

LACERS PERFORMANCE BUDGET

FISCAL YEAR 2022-23
BOARD PRESENTATION OF MAY 24, 2022



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INTRODUCTION

The LACERS Fiscal Year 2022-23 (FY23) Budget continues to meet challenges as we navigate the ongoing effects of the COVID-19 pandemic, but is met with great hope as we prepare to begin occupancy of our new headquarters building and look to resume some normal operations. As such, this budget restores much of what had been previously reduced, including reflecting our intent to return to work and resume travel, but without letting go of the many new developments and tools that came out of response to the pandemic, which are now an ongoing part of LACERS' business operations, such as utilization of the cloud and other mobile workforce tools. In many ways this is a rebuilding budget wherein LACERS is emerging as a post-pandemic organization and is further making needed investments in staff that will pay dividends into the future. Addressing long standing staffing needs, recognizing changing working circumstances and increasing workload, prioritizing staff development and communication, and striving for a more inclusive and equitable workplace are key fundamentals that will translate into improved business continuity, staff knowledge and retention, and ultimately improved Member services.

This year's budget outlines proposals to continue improving areas in:

- Workforce development
- Staff hybrid remote and in-office working capability
- Our Members' Experience

The FY23 Business Plan will continue to focus on several key initiatives including the move to the new headquarters as we anticipate occupying the new building, as well as growth of internal Diversity, Equity and Inclusion efforts and investment in staff development and internal communication, information security efforts, and the continued integration of Environmental, Social and Governance investing principles.

	FY23	FY22	\$ CHANGE	% CHANGE
City Contribution	\$ 763,866,451	\$ 715,507,022	\$ 48,359,429	6.8
Investment Management Fees & Expenses	106,923,414	95,652,261	11,271,153	11.8
Administrative Expense	40,538,982	33,392,154	7,144,310	21.4
Health Care Fund Administrative Expense	1,013,000	934,000	79,000	8.5
Regular Position Authorities	187	177	10	5.7

BUDGET OVERVIEW

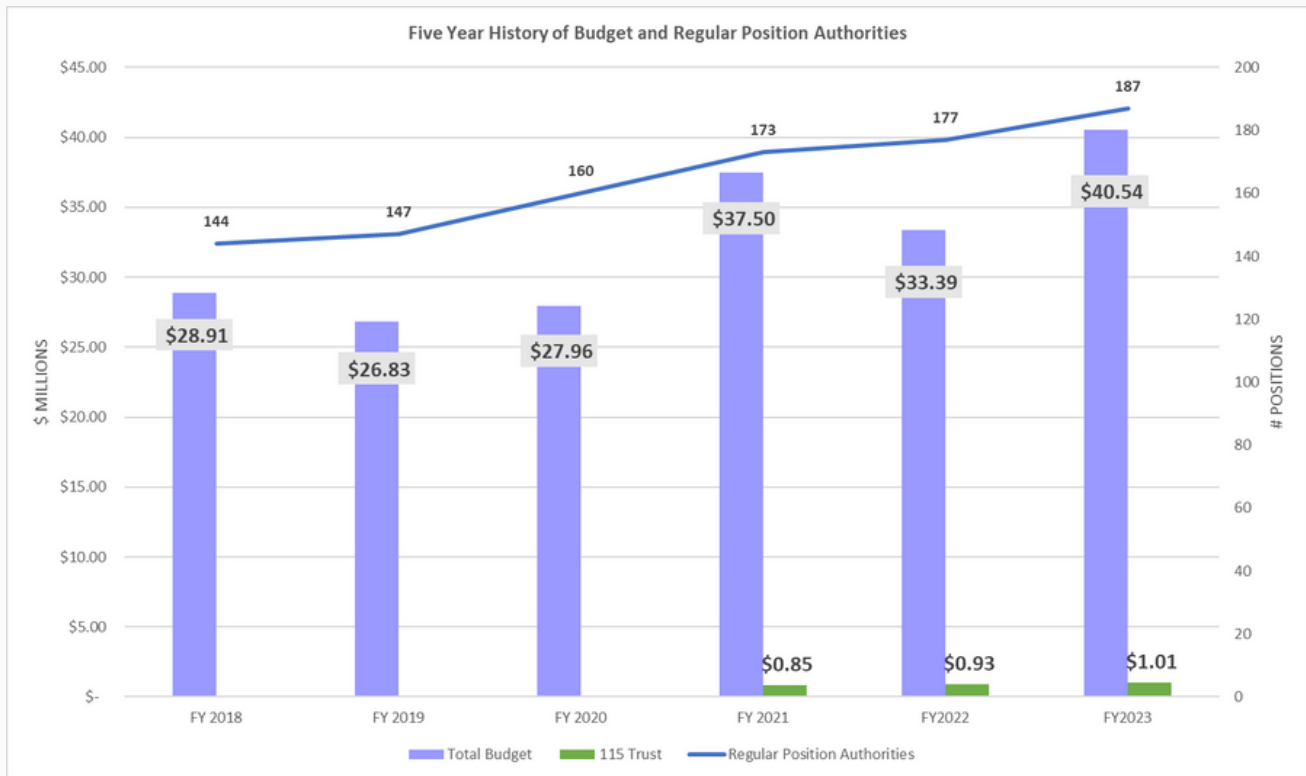
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget, which is due to City Council by April 20, and finalized in June for the fiscal year beginning July 1st. The 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 investment contracts throughout the year which set fee rates used to establish the Investment Management Fee Budget. In March and May of each year, the Board considers programs and annual business plan initiatives to fund for the coming fiscal years reflected in the Administrative Expense Budget.

An overview of the 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, Lease Cost, 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



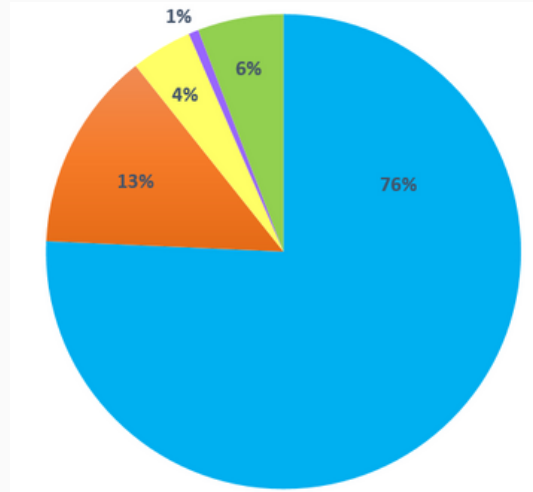
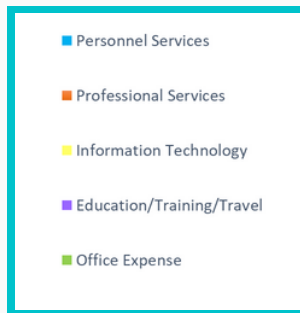
The Administrative Expense Budget of \$40.54 million reflects a net increase of \$7.14 million, or 21.4% over the Fiscal Year 2021-22 (FY22) base budget. Obligatory changes to the budget account for \$5.5 million in increases over the FY22 adopted budget. This includes \$1.2 million in Employee benefit and pension costs, \$0.8 million for cost of living adjustments and cash payouts, and \$2.4 million to restore salary savings and fully-fund positions partially funded in FY22 (See Summary of Changes table, page 4). Obligatory costs are offset by the adoption of a 5% salary savings rate equivalent to \$1.0 million, and \$0.4 million in one-time and various expense reductions. The Budget invests \$1.8 million in core services (excludes personnel costs), and \$3.1 million to fund two on-going Business Plan Initiatives (BPI): Headquarters Move and City Separation Incentive Program Closeout, as well as three new BPIs: Governance Initiative, High Performing Workforce Initiative, and Investment's Environmental, Social and Governance efforts. (See 2022-23 Business Plan, pages 22, 24, 26, 30)

SUMMARY OF CHANGES

Category Item	Dollars	Positions	
		Regular	Substitute
21-22 Adopted Budget	\$ 33,392,154	177	23
Obligatory Changes	5,489,105	-	-
Full funding of Partially Funded Positions	893,269	-	-
Restoration of Salary Savings	1,513,365	-	-
Cost-of-Living Adjustment	839,449	-	-
Salary Rate Increases, Turnover, Excess Sick Pay	991,818	-	-
Part-Time Salaries	45,114	-	-
LACERS' Employer Share of Retirement Contributions	765,000	-	-
LACERS' Share of Employee Benefits	385,100	-	-
LACERS' Share of City Attorney and Outside Legal Counsel	55,990	-	-
Deletion of One-Time Funding	(2,008,608)	-	-
Deletion of Funding for Substitute Authorities	(1,779,561)	-	(23)
Deletion of Funding for One-Time Services, Expenses, & Equipment	(229,047)	-	-
Efficiencies to Services	(1,162,155)	-	-
Salary Savings Rate Adjustment [5%]	(1,013,909)	-	-
Expense Account Savings	(148,246)	-	-
Continuation of Services	1,749,211	-	-
Investment Program Expenses	38,760	-	-
Benefits Administration Expenses	1,529,252	6	12
General Administration & Support Expenses	181,199	-	-
New/Enhanced Services	3,079,275	-	-
CSIP Closeout	60,000	-	-
Governance and Cybersecurity	172,302	1	-
High Performance Workforce Initiative	310,323	1	-
Investment Private Equity Staffing	208,489	2	-
Headquarters Move Initiative	2,328,161	-	-
Total Changes	\$ 7,146,828	10	(11)
2022-23 Proposed Budget	\$ 40,538,982	187	12

ADMINISTRATIVE EXPENSE BUDGET CONT.

FY23 ALLOCATION OF EXPENSES



This budget year invests heavily in Personnel resources, while completing the Headquarters and several Information Technology projects. In the five major categories of expense, Personnel Services expenses account for 76% of the FY23 budget, and 62.1% of the budget increase. Professional Services expense make up 13% of the budget and 35.2% of the increase, followed by Office Expense at 6% of the budget, -0.4% decrease; Technology at 4% of the budget, 1.6% of the increase, and finally Education/Training and Travel at less than 1% of the budget allocation and change in 1.4% of the budget.

The Administrative Budget Detail includes the following notable items:

- Salaries increases by 19.1%, or \$3.3M and Employee Benefits increases by 13.8%, or \$1.15M. The increase in the Employee Benefits coincide with the increase in requested positions and reduced salary savings (from 9% to 5%).
- Overtime decreases by 4.2%, or \$21,404 in part due to additional position requests.
- Training and Related Travel increases by 40.2%, or \$35,425 for Employee Development and 75.3%, or \$65,350 for Conferences and Travel as in-person training and conferences are being re-established. This includes due-diligence travel by the Investment Division.
- Actuarial Services increases by 9.4%, or \$35,218 primarily due to the Triennial Experience Study to be conducted in FY23.
- Other Consulting Services increases significantly by 882.3%, or \$2.3M, primarily attributed to the Headquarters Move Business Plan Initiative budget which brings onto budget the move and the building's ongoing operating expenses. The Headquarters budget details are referenced on page 26.
- Computer Software expenses increases by 64.3%, or \$221,126. The expense covers various areas in strengthening information security and Business Plan Initiatives including the Headquarters Move Initiative and the High Performing Workforce Initiative.
- Board Member Election expense of \$48,600 is a one-time expense for preparation and funding of the election in FY23.

ADMINISTRATIVE EXPENSE BUDGET CONT.

Additional items to note include:

- The Office Lease has a reduction of \$238,000 due to the LA Times lease term through the end of March 2023.
- The budget for the LACERS Health Care Fund (“115 Trust”) Administrative Expense is shown in the table following the Administrative Expense Budget. These expenses are paid by the Administrative Expense Budget and reimbursed by the 115 Trust. The 115 Trust Fund was established in 2018 to better manage the future costs and decrease the future tax liability of the 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 benefit claims, audit fee, legal counsel cost and the Fund’s share in the overall administrative expenses of LACERS. The Proposed 115 Trust Budget of \$1,013,000 is an increase of \$79,000 or 8.5% over last fiscal year.
- This budget invests in the continuation of 12 substitute authority positions, regularization of 3 substitute authority positions, and 7 new regular positions. The purpose of these positions is detailed beginning on page 13.
- The Budget funds current programs underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as four initiatives in the FY23 Business Plan including the Headquarters Move Initiative; the High Performing Workforce Initiative; Environmental, Social, and Governance Investing, and Board Governance centered on strategic planning.

DETAIL OF ADMINISTRATIVE EXPENSES

	City Account Number	FY2022-23 Proposed Budget	FY2021-22 Adopted Budget	Budget \$ Change	Budget % Change
FUND 800: ADMINISTRATIVE EXPENSE BUDGET					
Personnel Services					
601	Salaries	101	\$ 20,686,136	\$ 17,374,559	\$ 3,311,577 19.1%
602	Overtime	109	486,854	508,258	\$ (21,404) -4.2%
605	Employee Benefits	175	9,512,900	8,362,800	\$ 1,150,100 13.8%
	Personnel Services Total		\$ 30,685,890	\$ 26,245,617	\$ 4,440,273 16.9%
Professional Services					
611	Actuarial Service	304	\$ 411,500	\$ 376,282	\$ 35,218 9.4%
612	Audit Services	304	231,500	200,000	\$ 31,500 15.8%
613	Legal Services	304	1,178,616	1,117,122	\$ 61,494 5.5%
614	Disability Services	304	200,000	200,000	\$ - 0.0%
615	Other Consulting	304	2,522,137	256,750	\$ 2,265,387 882.3%
616	Benefit Payroll Processing Servs.	304	272,000	247,200	\$ 24,800 10.0%
617	Retiree Health Adm. Consultant	304	700,000	600,000	\$ 100,000 16.7%
	Professional Services Total		\$ 5,515,753	\$ 2,997,354	\$ 2,518,399 84.0%
Information Technology					
622	Pension Adm. System Vendor	304	\$ 470,068	\$ 470,497	\$ (429) -0.1%
623	Computer Hardware	730	222,100	305,297	\$ (83,197) -27.3%
624	Computer Software	601	565,025	343,899	\$ 221,126 64.3%
625	Computer Maint. & Support	601	344,899	330,646	\$ 14,253 4.3%
626	Other Computer Consulting	304	89,518	124,400	\$ (34,882) -28.0%
	Information Technology Total		\$ 1,691,610	\$ 1,574,739	\$ 116,871 7.4%
Training & Related Travel					
604	Employee Development	601	\$ 123,495	\$ 88,070	\$ 35,425 40.2%
634	Conferences & Travel	213	152,165	86,815	\$ 65,350 75.3%
	Training & Related Travel Total		\$ 275,660	\$ 174,885	\$ 100,775 57.6%
Office Expenses					
606	Transportation Expenses	331	\$ 11,000	\$ 9,500	\$ 1,500 15.8%
631	Printing and Binding	212	190,500	163,500	\$ 27,000 16.5%
632	Postage	601	185,200	180,900	\$ 4,300 2.4%
633	Telephone and Utilities	601	60,600	61,200	\$ (600) -1.0%
635	Office Lease	304	1,215,750	1,453,750	\$ (238,000) -16.4%
636	Office Equipment Services	304	85,000	64,725	\$ 20,275 31.3%
651	Petty Cash	601	12,000	8,000	\$ 4,000 50.0%
652	Board Member Election Expense	601	48,600	-	\$ 48,600 0.0%
653	Furniture and Other Equipment	730	25,000	20,800	\$ 4,200 20.2%
655	Other Office Expense	601	141,510	162,360	\$ (20,850) -12.8%
656	Membership Dues & Subscriptions	601	140,409	130,824	\$ 9,585 7.3%
658	Promotional Supplies	601	5,000	4,000	\$ 1,000 25.0%
659	Insurance Expense	304	249,500	140,000	\$ 109,500 78.2%
	Office Expenses Total		\$ 2,370,069	\$ 2,399,559	\$ (29,490) -1.2%
TOTAL ADMINISTRATIVE EXPENSE BUDGET			\$ 40,538,982	\$ 33,392,154	\$ 7,146,828 21.4%
FUND 871: 115 TRUST EXPENSE BUDGET					
612	Audit and Consulting CPA	304	10,000	10,000	- 0.0%
613	Legal	304	30,000	60,000	\$ (30,000) -50.0%
660	Self-Funded Insurance Admin Fee	304	973,000	864,000	\$ 109,000 12.6%
TOTAL 115 TRUST EXPENSE BUDGET			\$ 1,013,000	\$ 934,000	\$ 79,000 8.5%

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	2021-22 Adopted Budget Regular Authorities	Proposed Changes				2022-23 Proposed Budget Regular Authorities	2022-23 Proposed Substitute Authorities		
		Reallocate	Transfers	Regularize Substitute Authorities	New		Cont.	New	Total
Executive	7					7			
Investments	12				+2	14			
Human Resources	5				+1	6			
Internal Audit	3					3			
Retirement Services	48		-6		+3	45	+3		3
Health, Wellness, and Buyback	22		+12	+3		37	+8		8
Member Services	17					17	+1		1
Member Stewardship Section	8		+6			14			
Administration	26		-12		+1	15			
Fiscal Management	15					15			
Systems	11					11			
Systems Operations Support	3					3			
TOTAL	177	0	0	3	7	187	12	0	12

Note two organizational transfers to better align resources:

- Service Purchase Section to Health, Wellness and Buyback from Administration Division
 - Additional Administration position reflects one new position to support cybersecurity
- Member Processing Unit to Member Stewardship Section from Retirement Services Division

ANNUAL BUSINESS PLAN FOR FY 2022-23

Department Programs

Annual Work Plan and Business Plan Initiatives for FY23

INVESTMENTS ADMINISTRATION

Positions: 14 Regular

Admin Budget: \$2,211,715

- Environmental, Social, and Governance Investment Policy Implementation
- Broadening Emerging Managers program
- Conduct peer benchmarking of the Investment Program

BENEFITS ADMINISTRATION

Positions: 99 Regular | 12 Substitute
Authorities

Admin Budget: \$11,533,587

- Separation Incentive Program - Year 3 (Audit and Evaluation)
- Employee Development - Succession Planning
- Expansion of Retirement Application Portal
- Health Carrier Contracts Requests for Proposals
- Assessment of Self-Funding for Medical Plan
- Medicare Operational Compliance Review

GENERAL ADMINISTRATION AND SUPPORT

Positions: 74 Regular

Admin Budget: \$16,490,099

- Headquarters Move Initiative - Year 3
- Governance and Cybersecurity
 - Strategic Planning
 - LACERS Symposium
 - Strengthening Cybersecurity
- High Performing Workforce Initiative
 - Learning Management
 - Diversity, Equity and Inclusion
 - Employee Intranet

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

BENEFITS OPERATIONS OPTIMIZATION

Introduction to Multi-Year Service Level Enhancements for Retirement Services Division and Health, Wellness, & Buyback Division

The Proposed Fiscal Year 2022-23 Business Plan for Benefits Administration continues the multi-year effort to optimize Benefits Operations to meet the strategic goals of outstanding customer service and timely and accurate delivery of benefits. This effort began with the launch of a modern Pension Administration System (PAS) in March 2018, followed by process reengineering to align business functions efficiently with the new system. A year-long review of benefit operations resulted in an organizational restructuring in Fiscal Year 2019-20. In March 2020, two years since the new system replacement, efficiency gains from the PAS and reorganization were fully realized. Retirement Services Division, and Health Benefits & Wellness Division proceeded to identify additional strategies to strengthen Benefits Operations for the long-term. A review of workload indicators showed a consistent increase in retirement caseload, survivorship caseload, covered lives, call volume and various key data points which outpaced increases in staffing. The past approach of doing more with less, was exhausted and no longer sustainable. LACERS initiated a plan to incrementally add staff to meet current service levels, incorporating seven new regular positions in the Fiscal Year 2020-21 budget, just before the Global Public Health Emergency. In the following fiscal year, resources were focused on completing the City Separation Incentive Program with 19 temporary positions activated for that effort. Still, some progress was made to augment on-going benefits work with three additional regular positions in Fiscal Year 2021-22.

We resume this effort in Fiscal Year 2022-23 in a work environment significantly changed from what we had known. Aside from the external public health, political, social and financial issues which may have further impacts to LACERS, we will be operating in a new office space, under a hybrid telecommute plan, and working with a "new" team consisting of many benefits staff in new roles resulting from the cascade effect of senior managers who have retired. The Benefits Operations staffing plan will need to remain flexible and continue to be assessed annually. Our hope is to achieve some normalcy in FY23, and to have a sound basis to set new standards for staffing levels to meet future needs.

Based on our experience of the past two years, in addition to workload indicators, there is justification to support the continued effort to expand staffing in the coming fiscal year with six new regular positions and twelve substitute authority positions; then in the following fiscal year, regularizing some of the substitute authority positions and adding one position to reduce call wait times, and another position to support in-person Wellness events. The proposed staffing increases will address the following risks.

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

Recent and Future Retirements of LACERS' Benefits Operations Staff

In the current fiscal year, six experienced personnel retired from LACERS, all with expertise in Benefit Operations, including an Assistant General Manager, Division Chief, and Assistant Division Chief. In Fiscal Year 2022-23 sixteen benefits personnel are eligible to retire, increasing to 23 in Fiscal Year 2023-24. In the next five years, most of the key senior staff in Retirement Services, will be eligible to retire, as well as individuals in critical positions in the Health, Wellness and Buyback Division. Benefits knowledge takes 1-2 years to develop, therefore building in sufficient time for knowledge transfer to help newer staff develop the skills and knowledge they will need as future supervisors and managers is imperative and time sensitive.

Care, Retention, and Recruitment of Knowledge Workers

Benefits operations is reliant on knowledge workers. The pandemic has prompted people to reassess their priorities and purpose. To retain our greatest asset, institutional knowledge, requires that employees have a balanced workload, including dedicated time for knowledge transfer; that they are performing at their classification and challenged with projects that give them new experience and skills; and employees can engage in activities that allow them to strengthen and shape their bond with the culture of the organization.

Our multi-year staffing plan will improve on several challenges including: retention, recruitment, staff burnout/morale issues due to high workload; and classifications performing lower-level assignments, working continuous overtime, and an inability to take time off due to staffing shortages. The plan also moves toward replacing temporary help with regular positions to create staff longevity, minimize retraining costs, and mitigate loss of experience.

Benefit Complexity and Overlapping Special Projects

Since 2009, benefits administration has been complicated by changes in plan design, increased legal and regulatory requirements, and the challenges that come along with system implementations and new technology. Subject matter experts participate in discussions, and preparation for implementation of such changes as well as on-going implementation. Often externally initiated, these projects were not properly resourced, reliant on resources being shifted away from core benefits processing work and oversight. Multiple, successive, and overlapping projects have simply added to the workload and complexity of benefits administration.

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

YEAR(S)	LIST OF PROJECTS
2009-2015	IRS Voluntary Compliance Program Plan Determination Letters & Tax Compliance Project
2009-2010	Early Retirement Incentive Program (ERIP) retiring over 3,000 in a six-month period
2010-2011	Citywide Layoff Project
2011	Tier 1 members' Health Subsidy Increase Vesting Rights Benefits Change
2011	Alive and Well Project
2011-2018	Pension Administration Project (PAS) Requirements Gathering and Implementation
2013	Defense of Marriage Act overturned by Supreme Court. Implement change to non-imputable health subsidy dollars for cost of same sex marriage
2011-2014	Tier 2 Discussions & Adoption (was later converted to Tier 1) - Benefits Change
2013-2015	GSD Office of Public Safety Transfer to LAPD
2014	Suspension of reciprocity with Water and Power Employees Retirement Plan (WPERP) Benefits Change
2015	Affordable Care Act for children under the age of 26. Implementation of eligible dependents
2015-2017	Tier 3 Discussions & Adoption - Benefits Change
2016	Alive and Well Project
2016-2018	Tier 1 Enhanced for Airport Peace Officers, Discussion & Adoption - Benefits Change
2016-2017	Ontario Airport Transfer
2018	Personnel Flex Benefit Refund Project
2018	Establishment of the Post Employment Health Care Fund, also known as the 115 Trust Fund. The establishment of this new fund created an additional complexity in administering benefits.
2019	Self-funding of Delta Dental HMO/PPO and Blue View Vision transitioned from a Full Insurance Program
2020-2022	City, Airport & Harbor Separation Incentive Programs to retire close to 1,800 members

FY23 BUSINESS PLAN | BENEFITS ADMINISTRATION

SERVICE LEVEL ENHANCEMENT | RETIREMENT SERVICES

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Administrative Clerk (New Regular), Service Retirement Unit • 1 Benefits Analyst (Continue Substitute Authority), Service Retirement Unit • 2 Benefit Specialists (Continue Substitute Authority), Service Retirement Unit • 1 Senior Benefits Analyst 1 (New Regular), Survivor Benefits Unit • 1 Accounting Clerk (New Regular), Legal Processing Unit 	<p>These additional staff will augment existing staff to achieve the RSD FY23 goals to:</p> <p>Service Retirement Unit</p> <ul style="list-style-type: none"> • Process 100% of the retirement applications on time Baseline: 1,100; Target: 1,100 • Complete retirements for 100% of valid applicants Baseline: 985; Target: 985 • Complete 1,000 SIP Audits • Complete 600 Case Audit Reviews <p>Survivor Benefits Unit</p> <ul style="list-style-type: none"> • Process up to 1,000 death cases • Audit 50% of the death case • Oversee implementation of the new Tier 1 Enhanced benefits <p>Legal Processing Unit</p> <ul style="list-style-type: none"> • Process up to 250 legal authority documents • Process up to 50 wage assignments • Handle up to 900 correspondence

SERVICE RETIREMENT UNIT

The Administrative Clerk position in the Service Retirement Unit will allow for restructuring additional clerical functions to support the new Retirement Application Portal to improve efficiencies. The proposed Benefits Analyst will act in the capacity of expeditor/troubleshooter to assist and resolve complex or problematic cases, identify potential problem cases, monitor aging reports, identify workflow challenges and assist with supervisory and training duties.

Three Benefit Specialist positions were provided in the FY2021-22 budget to complete audits of the Separation Incentive Program retirements. Due to funding constraints, the Benefits Specialist positions were left unfilled. Two Benefit Specialist subauthority positions will complete the outstanding SIP Audits, other case audits, and assist with workload associated with the increase in retirements, case complexity and additional tasks created in moving to a primarily electronic processing format.

FY23 BUSINESS PLAN | BENEFITS ADMINISTRATION

SERVICE LEVEL ENHANCEMENT | RETIREMENT SERVICES

Survivor Benefits Unit Caseload

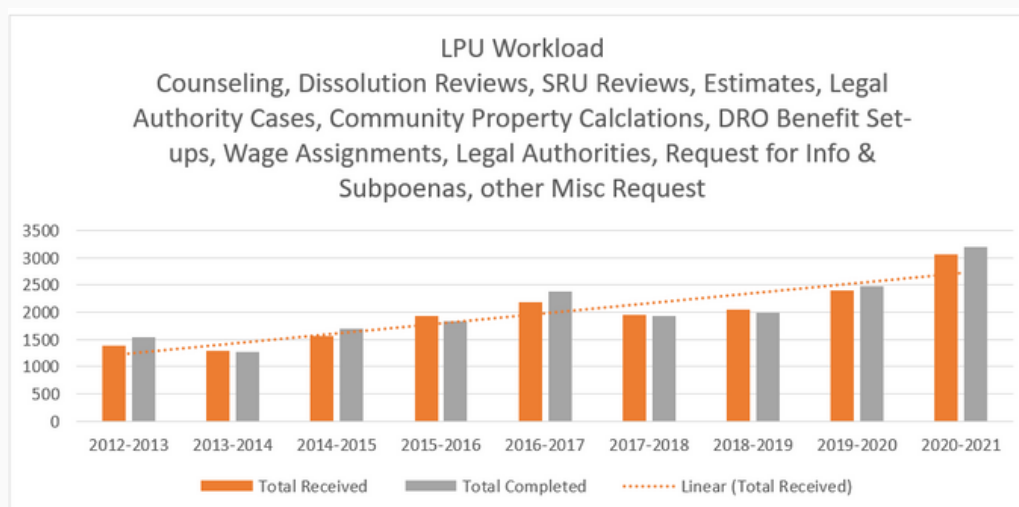
	Total Staff	Active Death Cases	Retired Death Cases	Survivor Death Cases	Total Caseload	% Changes	Average 3 Beneficiaries	Average 2 Benefits Payable
2016	7	88	481	202	771		2313	4626
2017	9	73	481	230	784	2%	2352	4704
2018	6	95	517	237	849	8%	2547	5094
2019	7	80	489	198	767	(-10%)	2301	4602
2020	8	107	574	240	921	20%	2763	5529
2021	6	116	635	252	1003	9%	3009	6018

SURVIVOR BENEFITS UNIT

The complexity of survivor benefits warrants a Senior Benefits Analyst I dedicated to the unit to perform high-level case review, case auditing, and provide training, guidance, and direction to staff on survivorship issues. The position will improve overall unit processing efficiency, increase case closure performance, and reduce case backlogs.

LEGAL PROCESSING UNIT

The Accounting Clerk Trainee is a full-time permanent position that will replace the need for several part-time staff supporting the unit. The position is part of City of Los Angeles Bridge program, which provides an alternate means of entry to civil service through a training position.



FY23 BUSINESS PLAN | BUYBACK SERVICES

SERVICE LEVEL ENHANCEMENT | SERVICE PROCESSING SECTION

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES

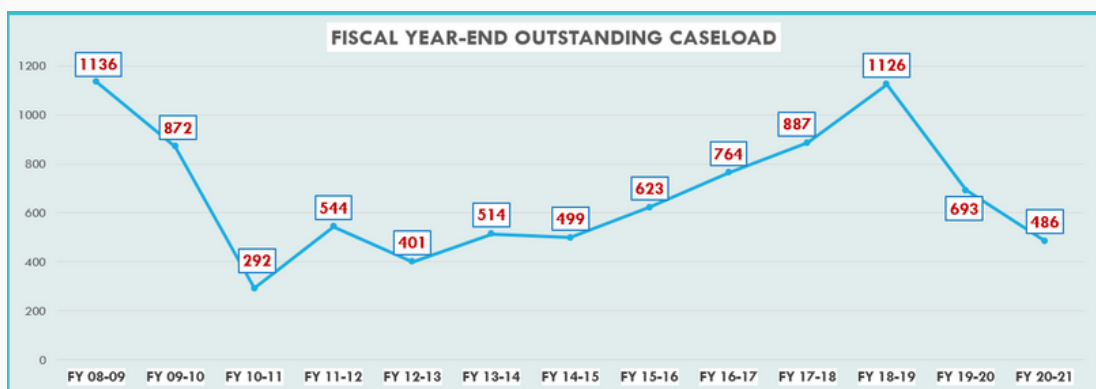
- 1 Benefits Analyst, (Regularize Substitute Authority)
- 1 Benefits Specialists, (Regularize Substitute Authority)
- 1 Benefits Specialists, (Continue Substitute Authority)
- 1 Accounting Clerk, (Continue Substitute Authority)

PERFORMANCE OBJECTIVES

These additional staff will:

- Reduce Member wait time from 8 months to 5 months at the end of the FY
- Reduce the Outstanding Caseload from 424 to 99

In July 2020, the Service Processing Section (SPS) had a caseload count of 1,146 causing Members to wait over 12 months to complete their service purchases. In anticipation of additional service purchase requests generated from the Separation Incentive Programs, five limited appointment positions were added to SPS. By July 2021, the total case count was reduced to 471, with 188 of those being aged cases (six months or more in the queue). As of December 2021, the total case count was reduced further to 324, with 15 aged cases, and average wait times of six months. Continuing four of the five positions in the coming year will ensure proper staffing levels to meet the incoming service purchase applications and further reduce the long-standing backlog.



FY23 BUSINESS PLAN | HEALTH BENEFITS & WELLNESS

SERVICE LEVEL ENHANCEMENT | HEALTH BENEFITS & WELLNESS

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES

- 1 Benefits Specialist, (Regularize Substitute Authority), Health Advocacy
- 1 Benefits Specialist, (Continue Substitute Authority), Health Advocacy
- 1 Benefits Specialist, (Continue Substitute Authority), Health Plan Enrollment Unit
- 1 Senior Benefits Analyst, (Continue Substitute Authority), Health Administration
- 1 Management Assistant, (Continue Substitute Authority), Account Reconciliation
- 1 Sr. Project Coordinator, (Continue Substitute Authority), Wellness
- 1 Administrative Clerk, (Continue Substitute Authority), Wellness

PERFORMANCE OBJECTIVES

These additional staff will:

- Process health benefit enrollments for up to 1,000 new retirees
- Process up to 8,000 health benefit enrollments of retirees and dependents
- Process up to 11,000 Medicare enrollments
- Handle up to 14,000 Member calls related to retiree health benefits
- Administer medical, dental, and vision benefit subsidies and claims for up to 23,000 covered lives

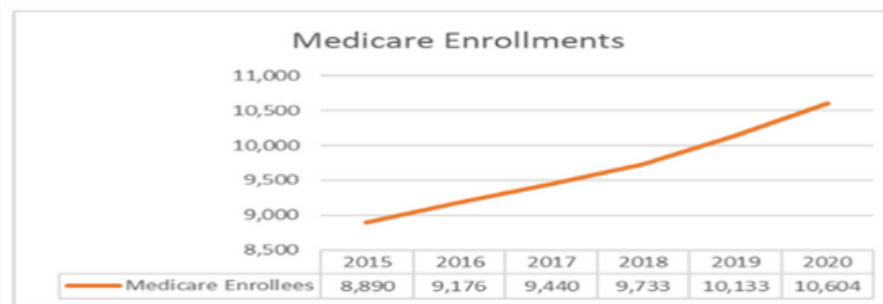
HEALTH ADVOCACY UNIT

The Advocacy Unit provides counseling to retiring members and processes required retirement paperwork to ensure members are placed on payroll timely. The unit of five, including two substitute authority positions, provide support with answering daily inquiries to retired members and investigating claims issues. The Advocacy Unit is experiencing a high volume of requests for services. Continuation of two Benefit Specialist positions (one regular authority, one substitute authority) are needed to meet the current workload.



FY23 BUSINESS PLAN | HEALTH BENEFITS & WELLNESS

SERVICE LEVEL ENHANCEMENT | HEALTH BENEFITS & WELLNESS



HEALTH ENROLLMENT UNIT

Continuation of the Benefits Specialist substitute authority position is needed to support the increase in medical plan covered lives. The Annual Open Enrollment invites approximately 23,000 Retired Members, survivors, and dependents to review and consider changing their health plans for the coming calendar year. Open Enrollment activities rally the entire health division staff toward completion of this time sensitive activity, as all changes must be entered in time for the December retiree payroll, when the first premium payment for January plan coverage is made. There can be no delay or backlogs in this work of the Health Division as a lapse in health plan coverage can create a serious impact on Member's ability to access health care, and any lack of diligence on our part creates a risk for LACERS should the lack of access result in serious harm to the Member.

HEALTH ADMINISTRATION

This Senior Benefits Analyst I was approved in Fiscal Year 2021-2022 to assist with succession planning in the Health Division. Recently the Division Manager retired with over 15 years of institutional knowledge in the administration of health benefits, followed shortly by the Assistant Division Manager. The most experienced Senior Manager on the team with more than 20 years of experience is retirement eligible. The loss of institutional knowledge from these high-level positions is detrimental in the administration of health benefits. By continuing the sub-authority, Health Division will have an additional Senior Analyst to gain institutional knowledge and assist with management tasks.

ACCOUNTS RECONCILIATION UNIT

Continuation of the existing Management Assistant sub authority is needed to meet the on-going workload in Account Reconciliation Unit to analyze and confirm health carrier billings, calculate health benefit premiums and rates, process Medicare subsidies, and process Medical Premium Reimbursement applications and claims.

WELLNESS

The Wellness Program promotes retiree well being through socialization and participation in Wellness events. The program's current staffing allows for the continuation of current virtual offerings. Given the uncertainty of whether in-person events can be held, expansion of the program offering is deferred. However it is a goal of the program to resume in person socialization and connection when it is safe to do so and to serve as a seasoned, data-driven "best practice" in retiree wellness, which ultimately improves Member health outcomes. The Wellness Program also seeks to expand into a nationally recognized retirement wellness program by partnering with other retirement systems for knowledge-sharing, and senior community influencers for promotions and business sponsorships. In Fiscal Year 2023-24, or sooner if there is sufficient funding, it is recommended to add another Benefits Analyst to build the program for excellence in retiree wellness programming and extend the LACERS brand.

FY23 BUSINESS PLAN | MEMBER SERVICES

SERVICE LEVEL ENHANCEMENT | MEMBER SERVICES

FY23 CONTINUE SUBAUTHORITY POSITION

- 1 Benefits Analyst, (Continue Substitute Authority)

PERFORMANCE OBJECTIVES

This additional staff will augment existing staff to achieve the Member Services Team FY23 goals to:

- Reach 1,300 YouTube Subscribers
- Post 25 additional YouTube videos

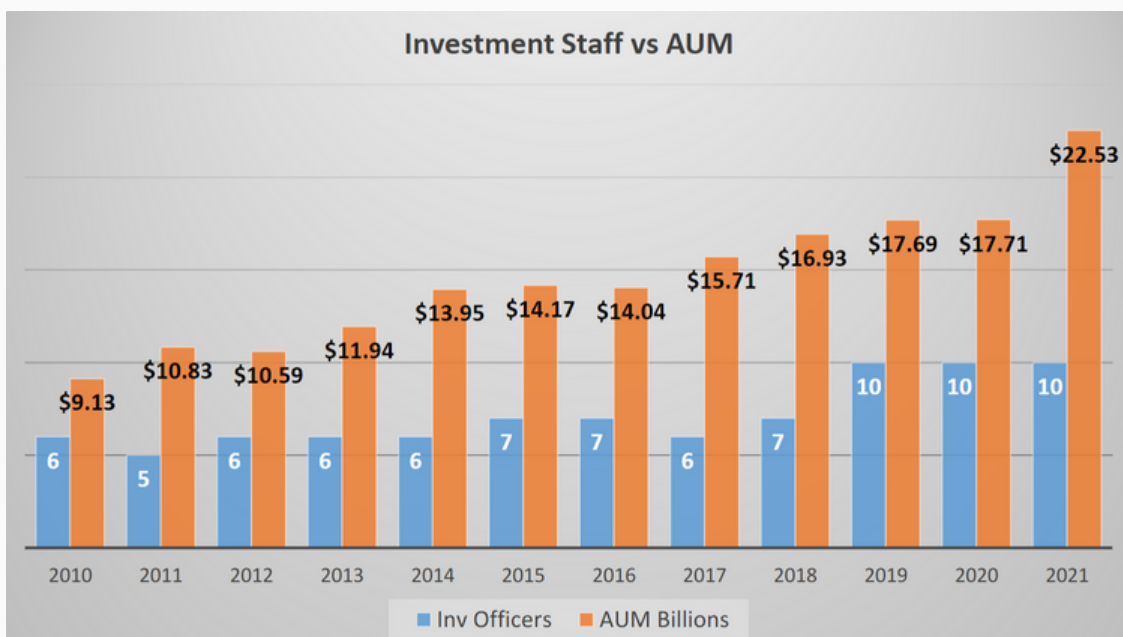
This Benefits Analyst position is an integral part of the Member Engagement Team which has expanded its offerings through scripting, editing, and recording videos for the LACERS YouTube channel (27 videos posted to date FY22 and 94 in total). The Benefit Analyst conducts virtual seminars and represents LACERS at in-person special events (conducted 37 to date and on pace to exceed last year by 10%); serves as the lead on the Retirement Application Portal design, build, implementation, and Phase 2 enhancements; and provides continuous service to our internal partners on technology and other necessary support.

FY23 BUSINESS PLAN-ENHANCEMENTS SUBAUTHORITY POSITIONS

SERVICE LEVEL ENHANCEMENT | INVESTMENT

FY23 NEW POSITIONS	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Investment Officer II (New Regular), Private Markets Unit • 1 Administrative Clerk (New Regular), Private Markets Unit 	<p>These additional staff in the Private Markets Unit will:</p> <ul style="list-style-type: none"> ○ Support increasing Private Equity allocation workload ○ Coordinate Investment Internship and Fellowship Programs ○ Support new Investment Program objectives in: <ul style="list-style-type: none"> ▪ Environmental, Social, Governance Program ▪ Emerging Manager Program

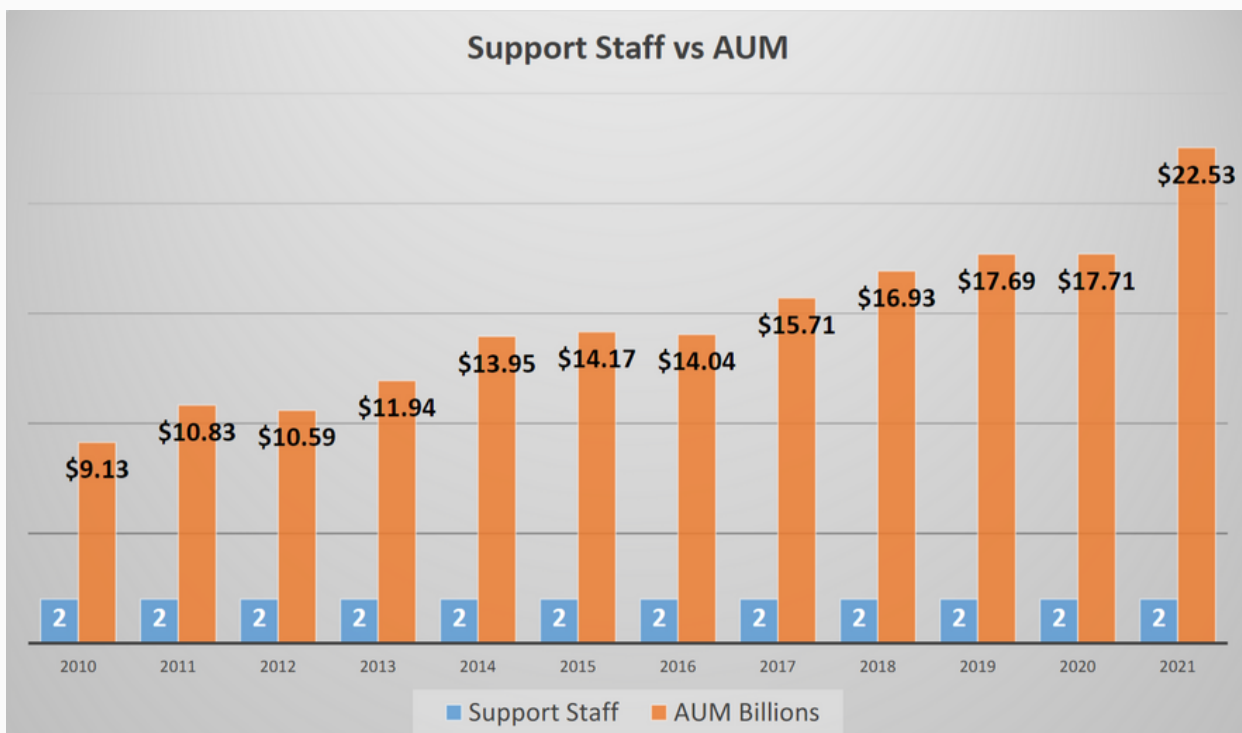
The Investment Officer II will manage the Environmental, Social, Governance (ESG) and Emerging Manager (EM) Programs, including investment Diversity, Equity, Inclusion (DEI) efforts, and coordination of the Girls Who Invest (GWI) internship and Investment Management Fellowship Program (IMFP). Due to the dynamic and complex investment initiatives and programs that this position would oversee, an Investment Officer II is requested in order to recognize the caliber of investment professional and long-term program consistency needed for this unique and specialized position.



FY23 BUSINESS PLAN-ENHANCEMENTS SUBAUTHORITY POSITIONS

SERVICE LEVEL ENHANCEMENT | INVESTMENT

An Administrative Clerk will support the entire division with an emphasis and priority to support the clerical needs of Private Markets Unit, support of the ESG Risk Officer (including the ESG Program, DEI Initiatives, and EM Program), and serve as a back up to the Senior Administrative Clerk. The presence and emphasis on ESG has increased since becoming a PRI signatory plus the increase of the Private Equity policy target rising to 16% from 14%. This has led to a greater number of capital calls, stock distributions, setting up new accounts with the bank custodian, registering LACERS on the general partner's data portal to download documents and notices, and assisting Investment Officers in processing consents and partnership amendments, and contracting processing. This position would also assist in processing time-sensitive CPRA requests and updates on the LACERS website, and support the Division's succession plan.



FY23 BUSINESS PLAN-ENHANCEMENTS NEW REGULAR POSITIONS

SERVICE LEVEL ENHANCEMENT | GENERAL ADMINISTRATION

FY23 NEW POSITIONS	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> Personnel Director I (New Regular), Human Resources Unit Cybersecurity Analyst (New Regular), Administration Division 	<ul style="list-style-type: none"> Personnel Director will meet the hiring and human resource needs of LACERS including: <ul style="list-style-type: none"> Overseeing an ongoing Diversity, Equity and Inclusion Initiative Cybersecurity Analyst will manage LACERS Cybersecurity Program including: <ul style="list-style-type: none"> Cybersecurity Strategic Roadmap implementation Ongoing event monitoring

The Personnel Director will report to the General Manager and oversee the Human Resources Unit (HRU) comprised of five staff. This position will provide greater oversight and more sufficient staffing levels to meet the needs of a growing department and more complex operating environment spurred by COVID and remote work. Adding a position to HRU will also free up a Senior Personnel Analyst to focus on growing internal efforts in Diversity, Equity and Inclusion, as well as to assist in representing LACERS' interests in other HR related City mandates.

A Cybersecurity Analyst position will report to the Executive Officer working across all departmental lines to facilitate and monitor a departmentwide cybersecurity program. This position will provide ongoing systems monitoring independent of the Systems Division, including overseeing implementation of LACERS' cybersecurity strategic roadmap. It is anticipated to utilize a new Cybersecurity Analyst classification in development by the City; however, if the new classification is not available to LACERS in the new fiscal year, an alternate position will be used in conjunction with a selective certification for cybersecurity credentialed individuals.

BPI: GOVERNANCE

ADVANCES THE STRATEGIC PLAN GOAL TO UPHOLD GOOD GOVERNANCE PRACTICES WHICH AFFIRM TRANSPARENCY, ACCOUNTABILITY, AND FIDUCIARY DUTY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$40,000	
Strategic Planning	\$25,000	
Symposium	\$15,000	



PURPOSE

In accordance with LACERS' Strategic Planning Policy and Board mandate, LACERS shall conduct a strategic planning session every three to five years. The last strategic planning process was conducted in FY 2019 and the initiatives have largely been achieved. Coupled with the challenging circumstances of the time and ongoing transformation of the department, LACERS is due for another Strategic Planning session in FY23. Conducting strategic planning every few years ensures that LACERS mission, motto, guiding principles, goals and objectives are aligned. This process helps assess current situations and any opportunities to further enhance or reaffirm LACERS mission and vision. In addition, LACERS is due for its triennial Board policy review following the strategic planning process, which will help inform policy updates. A governance consultant will help guide LACERS to realize any efficiencies/inefficiencies, opportunities, threats, and innovation within the organization.

Further, next year LACERS is planning for a Pension Symposium. A Symposium focused on LACERS and the retirement industry is informative and provides transparency for the Board and the public. The last LACERS Pension Symposium was held in 2017 and as much has changed, a new forum for sharing Retirement industry topics and trends would come at an opportune time.

BPI: GOVERNANCE (CONT.)

DELIVERABLES

- Conduct of a Board Strategic Plan session and Plan documentation
- Review and update of Board policies
- Hosting of a Pension Symposium for the public

BPI: HIGH PERFORMING WORKFORCE

ADVANCES THE STRATEGIC PLAN GOALS TO RECRUIT, RETAIN, MENTOR, EMPOWER, AND PROMOTE A HIGH PERFORMING WORKFORCE; INCREASE ORGANIZATION EFFECTIVENESS, EFFICIENCY, AND RESILIENCY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$310,323	1
Learning Management	\$44,000	
Diversity, Equity, and Inclusion (DEI)	\$245,805	1
Intranet	\$20,518	



PURPOSE

LACERS has steadily been making investments in becoming a high performance workplace, but one of the most important factors in creating a high performance workplace is instilling a high-development culture – one that values the growth of individuals.

Per research done by Gallup, organizations that have made a strategic investment in employee development see a two-fold increase in employee retention and significant increase in productivity, as marked by profitability. As a government entity, profitability is not a concern, but the ability of our employees to take action and produce more efficiently is.

At LACERS, we can take the step of investing employee development by focusing on increasing employee engagement. Through the DEI initiative, we intend to surface the needs of all employees, express clearly the needs of the organization, and create pathways for growth into leadership, for employees of all types. By focusing on development of a LACERS learning management system and Intranet, we can reinforce the cultural values of LACERS, connect employees with one another, and connect employees back to the larger organization.

By meeting employees' basic needs with clear expectations, sincere recognition, the right materials and the right equipment, we can make strides in creating a highly driven workforce that meets the needs of the organization and our Members.

BPI: HIGH PERFORMING WORKFORCE (CONT.)

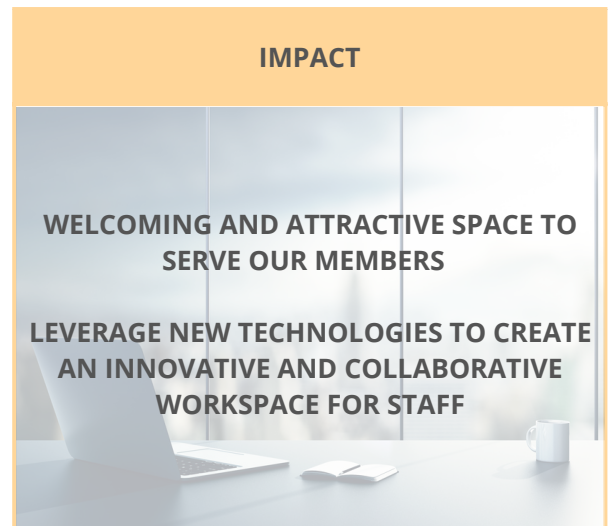
METRICS

- Conduct and collect DEI surveys and establish baselines to measure progress
- Measure participation in training programs
- Hire a position to lead and consultant to develop DEI efforts in LACERS
- Create up to 10 unique learning pathways in the LMS
- Launch the Intranet and develop internal communications function, integrate various new communication platforms into single channel

BPI: HEADQUARTERS MOVE

ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY, AND RESILIENCY; OUTSTANDING CUSTOMER SERVICE

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$2,612,651	
Insurance	\$128,500	
Systems	\$73,827	
Property Management	\$1,523,840	
Capital Expense	\$527,047	
HQ Move and Other Expenses	\$359,437	



PURPOSE

- Providing a work environment that supports employee performance and well-being allowing LACERS to attract, retain, and develop the best employees in the City of Los Angeles.
- Designing a workplace that promotes innovation, creativity, collaboration, and security using technology and design.

The "Headquarters Move" BPI is a multi-phased initiative and this upcoming fiscal year focuses on continuing preparation for staff occupancy at the new headquarters building and providing a welcoming space to serve our Members. Moreover, this BPI includes LACERS' work to transition from the old to the new headquarters and the work required to surrender the old headquarters as outlined in LACERS' lease agreement.

METRICS



Seismic &
Structural
Reinforcement



Internal
Demolition



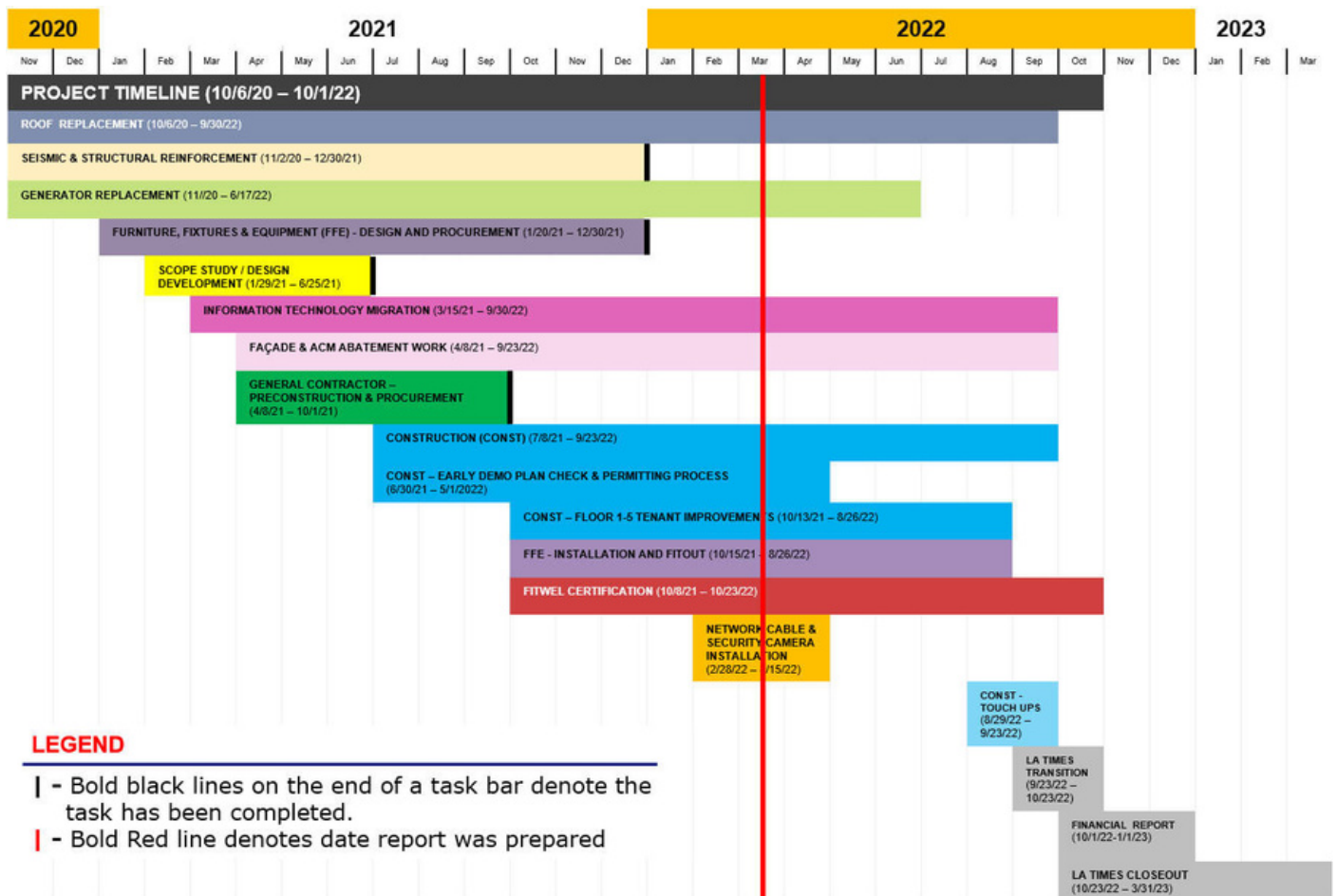
Identify
Vendors to
Perform Work



Office Furniture
& Fixtures

BPI: HEADQUARTERS MOVE (CONT.)

TIMELINE



BPI: HEADQUARTERS MOVE (CONT.)

10 YEAR CAPITAL PLAN

Once LACERS has finalized the transition to the 977 building, LACERS will implement a 10-Year Capital Plan that ensures proactive planning of capital expenditures and establishes spending priorities and overall capital improvement goals.

The plan prioritizes performing routine evaluations of the building's mechanical and structural resilience. This includes tracking the lifespan of the building's HVAC system, elevator lift, generators, and electrical components. Modernization of the mentioned systems and implementing eco-friendly technology are also part of the 10-Year Capital Plan. As new technology becomes available, LACERS will evaluate how to incorporate these technologies into the HQ to promote sustainability and reduce our energy costs. This plan will also include routine reviews of how our LACERS HQ serves our Members and staff and promotes human health and wellbeing.

For FY23, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

FY23 CAPITAL PLAN BUDGET REQUEST		
Category	Property Component	Expense
Site Improvement	<u>Water Intrusion</u> : Joint sealants along base of building have deteriorated allowing water to enter between sidewalk and edge of building. Sealants should be removed and replaced.	\$15,000
Parking Garage	<u>Floor Cracking</u> : Cracking in the concrete parking garage floor slabs has been observed in many areas. As a precautionary measure wider cracks in traffic lanes, along with cracks that could permit water infiltration, should be filled with a semi-rigid epoxy or urethane sealant to minimize water infiltration to the steel reinforcing.	\$20,000
	<u>Wall Cracking</u> : The garage walls need to be inspected and the cracks that appear to be the most likely source of water infiltration need to be sealed by epoxy injecting the cracks. To maintain good long-term structural conditions, it is recommended that the parking garage walls be reinspected every 3-years.	\$10,000
	<u>Miscellaneous Repairs</u> : Various repairs to the floor slabs of the parking garage where bollards were previously installed, other concrete patchwork, or poor drainage in the parking garage.	\$25,000
	<u>Electric Car Charging Stations</u> : Work with DWP to install electric car charging stations in parking garage	\$60,000
Interiors	<u>Window Film</u> : Installation of window film on all floors to reduce heat gain and glare.	\$60,000

BPI: HEADQUARTERS MOVE (CONT.)

CAPITAL PLAN (CONT.)

FY23 CAPITAL PLAN BUDGET REQUEST		
Category	Property Component	Expense
Elevators	<u>Door Controls</u> : The two traction elevators were upgraded with new machines and controllers in 2009. Door controls now need to be upgraded.	\$18,000
	<u>Auto-Rescue Upgrade</u> : In case of a power outage the installation of this upgrade will safely bring passengers to the nearest landing and open the elevator doors for passenger's release.	\$132,468
Electrical	<u>PM Results</u> : Rebuild components in the electrical system based on the results of the Switchboard PM performed.	\$65,000
	<u>Motor Control Center (MCC)</u> : Replace/rebuild components of the MCC based on age and useful service life.	\$25,000
Fire & Life Safety	<u>Fire Sprinkler System - Bracing</u> : All feed and cross mains should be provided longitudinal bracing as required by NFPA 13.	\$50,000
	<u>Fire Sprinkler System - Bracing</u> : Branch line restraint splay wires should be replaced with wires at a 45 degree angle to comply with NFPA 13 Section 9.3.6.1.	\$10,000
	<u>Jockey Pump Installation</u> : Required by L.A. Code to install jockey pump to increase the lifespan of the fire pump when operating.	\$17,000
Capital Project Oversight	<u>Contractual Fee</u> : 4% increase in contractual fees for capital project oversight.	\$19,579
TOTAL		\$527,047

BPI: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING

ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE GOVERNANCE PRACTICES WHICH AFFIRM TRANSPARENCY, ACCOUNTABILITY, AND FIDUCIARY DUTY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$27,750	1**
PRI Membership	\$14,000	
MSCI ESG Research Software	\$13,750*	

*Investment Budget

**Position costs not reflected



PURPOSE

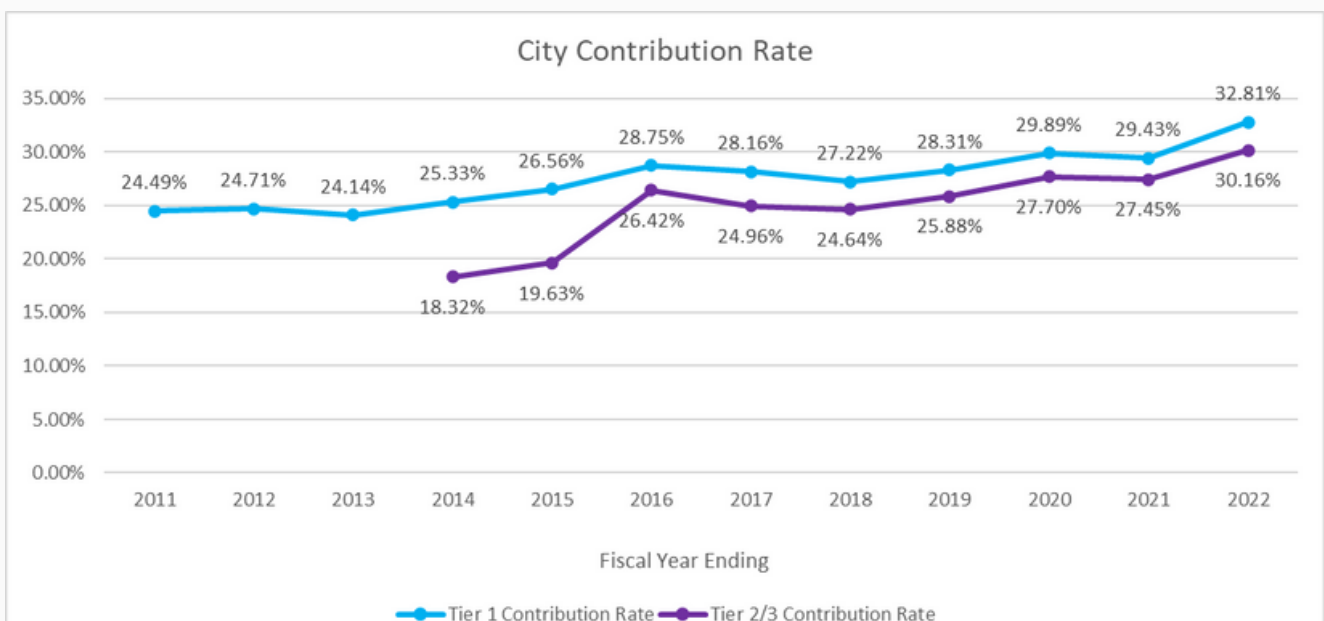
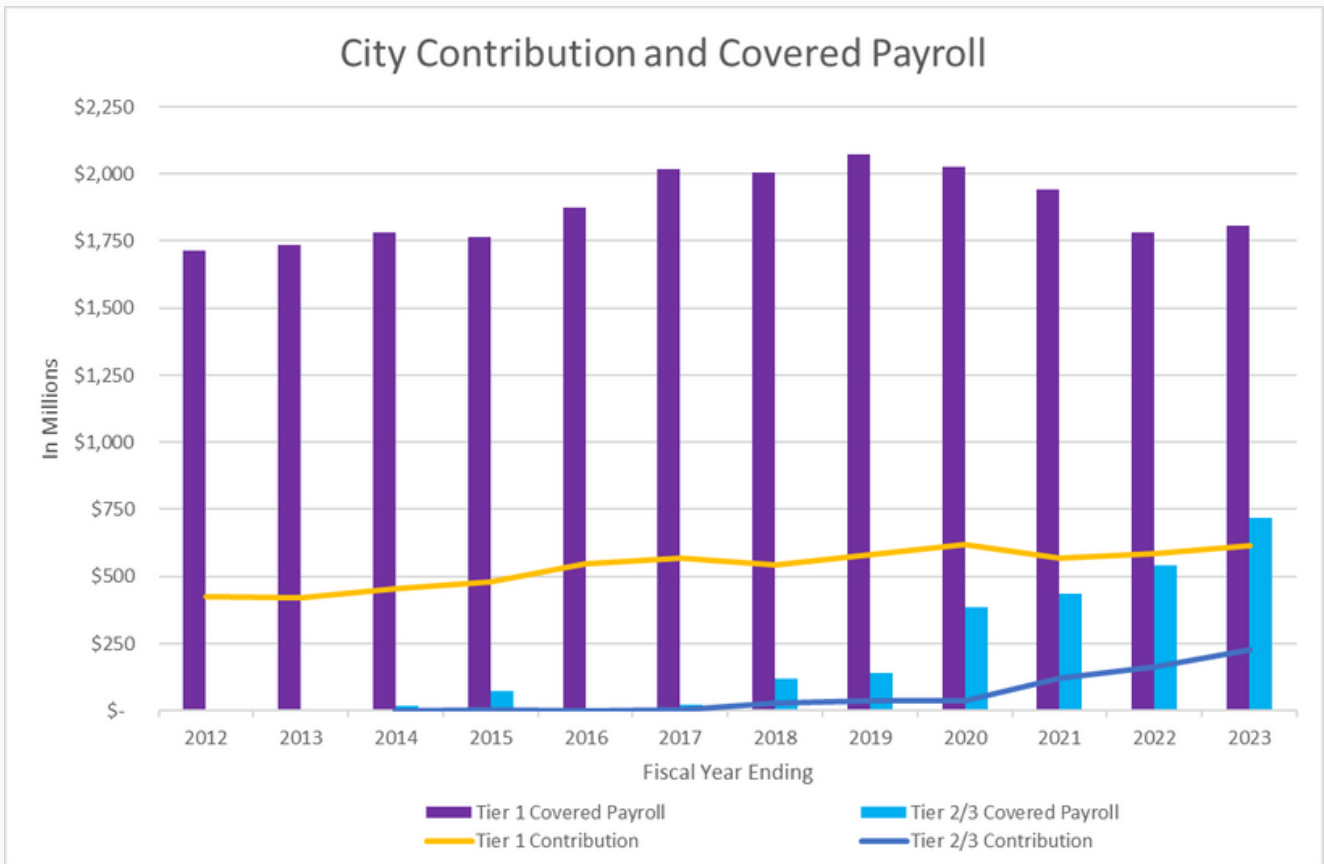
- Enhance the long-term risk adjusted returns of the LACERS investment portfolio through the implementation of a robust Environmental, Social, and Governance (ESG) Program guided by a comprehensive Responsible Investment Policy, and ESG Framework, and the Principles for Responsible Investment (PRI).
- Additional resource of a designated Investment Officer II position to facilitate implementation of the ESG Program pursuant to the PRI Action Plan, ESG Risk Framework and Board directives, as well as contributes toward the LACERS DEI initiatives and expansion of the Emerging Manager Program.

DELIVERABLES

- Consolidation of PRI and ESG Risk Framework Action Plans into a single comprehensive ESG action plan document

CITY CONTRIBUTION

The City Contribution is a percentage of the City's covered payroll. Over a ten-year period, both factors in calculating the contribution amount: (1) City payroll and (2) contribution rate have been on an upward trend. This corresponds to an increasing City contribution amount.



CITY CONTRIBUTION (CONTINUED)

	FY23	FY22	% CHANGE
Total	\$ 763,866,451	\$ 715,507,022	6.8
Retirement and Health Benefits	837,626,811	748,034,421	4.9
True-up Adjustment	(75,194,360)	(34,089,399)	120.6
Family Death Benefit Plan	47,000	71,000	-33.8
Excess Benefit Plan	1,332,000	1,464,000	-9.0
Limited Term Retirement	55,000	27,000	103.7

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 FY23 City Contribution reflected above is based on last fiscal year's final covered payroll and will change when the final covered payroll for FY23 is known. As of now, the estimate is based on the FY22 final covered payroll of \$1.8 billion for Tier 1 Members and rate of 33.93%; and a covered payroll of \$717 million and rate of 31.35% for Tier 3 Members. A credit adjustment of \$75,194,360 is applied toward the FY23 contribution to LACERS. This credit amount represents a true-up of the Fiscal Year 2021-22 contribution -- the difference between the contributions paid on July 15, 2021 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 2,155 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 \$1.90 per month for FY23. 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.

CITY CONTRIBUTION (CONTINUED)

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 \$245,000¹ for 2022. In 2022, there are 48 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 FY23, plus reasonable administrative expenses.

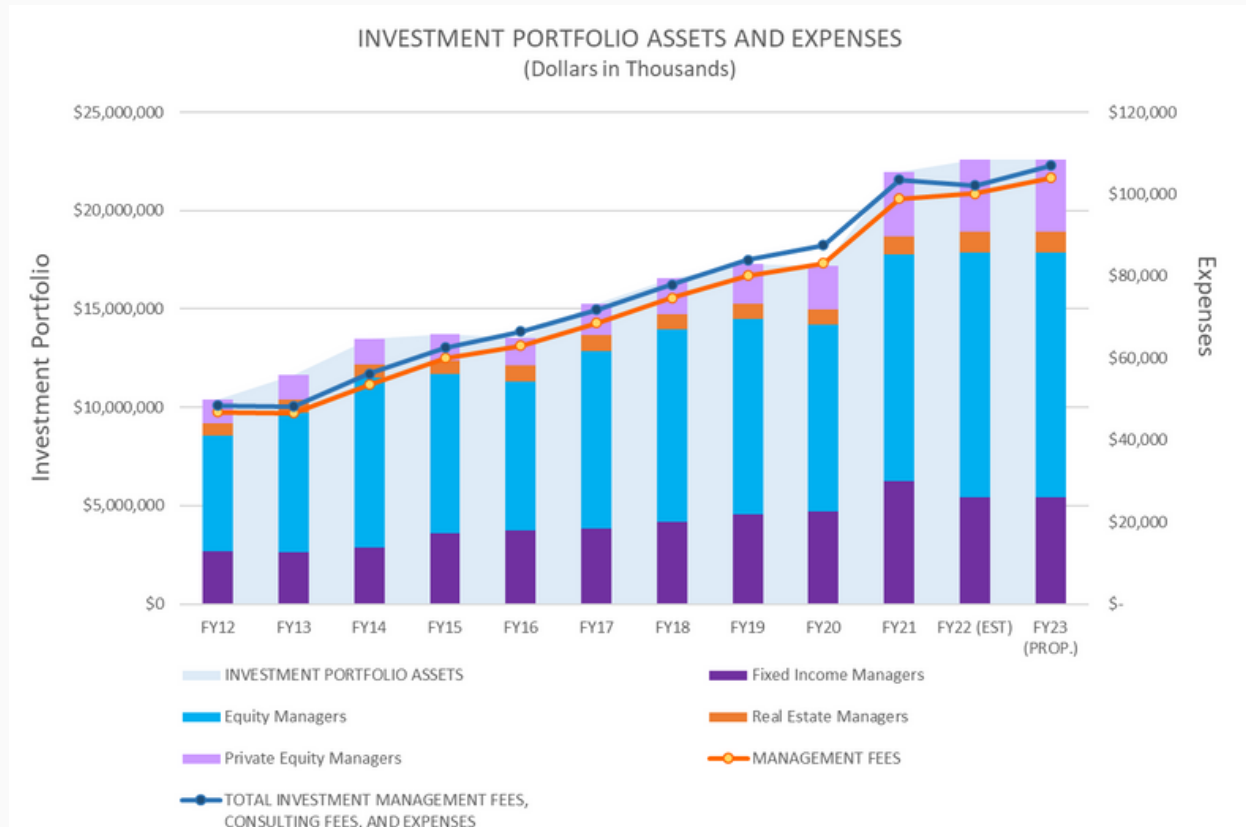
Limited Term Retirement Plan (LTRP)

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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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



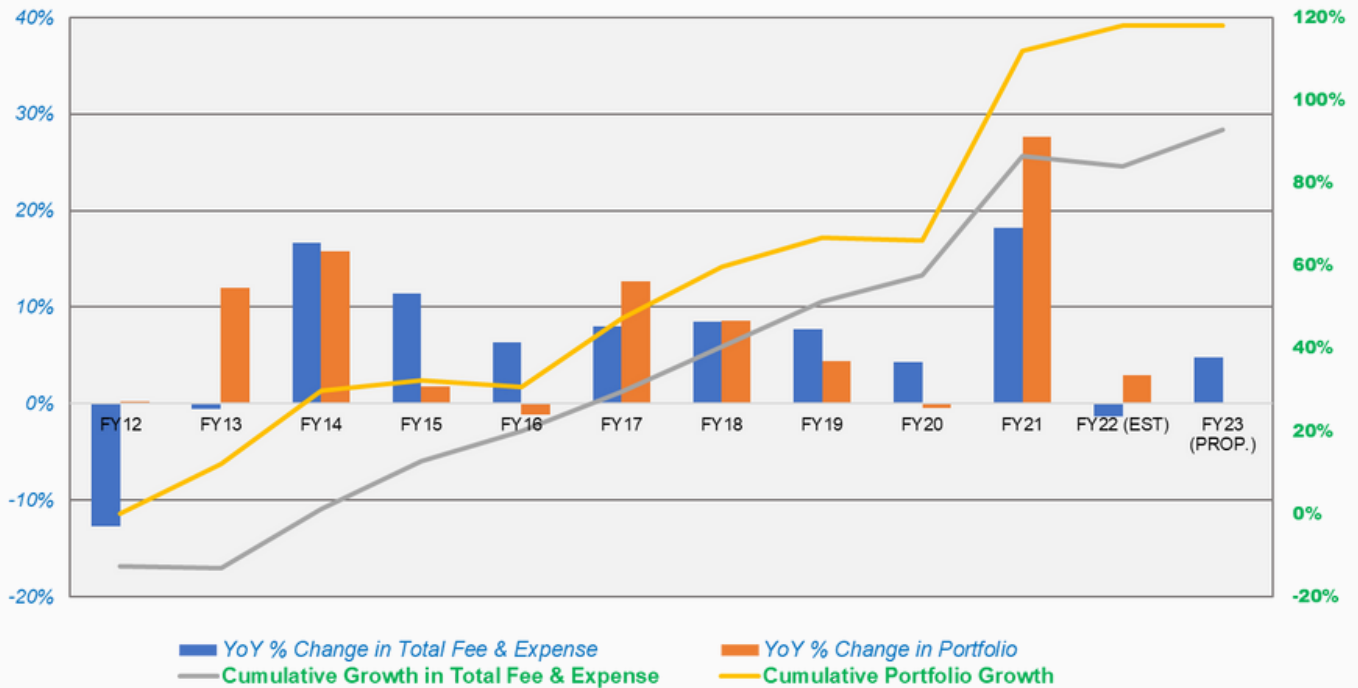
IN THE PAST TEN-YEAR PERIOD, OVERALL FEES HAVE INCREASED ALONG WITH THE INCREASE IN PORTFOLIO VALUE.

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.

	FY23	FY22	\$ CHANGE	% CHANGE
Total	\$ 106,923,414	\$ 95,652,261	\$ 11,271,652	11.8
Investment Management Fees	104,026,264	93,652,851	10,373,413	11.1
Investment Consulting Fees	2,532,000	1,740,500	791,500	45.5
Other Investment Expenses	365,150	258,910	106,240	41.0

INVESTMENT FEE RATE OVERVIEW

10-Year Management Fees and Expenses (%)



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Fixed Income and Equity Fee Rate	0.22%	0.20%	0.20%	0.22%	0.23%	0.21%	0.23%	0.21%	0.21%	0.20%	0.20%	0.20%
Real Estate Fee Rate	1.40%	1.33%	1.42%	2.13%	1.33%	1.08%	1.05%	1.24%	1.47%	1.61%	1.21%	1.29%
Private Equity Fee Rate	1.57%	1.50%	1.60%	1.52%	1.88%	2.02%	1.92%	1.97%	1.91%	1.48%	1.41%	1.46%
Total Fee as a % of Portfolio	0.45%	0.40%	0.40%	0.44%	0.47%	0.45%	0.45%	0.46%	0.48%	0.45%	0.44%	0.46%
Total Fee & Expense as a % of Portfolio	0.47%	0.41%	0.42%	0.46%	0.49%	0.47%	0.47%	0.49%	0.51%	0.47%	0.45%	0.47%

INVESTMENT MANAGEMENT FEES AND EXPENSES

The 2022-23 Investment Management Fees & Expenses Budget increased by \$11.3 million or 11.8%. This includes:

- \$9.6 million from new commitments of over \$380M to Private Equity and Real Estate.
- \$0.8 million in net increase for Public Equity due to asset reallocation and increased market value.
- \$0.8 million due to increase in Real Estate and Private Equity Legal Consulting, as well as estimated amount for the new Private Credit Consulting.
- \$0.1 million increase in other expenses such as the new Private Equity Benchmark license, ESG Research Software and CEM Benchmarking.

Investment management fees have increased for several reasons:

1) Assets under management (AUM) have increased and so has the total fees paid to investment managers, which are based almost exclusively on asset size managed.

Example: LACERS AUM from June 30, 2020 (at \$17.69 billion) and June 30, 2021 (at \$22.54 billion) represented a \$4.85 billion difference equating to an approximate 27.4% increase in AUM. That additional asset growth naturally leads to more assets subject to management fees.

2) LACERS asset allocation policy has increased exposure to more complex investment strategies with higher fee structures to attain performance objectives to help achieve LACERS' 7% assumed rate of return in a long-term downward trending return environment. Investment strategies subject to exposure increases during the 2021 asset allocation study included:

- 2% to private equity
- 2% to private credit
- 1% to U.S. large cap public equities
- 1% to U.S. small/mid cap public equities
- 1% to emerging markets

These resulted in revised asset allocation policy targets of 16.0%, 5.75%, 15.0%, 6.0%, and a 6.67%, respectively. (Decreases in exposures included various fixed income and non-US developed equities strategies.)