



# LACERS PERFORMANCE BUDGET

Board Presentation of May 27, 2025

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On June 25, 2024, LACERS adopted a new strategic plan setting the course for the future with focus on three priorities that are essential to the continued strength and sustainability of LACERS:

1. Improving the Member Experience
2. Achieving Fiscal Resiliency
3. Advancing a High Performing Workforce

Recognizing the City's financial constraints, this year's budget proposal reflects a careful balance between advancing key priorities and maintaining essential operations while aligning with our strategic plan. Funding for the coming year has been strategically allocated to sustain existing operations, with a strong focus on honing benefits delivery. Notably, with the City's agreement for additional support with the Human Resources and Payroll (HRP) system concluding in the fiscal year-end 2024-25, it is imperative that LACERS remain vigilant and proactive in identifying and resolving any issues that arise. While staffing levels will remain the same this fiscal year, there is continued commitment to investing in LACERS employees. LACERS will continue to improve new employee orientation and enhance the Learning Management System (LMS) to support and encourage career development. Otherwise, focus will remain on a number of projects and initiatives already underway including implementation of Measure FF, the City Charter amendment allowing certain peace officers to transfer their pension plan to the Los Angeles Fire and Police Pension (LAFPP) plan, as well as the actuarial experience study and audit.

The FY26 Business Plan primarily supports ongoing initiatives, including the Governance initiative, the Central Data Repository to house data and enhance reporting, and the LACERS Business Continuity Plan, so that LACERS is properly equipped and trained to continue operations under emergency circumstances. One new initiative, Workflow Process Improvements, has been added.

The budget aligns with LACERS' mission, vision, and strategic goals. LACERS is dedicated to maintaining our high standards of service to Members while advancing financially sound investments.

	FY26	FY25	CHANGE	% CHANGE
<b>City Contribution</b>	\$ 831,266,249	\$ 850,400,480	\$ (19,134,231)	(2.3)
<b>Investment Management Fees &amp; Expenses</b>	\$ 157,178,340	\$ 141,191,690	\$ 15,987,650	11.3
<b>Administrative Expenses</b>	\$ 51,939,680	\$ 47,338,937	\$ 4,600,743	9.7
<b>Health Care Fund Administrative Expense</b>	\$ 1,033,000	\$ 1,032,000	\$ 1,000	0.1
<b>Regular Position Authorities</b>	195	195	0	0



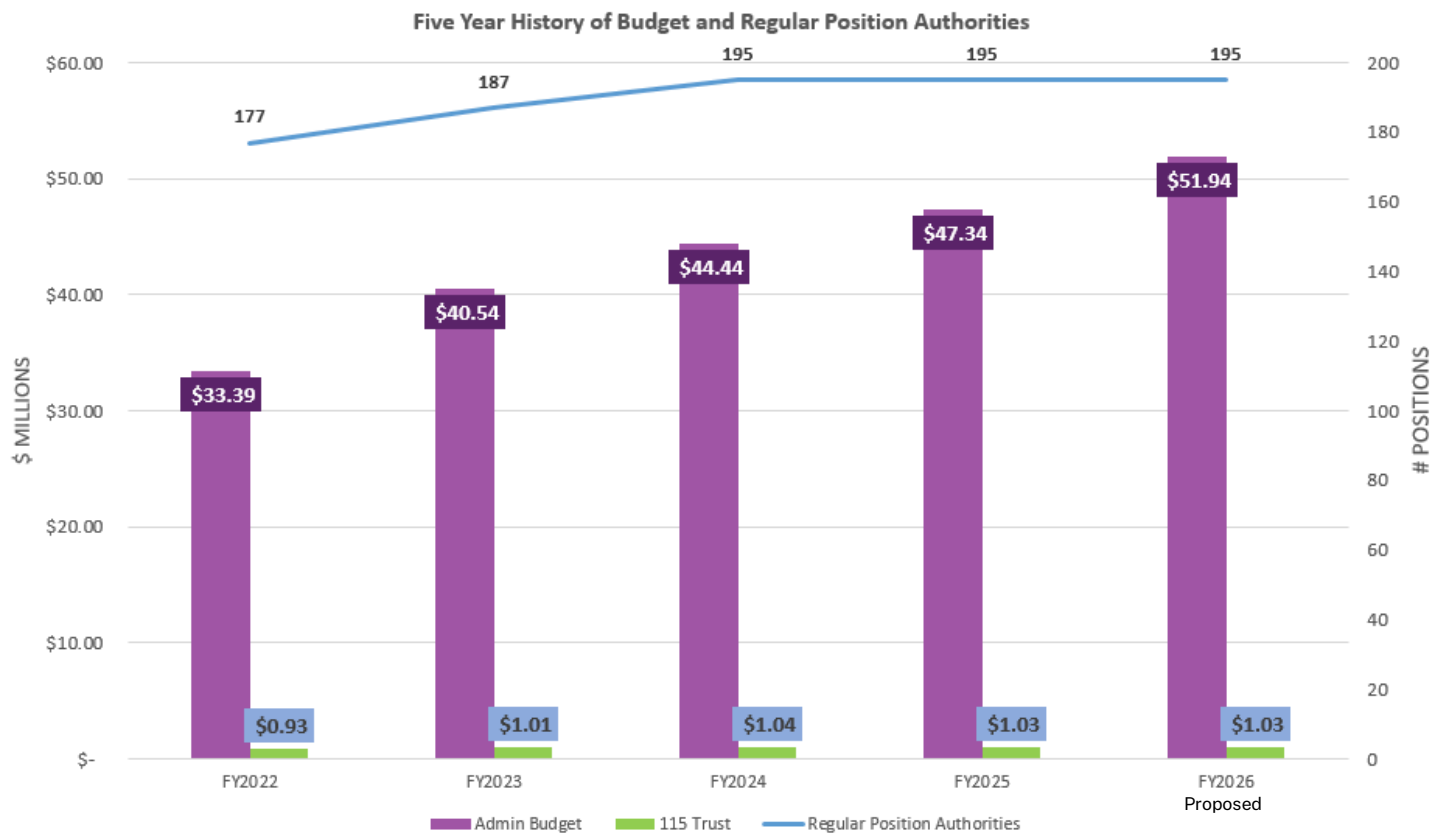
The LACERS Board approves an annual budget that estimates the cost of maintaining the Retirement System. LACERS' transmits its budget to the Mayor for inclusion in the City's proposed budget, which is due to the City Council by April 20 and finalized by June for the fiscal year beginning July 1st. The 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
MEMBER CONTRIBUTIONS	=	MEMBER CONTRIBUTION RATE (currently at 11% for both Tier 1 and Tier 3)	x	MEMBER'S PENSIONABLE SALARY
INVESTMENT MANAGEMENT FEES	=	ASSET MANAGEMENT FEES Established in LACERS-Approved Investment Contracts	+	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
BENEFIT PAYMENTS	=	RETIREMENT AND HEALTH BENEFITS, REFUNDS OF CONTRIBUTIONS Upon Member Request and Eligibility	+	ANNUAL RETIREE COLA, HEALTH PREMIUM SUBSIDY RATES Board Adopted and/or per statutes

# ADMINISTRATIVE EXPENSE BUDGET



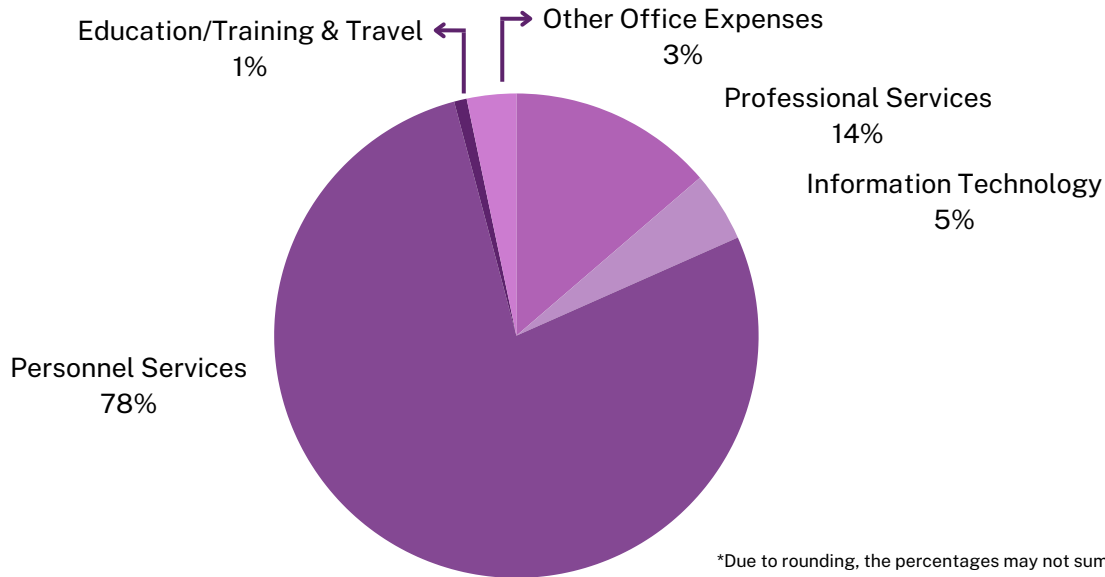
The Administrative Expense Budget of \$51.94 million reflects a net increase of \$4.60 million, or 9.7% over the FY25 base budget. Obligatory changes to the budget account for \$5.98 million in increases over the FY25 adopted budget. This includes \$0.74 million in salary rate increases and excess leave pay due to the latest labor union negotiations, \$1.1 million for cost of living adjustments, and \$2.07 million for the restoration of salary savings (See Summary of Changes table, [page 4](#)). Obligatory costs are partially offset by the adoption of an 5% salary savings rate equivalent to \$1.37 million, and \$0.6 million in one-time and various expense reductions. The Budget invests \$0.47 million in core services and three ongoing Business Plan Initiatives (BPI) and one new initiative: Governance Initiative, Central Data Repository, Business Continuity Plan, and Workflow Process Improvements (See 2025-26 Annual Business Plan, starting on [page 9](#)). Additionally, the Budget dedicates \$0.12 million to enhanced services that support organizational efficiencies.

# SUMMARY OF CHANGES



Category	Item	Dollars	Positions	
			Regular	Substitute
2024-25 Adopted Budget		\$ 47,338,937	195	33
Obligatory Changes		5,982,520	-	-
	Cost-of-Living Adjustment	1,096,559	-	-
	Restoration of Salary Savings	2,065,777		
	Salary Rate Increases, Turnover, Excess Leave Pay	736,644	-	-
	Part-Time Salaries	198,871	-	-
	LACERS' Employer Share of Retirement Contributions	1,207,000	-	-
	LACERS' Share of Employee Benefits	652,669	-	-
	LACERS' Share of City Attorney and Outside Legal Counsel	25,000	-	-
Deletion of One-Time Funding		(438,816)	-	-
	Deletion of Funding for One-Time Services, Expenses, & Equipment	(438,816)	-	-
Efficiencies to Services		(1,540,877)	-	-
	Salary Savings Rate Adjustment [5%]	(1,366,107)	-	-
	Expense Account Savings	(174,770)	-	-
Continuation of Services		473,321	-	-
	Investment Program Expenses	33,250	-	-
	Benefits Administration Expenses	72,602	-	-
	General Administration & Support Expenses	367,469	-	-
New/Enhanced Services		124,595	-	-
	New Software Installation	124,595	-	-
			-	-
Total Changes		\$ 4,600,743	-	-
2025-26 Proposed Budget		\$ 51,939,680	195	33

# FY26 ALLOCATION OF EXPENSES



This budget year maintains the level of Personnel resources, however obligatory personnel costs have increased mainly due to the labor union agreements increasing salaries and benefits, in addition to the reduction in the salary savings rate.

In the five major categories of expenses, Personnel Services account for 78% of the FY26 budget (+12.9% total expense year-over-year (YOY)). Professional Services comprise 13.8% of the budget (+4.2% total expense YOY) followed by Office Expenses at 2.8% of the budget (-2.9% total expense YOY). Information Technology is 4.8% of the budget (-13% total expense YOY), and finally, Education/Training and Travel are 0.7% of the budget (+5.5% total expense YOY).

The Administrative Budget Detail includes the following notable items:

- Salary increases by \$2.7 million (+10.9% YOY) and Employee Benefits increase by \$1.8 million (+18.0% YOY). Although position totals have remained the same, the increase in Employee Benefits coincide with the increase in filled positions and corresponding salaries. In addition, the decrease in the salary savings rate from 8% in FY25 to 5% in FY26 has attributed to the increase in salaries. A salary savings rate of \$1.37 million (5%) is applied to account for vacancies.
- Actuarial Services increase by \$307,000 (+75.0% YOY) due to the exploration of alternatives for the Larger Annuity Plan and a Triennial Experience Study. Furthermore, the City has increased utilization of actuarial services contracted under LACERS.
- Computer Hardware increases by \$55,100 (+16.1% YOY) for phase two of the laptop replacement program as current equipment is reaching end of life, which increases the risk of breakdowns. The new hardware will ensure compatibility with latest applications and mitigates downtime.
- Other Computer Consulting decreases by \$530,487 (-65.3% YOY) with the conclusion of the Accenture agreement for additional HRP contractual support coupled with the closure of other implementation projects, such as the new budgeting software.
- Printing and Binding increases by \$25,000 (+20.9% YOY) as a result of printing Health Benefit Guides to assist Members in understanding their rights and resources to healthcare. This increase also factors in the costs of printing these guides in Spanish as well.
- Board Member Election Expense increases by \$8,400 (13.6% YOY) for an upcoming Employee Member election for the fiscal year.

- Furniture and Other Equipment decreases by 54,500 (-38.5% YOY) since all necessary furnishings have already been completed now that LACERS has fully settled into its new headquarters for two years.
- Membership Dues & Subscriptions increase by \$55,950 (+43.7% YOY) to expand staff engagement with the Learning Management System for employee development. Additionally, Conferences & Travel increases by \$24,815 (+11.2% YOY) to further promote professional training and growth.

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 avoid future tax consequences 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 fees, legal counsel costs, and the Fund's share in LACERS' overall administrative expenses. The Proposed 115 Trust Budget for direct administrative expenses of \$1,033,000 represents an increase of \$1,000 (0.1% YOY).
- This budget invests in maintaining the continuation of 33 substitute authority positions. The purpose of and justifications for these positions begin on [page 8](#).
- The budget funds programs currently underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as continuing three initiatives in the FY26 Business Plan including the Governance initiative centered on implementing new Board Administrative policies, Central Data Repository initiative, Business Continuity Plan, plus a new Workflow Process Improvement initiative.



# Detail of Administrative Expenses



	City Account Number	FY2025-26 Proposed Budget	FY2024-25 Adopted Budget	Budget \$ Change	Budget % Change
<b>FUND 800: ADMINISTRATIVE EXPENSE BUDGET</b>					
<b>Personnel Services</b>					
601	Salaries	101	\$ 27,829,048	\$ 25,097,304	\$ 2,731,744 10.9%
602	Overtime	109	486,604	459,669	26,935 5.9%
605	Employee Benefits	175	12,157,169	10,297,500	1,859,669 18.1%
<b>Personnel Services Total</b>		<b>\$ 40,472,821</b>	<b>\$ 35,854,473</b>	<b>\$ 4,618,348</b>	<b>12.9%</b>
<b>Professional Services</b>					
611	Actuarial Service	304	\$ 717,500	\$ 410,000	\$ 307,500 75.0%
612	Audit Services	304	187,500	200,500	(13,000) -6.5%
613	Legal Services	304	1,391,586	1,381,586	10,000 0.7%
614	Disability Services	304	200,000	200,000	- 0.0%
615	Other Consulting	304	3,655,764	3,642,903	12,861 0.4%
616	Benefit Payroll Processing Servs.	304	325,000	300,000	25,000 8.3%
617	Retiree Health Adm. Consultant	304	700,000	750,000	(50,000) -6.7%
<b>Professional Services Total</b>		<b>\$ 7,177,350</b>	<b>\$ 6,884,989</b>	<b>\$ 292,361</b>	<b>4.2%</b>
<b>Information Technology</b>					
622	Pension Adm. System Vendor	304	\$ 571,102	\$ 542,750	\$ 28,352 5.2%
623	Computer Hardware	730	398,200	343,100	55,100 16.1%
624	Computer Software	601	\$ 772,970	751,843	21,127 2.8%
625	Computer Maint. & Support	601	456,789	401,289	55,500 13.8%
626	Other Computer Consulting	304	282,013	812,500	(530,487) -65.3%
<b>Information Technology Total</b>		<b>\$ 2,481,074</b>	<b>\$ 2,851,482</b>	<b>\$ (370,408)</b>	<b>-13.0%</b>
<b>Training &amp; Related Travel</b>					
604	Employee Development	601	\$ 129,920	\$ 135,045	\$ (5,125) -3.8%
634	Conferences & Travel	213	247,365	222,550	24,815 11.2%
<b>Training &amp; Related Travel Total</b>		<b>\$ 377,285</b>	<b>\$ 357,595</b>	<b>\$ 19,690</b>	<b>5.5%</b>
<b>Office Expenses</b>					
606	Transportation Expenses	331	\$ 170,500	\$ 172,000	\$ (1,500) -0.9%
631	Printing and Binding	212	144,500	119,500	25,000 20.9%
632	Postage	601	200,052	195,950	4,102 2.1%
633	Telephone and Utilities	601	80,100	72,600	7,500 10.3%
635	Office Space	304	126,000	120,000	6,000 5.0%
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	70,000	61,600	8,400 13.6%
653	Furniture and Other Equipment	730	87,000	141,500	(54,500) -38.5%
655	Other Office Expense	601	165,060	175,260	(10,200) -5.8%
656	Membership Dues & Subscriptions	601	\$ 183,938	127,988	55,950 43.7%
658	Promotional Supplies	601	8,000	8,000	- 0.0%
659	Insurance Expense	304	130,000	130,000	- 0.0%
<b>Office Expenses Total</b>		<b>\$ 1,431,150</b>	<b>\$ 1,390,398</b>	<b>\$ 40,752</b>	<b>2.9%</b>
<b>TOTAL ADMINISTRATIVE EXPENSE BUDGET</b>		<b>\$ 51,939,680</b>	<b>\$ 47,338,937</b>	<b>\$ 4,600,743</b>	<b>9.7%</b>
<b>FUND 871: 115 TRUST EXPENSE BUDGET</b>					
612	Audit and Consulting CPA	304	10,000	10,000	- 0.0%
613	Legal	304	10,000	10,000	- 0.0%
660	Self-Funded Insurance Admin Fee	304	1,013,000	1,012,000	1,000 0.1%
<b>TOTAL 115 TRUST EXPENSE BUDGET</b>		<b>\$ 1,033,000</b>	<b>\$ 1,032,000</b>	<b>\$ 1,000</b>	<b>0.1%</b>

# SUMMARY OF CHANGES IN PERSONNEL



This table provides a look at the distribution and movement of personnel in the department among its business units. Total positions remained unchanged for FY26.

DIVISION/SECTION	2024-25 Adopted Budget  Regular Authorities	Proposed Changes				2025-26 Proposed Budget  Regular Authorities	2025-26 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	55					55	2		2
Health, Wellness, and Buyback	39					39	13		13
Communications & Stakeholder Relations	21					21	4		4
Member Stewardship Section	5					5	7		7
Administration	15					15	2		2
Fiscal Management	15					15	3		3
Systems	13					13	1		1
Systems Operations Support	3					3	1		1
TOTAL	195					195	33		33

\*FY26 Total positions = 228 (195 regular + 33 substitute authorities)

# ANNUAL BUSINESS PLAN FOR FY 2025-26



Department Programs	Annual Work Plan and Business Plan Initiatives for FY26
<b>INVESTMENT ADMINISTRATION</b>  Positions: 14 Regular  Admin Budget: \$3.0M	<ul style="list-style-type: none"> <li>• Expanding Environmental, Social, and Governance Investment Policy Implementation</li> <li>• Broadening Emerging Managers program</li> <li>• Development of LACERS' internal Risk Management Committee</li> <li>• Implementation of updated asset allocation</li> <li>• CEM Benchmarking Study</li> </ul>
<b>BENEFITS ADMINISTRATION</b>  Positions: 115 Regular   19 Substitute Authorities  Admin Budget: \$18.6M	<ul style="list-style-type: none"> <li>• Respond to 62,000 Member inquiries to the Member Service Center</li> <li>• Deliver more than 52 mass communication pieces</li> <li>• Hold 96 seminars and events for Members</li> <li>• Counsel and retire 1,000 Members</li> <li>• Counsel and process 1,000 death benefits</li> <li>• Perform reviews of 3,200 legal documents related to Member caseload</li> <li>• Ballot Measure FF - Public Safety Officer Transfer Implementation</li> <li>• Carry out an Alive and Well Audit to verify and update benefit recipient demographic information</li> <li>• Administer retiree health benefits for LACERS Retired Members, Survivors, and their eligible dependents</li> <li>• Continue to actively respond to health benefits-related claims, issues, and feedback</li> <li>• Expand LACERS Well in-person activity program</li> <li>• Maintain a consistent 5-month processing time for service buybacks</li> <li>• Increase Member accessibility through the Language Access Plan</li> <li>• Redesign of the Summary Plan Description for Tier 1 and Tier 3 Members</li> <li>• Workflow Process Improvements Initiative</li> </ul>
<b>GENERAL ADMINISTRATION AND SUPPORT</b>  Positions: 66 Regular   14 Substitute Authorities  Admin Budget: \$21.9M	<ul style="list-style-type: none"> <li>• Governance Initiative                         <ul style="list-style-type: none"> <li>◦ Develop and Implement New Board Policies</li> </ul> </li> <li>• Workforce Diversity, Equity, and Inclusion Initiatives                         <ul style="list-style-type: none"> <li>◦ Fellowship Program</li> <li>◦ Learning Management System</li> </ul> </li> <li>• Central Data Repository Initiative</li> <li>• Business Plan Continuity Initiative</li> <li>• Strengthening Cybersecurity</li> <li>• Capital Plan</li> <li>• General Ledger Software Implementation</li> <li>• Phase Two - Laptop Replacement Program</li> </ul>

### BENEFITS ADMINISTRATION OPERATIONS

The Benefits Administration Operations provides services to a total of 61,384 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 (CSRD)
- Health, Wellness, and Buyback (HWABD)
- Retirement Services (RSD)

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

### ENHANCE MEMBER SERVICES, CUSTOMER SATISFACTION, AND STAKEHOLDER ENGAGEMENT

#### ENGAGEMENT WITH MEMBERS AND STAKEHOLDERS

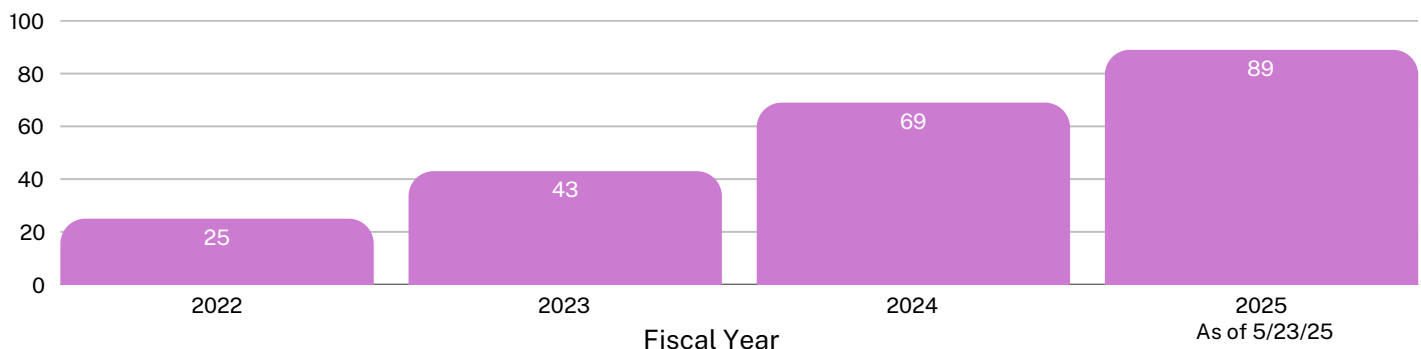
Over the past several years, CSRD led the department's Language Access Plan (LAP) to ensure the accessibility of translated materials and services. Currently, 31 Key Member forms and documents have been translated into Spanish, improving accessibility. The translation of materials will continue to be an ongoing effort through FY26 and beyond.

CSRD has been focusing on a "Non-Desk Campaign" to reach Active Members who would not normally receive retirement information from LACERS due to work out in the field. In the past year, offsite presentations increased 60% from the previous year with 69 total presentations in the field. Additionally, attendance at Retirement Seminars increased by 9%, with 2,897 Members served.

In March 2025, CSRD successfully implemented a new queue management system, QLess, to enhance the Member experience and streamline operations. Goals in FY26 include increasing Member participation in surveys by 10% and raising Member satisfaction scores by at least 5% based on surveys received after the conclusion of each appointment handled through QLess. FY26 continues to monitor the progress of the system's post-implementation and address any concerns.

In FY26, CSRD will continue the four substitute authority positions, deliver quality service to Members, and explore innovative solutions to resolve Member pain points.

#### GROWTH IN OFFSITE SEMINARS





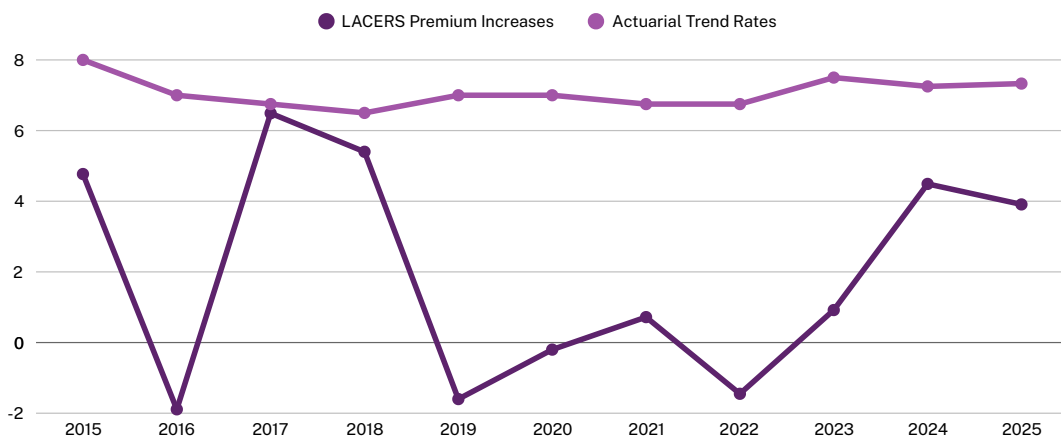
SERVICE LEVEL ENHANCEMENT

FY26 CONTINUING SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"><li>• 1 Benefits Analyst, CSRD</li><li>• 2 Benefits Specialists, CSRD</li><li>• 1 Development and Marketing Director, CSRD</li></ul> Total: 4	<p>The continuation of these staff will:</p> <ul style="list-style-type: none"><li>• Achieve a 5% increase in offsite seminars</li><li>• Achieve an annual average of 95% satisfaction from a minimum of 500 Customer Service survey results</li><li>• Facilitate the growth of LACERS' media to enhance Member engagement</li></ul>

### ENHANCE BENEFIT DELIVERY AND HEALTH & WELLNESS

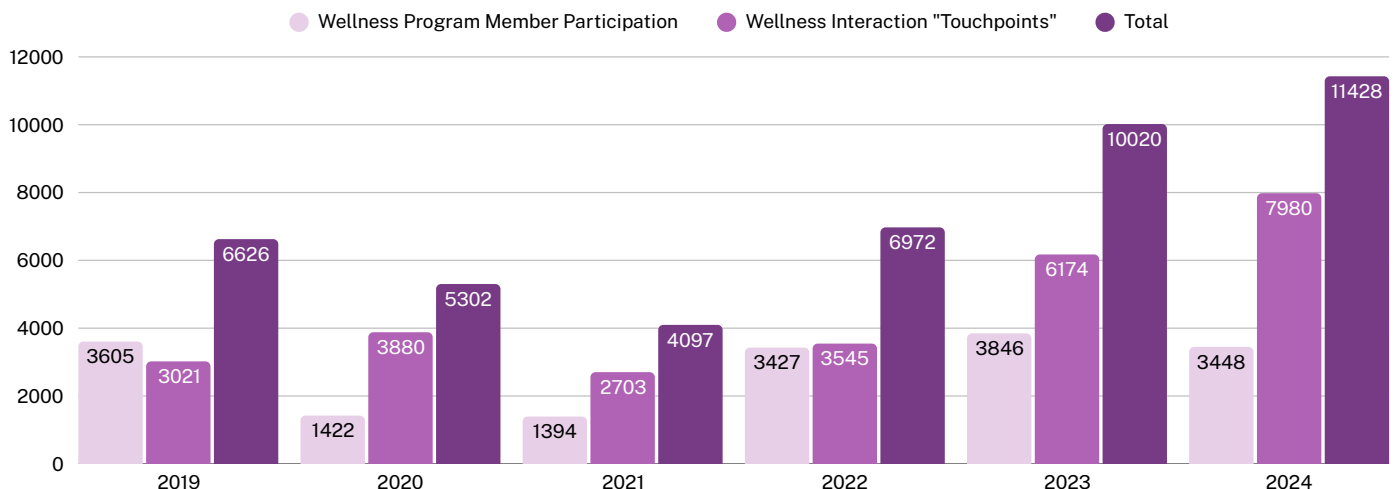
#### IMPROVE THE VALUE AND MINIMIZE COSTS OF MEMBER HEALTH AND WELLNESS BENEFITS

HWABD is responsible for delivering retiree health benefits and has consistently provided healthcare premiums below the actuarial assumed medical trend rate. For the most recent three-year average (2023-2025), LACERS medical trend rate was at 3.91% versus the actuarial assumed medical trend rate at 7.33%. Additionally, by self-funding the vision and dental Preferred Provider Organization (PPO) plans, surplus premium funds are retained by LACERS to be applied towards future premium increases. For FY25, the projected vision surplus is \$198,000, and the dental surplus is \$600,000. LACERS' Board of Administration has approved the use of the surplus, currently at \$3.1 million, if necessary, to cover premium deficits rather than increasing the 2025 premiums. The 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

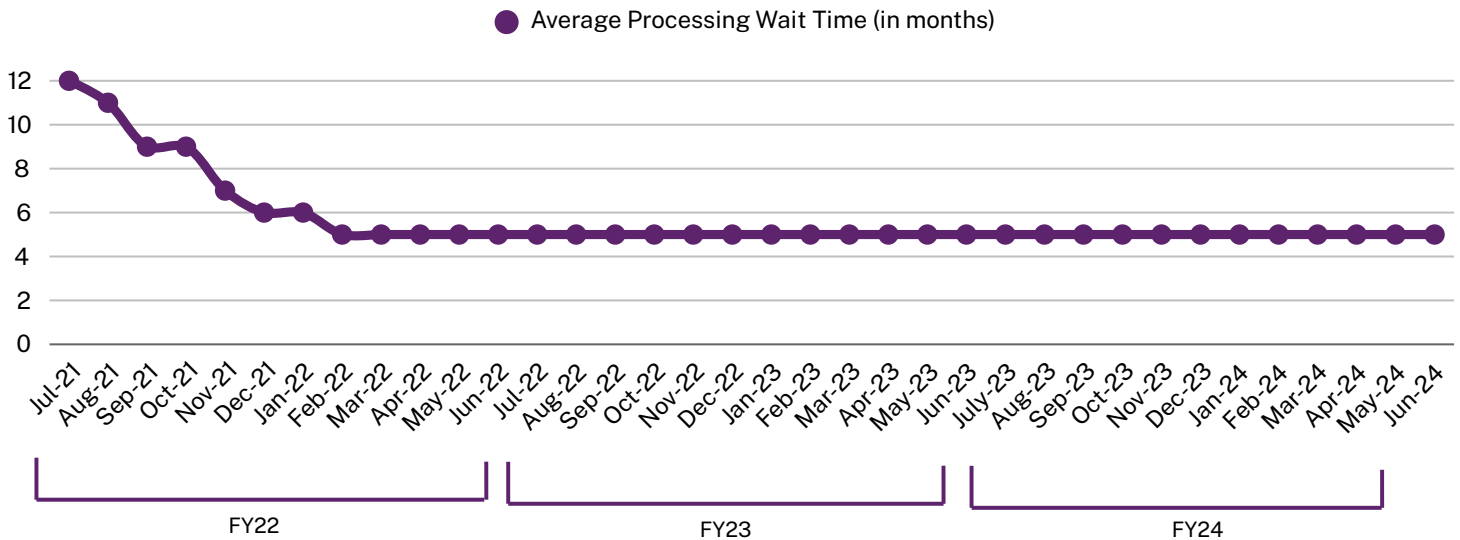
The long-term goal of the LACERS Well program is to help reduce medical plan costs by promoting physical and mental activities, resources, and educational initiatives focused on preventive care. Since the return of in-person activities and events in 2023, LACERS has experienced over a 12% increase in total participation and interaction between 2023 and 2024. In fiscal years 2025 and 2026, LACERS plans to further expand its in-person event program. The continuation of the Senior Project Coordinator and the Administrative Clerk substitute authority positions will facilitate partnership development and enhance program participation and member satisfaction rates.



# FY26 BUSINESS PLAN BENEFITS ADMINISTRATION

## TIMELY SERVICE PURCHASES FOR ACTIVE MEMBERS

Active members may purchase other government or past City service to increase their retirement allowance. The Service Processing Section (SPS) handles these requests and has maintained an average processing time of five months since FY21 with the added positions. The continuation of the existing substitute authority positions has proven beneficial in maintaining the average processing wait time while eliminating the number of aging cases (i.e., 6 months or longer) to a minimum.



## SERVICE LEVEL ENHANCEMENT

### FY26 CONTINUING SUBAUTHORITIES

- 3 Benefits Specialists, Health Section
- 4 Benefits Analysts , Health Section
- 2 Senior Benefits Analyst, Health Section
- 1 Senior Project Coordinator, Wellness Program
- 1 Administrative Clerk, Wellness Program
- 1 Senior Benefits Analyst, SPS
- 1 Benefits Specialist, SPS

TOTAL: 13

### PERFORMANCE OBJECTIVES

The continuation of these staff will:

- Timely enrollment of Retired Members, Survivors, and their eligible dependents in their chosen LACERS health and dental plans
- Provide counseling to new Retirees and Survivors, and those aging in to Medicare
- Review and resolve monthly medical, dental, and vision plan memberships and premium discrepancies
- Review and process of medical expense reimbursements for Medical Premium Reimbursement Program (MPRP) participants who live outside the plan coverage areas
- Achieve higher participation rates at LACERS Well events, whether in-person or virtual
- Eliminate aging cases associated with processing service buyback

# FY26 BUSINESS PLAN

## BENEFITS ADMINISTRATION

### 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 FY26, in addition to continuing operational improvements, RSD will focus on several key projects: 1) Complete the Domestic Alive and Well Audit, 2) Implement Measure FF, and 3) Continue the Knowledge Transfer Initiative.

On a triennial basis, LACERS conducts a Domestic Alive and Well Audit to verify our Members above age 80 and residing in the United States are receiving their benefits. This best practice protects the LACERS plan from benefits continuing to be paid after a Member's death to persons who are not entitled to the benefit. This project began in January 2025, with over 70% of contacted Members responding in 60 days, however additional outreach and investigation of the outstanding Members will continue into FY26.

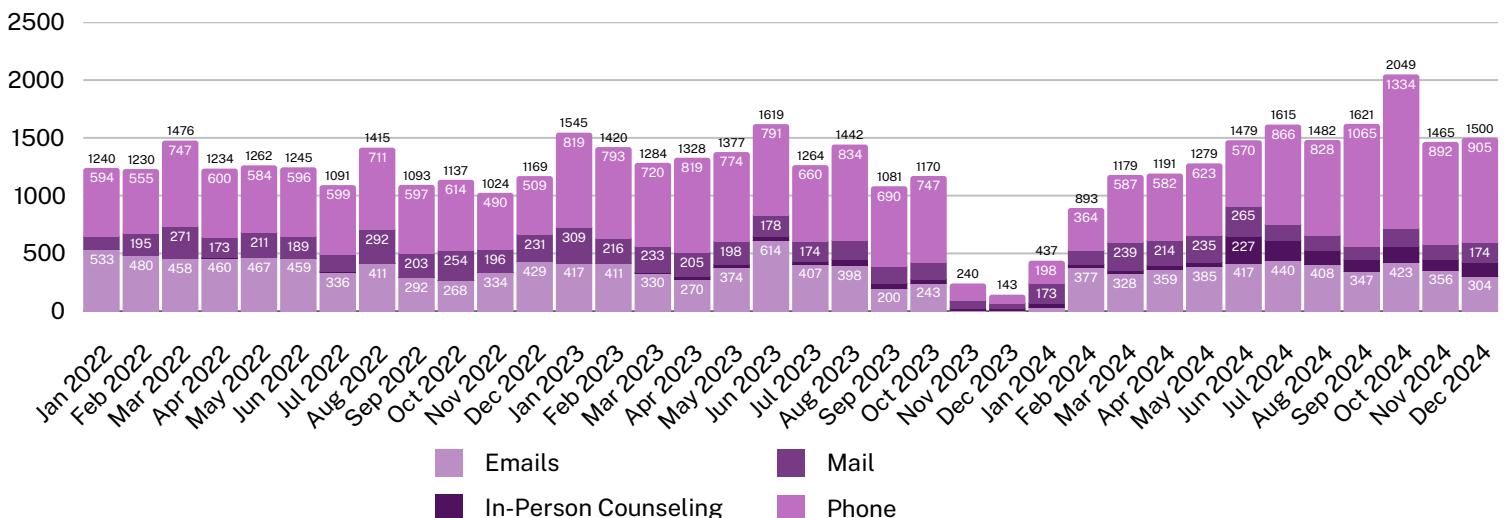
Voters in November 2024 passed ballot measure FF to allow certain peace officers to individually elect to transfer their LACERS pension to the City's sister pension system for sworn personnel, the Los Angeles Fire and Police Pensions (LAFPP). Implementation of the resulting ordinance continues in FY26 including mandatory counseling by LACERS and LAFPP of all eligible peace officers; completion of outstanding service purchases at LACERS; refunds of certain payments made previously by participants; and the transfer of employee and employer contributions to LAFPP are required to complete this project.

The City workforce continues to lose valuable institutional knowledge to retirements. Succession planning, particularly in the specialized area of LACERS benefits administration is critical to ensuring we meet our mandate to deliver timely and accurate benefits. RSD's continuing Knowledge Transfer Initiative (KTI) organizes its institutional knowledge into accessible information that is searchable and easily summarized leveraging Artificial Intelligence (AI). The goal of the KTI is creation of a foundational level of expertise for every RSD staff. This ensures the accurate practice of RSD procedures, the reduction in processing time for retirement applications and payroll, and protection against fraud.

The continuation of two Benefit Specialists substitute authority positions 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.

#### MEMBER CONTACTS (BY MEDIUM)

CALENDAR YEARS 2022-2024







### SERVICE LEVEL ENHANCEMENT

FY26 CONTINUING SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> <li>2 Benefits Specialists, Performance Review Unit</li> </ul> <p>Total: 2</p>	<p>The continuation of these staff will:</p> <ul style="list-style-type: none"> <li>Provide the internal quality assurance check for how RSD delivers benefits</li> <li>Provide centralized coordination of scheduled projects, both special and annual</li> <li>Through their audit function, review divisional procedures and workflows for operational efficiency and effectiveness to ensure the timely delivery of benefits</li> <li>Provide coordination and the resolution of outstanding and returned check issues</li> <li>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</li> <li>Assist in the development of the Knowledge Transfer System archive for usage in onboarding and educating staff</li> </ul>

## INVESTMENT OPERATIONS

The Investment Division is responsible for the management of a \$24 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 December 2024, the Board approved changes to the Asset Allocation Policy based on the results of the triennial asset allocation study completed in FY24. These changes included restructuring the broad asset class weightings aimed to achieve: 1) Align more closely with current global market opportunities as shown by changes in benchmarks, and 2) Simplify the structure by combining several sub-asset classes into broader categories, allowing for more flexible weighting. Implementation of the new Asset Allocation Policy will begin in early 2025 and will be discussed with the Board. Until then, the Investment Division will continue to follow the previous asset allocation policy until June 30, 2025. The new allocation is expected to take effect no earlier than July 1, 2025.

Risk management has been a cornerstone of the Investment Program for the past ten years due to the various investment and operational risks associated with managing the System's assets. In FY26, the Investment Division plans to explore the implementation of a formalized risk management program. This program will include additional tools for the Risk Officer to evaluate and assess risks at both the asset class and manager levels, supplementing the current focus on macroeconomic factor risk assessment. To enhance the professionalism of the Risk Management Program, the Division has joined the Institutional Society of Risk Professionals (ISRP) to collaborate with peers on best practices in risk management and further develop LACERS' Risk Management Program.

The Investment Division is committed to supporting corporate governance practices that enhance and promote diversity, equity, and inclusion (DEI) both externally (through its investment managers, consultants, and vendors) and internally (through personnel practices) in accordance with policy. To further support external DEI initiatives, LACERS actively participates in the Investment Diversity Advisory Council (IDAC). This organization, established in 2022, is composed of asset allocators, investment managers, investment consultants, academics, and professional advocacy groups. IDAC works to maximize talent in hiring organizations by encouraging the employment of diverse candidate firms and individuals within the investment and financial services industry.

### ASSET ALLOCATION VS. POLICY

As of September 30, 2024

	Current (\$)	Policy (%)	Current (%)	Differences* (%)	Policy Range (%)	Within Range
■ U.S. Equity	5,360,114,944	20.5	21.5	1.0	14.0 - 25.0	Yes
■ Non-US Equity	6,388,395,380	25.5	25.6	0.1	19.5 - 31.5	Yes
■ Core Fixed Income	3,362,791,137	12.8	13.5	0.7	11.8 - 18.3	Yes
■ Opportunistic Credit	2,259,844,265	10.8	9.1	-1.7	5.5 - 13.5	Yes
■ Private Equity	4,494,298,777	17.0	18.0	1.0	0.0 - 100.0	Yes
■ Real Assets	2,791,296,581	12.5	11.2	-1.3	5.5 - 16.5	Yes
■ Cash	272,761,338	1.0	1.1	0.1	0.0 - 2.0	Yes
<b>Total</b>	<b>24,929,502,422</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		



## SERVICE LEVEL ENHANCEMENT

### PERFORMANCE OBJECTIVES

- In FY26, the Investment Division will continue to expand and develop the following programs:
  - Investment Program - Asset Allocation
  - ESG Program
  - DEI Initiatives
  - Emerging Manager Program
  - Risk Management Program



### GENERAL ADMINISTRATION OPERATIONS

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

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

The FY26 proposed staffing for General Administration maintains the existing administrative support for LACERS operations with enhancements to business processes.

This year's proposed budget seeks to achieve the following objectives:

### INCREASE ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY


#### *STRENGTHENING FACILITY OPERATIONS*

The Administration Division oversees the facility services for the LACERS headquarters and is continuously making necessary improvements to support the department's operational needs. In response to an ever-evolving environment, it is crucial to improve the building's security to better safeguard LACERS' space and its occupants. In FY25, the Administration Division employed additional safety measures as recommended by prior LAPD security assessments, which includes training a select pool of LACERS staff, security, and property management personnel in operating security systems and installing additional security cameras in common areas. LACERS will continue into year two of implementing emergency tabletop exercises to promote operational resiliency against disasters. Additionally, the Administration Division aims to enhance the server room backup power design to ensure continuous operation and protection of critical IT infrastructure during power interruptions.

#### *OPTIMIZING PERFORMANCE WITH TECH-ENABLED SOLUTIONS*

The Systems Division (Systems) manages all facets of Information Technology (IT) functions of LACERS to ensure that all systems and technological infrastructures are secured and effective. In FY25, Systems initiated the laptop and mobile phone replacement, which is anticipated to be closed out in FY26. Conjointly, a Mobile Device Management (MDM) solution, which provides administrative features to remotely manage employee devices, will be deployed alongside the new phones. This will improve the organization's cyber posture, as recommended by the cyber vendor.

Building on the success of Virtual Desktop Infrastructure and Backup and Recover Infrastructure designs over the past two fiscal years, Systems aims to expand storage and automate back up processes for virtualized machines and setup cloud infrastructure alongside with security in protecting proprietary data against external threats in FY26. Systems will also resume Security Information and Event Management (SIEM) activities, a security program which enhances the monitoring and reviewing of security alerts, in protecting the organization from substantial malicious attacks. Continuation of a Cybersecurity Analyst substitute authority will assist in protecting the organization from cyber threats and ensure the security of digital infrastructure.



Additionally, Systems will be working with various other sections to deploy new technology solutions; one of which includes replacing the Fiscal Division's General Ledger System. The Fiscal Division's current system is reaching the end of its lifespan as Microsoft has announced it will end product support in the coming years. Continuation of an Accountant and two Benefit Specialist substitute authorities will support these efforts while ensuring proper accounting and oversight of LACERS' financial operations are upheld. Another new solution is the deployment of the Administration Division's new budget software which has its infrastructure and integrations built out in FY25 and will make its official launch in FY26. Continuation of a Management Analyst substitute authority will support the development and ongoing maintenance of the new software. Finally, the Systems Division will continue its collaboration with the Data Office to advance the Central Data Repository initiative to build out a single source of truth that will streamline data management and enhance better decision-making and efficiency across the organization. Continuation of a Systems analyst substitute authority will provide essential support to the development and sustained upkeep of the repository.

### **DELIVER ACCURATE AND TIMELY MEMBER BENEFITS**

#### *MEMBER BENEFIT PLATFORMS*

The Member Stewardship Section (MSS) is responsible for overseeing active Members of the Plan, which includes enrolling new Members, collecting contributions, adjusting service credit/salary as needed, and resolving any issues passed by the data transmittal file between HRP and LACERS' Pension Administration System (PAS). MSS staff have worked tirelessly with their HRP counterparts to support LACERS operations thereby ensuring the delivery of accurate and timely Member benefits. While MSS staff have made significant progress in addressing errors impacting benefits administration, it is important for staff to remain vigilant while continuing to resolve new issues and improve upon the data exchange processes in the next fiscal year. Continuation of the Benefit Analyst, Benefit Specialist, and Accounting Clerk substitute authorities will aid in resolving a higher frequency of errors, which has become a consistent challenge as changes in HRP often lead to issues in PAS.

The Systems Operation Support (SOS) Unit is responsible for the PAS and the Member Portal (MyLACERS), which include releasing system updates and fixes. Due to the high priority of the HRP project, SOS staff recommended updates to PAS to ensure the system's compatibility with HRP. However, as HRP issues have become considerably more manageable, the SOS team is now able to refocus its efforts on releasing updates aimed at improving the Member experience. In FY25, phase one of the MyLACERS enhancement project was initiated, which will allow retired Members and payees to directly update stored addresses and phone numbers within the PAS. This functionality was scheduled to be delivered in March 2025 for testing. Phase 2 is scheduled to commence in FY26 and will expand the Member self-update functionality to include direct deposit and withholding updates.

### **EMPOWER AND PROMOTE A HIGH-PERFORMING WORKFORCE**

#### *EMPLOYEE JOURNEY*

The Human Resources Unit (HRU) manages various employee-related functions to support individuals throughout their entire employment journey at LACERS. As LACERS staff has fully settled into the new building, HRU aims to revamp the New Employee Orientation experience that goes beyond day one and will include a first month check-in to ensure successful integration into the organization, a better understanding of their roles, and departmental policies. Additionally, in support of LACERS' strategic goal of empowering and promoting a high-performing workforce, HRU will also be spearheading the development of the Learning Management System (LMS), which is a platform housing various topics comprised of educational and employee development content, department-wide and Division specific training, and other ambassador training that goes beyond the initial employee orientation.

### SERVICE LEVEL ENHANCEMENT

#### FY26 CONTINUING SUBAUTHORITIES

- 1 Management Analyst, Administration
- 1 Systems Analyst, Administration
- 1 Cybersecurity Analyst II, Systems
- 1 Accounting Clerk, SOS
- 2 Accounting Clerk, MSS
- 2 Benefits Analyst, MSS
- 3 Benefits Specialist, MSS
- 1 Accountant, Fiscal Management
- 2 Benefits Specialist, Fiscal Management

Total: 14

#### PERFORMANCE OBJECTIVES

Continuation of these staff will:

- Contribute to project success through facilitation, driving involvement, and ensuring completion of existing business operations
- Resolve exceptions from the HRP system in a timely manner and reduce the backlog of contribution collection
- Support the framework buildout for the Central Data Repository
- Perform and implement necessary cybersecurity controls to safeguard LACERS data

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

FY25 BUDGET REQUEST		
	Expense	Positions
<b>Total Request</b>	<b>\$0</b>	



### PURPOSE

LACERS launched its new Strategic Plan in June 2024, setting the organization's direction for the next three to five years with new goal areas. The completion of the triennial board policy is expected by the end of the fiscal year. In FY25, initial discussions will continue regarding the implementation of new Board policies in response to the latest City Management Audit. FY26 will focus on advancing these discussions and implementing the new policies as determined by the Board.

### DELIVERABLES

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

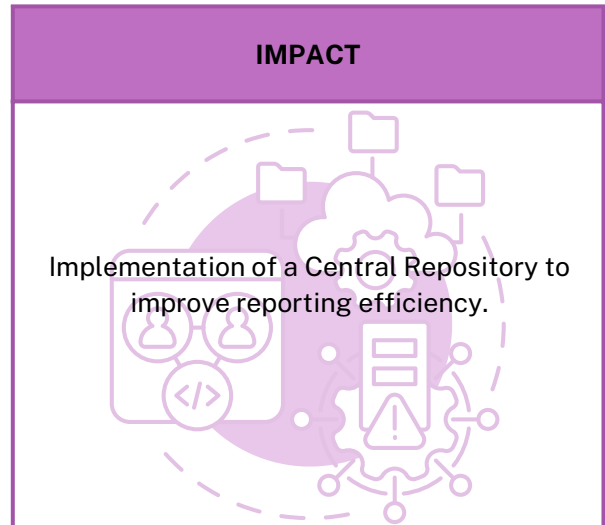
# FY26 BUSINESS PLAN INITIATIVES

## CENTRAL DATA REPOSITORY - YEAR 3



ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION EFFICIENCY AND EFFECTIVENESS

FY25 BUDGET REQUEST		
	Expense	Positions
<b>Total Request</b>	<b>\$63,480</b>	
Azure Open AI		
Microsoft Copilot		
Power App/Power BI Expansion		



### PURPOSE

Over the past two fiscal years, the Central Data Repository (CDR) business plan initiative, though interrupted by HRP, has made significant progress in evaluating existing data environments and established the foundation of a cloud-based single source of truth. The Data and Systems teams are thoroughly performing data risk assessments and ensuring that the security settings are in compliance with industry standards. In FY26, these efforts will be continued with a focus on data validation and reconciliation as well as begin training for staff use.

### DELIVERABLES

- Development of a robust CDR environment
- Data Quality and Security Testing



# FY26 BUSINESS PLAN INITIATIVES

## BUSINESS CONTINUITY PLAN - YEAR 3

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION EFFICIENCY AND EFFECTIVENESS

FY25 BUDGET REQUEST		
	Expense	Positions
<b>Total Request</b>	<b>\$75,000</b>	
Table Top Exercises	\$75,000	



### 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 FY26, LACERS seeks to carry out a Cybersecurity tabletop to better respond to cyber threats and attacks from both a technology and a business perspective. Additional efforts to improve employee readiness involves transitioning to a new mass communication platform, conduct more frequent emergency-related trainings, and other technological improvements to LACERS' infrastructure to minimize operational disruptions.

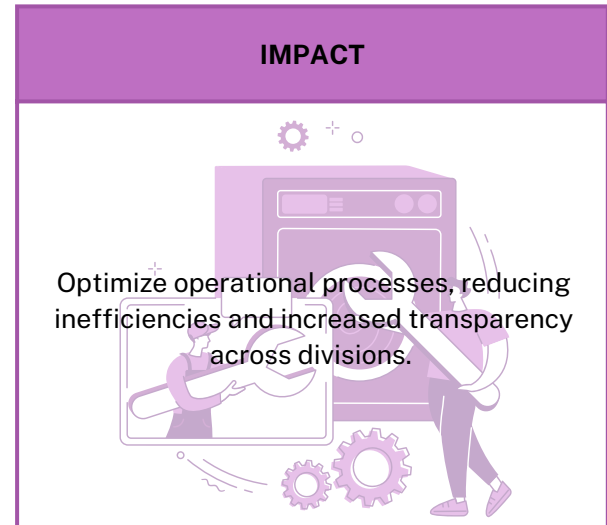
### DELIVERABLES

- Completion of one tabletop exercise

# FY26 BUSINESS PLAN INITIATIVES WORKFLOW PROCESS IMPROVEMENTS

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

FY25 BUDGET REQUEST		
	Expense	Positions
<b>Total Request</b>	<b>\$0</b>	



## PURPOSE

The Workflow Process Improvements business plan initiative plays a crucial role in laying the groundwork for the future developments of pension administration system upgrades and business intelligence. Currently, LACERS has multiple touch points within respective workflow processes, hindering efficiency. Therefore, an operations subcommittee, consisting of managers from various divisions, has been created to assess existing processes and identify areas for improvement from point of intake through task completion. In FY26, this BPI will aim to conduct a peer benchmark study, a full audit of gaps within our technology stack, a re-alignment plan for work processes, and an information management plan to assist in the development of a multi-year technology enhancement strategy that will ensure organizational efficiency and effectiveness in benefits delivery and administration that is future proofed.

## DELIVERABLES

- Assessment of existing workflows
- Peer benchmark study
- Audit of forms, existing work processes, and technology gaps
- Extended action plan on operation upgrades

# 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 with additional areas of focus on the parking garage and implementation of an asset management system.

For FY26, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

## FY26 CAPITAL PLAN BUDGET REQUEST - YEAR 4

Category	Property Component	Expense
Parking Garage	<u>Carbon Monoxide (CO) Monitor</u> : Installation of a CO Monitor for each parking garage level. Scope includes Air Balance Report for the mechanical system, engineering drawings for the ventilation system, and integration with the Building Management System (BMS).	\$259,900
Equipment	<u>Asset Tracking</u> : Tag essential Capital and Non-Capital equipment, furniture, and electronics throughout the property.  <u>Server Room Power</u> : Upgrade the existing backup power design with a larger Uninterruptible Power Supply (UPS).  <u>Other Building Improvements</u> : Miscellaneous exterior building improvements.	\$220,000
	TOTAL	\$479,900



	FY26	FY25	% CHANGE
<b>Total</b>	\$ 831,266,249	\$ 850,400,480	(2.3)
<b>Retirement and Health Benefits</b>	866,285,738	931,932,464	(7.0)
<b>True-up Adjustment</b>	(36,516,489)*	(82,919,984)	(56.0)
<b>Family Death Benefit Plan</b>	37,000	35,000	5.7
<b>Excess Benefit Plan</b>	1,368,000	1,272,000	7.5
<b>Limited Term Retirement Plan</b>	92,000	81,000	13.6

An Asterisk (\*) denotes estimated amount. FY25 contribution true-up adjustment will be updated upon the availability of the actual covered payroll up to pay period ending April 16, 2025.

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, FY26 City Contribution is based on the City's FY25 final budget covered payroll of \$1.64 billion for Tier 1 Members and rate of 32.65%; and a covered payroll of \$1.13 billion and rate of 29.37% for Tier 3 Members. A credit adjustment of \$36,516,489 is applied toward the FY26 contribution to LACERS. This credit amount represents a true-up of the FY25 contribution -- the difference between the contributions paid on July 15, 2024 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 1,944 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 FY26. 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

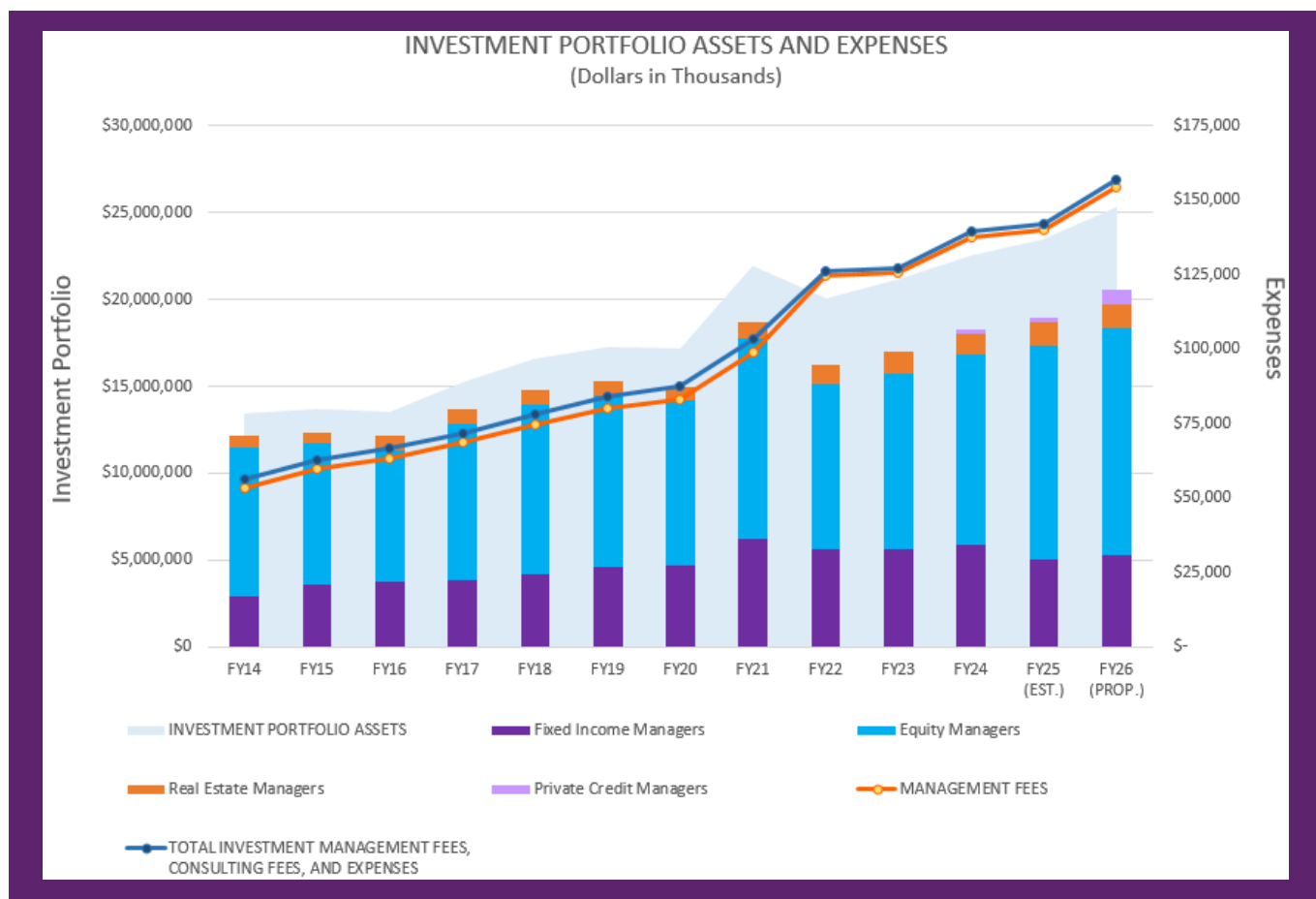
The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently \$280,000<sup>1</sup> for 2025. In 2025, there are 43 LACERS Members who receive their monthly LACERS' 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 FY26, 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.

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<sup>1</sup> 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 LACERS' General Fund consultant, Private Equity consultant, and Real Estate consultant. Other expenses include research and services which support administration of the investment program.

	FY26	FY25	\$ CHANGE	% CHANGE
<b>Total</b>	\$ 157,178,340	\$ 141,190,690	\$ 15,987,650	11.3
<b>Investment Management Fees</b>	154,507,909	138,413,685	16,094,224	11.6
<b>Investment Consulting Fees</b>	2,401,700	2,549,500	(147,800)	(5.8)
<b>Other Investment Expenses</b>	268,731	227,505	41,266	18.1

# INVESTMENT MANAGEMENT FEES AND EXPENSES



## Investment Fee Rate Overview

The FY26 proposed Investment Management Fees & Expenses Budget is \$157.2 million, an increase of \$16.0 million or 11.3% from the FY25 budget that includes the following:

- \$2.2M increase in Fixed Income and Equity
- \$3.0M increase from Private Credit
- \$10.9M increase for Private Equity and Real Estate

Generally, Investment management fee increases 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

The FY26 proposed investment management fees and expenses budget is based on an estimated fair value of investments of \$26.1 billion as of June 30, 2026, a 7.4% increase from the FY 2025 estimated fair value of investments at \$24.3 billion. The estimate assumes an average 6.5% increase in assets based on NEPC's 10-year return assumption for each asset class, as of 12/31/2024.