

LACERS PERFORMANCE BUDGET

Fiscal Year
2024 - 25



Board Presentation of May 28, 2024



www.lacers.org

TABLE OF CONTENTS

- 01** Introduction
- 02** Budget Overview
- 03** Administrative Expenses
- 09** Annual Business Plan
- 27** Capital Expense Budget
- 28** City Contributions
- 30** Investment Management
Fees and Expenses

LACERS marked its one year anniversary on March 6, 2024 since the official occupation of the new office Headquarters. Over the past year, LACERS has made significant investments in resources and initiatives to better serve the Plan and Member Experience as we welcome back our Members to in-person services. At the same time, LACERS has continued to work diligently with other City departments to ensure the successful implementation of the City's Human Resources and Payroll (HRP) project, which aims to replace the City's legacy payroll system, PaySR. However, upon staff's participation in the project testing for the past year, many concerns have been raised in relation to base functionalities, data conversion, integration files, etc., which all impact LACERS' ability in processing retirements, receiving Member contributions, and other payroll deductions. The currently anticipated launch date of HRP is June 2024 and with many of the issues remaining unresolved, it is believed that LACERS will need to manage and reconcile a substantial number of errors once the project goes live. In October 2023, the Board supported seeking additional staffing resources. Despite the additional resources, challenges persist due to limited hiring lists and the race against the impending HRP launch date.

As evidenced by the City Administrator's Mid-Year Financial Status Report dated March 18, 2024, the City is experiencing significant financial challenges. LACERS FY25 Proposed Administrative Budget employs belt-tightening measures that allow LACERS to continue to address the most pressing needs while offsetting these resources with salary savings and other reductions. LACERS FY25 Business Plan primarily supports ongoing initiatives including the Mayor's Language Access Plan directive, HRP Post Go Live support, and the development of a Central Data Repository to house data and reporting with the addition of one new initiative, LACERS Business Continuity Plan, to ensure that LACERS is properly equipped and trained to continue operations under unforeseeable circumstances.

The budget reflects our mission, vision, and strategic goals. We look forward to maintaining our quality service to our Members and continue to promote financially sound investments.

	FY25	FY24	CHANGE	% CHANGE
City Contribution	\$ 850,400,480	\$ 823,897,034	\$ 26,503,446	3.2
Investment Management Fees & Expenses	\$ 141,191,690	\$ 129,674,876	\$ 11,515,814	8.9
Administrative Expenses	\$ 46,738,937	\$ 44,436,683	\$ 2,302,254	5.2
Health Care Fund Administrative Expense	\$ 1,032,000	\$ 1,035,000	\$ (3,000)	(0.3)
Regular Position Authorities	195	195	0	0.0

Budget Overview

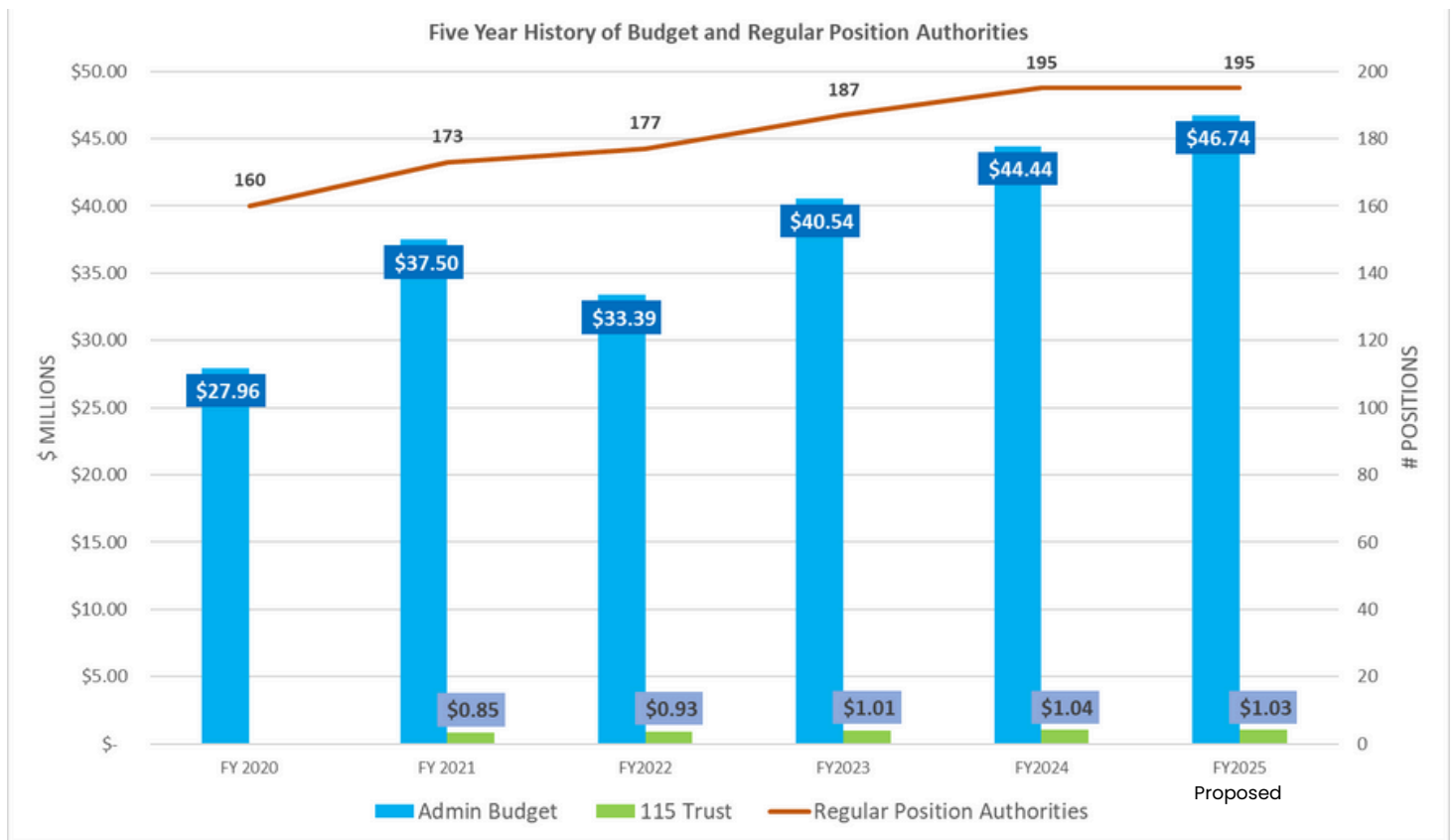
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget, which is due to City Council by April 20 and finalized by June for the fiscal year beginning July 1st. The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

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

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

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

Administrative Expense Budget

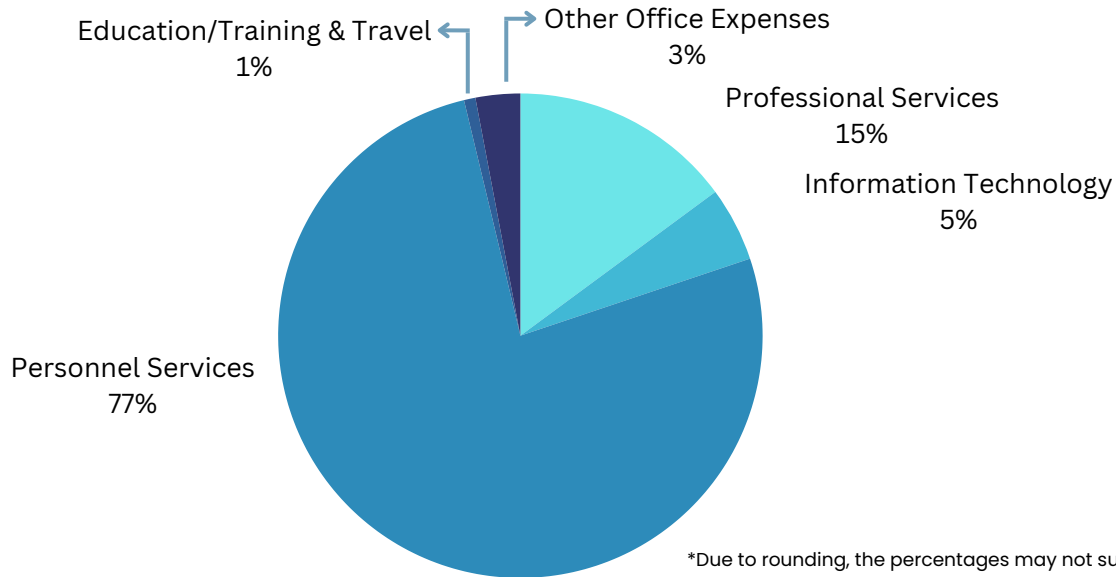


The Administrative Expense Budget of \$46.74 million reflects a net increase of \$2.30 million, or 5.2% over the FY24 base budget. Obligatory changes to the budget account for \$2.79 million in increases over the FY24 adopted budget. This includes \$0.76 million in salary rate increases and excess leave pay due to recent labor union negotiations, \$0.31 million for cost of living adjustments, and \$1.4 million for the restoration of salary savings (See Summary of Changes table, [page 4](#)). Obligatory costs are partially offset by the adoption of an 8% salary savings rate equivalent to \$2.07 million, and \$0.49 million in one-time and various expense reductions. The Budget invests \$1.95 million in core services and \$0.14 million to fund four ongoing Business Plan Initiatives (BPI) and one new initiative: Governance Initiative, Language Access Plan Initiative, Central Data Repository, City Human Resources and Payroll System Implementation, and the Business Continuity Plan (See 2024-25 Annual Business Plan, starting on [page 9](#)).

Summary of Changes

Category	Item	Dollars	Positions	
			Regular	Substitute
2023-24 Adopted Budget		\$ 44,436,683	195	23
Obligatory Changes		2,793,098	-	-
	Cost-of-Living Adjustment	311,870	-	-
	Restoration of Salary Savings	1,430,428		
	Salary Rate Increases, Turnover, Excess Leave Pay	761,082	-	-
	Part-Time Salaries	72,559	-	-
	LACERS' Employer Share of Retirement Contributions	(196,200)	-	-
	LACERS' Share of Employee Benefits	289,820	-	-
	LACERS' Share of City Attorney and Outside Legal Counsel	123,539	-	-
Deletion of One-Time Funding		(364,535)	-	-
	Deletion of Funding for One-Time Services, Expenses, & Equipment	(364,535)	-	-
Efficiencies to Services		(2,189,277)	-	-
	Salary Savings Rate Adjustment [8%]	(2,065,777)	-	-
	Expense Account Savings	(123,500)	-	-
Continuation of Services		1,923,223	-	-
	Investment Program Expenses	6,980	-	-
	Benefits Administration Expenses	524,325	-	2
	General Administration & Support Expenses	1,391,918	-	7
New/Enhanced Services		139,746	-	-
	City HRP System Implementation	88,946	-	1
	Central Repository	36,000	-	-
	Business Continuity Plan	14,800	-	-
Total Changes		\$ 2,302,254	-	10
2024-25 Proposed Budget		\$ 46,738,937	195	33

FY25 Allocation of Expenses



This budget year maintains the level of Personnel resources, however obligatory personnel costs have increased mainly due to the recent labor union concessions for increases in salaries and benefits.

In the five major categories of expenses, Personnel Services account for 77% of the FY25 budget (+5.4% total expense year-over-year (YOY)). Professional Services comprise 15% of the budget (-0.2% total expense YOY) followed by Office Expenses at 3% of the budget (+15.0% total expense YOY). Information Technology is 5% of the budget (+16.0% total expense YOY) and finally Education/Training and Travel are 1% of the budget (-4.9% total expense YOY).

The Administrative Budget Detail includes the following notable items:

- Salary increases by \$1.7 million (+7.3% YOY) and Employee Benefits increase by \$93,620 (+0.9% YOY). The increase in Employee Benefits coincide with the increase in requested positions and corresponding salaries. A salary savings rate of \$2.07 million (8%) is applied to account for vacancies and partial funding for new positions.
- Actuarial Services increase by \$50,000 (+13.9% YOY) due to the exploration of alternative models for the Larger Annuity Plan and to conduct an actuarial review of the pension administration system's calculations to ensure accuracy and compliance with regulatory standards.
- Audit Services increase by \$14,000 (+7.5% YOY) for penetration testing to identify vulnerabilities within LACERS' computer systems. This results of the test will aid in the enhancements of the operations' cyber defense.
- Professional Services, such as Disability Services and Benefit Payroll Processing Services, increase \$50,000 (+33.3% YOY) and \$25,000 (+9.1% YOY) respectively to maintain existing services due to increases in material cost and physician rate costs. Retiree Health Admin. Consulting increases by \$50,000 (+7.1% YOY) to review and update the Health Benefits Guide.
- Computer Hardware increases by \$111,000 (+47.8% YOY) as a result of a laptop replacement program to mitigate downtime as equipment meets maximum life span. Computer Software increases by \$111,184 (+17.4% YOY) and Other Computer Consulting increases by \$53,500 (+33.6%) largely due to the procurement and development of a new budget software.

FY25 Allocation of Expenses

- Transportation Expenses increase by \$149,000 (+647.8% YOY) due to the anticipated implementation of a robust Transit Benefit Program, which includes staff parking, transit subsidy reimbursement, and other commuter benefits. Staff are currently working out the details of this program.
- Office Space increases by \$120,000 (+100% YOY) for the procurement of armed guard services to provide protection and ensure security of personnel and property. On the other hand, Furniture and Other Equipment Services decrease by \$53,500 (-27.4% YOY) as the one-time purchase of a Magnetometer and first floor buildout has been completed.

Additional items to note include:

- The budget for the 115 Trust Administrative Expense is shown in the table following the Administrative Expense Budget. The 115 Trust Fund was established in 2018 to better manage future costs and decrease future tax liability for LACERS health and welfare benefits. The 115 Trust Budget pays for administrative expenses including third party fees charged for the administration of Self-Funded Dental and Vision benefit claims, audit fee, legal counsel cost, and the Fund's share in LACERS' overall administrative expenses. The Proposed 115 Trust Budget for direct administrative expenses of \$1,032,000 represents a decrease of \$3,000 (-0.3% YOY).
- This budget invests in the continuation of 32 substitute authority positions and adding 1 new substitute authority position. The purpose of and justifications for these positions begin on [page 8](#).
- The budget funds programs currently underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as continuing four initiatives in the FY25 Business Plan including the Language Access Plan Initiative, Governance Initiative centered on strategic planning, Central Data Repository initiative, and City HRP System Implementation, plus a new Business Continuity Plan initiative.

Detail of Administrative Expenses

	City Account Number	FY2024-25 Proposed Budget	FY2023-24 Adopted Budget	Budget \$ Change	Budget % Change
FUND 800: ADMINISTRATIVE EXPENSE BUDGET					
Personnel Services					
601	Salaries	101	\$ 25,097,304	\$ 23,387,186	\$ 1,710,118 7.3%
602	Overtime	109	459,669	423,675	35,994 8.5%
605	Employee Benefits	175	10,297,500	10,203,880	93,620 0.9%
Personnel Services Total		\$ 35,854,473	\$ 34,014,741	\$ 1,839,732	5.4%
Professional Services					
611	Actuarial Service	304	\$ 410,000	\$ 360,000	\$ 50,000 13.9%
612	Audit Services	304	200,500	186,500	14,000 7.5%
613	Legal Services	304	1,381,586	1,258,997	122,589 9.7%
614	Disability Services	304	200,000	150,000	50,000 33.3%
615	Other Consulting	304	3,642,903	3,965,755	(322,852) -8.1%
616	Benefit Payroll Processing Servs.	304	300,000	275,000	25,000 9.1%
617	Retiree Health Adm. Consultant	304	750,000	700,000	50,000 7.1%
Professional Services Total		\$ 6,884,989	\$ 6,896,252	\$ (11,263)	-0.2%
Information Technology					
622	Pension Adm. System Vendor	304	\$ 542,750	\$ 547,687	\$ (4,937) -0.9%
623	Computer Hardware	730	343,100	232,100	111,000 47.8%
624	Computer Software	601	751,843	640,659	111,184 17.4%
625	Computer Maint. & Support	601	401,289	360,989	40,300 11.2%
626	Other Computer Consulting	304	212,500	159,000	53,500 33.6%
Information Technology Total		\$ 2,251,482	\$ 1,940,435	\$ 311,047	16.0%
Training & Related Travel					
604	Employee Development	601	\$ 135,045	\$ 141,415	\$ (6,370) -4.5%
634	Conferences & Travel	213	222,550	234,590	(12,040) -5.1%
Training & Related Travel Total		\$ 357,595	\$ 376,005	\$ (18,410)	-4.9%
Office Expenses					
606	Transportation Expenses	331	\$ 172,000	\$ 23,000	\$ 149,000 647.8%
631	Printing and Binding	212	119,500	144,500	(25,000) -17.3%
632	Postage	601	195,950	193,950	2,000 1.0%
633	Telephone and Utilities	601	72,600	60,600	12,000 19.8%
635	Office Space	304	120,000	-	120,000 100.0%
636	Office Equipment Services	304	60,000	60,000	- 0.0%
651	Petty Cash	601	6,000	6,000	- 0.0%
652	Board Member Election Expense	601	61,600	65,000	(3,400) -5.2%
653	Furniture and Other Equipment	730	141,500	195,000	(53,500) -27.4%
655	Other Office Expense	601	175,260	161,425	13,835 8.6%
656	Membership Dues & Subscriptions	601	127,988	172,775	(44,787) -25.9%
658	Promotional Supplies	601	8,000	6,000	2,000 33.3%
659	Insurance Expense	304	130,000	121,000	9,000 7.4%
Office Expenses Total		\$ 1,390,398	\$ 1,209,250	\$ 181,148	15.0%
TOTAL ADMINISTRATIVE EXPENSE BUDGET		\$ 46,738,937	\$ 44,436,683	\$ 2,302,254	5.2%
FUND 871: 115 TRUST EXPENSE BUDGET					
612	Audit and Consulting CPA	304	10,000	10,000	- 0.0%
613	Legal	304	10,000	15,000	(5,000) -33.3%
660	Self-Funded Insurance Admin Fee	304	1,012,000	1,010,000	2,000 0.2%
TOTAL 115 TRUST EXPENSE BUDGET		\$ 1,032,000	\$ 1,035,000	\$ (3,000)	-0.3%

Summary of Changes in Personnel



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

DIVISION/SECTION	2023-24 Adopted Budget	Proposed Changes				2024-25 Proposed Budget	2024-25 Proposed Substitute Authorities		
		Add/Delete	Transfers	Regularize Substitute Authorities	New		Cont.	New	Total
Executive	6					6			
Investments	14					14			
Human Resources	6					6			
Internal Audit	3					3			
Retirement Services	47		+8			55	2		2
Health, Wellness, and Buyback	39					39	13		13
Communications & Stakeholder Relations	21					21	4		4
Member Stewardship Section	14		-9			5	7		7
Administration	14		+1			15	3		3
Fiscal Management	15					15	2		2
Systems	13					13	1		1
Systems Operations Support	3					3		+1	1
TOTAL	195		0			195	32	1	33

*FY25 Total positions = (195 regular + 33 substitute authorities)

Note organizational transfers to better align resources:

- The Member Stewardship Section
 - Member Processing Unit transferred to the Retirement Services Division.
 - One Fiscal Systems Specialist transferred to the Administration Division.

Annual Business Plan for FY 2024-25



Department Programs

Annual Work Plan and Business Plan Initiatives for FY25

INVESTMENT ADMINISTRATION

Positions: 14 Regular

Admin Budget: \$2.5M

- Expanding Environmental, Social, and Governance Investment Policy Implementation
- Broadening Emerging Managers program
- Development of LACERS' internal Risk Management Committee
- Implementation of updated asset allocation

BENEFITS ADMINISTRATION

Positions: 115 Regular | 19 Substitute Authorities

Admin Budget: \$16M

- Respond to 62,000 Member inquiries to the Member Service Center
- Deliver more than 52 mass communication pieces
- Hold 96 seminars and events for Members
- Develop a Strategic Communications Plan
- Counsel and retire 1,000 Members
- Counsel and process 1,000 death benefits
- Perform reviews of 3,200 legal documents related to Member caseload
- Public Safety Officer - Benefit Design Change Analysis
- Administer retiree health benefits for LACERS Retired Members, Survivors, and their eligible dependents
- Continue to actively respond to health benefits-related claims, issues, and feedback
- Conduct Request for Proposal (RFP) for Dental Plans and Vision Plan to survey the health plan marketplace and negotiate premiums and benefits for the 2025 plan year
- Conduct a RFP for Health & Welfare Consultant in 2025
- Expand LACERS *Well* in-person activity program
- Implement the Language Access Plan - Year 3

GENERAL ADMINISTRATION AND SUPPORT

Positions: 66 Regular | 14 Substitute Authorities

Admin Budget: \$18.8M

- Governance Initiative
 - Board Policies Review
- Workforce Diversity, Equity, and Inclusion Initiatives
 - Fellowship Program
 - Learning Management System
- Central Data Repository Initiative
- City Human Resources & Payroll System Implementation Initiative
- Business Plan Continuity Initiative
- Strengthening Cybersecurity
- Capital Plan
- Budget Software
- Laptop Replacement Program

BENEFITS ADMINISTRATION OPERATIONS

The Benefits Administration Operations provides services to over 48,000 Active and Retired Members inclusive of education and outreach relating to their LACERS retirement and retiree health benefits; counseling and calculation of their retiree benefits; and enrollment and administration of their retiree health insurance and subsidies. Administration of the program also involves ensuring statutory, regulatory, and legal compliance with various local, state, and federal statutes; and advising plan sponsors on benefit plan design considerations. Benefits administration is primarily provided by three divisions totaling 134 full-time employees representing 59% of the employees of the department:

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

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

ENHANCE MEMBER SERVICES, CUSTOMER SATISFACTION, AND STAKEHOLDER ENGAGEMENT

ENGAGEMENT WITH MEMBERS AND STAKEHOLDERS

LACERS officially established CSRSD a year ago to broaden communications and engagement with Members and stakeholders. Over the past fiscal year, CSRSD had taken the role of leading the department's Language Access Plan (LAP) to provide accessibility of translated materials and services, conducted a Member Communications Survey with aims of utilizing the data gathered to formulate future communications and training, increased Member attendance to presentations by 48%, and increased the number of offsite seminars by 72%. CSRSD has also successfully onboarded all Member facing units onto Amazon Connect to allow for seamless transfer of calls while maintaining the capabilities of recording calls for quality assurance and training purposes. In FY25, with the renewal of current substitute authority positions, CSRSD will continue to deliver quality service to Members and explore innovative solutions to resolve Membership pain points.

2023 MEMBER COMMUNICATION SURVEY

Below are some highlighted results from the 2023 Member Communication Survey. Questions asked were, "Do you find the LACERS' communication you receive easy to understand?". The overall response from Members was the communications are extremely easy or somewhat easy to understand. See the below graph for details.

Ease of Understanding



FY25 Business Plan

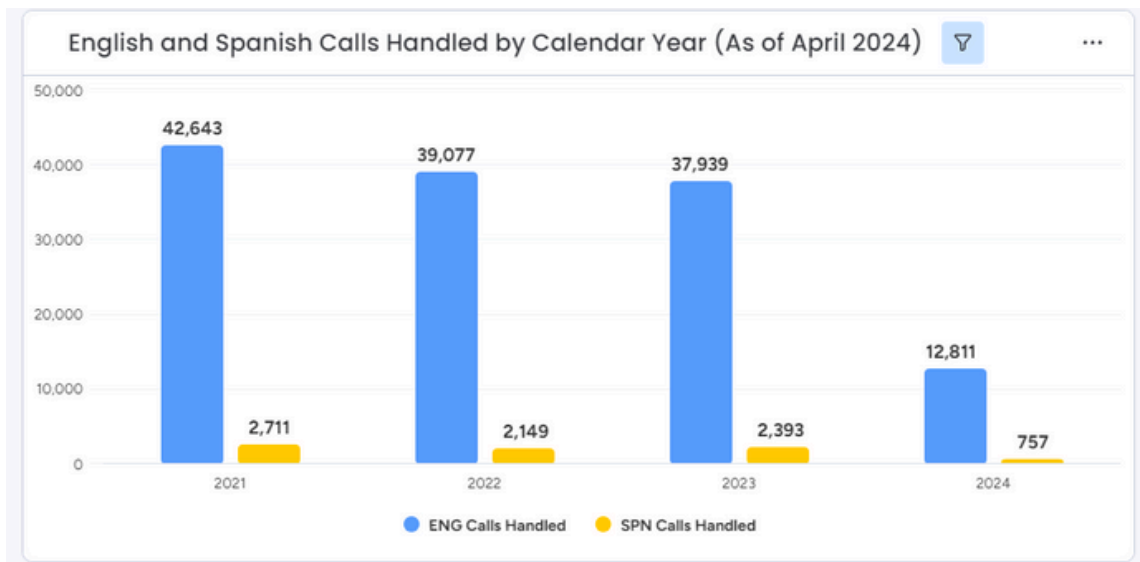
Benefits Administration

When asked if LACERS communications received were valuable, Active Members responded 95% positively, and Retired Members and beneficiaries 98% positively with a follow-up question on how useful the information received was.

Option	Active	Retiree (Digital)	Retiree (Print)
Very Useful, I read everything	35%	46%	52%
Useful, I glance through it	63%	53%	47%
Of no use, I don't read it	2%	1%	1%

ENGLISH AND SPANISH CALLS HANDLED

Based on the department's evaluation of Members' language needs the Language Access Plan Initiative prioritizes Spanish language access to expand translation and interpretation services to in-person seminars, video content, and Board meetings.



SERVICE LEVEL ENHANCEMENT

FY25 NEW POSITIONS/CONT. SUBAUTHORITIES

- 1 Benefits Analyst (Continue Substitute Authority), CSRD
- 2 Benefits Specialists (Continue Substitute Authority), CSRD
- 1 Development and Marketing Director (Continue Substitute Authority), CSRD

PERFORMANCE OBJECTIVES

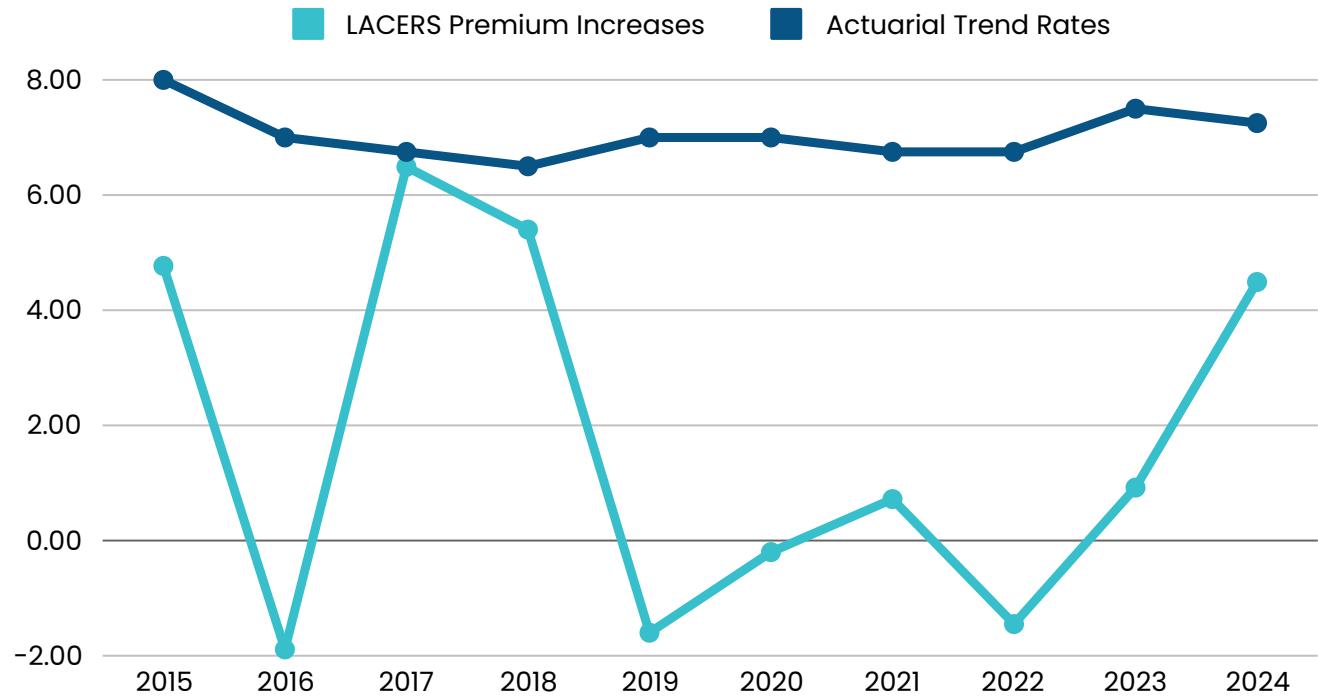
The renewal of these staff will:

- Increase access to translated materials by 25% in FY25
- Achieve an annual average of 95% satisfaction from a minimum of 500 Customer Service survey results
- Coordinate and conduct customer training with Member facing unit staff

ENHANCE BENEFIT DELIVERY AND HEALTH & WELLNESS

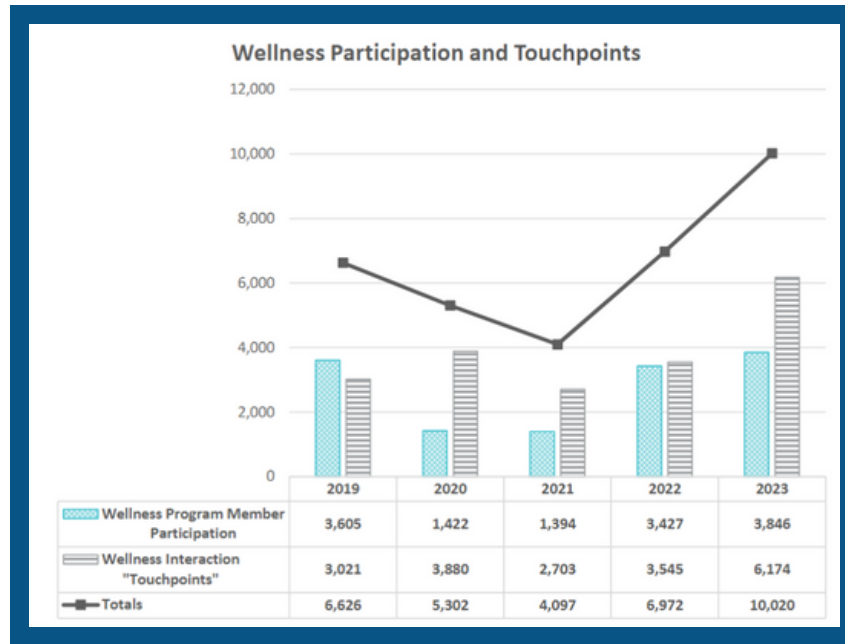
IMPROVE THE VALUE AND MINIMIZE COSTS OF MEMBERS HEALTH AND WELLNESS BENEFITS

Over the past year, HWABD implemented numerous strategies resulting in minimizing costs to health and wellness benefits administered by LACERS. The Health section conducted a medical plans Request for Proposal in 2023, where negotiations resulted in \$2.8M in savings for plan year 2024. This includes the Anthem Medicare Supplement Plan, back by popular demand by Members. Additionally, the Health section conducted outreach and transmitted a Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) report for City Council's consideration of increasing reimbursements to retired members and the inclusion of members who have Medicare Part B Only. To these points, renewal of existing substitute authority positions within the Health section will ensure the strategic goal of benefits delivery is consistently satisfied.



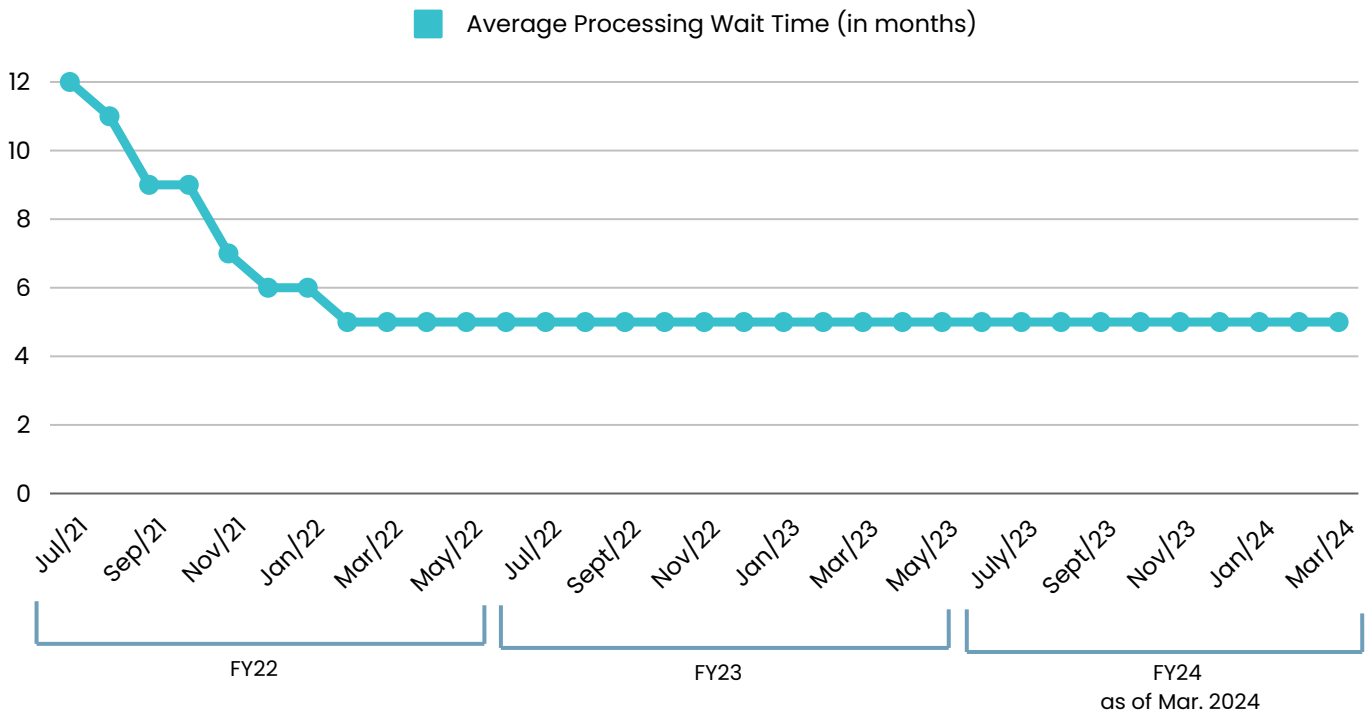
EXPANSION OF RETIREE WELLNESS PROGRAM

The long-term goal of the LACERS *Well* program is to contribute to the reduction in medical plan costs through the promotion of physical and mental activities, resources, and educational initiatives aimed at preventive care. In the entirety of the 2023 calendar year, the Wellness program welcomed the return of in-person activities and events with 3,846 participations and 6,174 interactions. In the next year, LACERS aims to expand the in-person event program and continue to seek partnerships with nonprofit organizations to build the LACERS Wellness program into a nationally recognized program. Continuation of the Senior Benefits Analyst substitute authority position will allow for partnership explorations while continuation of the Senior Project Coordinator and the Administrative Clerk substitute authority will continue to grow Wellness activities.



Timely Service Purchases for Active Members

Active members may purchase other government service or past City service to increase their retirement allowance. The Service Processing Section (SPS) handles these requests and has been able to maintain an average processing time of five months since FY21 due to the added positions since then. Continuation of existing substitute authority positions will allow the average processing wait time to be maintained while eliminating the number of aging cases (i.e., 6 months or longer) to a minimum.



SERVICE LEVEL ENHANCEMENT

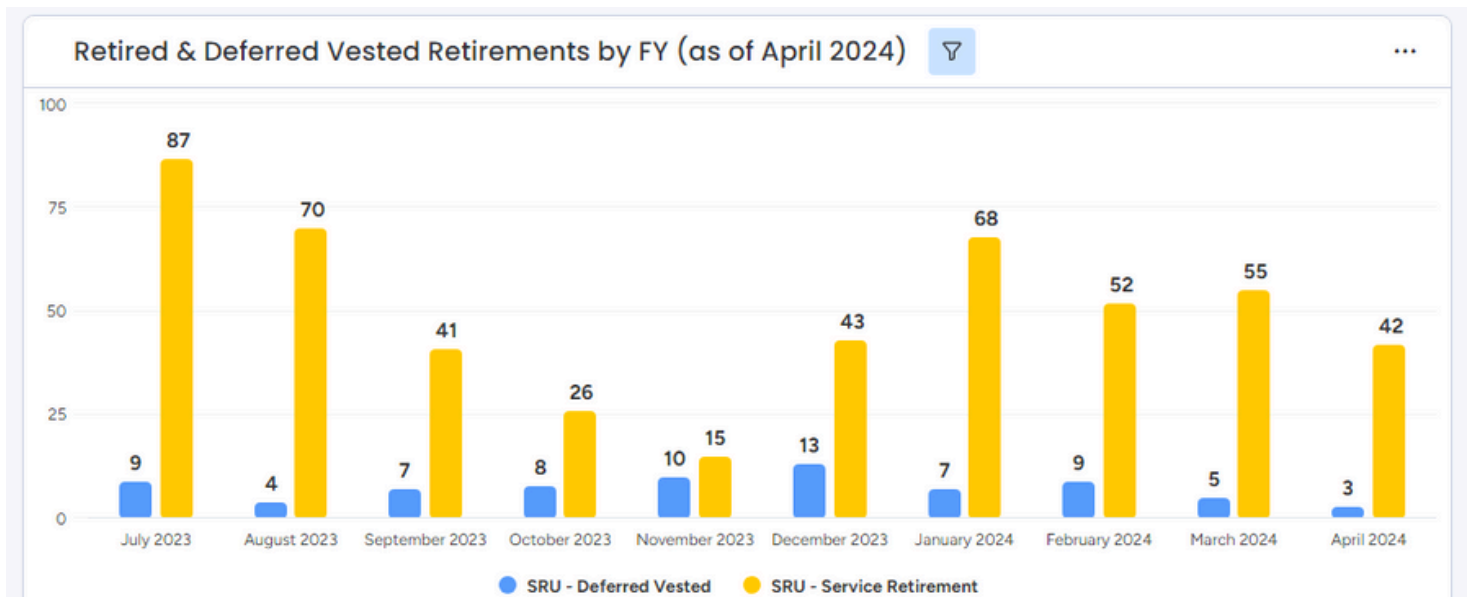
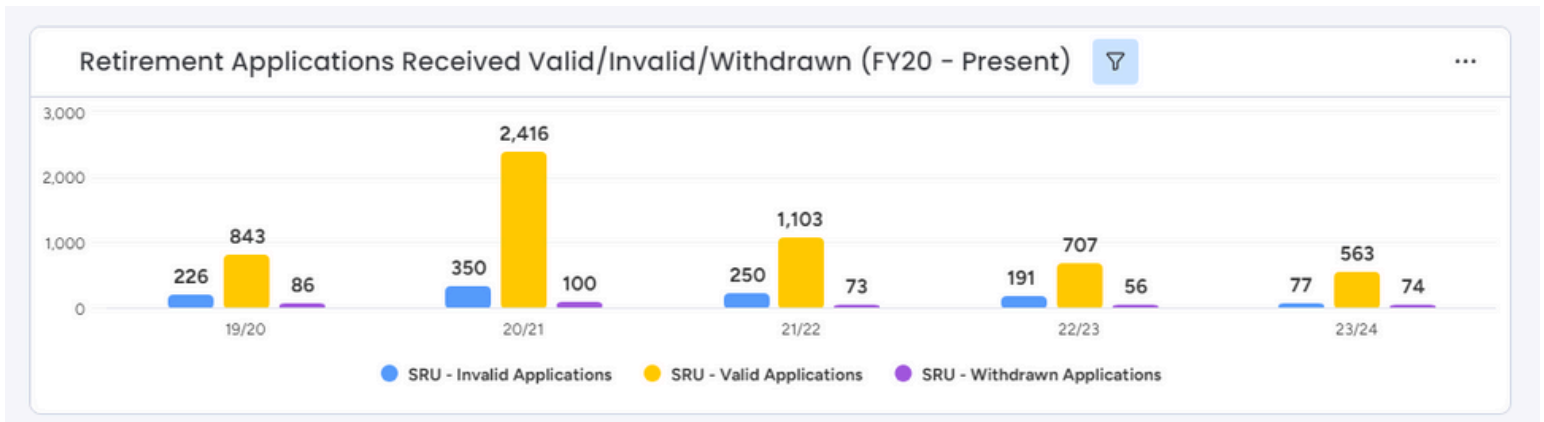
FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none">• 3 Benefits Specialists (Continue Substitute Authority), Health Section• 4 Benefits Analysts (Continue Substitute Authority), Health Section• 1 Senior Benefits Analyst (Continue Substitute Authority), Health Section• 1 Senior Benefits Analyst (Continue Substitute Authority), Wellness Program• 1 Senior Project Coordinator (Continue Substitute Authority), Wellness Program• 1 Administrative Clerk (Continue Substitute Authority), Wellness Program• 1 Senior Benefits Analyst (Continue Substitute Authority), SPS• 1 Benefits Specialist (Continue Substitute Authority), SPS	<p>The continuation of these staff will:</p> <ul style="list-style-type: none">• Timely enroll Retired Members, Survivors, and their eligible dependents in their chosen health and dental plans• Provide counseling to new Retirees and Survivors, and Medicare age-ins• Review and resolve membership and premium discrepancies on carrier reports• Maintain oversight of the review and processing of reimbursements of the Medical Premium Reimbursement Program (MPRP)• Achieve higher participation rates at LACERS <i>Well</i> events, whether in-person or virtual• Eliminate aging cases associated with processing service buyback

OPTIMIZING OPERATIONAL EFFICIENCY

PROCESS IMPROVEMENTS IN RETIREMENT SERVICES

Retirement Services Division's (RSD) central mission is to deliver retirement benefits accurately, efficiently, and timely. In FY24, RSD made steps to improve their workflows for greater efficiency, which includes leveraging new technological tools for tracking and monitoring, identifying potential fraud, incorporating automations, and explored platforms capable of providing direct interface between systems used to capture member retirement information and the departments electronic member filing system. Additionally, RSD collaborated with City Attorney and other City Pension peers to remain informed on current regulations and federal laws to deliver Member benefits and provide timely legislative information. Continuation of two Benefit Specialists in the Performance Review Unit will ensure RSD is able to assess unit or division performance so that solutions can be implemented to correct deficiencies and resources deployed effectively to ensure RSD as a whole is operating at optimal efficiency and effectiveness and remains on target in meeting strategic goals.

RETIREMENT APPLICATIONS STATISTICS



FY25 Business Plan

Benefits Administration

SERVICE LEVEL ENHANCEMENT

FY25 NEW POSITIONS/CONT. SUBAUTHORITIES

2 Benefits Specialists (Continue Substitute Authority),
Performance Review Unit

PERFORMANCE OBJECTIVES

The continuation of these staff will:

- Provide the internal quality assurance check for how RSD delivers benefits
- Provide centralized coordination of scheduled projects, both special and annual
- Through their audit function, review divisional procedures and workflows for operational efficiency and effectiveness to ensure the timely delivery of benefits
- Provide coordination and the resolution of outstanding and returned check issues
- Manage and process member documentation from the International and Domestic Alive and Well Audits to verify and update benefit recipient demographic information and coordinate distribution of the documentation for legal review and/or investigation if necessary.
- Assist in the development of the Knowledge Transfer System archive for usage in onboarding and educating staff

INVESTMENT OPERATIONS

The Investment Division is responsible for the management of a \$23 billion investment portfolio. LACERS' primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. The Investment Division's project-based workload is largely driven by the Asset Allocation Policy, subject to Board approval, that provides direction in portfolio diversification to allow for prudent risk-taking.

The proposed budget for the investment program seeks to achieve the following:

OPTIMIZE LONG-TERM RISK-ADJUSTED RETURNS THROUGH SUPERIOR INVESTMENTS

EMPHASIS ON ONGOING EFFORTS

In FY24, a triennial asset allocation study was conducted to evaluate the portfolio's asset allocation with results scheduled for release in the fiscal year end. Depending on the results, changes may be implemented to the Asset Allocation Policy in FY25. Investment staff will continue to monitor the performance and the quality of the portfolio, including the use of actively and passively managed strategies, to achieve performance on a risk-adjusted basis. As risk management is a cornerstone of the Investment Program, LACERS formalized an internal Risk Management Committee comprised of Investment Officers that meet on a monthly basis to address risk factors that may impact LACERS portfolio. LACERS aims to further develop this committee by joining the Institutional Society of Risk Professionals (ISRM) to collaborate with peers on leading standards in risk management. Additionally, the Investment Division will continue to develop LACERS' Environmental, Social, and Governance (ESG) program in collaborating with like-minded investors to integrate industry best practices and engaging with other investment entities on ESG issues. The Emerging Investment Manager Program (EMP) will also be further developed to hire and retain smaller firms that have the potential to add value to LACERS' portfolio.

The Investment Division is also committed to its Diversity, Equity, and Inclusion (DEI) efforts by encouraging corporate governance practices that promotes diversity within the investment industry. The Investment Division also has a history of offering internship opportunities to junior and senior students from local undeserved colleges under its Investment Management Fellowship Program (IMFP) to support LACERS' DEI efforts.

ASSET ALLOCATION VS. POLICY

As of December 31, 2023

	Current (\$)	Policy (%)	Current (%)	Differences* (%)	Policy Range (%)	Within Range
■ U.S. Equity	4,608,796,758	20.5	20.2	-0.3	14.0 - 25.0	Yes
■ Non-US Equity	5,760,583,684	25.5	25.3	-0.2	19.5 - 31.5	Yes
■ Core Fixed Income	3,288,980,724	14.0	14.4	0.4	11.8 - 18.3	Yes
■ Credit Opportunities	2,048,504,171	8.0	9.0	1.0	5.5 - 13.5	Yes
■ Private Equity	4,160,658,142	18.0	18.3	0.3	N/A	Yes
■ Real Assets	2,667,492,601	13.0	11.7	-1.3	5.5 - 15.5	Yes
■ Cash	230,235,483	1.0	1.0	0.0	0.0 - 2.0	Yes
Total	22,765,251,564	100.0	100.0	0.0		

SERVICE LEVEL ENHANCEMENT

PERFORMANCE OBJECTIVES

- In FY25, the Investment Division will continue to expand and develop the following programs:
 - Investment Program – Asset Allocation
 - ESG Program
 - DEI Initiatives
 - EMP
 - Risk Management Program

GENERAL ADMINISTRATION OPERATIONS

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

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

The FY25 proposed staffing for the General Administration maintains the existing administration support for LACERS operations with enhancements to business processes and includes one (1) additional substitute authority position.

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

INCREASE ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

ENHANCING FACILITY SERVICES

As LACERS celebrates its first anniversary at its new headquarters, staff has gained valuable insight regarding the administrative needs and resources required to support operations. For FY25, LACERS aims to expand mail services to allow for same day mail distribution and collection. Additionally, LACERS seeks to improve the physical safety of employees and Members through the procurement of professional guard services as well as sidewalk repair. LACERS also aims to provide emergency tabletop exercises to educate staff and enhance operational resiliency against disasters. The continuation of a Management Analyst substitute authority will assist the Administration Division by providing sufficient support in maintaining LACERS facility operations, thus supporting the strategic goals of organizational effectiveness and providing outstanding customer service.

TECHNOLOGICAL SOLUTIONS

The Systems Division maintains the Information Technology (IT) functions of the organization by keeping business systems operational and running efficiently. FY24 initiated the redesign of the Backup & Recovery and Virtual Desktop infrastructures to streamline recoverability and provide more computing resources to virtual desktops. In FY25, Systems will continue these initiatives to minimize downtime due to maintenance services.

Systems had also collaborated with various other divisions, including the Administration Division for the mobile device replacement project and the Data Office for the development of the Central Data Repository. In FY25, these projects will continue to be developed and expanded to equip LACERS with the latest technological design capable of streamlining communications and data reporting. Continuation of a Systems Analyst substitute authority will ensure the successful delivery of the Central Data Repository and provide the necessary support to maintain and develop custom reports that suit the needs of LACERS operations, thus supporting the strategic goal of organizational effectiveness.

The Administration Division will also begin exploring options for a budget software solution capable of streamlining financial planning, tracking, and management processes, thus enhancing efficiency within the overall budget process. Continuation of a Management Analyst substitute authority will assist in the buildout and maintenance of the new budget software.

CYBERSECURITY

As LACERS is now operating under a hybrid virtual workplace, Systems Division is consistently strengthening cyber security measures to ensure that LACERS is operating safely in the virtual work environment. Systems has coordinated with Internal Audit to conduct a Network Penetration Test to identify vulnerabilities, weaknesses, and security risks. Additionally, Systems has cooperated with other City departments to deploy a centralized security program for monitoring and reviewing security alerts to prevent malicious attacks. Continuation of a Cybersecurity Analyst substitute authority will assist in the technical cybersecurity assessments and provide the necessary support for cyber vulnerabilities remediation.

DELIVER ACCURATE AND TIMELY MEMBER BENEFITS AND UPHOLD GOVERNANCE PRACTICES

HUMAN RESOURCES, AND PAYROLL PROJECT

The HRP project is a multi-year and multi-phase project directed by the City to replace its existing payroll systems. The Systems Operation Support (SOS) Unit and the Member Stewardship Section (MSS) are responsible for all facets of the Pension Administration System (PAS) and heavily involved with the HRP project, along with the Data Office and Systems Division. Currently undergoing Phase 2, LACERS has participated in development in many workstreams, such as end-to-end tests, parallel tests, and integration files to ensure that all parts of the Member payment process are properly implemented. LACERS is also working with other City departments, such as LAFPP, Personnel and the Controller's Office, to address concerns pertaining to the core functionalities of the HRP software to help mitigate errors and issues that arise once it goes live. The continuation of Benefit Specialists, Benefits Analyst, and Accounting clerk substitute authorities serve as the additional support in resolving discrepancies between the PAS and the HRP system while the addition of a new Accounting Clerk substitute authority will assist in the preparation of system reports and coordinating updates to the PAS to be compatible with the various integration files from HRP.

ACCOUNTING OVERSIGHT

The Fiscal Management Division primarily provides proper accounting and oversight of LACERS' financial operations including investment transactions, benefit payments and maintenance, employee payroll, cash receipts and disbursements, as well as accurate and timely financial reporting. Since FY19, LACERS' financial transactions have received an aggregate increase of 24% accounting journal entries due to additional accounting required for the 115 Trust Fund and implementation of new GASB reporting guidelines and since FY20, a 17% on management fee invoices for investment-related transactions and funds monitoring. Continuation of an Accountant and a Benefits Specialist substitute authority will allow the Fiscal Management Division to continue to deliver the necessary support to benefit payments and investment transactions to ensure accurate and complete financial reporting. This supports the strategic goal of upholding good governance, promotion transparency, and affirming fiduciary duty.

EMPOWER AND PROMOTE A HIGH-PERFORMING WORKFORCE

DIVERSITY, EQUITY, AND INCLUSION

The Human Resources Unit (HRU) oversees essential functions to support individuals throughout their entire employment journey at LACERS. Although no longer an official business plan initiative, HRU has continued to lead DEI efforts to foster and sustain a high performance culture within the organization by encouraging cross-divisional collaboration and knowledge sharing amongst staff. HRU will continue to explore activities that improves interdepartmental communication and focus on providing skill development and career journey support to all LACERS staff.

SERVICE LEVEL ENHANCEMENT

FY25 NEW POSITIONS/CONT.SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 2 Management Analysts (Cont. Substitute Authority), Administration • 1 Systems Analyst (Cont. Substitute Authority), Administration • 1 Cybersecurity Analyst II (Cont. Substitute Authority), Systems • 1 Accounting Clerk (New Substitute Authority), SOS • 1 Accounting Clerk (Continue Substitute Authority), MSS • 2 Benefits Analyst (Continue Substitute Authority), MSS • 3 Benefits Specialist (Continue Substitute Authority), MSS • 1 Accountant (Continue Substitute Authority), Fiscal Management • 1 Benefits Specialist (Continue Substitute Authority), Fiscal Management 	<p>These additional staff will:</p> <ul style="list-style-type: none"> • Provide project support and guidance by becoming facilitators, engagement initiators, and trainers • Provide support to benefits administration utilizing the Pension Administration System (PAS) • Participate in HRP testing and resolving discrepancies between PAS and HRP • Preparation of payroll documentation • Develop and implement Central Data Repository and Reporting • Implement and maintain cyber security controls

FY25 Business Plan Initiatives

Governance - Year 3

ADVANCES THE STRATEGIC PLAN GOALS OF BOARD GOVERNANCE AND ORGANIZATION EFFICIENCY AND EFFECTIVENESS

FY25 BUDGET REQUEST		
	Expense	Positions
Total Request	\$0	



PURPOSE

The Governance business plan initiative has consisted of two main projects, development of a new Strategic Plan and completion of the triennial board policy review. The new Strategic Plan is slated to reach project actualization by the end of FY24, thus setting the direction of the organization for the next three to five years with new goal areas. FY24 also began the initial discussions of implementing new Board policies in response to the latest City Management Audit. FY25 aims to continue these discussions and implement new policies as determined by the Board.

DELIVERABLES

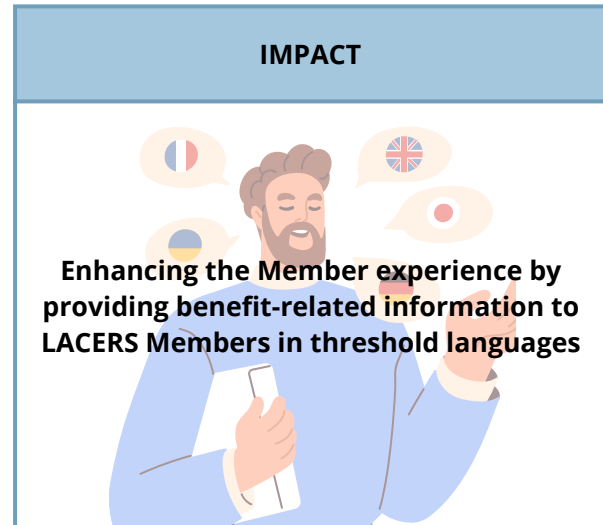
- Consideration and Implementation of New Board Policies as Recommended in the City's 2022 Management Audit

FY25 Business Plan Initiatives

Language Access Plan- Year 3

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

FY25 BUDGET REQUEST		
	Expense	Positions
Total Request	\$40,000	
Translation and Interpretation Service	\$40,000	



PURPOSE

Prompted by Mayor Executive Directive 32 - Strengthening Language Access in the City of Los Angeles, LACERS' "Language Access Plan" (LAP) BPI is a multi-phase initiative that seeks to bridge the language gap between benefit plan materials and English Language Learners. FY24 realized the securement of a translation, interpretation, and transcription vendor. Additionally, LACERS bilingual staff began developing a repository of forms and resources that needed to be translated. Continuing in FY25, LACERS aims to expand translation and interpretation services to in-person seminars, video content, and Board meetings.

DELIVERABLES

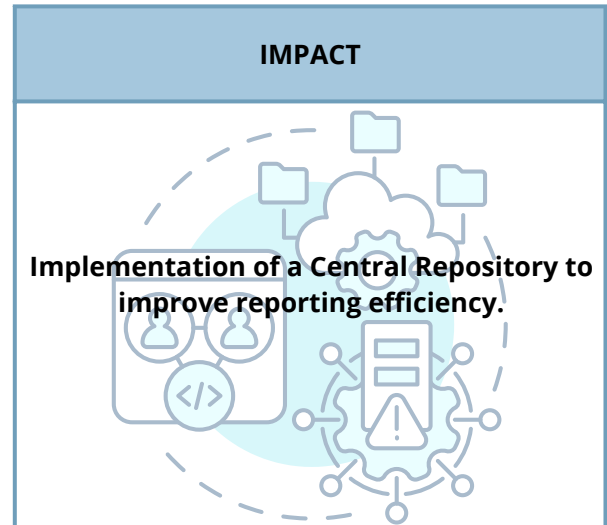
- Provide translation and interpretation services for the following:
 - Board Meetings
 - Summary Plan Descriptions
 - YouTube Video Contents
 - In-Person Seminars
 - Reception Kiosk

FY25 Business Plan Initiatives

Central Data Repository -Year 2

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION EFFICIENCY AND EFFECTIVENESS

FY25 BUDGET REQUEST		
	Expense	Positions
Total Request	\$36,000	
Azure Open AI	\$2,160	
Microsoft Copilot	\$1,080	
Power App/Power BI Expansion	\$32,760	



PURPOSE

This initiative seeks to launch a Central Data Repository (CDR) which is a modernized, centralized, and organized platform to house LACERS' data with AI capabilities to enhance reporting efficiencies and accuracy. In FY24, the CDR has been scoped and built-out with an infrastructure that is approaching completion. FY25 will continue the build-out and begin populating data into the CDR through various load processes for data migration from various sources to establish a single source of truth.

DELIVERABLES

- Development of a CDR infrastructure
- Data Migration
- Data Quality and Security Testing

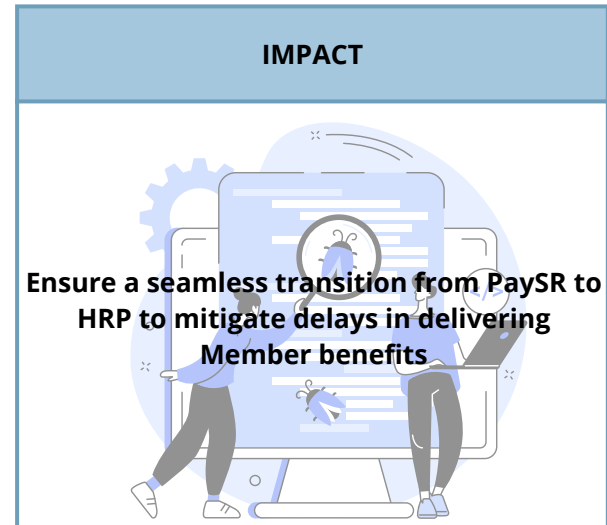
FY25 Business Plan Initiatives

City HRP System Implementation -Year 2

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION EFFICIENCY AND EFFECTIVENESS AND BENEFITS DELIVERY

FY25 BUDGET REQUEST		
	Expense	Positions
Total Request	\$209,029	1
PAS	\$80,000	
LACERS Share of HRP	\$60,083	
Accounting Clerk Substitute Authority	\$68,946*	

*Base Salary



PURPOSE

This initiative seeks to bring awareness and transparency to the HRP project, specifically pertaining to LACERS' efforts in ensuring a seamless transition from the City's legacy payroll system, PaySR, to HRP. This includes making modifications to the PAS to be compatible with HRP while also making sure that the HRP platform is equipped with the necessary business processes to allow LACERS to perform its responsibility of delivering timely and accurate Member benefits. In FY24, LACERS has identified multiple issues within the HRP system and has worked to resolve them. In FY25, LACERS will continue to identify and resolve further issues within the HRP system's core functionalities with considerations of expanding scalability requirements to address the organization's future needs. To assist in a smooth transition, an additional Accounting Clerk substitute authority position is requested.

DELIVERABLES

- Operational integration files
- Robust and secure data integrity
- Enhanced business workflows that reduces manual processes

FY25 Business Plan Initiatives

Business Continuity Plan - Year 1

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION EFFICIENCY AND EFFECTIVENESS

FY25 BUDGET REQUEST		
	Expense	Positions
Total Request	\$50,000	
Table Top Exercises	\$50,000	



PURPOSE

This Business Continuity Plan (BCP) business plan initiative consists of a series of tabletop exercises to evaluate the comprehensiveness of disaster plans while also increasing employee readiness and awareness of their roles and responsibilities under an emergency circumstance, which instills a culture of preparedness within the organization. In FY25, LACERS aims to have a Request for Proposal (RFP) posted to secure a tabletop consultant for the development of tabletop exercises for various scenarios.

DELIVERABLES

- Procurement of tabletop consultant
- Completion of one tabletop exercise

Capital Expense Budget

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

This year's plan continues with routine improvements of the building's mechanical and structural resilience with additional areas of focus on building security measures and implementation of an asset management system.

For FY25, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

FY25 CAPITAL PLAN BUDGET REQUEST - YEAR 3

Category	Property Component	Expense
Parking Garage	<u>Garage Ventilation and New Entry Gate</u> : Procurement and installation of a new entry gate, replace the original parking garage ventilation fans with installation of a carbon-monoxide (CO) system for a safe and reliable operation of the parking garage ventilation system.	\$100,000
HVAC	<u>Heating, Ventilation, and Air Conditioning Systems</u> : Replacement of existing HVAC-Water Source Heat Pumps: 6x units on the 5th Floor and 2x units in restrooms on the 5th and 2nd Floors.	\$190,000
Electrical	<u>Main Switchboard</u> : Replace/Rebuild breaker components of the Motor Control Center (MCC).	\$25,000
Plumbing	<u>Sump Pumps</u> : Replacement of the storm water sump pumps and controller.	\$25,000
Soundproofing	<u>Sound Traveling</u> : Work to damper sound traveling between offices and conference rooms to reduce distraction and bolster privacy. Year two of a three year program was developed for the completion of the work. Procurement and installation of white noise speakers for 3rd, 4th, and 5th Floors.	\$50,000
Security	<u>Security Measures</u> : Procurement and installation of (1) Dual Lane Motorola Concealed Weapons device.	\$132,000
Asset Management	<u>Asset Tracking</u> : Asset tagging of essential Capital and Non-Capital equipment, furniture, and electronics throughout the property.	\$50,000
Administrative	<u>Fee</u> : Contractual fee for capital project oversight 5% of project cost by Property Management.	\$28,600
	TOTAL	\$600,600

City Contribution

	FY25	FY24	% CHANGE
Total	\$ 850,400,480	\$ 823,897,034	3.2
Retirement and Health Benefits	931,932,464	903,808,063	3.1
True-up Adjustment	(82,919,984)	(81,477,029)	1.8
Family Death Benefit Plan	35,000	51,000	(31.4)
Excess Benefit Plan	1,272,000	1,332,000	(4.5)
Limited Term Retirement Plan	81,000	183,000	(55.7)

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

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the amount of the City's contribution is determined on the final covered payroll adopted in the City's budget. The final covered payroll will be determined in June once the City and proprietary departments budget gets adopted. As of now, FY25 City Contribution is based on the City's FY25 Proposed Budget covered payroll of \$1.7 billion for Tier 1 Members and rate of 34.34%; and a covered payroll of \$1.1 billion and rate of 31.06% for Tier 3 Members. A credit adjustment of \$82,919,984 is applied toward the FY25 contribution to LACERS. This credit amount represents a true-up of the FY24 contribution -- the difference between the contributions paid on July 15, 2023 based on the budgeted covered payroll amount and the actual payroll toward the end of the Fiscal Year. The City is also required by statute to make employer contributions for the Family Death Benefit Plan, the Excess Benefit Plan, and the Limited Term Retirement Plan.

Family Death Benefit Plan

Approximately 1,854 Active Members are opted into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City's contribution to the Family Death Benefit is equivalent to a match of the Member's contribution of \$1.50 per month for FY25. This monthly amount is established pursuant to a biennial study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.



Excess Benefit Plan

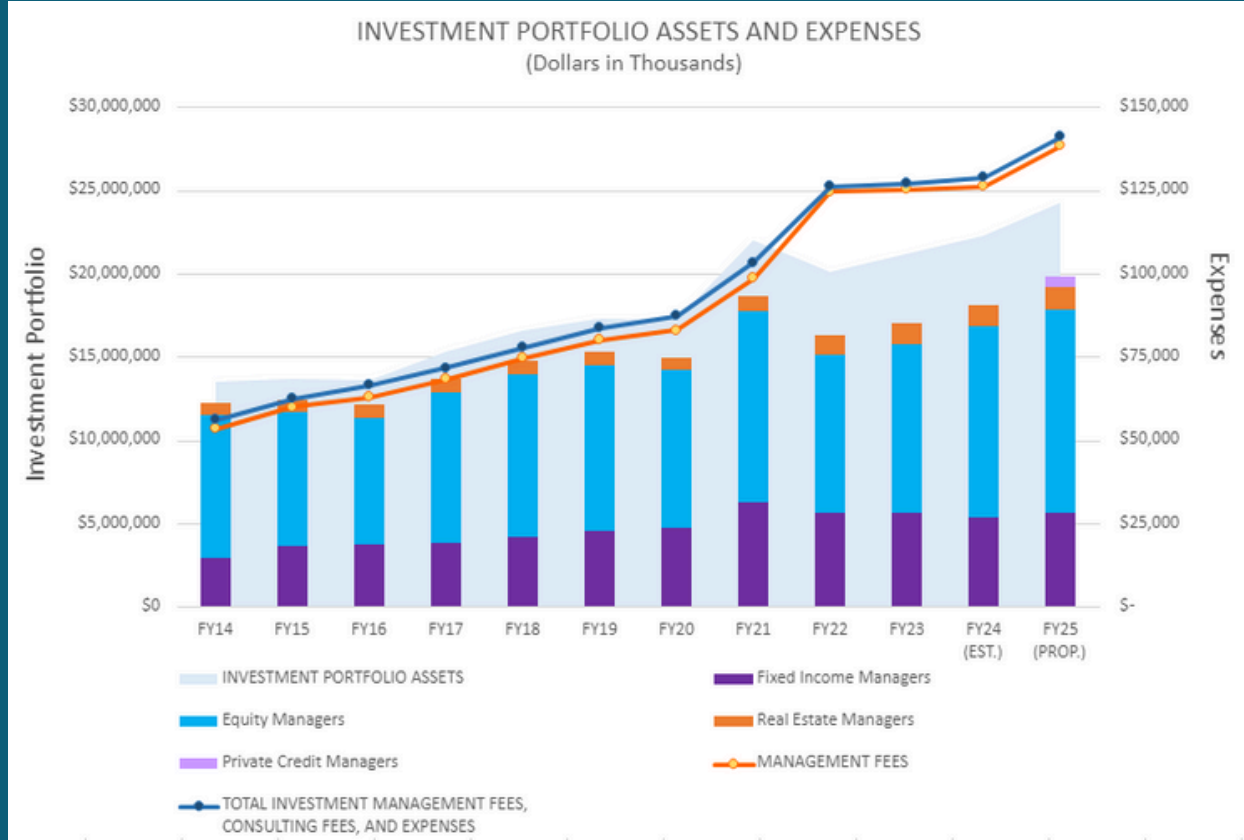
The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently \$275,000¹ for 2024. In 2024, there are 37 LACERS Members who receive their monthly LACERS' retirement benefit up to the limit allowable by the IRC, and the remainder of their benefit is paid separately by City funds. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for FY25, plus reasonable administrative expenses.

Limited Term Retirement Plan (LTRP)

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

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

Investment Management Fees and Expenses



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

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

	FY25	FY24	\$ CHANGE	% CHANGE
Total	\$ 141,190,690	\$ 129,674,876	\$ 11,515,814	8.9
Investment Management Fees	138,413,685	126,828,476	11,589,209	9.1
Investment Consulting Fees	2,549,500	2,521,650	27,850	1.1
Other Investment Expenses	227,505	324,750	(96,745)	(29.9)

Investment Management Fees and Expenses

INVESTMENT FEE RATE OVERVIEW

The 2024-25 proposed Investment Management Fees & Expenses Budget is \$141.2 million, an increase of \$11.6 million or 8.9% from FY24 budget that includes the following:

- \$6.3M increase from new Private Credit fund commitments estimated to be \$600M
- \$4.3M increase for Private Equity and Real Estate
- \$1.0M increase in Fixed Income and Equity

Generally, Investment management fee increases (decreases) are a function of the following factors:

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

FY25 proposed investment management fees and expenses budget is based on an estimated fair value of investments of \$24.2 billion as of June 30, 2025, an 8.7% increase from FY24 estimated fair value of investments. The said estimate assumes an average 6% increase in assets based on NEPC's 10-year return assumption for each asset class, as of 12/31/2023. Additionally, the new Private Credit Program anticipates fund commitments of \$600M that will be invested pursuant to a pacing plan over the span of the upcoming fiscal year.