Fagu	14	Dept. of Rec. & Parks	Recreation Coordinator
Porhola, Kim J	14	EWDD	Accounting Clerk

Cotangco, Maria Gemi	12	Police Dept.	Architectural Drft Tech
Espinoza, Alfred David	12	Dept. of Airports	Security Officer
Cook, Marilyn B	10	Library Dept.	Admin Clerk
Mcnicholas, Monina Alvarez	10	Dept. of Airports	Sr Mgmt Analyst
Knotts, Charles E	7	Dept. of Bldg. & Safety	Safety Engr Elevators
Bellin, Laura E	5	Library Dept.	Admin Clerk
Gantt, Joseph Napoleon	3	PW - Sanitation	W/Wtr Coll Worker

## BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

### Approved Death Benefit Payments

#### Deceased

#### TIER 1

#### Retired

Alvarado, Michael

#### Beneficiary/Payee

Yolanda B Alvarado for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Ambrozich, Frances

Gary Frank Ambrozich for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Kurt Anthony Ambrozich for the payment of the  
Accrued But Unpaid Service Retirement Allowance

Aprea, Victor P

Vickie L Holroyd for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Aubry, Cheryl T

Ryan T. Daniels for the payment of the  
Accrued But Unpaid Service Retirement Allowance

Avila, Margaret A

Cynthia M Perez for the payment of the  
Accrued But Unpaid Continuance Allowance

Baker, Bertha L	Belinda Baker for the payment of the Burial Allowance
Bakey, Frances P	Stanley Peter Bakey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Baldwin, Janice	John M Baldwin for the payment of the Accrued But Unpaid Survivorship (Retirement) Allowance
Bautista, Juan Lee	Rico Wu Bautista for the payment of the Burial Allowance
Beasley, John	Yolanda Beasley for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Blanco, Gilbert	Nancy Silva for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Bowers, Robert Carl	Peggy J Bowers for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Bradford, Elmer R	Patricia D Shannon for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance



Brennan, Robert B	James V Brennan for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Brookins, Ralph W	Blanche V. Brookins for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Bryant, Terrie Lynn	Bernice Terraka Newton for the payment of the Unused Contributions  Terrance Walter Newton for the payment of the Unused Contributions
Canister, Gwendolyn M	Evette Franklin for the payment of the Accrued But Unpaid Continuance Allowance
Davis, Glenn Edward	Avimaria Davis for the payment of the Burial Allowance  Miisha Davis for the payment of the Burial Allowance
De La Cruz, Manuel	Rosemary De La Cruz for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Debord, Lela	Kathleen Geumlek for the payment of the Accrued But Unpaid Continuance Allowance
Dominguez, Mireya	Dulce Yvonne Dubonnet for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance

Dorner, Louise M	Michael Dorner for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Sheree Skiles for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Dow, Douglas B	David L Dow for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Edwards, Roland E	Francine S Carter for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Estrada, Amparo M	Gilbert Q Estrada for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Fehrmann, Klaus R	Hildegard G Sheeren for the payment of the Burial Allowance
Fisch, Joseph	Beth Berry for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Floyd, Amber Fay	Navelle S Rufus for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Foster, Bernadine S	George W Foster for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Galwey, Romaine J	Keyan Aghili for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Garcia, Maria T	Richard Garcia for the payment of the Accrued But Unpaid Continuance Allowance
Gardner, Sally	Charles A Gardner for the payment of the Accrued But Unpaid Continuance Allowance  Katharine Drobnak for the payment of the Accrued But Unpaid Continuance Allowance
Givens, Joe	Willi L Givens for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Gomez, Rosa	Roy Hernandez for the payment of the Accrued But Unpaid Continuance Allowance  Vincent Hernandez for the payment of the Accrued But Unpaid Continuance Allowance
Gonzales, Ben Cruz	Gilma M Gonzales for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Green, Gerald E	Deborah A Green for the payment of the Burial Allowance
	Nancy J Green for the payment of the Accrued But Unpaid Service Retirement Allowance
Grijalva, Margaret B	Laura Ohare for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance Unused Contributions
Gunasekara, Thelma Catherine	Valesca M. Weerasinghe for the payment of the Accrued But Unpaid Continuance Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hall, Mildred C	Patricia Lee Carlton for the payment of the Accrued But Unpaid Continuance Allowance
	Richard Glen Hall for the payment of the Accrued But Unpaid Continuance Allowance
Hamai, Mitsuru	Nancy Hamai for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Harrill, Marcia J	Jacqueline M Lunardi for the payment of the Accrued But Unpaid Service Retirement Allowance
Harrington, Neil	Patricia Ann Harrington for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance

Harris, Joyce C	Craig Louis Harris for the payment of the Accrued But Unpaid Continuance Allowance
Hefler, Frank J	Scott A Hefler for the payment of the Accrued But Unpaid Service Retirement Allowance  Susan E Coffman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Horii, Robert S	Mary C Horii for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hovious, Richard L	Danyel McMahon for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance  Sheree Lee Fishgold for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jenkins, Ethel	Victor Jenkins for the payment of the Accrued But Unpaid Continuance Allowance
Johnson, Charles L	Ashley N Burt for the payment of the Burial Allowance
Johnson, Brennan	Betty J Johnson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Jones, Raymond C	Renee Winifred Jones for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jong, Monty A W	Sherrie G Jong for the payment of the Burial Allowance
Koury, George T	Vanessa Hoffman for the payment of the Burial Allowance
Lee, William B	Mary E Lee for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lee, Yoon	Soo Kim Lee for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Leitch, Robert A	Robert T Leitch for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Leonard, Evelyn	Pamela J Leonard for the payment of the Accrued But Unpaid Continuance Allowance
Lopez, Mary A	Anthony Alba Lopez for the payment of the Accrued But Unpaid Continuance Allowance

Lord, Mary Margaret	Sally M. Yubeta for the payment of the Accrued But Unpaid Continuance Allowance Accrued But Unpaid Larger Annuity Continuance Allowance
Lui, Elton G	Carole Hayata for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lyons, Chester L	Sabrina Jackson for the payment of the Accrued But Unpaid Service Retirement Allowance
Madrid, John Anthony	Victoria Marie Irigoyen for the payment of the Burial Allowance
Manalang, Eva Rafols	Geoffrey Manalang for the payment of the Burial Allowance  Lesley Manalang for the payment of the Burial Allowance
Mariscal, Elena Z	Leslie Annette Mariscal for the payment of the Accrued But Unpaid Continuance Allowance
Mc Cammon, Geraldine E	Melissa Randle EI for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mcclive, William J	Fay W Mcclive for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Medellin, Mary E	Krisy Whitaker for the payment of the Accrued But Unpaid Service Retirement Allowance
Mendia, Javier	Alice Mendia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Milberg, Sylvia	Paul Milberg for the payment of the Accrued But Unpaid Survivorship (Retirement) Allowance
Ministeri, James J	Catina J Ministeri for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Miyamura, Frank K	Frances K Sasaki for the payment of the Accrued But Unpaid Service Retirement Allowance
Mogge, Dwight C	Lourdes Cortez for the payment of the Accrued But Unpaid Service Retirement Allowance
Morales, Rosalie M	Rosemarie Morales for the payment of the Accrued But Unpaid Continuance Allowance
Moriyama, Margaret M	Judith Hirano for the payment of the Accrued But Unpaid Continuance Allowance



Muhammad, C	C Muhammad Education Revocable Living Trust for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Myers, Julian C	Rev Living Trust Agreement Of Julian C Myers Trust for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Narhuminti, Joseph William	Joseph W Narhuminti for the payment of the Burial Allowance
Norville, Ira L.	Antoinette Norville Meaderis for the payment of the Accrued But Unpaid Continuance Allowance  James Norville for the payment of the Accrued But Unpaid Continuance Allowance
Nozawa, Toshiaki	Alice M Nozawa for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Nye, Sam B	Lilyan M Ujihara for the payment of the Burial Allowance Eskaton Foundation for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Oddone, Edward Joseph	Kim K Everett for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions

Ortiz, Reyes B	Lydia Hawley for the payment of the Accrued But Unpaid Continuance Allowance
	Nancy Chavez for the payment of the Accrued But Unpaid Continuance Allowance
Patino, Lillian	Naomi Patino for the payment of the Accrued But Unpaid Continuance Allowance
Pearson, Jackson	Edith H Pearson for the payment of the Burial Allowance
Perez, David J	Ellen Perez for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Pope, Thomas C	Dolores Ann Pope for the payment of the Burial Allowance
Ramirez, Alicia	Arleen Torres for the payment of the Burial Allowance
	Ramiro R Raygoza for the payment of the Accrued But Unpaid Service Retirement Allowance
Reeser, Earl D	Janice Lucas for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Rhyne, Anna R	Patricia Ann Filonczuk for the payment of the Accrued But Unpaid Continuance Allowance

Rivera, Paula C	Joe S Rivera for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Robinson, Kenneth R	Anthony T Robinson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Edward Lee Robinson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Karen L Robinson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Rodarte, Annie A	Michael D Rodarte for the payment of the Accrued But Unpaid Continuance Allowance
Roman, Milton Boasdil	Fanny E Roman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Saiki, Elsii H	Wesley G Saiki for the payment of the Accrued But Unpaid Continuance Allowance
Satullo, Mary Ann	Jane E Bovard for the payment of the Burial Allowance
	Kathryn M Satullo for the payment of the Burial Allowance
	Sandra Harmon for the payment of the Burial Allowance
	Satullo Trust for the payment of the Accrued But Unpaid Service Retirement Allowance

Schultz, Earl	Bruce Schultz for the payment of the Accrued But Unpaid Service Retirement Allowance
Sherrod, Darryl Leroy	Charmain K Hood for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions
	Patrice L Sherrod for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Shimatsu, Rodger K	Jennifer Masayo Shimatsu for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions
	Tamara Lee Martin for the payment of the Burial Allowance
	Wesley Namiki Shimatsu-Gomez for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions
Shiroma, Susumu	Elaine Shiroma for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Sillman, Martha S	Cynndy Sillman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	George D Sillman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Summers, Donna L	Deborah Jones for the payment of the Accrued But Unpaid Continuance Allowance
	Michelle Phelan for the payment of the Accrued But Unpaid Continuance Allowance

Sweeney, Dudley	Dorothy B Sweeney for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tigue, Lawrence E	Jane Ann Tigue for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance DRO Lump Sum  Jennifer Lynn Patterson for the payment of the DRO Lump Sum
Torres, Fernando M	Maria De Jesus Rodriguez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Walton, Charles E	Cassandra Walton for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Washington, Johnnye M	Richard John Washington for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance  Robert J Washington for the payment of the Accrued But Unpaid Service Retirement Allowance
Williams, Richard J	Susan Marie Williams for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wooten, Herman E	Herman E Wooten for the payment of the Burial Allowance

Yamanaka, Roy M	Shirley N Yamanaka for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Youssef, Zuhdy Z	Daisy Youssef for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

**TIER 3**  
**NONE**

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased

Beneficiary/Payee

**TIER 1**

**Active**

Argueta Diaz, Jose D  
(Deceased Active)

Maria Esperanza Argueta for the payment of the  
Service Retirement Survivorship Allowance

Bernal, Gilberto  
(Deceased Active)

Maria Bernal for the payment of the  
Disability Retirement Survivorship Allowance

Colmenares, Roberto I  
(Deceased Active)

Sonia Colmenares for the payment of the  
Service Retirement Survivorship Allowance

Crisanto Leon, Francisco  
(Deceased Active)

Carmen Crisanto for the payment of the  
Disability Retirement Survivorship Allowance

Ellis, Kimberly Renee  
(Deceased Active)

Kenneth M Joseph II for the payment of the  
Accumulated Contributions

Golem, Adam  
(Deceased Active)

Kristina Golem for the payment of the  
Disability Retirement Survivorship Allowance

Jimenez, Lorenzo  
(Deceased Active)

Maria Jimenez for the payment of the  
Accumulated Contributions

Marroquin, David O  
(Deceased Active)

Sara Noemy Marroquin for the payment of the  
Accumulated Contributions  
Limited Pension

Nguyen, Saranya  
(Deceased Active)

Dustin Nguyen for the payment of the  
Accumulated Contributions

Winslow, Oscar R  
(Deceased Active)

Barbara Winslow for the payment of the  
Accumulated Contributions

Wong, Philip  
(Deceased Active)

Holly Hawkins for the payment of the  
Accumulated Contributions

**TIER 3**  
**NONE**

Disclaimer: The names of members who are deceased may appear more than once due to multiple beneficiaries being paid at different times.





**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 11, 2021**

**ITEM: VI – A**

*Neil M. Guglielmo*

**SUBJECT: RESPONSE TO COUNCIL MOTION 21-0295; AN ANALYSIS OF HEALTH SAVINGS ACCOUNTS FOR RETIREE HEALTH COVERAGE AND POSSIBLE BOARD ACTION**

**ACTION:** ☒ **CLOSED:** ☐ **CONSENT:** ☐ **RECEIVE & FILE:** ☐

**Recommendation**

That the Board approve forwarding this report to the Office of the City Administrative Officer in response to the related City Council motion (C.F. 21-0295).

**Executive Summary**

Upon review of LACERS health plan benefits, associated Member costs, and in consultation with LACERS' health and welfare consultant (Keenan and Associates), LACERS recommends continuing with group plan offerings and not embarking on a High Deductible Health Plan/Health Savings Account (HDHP/HSA) model. As this report will demonstrate, the HDHP/HSA model significantly increases the risk of high out-of-pocket costs to Members and beneficiaries without commensurate benefit. Additionally, nearly 75% of LACERS Members have or are aging into Medicare and they would not be eligible for the HDHP/HAS model.

**Discussion**

*Background*

A recent Council motion requested that LACERS review using Health Savings Accounts to reduce the City's healthcare costs. A Health Savings Account (HSA) allows individuals to deposit untaxed dollars into an account for the specific use of covering eligible healthcare costs. Individuals who are age 55 to 64 that meet other requirements are able to make a maximum annual contribution of \$4,600 and any remaining funds at the end of the year are rolled over to the following year. There is no cap to the amount that an HSA can hold.

It is important to note that one is not eligible for an HSA if they are enrolled in Medicare, of which nearly 75% of LACERS' medical plan subscribers are. Given that the average age of a City employee at retirement is 60 years, this option would be available to LACERS Retired Members for an average of five years. Currently, there are approximately 4,150 Members enrolled in non-Medicare LACERS medical plans that may be eligible for an HSA.

## High-Deductible Plan Vs Current LACERS Plan

In order to open an HSA, one must be enrolled in a qualified high-deductible health plan. With these plans, preventive services are at no charge, but before any additional coverage is provided, one must meet the out-of-pocket maximum/deductible. Covered California offers high-deductible plans with a maximum out-of-pocket maximum/deductible of \$7,000. In Covered California, the average single-party cost of high-deductible HMO plans for people age 60 in Los Angeles County is \$665.02/month, which is 78% of the cost of LACERS' lowest cost plan, Kaiser Permanente HMO, at \$853.39/month, a difference of \$188.37. More than half of LACERS' non-Medicare enrollees are enrolled in the Kaiser Permanente HMO plan.

There are high-deductible PPO options with premium costs that are similar to, or even greater than, LACERS' Kaiser Permanente HMO plan, so not all high-deductible plans are less expensive than a traditional insurance plan.

LACERS offers to its non-Medicare Members two HMO and one PPO options. Below is a high-level summary of single-party coverage offered through LACERS HMO plans versus the Covered California high-deductible HMO plans:

Plan Design	High-Deductible HMO	LACERS Kaiser HMO	LACERS Anthem HMO
Premium	\$665.02 (Avg.)	\$853.39	\$1,069.58
Deductible	\$7,000	\$0	\$0
Out-of-Pocket Max (does not include deductible)	\$7,000	\$500	\$500
Medical Cost After Deductible <ul style="list-style-type: none"><li>Office Visit</li><li>Other Services</li></ul>	\$0 (before deductible is met, <b>pay 100%</b> )	\$20 copay \$0 - \$20 copay	\$20 copay \$0 - \$20 copay
Rx Cost After Deductible <ul style="list-style-type: none"><li>Retail (Generic/Brand/Non-Formulary)</li><li>Mail Order (Generic/Brand/Non-Formulary)</li></ul>	\$0 (before deductible is met, <b>pay 100%</b> )	30-Day Supply \$15/\$35/NA  100-day Supply \$30/\$70/NA	30-Day Supply \$10/\$30/\$50  90-Day Supply \$20/\$60/\$100

## Retiree Healthcare Costs

Health conditions or medical situations can occur unexpectedly (heart attack, car accident, cancer) and result in immediate necessary treatment that can be hundreds or thousands of dollars. The issue with starting an HSA in retirement is that there aren't many years to accumulate savings to cover costly treatments before a Member would become ineligible based on age/Medicare status. Unless Members are able to save sufficient funds in their HSAs to cover their deductible (\$7,000 for single-party or \$14,000 for family coverage), they can be overwhelmed by healthcare costs and find themselves in

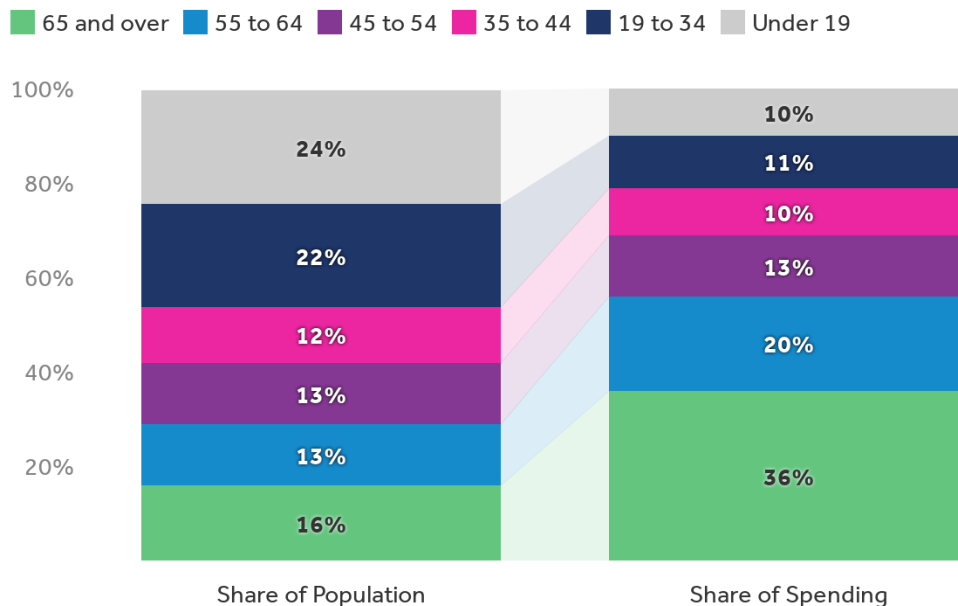
financial trouble. High-deductible plans with lower out-of-pocket maximums/deductibles do exist in the marketplace, but the lower they are, the higher the premium cost and/or cost-share.

LACERS' non-Medicare HMO plans have no deductible and out-of-pocket maximums are \$500. Members and their covered dependents in LACERS' HMO plans do not have to pay 100% of the service fee until they meet a deductible; coverage starts immediately and they pay a copay for services and prescription drugs. This allows Members on a fixed income to budget their expenses more easily than they can with a high-deductible health plan.

The benefit of an HSA is that one can continue to contribute to it and rollover funds each year to build a sizable balance that can offset future healthcare costs. These funds can be withdrawn for other purposes as well; however, doing so would result in the withdrawal being taxed and assessed a penalty. This type of account is more advantageous for younger people who have limited healthcare costs and several years to accrue funds. As people enter their 40s and 50s, they have significantly higher risk of chronic disease and are in greater need of care and reliance on the healthcare system. A retiree can expect to pay more in health-related costs and is less likely to build savings if starting an HSA later in life. With many retired Members on a reduced, fixed income, they may not have sufficient disposable income to contribute to the HSA enough funds to cover their healthcare costs, up to the deductible/out-of-pocket maximum.

In looking at 2016 Kaiser Family Foundation data, one can see that those over age 55 make up 29% of the population, but are responsible for more than half the health spend (56%).

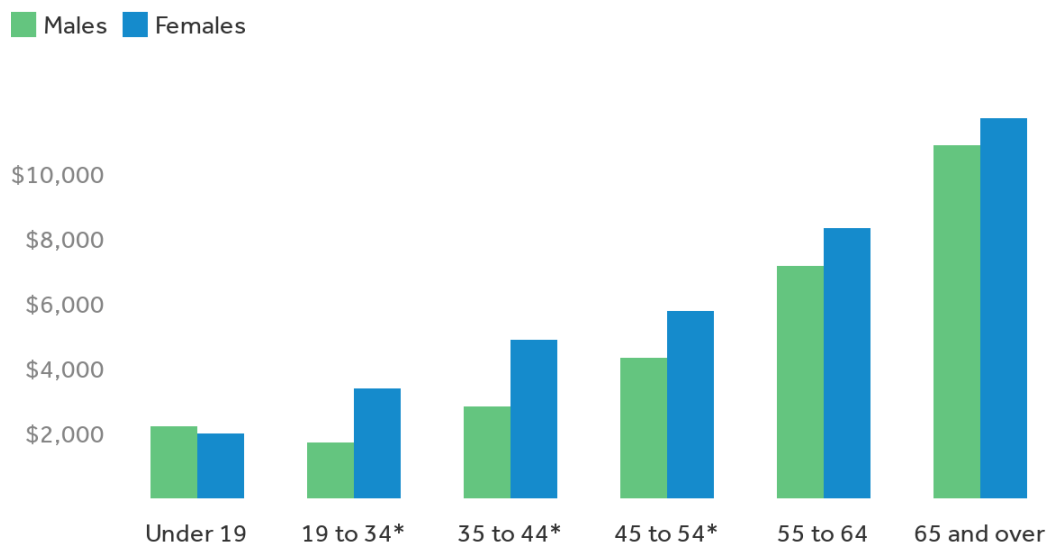
Share of total health spending by age group, 2016



Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey

Peterson-KFF  
**Health System Tracker**

## Average health spending by age and gender, 2016



Note: \*Indicates that, for the age range, the difference in estimates for males and females is statistically significant ( $p < .05$ ).

Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey

Peterson-KFF  
**Health System Tracker**

## Costs and Health Outcomes

High-deductible plans, as required to maintain an HSA, tend to have lower premiums than traditional insurance plans, but they can be costly when it comes to one's health. One study published in 2017 reviewed various studies that examined the impact of high-deductible plans on health care utilization and costs. The plans were associated with a significant reduction in preventive care in seven of twelve studies and a significant reduction in office visits in six of eleven studies—which in turn led to a reduction in both appropriate and inappropriate care. Data also suggested that the plans may be associated with a reduction in appropriate preventive care and medication adherence. Based on these findings, data suggests that HDHPs are associated with lower health care costs as a result of a reduction in the use of health services, including appropriate services. (Agarwal, Rajender; Mazurenko, Olena; and Menachemi, Nir, 'High Deductible Health Plans Reduce Health Care Costs and Utilization, Including Use of Needed Preventive Services,' *Health Affairs*, <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0610>)

Having a large number of enrollees in a plan spreads the risk and keeps premium costs down. It is beneficial to have as many healthy individuals as is possible in that pool because the premiums of those that utilize the plan infrequently offset the cost of those that require more regular or costly care. If a high-deductible plan is introduced to LACERS offerings, those who are in better health and aren't in need of regular care would be most likely to enroll. This would leave behind the less healthy Members that need more care, increasing the risk of the pool and driving up premium costs. When the healthy Members in the high-deductible plan begin to find it too costly due to increasing healthcare needs, they

are likely to return to one of the regular plans. Because they now need more care, they will be of higher risk and have the potential to increase premium costs further. This is known as adverse selection.

A high-deductible plan may reduce some costs in the short-term, but can prove to be more costly in the long-term. Even if LACERS only offered a high-deductible plan to its non-Medicare Members, Members would need to enroll in one of LACERS' Medicare plans when they turn age 65. If they had foregone care due to costs, they would be entering our Medicare plans at higher risk and could impact costs negatively.

### *Conclusion*

A high-deductible plan is offered at a lower premium cost than a traditional plan. Premium savings can be used to make contributions to an HSA with the aim of building savings over several years. A lower premium cost would decrease LACERS' subsidy costs, but would not benefit many LACERS Members. Medical premiums of over 80% of our non-Medicare Members are fully subsidized, so from a Member perspective, they would not see any premium savings and would experience greater out-of-pocket costs.

LACERS administers health plans for its retired Members and regularly reviews the marketplace for products that are cost-effective at maintaining good health during their retirement years. LACERS has been successful at managing increasing premium costs, seeing a ten-year average increase of 2.9% versus the average ten-year Assumed Actuarial Trend Rate of 7.7%.

Although an HSA might be a worthwhile option for someone early in, or even in the middle of, their career, it is not a strong option for retirees due to the limited timeframe they have to contribute funds, and the financial and health risks associated with high-deductible plans.

LACERS' goals are to provide healthcare options that enhance our Members' retirement years while balancing costs to the system, the City, and Members. The HDHP/HSA model would not align with those goals or LACERS' guiding principles.

Attachments: 1. Keenan Health Savings Account Analysis  
2. High-Deductible Health Plan Study  
3. Council File 21-0295

Prepared By: Alex Rabrenovich, Health Benefits and Wellness Division Manager

NMG/AR:ar



March 31, 2021

LACERS requested Keenan prepare an analysis of the impact to LACERS of adding an HSA account. The balance of this report addresses this issue.

### What is a Health Savings Account?

Health Savings Account (HSA) are a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in a Health Savings Account (HSA) to pay for deductibles, copayments, coinsurance, and some other expenses, you may be able to lower your overall health care costs. HSA funds generally may not be used to pay premiums.

### Who is eligible for an HSA account?

You must meet the following requirements, as defined by the IRS to contribute towards an HSA account:

- **Be covered under a qualifying high-deductible health plan (HDHP)** on the first day of the month.
- **Have no other health coverage** except what is permitted by the IRS.
- Not enrolled in **Medicare**, TRICARE or TRICARE for Life.
- Can't be claimed as a dependent on someone else's tax return.
- Haven't received Veterans Affairs (VA) benefits within the past three months, except for preventive care. If you have a disability rating from the VA, this exclusion doesn't apply.
- Do not have a health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted.
- Other restrictions and exceptions may also apply.

### Based on the eligibility requirements:

1. **Only LACERS non-Medicare (pre-65) population would be eligible to contribute towards an HSA Account.**
2. **LACERS would need to offer a qualifying high-deductible health plan.**

### HSA Contribution Limits

The IRS has set individual annual contribution limits for HSA accounts. These amounts are adjusted annually.

2021 IRS Annual Contribution	Self-Only	Family
Annual Limit	\$3,600	\$7,200
Catch-up Provision (age 55+)	\$1,000	\$1,000

### HSA-eligible High Deductible Health Plans

## LACERS' HSA Account Analysis

While you can use the funds in an HSA at any time to pay for qualified medical expenses, you may contribute to an HSA only if you have a High Deductible Health Plan (HDHP). Generally, an HDHP (including a Marketplace plan) must be "HSA-eligible". HSA-eligible plans cover preventive services at 100% before the deductible applies. All other HSA-eligible HDHP benefits are subject to the deductible including prescription drug copayments.

### IRS Mandated HSA-eligible High Deductible Health Plan Limits

In Revenue Procedure 2020-32, the IRS confirmed the minimum and maximum deductible and out-of-pocket (OOP) limits for HSA-eligible HDHPs for calendar year 2021. To qualify as an HSA-eligible HDHP for 2021, the plan deductibles and maximum out-of-pocket must meet the following limits:

2021 IRS Limits Deductible / OOP	Self-Only	Family
Minimum Limit	\$1,400	\$2,800
Maximum Limit	\$7,000	\$14,000

### Covered California HSA-eligible HDHP plan

Covered California offers an HSA-eligible HDHP plan called the **Bronze Plan HDHP plan** with the following features:

Covered California HSA-Eligible HDHP	Self-Only	Family
Deductible	\$7,000	\$14,000
Out-of-Pocket Maximum	\$7,000	\$14,000
Preventive Care (not subject to deductible)	100%	100%
Copayments, Coinsurance for all Benefit Features (including prescription drug benefits)	\$0, 0% After Deductible	\$0, 0% After Deductible

These features make the benefit plan require the greatest member cost share for the least premium. LACERS members would be required to pay \$7,000 in qualified medical expenses from their HSA account before achieving 100% coverage. The members may find it difficult to fund the deductible, since HSA account funding is done on a "fund as you contribute basis". Further members electing retiree only coverage would be limited to a maximum contribution of \$4,600 (\$3,600 + \$1,000 catch-up provision). Under these circumstances the member may find their HSA account balance inadequate to cover their health plan expenses. Funding of any desired year over year HSA account accumulation may also become unachievable.

Members with high cost expenses early in the plan year may find their HSA account underfunded for these expenses and will need to make payments from amounts available in their HSA account and/or pay for the expenses outside of their HSA account (then request reimbursement from the HSA account later in the year when funds are available).

## LACERS' HSA Account Analysis

The following chart provides the Covered California 2021 carriers and rates for the Bronze Plan HDHP plan for regions 15-19 (Los Angeles County northeast, Los Angeles County southwest, San Bernardino and Riverside Counties, Orange County, and San Diego County respectively).

Carrier Index Name	Blue Shield - Coin PPO	HealthNet C - Coin PPO	Kaiser - Coin HMO	Oscar - Copay EPO	Sharp - Copay HMO
Full Plan Name	Bronze 60 HDHP	Bronze 60 HDHP PPO	Bronze 60 HSA HMO	Bronze 60 HDHP EPO	Bronze 60 HDHP HMO Premier
<b>2021 Region 15 - Los Angeles County (northeast)</b>					
55	\$ 587.15	\$ 502.92	\$ 503.13	\$ 506.54	
60	\$ 714.59	\$ 612.07	\$ 612.33	\$ 616.47	
64 and over	\$ 789.89	\$ 676.56	\$ 676.86	\$ 681.44	
<b>2021 Region 16 - Los Angeles County (southwest)</b>					
55	\$ 693.34	\$ 637.05	\$ 514.37	\$ 511.11	
60	\$ 843.82	\$ 775.32	\$ 626.01	\$ 622.04	
64 and over	\$ 932.75	\$ 857.01	\$ 691.98	\$ 687.59	
<b>2021 Region 17 - San Bernardino and Riverside Counties</b>					
55	\$ 612.02	\$ 524.34	\$ 559.34		
60	\$ 744.86	\$ 638.14	\$ 680.74		
64 and over	\$ 823.35	\$ 705.39	\$ 752.46		
<b>2021 Region 18 - Orange County</b>					
55	\$ 669.61	\$ 593.80	\$ 574.40	\$ 505.15	
60	\$ 814.94	\$ 722.68	\$ 699.07	\$ 614.79	
64 and over	\$ 900.81	\$ 798.84	\$ 772.74	\$ 679.57	
<b>2021 Region 19 - San Diego County</b>					
55	\$ 731.32	\$ 631.53	\$ 580.86		\$ 661.24
60	\$ 890.05	\$ 768.60	\$ 706.93		\$ 804.76
64 and over	\$ 983.84	\$ 849.60	\$ 781.44		\$ 889.56

As illustrated in Keenan's report to LACERS on Covered California, LACERS has demonstrated over time that its rates were typically lower than those available through Covered California. Should LACERS elect to give further considerations to HSS-eligible HDHP, Keenan recommends seeking quotations from the carrier market.

### LACERS Medical Subsidy Calculation

For Retired Members who are:

- Under Age 65 or
- Age 65 or older with Medicare Part B only

Full-time employees receive 4% of the maximum medical subsidy for each year of Service Credit (a minimum of 10 years of Service is required). Any balance of the subsidy not used for your Retired Member coverage may be applied toward the cost of your dependent's medical plan coverage. Any unused subsidy cannot be received as cash compensation. Part-time employees who have at least 10 years of Service are eligible to receive 40% of the maximum medical subsidy. For each year of Service Credit above ten years, you receive an additional 4% of the maximum medical subsidy.



## LACERS' HSA Account Analysis

Years of Service	% of Maximum Subsidy	Subsidy Amount
10	40%	\$716.32
11	44%	\$787.95
12	48%	\$859.58
13	52%	\$931.22
14	56%	\$1,002.85
15	60%	\$1,074.48
16	64%	\$1,146.11
17	68%	\$1,217.74
18	72%	\$1,289.38
19	76%	\$1,361.01
20	80%	\$1,432.64
21	84%	\$1,504.27
22	88%	\$1,575.90
23	92%	\$1,647.54
24	96%	\$1,719.17

Any balance of subsidy not used for retiree coverage may be applied toward the cost of the dependent health plan coverage. LACERS currently does not have a policy of applying subsidy balances after coverage is elected to the retiree nor to an HSA account. Adding these policies would have a negative impact on reserves held for the future funding of retiree health coverage. Based on the in-force LACERS' policy, LACERS' net contribution realized for retiree subsidies under age 65 is less than the stated amounts in the table.

### Covered CA HSA-eligible HDHP vs. LACERS' Kaiser Plan

LACERS lowest cost plan for under age 65 retirees is the Kaiser HMO. The monthly rate is \$861.31 per retiree. The plan design is much richer than an HSA-eligible HDHP and features the following benefits:

LACERS	Kaiser Health Plan Benefit Features
Deductible	\$0
Out-of-Pocket Maximum Single/Family	\$500/\$1000
Office Visit Copayment	\$20
Emergency Room Copayment	\$100
Prescription Drug Copayment:	
Generic - 30 Day Retail / 90 Day Mail Order	\$15 / \$35
Brand – 30 Day Retail / 90 Day Mail Order	\$30 / \$70

Keenan would need to conduct a marketing to see if the premium difference between the carrier proposed HSA-eligible HDHP and Kaiser plan (or other LACER benchmark) would be sufficient to allow for the accumulation for retirees of an HSA account sufficient enough to accomplish the goal of the HSA strategy and provide year over year accumulation in the account.

### Who would likely enroll in an HSA-eligible HDHP?

Should LACERS implement an HSA-eligible HDHP as an additional benefit plan for under 65 retirees, LACERS should expect only those retirees in good health would be most likely to enroll. This means that the healthiest enrolled in other plans would disenroll in their current plan to enroll in the new plan. This would leave the plans that were disenrolled from, at a greater level of risk adversity, meaning rates would go up for these plans.

### Summary

An HSA-eligible HDHP plan is best implemented for an active employee population where members have less health conditions and allow active employees to accumulate funds in their HSA account. Starting an HSA account for retirees will most likely only benefit a few retirees who have the good health required to accumulate funds. Should LACERS want to pursue an HSA-eligible HDHP, Keenan will work with the carriers to provide LACERS with HSA-eligible HDHP options.

We look forward to reviewing this report with LACERS.

Sincerely,



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LACERS' HSA Account Analysis

Assistant Vice President

Keenan & Associates

**Appendix**

Region 15 and 16 (Los Angeles County)

2021 Region 15 - Los Angeles County (northeast)					LACERS' Kaiser Rate \$836.31 - Covered CA Rate = HSA Account Availability					
Carrier Index Name Full Plan Name	Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO		Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO	
Age										
55	\$ 587.15	\$ 502.92	\$ 503.13	\$ 506.54		\$ 249.16	\$ 333.39	\$ 333.18	\$ 329.77	
56	\$ 614.27	\$ 526.15	\$ 526.37	\$ 529.93		\$ 222.04	\$ 310.16	\$ 309.94	\$ 306.38	
57	\$ 641.65	\$ 549.60	\$ 549.84	\$ 553.55		\$ 194.66	\$ 286.71	\$ 286.47	\$ 282.76	
58	\$ 670.88	\$ 574.63	\$ 574.88	\$ 578.77		\$ 165.43	\$ 261.68	\$ 261.43	\$ 257.54	
59	\$ 685.36	\$ 587.04	\$ 587.29	\$ 591.26		\$ 150.95	\$ 249.27	\$ 249.02	\$ 245.05	
60	\$ 714.59	\$ 612.07	\$ 612.33	\$ 616.47		\$ 121.72	\$ 224.24	\$ 223.98	\$ 219.84	
61	\$ 739.86	\$ 633.72	\$ 633.99	\$ 638.28		\$ 96.45	\$ 202.59	\$ 202.32	\$ 198.03	
62	\$ 756.45	\$ 647.93	\$ 648.21	\$ 652.59		\$ 79.86	\$ 188.38	\$ 188.10	\$ 183.72	
63	\$ 777.25	\$ 665.74	\$ 666.03	\$ 670.53		\$ 59.06	\$ 170.57	\$ 170.28	\$ 165.78	
64 and over	\$ 789.89	\$ 676.56	\$ 676.86	\$ 681.44		\$ 46.42	\$ 159.75	\$ 159.45	\$ 154.87	
2021 Region 16 - Los Angeles County (southwest)					LACERS' Kaiser Rate \$836.31 - Covered CA Rate = HSA Account Availability					
Carrier Index Name Full Plan Name	Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO		Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO	
Age										
55	\$ 693.34	\$ 637.05	\$ 514.37	\$ 511.11		\$ 142.97	\$ 199.26	\$ 321.94	\$ 325.20	
56	\$ 725.37	\$ 666.48	\$ 538.13	\$ 534.71		\$ 110.94	\$ 169.83	\$ 298.18	\$ 301.60	
57	\$ 757.70	\$ 696.19	\$ 562.12	\$ 558.55		\$ 78.61	\$ 140.12	\$ 274.19	\$ 277.76	
58	\$ 792.21	\$ 727.90	\$ 587.72	\$ 583.99		\$ 44.10	\$ 108.41	\$ 248.59	\$ 252.32	
59	\$ 809.31	\$ 743.61	\$ 600.41	\$ 596.60		\$ 27.00	\$ 92.70	\$ 235.90	\$ 239.71	
60	\$ 843.82	\$ 775.32	\$ 626.01	\$ 622.04		\$ (7.51)	\$ 60.99	\$ 210.30	\$ 214.27	
61	\$ 873.67	\$ 802.74	\$ 648.16	\$ 644.04		\$ (37.36)	\$ 33.57	\$ 188.15	\$ 192.27	
62	\$ 893.26	\$ 820.74	\$ 662.69	\$ 658.48		\$ (56.95)	\$ 15.57	\$ 173.62	\$ 177.83	
63	\$ 917.82	\$ 843.31	\$ 680.91	\$ 676.59		\$ (81.51)	\$ (7.00)	\$ 155.40	\$ 159.72	
64 and over	\$ 932.75	\$ 857.01	\$ 691.98	\$ 687.59		\$ (96.44)	\$ (20.70)	\$ 144.33	\$ 148.72	

## Region 17 (San Bernardino and Riverside County) and 18 (Orange County)

2021 Region 17 - San Bernardino and Riverside Counties						LACERS' Kaiser Rate \$836.31 - Covered CA Rate = HSA Account Availability				
Carrier Index Name Full Plan Name	Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO			Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO		
Age										
55	\$ 612.02	\$ 524.34	\$ 559.34			\$ 224.29	\$ 311.97	\$ 276.97		
56	\$ 640.29	\$ 548.56	\$ 585.17			\$ 196.02	\$ 287.75	\$ 251.14		
57	\$ 668.84	\$ 573.01	\$ 611.26			\$ 167.47	\$ 263.30	\$ 225.05		
58	\$ 699.30	\$ 599.11	\$ 639.10			\$ 137.01	\$ 237.20	\$ 197.21		
59	\$ 714.39	\$ 612.05	\$ 652.89			\$ 121.92	\$ 224.26	\$ 183.42		
60	\$ 744.86	\$ 638.14	\$ 680.74			\$ 91.45	\$ 198.17	\$ 155.57		
61	\$ 771.21	\$ 660.72	\$ 704.82			\$ 65.10	\$ 175.59	\$ 131.49		
62	\$ 788.50	\$ 675.53	\$ 720.62			\$ 47.81	\$ 160.78	\$ 115.69		
63	\$ 810.18	\$ 694.11	\$ 740.43			\$ 26.13	\$ 142.20	\$ 95.88		
64 and over	\$ 823.35	\$ 705.39	\$ 752.46			\$ 12.96	\$ 130.92	\$ 83.85		
2021 Region 18 - Orange County						LACERS' Kaiser Rate \$836.31 - Covered CA Rate = HSA Account Availability				
Carrier Index Name Full Plan Name	Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO		Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO	Oscar - Copay EPO Bronze 60 HDHP EPO	
Age										
55	\$ 669.61	\$ 593.80	\$ 574.40	\$ 505.15		\$ 166.70	\$ 242.51	\$ 261.91	\$ 331.16	
56	\$ 700.53	\$ 621.23	\$ 600.93	\$ 528.48		\$ 135.78	\$ 215.08	\$ 235.38	\$ 307.83	
57	\$ 731.76	\$ 648.92	\$ 627.72	\$ 552.04		\$ 104.55	\$ 187.39	\$ 208.59	\$ 284.27	
58	\$ 765.09	\$ 678.48	\$ 656.31	\$ 577.18		\$ 71.22	\$ 157.83	\$ 180.00	\$ 259.13	
59	\$ 781.61	\$ 693.13	\$ 670.47	\$ 589.64		\$ 54.70	\$ 143.18	\$ 165.84	\$ 246.67	
60	\$ 814.94	\$ 722.68	\$ 699.07	\$ 614.79		\$ 21.37	\$ 113.63	\$ 137.24	\$ 221.52	
61	\$ 843.76	\$ 748.24	\$ 723.79	\$ 636.53		\$ (7.45)	\$ 88.07	\$ 112.52	\$ 199.78	
62	\$ 862.68	\$ 765.02	\$ 740.02	\$ 650.80		\$ (26.37)	\$ 71.29	\$ 96.29	\$ 185.51	
63	\$ 886.40	\$ 786.06	\$ 760.37	\$ 668.70		\$ (50.09)	\$ 50.25	\$ 75.94	\$ 167.61	
64 and over	\$ 900.81	\$ 798.84	\$ 772.74	\$ 679.57		\$ (64.50)	\$ 37.47	\$ 63.57	\$ 156.74	

## LACERS' HSA Account Analysis

## Region 19 (San Diego County)

2021 Region 19 - San Diego County					LACERS' Kaiser Rate \$836.31 - Covered CA Rate = HSA Account Availability					
Carrier Index Name	Blue Shield - Coin PPO	HealthNet C - Coin PPO	Kaiser - Coin HMO		Sharp - Copay HMO Bronze 60 HDHP HMO Premier	Blue Shield - Coin PPO Bronze 60 HDHP	HealthNet C - Coin PPO Bronze 60 HDHP PPO	Kaiser - Coin HMO Bronze 60 HSA HMO		Sharp - Copay HMO Bronze 60 HDHP HMO Premier
Full Plan Name	Bronze 60 HDHP	Bronze 60 HDHP PPO	Bronze 60 HSA HMO							
Age										
55	\$ 731.32	\$ 631.53	\$ 580.86		\$ 661.24	\$ 104.99	\$ 204.78	\$ 255.45		\$ 175.07
56	\$ 765.10	\$ 660.70	\$ 607.69		\$ 691.79	\$ 71.21	\$ 175.61	\$ 228.62		\$ 144.52
57	\$ 799.21	\$ 690.15	\$ 634.78		\$ 722.62	\$ 37.10	\$ 146.16	\$ 201.53		\$ 113.69
58	\$ 835.61	\$ 721.59	\$ 663.69		\$ 755.54	\$ 0.70	\$ 114.72	\$ 172.62		\$ 80.77
59	\$ 853.65	\$ 737.16	\$ 678.02		\$ 771.85	\$ (17.34)	\$ 99.15	\$ 158.29		\$ 64.46
60	\$ 890.05	\$ 768.60	\$ 706.93		\$ 804.76	\$ (53.74)	\$ 67.71	\$ 129.38		\$ 31.55
61	\$ 921.53	\$ 795.78	\$ 731.94		\$ 833.23	\$ (85.22)	\$ 40.53	\$ 104.37		\$ 3.08
62	\$ 942.20	\$ 813.62	\$ 748.35		\$ 851.91	\$ (105.89)	\$ 22.69	\$ 87.96		\$ (15.60)
63	\$ 968.10	\$ 836.00	\$ 768.93		\$ 875.33	\$ (131.79)	\$ 0.31	\$ 67.38		\$ (39.02)
64 and over	\$ 983.84	\$ 849.60	\$ 781.44		\$ 889.56	\$ (147.53)	\$ (13.29)	\$ 54.87		\$ (53.25)

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# High-Deductible Health Plans Reduce Health Care Cost And Utilization, Including Use Of Needed Preventive Services

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**ABSTRACT** Enrollment in high-deductible health plans (HDHPs) has greatly increased in recent years. Policy makers and other stakeholders need the best available evidence about how these plans may affect health care cost and utilization, but the literature has not been comprehensively synthesized. We performed a systematic review of methodologically rigorous studies that examined the impact of HDHPs on health care utilization and costs. The plans were associated with a significant reduction in preventive care in seven of twelve studies and a significant reduction in office visits in six of eleven studies—which in turn led to a reduction in both appropriate and inappropriate care. Furthermore, bivariate analyses of data extracted from the included studies suggested that the plans may be associated with a reduction in appropriate preventive care and medication adherence. Current evidence suggests that HDHPs are associated with lower health care costs as a result of a reduction in the use of health services, including appropriate services.

**H**igh-deductible health plans (HDHPs) are insurance plans that have lower premiums but higher deductibles, compared to traditional health plans. HDHPs have higher cost-sharing requirements (that is, out-of-pocket spending by the patient), and it is hypothesized that this will provide patients with incentives to make higher-value health care decisions.<sup>1,2</sup> Enrollment in HDHPs has expanded since the enactment of the Affordable Care Act (ACA).<sup>3</sup> These plans are frequently combined with personal health accounts—combinations referred to as consumer-directed health plans. The personal health accounts can be either health savings accounts or health reimbursement arrangements. Health savings accounts are tax-free accounts used to pay for qualified medical expenses, and they must be paired with an HDHP. Health reimbursement arrangements are employer-funded accounts used to reimburse employees for their qualified

medical expenses; these accounts need not be combined with an HDHP.<sup>4</sup> Value-based purchasing arrangements such as bundled payment and accountable care organizations encourage providers to be more cost conscious; HDHPs supplement such efforts by focusing on patients.

The landmark RAND Health Insurance Experiment randomly assigned families to health insurance plans with varying levels of cost sharing, ranging from none to 95 percent coinsurance.<sup>5</sup> For poorer families in plans that involved cost sharing, the amount of cost sharing was income-adjusted to one of three levels: 5 percent, 10 percent, or 15 percent of income. Out-of-pocket spending was capped at these percentages of income or at \$1,000 annually, whichever was lower. The RAND study showed that cost sharing reduces health care costs by lowering utilization, but patients reduced their use of both appropriate and inappropriate services. The demand for health care was particularly reduced in low-income and vulnerable populations. Over the



years, these findings have been confirmed in multiple studies.<sup>6</sup> Nevertheless, the effect of HDHPs on enrollee health and health care utilization is controversial, and they are often considered "blunt instruments."<sup>3,7</sup> However, use of the plans is seen by many policy makers as a potent way to curb health care costs and is considered an important idea in health care reform.<sup>4,8,9</sup>

Randomized controlled trials help minimize selection bias and the effect of unmeasured confounders, compared with simple observational studies. Randomized controlled trials of the HDHPs' effects on the receipt of medical services have not been performed, and data on major health outcomes, such as mortality, are not available. However, the growing literature on the plans has evaluated a wide range of outcomes related to cost and use of health services. Policy makers and other stakeholders need the best available evidence to make decisions as the United States moves toward a system increasingly centered on HDHPs.<sup>3</sup>

The purpose of our research was to systematically review methodologically rigorous studies that examined the impact of HDHPs on relevant outcomes and to identify the characteristics of studies associated with reporting beneficial or detrimental impacts. Our results will be useful to policy makers, providers, and employers interested in the benefits and unintended consequences of the plans.

## Study Data And Methods

Our systematic review was performed and reported in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines.<sup>10</sup>

**STUDY INCLUSION CRITERIA** We included quasi-experimental studies that compared an HDHP (either a stand-alone plan or part of a consumer-directed health plan) with a traditional health plan. Articles were included if they used designs that aimed to minimize selection bias (such as controlled before-and-after studies, difference-in-differences analyses, interrupted time series studies, and propensity score matching).<sup>11,12</sup> Studies that enrolled members of either individual or employer-sponsored health plans were eligible. We included only empirical, peer-reviewed, English-language articles. We excluded letters to the editor, policy briefs, executive summaries of governmental reports, commentaries, and Internet-based publications that had not been peer reviewed. The outcome of interest was health care use and spending for any health care setting, including preventive care, office visits, emergency department (ED)

visits, hospitalizations, diagnostic testing, and prescription drug use.

### IDENTIFICATION AND SELECTION OF STUDIES

We searched MEDLINE and the Cochrane Central Register of Controlled Trials from inception to January 2017. Our detailed search strategy is available in online Appendix Exhibit A1.<sup>13</sup> Screening of titles and abstracts was done by one reviewer (Rajender Agarwal) in accordance with the inclusion criteria, and that was followed by full-text screening of relevant citations by two reviewers (Agarwal and Olena Mazurenko) working independently. Disagreements were resolved through consensus or referral to a third reviewer (Nir Menachemi). Reference lists of included studies were screened to identify any additional studies that met inclusion criteria.

**DATA EXTRACTION** We developed a template for evidence tables by using the population, intervention, comparator, and outcomes (PICO) framework. We extracted relevant information on study design, population, sample size, characteristics of HDHP and traditional plans, and the outcomes of interest. One reviewer (Agarwal) initially extracted this information from each included article and inserted it into evidence tables. In addition, we extracted data on all unique analyses reported in the articles. An analysis was considered to be unique if it examined discrete outcomes (such as rates of mammography screening or outpatient costs). An analysis was also categorized as unique if the study used one outcome but examined it in different populations, such as high-income versus low-income people.

We systematically classified all included analyses by using a standard coding sheet specifically developed for this study. All three reviewers approved the content of the coding sheet, which was then filled out by a second reviewer (Mazurenko) using the original articles as well as the evidence tables created by the first reviewer. A 20 percent random sample of articles was assessed by a third reviewer (Menachemi) to evaluate the interrater reliability of the collected variables.

**STUDY FRAMEWORK** Given the similarity between the design of HDHPs and previously examined cost-sharing arrangements, such as the RAND Health Insurance Experiment, we hypothesized that the plans would lead to a reduction in health care costs and use primarily because of the lower rates of use of inappropriate services (such as ED visits for low-intensity conditions). Also, given that the majority of HDHPs cover preventive services with no cost-sharing requirements, we predicted that enrollees in the plans would not reduce their use of preventive services.

We grouped studies by outcome under each



care setting and compared the findings of the studies in each group. We classified statistically significant study results as “beneficial effects” if they were shown to improve health outcomes

**EXHIBIT 1**

**Selected characteristics of 28 quasi-experimental studies that compared a high-deductible health plan (HDHP) and a traditional health plan**

Characteristic	Number of studies	Percent of studies
Externally funded	21	75.0
<b>JOURNAL TYPE</b>		
Health policy or health services	23	82.1
Clinical	5	17.9
<b>STUDY LOCATION</b>		
Single state	16	57.1
Other	11	42.9
<b>STUDY SETTING</b>		
Single employer	5	17.9
Multiple employers	22	78.6
<b>HIGH-DEDUCTIBLE HEALTH PLAN TYPE</b>		
With HSA, HRA, or both	14	50.0
Other	14	50.0
<b>COMPARISON GROUP</b>		
HMO, PPO or both	21	75.0
Other	7	25.0
<b>NUMBER OF COMPARISON GROUPS</b>		
One	15	53.6
More than one	13	46.4
<b>STUDY POPULATION</b>		
Adults only	19	67.9
Adults and children (<18 years old)	9	32.1
<b>INTRODUCTION OF HIGH-DEDUCTIBLE HEALTH PLAN OPTION</b>		
2001–04	17	60.7
2004–11	11	39.3
<b>YEARS OF FOLLOW-UP</b>		
One	16	57.1
More than one	12	42.9
<b>DEDUCTIBLE AMOUNT</b>		
Individual		
Less than \$2,000	19	67.9
More than \$2,000	2	7.1
Family		
Less than \$4,000	17	60.7
More than \$4,000	5	17.9
<b>OUTCOMES ANALYZED<sup>a</sup></b>		
Utilization <sup>b</sup>	173	46.3
Costs	59	15.8
Prevention	69	18.4
Quality	20	5.3
Adherence	53	14.2
<b>OUTCOME EFFECT<sup>a</sup></b>		
Beneficial	60	16.0
None	222	59.4
Adverse	92	24.6

**SOURCE** Authors' analysis of the studies (see Notes 16–43 in text). **NOTES** HSA is health savings account. HRA is health reimbursement arrangement. HMO is health maintenance organization. PPO is preferred provider organization. <sup>a</sup>There were 374 unique analyses (defined in the text) in the studies. <sup>b</sup>Cumulative utilization for office and emergency department visits and hospitalizations.

or reduce costs, and we labeled unintended consequences from HDHPs' cost-sharing requirement “adverse effects.”

**DATA ANALYSIS** We used descriptive analyses to examine the distribution of key variables that were reported in individual studies. We then used the chi-square statistic to investigate differences in the study characteristics of articles that found a beneficial effect and those that did not. All analyses were conducted in Stata, version 14. A *p* value of  $\leq 0.05$  was considered significant.

**LIMITATIONS** Several limitations of our study are worth mentioning. First, we acknowledge that no randomized controlled trials exist that examine the effects of HDHPs on outcomes. This is likely due to the methodological and logistical challenges inherent in such studies, and it limited the causal nature of the conclusions we drew. However, our inclusion criteria enabled us to focus on studies that used econometric techniques designed to minimize selection bias.

Second, many of the published studies came from a small number of research groups using a limited number of research populations. About a third of the studies we analyzed came from the same research group in Massachusetts, and these studies accounted for 20 percent of the reported beneficial findings.

Third, while there are tools to assess the risk of bias in observational and nonrandomized studies,<sup>14,15</sup> we did not believe that they would detect meaningful differences in the quality of rigorous quasi-experimental studies. Therefore, we did not undertake a formal quality assessment of our included studies.

Finally, we developed our framework to interpret the results of the included studies by assigning study findings to categories of “beneficial” or “adverse” effects. This approach was not intended to provide comprehensive definitions that would apply to all scenarios for all types of service use.

## Study Results

Our literature searches identified 1,706 unique citations. Sixty-three of them were considered potentially relevant based on title and abstract screening, and the full texts for these studies were obtained (see Appendix Exhibit A2 for the PRISMA flow diagram).<sup>13</sup> Our detailed review of full-text studies ultimately yielded twenty-eight studies that met our inclusion criteria.<sup>16–43</sup> Three-fourths of the articles reported receiving external funding, and more than 80 percent were published in health policy or health services research journals as opposed to clinical journals (Exhibit 1). Nearly 60 percent of the studies used data from one state, of which

Massachusetts was the most common. Three-fourths of the studies used members of a managed care plan as a comparison group.

The twenty-eight studies collectively contained 374 unique analyses. For outcomes, nearly half of the studies focused on health services use, followed by health care costs, use of preventive services, and adherence to medication regimens (each examined by about 15 percent of the studies). Quality-of-care measures were the least common outcome, appearing in slightly more than 5 percent of the studies. Overall, one out of six analyses reported a beneficial effect of HDHPs on the outcomes they studied, while six out of ten reported no significant effect, and one out of four reported an adverse effect. Descriptive examples of beneficial and adverse effects are presented in Exhibit 2.

**PREVENTIVE CARE** The evidence base for this outcome consisted of twelve studies<sup>16,17,21–23,25,34,35,37,39,41,42</sup> (for information about the studies, see Appendix Exhibit A4).<sup>13</sup> Eight of these studies reported on HDHPs that had first-dollar coverage,<sup>16,21,22,25,34,35,37,39</sup> which allows enrollees in HDHPs to use preventive services with no cost sharing and potentially leads to higher use of these services. The plans were associated with a significant reduction in the use of preventive care in seven studies<sup>16,17,21,25,37,41,42</sup> (although four of these studies reported first-dollar coverage).<sup>16,21,25,37</sup> No significant difference was reported in the remaining five studies.<sup>22,23,34,35,39</sup>

**OFFICE VISITS** The evidence base for this outcome consisted of eleven studies<sup>16,17,19,21,25,26,28,30,32,34,36</sup> (Appendix Exhibit A5).<sup>13</sup> HDHPs were associated with a significant reduction in office visits, which led to a reduction in

the use of both appropriate and inappropriate care, in six studies.<sup>21,26,30,32,34,36</sup> Four studies showed a significant reduction in nonemergency visits, expenditure, or both (beneficial effects).<sup>16,17,25,28</sup> The remaining study had inconsistent results.<sup>19</sup>

**EMERGENCY DEPARTMENT VISITS** The evidence base for this outcome consisted of nine studies<sup>16,17,21,27,30,36,38,40,43</sup> (Appendix Exhibit A6).<sup>13</sup> HDHPs were associated with a significant reduction in nonemergency visits (a beneficial effect) in three studies.<sup>17,40,43</sup> One study showed a significant increase in visits that was thought to result from fewer office visits and prescriptions.<sup>21</sup> Another study showed that males enrolled in the HDHP reduced visits at all severity levels.<sup>27</sup> A third study showed a significant reduction in high-severity visits among enrollees with low socioeconomic status.<sup>38</sup> The effects in the remaining three studies were unclear or not significant.<sup>16,30,36</sup>

**HOSPITALIZATIONS** The evidence base for this outcome consisted of ten studies<sup>16,17,19,21,25,27,30,38,40,43</sup> (Appendix Exhibit A7).<sup>13</sup> One study showed an initial significant reduction in hospitalizations among HDHP members followed by an increase, which suggests that the members initially deferred needed care.<sup>40</sup> A similar effect was seen in men but not in women in a second study.<sup>27</sup> Another study showed a significant reduction in hospitalizations among HDHP members with low socioeconomic status.<sup>38</sup> A significant reduction in expenditure (a beneficial effect) was seen in two studies.<sup>16,25</sup> No significant difference was seen in four studies.<sup>17,19,21,43</sup> The remaining study showed a significant reduction in hospitalizations, but it was unclear whether

**EXHIBIT 2**

Examples of the effects of high-deductible health plans on study outcomes

Outcome	Beneficial effect	Adverse effect
Preventive care	Increase in rate of screening (for example, colonoscopy, Pap smear, mammogram)	Decrease in rate of screening
Office visits	Decrease in unscheduled nonemergency visits	Decrease in primary care visits
ED visits	Decrease in low-severity visits	Decrease in high-severity visits
Hospitalizations	Decrease in low-acuity hospitalizations	Decrease in high-acuity hospitalizations
Diagnostic tests	Decrease in inappropriate diagnostic testing	Decrease in appropriate diagnostic testing
Prescription drug use	Increase in generic drug use	Decrease in medication adherence
Health care costs	Decrease in costs	Increase in costs
Quality	Increase in rate of HbA1C measurements among patients with diabetes	Decrease in rate of HbA1C measurements among patients with diabetes

**SOURCE** Authors' analysis. **NOTES** This framework was developed for the purpose of interpreting the results of the twenty-eight quasi-experimental studies (see Notes 16–43 in text) by assigning study findings to beneficial and adverse effect categories. It was not intended to provide comprehensive definitions that would apply to all scenarios for all types of service use. ED is emergency department. HbA1C is hemoglobin A1C.

these were necessary or avoidable.<sup>30</sup>

**DIAGNOSTIC TESTING** The evidence base for this outcome consisted of two studies<sup>30,32</sup> (Appendix Exhibit A8).<sup>13</sup> Both studies showed a reduction in laboratory and diagnostic tests among HDHP enrollees, although it was unclear whether these reductions were appropriate.

**PRESCRIPTION DRUG USE** The evidence base for this outcome consisted of thirteen studies<sup>16–21,24,25,29–31,33,36</sup> (Appendix Exhibit A9).<sup>13</sup> HDHPs were associated with a significant reduction in medication adherence in five studies.<sup>18,20,21,24,30</sup> A significant reduction in expenditure (a beneficial effect) was seen in three studies.<sup>16,17,29</sup> One study showed a significant increase in prescription drug use that was driven by an increased likelihood of using generic and essential medications (a beneficial effect), although the use of nonpreferred medications increased as well.<sup>36</sup> However, there was a significant reduction in drug spending among HDHP members with low incomes and chronic conditions in one study.<sup>25</sup> The effects in the remaining three studies were unclear or not significant.<sup>19,31,33</sup>

**STUDY CHARACTERISTICS ASSOCIATED WITH REPORTING A BENEFICIAL RELATIONSHIP** Bivariate relationships between study characteristics and the reporting of beneficial effects from HDHPs are presented in Appendix Exhibit A10.<sup>13</sup> We found that analyses focusing on outcomes related to prevention or medication adherence were significantly less likely to report a beneficial effect from the plans. Similarly, analyses that used a managed care cohort as a comparison group, used data from adult populations only, used data from a single employer, or were published in health policy and health services research journals (as opposed to clinical journals) were significantly less likely to report a beneficial effect from the plans. In contrast, analyses that examined health care costs, investigated plans with deductibles lower than \$2,000 for an individual, and had the largest sample sizes for the HDHP group were significantly more likely to find a beneficial effect from the plans.

## Discussion

To our knowledge, this is the first systematic review of the literature examining the relationship between high-deductible health plans and health care use. The results of our review show that the plans appear to reduce health care costs by decreasing the use of both appropriate (such as cancer screening) and inappropriate (such as low-severity ED visits) health services. Our findings are consistent with a large body of evidence

on cost sharing, including the RAND Health Insurance Experiment.<sup>5,6,44,45</sup> Our review highlights the adverse effect of HDHPs on the use of preventive services. Enrollees in current HDHPs must meet a relatively large deductible, which encourages them to consider the opportunity costs of choosing between alternative health care options. Anna Dixon and colleagues conducted a survey and found that HDHP members change their health care behavior and forgo needed care to save money.<sup>46</sup> Thus, it is important to understand the relationship between beneficial and adverse health care use in the context of the plans. Most proposals to reform the US health care system stress the importance of providing preventive services with no out-of-pocket spending.<sup>3,47</sup> However, such health insurance reform efforts alone might not be sufficient, as research has shown that a majority of HDHP members are unaware of cost-sharing exemptions for preventive care.<sup>48</sup>

Several of the included studies demonstrated a reduction in medication adherence with HDHPs, and this finding was supported in our bivariate analysis. While some studies showed a reduction in health care use and adherence in low-income or chronically ill patients,<sup>25,38</sup> no definite conclusions can be drawn—given the relatively small number of studies that specifically focused on vulnerable populations.

An important finding of our systematic review is that studies using managed care cohorts as comparison groups were significantly less likely to find a beneficial effect from HDHPs. This finding may be driven by the fact that managed care plans have their own utilization control mechanisms that may achieve results similar to those of the mechanisms inherent in the HDHPs. For instance, both health maintenance organization and preferred provider organization plans typically impose higher out-of-pocket spending limits on enrollees who seek care from out-of-network providers. Currently, little is known about the impact of HDHPs offered concurrently with managed care plans.

Our review also found that studies using data from a single employer were significantly less likely to report a beneficial effect of HDHPs, compared with studies that included enrollees from multiple employers. This finding suggests several important points. First, the effects of the plans may be generalizable to larger populations. This is due to the fact that data from multiple employers are more likely to include a diverse set of enrollees (in terms of characteristics such as age, sex, and comorbidities). Second, studies of limited populations, including those derived from single employers, should be evaluated in their contexts. Third, characteristics of

the HDHP and comparator plans used in the single-employer analyses may be affecting this finding, which should be interpreted with caution.

An important contribution of our systematic review is the identification of areas for future research. Most of the included studies examined the effects of HDHPs on health care use and costs and did not consider important outcomes such as health status, morbidity, mortality, or patient experience. Although improving the US health care system will require achieving the simultaneous goals of cost reduction and quality improvement, overall population health should be the ultimate goal. Therefore, future studies should comprehensively examine the effects of HDHPs on the health and well-being of individuals and populations. Furthermore, about 25 percent of the studies did not include information about the deductible amount for the plan used in the analysis. Future studies should include detailed features of the plans in their design and assess how these features may be affecting various health outcomes of interest.

Our findings are also relevant to the changing political landscape, given recent congressional efforts to repeal and replace the ACA. Many health reform proposals, including the Ameri-

can Health Care Act of 2017, which was passed by the House of Representatives, aim to make HDHPs with health savings accounts more attractive for consumers by raising the annual contribution limits and reducing the Internal Revenue Service (IRS) penalty if funds are used for nonmedical purposes. With more consumers purchasing such plans, concerted efforts need to be made to educate the public on coverage and benefits. Legislative developments related to funding of the ACA's cost-sharing reduction payments to insurers will also have an impact on the insurance landscape.<sup>49</sup>

## Conclusion

Current evidence on high-deductible health plans suggests that they are associated with lower health care costs resulting from a reduction in enrollees' use of health services. This includes appropriate care, such as recommended preventive services and medication adherence. Our summary of the literature is consistent with existing evidence that demonstrates a decrease in the use of necessary care with increased cost sharing. However, more research is needed to assess the effects of HDHPs on health outcomes in the longer term. ■

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**File No. 21-0295**

PERSONNEL, AUDITS, AND ANIMAL WELFARE COMMITTEE REPORT relative to Health Savings Accounts (HSA) insurance products.

Recommendation for Council action, pursuant to Motion (Rodriguez – De Leon):

INSTRUCT the City Administrative Officer (CAO), with the assistance of the Los Angeles City Employees' Retirement System, the Los Angeles Fire and Police Pensions, Personnel Department, and the City's labor partners, to report in regard to the cost of Health Savings Accounts (HSA) insurance products, which could create reduced premiums to enable long term health care for members in retirement with said report to include how much cost savings can be achieved with the HSA model as an alternative based on the number of City employees enrolled in a Preferred Provider Organization.

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On April 7, 2021, your Committee considered a Motion (Rodriguez – De Leon) relative to Health Savings Accounts (HSA) insurance products. According to the Motion, the City provides several health-related benefits to eligible full-time and part-time employees through its LAwell Benefits Program (LAwell). Those benefits include health insurance, dental insurance, vision insurance, and the option of establishing a Health Care Flexible Spending Account (HCFSA) and a Dependent Care Reimbursement Account (DCRA). HCFSA's and DCRAs provide a tax-savings option to set aside money for eligible healthcare and daycare expenses. Money set aside in these accounts must be used in the calendar year and does not roll over. Like HCFSA's and DCRAs, Health Savings Accounts (HSA) let people set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in a HSA to pay for deductibles, co-payments, coinsurance, and some other expenses, a person may be able to lower their overall health care costs. To be eligible for a HSA, a person must be enrolled in a High-Deductible Health Plan (HDHP). Unlike Flexible Spending Accounts such as HCFDA's and DCRAs offered by the City, the unspent money in a HSA rolls over at the end of the year, so it's available for future health expenses. Money saved in the account may be withdrawn tax-free after age 65 and may be invested in mutual funds, stocks and exchange-traded funds (ETFs); all investment gains are sheltered from taxes, like with 401 (k)s or individual retirement accounts (IRAs). After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Personnel, Audits, and Animal Welfare

KORETZ:	YES
HARRIS-DAWSON:	YES
BONIN:	ABSENT

ARL  
4/7/21

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**

# ASSET/LIABILITY STUDY UPDATE

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

May 11, 2021



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO



# EXECUTIVE SUMMARY

- Mixes B, C, and D have been isolated and new mixes F and G added at the request of the Board
- All of the proposed asset mixes meet the goals as outlined below:
  - Higher expected returns
  - Better diversification and tail-risk protection
  - Sufficient liquidity to meet cashflow needs
- The expected funded status (50<sup>th</sup> percentile) is projected to improve versus the current mix under all proposed asset mixes
- Contribution rates are projected to be lower than the current target with all proposed mixes
- Focusing on liquidity, all mixes look favorable under the expected and stressed environments
- None of the proposed asset mixes represent a major departure from the Current Target

# PROPOSED ASSET ALLOCATIONS

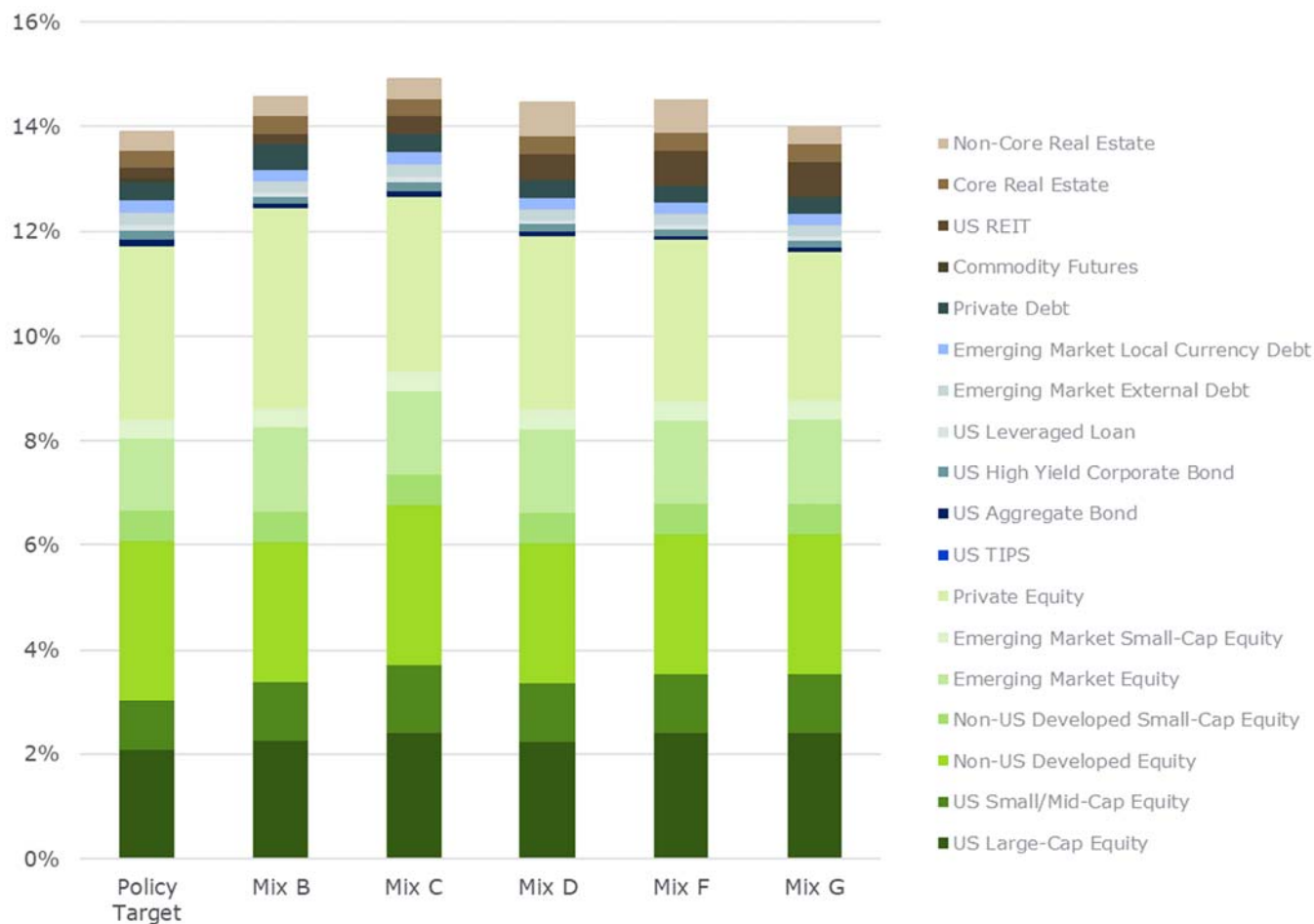
The following allocations are modeled in the next few pages under various economic scenarios:

- **Mix B**
  - Increase U.S. public equity and private equity by 2.0% each, and emerging market equity by 1.0%, while reducing non-U.S. developed equity by 2.0%
  - Reduce core bonds by 2.5%, reduce high yield, bank loans and EMD by 0.5% each, and increase private debt by 2.0%
  - Eliminate dedicated commodities exposure
  - Increases Sharpe ratio of the portfolio
- **Mix C**
  - Introduces 5% plan leverage to fund an additional 4% public equity exposure and 1% to emerging market equities; No change to fixed income allocation; Eliminate dedicated commodities exposure and transfer 1.2% to REITs
- **Mix D**
  - Similar to Mix B, except instead of increasing private equity and private debt by 4%, increases REITs and non-core real estate by 2% each
- **Mix F**
  - Similar to Mix D, but slight increase to real assets including a 1% increase to both TIPS and REITS, private equity was reduced 1% and allocated to US large cap, core bonds were reduced by 2% to fund the increase to real assets
- **Mix G**
  - Increase real assets (+6%) with further diversification within the sector by introducing a 3% exposure to infrastructure, increase REITS by 2%, increase TIPS by 1% and elimination of commodities
  - Private equity reduced by 2% and redirected to US large cap, non-U.S. developed equity reduced by 2% with U.S. small cap and emerging markets increased by 1% each
  - Reduction to fixed income by 6% with majority coming from core bonds

# ALTERNATIVE ALLOCATIONS

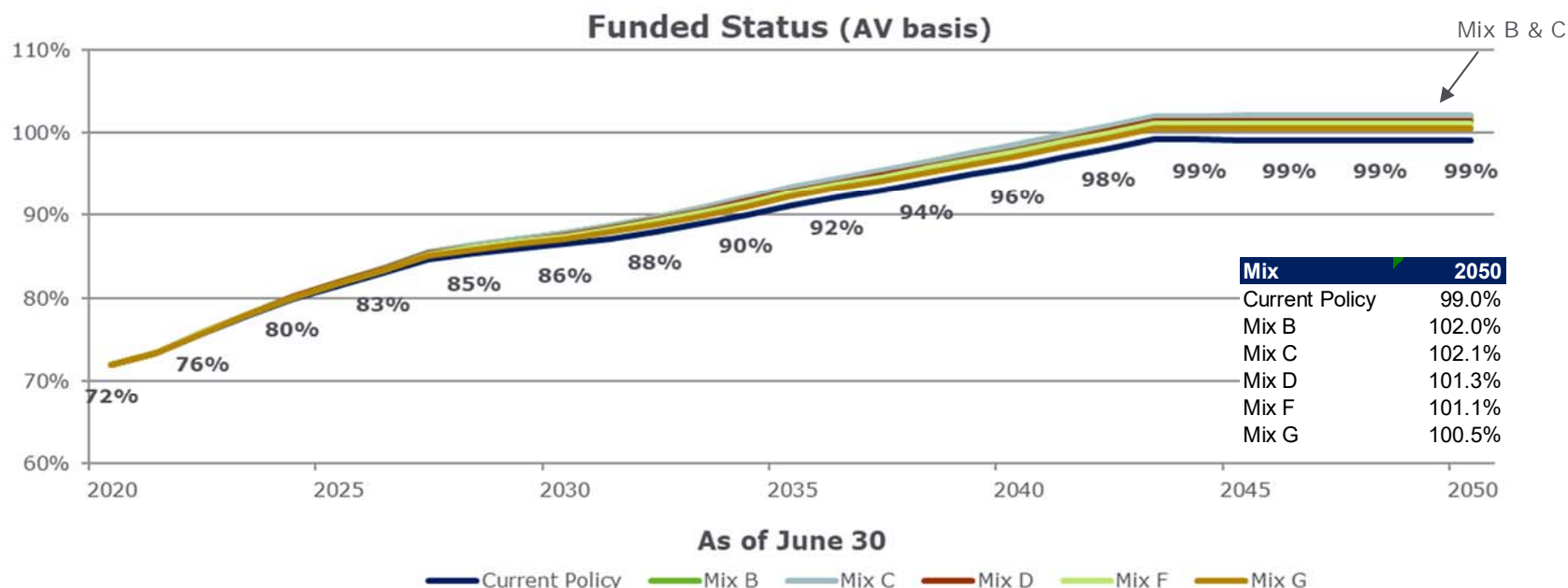
	Policy Target	Mix B	Mix C	Mix D	Mix F	Mix G
Cash	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Total Cash</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>
US Large-Cap Equity	14.00%	15.00%	16.00%	15.00%	16.00%	16.00%
US Small/Mid-Cap Equity	5.00%	6.00%	7.00%	6.00%	6.00%	6.00%
Non-US Developed Equity	17.00%	15.00%	17.00%	15.00%	15.00%	15.00%
Non-US Developed Small-Cap Equity	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Emerging Market Equity	5.67%	6.67%	6.67%	6.67%	6.67%	6.67%
Emerging Market Small-Cap Equity	1.33%	1.33%	1.33%	1.33%	1.33%	1.33%
Private Equity	14.00%	16.00%	14.00%	14.00%	13.00%	12.00%
<b>Total Equity</b>	<b>60.00%</b>	<b>63.00%</b>	<b>65.00%</b>	<b>61.00%</b>	<b>61.00%</b>	<b>60.00%</b>
US Aggregate Bond	13.75%	11.25%	13.75%	11.25%	9.25%	9.25%
US High Yield Corporate Bond	2.00%	1.50%	2.00%	1.50%	1.50%	1.50%
US Leveraged Loan	2.00%	1.50%	2.00%	1.50%	1.50%	1.50%
Emerging Market External Debt	2.25%	2.00%	2.25%	2.00%	2.00%	2.00%
Emerging Market Local Currency Debt	2.25%	2.00%	2.25%	2.00%	2.00%	2.00%
Private Debt	3.75%	5.75%	3.75%	3.75%	3.75%	3.75%
<b>Total Fixed Income</b>	<b>26.00%</b>	<b>24.00%</b>	<b>26.00%</b>	<b>22.00%</b>	<b>20.00%</b>	<b>20.00%</b>
Commodity Futures	1.20%	0.00%	0.00%	0.00%	0.00%	0.00%
US TIPS	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%
US REIT	1.20%	1.40%	2.40%	3.40%	4.40%	4.40%
Core Real Estate	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%
Non-Core Real Estate	2.80%	2.80%	2.80%	4.80%	4.80%	2.80%
Private Real Assets - Infrastructure	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%
<b>Total Real Assets</b>	<b>13.40%</b>	<b>12.40%</b>	<b>13.40%</b>	<b>16.40%</b>	<b>18.40%</b>	<b>19.40%</b>
<i>Expected Return 10 yrs</i>	5.83%	6.11%	6.13%	6.05%	6.04%	5.98%
<i>Expected Return 30 yrs</i>	6.83%	7.09%	7.10%	7.04%	7.01%	6.96%
<i>Standard Dev</i>	13.9%	14.5%	14.9%	14.4%	14.5%	14.2%
<i>Sharpe Ratio (10 years)</i>	0.36	0.37	0.36	0.36	0.36	0.36
<i>Sharpe Ratio (30 years)</i>	0.36	0.36	0.35	0.36	0.35	0.36
<i>Probability of 1-Year Return Over 7%</i>	46.7%	47.6%	47.7%	47.4%	47.3%	47.2%
<i>Probability of 10-Year Return Over 7%</i>	39.5%	42.3%	42.6%	41.7%	41.7%	41.1%
<i>Probability of 30-Year Return Over 7%</i>	47.3%	51.3%	51.4%	50.5%	50.2%	49.4%

# CONTRIBUTION TO RISK ANALYSIS



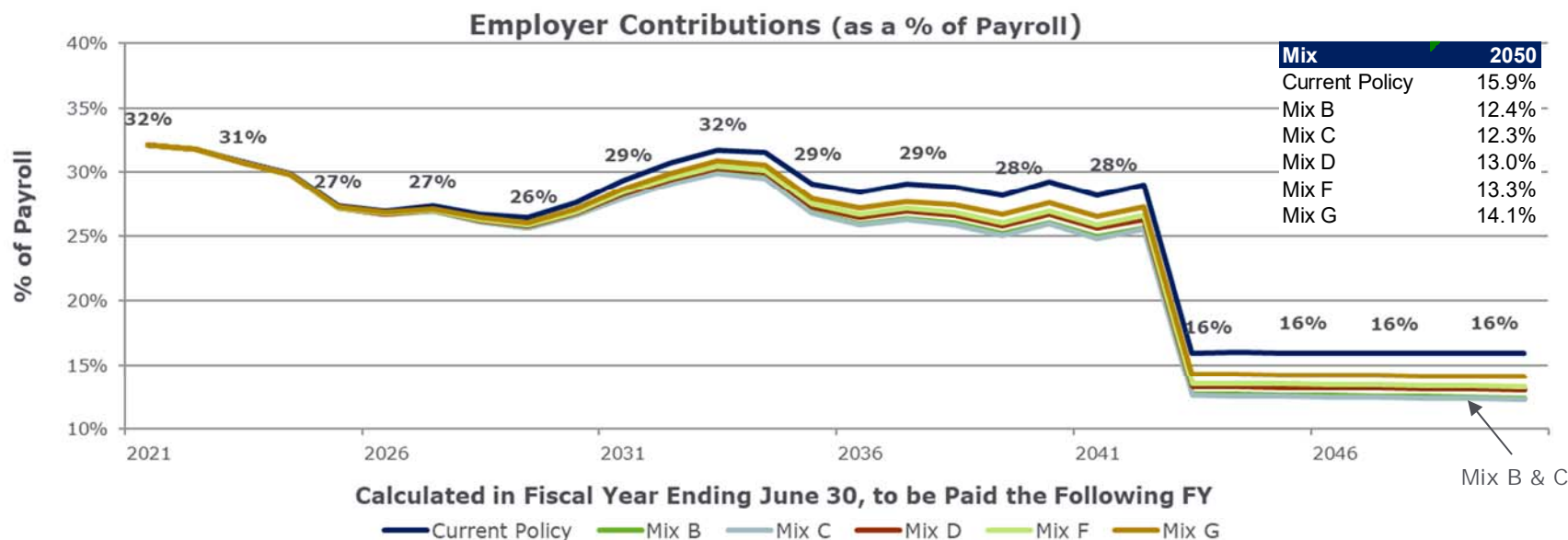
- This chart shows the contribution to asset volatility of each asset class based on standard deviation and correlations
- Public and private equity have the greatest contribution to portfolio risk, while diversification of asset classes serves to reduce overall volatility

# LONG-TERM EXPECTATIONS



- Mixes B and C result in higher funding ratios than the Current Policy due to their higher expected return
  - Results in an approximately 2% higher funded status than Current Policy over 30 years, but also add more risk
- Changes to the allocations are on the margins and will not have significant affect on long term funded status

# LONG-TERM EXPECTATIONS



- The Current Policy results in the highest contributions over the projection period
- Mixes B, C, and D produce lower contributions than the Current Target in each year, with a reduction of up to 3.6% of payroll in 30 years
- Employee contributions are projected to be 10.6% on a combined tier basis through 2026, then reduce to 9.6% and remain level over the remainder of the projection period



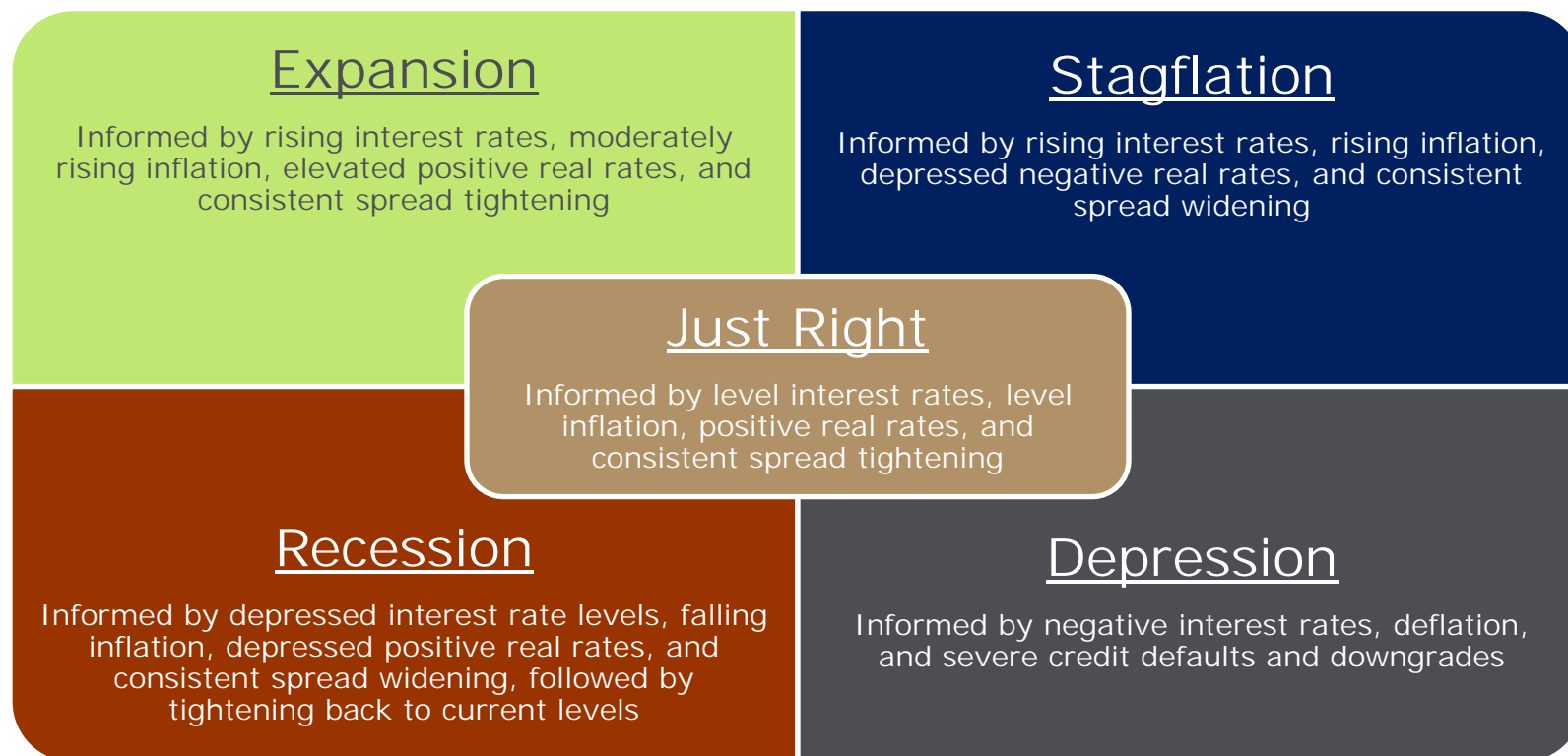
*Deterministic projections based on NEPC's 12-31-2020 30-year return assumptions.*

# SCENARIO ANALYSIS

# SCENARIO ANALYSIS: REGIME CHANGES

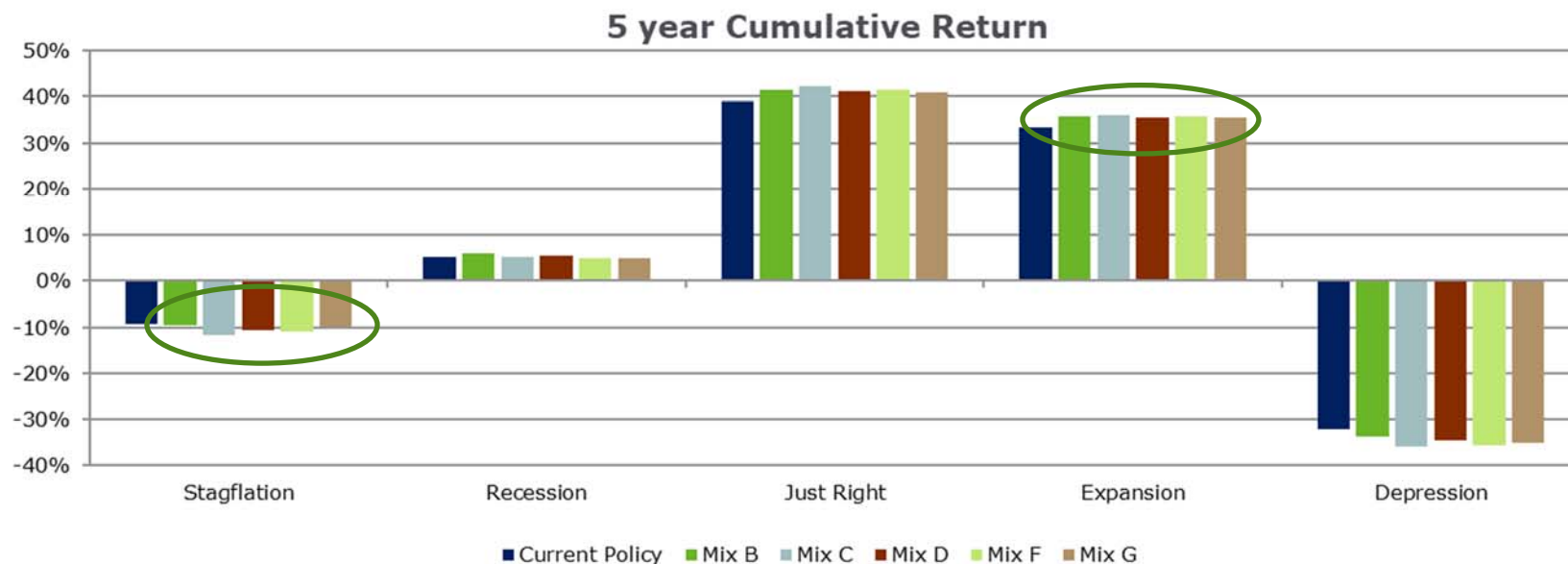
**NEPC scenario analysis highlights the impact of shifting economic and market regimes on the portfolio and potential asset allocation mixes**

Risk asset returns are informed by credit returns which are based on changes in real rate, inflation, and credit spreads experienced across market regimes



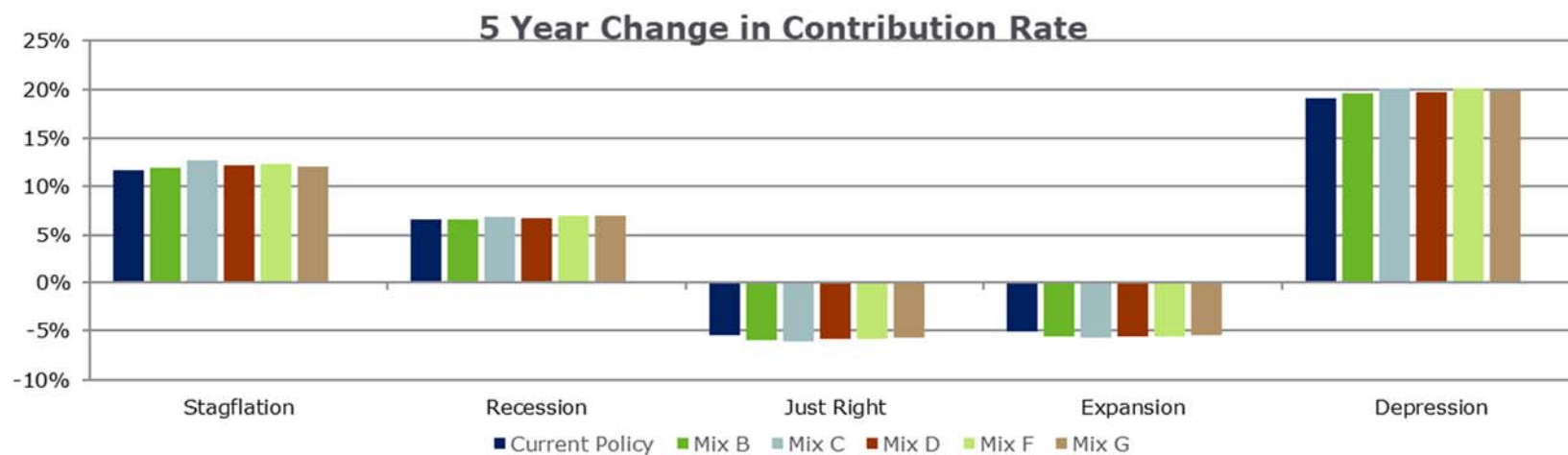
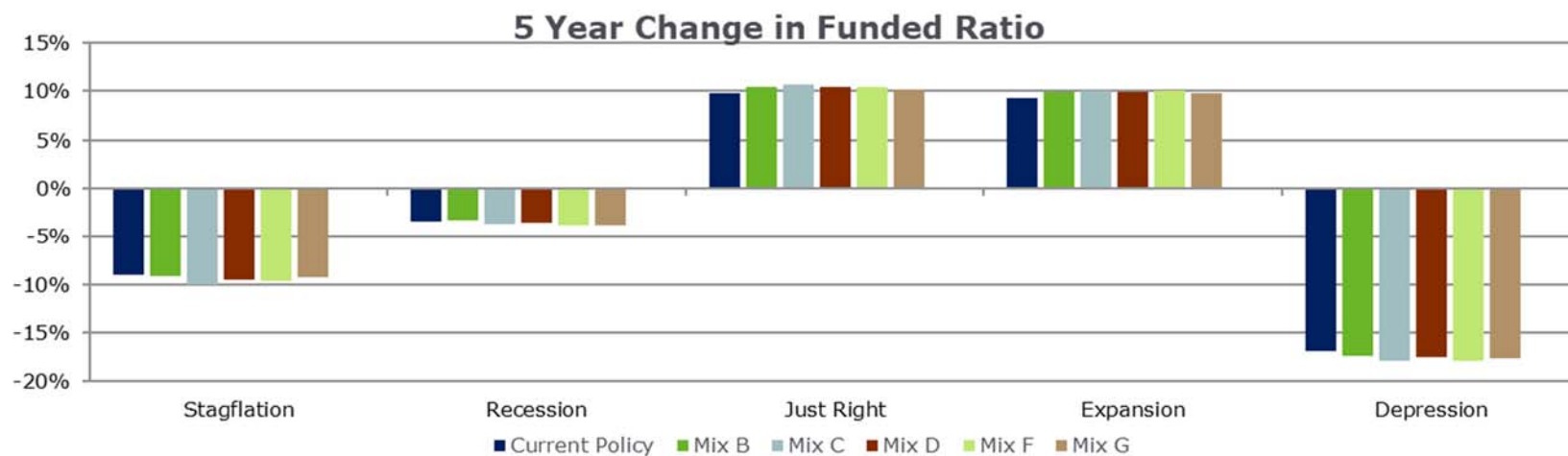


# ECONOMIC SCENARIOS



- The opportunity cost of adding risk assets can be seen in the scenarios
- Mix B and C outperform the Current Policy in strong economies, but lag the Current Policy in negative economies, with Mix C being the most volatile
- Mix B and F hold up well in inflationary environments such as Stagflation and Expansion
  - Outperforms Mix C in the negative Stagflation scenario, while keeping pace with Mix C under the Expansionary scenario

# ECONOMIC SCENARIOS



# FACTOR ANALYSIS

# WHAT IS FACTOR ANALYSIS?

- Factor analysis is a risk framework typically based on one of three different approaches:
- **Characteristic or style based**
  - May be used to seek historically demonstrated risk premia or quantify active management from prior returns
  - Examples of factors: value, size, momentum
- **Statistical**
  - Quantitative factors are derived by analyzing covariance of returns
  - May be used to highlight attractive trading opportunities within the portfolio
  - Example: Principal Component Analysis
- **Macroeconomic**
  - Identifies the portfolio's sensitivity to changes in macroeconomic conditions
  - Examples: Growth, Real Rates, Inflation
- **NEPC's factor analysis focuses on the broad *macroeconomic* sources of volatility that should be considered in setting asset allocation targets**

# THE PROS & CONS OF FACTOR ANALYSIS

## Benefits

- Avoid misleading diversification
- Improved perspective on where risk is being taken and how changing market conditions will impact the portfolio
- Understand benefits of adding new asset classes

## Challenges

- Quantifying an investment program's unique definition of risk factors, particularly inflation
- Traditional ways of "bucketing" asset classes may be difficult
- Still uses portfolio theory framework, which can oversimplify risk – particularly under shorter time periods

# NEPC'S MACROECONOMIC RISK FACTORS

- **We focus on five key underlying macroeconomic risk factors**
  - Sub-factors used for modeling purposes in order to express differences in risk outlook
- **Factor analysis is a risk exercise**
  - Complements asset class-based risk budgeting analysis
  - Investment recommendations also reflect how we expect an investor will be compensated for holding each risk factor
- **Volatility becomes a function of factor movements relative to expectations**
  - Example: Experience volatility when real rates rise more than expected; not necessarily when any rise occurs

Growth	Real Rates	Inflation	Currency	Illiquidity
Domestic Growth	Short Real Rates	Rising Global Inflation	Developed vs. Base	Contractual Illiquidity
Developed Int'l Growth	Intermediate Real Rates	Falling Global Inflation	Emerging vs. Base	Pricing Illiquidity
Emerging Growth	Long Real Rates			
IG Credit Spreads				
HY Credit Spreads				

# RISK/REWARD OF FACTOR EXPOSURES

## Growth

Common and easily obtainable source of return, but brings volatility that may be difficult to hedge away without sacrificing return

## Real Rates

Generally lower return and volatility than growth factor; may be a lone bright spot in low/negative growth environment

## Inflation

Sensitivity to changes in inflation is present in many core investments; can be partially offset through a real assets program

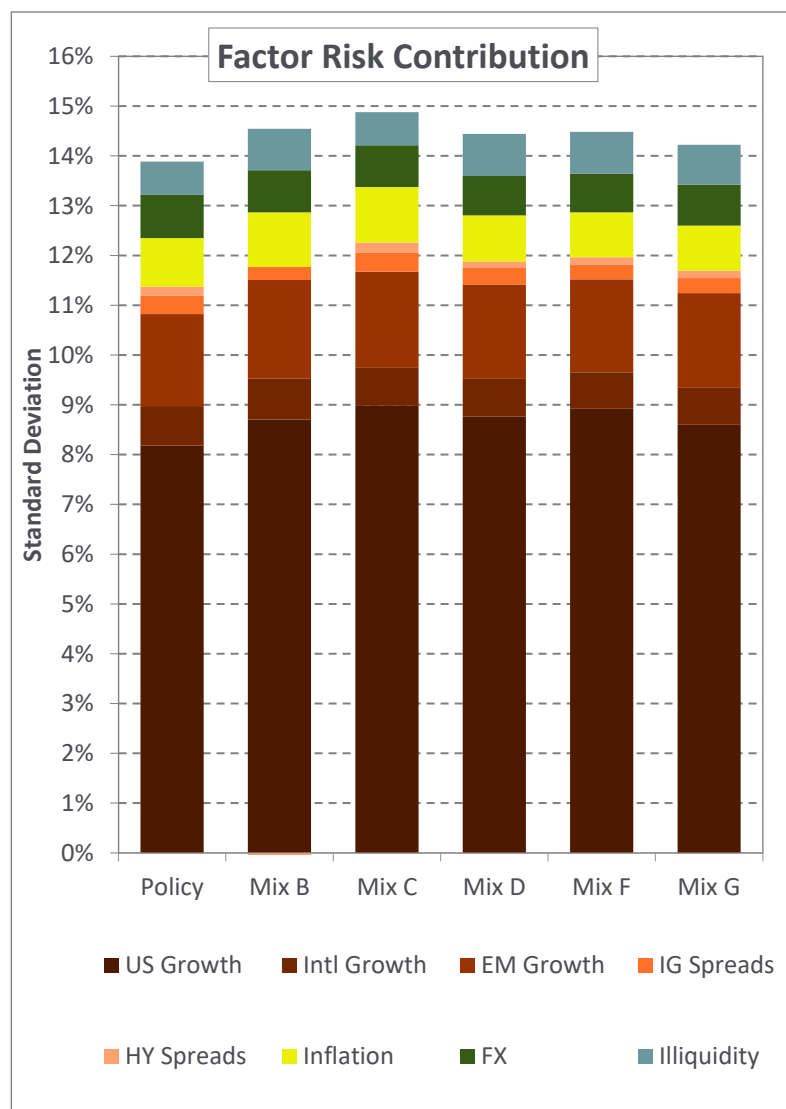
## Currency

Introduces additional volatility with a small risk premium from emerging currencies but without a positive expected return from developed currencies

## Illiquidity

Attractive supplemental return source from contractual lock-up periods or taking on investments with lower market liquidity, but may introduce additional risks beyond traditional measures of volatility

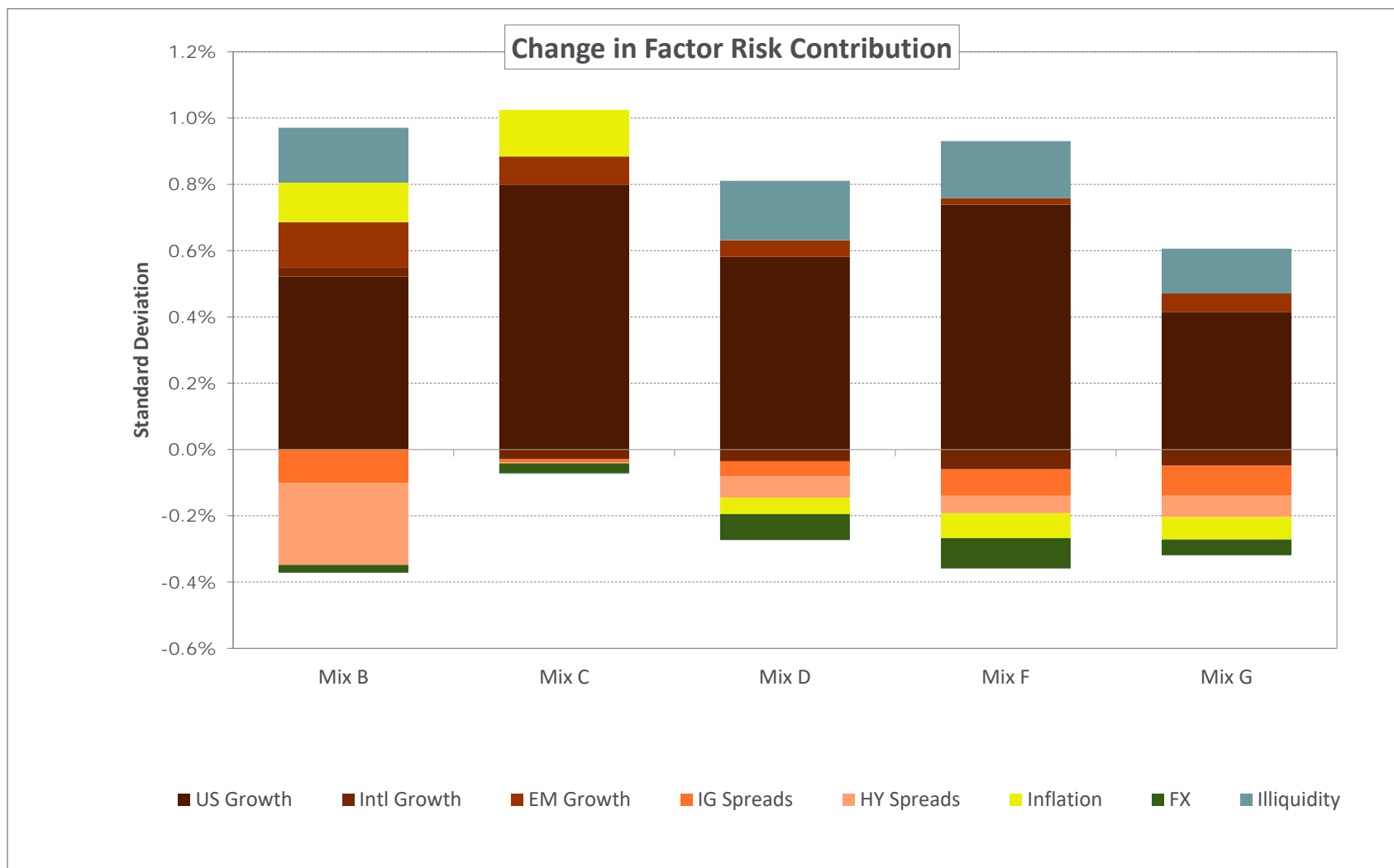
# FACTOR RISK PROFILE



- **Factor risk is dominated by growth exposure**
  - A common portfolio exposure as growth is the leading source of expected returns
  - US-dominated growth exposure with sizable exposure to Non-US growth
- **Moderate inflation exposure attributable to various fixed income and real asset investments**
- **FX exposure resulting from unhedged equity and debt positions**
- **The factor profiles are comparable among mixes, though the current policy has slightly lower volatility**

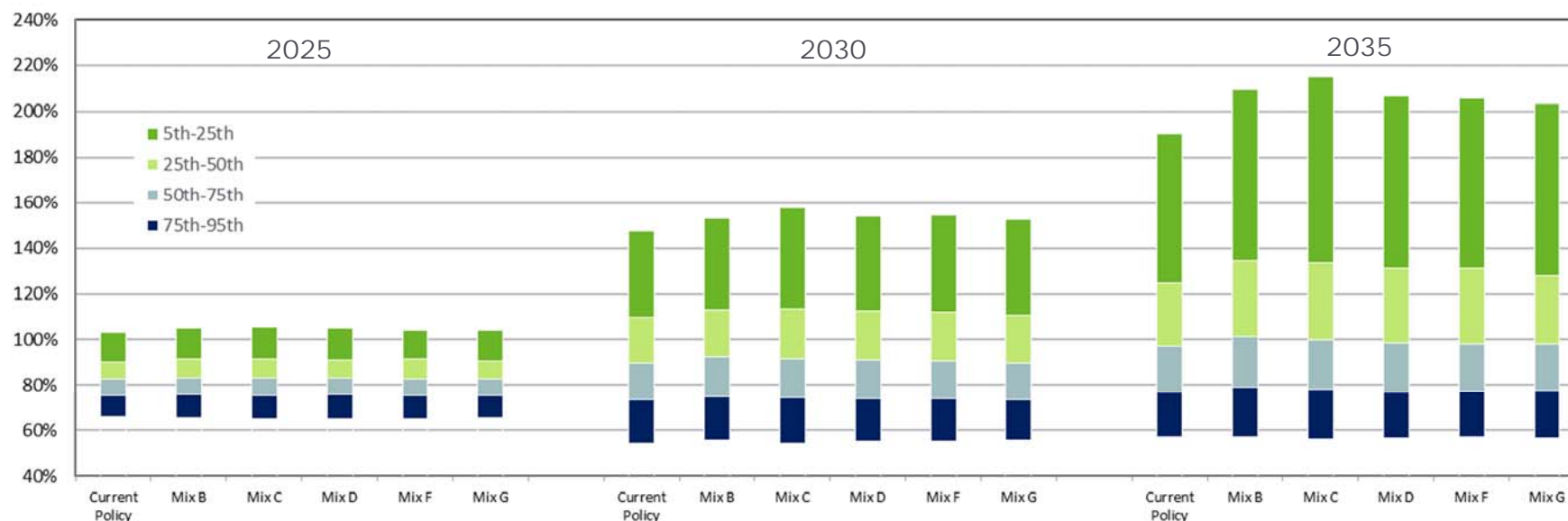


# CHANGE IN FACTOR RISK CONTRIBUTION



# STOCHASTIC ANALYSIS

# STOCHASTIC ANALYSIS FUNDED STATUS

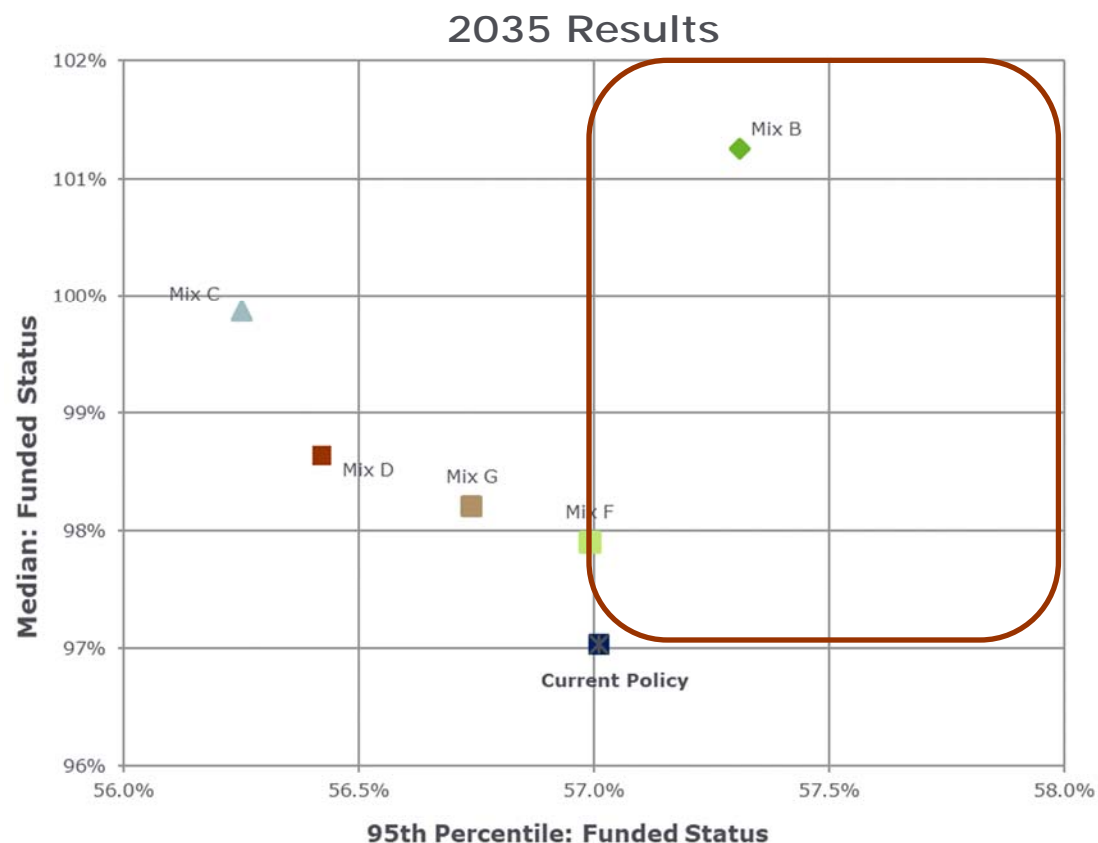


- Mix B results in the highest funded status at the median in 5, 10 and 15 years, as well as the highest funded status at the 95<sup>th</sup> percentile
- Each of the other mixes has a higher median funded status than the Current Policy, while increasing the range of outcomes to the upside, as contributions will increase as losses are amortized
- It is important to look at the median (50<sup>th</sup> percentile) and overall range of outcomes



Note: Analysis uses NEPC's 30-year expected return assumptions as of 12/31/20 for each allocation and annualized standard deviation

# STOCHASTIC ANALYSIS FUNDED STATUS

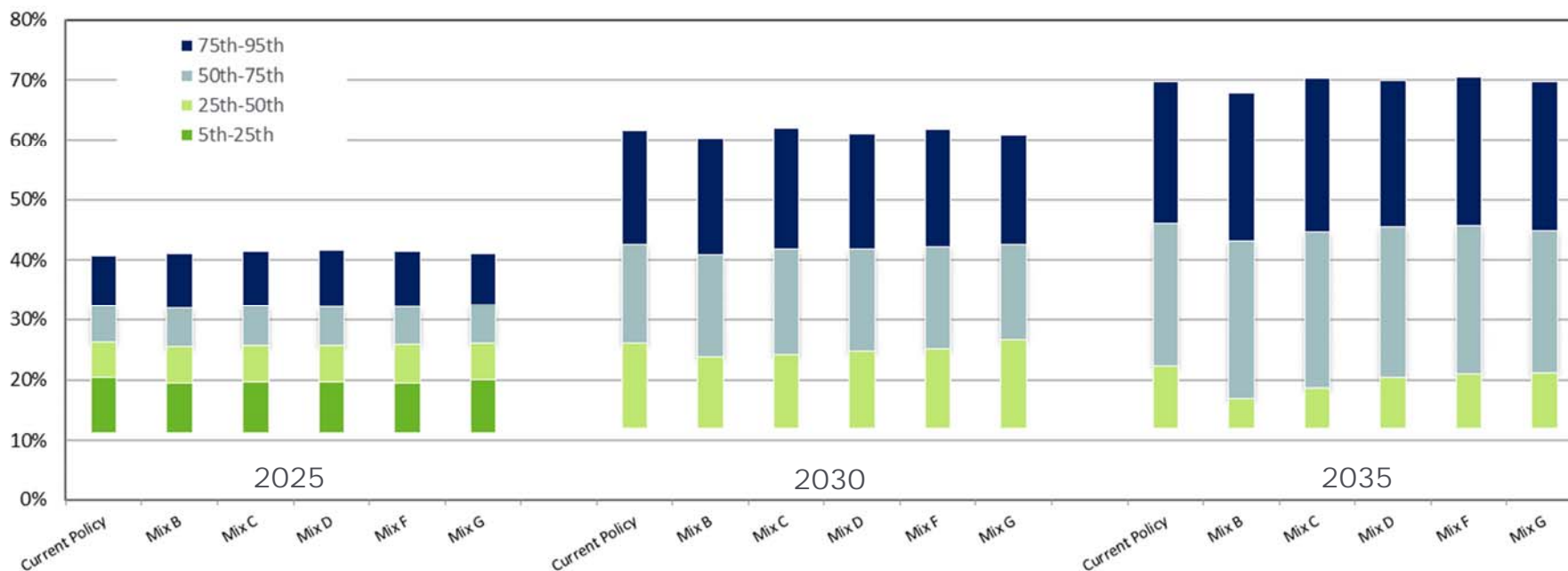


- Looking at the results from year 2035, all of the mixes result in a higher median funded status, with Mix B achieving the highest median funded status
- Mix B also achieves the highest funded status when looking at the 95<sup>th</sup> percentile, or worst case scenario



Note: Analysis uses NEPC's 30-year expected return assumptions as of 12/31/20 for each allocation and annualized standard deviation

# STOCHASTIC ANALYSIS EMPLOYER CONTRIBUTION RATE

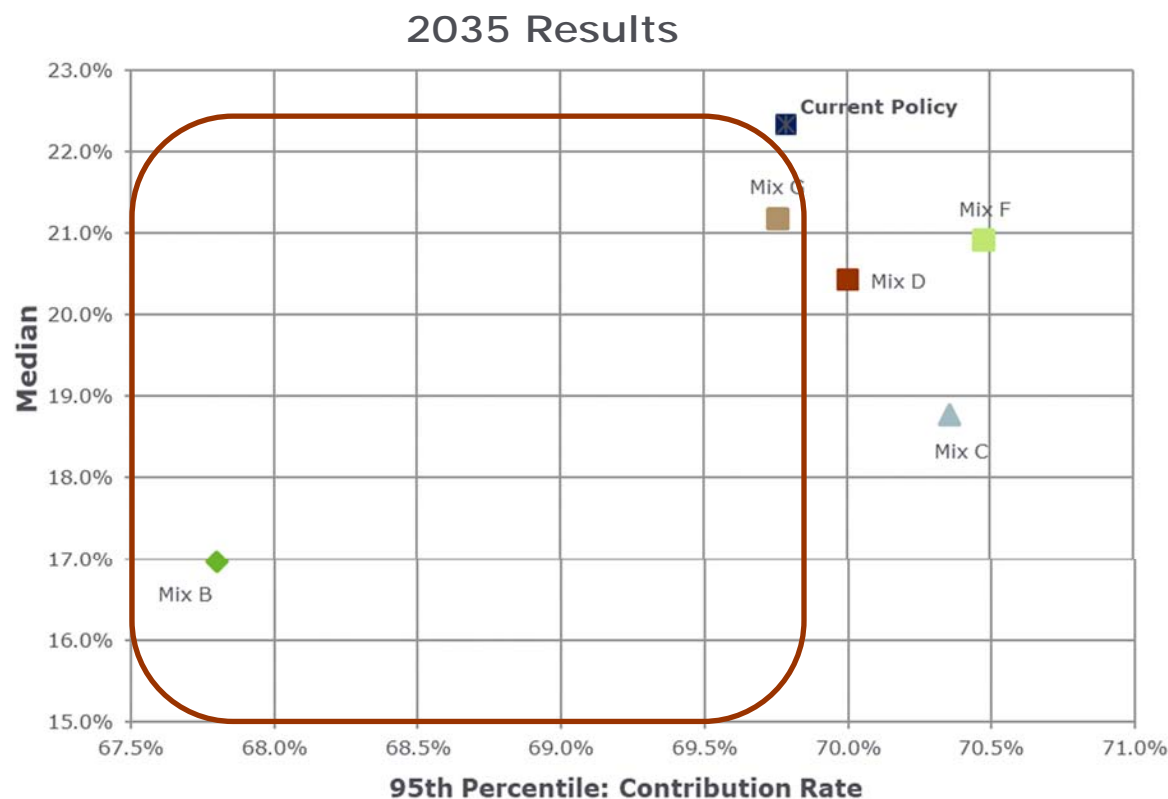


- Most of the mixes have similar results, allocation changes will have a small effect overall
- Mix B has the lowest contributions at the median in each year, and has the lowest contributions at the 95<sup>th</sup> percentile in 2030 and 2035
- Contributions have a floor of the Normal Cost, around 12% of payroll, which represents the additional benefits accruing each year for each participant



Note: Analysis uses NEPC's 30-year expected return assumptions as of 12/31/20 for each allocation and annualized standard deviation

# STOCHASTIC ANALYSIS EMPLOYER CONTRIBUTION RATE



- Looking at the results from year 2035, all of the alternative mixes result in lower median contribution rates than the Current Policy
- Mix B and Mix G also have lower contributions in the worst case scenario (95th percentile)



Note: Analysis uses NEPC's 30-year expected return assumptions as of 12/31/20 for each allocation and annualized standard deviation

# STOCHASTIC RESULTS

## Funded Status (Actuarial Valuation basis)

2025						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
5th	103.3%	105.1%	105.5%	105.5%	104.3%	104.2%
25th	90.4%	91.5%	91.5%	91.5%	91.5%	90.9%
Median	82.6%	83.3%	83.2%	83.2%	82.9%	82.6%
75th	75.5%	75.8%	75.2%	75.2%	75.5%	75.1%
95th	66.1%	65.7%	65.0%	65.0%	65.2%	65.5%

2030						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
5th	147.4%	153.2%	157.9%	154.1%	154.5%	152.7%
25th	109.9%	113.1%	113.6%	112.6%	112.0%	110.8%
Median	89.9%	92.5%	91.8%	91.1%	90.8%	89.6%
75th	73.4%	75.0%	74.3%	74.0%	73.7%	73.4%
95th	54.4%	55.8%	54.4%	55.5%	55.1%	55.6%

2035						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
5th	190.3%	209.3%	214.9%	206.7%	203.4%	149.4%
25th	124.9%	134.5%	133.4%	131.4%	127.8%	108.6%
Median	97.0%	101.3%	99.9%	98.6%	98.2%	86.7%
75th	76.6%	78.8%	78.1%	76.7%	77.7%	69.0%
95th	57.0%	57.3%	56.3%	56.4%	56.7%	48.8%

## Contributions (% of payroll)

2025						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
95th	40.7%	41.2%	41.5%	41.7%	41.4%	41.1%
75th	32.3%	32.0%	32.5%	32.1%	32.3%	32.6%
Median	26.2%	25.6%	25.7%	25.8%	25.9%	26.1%
25th	20.3%	19.5%	19.5%	19.6%	19.5%	19.9%
5th	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%

2030						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
95th	61.6%	60.3%	62.0%	61.1%	61.9%	60.9%
75th	42.5%	40.8%	41.9%	41.8%	42.3%	42.7%
Median	26.1%	23.8%	24.3%	24.8%	25.2%	26.6%
25th	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
5th	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%

2035						
	Current Policy	Mix B	Mix C	Mix D	Mix F	Mix G
95th	69.8%	67.8%	70.4%	70.0%	70.5%	69.8%
75th	46.1%	43.2%	44.6%	45.4%	45.7%	44.9%
Median	22.3%	17.0%	18.8%	20.4%	20.9%	21.2%
25th	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
5th	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%

# APPENDIX



# CORE GEOMETRIC RETURN ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Volatility
	Cash	0.8%	1.9%	0.6%
	US Inflation	2.0%	2.2%	-
Equity	US Large-Cap Equity	5.4%	6.3%	16.6%
	Non-US Developed Equity	5.9%	6.5%	19.7%
	Emerging Market Equity	7.5%	8.4%	28.7%
	<i>Global Equity*</i>	<i>6.2%</i>	<i>7.0%</i>	<i>18.1%</i>
	<i>Private Equity*</i>	<i>9.3%</i>	<i>10.1%</i>	<i>24.8%</i>
Fixed Income	US Treasury Bond	0.9%	2.0%	5.3%
	<i>US Aggregate Bond*</i>	<i>1.4%</i>	<i>2.7%</i>	<i>5.7%</i>
	US TIPS	1.0%	2.1%	5.8%
	US High Yield Corporate Bond	2.9%	5.0%	11.5%
	<i>Private Debt*</i>	<i>6.1%</i>	<i>7.5%</i>	<i>11.9%</i>
Real Assets	Commodity Futures	0.9%	3.3%	18.5%
	US REIT	5.5%	6.7%	21.4%
	Gold	2.9%	3.7%	16.4%
	Core Real Estate	4.4%	5.6%	15.0%
	Private Real Assets - Infrastructure	5.4%	6.6%	12.5%
Multi-Asset	<i>60% S&amp;P 500 &amp; 40% US Aggregate</i>	<i>4.1%</i>	<i>5.1%</i>	<i>10.3%</i>
	<i>60% MSCI ACWI &amp; 40% US Aggregate</i>	<i>4.6%</i>	<i>5.6%</i>	<i>11.1%</i>
	<i>Hedge Fund*</i>	<i>4.0%</i>	<i>5.2%</i>	<i>8.7%</i>

\*Calculated as a blend of other asset classes



# 12/31/20 CAPITAL MARKET ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Standard Deviation
MACRO	Inflation	2.0%	2.2%	—
	Cash	0.8%	1.9%	0.6%
	US Leverage Cost	1.2%	2.2%	0.7%
	Non-US Cash	0.0%	1.1%	0.6%
EQUITY	US Large-Cap Equity	5.4%	6.3%	16.6%
	US Small/Mid-Cap Equity	5.7%	6.6%	20.7%
	Non-US Developed Equity	5.9%	6.5%	19.7%
	Non-US Developed Equity (USD Hedge)	6.1%	6.7%	17.7%
	Non-US Developed Small-Cap Equity	6.1%	6.8%	22.5%
	Emerging Market Equity	7.5%	8.4%	28.7%
	Emerging Market Small-Cap Equity	8.1%	8.6%	31.5%
	<i>Global Equity*</i>	6.2%	7.0%	18.0%
	Hedge Fund – Equity	4.0%	5.0%	11.5%
	Private Equity – Buyout	7.6%	8.5%	18.5%
	Private Equity – Growth	8.9%	9.8%	31.0%
	Private Equity – Venture	10.4%	10.7%	45.0%
	Private Equity – Secondary	7.1%	8.0%	19.5%
	Non-US Private Equity	10.7%	10.7%	32.0%
	<i>Private Equity*</i>	9.3%	10.1%	24.8%
	China Equity	7.0%	7.8%	29.5%
	US Microcap Equity	6.6%	7.4%	25.0%



## 12/31/20 CAPITAL MARKET ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Standard Deviation
CREDIT	US TIPS	1.0%	2.1%	5.8%
	US Treasury Bond	0.9%	2.0%	5.3%
	US Corporate Bond	2.2%	3.7%	7.3%
	US Mortgage-Backed Securities	1.2%	2.3%	6.5%
	<i>US Aggregate Bond*</i>	1.4%	2.7%	5.7%
	US High Yield Corporate Bond	2.9%	5.0%	11.5%
	US Leveraged Loan	3.9%	4.8%	9.2%
	Emerging Market External Debt	3.0%	4.5%	13.0%
	Emerging Market Local Currency Debt	5.0%	5.1%	13.0%
	Non-US Government Bond	0.6%	1.7%	9.5%
	Non-US Government Bond (USD Hedge)	0.8%	1.9%	3.9%
	<i>Global Government Bond*</i>	0.7%	1.8%	7.9%
	<i>Global Government Bond (USD Hedge)*</i>	0.9%	2.0%	4.0%
	Non-US Inflation-Linked Bond (USD Hedge)	0.1%	1.1%	5.9%
	<i>Diversified Fixed Income*</i>	3.0%	4.3%	7.9%
	<i>Global Multi-Sector Fixed Income*</i>	3.0%	4.3%	7.9%
	<i>Absolute Return Fixed Income*</i>	2.5%	4.0%	6.0%
	US Municipal Bond	2.0%	2.3%	6.0%
	US Municipal Bond (1-10 Year)	1.1%	1.9%	4.5%
	US High Yield Municipal Bond	2.8%	3.9%	12.0%
	Hedge Fund - Credit	3.9%	5.3%	10.4%
	Private Debt - Credit Opportunities	6.2%	7.0%	14.0%
	Private Debt – Distressed	7.2%	7.8%	14.0%
	Private Debt - Direct Lending	5.4%	7.4%	11.5%
	<i>Private Debt*</i>	6.1%	7.5%	11.9%

# 12/31/20 CAPITAL MARKET ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Standard Deviation
CREDIT	US Short-Term TIPS (1-3 Year)	1.1%	2.0%	3.2%
	US Short-Term Treasury Bond (1-3 Year)	1.0%	2.0%	2.1%
	US Short-Term Corporate Bond (1-3 Year)	1.8%	3.7%	3.0%
	US Short-Term High Yield Corporate Bond (1-3 Year)	2.5%	3.5%	8.6%
	US Intermediate-Term TIPS (3-10 Year)	1.0%	2.1%	5.4%
	US Intermediate-Term Treasury Bond (3-10 Year)	0.9%	2.1%	5.4%
	US Intermediate-Term Corporate Bond (3-10 Year)	2.3%	3.8%	7.6%
	US Long-Term Treasury Bond (10-30 Year)	0.7%	1.9%	11.5%
	US Long-Term TIPS (10-30 Year)	1.0%	2.0%	10.9%
	US Long-Term Corporate Bond (10-30 Year)	2.3%	3.8%	11.5%
	20+ Year US Treasury STRIPS	0.4%	1.7%	21.2%
	<i>US Long-Term Government/Credit*</i>	1.7%	3.1%	10.6%
	US Corporate Bond - AAA	1.5%	2.8%	5.9%
	US Corporate Bond – AA	1.6%	2.9%	5.9%
	US Corporate Bond – A	1.9%	3.3%	7.2%
	US Corporate Bond – BBB	2.5%	3.9%	8.0%
	US Corporate Bond – BB	3.9%	5.6%	9.9%
	US Corporate Bond – B	3.0%	4.9%	12.1%
	US Corporate Bond - CCC/Below	-3.4%	-0.8%	21.7%
	US Securitized Bond	1.8%	3.1%	9.0%
	US Collateralized Loan Obligation	2.3%	3.3%	7.5%
	US High Yield Securitized Bond	2.3%	4.5%	11.0%
	US High Yield Collateralized Loan Obligation	4.6%	5.7%	11.0%
	US Taxable Municipal Bond	2.5%	3.9%	7.5%
	10 Year US Treasury Bond	0.9%	2.3%	7.4%
	10 Year Non-US Government Bond (USD Hedge)	-0.1%	1.1%	5.1%

# 12/31/20 CAPITAL MARKET ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Standard Deviation
REAL ASSETS	Commodity Futures	0.9%	3.3%	18.5%
	Midstream Energy	7.4%	7.3%	27.0%
	<i>Public Real Assets (Multi-Asset) *</i>	4.4%	5.6%	14.2%
	US REIT	5.5%	6.7%	21.4%
	Global Infrastructure Equity	5.9%	6.6%	20.4%
	Global Natural Resources Equity	6.7%	7.0%	22.8%
	Gold	2.9%	3.7%	16.4%
	Core Real Estate	4.4%	5.6%	15.0%
	Non-Core Real Estate	5.5%	7.0%	21.0%
	Private Debt - Real Estate	4.1%	5.2%	11.0%
	Private Real Assets - Natural Resources	8.0%	8.5%	32.0%
	Private Real Assets – Infrastructure	5.4%	6.6%	12.5%
MULTI-ASSET	Hedge Fund – Macro	3.6%	4.7%	9.2%
	<i>Hedge Fund*</i>	4.0%	5.2%	8.7%
	<i>60% S&amp;P 500 &amp; 40% US Aggregate Bond*</i>	4.1%	5.1%	10.3%
	<i>60% MSCI ACWI &amp; 40% US Aggregate Bond*</i>	4.6%	5.6%	11.1%



# INFORMATION DISCLAIMER

- Past performance is no guarantee of future results.
- The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.
- This report is provided as a management aid for the client's internal use only. This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.



# ALTERNATIVE INVESTMENT DISCLOSURES

It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 11, 2021**

**ITEM: VII – D**

*Neil M. Guglielmo*

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH NEUBERGER BERMAN INVESTMENT ADVISERS LLC REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

**ACTION:** ☒ **CLOSED:** ☐ **CONSENT:** ☐ **RECEIVE & FILE:** ☐

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**Recommendation**

That the Board approve the termination of the contract with Neuberger Berman Investment Advisers LLC for management of an active core fixed income portfolio.

**Executive Summary**

Neuberger Berman Investment Advisers LLC (Neuberger Berman) has managed various fixed income mandates for LACERS since November 1990. LACERS' portfolio was valued at \$856 million as of April 30, 2021. Neuberger Berman's current contract expires on June 30, 2021. Neuberger Berman rebid for its mandate under the recently completed Core Fixed Income Mandate Search but was not among the firms recommended for contract award. Staff recommends termination of the Neuberger Berman contract to allow for the transition of assets to the firms selected for contract award by the Board.

**Discussion**

Neuberger Berman manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index. Neuberger Berman and its predecessor firm have managed various fixed income mandates for LACERS since November 1990. The most recent contract extension was authorized by the Board on March 24, 2020 and expires on June 30, 2021. LACERS' portfolio was valued at \$856 million as of April 30, 2021.

On October 23, 2018, the Board approved the Core Fixed Income Mandate Search to evaluate the current marketplace for this strategy. The search opened on August 19, 2019, and closed on October 4, 2019. LACERS' four incumbent active core fixed income managers, including Neuberger Berman, were required to rebid for their mandates under this search. Seven firms, including Neuberger Berman, advanced as finalists in this search; the finalist firms were interviewed by the Investment Committee at special meetings held on December 9 and 10, 2020. As a result of the interviews and discussions with staff and NEPC, LLC, LACERS' General Fund Consultant, the Investment Committee recommended five firms to advance to the Board for contract award: Robert W. Baird & Co., Inc. (Baird), Garcia



Hamilton & Associates, L.P. (GHA), Income Research & Management (IRM), J.P. Morgan Asset Management (JPMAM), and Loomis, Sayles & Company, L.P. (Loomis Sayles). Neuberger Berman was not among the firms recommended for contract award. The Board approved the Committee's recommendation and awarded contracts to the five firms on January 26, 2021.

Contracts with the newly approved core fixed income managers are currently being finalized for execution. Accordingly, staff recommends termination of the Neuberger Berman contract now in order to initiate the 30-day written notice of termination clause and prepare for the transition of Neuberger Berman's assets to Loomis, Baird, GHA, IRM and JPMAM.

### **Strategic Alignment**

The contract termination with Neuberger Berman and transition of the assets to Loomis, Baird, GHA, IRM and JPMAM will allow the fund to maintain a diversified exposure to the core fixed income market, and align with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the transition of assets and the funding of the core fixed income strategy under the newly hired investment managers align with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP

Attachment:           1. Proposed Resolution

CONTRACT TERMINATION  
NEUBERGER BERMAN INVESTMENT ADVISERS LLC  
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current contract with Neuberger Berman Investment Advisers LLC (Neuberger Berman) for active core fixed income portfolio management expires on June 30, 2021; and,

WHEREAS, Neuberger Berman rebid for its mandate under the 2019-2021 Core Fixed Income Mandate Search and was among seven finalist firms interviewed by the Investment Committee at special meetings held on December 9 and 10, 2020; and,

WHEREAS, Neuberger Berman was not among the five firms recommended by the Committee to the Board for contract award; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award contracts to Robert W. Baird & Co., Inc. (Baird), Garcia Hamilton & Associates, L.P. (GHA), Income Research & Management (IRM), J.P. Morgan Asset Management (JPMAM), and Loomis, Sayles & Company, L.P. (Loomis Sayles); and,

WHEREAS, on May 11, 2021, the Board approved the staff recommendation to terminate the contract with Neuberger Berman and transition the assets to Loomis, Baird, GHA, IRM and JPMAM.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the contract with Neuberger Berman and the transition of assets to Loomis, Baird, GHA, IRM and JPMAM.

May 11, 2021



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

**MEETING: MAY 11, 2021**

**ITEM: VII – E**

*Neil M. Guglielmo*

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC  
REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME  
PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

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**Recommendation**

That the Board approve the termination of the contract with LM Capital Group, LLC for management of an active domestic fixed income portfolio.

**Executive Summary**

LM Capital Group, LLC (LM Capital) has managed an active domestic fixed income portfolio for LACERS since March 2005. LACERS' portfolio was valued at \$353 million as of April 30, 2021. LM Capital's current contract expires on February 28, 2023. LM Capital rebid for its mandate under the recently completed Core Fixed Income Mandate Search but did not progress in the search to be considered for contract award. Staff recommends termination of the LM Capital contract to allow for the transition of assets to the firms selected for contract award by the Board.

**Discussion**

LM Capital manages an active domestic fixed income portfolio for LACERS benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index. LM Capital was hired by the Board in January 2005 following a request for proposal process and the contract became effective on April 1, 2005. The most recent contract renewal was authorized by the Board on August 28, 2018, and expires on February 28, 2023. LACERS' portfolio was valued at \$353 million as of April 30, 2021.

On October 23, 2018, the Board approved the Core Fixed Income Mandate Search to evaluate the current marketplace for this strategy. The search opened on August 19, 2019, and closed on October 4, 2019. LACERS' four incumbent active core fixed income managers, including LM Capital, were required to rebid for their mandates under this search. Following an evaluation of the proposals received, eight firms advanced as semi-finalists; LM Capital was not among the firms selected as semi-finalists and received no further consideration in the search process.

Seven firms advanced as finalists in this search; the finalist firms were interviewed by the Investment Committee at special meetings held on December 9 and 10, 2020. As a result of the interviews and

discussions with staff and NEPC, LLC, LACERS' General Fund Consultant, the Committee recommended five firms to advance to the Board for contract award: Robert W. Baird & Co., Inc. (Baird), Garcia Hamilton & Associates, L.P. (GHA), Income Research & Management (IRM), J.P. Morgan Asset Management (JPMAM), and Loomis, Sayles & Company, L.P. (Loomis Sayles). The Board approved the Committee's recommendation and awarded contracts to the five firms on January 26, 2021.

Contracts with the newly approved core fixed income managers are currently being finalized for execution. Staff recommends termination of the LM Capital contract now in order to initiate the 30-day written notice of termination clause and prepare for the transition of LM Capital's assets to Loomis, Baird, GHA, IRM and JPMAM.

### **Strategic Alignment**

The contract termination with LM Capital and transition of the assets to Loomis, Baird, GHA, IRM and JPMAM will allow the fund to maintain a diversified exposure to the core fixed income market, and align with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the transition of assets and the funding of the core fixed income strategy under the newly hired investment managers align with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP

Attachment: 1. Proposed Resolution

CONTRACT TERMINATION  
LM CAPITAL GROUP, LLC  
ACTIVE DOMESTIC FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current contract with LM Capital Group, LLC (LM Capital) for active domestic fixed income portfolio management expires on February 28, 2023; and,

WHEREAS, LM Capital rebid for its mandate under the 2019-2021 Core Fixed Income Mandate Search, but following an evaluation of proposals, was not among the firms selected as semi-finalists and thus received no further consideration in the search process; and,

WHEREAS, on January 26, 2021, the Board approved the Investment Committee's recommendation to award contracts to Robert W. Baird & Co., Inc. (Baird), Garcia Hamilton & Associates, L.P. (GHA), Income Research & Management (IRM), J.P. Morgan Asset Management (JPMAM), and Loomis, Sayles & Company, L.P. (Loomis Sayles); and,

WHEREAS, on May 11, 2021, the Board approved the staff recommendation to terminate the contract with LM Capital and transition the assets to Loomis, Baird, GHA, IRM and JPMAM.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the termination of the contract with LM Capital and the transition of assets to Loomis, Baird, GHA, IRM and JPMAM.

May 11, 2021