

LIVE VIRTUAL BOARD MEETING



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TO LISTEN BY TELEPHONE

Access Code:

Enter the access code when prompted.



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. Additional information can be found on the meeting agenda.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

Attention: Public comment requests to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

AGENDA

A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT

AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, MAY 20, 2020

This meeting will be conducted by the Board of Retirement and Board of Investments by teleconference under the Governor's Executive Order No. N-29-20.

Any person may listen by telephone to the meeting by dialing (877) 309-2071, Access Code 741-080-206 or view the meeting online at <https://attendee.gotowebinar.com/register/919615439420893711>.

The Boards may take action on any item on the agenda, and agenda items may be taken out of order.

- I. CALL TO ORDER
- II. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of February 5, 2020
 - B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of February 5, 2020
- III. REPORT ON CLOSED SESSION ITEMS
- IV. PUBLIC COMMENT

*(*You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the May 20, 2020 meeting.*

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

V. REPORTS

- A. For Information Only as submitted by Kimberly D. Hines, Division Manager, Administrative Services and JJ Popowich, Assistant Executive Officer, regarding the FY 2020-2021 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefit Budgets. (Memo dated May 15, 2020)

For Information Only as submitted by Gina Sanchez, Chair, Audit Committee, regarding the Audit Committee Budget Recommendations. (Memo dated May 14, 2020)

- B. For Information Only as submitted by Santos H. Kreimann, Chief Executive Officer, regarding the Progress Report on the LA County Audit Recommendations. (Memo dated May 13, 2020)

- C. For Information Only as submitted Santos H. Kreimann, Chief Executive Officer, regarding the 100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments. (Memo dated May 15, 2020)

VI. ITEMS FOR STAFF REVIEW

VII. GOOD OF THE ORDER

VIII. ADJOURNMENT

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement and Board of Investments that are distributed to members of the Boards less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

****Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.***

MINUTES OF THE BOARD OF RETIREMENT FROM
A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT
AND THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
8:00 A.M., WEDNESDAY, FEBRUARY 5, 2020

PRESENT: Herman B. Santos, Chair

Vivian Gray, Vice Chair (Arrived at 8:25 a.m.)

Gina Zapanta, Secretary

JP Harris, Alternate Retiree Member

Shawn Kehoe

Keith Knox

Wayne Moore

Les Robbins

Ronald Okum

Thomas Walsh (Arrived at 8:35 a.m.)

William Pryor, Alternate Safety Member (Arrived at 8:10 a.m.)

BOARD OF INVESTMENTS

PRESENT: David Green, Chair

Herman B. Santos, Vice Chair

Wayne Moore, Secretary

BOARD OF INVESTMENTS (Continued)

Alan Bernstein

David Green

Elizabeth Greenwood

Keith Knox

David Muir

Gina Sanchez (Teleconference)

STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Steven P. Rice, Chief Counsel

Terry Sanchez, Munger Tolles & Olson

Margaret Maraschino, Munger Tolles & Olson

Patricia Glaser, Glaser Weil

Kerry Garvis Wright, Glaser Weil

I. CALL TO ORDER

The meeting was called to order by Mr. Santos at 8:01 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Moore led the Board trustees and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of December 12, 2019

Mr. Okum made a motion, Mr. Knox seconded, to approve the minutes of the special meeting of December 12, 2019. The motion passed unanimously.

- B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of December 12, 2019

No action was taken on this item by the Board of Retirement.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. EXECUTIVE SESSION

Prior going into Executive Session, Chief Counsel Steven P. Rice reported as follows:

It is appropriate to report out action from the closed session at the December 12, 2019 Joint Board meeting. As stated at the meeting, the closed session concerned the termination of Lou Lazatin as Chief Executive Officer.

In the closed session, the Board of Retirement voted, on a motion by Mr. Bernstein, seconded by Ms. Gray, and the Board of Investments voted, on a motion by Mr. Bernstein, second by Mr. Okum, to staff to prepare a rejection of Ms. Lazatin's claim. The Board of Retirement vote was 8-0, with Ms. Zapanta absent; the Board of Investments vote was 7-0, with Ms. Sanchez abstaining and Mr. Moore absent. Staff thereafter communicated the rejection on January 10, 2020.

February 5, 2020

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V. EXECUTIVE SESSION (Continued)

As with the December 12, 2019 meeting, the February 5, 2020 closed session also concerned Ms. Lazatin's termination.

(Ms. Greenwood arrived at 8:18 a.m.)

A. Conference with Legal Counsel - Anticipated Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (2) of
Subdivision (d) of California Government Code Section 54956.9)

1. One Matter

The Boards met in closed session with counsel to consider one item of anticipated litigation. There is nothing to report.

VI. ITEMS FOR STAFF REVIEW

There were no items for staff review.

VII. GOOD OF THE ORDER

There was nothing to report during Good of the Order.

VIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:20 a.m.

GINA ZAPANTA, SECRETARY

HERMAN B. SANTOS, CHAIR

MINUTES OF THE BOARD OF INVESTMENTS FROM
THE SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT
AND THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
8:00 A.M., WEDNESDAY, FEBRUARY 5, 2020

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Herman B. Santos, Vice Chair

Wayne Moore, Secretary

Alan Bernstein

Elizabeth Greenwood (Arrived at 8:18 a.m.)

Shawn Kehoe

Keith Knox

David Muir

Gina Sanchez (Teleconference)

BOARD OF RETIREMENT

PRESENT: Herman B. Santos, Chair

Vivian Gray, Vice Chair

Gina Zapanta, Secretary

February 5, 2020

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BOARD OF RETIREMENT (Continued)

JP Harris, Alternate Retiree Member

Shawn Kehoe

Keith Knox

Wayne Moore

Les Robbins

Ronald Okum

Thomas Walsh

William Pryor, Alternate Safety Member

STAFF ADVISORS AND PARTICIPANTS

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No action was taken on this item by the Board of Investments.

B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of December 12, 2019

Mr. Kehoe made a motion, Mr. Green seconded, to approve the minutes of the special meeting of December 12, 2019. The motion passed unanimously.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

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February 5, 2020

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There were no items for staff review.

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There being no further business to come before the Board, the meeting was adjourned at 9:20 a.m.


WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR



May 15, 2020

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Kimberly D. Hines, CPA 
Manager, Administrative Services Division

JJ Popowich 
Assistant Executive Officer

FOR: May 20, 2020 Joint Board of Retirement & Board of Investments Meeting

SUBJECT: **FY 2020-2021 ADMINISTRATIVE, RETIREE HEALTHCARE BENEFITS,
AND OTHER POST-EMPLOYMENT BENEFIT BUDGETS**

The Budget Hearing has been scheduled to discuss the proposed FY 2020-2021 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefit Trust Budgets. The hearing date is as follows:

- **Wednesday, May 20th at 9:00 AM**

The Budget Hearing will be held remotely and open to the public stakeholders and our members. The hearing will provide a forum for discussion of LACERA's annual spending plan, operational priorities, and program initiatives. The Budget Hearing will also provide you an opportunity to ask questions or seek clarification on any specific budget item(s).

Once the hearing is concluded, a set of minutes will be prepared and distributed to all Board members and management staff. Input resulting from the Budget Hearing will be considered and included in the budget to be submitted for final approval at the Joint Board of Retirement and Board of Investments meeting on June 24, 2020.

We hope you will be able to participate in the scheduled hearing. If you are unable to join the meeting, please contact JJ Popowich at (626) 564-6000, extension 3497 concerning any questions you may have regarding the FY 2020-21 Proposed Budgets.

We look forward to reviewing the budget with you to discuss our proposed spending plans and how it will address what we anticipate to be a challenging year ahead for LACERA.

Thank you in advance for your continued support.

KH:jj

Attachment

Administrative, Retiree Healthcare Benefits
& OPEB Trust

BUDGET



Fiscal

Year

2020-2021

LACERA's

BUDGET

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Fiscal

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2020-2021

EXECUTIVE SUMMARY- LACERA Administrative Budget

In accordance with Government Code Section 31580.2 of The County Employees Retirement Law, and the Joint Organizational Governance Committee (JOGC) Charter we are pleased to present the FY 2020-2021 Proposed Administrative Budget for your consideration.

A budget should reflect the Mission, Vision, Values, and top priorities for an organization as outlined in its Strategic Plans and demonstrate how those plans will be implemented. The FY 2020-2021 Administrative Budget was created to support the mission and strategic goals of LACERA. (See Appendix A for LACERA's Strategic Plan).

Mission Statement:

Our mission is to produce, protect and provide the promised benefits through prudent investment and conservation of plan assets by the expert administration of the pension system while providing exceptional service to our members and beneficiaries.

Vision Statement:

Our vision is our pledge to be the premier retirement association through excellence in retirement law; commitment to teamwork; trust to safeguard assets; and service to members that is courteous, professional, and 100 percent accurate.

Our Values:

- Professionalism
- Respect
- Open Communications
- Fairness
- Integrity
- Teamwork

The LACERA management team is committed to working together across divisional boundaries to deliver a high level of service to our members. The budget development process includes a considerable amount of collaborative discussion and cross-divisional cooperation. This is done so that the budget reflects our mission, our values, and our organizational needs and goals.

Our approach to drafting the FY 2020-2021 spending plan was to develop a status quo budget with minimal changes from the prior year. At mid-year, we planned to return for approval of additional budgetary resources once metrics are developed to more fully address operational needs. We believe this staggered budget development approach will enable the new executive leadership time to develop the strategic direction and to support the management team with realigning resources.

The original FY 2020-2021 Preliminary Budget was transmitted to the JOGC for its consideration at the JOGC meeting scheduled for March. Unfortunately, that meeting was cancelled due to the rapidly moving and ever-evolving COVID-19 pandemic and the need for the Executive Team to devote its full attention to protecting the safety and health of our employees.

At the April JOGC meeting we presented a revised Preliminary Budget that included additional budgetary adjustments to address the “new normal” as we continue to rapidly transition to a secure remote work environment in response to the pandemic. The transition to this new work environment requires immediate changes to the technology and operational requirements of the organization. More modest budget changes may follow later in the year as we continue to navigate our way through unexpected operational challenges.

The budget consists of two major components: Salaries and Employee Benefits (S&EB) and Services and Supplies (S&S). The Proposed Administrative Budget request for FY 2020-2021 is \$97,726,389 representing a 3.3% increase from the previous year amount of \$94,599,990. This increase represents a 6.3% increase in S&EB costs and an 8.0% decrease in S&S costs.

Salaries and Employee Benefits

The majority of the Proposed Administrative Budget is S&EB costs. The 6.3% or \$4.7 million increase from the prior year can be attributed to the following:

- Three New Positions
- Three Upgraded Positions
- MOU Negotiated Increases
- Salary Step Increases
- Performance/Merit Increases

The significant changes from the prior year budget are highlighted below:

New and Upgraded Positions

We included a request for a *Public Information Officer (PIO)* to assist with coordinating and actively managing LACERA’s media responses and our social media platforms that we plan to launch in the upcoming fiscal year. We believe that having a dedicated public relations professional on staff will enhance our ability to respond to media inquiries expeditiously, and enhance our ability to provide information to our retired and active members in multiple ways. These alternative communication channels require a great deal of time, effort and thought to develop and manage given the short news cycles and need for publications and media outlets to produce content. The cost for adding this position to the budget is approximately \$124,000 annually. Although the PIO position is an existing ordinance position and thus will not require action by the County to add to our ordinance positions, it is possible that we may need to conduct a compensation study if it is determined this is a

below market rate once we begin recruiting.

We are requesting to add two permanent positions in the Procurement Unit at the level of *Procurement and Supply Clerk*. We discovered that the Procurement and Supply Clerk position was reclassified years ago to a Procurement Assistant II position. Previously the Supply Clerk position had arduous duties in the job classification. When the position was reclassified it no longer included the arduous capacity. This appears to be an oversight. As the Procurement Unit's responsibilities often include heavy lifting, the additional positions are needed to perform these tasks. The cost of adding these 2 positions is approximately \$134,000.

The recommendation to upgrade lower level positions to higher level ones by swapping out legacy items with more appropriate positions remains unchanged. These upgraded positions are needed to handle the higher level of work complexity, training responsibilities and supervision requirements needed to maximize our effectiveness in delivering exceptional services to our members.

Services and Supplies

The Services and Supplies (S&S) costs are reflective of the daily operational needs of the organization and are primarily based on historical expenditures adjusted for inflation. The 8.0% or \$1.6 million decrease in S&S costs relate to the following:

- Decrease mostly related to the management team's focus on efficiency and a concerted effort to budget more closely to actual expenditure.
- Decrease in Travel, Training and Education expenses expected to be reduced based on the COVID-19 Pandemic.
- Increase in technology costs related to our plan to implement a secure remote work environment.

Items to highlight in the S&S Budget include the following:

Transportation, Travel and Educational Expenses

Because of the unpredictable nature of the coronavirus and the uncertainty of the lasting effects of the disease on global, national and local communities, we will be continuing our no travel directive on international, national and local travel by staff. We will continue to monitor local, state and national health and travel warnings to inform our future decisions to relax the no travel policy for staff. However, we deem it highly unlikely that staff travel will resume to its pre-crisis level in the near future. As such, we reduced the travel and transportation budget by 31.7% and the educational expense budget by 19.2% from the prior year amount to reflect the anticipated travel constraints through the end of the calendar year.

In the meantime, and until the travel situation changes for the better, we are encouraging Trustees and staff to participate in educational conferences and training via webinar. Staff with educational requirements for licenses or certifications have been encouraged to obtain that education online at no or low cost, instead of traveling. From our research, many of these on-line offerings are free of charge and readily available to Trustees and staff. We will reassess our ability to perform business, legal and technical diligence with guidance from public health authorities.

The safety of our Trustees, employees and valued LACERA members will remain our primary focus moving forward. We will continue to deal with the aftermath of the pandemic on our operations while at the same time transitioning from the current COVID-19 operating state to the potential for a remote work environment being our “new normal”.

Remote Call Center

We are requesting supplemental funding in the amount of up to \$250,000 to pay for ongoing costs due to the establishment of a remote call center solution as part of LACERA’s response to the pandemic.

To support and sustain our call center operations under the anticipated “new normal”, we intend to maintain the remote call center for the foreseeable future. The Amazon Web Service (AWS) platform that was set up by Systems and tested by our Member Service teams went live on April 30, 2020. The remote call centers have restored LACERA’s ability to interact with our members as we had before the pandemic. Since that date we have handled over 4,800 hundred members in the Member Services call center and over 1,700 calls in our Retiree Healthcare call center.

Given the virtual call center was implemented as a quick solution with essential but limited functions, it does not provide for the full extent and features of our internal call center. For the long-term, we will research a solution to permanently enable our call center with remote capabilities containing all of our existing feature sets, such as member recordings linked to the member’s permanent record, detailed performance reports, and visual screen recordings. This budget request principally supports the COVID-19 remote call center while staff works to identify a more permanent solution that will enhance our remote service capabilities and become a permanent fixture in our disaster recovery and business continuity planning efforts.

Cloud Service Migration

As we are accelerating our plans to implement a secured remote workforce infrastructure, we are also stepping ahead to migrate more of our server operations into the cloud. The requested funding in the amount of \$300,000 is our initial investment to migrate a select number of key servers into the cloud. This separate effort will enhance our previous remote workforce project and transform LACERA into a more resilient organization and one with multiple redundancies. Our disaster recovery program will also benefit from having critical

systems available should LACERA's building become inoperable. As always, we need to strike the right balance between security and service. We will be engaging vendor resources to help us with the initial cloud migration process.

Workstation/Remote Office Equipment

Supplemental funding in the amount of \$250,000 is recommended to provide for the acquisition of computing equipment, including laptops and accessories for approximately 100 to 125 remote-working employees. During the COVID-19 emergency, IT staff deployed desktop computers for remote use. Using laptops and accessories designed for a remote work environment provides better utility and functionality, such as inclusion of webcams and microphones for meetings and member calls as well as larger screens.

LACERA Austerity Plan

In recognition of the harsh realities that this pandemic has had and will continue to exert on local public health resources, the economy, our plan sponsor and most importantly our members, we are proposing that LACERA adopt a COVID-19 Austerity Plan (CAP) to help guide us through these unprecedented times.

LACERA's operational funding is not dependent on the value of the pension fund assets, but rather the actuarial liabilities of the fund. As a result, it does not have the same financial pressures as our plan sponsor and other governmental agencies. In fact, based on our funding formula of twenty-one basis points applied to our actuarial liabilities, LACERA is estimating a \$59 million contingency reserve assuming all budget recommendations are approved by the Boards. This puts us in a solid budgetary position to weather this challenging and uncertain time.

Nonetheless, we believe it is prudent for LACERA as an organization to tighten its financial belt and implement the following CAP measures through FY 2020-21 at a minimum.

- Continue with the closure of our Member Services Center with the intent of eliminating all in-house counseling sessions during the work week and on Saturdays until reopening is consistent with public health professional guidelines. We will replace these in-house counseling sessions with virtual one-on-one sessions.
- Eliminate all non-essential in-person outreach efforts until it is deemed safe to resume local business operations by public health officials. We will replace these efforts with virtual opportunities
- Continue with the no travel directive for international, national and local travel by staff for due diligence and educational purposes until health and national advisories for international, domestic and local travel warnings are lifted.
- Postpone replacement of in office workstations and any other major building renovation project until further notice. The installation and upgrade of at-home

technical tools may be required and will be evaluated and approved on a case-by-case basis.

- Freeze the purchase of all non-essential items and equipment until further notice.
- Restrict overtime and the use of compensation time to the greatest extent possible given the remote work environment we are operating under.
- Implement a hard hiring freeze on non-essential permanent and temporary employees until further notice.
- Implement a soft hiring freeze on essential permanent and temporary staff required to continue the high functioning of the pension system, the first-class management of our investment operations, and the delivery of critical technology and vital administrative support services.
- Authority to hire essential pension and support staff will be thoroughly examined and solely determined by the Chief Executive Officer and for investment staffing purposes by the CEO in close consultation with the Chief Investment Officer.

Summary

The Proposed Administrative Budget request for FY 2020-2021 is \$97,726,389 representing a 3.3% increase from the previous year amount of \$94,599,990. The management team has worked diligently to draft a budget that supports LACERA's ongoing needs. While today we present a status quo budget, we look forward to collaborating with the new executive leadership to develop and prioritize a new strategic plan that incorporates bold and innovative ways to provide more efficient and cost-effective ways to serve our members.

For additional details related to the budget request, see the following sections:

- Budget Request Summary
- Salaries and Employee Benefits Detail
- Services and Supplies Detail
- Detail by Division

Board of Retirement

Mission Statement

We produce, protect, and provide the promised benefits.

The Board

Composed of eleven members:

- Two elected by active general members
- One elected by retired members
 - Retired members also elect an alternate member
- One elected by safety members
 - Safety members also have an alternate member
- Four members appointed by the Los Angeles County Board of Supervisors

Responsibilities

Overall management of LACERA is vested in the Board of Retirement. The Board is responsible for the administration of the retirement system and the Retiree Healthcare Benefits Program (OPEB Program). Its duties also include the review and processing of disability retirement applications.



HERMAN B. SANTOS

Chair

Elected by General Members



VIVIAN H. GRAY

Vice Chair

Elected by General Members



GINA ZAPANTA

Secretary

Appointed by Board of Supervisors



JAMES P. HARRIS

Alternate Member

Elected by Retired Members



SHAWN R. KEHOE

Elected by Safety Members



KEITH KNOX

County Treasurer and Tax Collector
Ex-Officio Member



WAYNE MOORE

Appointed by Board of Supervisors



RONALD A. OKUM

Appointed by Board of Supervisors



WILLIAM R. PRYOR

Alternate Member
Elected by Safety Members



LES ROBBINS

Elected by Retired Members



THOMAS WALSH

Appointed by Board of Supervisors



Board of Investments

Mission Statement

We produce, protect, and provide the promised benefits.

The Board

Composed of nine members:

- Four members appointed by the Los Angeles County Board of Supervisors
- Elected members
 - Two elected by active general members
 - One elected by retired members
 - One elected by safety members
- County Treasurer and Tax Collector serves as an ex-officio member

Responsibilities

The Board of Investments is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment of the retirement fund.



DAVID GREEN

Chair

Elected by General Members



HERMAN B. SANTOS

Vice Chair

Elected by General Members



WAYNE MOORE

Secretary

Appointed by Board of Supervisors



ALAN J. BERNSTEIN

Appointed by Board of Supervisors



ELIZABETH GREENWOOD

Appointed by Board of Supervisors



SHAWN R. KEHOE

Elected by Safety Members



KEITH KNOX

County Treasurer and Tax Collector
Ex-Officio Member



DAVID L. MUIR

Elected by Retired Members



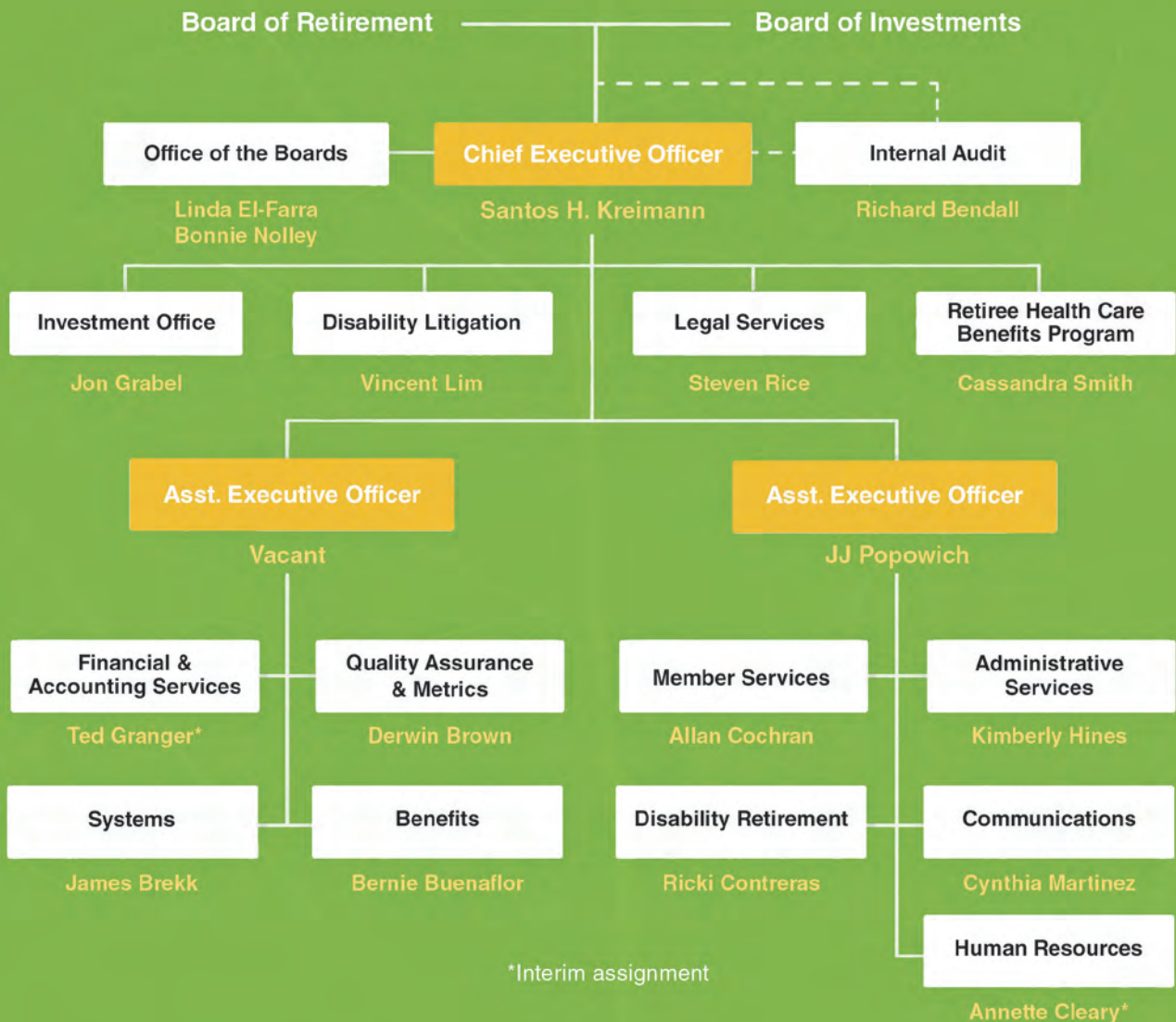
GINA V. SANCHEZ

Appointed by Board of Supervisors



LACERA Organizational

Chart



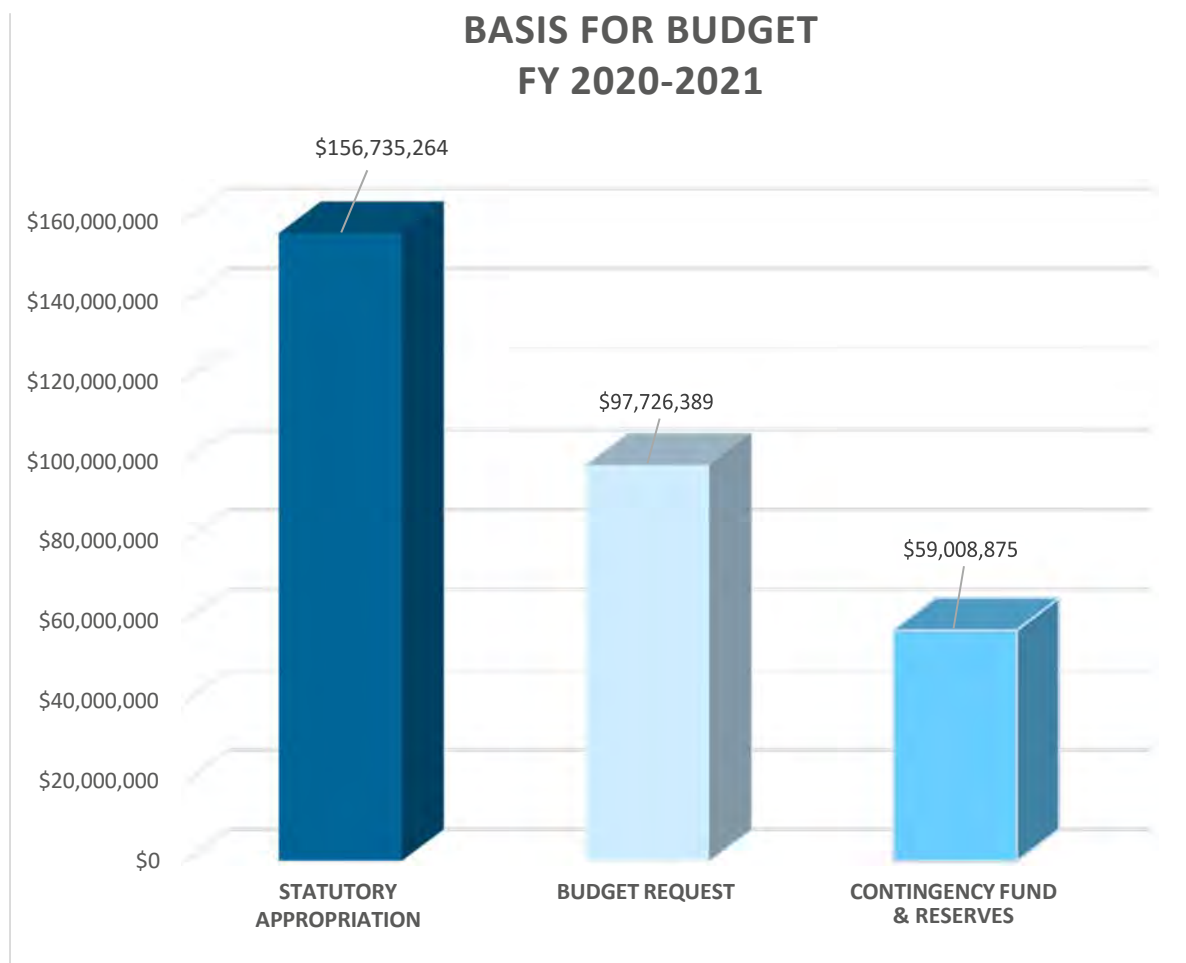
BUDGET POLICIES

LACERA's budgeting policies are based on legal statutes required under the 1937 Act, as well as policies set by LACERA's Board of Retirement and Board of Investments (the Boards).

Legal Requirement

Government Code 31580.2 requires the annual adoption of a budget covering the entire expense of administration of the retirement system. The code requires that the expenses be charged against the earnings of the retirement fund and that the expenses may not exceed twenty-one basis points (0.21%) of the accrued actuarial liability of the retirement system. Although expenses for computer software, hardware and computer technology consulting services are included in the Administrative Budget, such costs are not subject to the budget limit.

Per the 1937 Act, LACERA's Statutory Appropriation for FY 2020-2021 is \$156,735,264.



JOGC Oversight

In addition to the State Code, the budget is also guided by LACERA's Joint Organization Governance Committee (JOGC), which provides oversight during the annual budget development cycle. The process consists of staff developing a preliminary budget plan that consider and support the approved strategic plans and general operating needs. The preliminary budget is presented to the JOGC for review. Recommendations by the JOGC are presented to the Boards during the budget hearings. Both Boards will then independently take action on the JOGC's recommended proposed budget.

Contingency Funds

Contingency funds are available for unanticipated expenditures that may occur during the year. Use of Contingency funds must be approved by both Boards. The estimated contingency funds available is \$59,008,875.

NOTE: The Audit Committee (AC) will request approval from both the Board of Retirement and the Board of Investments to establish an Audit Reserve Fund against the contingency monies in the amount of \$500,000. These funds would be used to pay for additional audit work needed when a preliminary finding from existing audit activities warrant further investigation.

A delegation of both Board's authority would be needed to authorize the AC to spend the reserve funds as needed throughout the fiscal year without having to return to the Boards for further approval. Should the AC authorize the expenditure of all of the allotted amount, the contingency fund would be reduced to \$58,508,875.

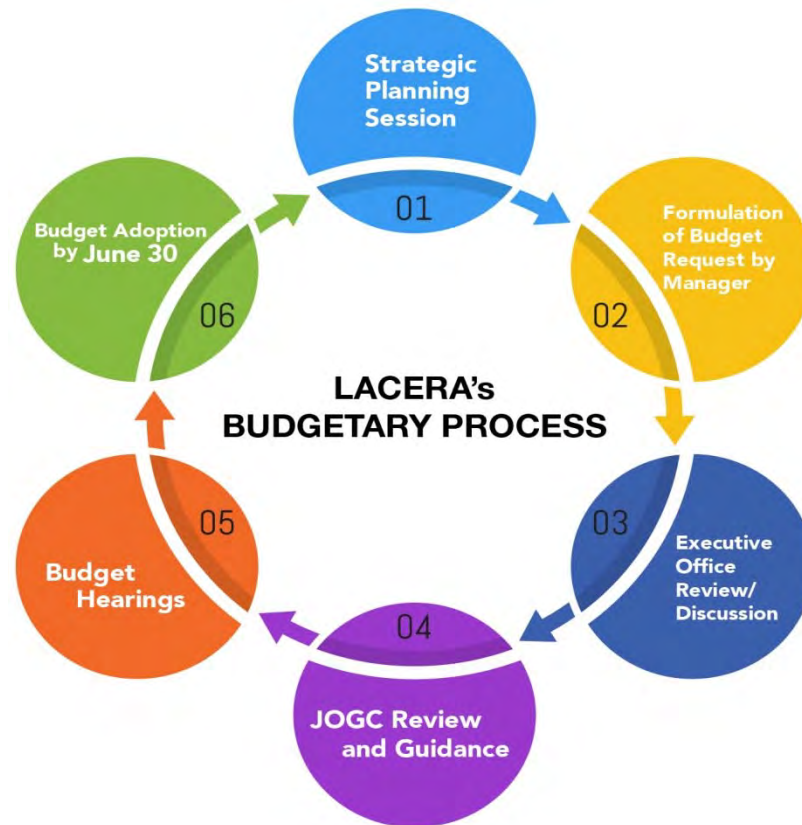
Retiree Health Care Benefits Program

Our Retiree Health Care Benefits Program provides health care benefits to our membership on behalf of our plan sponsor, the County of Los Angeles. The insurance premiums are born solely by the participants of the plan and Los Angeles County. LACERA trust funds are not used for premium payments. The direct costs and variable overhead costs associated with the administration of the Retiree Health Care Benefits Program are charged against the premium payments and, as such, are not included in the Administrative Budget.

Non-Administrative Expenses

As provided in Government Code Section 31596.1 the expenses of investing its moneys, securing custodial bank services, actuarial services and attorney services shall not be considered a cost of administering the system.

BUDGET PROCESS



LACERA's budget process includes 6 major stages as depicted in the diagram above. The budget process typically begins in October of each year and coincides with the Strategic Planning process. In October, the management team generally holds an offsite meeting to engage in team building exercises, and begin discussion about organizational priorities and strategic direction.

Between October and November, the management team begins to formulate their budget requests. Throughout the month of December, the Budget Team meets with the managers to gather information about what they will be requesting. This discussion helps the Budget Team and their partners begin to prepare costs and determine what will be needed to support the divisional and management requests.

Normally, the budget process parallels the Strategic Plan process. Ideally, the Strategic Plan process is also linked to the budget process to ensure the organization allocates the proper resources to see the plan through to fruition.

This year our process was done differently because our new CEO started in November 2019. The Strategic Plan was rolled over from the previous year to help the organization focus on meeting the already existing goals. This also allowed our new CEO time to evaluate where the organization is and marshal their efforts to see the plan through.

During the month of January, the management team meets with the Executive Office to present their proposed budgets. During this process, the Executive Office weighs the requests against the organizational goals and the Strategic Plan. These discussions help refine the requests and balance competing needs throughout the organization.

Also, during this stage the Executive Office meets with the Systems Division to review the various requests from the divisions and what those requests will need from a Systems aspect to support the requests. This too is a very labor intensive process that requires the Systems Division to cost out specific support needs that are changing on a daily basis as the requests are refined. At the end of this process, the Executive Office and the management team agree upon their divisional requests and the Budget Unit begins to assemble the budget.

The fourth and fifth stages include presenting the Preliminary Budget to the JOGC for review and guidance and presenting the Proposed Budget at the Budget Hearing for the review and discussion with the Boards and the public.

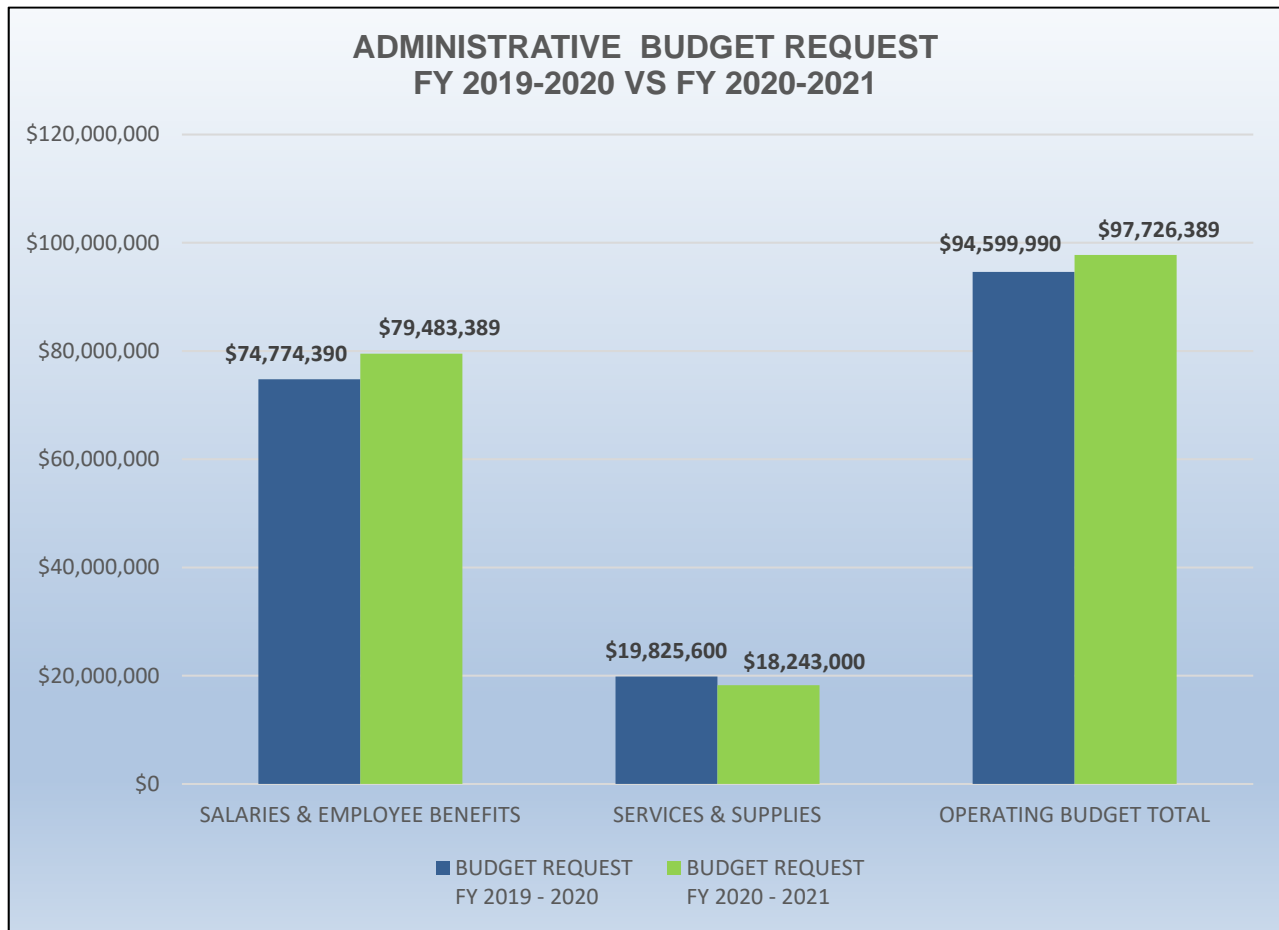
Lastly, the Proposed Budget is submitted for approval at the meetings of each Board.

BUDGET REQUEST SUMMARY

Overview

The Administrative budget consists of two components, Salaries & Employee Benefits and Services and Supplies. The Proposed Administrative budget request for FY 2020-2021 is \$97,726,389. This represents a 3.3% increase from the prior year budget.

| ADMINISTRATIVE BUDGET | BUDGET REQUEST FY 2019 - 2020 | BUDGET REQUEST FY 2020 - 2021 | VARIANCE | % CHANGE |
|-------------------------------|----------------------------------|----------------------------------|--------------------|--------------|
| SALARIES & EMPLOYEE BENEFITS | \$74,774,390 | \$79,483,389 | \$4,708,999 | 6.3% |
| SERVICES & SUPPLIES | \$19,825,600 | \$18,243,000 | (\$1,582,600) | -8.0% |
| OPERATING BUDGET TOTAL | \$94,599,990 | \$97,726,389 | \$3,126,399 | 3.3% |



The chart below displays the total budgeted costs per division in comparison to the prior year.

| DIVISION | BUDGET REQUEST FY 2019-2020 | BUDGET REQUEST FY 2020-2021 | VARIANCE | % CHANGE |
|---------------------------------|--------------------------------|--------------------------------|--------------------|-------------|
| Administrative Services | \$7,820,552 | \$7,989,142 | \$168,590 | 2.2% |
| Benefits | 10,566,377 | 10,260,348 | (306,029) | -2.9% |
| Board of Retirement | 228,900 | 284,000 | 55,100 | 24.1% |
| Board of Investments | 337,500 | 495,000 | 157,500 | 46.7% |
| Communications | 2,457,549 | 3,085,151 | 627,602 | 25.5% |
| Disability Litigation | 1,988,281 | 2,079,978 | 91,696 | 4.6% |
| Disability Retirement | 8,707,507 | 8,730,604 | 23,097 | 0.3% |
| Executive Office | 2,558,560 | 2,270,915 | (287,646) | -11.2% |
| Financial & Accounting Services | 4,529,440 | 4,165,022 | (364,418) | -8.0% |
| Human Resources | 3,974,474 | 3,871,758 | (102,715) | -2.6% |
| Internal Audit | 2,390,584 | 2,582,486 | 191,902 | 8.0% |
| Investment Office | 12,926,234 | 14,434,263 | 1,508,029 | 11.7% |
| Legal Services | 6,436,423 | 6,549,462 | 113,039 | 1.8% |
| Member Services | 9,014,633 | 9,761,207 | 746,574 | 8.3% |
| Quality Assurance | 3,327,189 | 3,384,955 | 57,767 | 1.7% |
| Systems | 17,335,787 | 17,782,099 | 446,312 | 2.6% |
| TOTAL | \$94,599,990 | \$97,726,389 | \$3,126,399 | 3.3% |

For additional details see the Expenses by Division section.

Salaries & Employee Benefits

Salaries & Employee Benefit (S&EB) costs consist of the ongoing personnel costs for the organization. These costs include the salaries, the variable benefit costs (i.e., retirement costs, county subsidy of insurance costs, option plan costs, life insurance, 457 and 401K plan costs, etc.), agency temporary staff, and overtime costs, OPEB costs, and other benefit costs. These costs are budgeted at \$79.5 million and represent a 6.3% increase from the prior year.

| S&EB CATEGORY | BUDGET REQUEST FY 2019 - 2020 | BUDGET REQUEST FY 2020 - 2021 | VARIANCE | % CHANGE |
|---|----------------------------------|----------------------------------|--------------------|--------------|
| SALARIES & OTHER PAYS | | | | |
| Permanent / County Temporary | \$43,949,835 | \$48,117,819 | \$4,167,985 | 9.5% |
| Agency Temporary | 3,318,600 | 1,669,500 | (1,649,100) | -49.7% |
| LACERA Intern Program | 144,000 | 0 | (144,000) | -100.0% |
| Stipends | 65,000 | 65,000 | 0 | 0.0% |
| Overtime | 612,100 | 801,900 | 189,800 | 31.0% |
| Bilingual Bonus | 24,000 | 21,600 | (2,400) | -10.0% |
| Transportation Allowance | 0 | 0 | 0 | 0.0% |
| Rideshare Allowance | 121,000 | 70,300 | (50,700) | -41.9% |
| Sickleave Buyback | 66,500 | 66,500 | 0 | 0.0% |
| Reserve For Remuneration | 0 | 0 | 0 | 0.0% |
| TOTAL SALARIES & OTHER PAYS | \$48,301,035 | \$50,812,619 | \$2,511,584 | 5.2% |
| VARIABLE BENEFITS | | | | |
| Retirement | 8,140,238 | 9,006,465 | 866,227 | 10.6% |
| FICA Contribution | 700,698 | 779,718 | 79,020 | 11.3% |
| County Subsidy - Insurance | 2,382,392 | 2,654,602 | 272,210 | 11.4% |
| Options Plan | 4,099,576 | 4,311,976 | 212,400 | 5.2% |
| Life Insurance | 19,368 | 18,735 | (633) | -3.3% |
| Health Insurance Temps | 205,164 | 277,043 | 71,879 | 35.0% |
| Flexible Benefit Plan | 71,384 | 41,806 | (29,578) | -41.4% |
| Thrift Plan / Horizons | 1,419,490 | 1,508,445 | 88,955 | 6.3% |
| Savings Plan | 1,005,787 | 1,131,574 | 125,787 | 12.5% |
| Pension Savings Plan | 17,530 | 36,850 | 19,320 | 110.2% |
| Megaflex | 4,255,973 | 4,707,637 | 451,664 | 10.6% |
| TOTAL VARIABLE BENEFITS | \$22,317,598 | \$24,474,851 | \$2,157,253 | 9.7% |
| OPEB CONTRIBUTION | \$951,757 | \$1,234,919 | \$283,162 | 29.8% |
| OTHER BENEFITS | \$3,204,000 | \$2,961,000 | (\$243,000) | -7.6% |
| TOTAL EMPLOYEE BENEFITS | \$26,473,355 | \$28,670,770 | \$2,197,415 | 8.3% |
| TOTAL SALARIES & EMPLOYEE BENEFITS | \$74,774,390 | \$79,483,389 | \$4,708,999 | 6.3% |

Assumptions

The following assumptions were used in developing the S&EB portion of the budgets:

- Salaries are budgeted based on projected yearly costs by position.
- Vacant positions are budgeted at the first step and salary savings are calculated by reducing the salary cost by the number of months it takes to hire against the position. We estimate the vacancy at six months unless otherwise specified.

Increased Costs

As salary costs increase a corresponding increase in variable benefits is included. Variable benefit costs average 50.78% of salaries.

Additional Staff

Staffing changes as outlined below include additional positions in the Administrative Services and Communications Divisions in the amount of \$259,120.

| DIVISION | | POSTION TITLE | ANNUAL SALARY | VARIABLE BENEFITS | BUDGET IMPACT |
|-------------------------|------------|----------------------------|------------------|-------------------|------------------|
| Administrative Services | 2.0 | Procurement & Supply Clerk | \$89,158 | \$45,274 | \$134,432 |
| Communications | 1.0 | Public Information Officer | \$82,695 | \$41,993 | \$124,688 |
| Total | 3.0 | | \$171,853 | \$87,267 | \$259,120 |

Other cost increases are attributed to the following:

Negotiated Salary Increases (MOU)

This represents salary increases negotiated through a Memorandum of Understanding that will take effect on January 2021. The salary increase ranges from 2.5% to 3.5% depending on the classification. The total annual cost is estimated to be \$800,899.

Performance/Merit Increases

This represents a performance/merit-based salary increase for Tier I and Tier II employees. The increase ranges from 2% to 4% depending on the staff performance rating. The total cost is estimated to be \$445,272.

Salary Step Increases

This represents step increases for staff that are not at the top of their designated salary range. These increases are budgeted at 5.5%. The total cost is estimated to be \$357,666.

Additional Staff Detail

Administrative Services Division: Procurement

| No. of Positions | Title of Requested Position | Division/Section |
|------------------|------------------------------|------------------|
| 2 | Procurement and Supply Clerk | Procurement |

Administrative Services Division is requesting to add two permanent positions at the Procurement and Supply Clerk level. It was discovered that the Procurement Assistant II position does not include the arduous capacity in their job description. As the Procurement Unit responsibilities often include heavy lifting, the additional positions are needed to perform these tasks.

Communications Division

| No. of Positions | Title of Requested Position | Division/Section |
|------------------|-----------------------------|------------------|
| 1 | Public Information Officer | Communications |

We included a request for a *Public Information Officer (PIO)* to assist with coordinating and actively managing LACERA's media responses and our social media platforms that we plan to launch in the upcoming fiscal year. We believe that having a dedicated public relations professional on staff will enhance our ability to respond to media inquiries expeditiously, and enhance our ability to provide information to our retired and active members in multiple ways. These alternative communication channels require a great deal of time, effort and thought to develop and manage given the short news cycles and need for publications and media outlets to produce content.

Position Upgrade Request

Also included in the budget is a request to upgrade four positions. Details of these requests are listed below:

Internal Audit

| No. of Positions | Current Position | Upgraded Position |
|------------------|------------------|-------------------------|
| 1 | Internal Auditor | Senior Internal Auditor |

The budget request includes the deletion of one currently vacant Internal Auditor position and the addition of one Senior Internal Auditor to better align staffing levels with the amount of complex work. The increased complexity of audits results in the need for more experienced auditors.

Investment Office

| No. of Positions | Current Position | Upgraded Position |
|------------------|-------------------|--------------------|
| 2 | Finance Analyst I | Finance Analyst II |

A classification study completed in June 2019 resulted in the upgrade of two Finance Analyst I positions to Finance Analyst II positions.

Total Budgeted Positions

Based on the proposal to add 3 new positions, LACERA's total budgeted positions count will be 459.

| DIVISION | BUDGETED POSITIONS FY2019-2020 | CHANGE | BUDGETED POSITIONS FY2020-2021 |
|-----------------------|-----------------------------------|----------|-----------------------------------|
| ADMINISTRATIVE | 34 | 2 | 36 |
| BENEFITS | 71 | | 71 |
| COMMUNICATIONS | 13 | 1 | 14 |
| DISABILITY LITIGATION | 7 | | 7 |
| DISABILITY RETIREMENT | 41 | | 41 |
| EXECUTIVE OFFICE | 8 | | 8 |
| FASD | 30 | | 30 |
| HUMAN RESOURCES | 13 | | 13 |
| INTERNAL AUDIT | 11 | | 11 |
| INVESTMENT | 44 | | 44 |
| LEGAL SERVICES | 26 | | 26 |
| MEMBER SERVICES | 79 | | 79 |
| QUALITY ASSURANCE | 19 | | 19 |
| SYSTEMS | 60 | | 60 |
| TOTAL | 456 | 3 | 459 |

SERVICES & SUPPLIES

Services and Supplies (S&S) costs are reflective of the daily operational needs of the organization and are primarily based on historical expenditures adjusted for inflation. For FY 2020-2021 these costs are budgeted at \$18.2 million and represent an 8.0% decrease from the prior year. The proposed expenses have been reduced through the management team's focus on efficiency and concerted effort to budget more closely to actual expenditures. Another notable area of reduction relates to offsite related costs associated with travel & education expenses because of the COVID-19 pandemic.

| S&S CATEGORY | BUDGET REQUEST FY 2019-2020 | BUDGET REQUEST FY 2020-2021 | VARIANCE | % CHANGE |
|-------------------------------------|--------------------------------|--------------------------------|----------------------|--------------|
| Auto Expenses | \$191,600 | \$36,800 | (\$154,800) | -80.8% |
| Communications | 736,400 | 710,000 | (26,400) | -3.6% |
| Transportation & Travel | 1,148,200 | 784,000 | (364,200) | -31.7% |
| Postage | 993,400 | 991,400 | (2,000) | -0.2% |
| Stationery & Forms | 573,800 | 640,100 | 66,300 | 11.6% |
| Office Supplies & Equipment | 846,100 | 837,000 | (9,100) | -1.1% |
| Insurance | 733,500 | 714,900 | (18,600) | -2.5% |
| Equipment Maintenance | 627,500 | 638,000 | 10,500 | 1.7% |
| Equipment Rents & Leases | 310,000 | 310,000 | 0 | 0.0% |
| Building Costs | 2,305,000 | 2,175,000 | (130,000) | -5.6% |
| Parking Fees | 502,000 | 377,000 | (125,000) | -24.9% |
| Professional & Specialized Services | 2,685,100 | 2,691,200 | 6,100 | 0.2% |
| Bank Services | 230,000 | 204,000 | (26,000) | -11.3% |
| Legal Fees & Services | 612,500 | 435,500 | (177,000) | -28.9% |
| Disability Fees & Services | 2,168,000 | 2,086,000 | (82,000) | -3.8% |
| Computer Services & Support | 3,176,900 | 2,908,300 | (268,600) | -8.5% |
| Educational Expenses | 1,511,300 | 1,221,700 | (289,600) | -19.2% |
| Miscellaneous | 474,300 | 482,100 | 7,800 | 1.6% |
| TOTAL | \$19,825,600 | \$18,243,000 | (\$1,582,600) | -8.0% |

LACERA

FISCAL YEAR 2020-2021

SALARIES AND EMPLOYEE BENEFITS
CATEGORY SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2 0 1 9 - 2 0 2 0 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|--|---------------------------------|-----------------------------------|---------------------|---------------------|---|--------------|---|-------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Gross Salaries | \$48,117,819 | \$43,949,835 | \$18,332,549 | \$41,281,500 | \$6,836,319 | 16.6% | \$4,167,985 | 9.5% |
| Salary Differential | - | - | - | - | - | - | - | - |
| Permanent Salaries | \$48,117,819 | \$43,949,835 | \$18,332,549 | \$41,281,500 | \$6,836,319 | 16.6% | \$4,167,985 | 9.5% |
| Outside Agency Temporary Staffing | 1,669,500 | 3,318,600 | 1,044,191 | 2,196,550 | (527,050) | -24.0% | (1,649,100) | -49.7% |
| LACERA Intern Program | 0 | 144,000 | 582 | 12,000 | (12,000) | -100.0% | (144,000) | -100.0% |
| Variable Benefits | | | | | | | | |
| Retirement | 9,006,465 | 8,140,238 | 3,155,606 | 7,373,100 | 1,633,365 | 22.2% | 866,227 | 10.6% |
| FICA Contribution | 779,718 | 700,698 | 292,097 | 673,809 | 105,909 | 15.7% | 79,020 | 11.3% |
| County Subsidy - Insurance | 2,654,602 | 2,382,392 | 812,973 | 1,948,900 | 705,702 | 36.2% | 272,210 | 11.4% |
| Options Plan | 4,311,976 | 4,099,576 | 1,549,351 | 3,711,980 | 599,996 | 16.2% | 212,400 | 5.2% |
| Life Insurance | 18,735 | 19,368 | 6,497 | 16,460 | 2,275 | 13.8% | (633) | -3.3% |
| Health Insurance Temps | 277,043 | 205,164 | 67,186 | 153,300 | 123,743 | 80.7% | 71,879 | 35.0% |
| Flexible Benefit Plan | 41,806 | 71,384 | 14,090 | 31,500 | 10,306 | 32.7% | (29,578) | -41.4% |
| Thrift Plan/Horizons | 1,508,445 | 1,419,490 | 512,614 | 1,192,700 | 315,745 | 26.5% | 88,955 | 6.3% |
| Savings Plan | 1,131,574 | 1,005,787 | 397,362 | 925,300 | 206,274 | 22.3% | 125,787 | 12.5% |
| Pension Savings Plan | 36,850 | 17,530 | 10,759 | 25,220 | 11,630 | 46.1% | 19,320 | 110.2% |
| Megaflex | 4,707,637 | 4,255,973 | 1,608,735 | 3,946,500 | 761,137 | 19.3% | 451,664 | 10.6% |
| Total | 24,474,851 | 22,317,598 | 8,427,269 | 19,998,769 | 4,476,082 | 22.4% | 2,157,253 | 9.7% |
| Other Benefits | 2,961,000 | 3,204,000 | 1,300,739 | 3,187,900 | (226,900) | -7.1% | (243,000) | -7.6% |
| OPEB Contribution | 1,234,919 | 951,757 | 493,422 | 947,150 | 287,769 | 30.4% | 283,162 | 29.8% |
| Stipends | 65,000 | 65,000 | 25,508 | 65,000 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 801,900 | 612,100 | 370,325 | 843,900 | (42,000) | -5.0% | 189,800 | 31.0% |
| Bilingual Bonus | 21,600 | 24,000 | 9,850 | 22,500 | (900) | -4.0% | (2,400) | -10.0% |
| Reserves for Remuneration | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sickleave Buyback | 66,500 | 66,500 | 17,911 | 52,800 | 13,700 | 25.9% | 0 | 0.0% |
| Rideshare Allowance | 70,300 | 121,000 | 19,455 | 119,280 | (48,980) | -41.1% | (50,700) | -41.9% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| S&EB TOTAL | \$79,483,389 | \$74,774,390 | \$30,041,801 | \$68,727,349 | \$10,756,040 | 15.7% | \$4,708,999 | 6.3% |

*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS
DIVISION SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|---------------------------------|----------------------------------|-------------------------------|---------------------|---------------------|--|-----------------|--|-----------------|
| | | BUDGET | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | | (12-31-19) | PROJECTION | | | | |
| Administrative Services | 3,921,942 | \$3,481,752 | \$1,473,344 | \$3,305,125 | \$616,817 | 18.7% | \$440,189.71 | 12.6% |
| Benefits | 10,193,448 | 10,482,377 | 4,126,402 | 9,410,100 | 783,348 | 8.3% | (288,929) | -2.8% |
| Communications | 2,073,051 | 1,459,349 | 701,893 | 1,529,650 | 543,401 | 35.5% | 613,702 | 42.1% |
| Disability Litigation | 2,035,878 | 1,902,981 | 824,219 | 1,876,200 | 159,678 | 8.5% | 132,896 | 7.0% |
| Disability Retirement | 6,364,804 | 6,197,007 | 2,473,525 | 5,801,547 | 563,257 | 9.7% | 167,797 | 2.7% |
| Executive Office | 1,976,215 | 1,861,060 | 550,337 | 1,492,300 | 483,915 | 32.4% | 115,154 | 6.2% |
| Financial & Accounting Services | 3,907,922 | 4,223,840 | 1,731,227 | 3,740,600 | 167,322 | 4.5% | (315,918) | -7.5% |
| Human Resources | 2,316,658 | 2,439,274 | 951,501 | 2,133,200 | 183,458 | 8.6% | (122,615) | -5.0% |
| Internal Audit | 2,121,686 | 1,851,084 | 813,963 | 1,834,500 | 287,186 | 15.7% | 270,602 | 14.6% |
| Investment Office | 14,096,963 | 12,361,834 | 5,426,504 | 12,358,250 | 1,738,713 | 14.1% | 1,735,129 | 14.0% |
| Legal Services | 5,768,262 | 5,385,123 | 2,159,230 | 4,974,338 | 793,924 | 16.0% | 383,139 | 7.1% |
| Member Services | 9,691,407 | 8,919,633 | 3,695,028 | 8,431,159 | 1,260,248 | 14.9% | 771,774 | 8.7% |
| Quality Assurance | 3,290,455 | 3,177,189 | 1,241,843 | 2,785,580 | 504,875 | 18.1% | 113,267 | 3.6% |
| Systems Division | 11,724,699 | 11,031,888 | 3,872,787 | 9,054,800 | 2,669,899 | 29.5% | 692,812 | 6.3% |
| S&EB TOTAL | 79,483,389 | \$74,774,390 | \$30,041,801 | \$68,727,349 | \$10,756,040 | 15.7% | \$4,708,999 | 6.3% |

*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
AGENCY TEMPORARY STAFFING
DIVISION SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2 0 1 9 - 2 0 2 0 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|---------------------------------|---------------------------------|-----------------------------------|--------------------|--------------------|---|---------------|---|---------------|
| | | BUDGET | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | | (12-31-19) | PROJECTION | | | | |
| Administrative Services | \$75,700 | \$54,000 | \$79,390 | \$143,800 | (\$68,100) | -47.4% | \$21,700 | 40.2% |
| Benefits | 0 | 809,700 | 170,783 | 341,600 | (341,600) | -100.0% | (809,700) | -100.0% |
| Communications | 0 | 47,800 | 25,401 | 47,800 | (47,800) | -100.0% | (47,800) | -100.0% |
| Disability Litigation | 8,700 | 0 | 0 | 0 | 8,700 | 0.0% | 8,700 | 0.0% |
| Disability Retirement | 28,000 | 36,000 | 7,258 | 36,000 | (8,000) | -22.2% | (8,000) | -22.2% |
| Executive Office | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Financial & Accounting Services | 255,900 | 424,200 | 140,615 | 350,000 | (94,100) | -26.9% | (168,300) | -39.7% |
| Human Resources | 47,700 | 26,200 | 23,741 | 47,500 | 200 | 0.4% | 21,500 | 82.1% |
| Internal Audit | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Investment Office | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Legal Services | 53,500 | 60,000 | 11,127 | 58,000 | (4,500) | -7.8% | (6,500) | -10.8% |
| Member Services | 0 | 160,700 | 60,114 | 120,250 | (120,250) | -100.0% | (160,700) | -100.0% |
| Quality Assurance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Systems Division | 1,200,000 | 1,700,000 | 525,763 | 1,051,600 | 148,400 | 14.1% | (500,000) | -29.4% |
| TOTAL | \$1,669,500 | \$3,318,600 | \$1,044,191 | \$2,196,550 | (\$527,050) | -24.0% | (\$1,649,100) | -49.7% |

*All amounts rounded to the nearest dollar.

LACERA
BUDGET REQUEST INFORMATION
AGENCY TEMPORARY STAFFING
HISTORY OF EXPENDITURES

| DIVISION | FYE 2018 | | FYE 2019 | | FYE 2020 | | FYE 2021 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Budget | Actual | Budget | Actual | Budget | Projection | Budget |
| Administrative Services | \$122,500 | \$202,123 | \$114,000 | \$97,002 | \$54,000 | \$143,800 | \$75,700 |
| Benefits | 24,400 | 57,435 | 0 | 97,390 | 809,700 | 341,600 | 0 |
| Communications | 143,300 | 21,198 | 102,500 | 18,315 | 47,800 | 47,800 | 0 |
| Disability Litigation | 0 | 0 | 0 | 0 | 0 | 0 | 8,700 |
| Disability Retirement | 104,200 | 40,318 | 42,009 | 46,525 | 36,000 | 36,000 | 28,000 |
| Executive Office | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial Services | 143,200 | 351,042 | 296,300 | 417,710 | 424,200 | 350,000 | 255,900 |
| Human Resources | 39,200 | 109,680 | 101,100 | 93,245 | 26,200 | 47,500 | 47,700 |
| Internal Audit | 26,100 | 38,810 | 0 | 8,346 | 0 | 0 | 0 |
| Investment Office | 35,000 | 900 | 0 | 0 | 0 | 0 | 0 |
| Legal Services | 68,000 | 118,929 | 118,700 | 57,928 | 60,000 | 58,000 | 53,500 |
| Member Services | 75,100 | 121,427 | 129,300 | 152,329 | 160,700 | 120,250 | 0 |
| Quality Assurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Systems | 1,527,000 | 1,759,983 | 992,000 | 1,849,848 | 1,700,000 | 1,051,600 | 1,200,000 |
| GRAND TOTAL | \$2,308,000 | \$2,821,845 | \$1,895,909 | \$2,838,638 | \$3,318,600 | \$2,196,550 | \$1,669,500 |

*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
OVERTIME REQUEST
DIVISION SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|---------------------------------|----------------------------------|-------------------------------|------------------|------------------|--|--------------|--|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Administrative Services | \$ 43,700 | \$31,500 | \$3,402 | \$25,000 | \$18,700 | 74.8% | \$12,200 | 38.7% |
| Benefits | 371,600 | 197,800 | 159,330 | 400,000 | (28,400) | -7.1% | 173,800 | 87.9% |
| Communications | 3,300 | 3,000 | 1,037 | 2,300 | 1,000 | 43.5% | 299 | 10.0% |
| Disability Litigation | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Disability Retirement | 9,500 | 12,400 | 7,807 | 12,000 | (2,500) | -20.8% | (2,900) | -23.4% |
| Executive Office | 25,000 | 3,000 | 15,348 | 33,000 | (8,000) | -24.2% | 22,000 | 733.4% |
| Financial & Accounting Services | 68,400 | 74,300 | 42,422 | 55,800 | 12,600 | 22.6% | (5,900) | -7.9% |
| Human Resources | 1,500 | 1,500 | 1,044 | 1,500 | (0) | 0.0% | 0 | 0.0% |
| Internal Audit | 4,800 | 3,000 | 390 | 1,000 | 3,800 | 380.0% | 1,800 | 60.0% |
| Investment Office | 1,000 | 0 | 0 | 0 | 1,000 | 0.0% | 1,000 | 0.0% |
| Legal Services | 12,500 | 35,000 | 389 | 6,000 | 6,500 | 108.3% | (22,500) | -64.3% |
| Member Services | 130,500 | 119,500 | 95,988 | 213,000 | (82,500) | -38.7% | 10,999 | 9.2% |
| Quality Assurance | 0 | 1,000 | 2,695 | 4,300 | (4,300) | -100.0% | (1,000) | -100.0% |
| Systems Division | 130,100 | 130,100 | 40,473 | 90,000 | 40,100 | 44.6% | 0 | 0.0% |
| TOTAL | \$801,900 | \$612,100 | \$370,325 | \$843,900 | (\$42,000) | -5.0% | \$189,800 | 31.0% |

*All amounts rounded to the nearest dollar.

LACERA

BUDGET REQUEST INFORMATION

OVERTIME
HISTORY OF EXPENDITURES

| DIVISION | FYE 2018 | | FYE 2019 | | FYE 2020 | | FYE 2021 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Budget | Actual | Budget | Actual | Budget | Projection | Budget |
| Administrative Services | \$20,200 | \$44,619 | \$28,007 | \$45,852 | \$31,500 | \$25,000 | \$43,700 |
| Benefits | 175,400 | 274,246 | 191,075 | 356,121 | 197,800 | 400,000 | 371,600 |
| Communications | 6,900 | 5,480 | 3,600 | 1,861 | 3,000 | 2,300 | 3,300 |
| Disability Litigation | 0 | 61 | 0 | 3 | 0 | 0 | 0 |
| Disability Retirement | 14,000 | 12,148 | 11,972 | 23,813 | 12,400 | 12,000 | 9,500 |
| Executive Office | 3,100 | 40,315 | 6,376 | 61,205 | 3,000 | 33,000 | 25,000 |
| Financial Services | 52,900 | 51,380 | 63,720 | 48,042 | 74,300 | 55,800 | 68,400 |
| Human Resources | 6,200 | 1,844 | 1,403 | 1,372 | 1,500 | 1,500 | 1,500 |
| Internal Audit | 2,000 | 137 | 3,327 | 108 | 3,000 | 1,000 | 4,800 |
| Investment Office | 0 | 134 | 2,000 | 574 | 0 | 0 | 1,000 |
| Legal Services | 35,000 | 1,037 | 36,144 | 6,086 | 35,000 | 6,000 | 12,500 |
| Member Services | 115,400 | 201,391 | 115,400 | 209,193 | 119,500 | 213,000 | 130,500 |
| Quality Assurance | 1,000 | 881 | 1,871 | 4,289 | 1,000 | 4,300 | 0 |
| Systems | 130,100 | 150,962 | 130,100 | 142,695 | 130,100 | 90,000 | 130,100 |
| GRAND TOTAL | \$562,200 | \$784,635 | \$594,995 | \$901,216 | \$612,100 | \$843,900 | \$801,900 |

*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
BILINGUAL BONUS
SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2 0 1 9 - 2 0 2 0 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|--------------------------|--|---|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Benefits Division | \$2,400 | \$2,400 | \$1,900 | \$4,800 | (\$2,400) | -50.0% | \$0 | 0.0% |
| Legal Services | 2,400 | 0 | 700 | 2,100 | 300 | 14.3% | 2,400 | 0.0% |
| Member Services Division | 16,800 | 21,600 | 7,250 | 15,600 | 1,200 | 7.7% | (4,800) | -22.2% |
| TOTAL | \$21,600 | \$24,000 | \$9,850 | \$22,500 | (\$900) | -4.0% | (\$2,400) | -10.0% |

*All amounts rounded to the nearest dollar.

LACERA

BUDGET REQUEST INFORMATION

VACANT POSITIONS
SUMMARY

| Division | Budgeted Positions FY 2019-2020 | Vacancy (as of 04/30/20) | % | Budgeted Positions FY 2020-2021* | Vacancy | % |
|--------------------------------|------------------------------------|-----------------------------|------------|-------------------------------------|-----------|------------|
| Administrative Services | 34 | 6 | 18% | 36 | 8 | 22% |
| Benefits | 71 | 2 | 3% | 71 | 2 | 3% |
| Communications | 13 | 3 | 23% | 14 | 4 | 29% |
| Disability Litigation | 7 | 0 | 0% | 7 | 0 | 0% |
| Disability Retirement Services | 41 | 1 | 2% | 41 | 1 | 2% |
| Executive Ø | 8 | 2 | 25% | 8 | 2 | 25% |
| Financial Accounting Services | 30 | 7 | 23% | 30 | 7 | 23% |
| Human Resources | 13 | 1 | 8% | 13 | 1 | 8% |
| Internal Audit | 11 | 1 | 9% | 11 | 1 | 9% |
| Investments Ø | 44 | 6 | 14% | 44 | 6 | 14% |
| Legal Services Ø | 26 | 5 | 19% | 26 | 5 | 19% |
| Member Services | 79 | 5 | 6% | 79 | 5 | 6% |
| Quality Assurance | 19 | 2 | 11% | 19 | 2 | 11% |
| Systems Ø | 60 | 23 | 38% | 60 | 23 | 38% |
| LACERA Total | 456 | 64 | 14% | 459 | 67 | 15% |

* Includes new requested positions.

Ø Includes six (6) budgeted positions not yet approved by Board of Supervisors.

LACERA
FISCAL YEAR 2020-2021
SERVICES AND SUPPLIES
DIVISION SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2 0 1 9 - 2 0 2 0 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|---------------------------------|---------------------------------|-----------------------------------|--------------------|---------------------|---|-------------|---|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Administrative Services | 4,067,200 | \$4,338,800 | \$2,133,030 | \$4,085,632 | (\$18,432) | -0.5% | (\$271,600) | -6.3% |
| Benefits | 66,900 | 84,000 | 41,212 | 71,800 | (4,900) | -6.8% | (17,100) | -20.4% |
| Board of Retirement | 284,000 | 228,900 | 25,720 | 80,600 | 203,400 | 252.4% | 55,100 | 24.1% |
| Board of Investment | 495,000 | 337,500 | 60,396 | 180,000 | 315,000 | 175.0% | 157,500 | 46.7% |
| Communications | 1,012,100 | 998,200 | 340,354 | 880,500 | 131,600 | 14.9% | 13,900 | 1.4% |
| Disability Litigation | 44,100 | 85,300 | 20,591 | 62,400 | (18,300) | -29.3% | (41,200) | -48.3% |
| Disability Retirement | 2,365,800 | 2,510,500 | 978,056 | 2,346,100 | 19,700 | 0.8% | (144,700) | -5.8% |
| Executive Office | 294,700 | 697,500 | 51,042 | 447,600 | (152,900) | -34.2% | (402,800) | -57.7% |
| Financial & Accounting Services | 257,100 | 305,600 | 76,580 | 277,800 | (20,700) | -7.5% | (48,500) | -15.9% |
| Human Resources | 1,555,100 | 1,535,200 | 619,443 | 1,406,600 | 148,500 | 10.6% | 19,900 | 1.3% |
| Internal Audit | 460,800 | 539,500 | 123,544 | 382,400 | 78,400 | 20.5% | (78,700) | -14.6% |
| Investment Office | 337,300 | 564,400 | 160,025 | 441,000 | (103,700) | -23.5% | (227,100) | -40.2% |
| Legal Services | 781,200 | 1,051,300 | 846,675 | 1,379,400 | (598,200) | -43.4% | (270,100) | -25.7% |
| Member Services | 69,800 | 95,000 | 24,658 | 86,200 | (16,400) | -19.0% | (25,200) | -26.5% |
| Quality Assurance | 94,500 | 150,000 | 14,353 | 125,500 | (31,000) | -24.7% | (55,500) | -37.0% |
| Systems | 6,057,400 | 6,303,900 | 2,322,647 | 5,920,700 | 136,700 | 2.3% | (246,500) | -3.9% |
| S&S TOTAL | \$18,243,000 | \$19,825,600 | \$7,838,324 | \$18,174,232 | \$68,768 | 0.4% | (\$1,582,600) | -8.0% |

*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SERVICES AND SUPPLIES
CATEGORY SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|--|--------------------------|---------------------------|--|-----------------|--|----------------------|-------------------|
| | | 2 0 1 9 - 2 0 2 0 | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | YTD (12-31-19) | | | | | PROJECTION |
| Auto Expense | \$36,800 | \$191,600 | \$57,313 | \$135,400 | (\$98,600) | -72.8% | (\$154,800) | -80.8% |
| Communications | 710,000 | 736,400 | 285,870 | 695,600 | 14,400 | 2.1% | (26,400) | -3.6% |
| Transportation and Travel | 784,000 | 1,148,200 | 245,473 | 751,900 | 32,100 | 4.3% | (364,200) | -31.7% |
| Postage | 991,400 | 993,400 | 522,618 | 971,310 | 20,090 | 2.1% | (2,000) | -0.2% |
| Stationery and Forms | 640,100 | 573,800 | 188,116 | 526,200 | 113,900 | 21.6% | 66,300 | 11.6% |
| Office Supplies and Equipment | 837,000 | 846,100 | 302,720 | 792,600 | 44,400 | 5.6% | (9,100) | -1.1% |
| Insurance | 714,900 | 733,500 | 674,521 | 674,522 | 40,378 | 6.0% | (18,600) | -2.5% |
| Equipment Maintenance | 638,000 | 627,500 | 113,994 | 596,400 | 41,600 | 7.0% | 10,500 | 1.7% |
| Equipment Rents and Leases | 310,000 | 310,000 | 114,848 | 307,000 | 3,000 | 1.0% | 0 | 0.0% |
| Building Costs | 2,175,000 | 2,305,000 | 878,521 | 2,162,100 | 12,900 | 0.6% | (130,000) | -5.6% |
| Parking Fees | 377,000 | 502,000 | 200,285 | 377,000 | 0 | 0.0% | (125,000) | -24.9% |
| Professional and Spec. Svcs. | 2,691,200 | 2,685,100 | 871,994 | 2,431,500 | 259,700 | 10.7% | 6,100 | 0.2% |
| Bank Services | 204,000 | 230,000 | 40,495 | 200,000 | 4,000 | 2.0% | (26,000) | -11.3% |
| Legal Fees and Services | 435,500 | 612,500 | 591,184 | 788,100 | (352,600) | -44.7% | (177,000) | -28.9% |
| Disability Fees and Services | 2,086,000 | 2,168,000 | 867,279 | 2,040,000 | 46,000 | 2.3% | (82,000) | -3.8% |
| Computer Services and Support | 2,908,300 | 3,176,900 | 1,312,265 | 3,116,800 | (208,500) | -6.7% | (268,600) | -8.5% |
| Educational Expense | 1,221,700 | 1,511,300 | 332,877 | 1,160,600 | 61,100 | 5.3% | (289,600) | -19.2% |
| Miscellaneous | 482,100 | 474,300 | 237,949 | 447,200 | 34,900 | 7.8% | 7,800 | 1.6% |
| S&S TOTAL | \$18,243,000 | \$19,825,600 | \$7,838,324 | \$18,174,232 | \$68,768 | 0.4% | (\$1,582,600) | -8.0% |

*All amounts rounded to the nearest dollar.

**The historical "Educational Expense" and "Miscellaneous" subcategory totals have been revised for the FY 2019-2020 Budget to reflect finalized figures.



BOARD OF RETIREMENT

Budget Request Highlights

Fiscal

Year

2020-2021

Mission

Produce, Protect, and Provide the Promised Benefits

INTRODUCTION

The Board of Retirement is responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications. The Board must execute its duties with care, skill, prudence, and diligence. The Board is comprised of eleven members. Four of its members are appointed by the Los Angeles County Board of Supervisors; two are elected by active general members; safety members elect one member and one alternate member, retired members also elect one member and one alternate member. The law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

SERVICES AND SUPPLIES

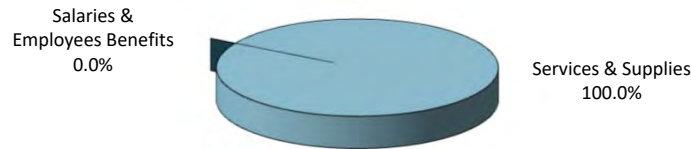
The Board's Services and Supplies budget request is based on actual expenditure trends. To continue our efforts to improve transparency, costs associated with the Board of Retirement's annual offsite meeting, monthly refreshments/lunches, and memberships have been transferred from the Executive Office's Services & Supplies budget and will now be reported under the Board's budget.

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

BOARD OF RETIREMENT

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|------------------|-----------------|---|------------------|---|-----------------|--------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$0 | \$0 | \$0 | \$0 | 0.0% | \$0 | 0.0% | |
| Services & Supplies | 284,000 | 228,900 | 25,720 | 80,600 | 203,400 | 252.4% | 55,100 | 24.1% |
| OPERATING BUDGET | \$284,000 | \$228,900 | \$25,720 | \$80,600 | \$203,400 | 252.4% | \$55,100 | 24.1% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

BOARD OF RETIREMENT

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------|--|-----------------------------------|------------|------------|--|----------|--|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| COMMUNICATIONS | \$0 | \$3,400 | \$300 | \$1,600 | (\$1,600) | -100.0% | (\$3,400) | -100.0% |
| TRANSPORTATION & TRAVEL | 146,000 | 153,000 | 16,195 | 52,000 | 94,000 | 180.8% | (7,000) | -4.6% |
| EDUCATIONAL EXPENSES | 68,000 | 72,500 | 9,225 | 27,000 | 41,000 | 151.9% | (4,500) | -6.2% |
| MISCELLANEOUS | 70,000 | 0 | 0 | 0 | 70,000 | 0.0% | 70,000 | 0.0% |
| TOTAL | \$284,000 | \$228,900 | \$25,720 | \$80,600 | \$203,400 | 252.4% | \$55,100 | 24.1% |

*All amounts rounded to the nearest dollar.



Mission
Produce, Protect, and Provide the Promised Benefits

INTRODUCTION

The Board of Investments is responsible for establishing LACERA’s investment policy and objectives, as well as exercising authority and control over the investment management of the Fund. The Board must execute its duties with care, skill, prudence, and diligence. The Board is comprised of nine members. Four members are appointed by the Los Angeles County Board of Supervisors; two are elected by active general members; and both safety members and retired members elect one member each. The law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

SERVICES AND SUPPLIES

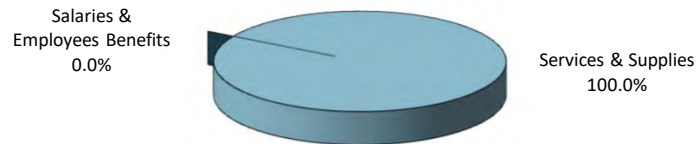
The Board’s Services and Supplies budget request is based on actual expenditure trends. To continue our efforts to improve transparency, costs associated with the Board of Investments’ annual offsite meeting, monthly refreshments/lunches, and memberships have been transferred from the Executive Office’s Services & Supplies budget and will now be reported under the Board’s budget.

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

BOARD OF INVESTMENTS

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|--|---------------------------|-----------------|------------------|---|---------------|---|--------------|
| | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | BUDGET | (12-31-19) | PROJECTION | | | | |
| Salaries & Employees Benefits | \$0 | \$0 | \$0 | \$0 | 0.0% | \$0 | 0.0% |
| Services & Supplies | 495,000 | 60,396 | 180,000 | 315,000 | 175.0% | 157,500 | 46.7% |
| OPERATING BUDGET | \$495,000 | \$60,396 | \$180,000 | \$315,000 | 175.0% | \$157,500 | 46.7% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2020-2021

SERVICES & SUPPLIES ACCOUNT SUMMARY

BOARD OF INVESTMENTS

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------|---------------------------|---------------------------|------------|------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| COMMUNICATIONS | \$0 | \$2,000 | \$300 | \$2,000 | (\$2,000) | -100.0% | (\$2,000) | -100.0% |
| TRANSPORTATION & TRAVEL | 245,000 | 235,000 | 35,340 | 117,000 | 128,000 | 109.4% | 10,000 | 4.3% |
| EDUCATIONAL EXPENSES | 175,000 | 100,500 | 24,756 | 61,000 | 114,000 | 186.9% | 74,500 | 74.1% |
| MISCELLANEOUS | 75,000 | 0 | 0 | 0 | 75,000 | 0.0% | 75,000 | 0.0% |
| TOTAL | \$495,000 | \$337,500 | \$60,396 | \$180,000 | \$315,000 | 175.0% | \$157,500 | 46.7% |

*All amounts rounded to the nearest dollar.



Mission

Administrative Services collaborates with all LACERA Divisions to provide quality services through people, technology and innovation.

- People. We are a professional team dedicated to customer service and motivated to achieve excellence.
- Technology. We provide superior customer service through the creative use of technology.
- Innovation. We partner with LACERA to promote creative ideas to surpass customer expectations.

INTRODUCTION

The Administrative Services Division (ASD) provides the operational infrastructure that supports the divisions in administering LACERA programs and services. In short, we ensure that each person has the right resources to do their jobs.

Specific functions include:

- Procurement
- Facilities Management
- Budget Development and Monitoring
- Document Processing (Imaging/ Mail Room / Copy Services)
- Business Continuity
- Business Insurance
- Health and Safety
- Records and Information Management

- Risk Management
- Contract Compliance
- Rideshare Administration

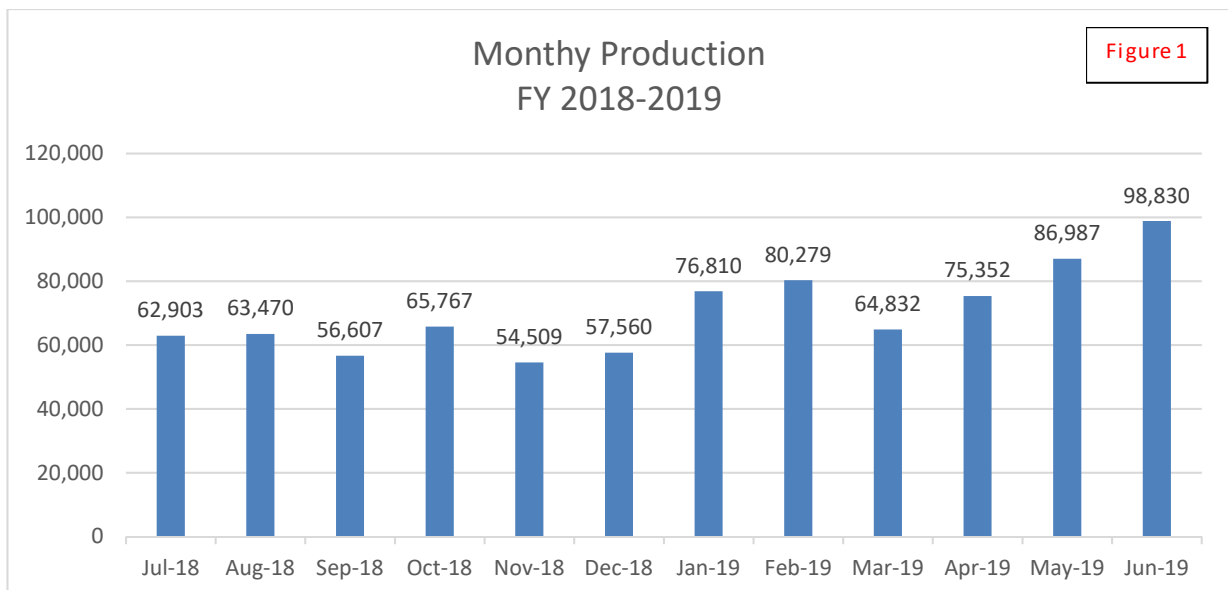
STAFFING

Administrative Services has 34 budgeted full-time positions. We are requesting to add two permanent positions in the Procurement Unit at the level of Procurement & Supply Clerk. We discovered that the Procurement & Supply Clerk position was reclassified years ago to a Procurement Assistant II position. Previously the Supply Clerk position had arduous in the job classification. When the position was reclassified it no longer included the arduous capacity. This appears to be an oversight. As the Procurement Unit’s responsibilities often include heavy lifting, the additional positions are needed to perform these tasks.

Overtime

Overtime is necessary during periods of heightened activity related to budget preparation, renovation, special projects and for the Document Processing Center (DPC) staff during the “March Rush”. The majority of the overtime budget request is for the DPC as this unit is responsible for imaging (prepare, scan, and index) member and business records into LACERA’s member database (Workspace). The DPC provides the following services; mail room, copy services, centralized scanning of business documents, management and distribution of E-enterprise checks, and manages the electronic deposit of checks made payable to LACERA.

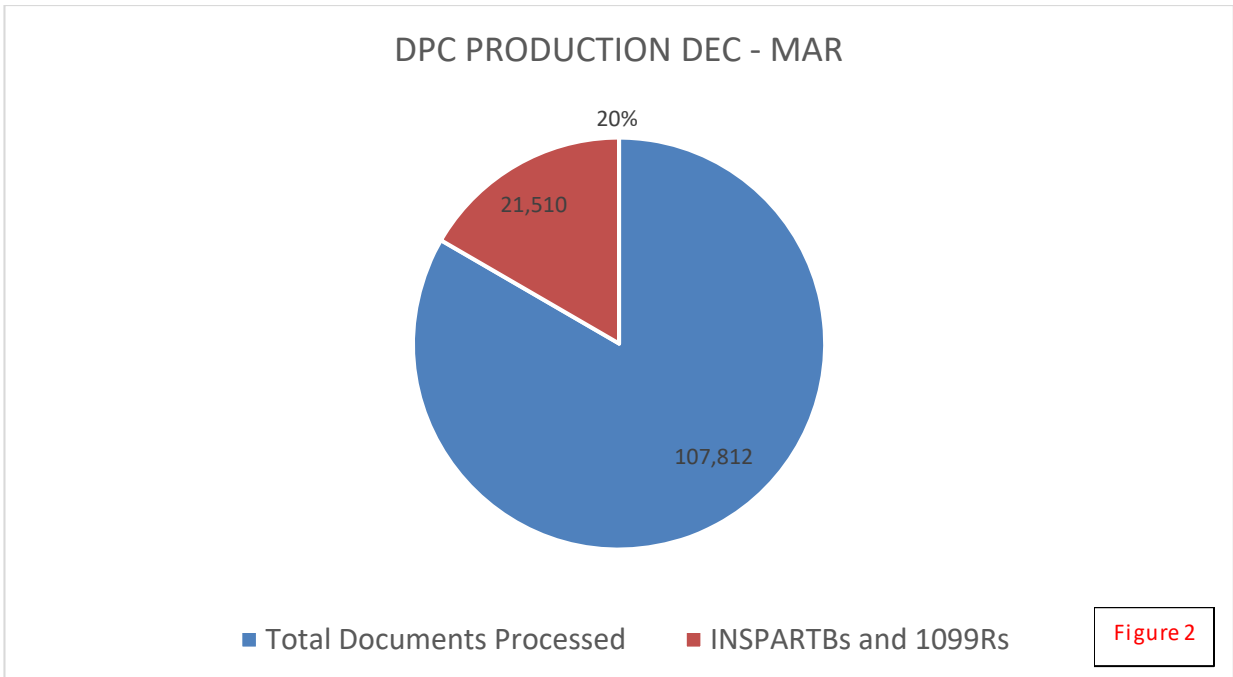
The DPC is requesting to budget 150 hours of overtime for the Document Processing Coordinator position and 520 hours for the Document Processing Assistant position to support the annual spike in retirement applications and Medicare Part B Premium Verifications and 1099R mailings. During “March Madness” the DPC experiences a workload increase. See Figure 1.



Agency Temporary Request

To assist with the March Rush, the DPC is also requesting three full-time agency temporary personnel to work from January through April to assist with the timely processing of Medicare Part B Premium Verifications (INSPARTBs) and undeliverable 1099R tax forms. The agency temporary employees will also assist with the copy center services, return of member documents, scanning, and act as back-ups for the mail room and receptionist.

In 2019, the DPC processed 19,441 Medicare Part B Premium Verifications and 2,069 undeliverable 1099Rs. That is equivalent to 20%* of the DPC production for the months of December through March. See Figure 2.



* Total amount of scanned documents - 107,812

Part B Premium Verifications 1099Rs scanned- 21,510

Figure 2 Calculate total percent increase of scanned documents
(107,812/21,510 = .1995 *100 = 20%)

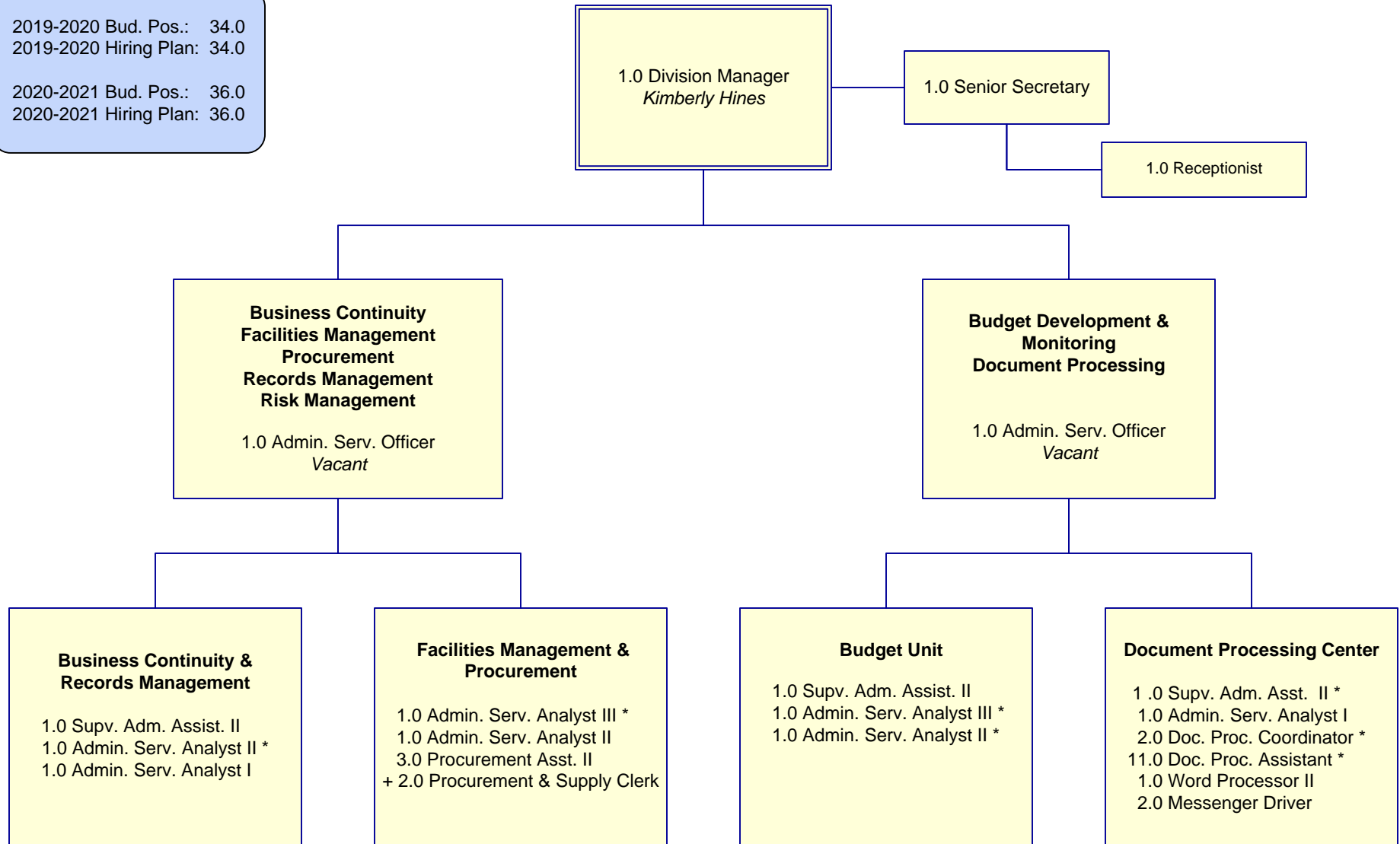
SERVICES AND SUPPLIES

The Services and Supplies budget has no significant changes from the FY 2019-20 budgets. There are, however, various line items that include small increases attributable to vendor or overall supplier cost increases.

ADMINISTRATIVE SERVICES DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 34.0
 2019-2020 Hiring Plan: 34.0
 2020-2021 Bud. Pos.: 36.0
 2020-2021 Hiring Plan: 36.0



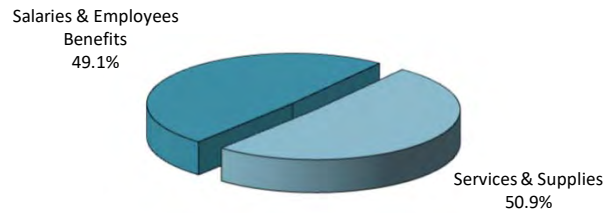
+ Added position
 * Classification study for the position requested

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

ADMINISTRATIVE SERVICES DIVISION

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|------------------|---|------------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$3,921,942 | \$3,481,752 | \$1,473,344 | \$3,305,125 | \$616,817 | 18.7% | \$440,190 | 12.6% |
| Services & Supplies | 4,067,200 | 4,338,800 | 2,133,030 | 4,085,632 | (18,432) | -0.5% | (271,600) | -6.3% |
| OPERATING BUDGET | \$7,989,142 | \$7,820,552 | \$3,606,374 | \$7,390,757 | \$598,385 | 8.1% | \$168,590 | 2.2% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2020-2021

SALARIES AND EMPLOYEE BENEFITS SUMMARY

ADMINISTRATIVE SERVICES DIVISION

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$2,351,705 | \$2,054,258 | \$841,542 | \$1,890,000 | \$461,705 | 24.4% | \$297,447 | 14.5% |
| Total Agency Temp Salaries | 75,700 | 54,000 | 79,390 | 143,800 | (68,100) | -47.4% | 21,700 | 40.2% |
| Employee Benefits (Variable) | 1,231,566 | 1,128,451 | 454,142 | 1,035,225 | 196,341 | 19.0% | 103,115 | 9.1% |
| Employee Benefits (Other) | 144,716 | 149,758 | 65,453 | 149,000 | (4,284) | -2.9% | (5,042) | -3.4% |
| OPEB Contribution | 60,355 | 44,486 | 25,672 | 44,200 | 16,155 | 36.6% | 15,869 | 35.7% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 43,700 | 31,500 | 3,402 | 25,000 | 18,700 | 74.8% | 12,200 | 38.7% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 7,300 | 7,300 | 1,817 | 5,900 | 1,400 | 23.7% | 0 | 0.0% |
| Rideshare Allowance | 6,900 | 12,000 | 1,926 | 12,000 | (5,100) | -42.5% | (5,100) | -42.5% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$3,921,942 | \$3,481,752 | \$1,473,344 | \$3,305,125 | \$616,817 | 18.7% | \$440,190 | 12.6% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$3,921,942 | \$3,481,752 | \$1,473,344 | \$3,305,125 | \$616,817 | 18.7% | \$440,190 | 12.6% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

ADMINISTRATIVE SERVICES DIVISION

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT |
|------------------|-------------------------------------|--------|----------|-----------------|---------------|
| 00773A | DIVISION MANAGER | 1 | LS12 | 15,131 | 181,577 |
| 00423A | SUPV. ADMINISTRATIVE ASST. II | 2 | 105F | 17,739 | 212,864 |
| 00421A | ADMINISTRATIVE SERVICES ANALYST III | 1 | 96J | 6,432 | 77,182 |
| 00420A | ADMINISTRATIVE SERVICES ANALYST II | 3 | 92J | 19,046 | 228,553 |
| 00439A | SENIOR SECRETARY | 1 | 88H | 6,790 | 81,481 |
| 00464A | PROCUREMENT ASSISTANT II | 3 | 87B | 16,728 | 200,733 |
| 00419A | ADMINISTRATIVE SERVICES ANALYST I | 2 | 83E | 8,966 | 107,589 |
| 00472A | DOCUMENT PROCESSING COORDINATOR | 2 | 82H | 10,330 | 123,962 |
| 00448A | WORD PROCESSOR II | 1 | 81G | 5,014 | 60,170 |
| 00471A | DOCUMENT PROCESSING ASSISTANT | 9 | 79H | 37,750 | 453,004 |
| 00466A | RECEPTIONIST | 1 | 75D | 3,599 | 43,190 |
| 00461A | MESSENGER DRIVER | 2 | 73J | 7,096 | 85,152 |

POSITIONS 28 1,855,458

| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
|------------------|-------------------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00410A | ADMINISTRATIVE SERVICES OFFICER | 2 | LS9 | 8,291 | 99,486 | 99,486 | 74,615 | |
| 00423A | SUPV. ADMINISTRATIVE ASST. II | 1 | 105F | 7,311 | 87,737 | | | 43,869 |
| 00421A | ADMINISTRATIVE SERVICES ANALYST III | 1 | 96J | 5,770 | 69,245 | | | 34,623 |
| 00471A | DOCUMENT PROCESSING ASSISTANT | 2 | 79H | 3,634 | 43,609 | | 32,707 | 21,805 |
| 00467A | PROCUREMENT AND SUPPLY CLERK | 2 | 80F | 3,715 | 44,579 | 89,158 | | |
| | | | | | | 188,644 | 107,321 | 100,296 |

POSITIONS 8 396,261

TOTAL POSITIONS 36

GROSS SALARIES 2,251,719

ANTICIPATED MOU SALARY INCREASE ** 39,405

ANTICIPATED STEP AND/OR MERIT SALARY INCREASE 50,594

BONUS 9,987

120-DAY RETIREE(S) 0

TOTAL SALARIES 2,351,705

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA

FISCAL YEAR 2020-2021

SERVICES & SUPPLIES ACCOUNT SUMMARY

ADMINISTRATIVE SERVICES DIVISION

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------|--------------|----------------|-------------|---|----------|---|----------|
| | | 2019-2020 | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | YTD (12-31-19) | PROJECTION | | | | |
| AUTO EXPENSE | \$12,500 | \$162,100 | \$49,923 | \$115,500 | (\$103,000) | -89.2% | (\$149,600) | -92.3% |
| TRANSPORTATION & TRAVEL | 8,500 | 9,000 | 6,347 | 9,000 | (500) | -5.6% | (500) | -5.6% |
| POSTAGE | 301,400 | 301,400 | 201,385 | 301,310 | 90 | 0.0% | 0 | 0.0% |
| STATIONERY & FORMS | 3,500 | 1,000 | 21 | 1,000 | 2,500 | 250.0% | 2,500 | 250.0% |
| OFFICE SUPPLIES & EQUIPMENT | 301,000 | 289,000 | 119,544 | 299,000 | 2,000 | 0.7% | 12,000 | 4.2% |
| INSURANCE | 714,900 | 733,500 | 674,521 | 674,522 | 40,378 | 6.0% | (18,600) | -2.5% |
| EQUIPMENT MAINTENANCE | 5,800 | 12,300 | 1,442 | 10,300 | (4,500) | -43.7% | (6,500) | -52.8% |
| EQUIPMENT RENTS & LEASES | 310,000 | 310,000 | 114,848 | 307,000 | 3,000 | 1.0% | 0 | 0.0% |
| BUILDING COSTS | 2,175,000 | 2,305,000 | 878,521 | 2,162,100 | 12,900 | 0.6% | (130,000) | -5.6% |
| PROFESSIONAL & SPEC. SRVCS. | 213,000 | 188,000 | 76,157 | 186,000 | 27,000 | 14.5% | 25,000 | 13.3% |
| EDUCATIONAL EXPENSES | 6,600 | 12,500 | 4,521 | 5,900 | 700 | 11.9% | (5,900) | -47.2% |
| MISCELLANEOUS | 15,000 | 15,000 | 5,801 | 14,000 | 1,000 | 7.1% | 0 | 0.0% |
| TOTAL | \$4,067,200 | \$4,338,800 | \$2,133,030 | \$4,085,632 | (\$18,432) | -0.5% | (\$271,600) | -6.3% |

*All amounts rounded to the nearest dollar.



Mission

The **Benefits Division** is responsible for maintaining retirement plan accounts and processing retirement plan transactions in compliance with the County Employees Retirement Law of 1937, the Board of Retirement Regulations, and organizational policies.

INTRODUCTION

“Aspiring to perfection through teamwork”

-Benefits Slogan

“We start by respecting our nature: people by themselves are imperfect. However, with teamwork, technology, creativity, and a commitment to excellence, we can aspire to much more. For this reason, while 98% accuracy is our defined goal, our vision is PERFECTION.”

Over the past year, the Benefits Division continued to pursue the highest quality standards. Once again, the Division met its 98 percent quality target.

The Division also continued to pursue its strategy of continuous process improvement under the leadership of the Process Management Group (PMG) and its partners throughout LACERA, including the Legal Office, Member Services, Quality Assurance, Systems, Internal Audit, Disability Retirement, Retiree Healthcare, and the Executive Office. Much of this work was focused on process efficiency, but much of it was focused on legal compliance and accuracy as well.

Key milestone achievements include, but are not limited to:

- New Collections Rules and Tools
- New Purchase Contract Rules and Tools
- New PEPRAs Forfeiture Appeals Rules and Tools
- New Retro-Pay Rules, Processes and Tools
- New Disability Reciprocity Rules and Tools
- New Benefit Staging Analyst function focused on Early Disability Counseling and Payroll Checking
- Enhanced Services from the Benefit Protection Unit (BPU) supporting other Units throughout LACERA
- New Workspace Metrics Tools
- Launched the first phase of the Microfiche Tagging Project involving 15 agency temporary staff.

STAFFING

Keeping Pace with Our Members:

Over the past several years, the volume of member transactions has steadily increased. Furthermore, as a byproduct of LACERA's continuous efforts to improve accuracy and legal compliance, processing transactions has become more time-consuming. Also, un-planned special projects and extended absences have further stretched Benefits resources.

We have identified several areas within the Division where volume and increased complexity have led to an increase in service level delays.

- **Advanced Payroll Unit (APU):** This unit is responsible for complex retirement payroll transactions, such as disability retirements, payroll retroactive adjustments and payroll corrections. The volume and complexity of transactions have steadily risen over the years, especially with the influx of PEPRAs member retirements and disability applications.
- **Death Legal Unit (DLU):** This unit manages Death-related transactions, as well as those involving a specialized knowledge of legal procedures and calculations. The volume of transactions has steadily risen over the years.
- **Benefit Protection Unit (BPU):** This unit protects our members and the fund from losses due to member identity and status discrepancies. This work enhances the quality of LACERA's service to those members whose benefits are most at risk due to potential fraud, lost contact, or a disputed status.

The Benefit Protection Unit's workload has steadily increased since inception in 2015, which was aggravated by unanticipated special projects

and security incidents requiring BPU's attention. Furthermore, staffing reductions have reduced the work this unit is able to perform, even though the volume of service requests continues to rise.

- **Account Settlements Unit (ASU):** This unit takes appropriate action to resolve account imbalances and outstanding payables or receivables. Recent legal opinions and Board policies have increased the compliance requirements of the collections, retroactive contribution adjustments and mandatory distribution processes. This has elevated the need for stronger analytical skills and tools to manage these new complexities.
- **Process Management Group (PMG):** PMG was established as a means of centralizing and standardizing the "Process Documentation and Management" functions of the Benefits Division, and as a means of coordinating documentation between the Division and our partners throughout LACERA. This group also coordinates audit follow-up, escalation monitoring functions, and process improvement initiatives within the Division. This team has a significant backlog of projects to address, which has increased along with the volume of work described above.

Recognizing the solution to these issues is not always adding staffing resources, we will be focusing on developing clear business metrics that can be used to help analyze and develop a combination of improved efficiency through training, improved tools and work processes, and automation and self-service wherever feasible and prudent. These metrics will serve to guide our efforts to improve our service, and if necessary, form a foundation for any future requests for additional staffing.

Other Staffing Requests:

Benefits has relied on the use of overtime to supplement its regular production strategies and to help limit the increase in lengthening service levels. As in the past, overtime is being requested to manage the workload imbalances related to the annual increase in activity during "March Madness" and persistently high volumes of purchases and retirement elections associated with the retirements. However, in alignment with LACERA's consideration of the impacts of the COVID-19 pandemic, we have reduced our overtime request and will be looking to improve efficiency and automation of our workforce.

Special Clean-up Project: Benefits and its partners in Member Services and Systems will be planning the staffing requirements for the next phase of the Special Clean-up Project. In this next phase, more experienced staff will be reviewing the accounts and initiating corrective action as needed. A planning report will be provided to the Operation Oversight Committee in the coming months, and any additional budgetary requests will be submitted mid-year.

SERVICES AND SUPPLIES

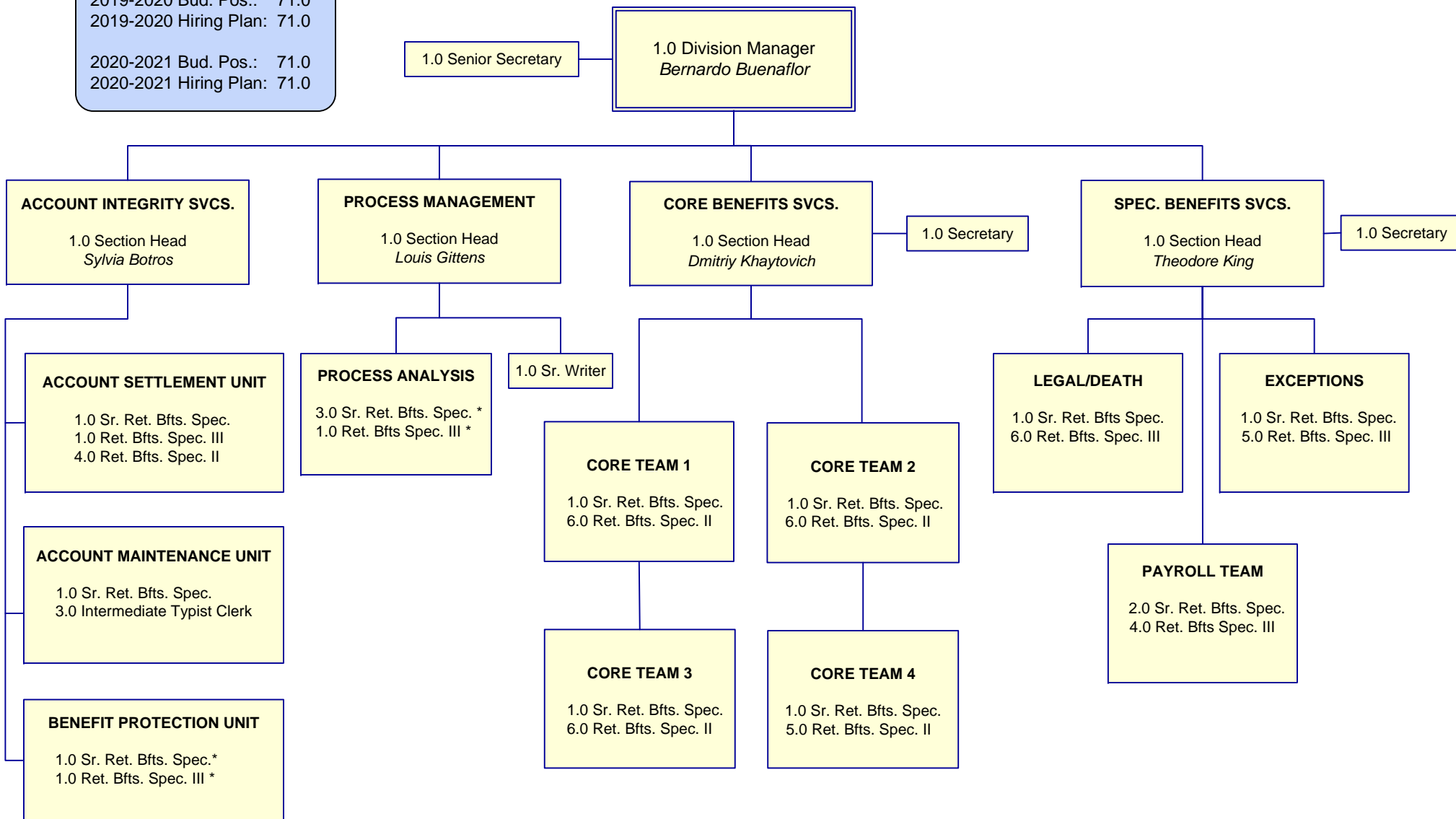
The following line items were reduced to bring them in alignment with historical actuals and out of consideration for LACERA's response to the COVID-19 pandemic:

- Transportation and Travel
- Office Supplies and Equipment
- Educational Expenses

BENEFITS DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 71.0
 2019-2020 Hiring Plan: 71.0
 2020-2021 Bud. Pos.: 71.0
 2020-2021 Hiring Plan: 71.0



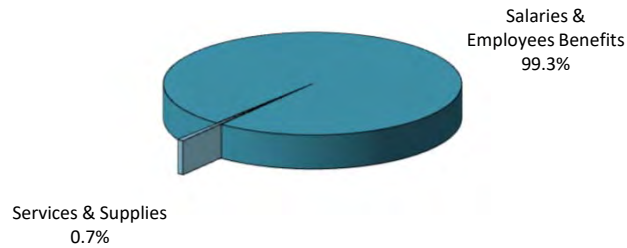
* Classification study for the position requested

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

BENEFITS DIVISION

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|---------------------|--------------------|---|------------------|---|--------------------|--------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$10,193,448 | \$10,482,377 | \$4,126,402 | \$9,410,100 | \$783,348 | 8.3% | (\$288,929) | -2.8% |
| Services & Supplies | 66,900 | 84,000 | 41,212 | 71,800 | (4,900) | -6.8% | (17,100) | -20.4% |
| OPERATING BUDGET | \$10,260,348 | \$10,566,377 | \$4,167,613 | \$9,481,900 | \$778,448 | 8.2% | (\$306,029) | -2.9% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

BENEFITS DIVISION

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | BUDGET | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$5,916,222 | \$5,497,822 | \$2,353,537 | \$5,297,100 | \$619,122 | 11.7% | \$418,400 | 7.6% |
| Total Agency Temp Salaries | 0 | 809,700 | 170,783 | 341,600 | (341,600) | -100.0% | (809,700) | -100.0% |
| Employee Benefits (Variable) | 3,359,026 | 3,413,799 | 1,188,022 | 2,809,800 | 549,226 | 19.5% | (54,772) | -1.6% |
| Employee Benefits (Other) | 364,063 | 400,798 | 169,555 | 398,800 | (34,737) | -8.7% | (36,735) | -9.2% |
| OPEB Contribution | 151,837 | 119,058 | 73,816 | 118,500 | 33,337 | 28.1% | 32,778 | 27.5% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 371,600 | 197,800 | 159,330 | 400,000 | (28,400) | -7.1% | 173,800 | 87.9% |
| Bilingual Bonus | 2,400 | 2,400 | 1,900 | 4,800 | (2,400) | -50.0% | 0 | 0.0% |
| Sick Leave Buyback | 12,000 | 12,000 | 4,524 | 11,500 | 500 | 4.3% | 0 | 0.0% |
| Rideshare Allowance | 16,300 | 29,000 | 4,935 | 28,000 | (11,700) | -41.8% | (12,700) | -43.8% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$10,193,448 | \$10,482,377 | \$4,126,402 | \$9,410,100 | \$783,348 | 8.3% | (\$288,929) | -2.8% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$10,193,448 | \$10,482,377 | \$4,126,402 | \$9,410,100 | \$783,348 | 8.3% | (\$288,929) | -2.8% |

*All amounts rounded to the nearest dollar.

Note: All YTD Salaries and Employee Benefits totals are through 11/30/2019, except for Agency Temp Salaries which are through 12/31/2019 and Rideshare Allowance which is through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

BENEFITS DIVISION

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|---------------------------------------|--------|----------|----------------------|------------------|------------------------|-----------------------|-----------------------|
| 00773A | DIVISION MANAGER | 1 | LS12 | 15,358 | 184,301 | | | |
| 00772A | SECTION HEAD, LACERA | 4 | LS9 | 39,309 | 471,707 | | | |
| 00784A | SENIOR WRITER | 1 | 104E | 9,613 | 115,354 | | | |
| 01312A | SENIOR RETIREMENT BENEFITS SPECIALIST | 13 | 100G | 102,715 | 1,232,585 | | | |
| 01311A | RETIREMENT BENEFITS SPECIALIST III | 17 | 095B | 119,334 | 1,432,008 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 6,077 | 72,928 | | | |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | 27 | 88G | 149,022 | 1,788,263 | | | |
| 00438A | SECRETARY | 2 | 82E | 10,536 | 126,432 | | | |
| 00445A | INTERMEDIATE TYPIST-CLERK | 3 | 74D | 10,726 | 128,713 | | | |
| POSITIONS | | 69 | | | 5,552,291 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 01312A | SENIOR RETIREMENT BENEFITS SPECIALIST | 1 | 100G | 6,400 | 76,804 | 76,804 | | |
| 01311A | RETIREMENT BENEFITS SPECIALIST III | 1 | 095B | 5,520 | 66,237 | 66,237 | | |
| POSITIONS | | 2 | | | 143,041 | 143,041 | 0 | 0 |
| TOTAL POSITIONS | | 71 | | | | | | |
| GROSS SALARIES | | | | | 5,695,332 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 99,668 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 65,793 | | | |
| BONUS | | | | | 55,429 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 5,916,222 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.

Represented positions shown in blue

Vacancies are shown at the 1st Step

*All amounts rounded to the nearest dollar.

** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

BENEFITS DIVISION

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|-----------------|-----------------|---|--------------|---|---------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$6,000 | \$12,000 | \$6,462 | \$10,300 | (\$4,300) | -41.7% | (\$6,000) | -50.0% |
| OFFICE SUPPLIES & EQUIPMENT | 3,700 | 4,500 | 2,932 | 3,500 | 200 | 5.7% | (800) | -17.8% |
| PROFESSIONAL & SPEC. SRVCS. | 40,000 | 37,000 | 24,071 | 39,500 | 500 | 1.3% | 3,000 | 8.1% |
| EDUCATIONAL EXPENSES | 15,700 | 29,000 | 7,181 | 17,700 | (2,000) | -11.3% | (13,300) | -45.9% |
| MISCELLANEOUS | 1,500 | 1,500 | 567 | 800 | 700 | 87.5% | 0 | 0.0% |
| TOTAL | \$66,900 | \$84,000 | \$41,212 | \$71,800 | (\$4,900) | -6.8% | (\$17,100) | -20.4% |

*All amounts rounded to the nearest dollar.



Mission

Our mission is to provide a full range of professional in-house communications services and create essential retirement information for LACERA members.

INTRODUCTION

Communications services include creative visioning, project management, public relations and strategic marketing, graphic design, photography, writing and editing, and video production. We create print materials, videos, and web design and content across our four websites (lacera.com, Intranet, HR Pros, and Board Resources).

ANNUAL PROJECTS

Following are some of Communications Division's regular projects throughout the year.

- Quarterly *PostScript* and *Spotlight* newsletters
- Themed Comprehensive Annual Financial Report, Popular Annual Financial Report, and Who We Are brochure
- Retirement Law Book
- Cost-of-living inserts
- Collateral for annual events such as the Take Our Daughters and Sons to Work Day, Employee Wellness Fair, and Forum
- Retiree Healthcare annual mailings
- Budget binders
- HR conference coordination and collateral
- Retiree payday, board, and staff calendars

2019 ACCOMPLISHMENTS AND ONGOING PROJECTS

This year, Communications Division completed its regular projects, while taking on additional responsibilities to help achieve the Boards' strategic goals:

- Redesign of LACERA.com including: project planning, leading multidivisional project team, coordinating content audit and prototype testing, defining needs of a new content management system (CMS), and writing/graphic design. The next phases are approval of content, design, and implementation of the CMS. *In progress.*
- Redesign of the Annual Retirement Benefits Statement, including: project planning, and coordinating with Systems Division for the addition of new, customized information fields from member database. *In progress.*
- Redesign of the Retirement Summary and Application Form (formerly the Retirement Benefits Estimate), including implementing the wish list of multiple stakeholders and subject matter experts in a dynamic (member-specific) form design. *In progress.*
- Redesign of the *Pre-Retirement Guide*, in coordination with multiple internal stakeholders and subject matter experts. *In progress.*
- Creation of Quality Assurance and Metrics e-learning video modules. *First module pending approval.*
- Revision of service credit purchase applications. *Pending approval.*
- Coordination, hosting, and collateral for three HR Pros information conferences held at LACERA. *Completed.*
- Expanded coordination role in the Employee Forum and production of a LACERA public relations video now posted on lacera.com. *Completed.*
- Redesign of the *Community Property Guide*. *Completed.*
- Direct deposit public relations and promotion campaign. *Completed.*
- Homeless initiative campaign and brochure creation. *Completed.*
- Ethics Hotline campaign creation and implementation. *Completed.*

STAFFING

Over the last several years, Communications has focused on filling open positions and restructuring our division. Between 2017 and 2019, we hired seven permanent employees—about 2/3 of our staff. During the same time period, one Senior Writer resigned and our Web Support Technician retired, resulting in a great loss of institutional knowledge. In 2020, Communications plans to fill the Senior Writer, Web Support Technician, and Media Artist positions.

Communications requests the immediate addition of a Public Information Officer (PIO) to meet increasing media requests and required communications to the public.

Our division primarily focuses on creating print, web, and video content about LACERA benefits produced for our members, internal staff, the public, and other entities. In addition to recurring projects such as annual reports and newsletters, our Senior Writer and Writer IIs currently fulfill ongoing communications requests from various divisions and work on long-term projects related to the Boards' strategic goals, such as the website and annual benefits statement redesigns.

A PIO's duties are significantly different from these types of communications as the PIO is primarily a spokesperson for the organization and the main contact person for media outlets. The PIO will be responsible for creating and enabling communication between the organization and both news media outlets and the general public. It will be up to the PIO to make sure any statements released to the press and the public follow LACERA guidelines, are accurate, and adhere to official policy or laws. One of the first responsibilities of the PIO will be to develop a media strategy drafted in conjunction with the guidance of the CEO.

The Public Information Officer duties and responsibilities will require the ability to do the following:

- Communicate critical information effectively to the public
- Write press releases and prepare information for distribution by media outlets
- Draft speeches
- Respond to requests for information from media outlets

Help maintain and uphold a certain image and identity for LACERA

When LACERA has critical information that needs to get to the general public, we disseminate the information through a variety of strategies. The Public Information Officer will be working behind the scenes writing speeches, gathering information, and working with the Executive Office, management, and staff to plan what the organization will do next and how information will be handled.

A liaison between LACERA and the public has become increasingly necessary to issue press releases and answer queries from the media.

Communications' output continues to increase because of our efforts to:

- Foster collaboration within our division
- Strengthen relationships with other LACERA divisions
- Streamline our production processes
- Identify and strategically apply the strengths of our individual team members

GOALS

FY 2020–21 promises to be a time of continued positive change, growth, and evolution. We are committed to meeting the annual and day-to-day needs of LACERA's various divisions to better serve our members.

Specific Short-Term Goals:

Professional development of staff in the areas of team building and collaboration

Move the HR Pros conference to an offsite location to accommodate demand (holding event on one day instead of three)

Develop a Social Media strategy and policy

Long-Term Goals:

- Establish and maintain a cohesive look for all print and digital materials and member communications
- Automate our project request and tracking process through an online platform, to boost efficiency and provide convenience for internal clients

SERVICES AND SUPPLIES

Each of the Communications Division's line items was carefully reviewed. Moderate line item increases in the services and supplies budget are requested in light of increased vendor costs and addition of staff members.

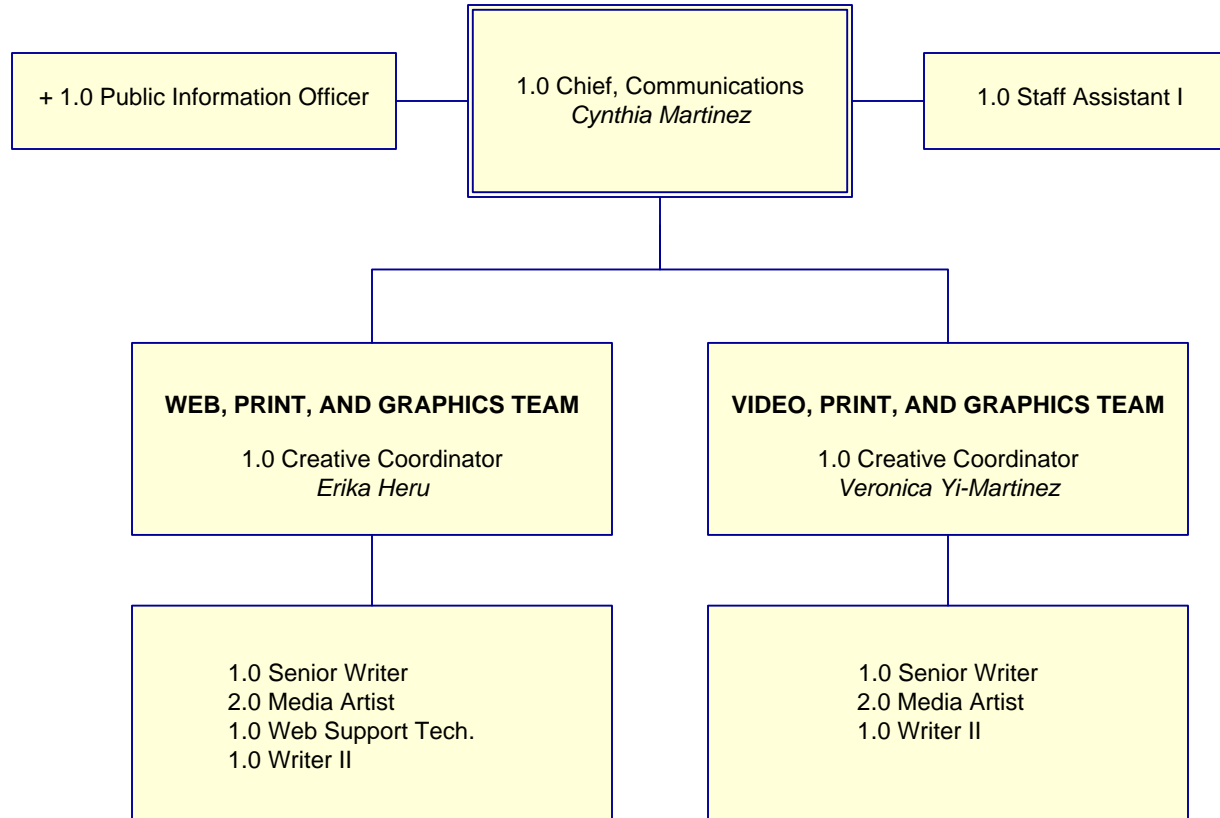
Thank you for your continued confidence in and support of the Communications Division.

2019-2020 Bud. Pos.: 13.0
2019-2020 Hiring Plan: 13.0

2020-2021 Bud. Pos.: 14.0
2020-2021 Hiring Plan: 14.0

COMMUNICATIONS

FISCAL YEAR 2020-2021



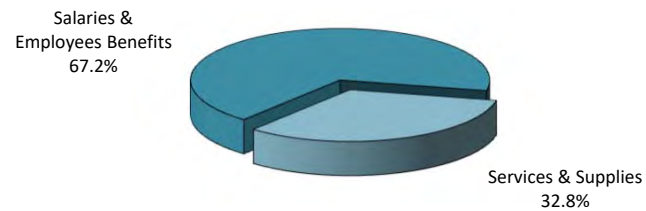
+ Added position

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

COMMUNICATIONS

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|------------------|---|------------------|--------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$2,073,051 | \$1,459,349 | \$701,893 | \$1,529,650 | \$543,401 | 35.5% | \$613,702 | 42.1% |
| Services & Supplies | 1,012,100 | 998,200 | 340,354 | 880,500 | 131,600 | 14.9% | 13,900 | 1.4% |
| OPERATING BUDGET | \$3,085,151 | \$2,457,549 | \$1,042,246 | \$2,410,150 | \$675,001 | 28.0% | \$627,602 | 25.5% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES & EMPLOYEE BENEFITS SUMMARY

COMMUNICATIONS

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,264,352 | \$952,162 | \$444,730 | \$963,200 | \$301,152 | 31.3% | \$312,189 | 32.8% |
| Total Agency Temp Salaries | 0 | 47,800 | 25,401 | 47,800 | (47,800) | -100.0% | (47,800) | -100.0% |
| LACERA Intern Program | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Employee Benefits (Variable) | 690,647 | 360,853 | 191,472 | 425,150 | 265,497 | 62.4% | 329,794 | 91.4% |
| Employee Benefits (Other) | 77,804 | 69,414 | 26,836 | 69,000 | 8,804 | 12.8% | 8,390 | 12.1% |
| OPEB Contribution | 32,449 | 20,620 | 12,177 | 20,500 | 11,949 | 58.3% | 11,829 | 57.4% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 3,300 | 3,000 | 1,037 | 2,300 | 1,000 | 43.5% | 299 | 10.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 3,500 | 3,500 | 0 | 0 | 3,500 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 1,000 | 2,000 | 240 | 1,700 | (700) | -41.2% | (1,000) | -50.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$2,073,051 | \$1,459,349 | \$701,893 | \$1,529,650 | \$543,401 | 35.5% | \$613,702 | 42.1% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$2,073,051 | \$1,459,349 | \$701,893 | \$1,529,650 | \$543,401 | 35.5% | \$613,702 | 42.1% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

COMMUNICATIONS

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | MO. | ACTUAL RATE | ANNUAL AMOUNT | | | | |
|---|----------------------------|--------|----------|-----|---------------|---------------|---------------------|--------------------|--------------------|---|
| 00794A | CHIEF, COMMUNICATIONS | 1 | LS10 | | 12,337 | 148,040 | | | | |
| 00779A | CREATIVE COORDINATOR | 2 | 106F | | 16,746 | 200,956 | | | | |
| 00784A | SENIOR WRITER | 1 | 104E | | 7,912 | 94,946 | | | | |
| 00789A | MEDIA ARTIST | 3 | 098J | | 22,327 | 267,925 | | | | |
| 00786A | WRITER II | 2 | 094L | | 10,985 | 131,823 | | | | |
| 00426A | STAFF ASSISTANT I | 1 | 084F | | 4,367 | 52,405 | | | | |
| POSITIONS | | 10 | | | | | 896,096 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | MO. | 1ST STEP RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS | |
| 00784A | SENIOR WRITER | 1 | 104E | | 7,098 | 85,178 | 85,178 | | | |
| 00465A | PUBLIC INFORMATION OFFICER | 1 | 103D | | 6,891 | 82,695 | 82,695 | | | |
| 00789A | MEDIA ARTIST | 1 | 098J | | 6,092 | 73,107 | 73,107 | | | |
| 00787A | WEB SUPPORT TECHNICIAN | 1 | 94L | | 5,493 | 65,912 | 65,912 | | | |
| POSITIONS | | 4 | | | | | 306,892 | | 0 | 0 |
| TOTAL POSITIONS | | 14 | | | | | | | | |
| GROSS SALARIES | | | | | | 1,202,989 | | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | | 21,052 | | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | | 40,311 | | | | |
| BONUS | | | | | | 0 | | | | |
| 120-DAY RETIREE(S) | | | | | | 0 | | | | |
| TOTAL SALARIES | | | | | | 1,264,352 | | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES AND SUPPLIES

COMMUNICATIONS

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------|---------------------------|------------------|------------------|---|--------------|---|-------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$8,000 | \$14,000 | \$600 | \$7,700 | \$300 | 3.9% | (\$6,000) | -42.9% |
| POSTAGE | 300,000 | 312,000 | 132,204 | 290,000 | 10,000 | 3.4% | (12,000) | -3.8% |
| STATIONERY & FORMS | 636,600 | 572,800 | 188,095 | 525,200 | 111,400 | 21.2% | 63,800 | 11.1% |
| OFFICE SUPPLIES & EQUIPMENT | 8,000 | 12,500 | 2,616 | 6,500 | 1,500 | 23.1% | (4,500) | -36.0% |
| PROFESSIONAL & SPEC. SRVCS. | 32,000 | 43,500 | 6,793 | 32,000 | 0 | 0.0% | (11,500) | -26.4% |
| COMPUTER SERVICES & SUPPORT | 16,500 | 20,500 | 2,004 | 5,400 | 11,100 | 205.6% | (4,000) | -19.5% |
| EDUCATIONAL EXPENSES | 10,400 | 22,300 | 7,603 | 13,100 | (2,700) | -20.6% | (11,900) | -53.4% |
| MISCELLANEOUS | 600 | 600 | 440 | 600 | 0 | 0.0% | 0 | 0.0% |
| TOTAL | \$1,012,100 | \$998,200 | \$340,354 | \$880,500 | \$131,600 | 14.9% | \$13,900 | 1.4% |

*All amounts rounded to the nearest dollar.



Mission

Our mission is to provide timely and effective legal representation to LACERA in disability retirement and service-connected survivor’s benefit appeals. The goal of the Disability Litigation Office is to achieve impartial justice based on the facts and the law.

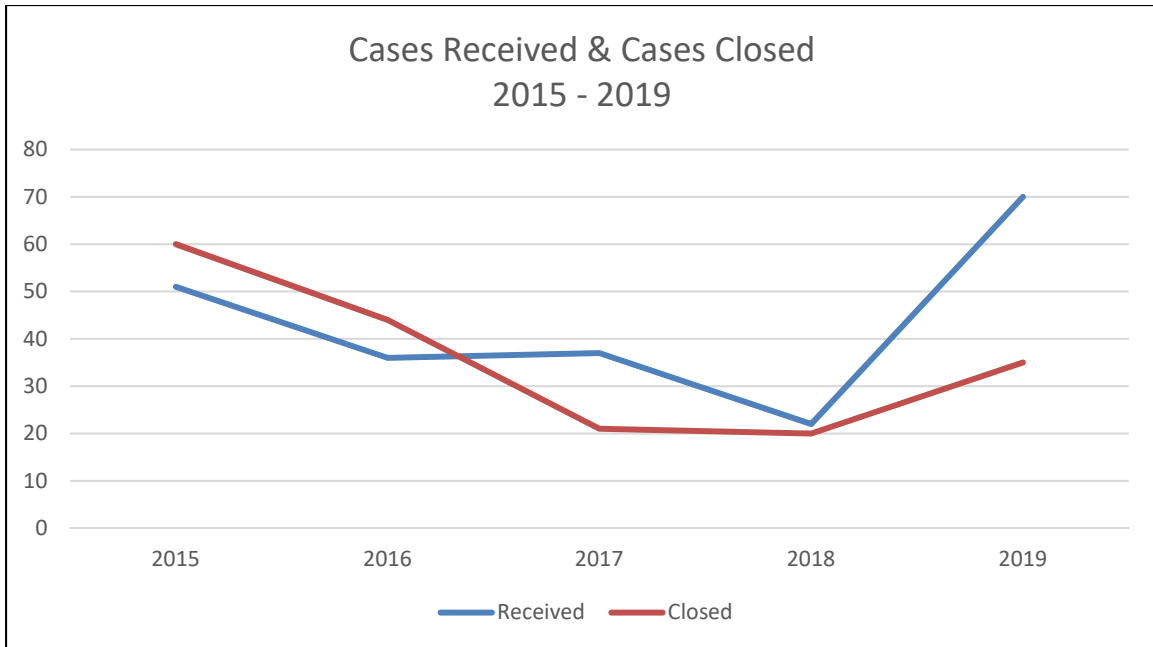
INTRODUCTION

The Disability Litigation Office (DLO) is a legal unit at LACERA that is separate from and independent of the Legal Office. The Chief Counsel, Disability Litigation, reports directly to the Chief Executive Officer. Established in 1996, the Disability Litigation Office has a staff of four attorneys and three secretaries. Our mission is to provide LACERA with legal representation for disability retirement and service-connected survivor’s benefit appeals at the administrative level.

INVENTORY OF CASES

The DLO has 118 active cases as of January 10, 2020. The average age of these active cases is two years and 24 days. Keep in mind that under Rule 32 of the Board’s *Procedures for Disability Retirement Hearings*, applicants must bring their cases to hearing within three years from the date of the notification of the assignment of the referee.

Over the past five years, from 2015 to 2019, the number of cases received and the number of cases closed has fluctuated; however, the number of cases received and the number of cases closed have generally tracked together, as demonstrated by the graph:



There was a spike in the number of cases received from 2018 to 2019 because of the influx of the Earlier Effective Date correction appeals. This temporary upward trend for Earlier Effective Date cases is not anticipated to continue because the deadline for applicants to file for the correction appeal expired on December 31, 2019.

Based on the historical statistics, it is reasonable to assume that the DLO will receive something in the neighborhood of 30 regular¹ cases in 2020.

In terms of how quickly a case is litigated, the average lifespan for all cases that were closed from 2006 to 2019 was 2 years, 7 months, and 23 days.

STAFFING

There are currently seven budgeted full-time positions. No additional staff positions are being requested at this time.

SERVICES AND SUPPLIES

We are reducing our request for funds for outside counsel because of an anticipated reduction in the number of conflict appeals. Outside counsel is used in appeals where the applicant is an employee of LACERA, where the applicant is the survivor of an employee of LACERA, where there is an actual conflict of interest, or where there is an appearance of impropriety.

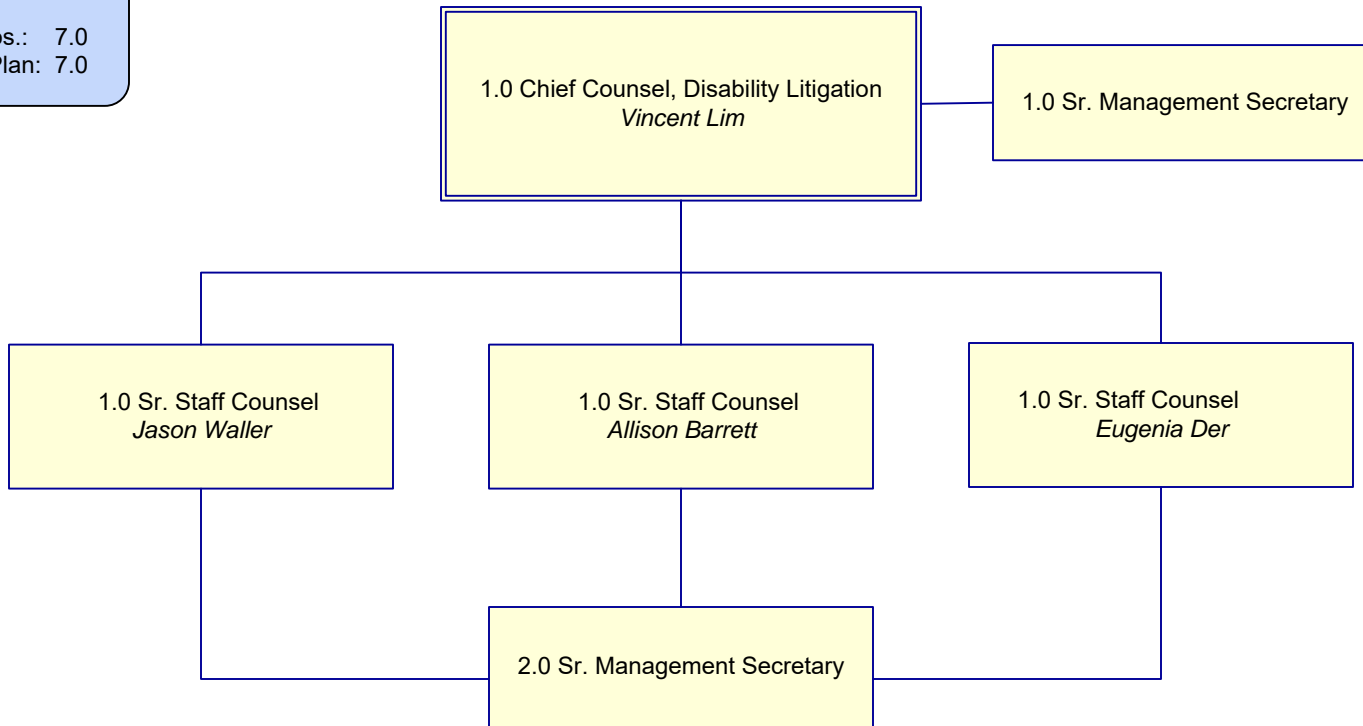
¹ Regular cases are cases that are not Earlier Effective Date correction appeals.

DISABILITY LITIGATION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 7.0
2019-2020 Hiring Plan: 7.0

2020-2021 Bud. Pos.: 7.0
2020-2021 Hiring Plan: 7.0

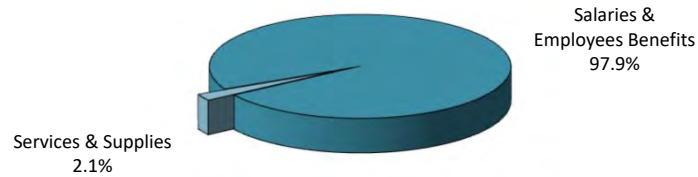


LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

DISABILITY LITIGATION

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------|---------------------------|------------------------|------------------|--------------------|---|-------------|---|-------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Salaries & Employees Benefits | \$2,035,878 | \$1,902,981 | \$824,219 | \$1,876,200 | \$159,678 | 8.5% | \$132,896 | 7.0% |
| Services & Supplies | 44,100 | 85,300 | 20,591 | 62,400 | (18,300) | -29.3% | (41,200) | -48.3% |
| OPERATING BUDGET | \$2,079,978 | \$1,988,281 | \$844,809 | \$1,938,600 | \$141,378 | 7.3% | \$91,696 | 4.6% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

DISABILITY LITIGATION

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,256,001 | \$1,166,880 | \$528,748 | \$1,170,200 | \$85,801 | 7.3% | \$89,121 | 7.6% |
| Total Agency Temp Salaries | 8,700 | 0 | 0 | 0 | 8,700 | 0.0% | 8,700 | 0.0% |
| Employee Benefits (Variable) | 660,752 | 625,765 | 240,083 | 595,000 | 65,752 | 11.1% | 34,987 | 5.6% |
| Employee Benefits (Other) | 77,290 | 85,067 | 40,919 | 84,700 | (7,410) | -8.7% | (7,777) | -9.1% |
| OPEB Contribution | 32,235 | 25,269 | 14,244 | 25,200 | 7,035 | 27.9% | 6,965 | 27.6% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 900 | 0 | 225 | 1,100 | (200) | -18.2% | 900 | 0.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$2,035,878 | \$1,902,981 | \$824,219 | \$1,876,200 | \$159,678 | 8.5% | \$132,896 | 7.0% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$2,035,878 | \$1,902,981 | \$824,219 | \$1,876,200 | \$159,678 | 8.5% | \$132,896 | 7.0% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

DISABILITY LITIGATION

2020-2021 BUDGET

| <u>FILLED POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>ACTUAL MO. RATE</u> | <u>ANNUAL AMOUNT</u> | | | |
|-------------------------|--|---------------|-----------------|------------------------------|--------------------------|--------------------------------|-------------------------------|-------------------------------|
| 09215A | CHIEF COUNSEL, DISABILITY LITIGATION | 1 | LS18 | 23,007 | 276,087 | | | |
| 09213A | SENIOR STAFF COUNSEL | 3 | LS16 | 55,507 | 666,088 | | | |
| 00441A | SENIOR MANAGEMENT SECRETARY | 3 | 96H | 21,671 | 260,051 | | | |
| | POSITIONS | <u>7</u> | | | 1,202,226 | | | |
| <u>VACANT POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>1ST STEP MO. RATE</u> | <u>ANNUAL AMOUNT</u> | <u>FILLED AT 12 MONTHS</u> | <u>FILLED AT 9 MONTHS</u> | <u>FILLED AT 6 MONTHS</u> |
| | POSITIONS | <u>0</u> | | | <u>0</u> | | | |
| | TOTAL POSITIONS | 7 | | | | | | |
| | GROSS SALARIES | | | | 1,202,226 | | | |
| | ANTICIPATED MOU SALARY INCREASE** | | | | 21,039 | | | |
| | ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | 32,736 | | | |
| | BONUS | | | | 0 | | | |
| | 120-DAY RETIREE(S) | | | | 0 | | | |
| | TOTAL SALARIES | | | | 1,256,001 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

DISABILITY LITIGATION

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------|---------------------------|-----------------|-----------------|---|---------------|---|---------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| AUTO EXPENSE | \$3,100 | \$3,100 | \$2,182 | \$3,800 | (\$700) | -18.4% | \$0 | 0.0% |
| TRANSPORTATION & TRAVEL | 6,000 | 14,000 | 2,972 | 11,800 | (5,800) | -49.2% | (8,000) | -57.1% |
| OFFICE SUPPLIES & EQUIPMENT | 1,800 | 1,800 | 3,158 | 3,500 | (1,700) | -48.6% | 0 | 0.0% |
| LEGAL FEES & SERVICES | 10,500 | 30,500 | 5,917 | 11,600 | (1,100) | -9.5% | (20,000) | -65.6% |
| EDUCATIONAL EXPENSES | 22,000 | 35,200 | 6,284 | 31,000 | (9,000) | -29.0% | (13,200) | -37.5% |
| MISCELLANEOUS | 700 | 700 | 79 | 700 | 0 | 0.0% | 0 | 0.0% |
| TOTAL | \$44,100 | \$85,300 | \$20,591 | \$62,400 | (\$18,300) | -29.3% | (\$41,200) | -48.3% |

*All amounts rounded to the nearest dollar.

DISABILITY RETIREMENT

Budget Request Highlights

Fiscal
Year
2020-2021

Mission

Our mission is to administer the LACERA Disability Retirement Program in an equitable, timely, accurate, and courteous manner consistent with applicable laws, policies, and procedures.

INTRODUCTION

The Disability Retirement Services Division (DRS) is responsible for investigating and evaluating disability retirement applications submitted by active, retired, and deferred members of LACERA. Staff presents recommendations to the Board of Retirement, which is the governing board responsible for adjudicating each application. Staff also administers the disability appeals process in conjunction with Disability Litigation and serves as the official Custodian of Records for all disability retirement files.

Our division contracts for professional services for both the investigation and appeals processes, including panel physicians, referees, copy services, court reporters, job analysts, investigative services, and outside legal counsel.

Our current average monthly production is 45 cases to the Board of Retirement per month with an average processing time of 13 months. This is a success. Over the last three fiscal years, notwithstanding continual changes, we have exhibited consistency in our case processing as we migrate to the LACERA enterprise system.

Our goal for the next fiscal year is to increase monthly productivity to an average of 50 cases per month to deliver to the Board within an average processing time of 12 months. One of the challenges to achieving this goal has been staffing. DRS

has not been fully staffed for a variety of reasons, but more specifically due to extended leaves and limited duty staff.

DRS has filled all but one vacancy during FY 2019-20 and promoted three of our trainees to senior level. It is our expectation that three additional trainees will be ready for promotion to senior level in FY 2020-21. Additionally, DRS intends to fill its final vacancy in FY 2020-21.

STAFFING

There are currently 41 budgeted full-time positions in DRS and is not requesting additional staffing this fiscal year. When fully staffed, our current case processing capacity per fiscal year is 660 cases. On average, DRS receives 600 cases per fiscal year. This has been consistent the last three fiscal years. DRS does not anticipate a significant increase or decrease for FY 2020-21.

Staff is requesting a classification study on the Disability Retirement Specialist Supervisor position. The role and responsibilities of the supervisor position in Disability Retirement Services has substantially increased over the years. Because Disability Retirement Services does not have an Assistant Division Manager or Section Heads at this time, all supervisors in Disability Retirement Services act in the capacity of second-in-command and may act in the absence of the Division Manager.

Lastly, staff is requesting one agency-temporary staff to support one of our investigative teams due to the extended leave of one of our Senior Typist Clerks in FY 2020-21.

SERVICES AND SUPPLIES

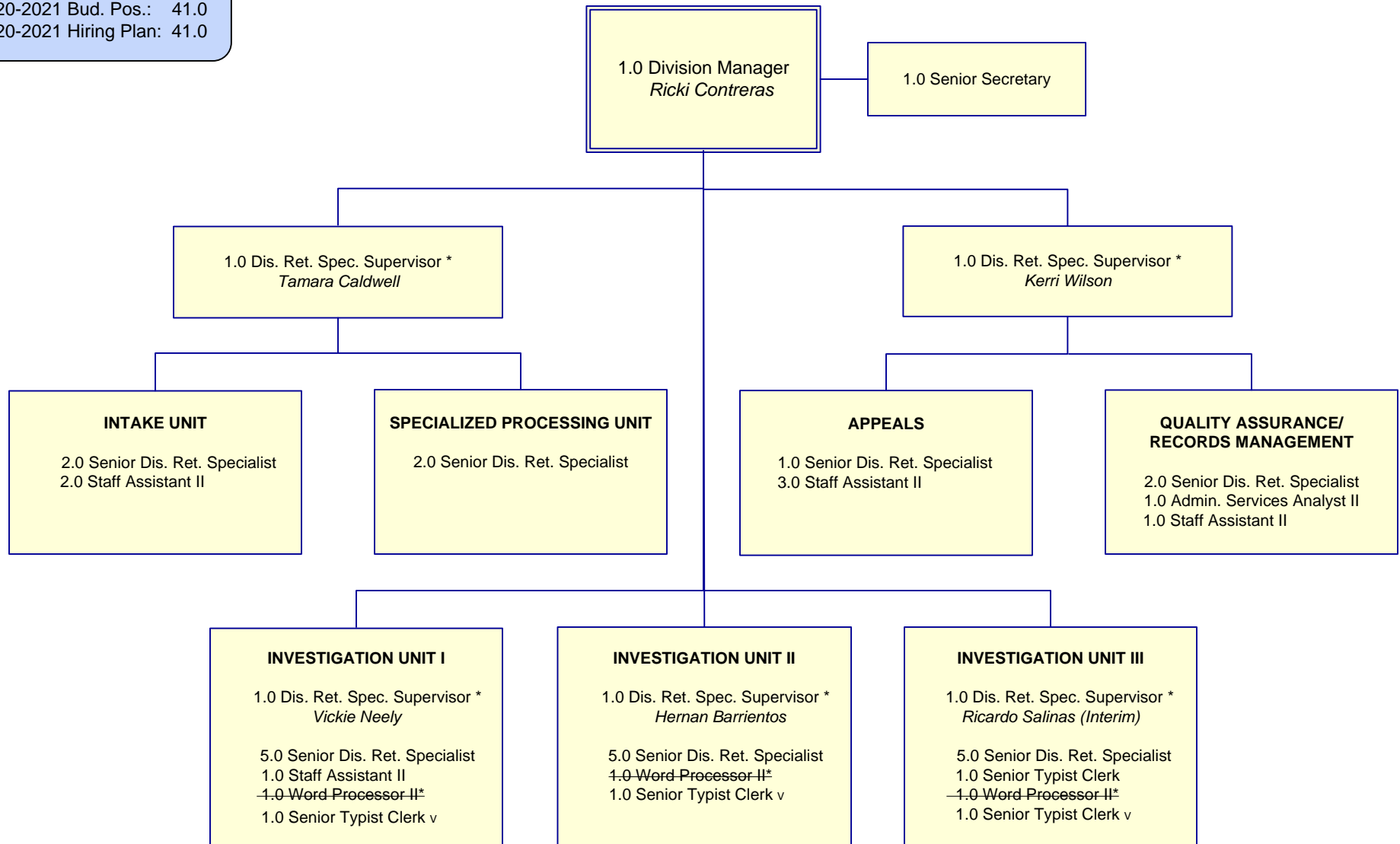
Although the requested budget for services and supplies has essentially remained flat for FY 2020-21, one of our goals is to reduce reliance on paper and we are focusing on our e-Case Processing Project, which may result in a decrease in Photocopies of Documents budget as we look toward to a paper-light future. Additionally, DRS intends to open a Request for Proposal related to our document duplication and related services vendor for FY 2020-21.

DISABILITY RETIREMENT

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 41.0
 2019-2020 Hiring Plan: 41.0

2020-2021 Bud. Pos.: 41.0
 2020-2021 Hiring Plan: 41.0



* Classification and/or compensation study requested.

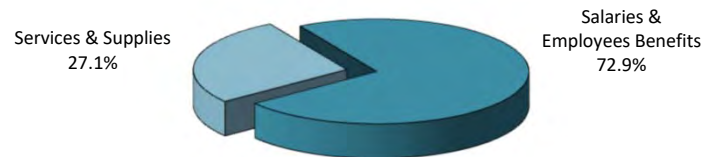
v Position downgrade from Word Processor II to Senior Typist Clerk as a result of classification study (Classification study finalized on July 29, 2019.).

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

DISABILITY RETIREMENT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------|---------------------------|------------------------|--------------------|--------------------|---|-------------|---|-------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Salaries & Employees Benefits | \$6,364,804 | \$6,197,007 | \$2,473,525 | \$5,801,547 | \$563,257 | 9.7% | \$167,797 | 2.7% |
| Services & Supplies | 2,365,800 | 2,510,500 | 978,056 | 2,346,100 | 19,700 | 0.8% | (144,700) | -5.8% |
| OPERATING BUDGET | \$8,730,604 | \$8,707,507 | \$3,451,581 | \$8,147,647 | \$582,957 | 7.2% | \$23,097 | 0.3% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

DISABILITY RETIREMENT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$3,832,191 | \$3,632,587 | \$1,505,085 | \$3,562,700 | \$269,491 | 7.6% | \$199,604 | 5.49% |
| Total Agency Temp Salaries | 28,000 | 36,000 | 7,258 | 36,000 | (8,000) | -22.2% | (8,000) | -22.22% |
| Employee Benefits (Variable) | 2,150,442 | 2,158,534 | 790,518 | 1,834,747 | 315,695 | 17.2% | (8,092) | -0.37% |
| Employee Benefits (Other) | 235,819 | 264,820 | 111,023 | 263,500 | (27,681) | -10.5% | (29,001) | -10.95% |
| OPEB Contribution | 98,351 | 78,666 | 48,162 | 78,300 | 20,051 | 25.6% | 19,686 | 25.02% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.00% |
| Overtime | 9,500 | 12,400 | 7,807 | 12,000 | (2,500) | -20.8% | (2,900) | -23.39% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.00% |
| Sick Leave Buyback | 6,000 | 6,000 | 2,445 | 6,000 | 0 | 0.0% | 0 | 0.00% |
| Rideshare Allowance | 4,500 | 8,000 | 1,228 | 8,300 | (3,800) | -45.8% | (3,500) | -43.75% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.00% |
| ADJUSTED GROSS S&EB | \$6,364,804 | \$6,197,007 | \$2,473,525 | \$5,801,547 | \$563,257 | 9.7% | \$167,797 | 2.7% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$6,364,804 | \$6,197,007 | \$2,473,525 | \$5,801,547 | \$563,257 | 9.7% | \$167,797 | 2.7% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

DISABILITY RETIREMENT

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT |
|------------------|--------------------------------------|--------|----------|-----------------|---------------|
| 00773A | DIVISION MANAGER | 1 | LS12 | 14,908 | 178,894 |
| 01643A | DISABILITY RETIRE. SPECIALIST SUPV. | 5 | 105G | 46,569 | 558,826 |
| 01632A | SENIOR DISABILITY RETIRE. SPECIALIST | 21 | 101G | 168,933 | 2,027,201 |
| 00420A | ADMINISTRATIVE SERVICES ANALYST II | 1 | 92J | 6,790 | 81,481 |
| 00427A | STAFF ASSISTANT II | 7 | 91F | 41,702 | 500,426 |
| 00439A | SENIOR SECRETARY | 1 | 88H | 5,756 | 69,075 |
| 00448A | WORD PROCESSOR II | 3 | 81G | 13,087 | 157,045 |
| 00448A | WORD PROCESSOR II | (3) | 81G | 13,087 | (157,045) |
| 00446A | SENIOR TYPIST CLERK | 1 | 78C | 4,702 | 56,430 |
| 00446A | SENIOR TYPIST CLERK | 3 | 78C | 13,087 | 157,045 |

POSITIONS 40 3,629,378

| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
|------------------|--------------------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 01632A | SENIOR DISABILITY RETIRE. SPECIALIST | 1 | 101G | 6,416 | 76,993 | 0 | 0 | 38,497 |
| | | | | | | 0 | 0 | 38,497 |

POSITIONS 1 38,497

TOTAL POSITIONS 41

GROSS SALARIES 3,667,875

ANTICIPATED MOU SALARY INCREASE** 64,188

ANTICIPATED STEP AND/OR MERIT SALARY INCREASE 40,597

BONUS 59,531

120-DAY RETIREE(S) 0

TOTAL SALARIES 3,832,191

MAPP Tier I and Tier II positions are shown at actual salaries as of 01/01/20
Represented/Non-Represented positions are shown at actual salaries as of 01/01/20
[Represented positions shown in blue](#)

Vacancies are shown at the 1st Step

*All amounts rounded to the nearest dollar.

** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

DISABILITY RETIREMENT

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$8,000 | \$18,600 | \$7,906 | \$14,200 | (\$6,200) | -43.7% | (\$10,600) | -57.0% |
| OFFICE SUPPLIES & EQUIPMENT | 6,000 | 11,000 | 1,617 | 5,000 | 1,000 | 20.0% | (5,000) | -45.5% |
| PROFESSIONAL & SPEC. SRVCS. | 225,000 | 225,000 | 66,985 | 220,500 | 4,500 | 2.0% | 0 | 0.0% |
| LEGAL FEES & SERVICES | 30,000 | 50,000 | 7,380 | 30,000 | 0 | 0.0% | (20,000) | -40.0% |
| DISABILITY FEES & SERVICES | 2,086,000 | 2,168,000 | 867,279 | 2,040,000 | 46,000 | 2.3% | (82,000) | -3.8% |
| EDUCATIONAL EXPENSES | 10,300 | 36,900 | 26,782 | 36,000 | (25,700) | -71.4% | (26,600) | -72.1% |
| MISCELLANEOUS | 500 | 1,000 | 107 | 400 | 100 | 25.0% | (500) | -50.0% |
| TOTAL | \$2,365,800 | \$2,510,500 | \$978,056 | \$2,346,100 | \$19,700 | 0.8% | (\$144,700) | -5.8% |

*All amounts rounded to the nearest dollar.



EXECUTIVE OFFICE

Budget Request Highlights

Fiscal
Year

2020-2021

Mission

To direct and coordinate the efforts of every LACERA organizational unit toward the effective realization of LACERA's Mission as articulated through policies adopted by the Boards of Retirement and Investments.

INTRODUCTION

The Executive Office directs and coordinates the efforts of every LACERA organizational unit toward the effective realization of LACERA's mission—to produce, protect, and provide the promised benefits—as articulated through policies adopted by the Boards of Retirement and Investments.

STAFFING

The Executive Office is not requesting any additional staff for the FY 2020-2021 budget.

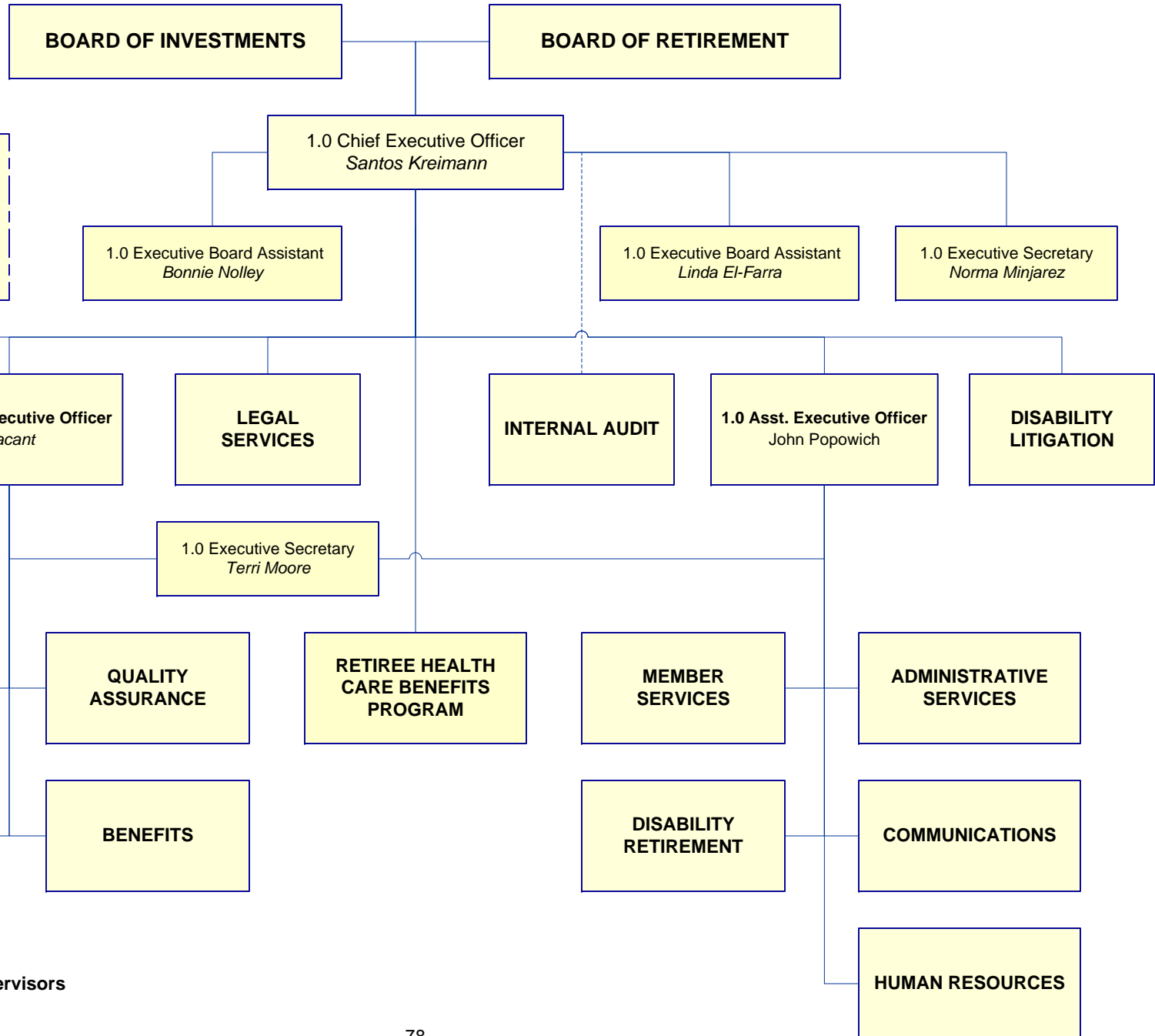
SERVICES AND SUPPLIES

In an effort to improve transparency, costs related to Board of Retirement and Board of Investment offsite meetings have been moved to their respective Boards Services & Supplies budgets. Likewise, we have also moved costs related to the Boards' meeting refreshments and lunches to the respective Boards' Services & Supplies budgets.

EXECUTIVE OFFICE

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 8.0
 2019-2020 Hiring Plan: 7.0
 2020-2021 Bud. Pos.: 8.0
 2020-2021 Hiring Plan: 7.0



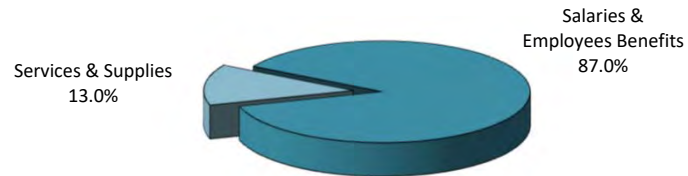
Ø Not yet approved by Board of Supervisors

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

EXECUTIVE OFFICE

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|------------------|---|------------------|---|--------------------|---------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$1,976,215 | \$1,861,060 | \$550,337 | \$1,492,300 | \$483,915 | 32.4% | \$115,154 | 6.2% |
| Services & Supplies | 294,700 | 697,500 | 51,042 | 447,600 | (152,900) | -34.2% | (402,800) | -57.7% |
| OPERATING BUDGET | \$2,270,915 | \$2,558,560 | \$601,378 | \$1,939,900 | \$331,015 | 17.1% | (\$287,646) | -11.2% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

EXECUTIVE OFFICE

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|--|-----------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,249,330 | \$1,173,131 | \$308,016 | \$880,500 | \$368,830 | 41.9% | \$76,199 | 6.5% |
| Total Agency Temp Salaries | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Employee Benefits (Variable) | 525,542 | 507,002 | 156,015 | 401,500 | 124,042 | 30.9% | 18,540 | 3.7% |
| Employee Benefits (Other) | 76,879 | 85,523 | 33,633 | 85,100 | (8,221) | -9.7% | (8,643) | -10.1% |
| OPEB Contribution | 32,063 | 25,405 | 11,447 | 25,300 | 6,763 | 26.7% | 6,659 | 26.2% |
| Stipends | 65,000 | 65,000 | 25,508 | 65,000 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 25,000 | 3,000 | 15,348 | 33,000 | (8,000) | -24.2% | 22,000 | 733.4% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 1,000 | 1,000 | 0 | 0 | 1,000 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 1,400 | 1,000 | 370 | 1,900 | (500) | -26.3% | 400 | 40.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$1,976,215 | \$1,861,060 | \$550,337 | \$1,492,300 | \$483,915 | 32.4% | \$115,154 | 6.2% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$1,976,215 | \$1,861,060 | \$550,337 | \$1,492,300 | \$483,915 | 32.4% | \$115,154 | 6.2% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

EXECUTIVE OFFICE

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|---------------------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00776L | CHIEF EXECUTIVE OFFICER | 1 | LR20 | 33,333 | 400,000 | | | |
| 00792A | ASSISTANT EXECUTIVE OFFICER (UC) | 1 | LS16 | 18,485 | 221,816 | | | |
| 00745A | EXECUTIVE BOARD ASSISTANT | 2 | 103L | 18,391 | 220,693 | | | |
| 00442A | EXECUTIVE SECRETARY | 2 | 100H | 16,829 | 201,947 | | | |
| POSITIONS | | 6 | | | 1,044,457 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 00770A | DEPUTY CHIEF EXECUTIVE OFFICER (UC) Ø | 1 | LS18 | 15,895 | 190,738 | | | |
| 00792A | ASSISTANT EXECUTIVE OFFICER (UC) | 1 | LS16 | 13,754 | 165,052 | 165,052 | | |
| POSITIONS | | 2 | | | 355,791 | 165,052 | 0 | 0 |
| TOTAL POSITIONS | | 8 | | | 165,052 | | | |
| GROSS SALARIES | | | | | 1,209,509 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 21,166 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 18,654 | | | |
| BONUS | | | | | 0 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 1,249,330 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 Ø Position not yet approved by the Board of Supervisors and is calculated at zero percent filled.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

EXECUTIVE OFFICE

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|------------|------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| AUTO EXPENSE | \$17,800 | \$18,300 | \$3,969 | \$12,000 | \$5,800 | 48.3% | (\$500) | -2.7% |
| TRANSPORTATION & TRAVEL | 24,000 | 40,000 | (76) | 21,900 | 2,100 | 9.6% | (16,000) | -40.0% |
| OFFICE SUPPLIES & EQUIPMENT | 4,500 | 4,500 | 954 | 3,500 | 1,000 | 28.6% | 0 | 0.0% |
| PROFESSIONAL & SPEC. SRVCS. | 120,000 | 180,000 | 0 | 110,000 | 10,000 | 9.1% | (60,000) | -33.3% |
| EDUCATIONAL EXPENSES | 68,400 | 198,500 | 9,461 | 94,000 | (25,600) | -27.2% | (130,100) | -65.5% |
| MISCELLANEOUS | 60,000 | 256,200 | 36,733 | 206,200 | (146,200) | -70.9% | (196,200) | -76.6% |
| TOTAL | \$294,700 | \$697,500 | \$51,042 | \$447,600 | (\$152,900) | -34.2% | (\$402,800) | -57.7% |

*All amounts rounded to the nearest dollar.

(FASD) FINANCIAL & ACCOUNTING SERVICES

Budget Request Highlights

Fiscal
Year

2020-2021

Mission

Our mission is to provide sound guardianship of LACERA's assets and deliver quality service to our stakeholders through timely and accurate financial information.

INTRODUCTION

The Financial and Accounting Services Division (FASD) contributes to the LACERA Mission supporting operations by conducting investment and administrative financial transactions while ensuring compliance with regulatory and statutory financial reporting mandates.

FASD's budget request seeks to maintain financial reporting quality, complete financial transactions timely and accurately, support LACERA's Boards and organizational initiatives, while mitigating risks and managing change. To accomplish this, FASD requests authorization to:

1. Renew for the second year the Comprehensive Annual Financial Report (CAFR) preparation software tool, a technology-based solution, to replace the standard labor-intensive manual process and benefit three different work groups in their CAFR related responsibilities: (1) for FASD in preparing the CAFR; (2) for the external auditor, Investment Office, Legal Office, and key staff of LACERA in reviewing/verifying CAFR information; and (3) for Communications Division in publishing the CAFR.
2. Implement an Automated Accounts Payable (A/P) solution to satisfy a previous external audit recommendation to improve the existing manual A/P workflow process through an efficient technology-based solution.

STAFFING

Overtime and Temporary Staff

As in the past, overtime is requested to manage the additional workload related to the annual fiscal year-end financial statement preparation and audit which is the basis for preparing the CAFR and Popular Annual Financial Report (PAFR). When combined with the development of unanticipated new responsibilities and unforeseen special projects implemented by other Divisions, maintaining a budget for overtime to support these organizational strategies has proven to be prudent.

Based on past experience, we anticipate having some permanent staff on extended leaves of absence during the fiscal period. In addition, three vacant Accountant positions are expected to be filled upon the completion of the ongoing classification study that affects 26 of the 30 positions allocated to FASD. Some permanent staff are also expected to participate in learning opportunities and perform special projects within the Division due to vacancies in key supervisory positions. We are requesting five agency-temporary staff (the same as the prior fiscal year) to assist with the workload. This request consists of three temporary staff at the Accountant level, one Senior Accountant, and one at the Secretary level.

TECHNOLOGY

Renewing a CAFR Preparation Tool

In conjunction with the Systems Division, FASD implemented Workiva's *Wdesk* platform, which was used to prepare the FY 2018-2019 CAFR. During the implementation process, FASD integrated the prior year audited financial statements within *Wdesk* and created templates for data to be input and linked year over year. This essentially laid out the framework which was copied over to a new file to prepare the audited financial statements. During the review stages, auditors, Investment Office, Legal Office, Retiree Health Care Division, Benefits Division, and key LACERA staff accessed the platform to provide comments electronically where FASD then comprehensively tracked changes and suggestions. *Wdesk* was also utilized to export files to Communications that eliminated the need to send 80 individual files manually.

We anticipate executing another one-year commitment in accordance with the General Purchasing Policy for LACERA to evaluate *Wdesk*. Financial data will be uploaded to the platform, however, the direct connection to LACERA's accounting platform (i.e., the organization's accounting software application including the financial and payment modules) will be established in the future once staff makes a positive determination regarding the long-term use of *Wdesk*. The time and labor efficiencies of *Wdesk* may be more significantly realized starting with the second year as the templates created and used during implementation will carry over and be refreshed. Upon favorable review of *Wdesk*'s effectiveness in the second year, staff will make a recommendation and request approval to enter into a multi-year agreement with Workiva. *Wdesk*'s second year subscription for this budget request is \$57,750. Upon the second-year subscription's expiration, Workiva quoted a 3-year renewal based on a 5% annual price cap increase amounting to \$191,159.73 for the total 3-year cost.

Implementing an Automated A/P Solution

Generally, LACERA pays its service providers and reimburses staff for business related expenses by generating checks. About 10,000 check payments are made each year with about 10 percent of these payment types initiated by purchase orders. Due to the manual process design and established internal controls, generating a single check can require many different LACERA staff performing distinct functions within the process. Some of these functions appear to be redundant and could be eliminated with a technological solution.

FASD and Systems have collaborated to satisfy a prior external audit recommendation to improve the labor-intensive A/P workflow process through a solution that enhances our current accounting platform. In Fiscal Year 2019-2020, staff researched several automated solutions that included digitizing the entire process beginning with receiving purchasing and invoicing documents, automatically capturing the data from these documents, routing and obtaining electronic approvals and expense coding based on pre-determined authorizations, posting the accounting entries within the general ledger (GL), through electronic record retention following payment completion. Staff has identified an industry dedicated to providing information technology tools, which integrates with LACERA's current accounting platform to revolutionize the purchasing and payment process. Since payments are made through the accounting application, Systems has stressed the importance of a solution that offers connectivity and support for Microsoft Dynamics GP, our accounting platform. Systems has also prioritized an on-premise solution to maintain a real-time connection with the accounting application and security of private payment information.

Data can be captured at a single point and reduce redundancy, saving time for Accountants to conduct more analytical work. This change will impact not only FASD in processing the daily A/P but will also be beneficial for the Administrative Services Division with its processes of procuring supplies through purchase orders, allocating budgeted expenses for each Division, as well as handling and eventually storing voluminous historical payment documents. Time savings may also be realized from administrative staff across all LACERA Divisions once invoices are translated to payment requests based on the automation tool capturing this data and routing it digitally. Division Managers will also benefit from less hard copy documents as they use automated workflow to approve payments.

We anticipate executing a one-year commitment in accordance with the General Purchasing Policy for LACERA to test and evaluate an automated A/P solution. Upon favorable review, staff will make the recommendation and request approval to enter into a multi-year agreement for a long-term contract.

SERVICES AND SUPPLIES

The Services and Supplies total budget request of \$257,100 represents a \$48,500, or 15.9 percent, decrease when compared with the prior fiscal year. This is primarily attributable to a more refined estimate of State Street Bank charges for treasury and commercial banking services.

LOOKING FORWARD

Education and Travel Policy Consulting and Credit Card Expenditures

FASD will closely monitor the recommendations identified through Mosaic's Education and Travel Policy Consulting project to address anticipated improvements to travel expense claims, credit card expenditures cycle, and travel reporting for more efficient processes and more precise financial reporting.

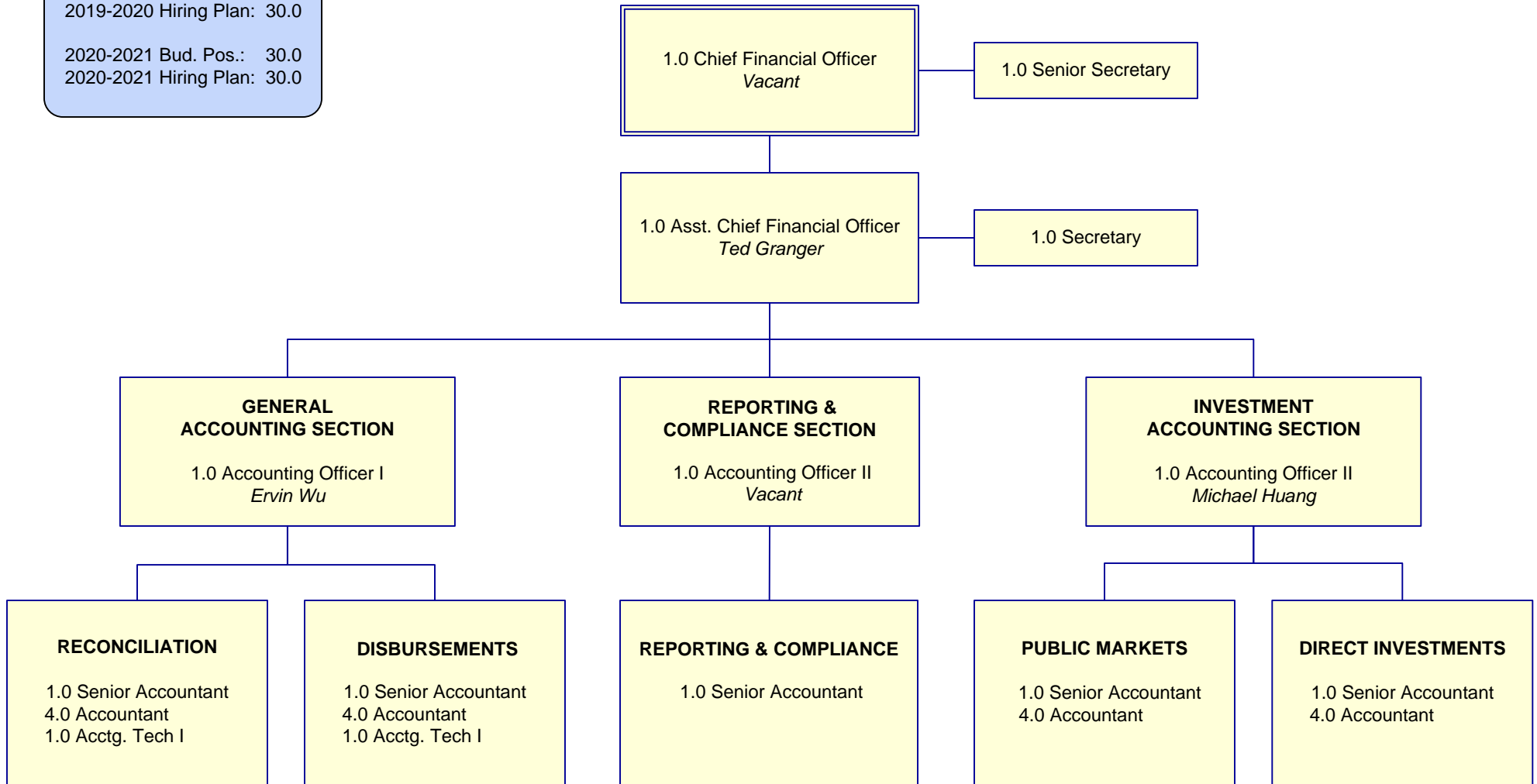
CONCLUSION

This budget request was developed to provide the Financial and Accounting Services Division with vital resources to readily contribute and support LACERA's operations toward the fulfillment of organizational goals and objectives.

FINANCIAL AND ACCOUNTING SERVICES DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 30.0
 2019-2020 Hiring Plan: 30.0
 2020-2021 Bud. Pos.: 30.0
 2020-2021 Hiring Plan: 30.0



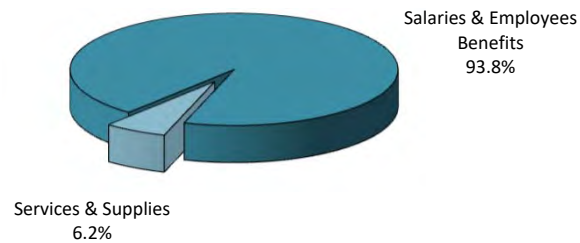
*Classification study in progress for all positions except management and administrative support staff.

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

FINANCIAL AND ACCOUNTING SERVICES

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------|---------------------------|------------------------|--------------------|--------------------|---|-------------|---|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Salaries & Employees Benefits | 3,907,922 | \$4,223,840 | \$1,731,227 | \$3,740,600 | \$167,321.87 | 4.5% | (\$315,918) | -7.5% |
| Services & Supplies | 257,100 | 305,600 | 76,580 | 277,800 | (20,700) | -7.5% | (48,500) | -15.9% |
| OPERATING BUDGET | \$4,165,022 | \$4,529,440 | \$1,807,806 | \$4,018,400 | \$146,622 | 3.6% | (\$364,418) | -8.0% |

2020 -2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

FINANCIAL AND ACCOUNTING SERVICES

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$2,198,662 | \$2,342,420 | \$966,149 | \$2,049,600 | \$149,062 | 7.3% | (\$143,757) | -6.1% |
| Total Agency Temp Salaries | 255,900 | 424,200 | 140,615 | 350,000 | (94,100) | -26.9% | (168,300) | -39.7% |
| Employee Benefits (Variable) | 1,173,734 | 1,136,928 | 478,179 | 1,045,100 | 128,634 | 12.3% | 36,806 | 3.2% |
| Employee Benefits (Other) | 135,298 | 170,765 | 68,649 | 169,900 | (34,602) | -20.4% | (35,468) | -20.8% |
| OPEB Contribution | 56,428 | 50,726 | 29,917 | 50,500 | 5,928 | 11.7% | 5,701 | 11.2% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 68,400 | 74,300 | 42,422 | 55,800 | 12,600 | 22.6% | (5,900) | -7.9% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 12,000 | 12,000 | 3,102 | 7,800 | 4,200 | 53.8% | 0 | 0.0% |
| Rideshare Allowance | 7,500 | 12,500 | 2,193 | 11,900 | (4,400) | -37.0% | (5,000) | -40.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$3,907,922 | \$4,223,840 | \$1,731,227 | \$3,740,600 | \$167,322 | 4.5% | (\$315,918) | -7.5% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$3,907,922 | \$4,223,840 | \$1,731,227 | \$3,740,600 | \$167,322 | 4.5% | (\$315,918) | -7.5% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

FINANCIAL & ACCOUNTING SERVICES

2020-2021 BUDGET

| | FILLED POSITIONS | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT |
|--------|-----------------------------------|--------|----------|-----------------|---------------|
| 00799A | ASSISTANT CHIEF FINANCIAL OFFICER | 1 | LS10 | 13,094 | 157,125 |
| 00418A | ACCOUNTING OFFICER II | 1 | 104E | 9,061 | 108,730 |
| 00417A | ACCOUNTING OFFICER I | 1 | 100J | 7,568 | 90,820 |
| 00146A | SENIOR ACCOUNTANT | 3 | 96D | 22,427 | 269,123 |
| 00415A | ACCOUNTANT | 14 | 92B | 89,530 | 1,074,356 |
| 00439A | SENIOR SECRETARY | 1 | 88H | 4,356 | 52,275 |
| 00413A | ACCOUNTING TECHNICIAN I | 2 | 83G | 10,588 | 127,056 |

POSITIONS 23 1,879,486

| | VACANT POSITIONS | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
|--------|-------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00800A | CHIEF FINANCIAL OFFICER | 1 | LS12 | 10,299 | 123,591 | | | 61,796 |
| 00418A | ACCOUNTING OFFICER II | 1 | 104E | 7,098 | 85,178 | | | |
| 00146A | SENIOR ACCOUNTANT | 2 | 96D | 5,700 | 68,395 | | | 68,395 |
| 00415A | ACCOUNTANT | 2 | 92B | 5,089 | 61,065 | | | 61,065 |
| 00438A | SECRETARY | 1 | 82E | 3,910 | 46,922 | | | 23,461 |
| | | | | | | 0 | 0 | 214,716 |

POSITIONS 7 214,716

TOTAL POSITIONS 30

GROSS SALARIES 2,094,202

ANTICIPATED MOU SALARY INCREASE** 36,649

ANTICIPATED STEP AND/OR MERIT SALARY INCREASE 24,902

BONUS 42,910

120-DAY RETIREE(S) 0

TOTAL SALARIES 2,198,662

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

FINANCIAL AND ACCOUNTING SERVICES

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------|--|-----------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$18,500 | \$35,100 | \$27,058 | \$38,300 | (\$19,800) | -51.7% | (\$16,600) | -47.3% |
| OFFICE SUPPLIES & EQUIPMENT | 3,500 | 5,000 | 481 | 3,000 | 500 | 16.7% | (1,500) | -30.0% |
| BANK SERVICES | 204,000 | 230,000 | 40,495 | 200,000 | 4,000 | 2.0% | (26,000) | -11.3% |
| EDUCATIONAL EXPENSES | 28,100 | 31,500 | 7,994 | 33,500 | (5,400) | -16.1% | (3,400) | -10.8% |
| MISCELLANEOUS | 3,000 | 4,000 | 552 | 3,000 | 0 | 0.0% | (1,000) | -25.0% |
| TOTAL | \$257,100 | \$305,600 | \$76,580 | \$277,800 | (\$20,700) | -7.5% | (\$48,500) | -15.9% |

*All amounts rounded to the nearest dollar.



Mission

Our mission is to effectively administer human resource programs; provide quality service to LACERA employees, supervisors, and managers; and reflect LACERA's values and vision in both the effort put forth and the work accomplished.

INTRODUCTION

Human Resources is responsible for providing human resources services to all LACERA Staff Members. Our work encompasses all areas of human resources such as: recruitment and selection, performance and workforce management, classification and compensation, employee and organizational development, employee payroll and benefits, employee relations, labor negotiations, employee discipline, workplace investigations, workers' compensation, career planning and development, conflict resolution, labor/employment law compliance, and American Disability Act (ADA)/Family Medical Leave Act (FMLA)/California Family Rights Act (CFRA)/Fair Labor Standards Act (FLSA) administration.

STAFFING

The Director of Human Resources position is currently vacant and is expected to be filled before the end of fiscal year 2019-20.

Human Resources anticipates conducting the recruitment and hiring of one to two Core Benefits Training Classes of the Retirement Benefits Specialists I, Training Class during the 2020-2021 Fiscal Year.

As the Payroll transition plan is developed, Human Resources anticipates requesting additional positions as needed during the mid-year budget request.

Successes

The Human Resources Division is pleased to report we have completed a significant number of goals for the 2019-20 fiscal year. Additionally, we have taken steps to improve our processes, procedures, and policies which have improved our efficiency and created greater clarity for the organization. Among these successes are:

- The development and implementation of formal procedures for the request of additional responsibility and out-of-class bonuses along with the tracking of the bonuses.
- The team developed and implemented a Recruitment Calendar to help prioritize and schedule recruitments to allow Human Resources and Managers to schedule recruitment efforts to fill the vacancies throughout LACERA. Human Resources worked with the Divisions and Executive Office and set priorities for the remainder of the 2019-2020 fiscal year and the 2020-2021 fiscal year.
- The January 2019 Core Benefits Training Class graduated 12 Trainees. Two of the Trainees filled vacancies in Retiree Health Care and the other 10 were placed in the Member Services Call Center. A second Training Class began in October 2019 with 13 Trainees.
- The Classifications Studies for the Administrative Services and Financial and Accounting Services Divisions, along with a Secretarial and Administrative Assistant Study, have been completed. We anticipate completing the implementation of any adopted recommendations during the 2020-2021 fiscal year.
- Implemented a multi-year Employee Engagement Program for all Staff Members. This includes an Engagement Survey of all Staff Members for their input. It will be followed-up with opportunities for Staff to attend Focus Groups to provide further input regarding Employee Engagement at LACERA. All of the input will be reviewed and solutions implemented to improve the Employee Engagement scores at LACERA. We will continue the Employee Engagement process in FY 2020-2021 with additional Focus Groups with Staff Members to provide input on those areas for improvement as outlined in the survey results.
- The Mentoring Program continues to be a success with 22 Staff Members participating in the Program.
- Training was provided by an outside Consultant to Managers and Supervisors on Disability Compliance.
- A Leave Case Management Program, which included training by an outside Consultant, was implemented with Human Resources Staff Members responsible for overseeing and managing leaves of absences for all Staff Members.

Challenges

Recruitment and examination processes to fill vacant positions throughout LACERA and particularly for the Retirement Systems Division due to in-house programs. We continue to struggle with managers submitting requests to begin the recruitment process in sufficient time to begin the process before fiscal year end. In order to deal with this, we have developed and rolled out a recruitment calendar to help schedule and prioritize recruitments.

Human Resources Future Plans

We are pleased to present an outline of goals and initiatives that we plan to focus on for the 2020-21 Fiscal Year:

- Develop a transition plan to bring payroll in house to:
 - Provide better monitoring of transactions;
 - Better oversight of all transactions without having to rely on a third party.
- Human Resources will be working with the Systems Division to find a Human Resources Information System (HRIS) to reduce paper driven processes and to track personnel transactions.
- Develop a Classification Maintenance Program to:
 - Review the allocations of positions assigned to classes to ensure they continue to be properly classified;
 - Ensure classification specifications are accurate and current;
 - Comply with Civil Service Rules, Federal and State Legislation and related policies and procedures;
 - Meet the operating needs of Divisions; and
 - Identify positions for which new classes maybe needed or where classes can be consolidated.
- The Employee Engagement process will continue in Fiscal Year 2020-2021 with additional Focus Groups with Staff Members to provide feedback and information on those areas for improvement as outlined in the survey results.
- The Leave Case Management Program (LMP) will continue to be developed and modified as needed.
- Conduct a comprehensive classification study for the Human Resources Division to ensure we have positions that meet the modern demands of a human resources division.
- Human Resources will continue its focus on enhancing our recruitment strategies and methods to attract a highly qualified, diverse workforce to support LACERA's Mission, Values, and Vision.

Budget Variances:

In comparing our FY 2020-2021 Budget to that of the previous fiscal year, notable variances are found in the following areas:

Forum: \$22,000. New line item for FY 2020-2021

Leave Case Management Program (LMP). New line item: \$47,500. During FY 2019-2020, an LMP was implemented due to the Los Angeles County Office of Health Services no longer conducting fitness for duty examinations. As a result, Human Resources needs to engage a consultant.

Departmental Training:

The Human Resources division expects to continue LACERA's commitment as a learning organization. We are requesting to sustain our current budgeted funds at \$225,000.

The Departmental Training Budget anticipates expenditures for Staff Training in the following areas:

- Harassment Prevention Training for all Staff Members (2021);
- Harassment Prevention Training for all new staff (every six (6) months);
- Career Workshops;
- Emotional Intelligence;
- Time Management;
- Computer Skills refresher;
- Administrative Assistants Workshop;
- Ethics Training; and
- Business Writing/Proofreading.

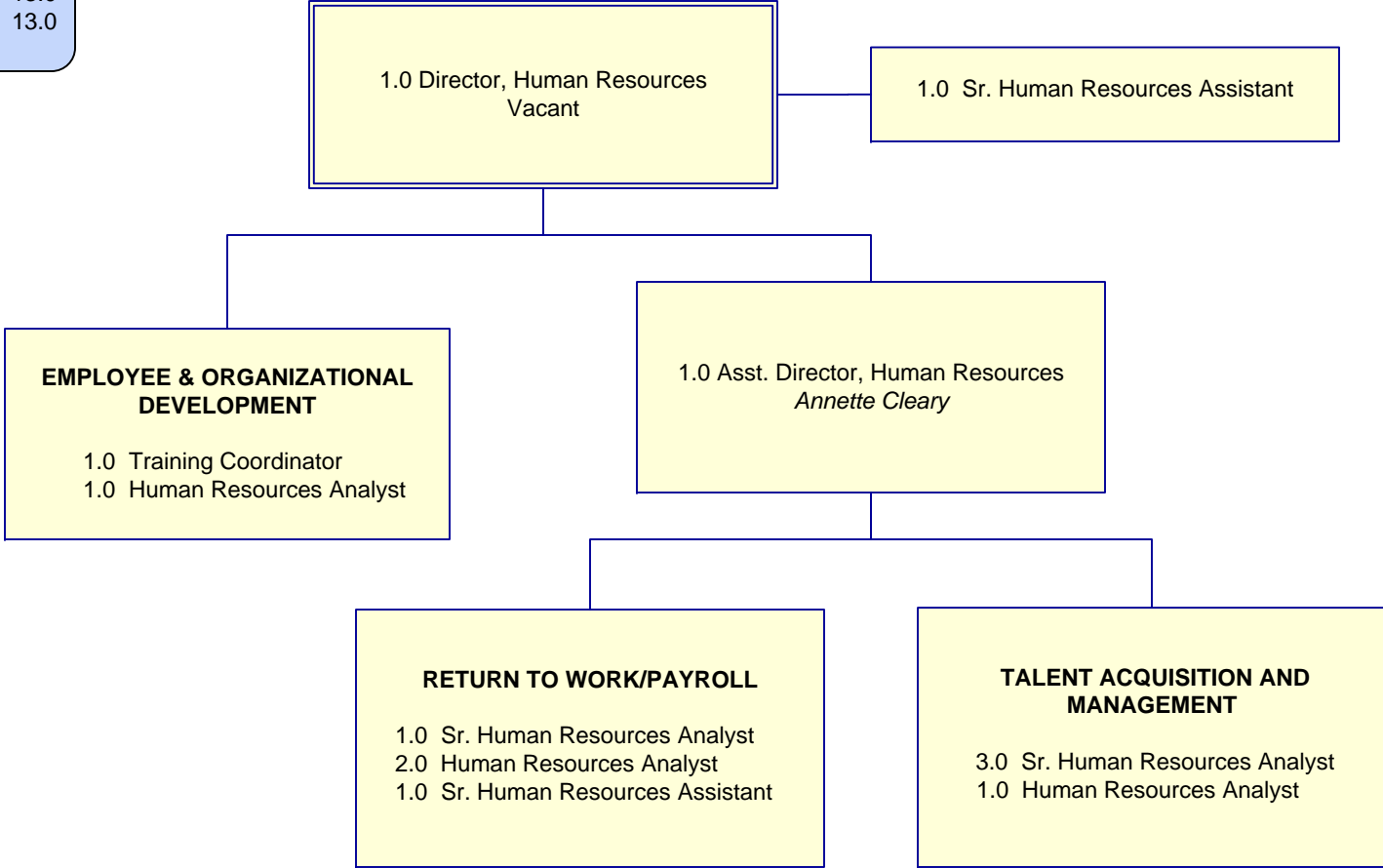
For Management Staff Members:

- Management Training Plan, including:
 - Crucial Conversations
 - Emotional Intelligence
 - Accountability
 - Leadership Ethics
 - Strategic Thinking
- ACE (Accelerated CERL Education) Program: Soft Skills Training which includes Business Communication, Strategic Thinking, Conflict Resolution, and Root Cause Analysis, among others.

HUMAN RESOURCES

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 13.0
 2019-2020 Hiring Plan: 13.0
 2020-2021 Bud. Pos.: 13.0
 2020-2021 Hiring Plan: 13.0



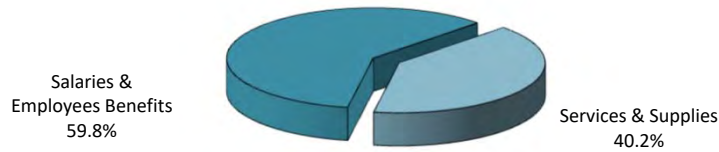
* Classification study for all positions requested.

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

HUMAN RESOURCES

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|--|---------------------------------|-------------|-------------|---|-----------|---|-------------|------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$2,316,658 | \$2,439,274 | \$951,501 | \$2,133,200 | \$183,458 | 8.6% | (\$122,615) | -5.0% |
| Services & Supplies | 1,555,100 | 1,535,200 | 619,443 | 1,406,600 | 148,500 | 10.6% | 19,900 | 1.3% |
| OPERATING BUDGET | \$3,871,758 | \$3,974,474 | \$1,570,945 | \$3,539,800 | \$331,958 | 9.4% | (\$102,715) | -2.6% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

HUMAN RESOURCES

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|--------------------------------|---------------------------------|---------------------------|------------------|--------------------|---|-------------|---|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,387,072 | \$1,346,210 | \$581,327 | \$1,286,400 | \$100,672 | 7.8% | \$40,862 | 3.0% |
| Total Agency Temp Salaries | 47,700 | 26,200 | 23,741 | 47,500 | 200 | 0.4% | 21,500 | 82.1% |
| LACERA Intern Program | 0 | 144,000 | 582 | 12,000 | (12,000) | -100.0% | (144,000) | -100.0% |
| Employee Benefits (Variable) | 757,732 | 788,571 | 285,452 | 654,300 | 103,432 | 15.8% | (30,839) | -3.9% |
| Employee Benefits (Other) | 85,356 | 98,140 | 40,318 | 97,600 | (12,244) | -12.5% | (12,785) | -13.0% |
| OPEB Contribution | 35,598 | 29,153 | 18,130 | 29,000 | 6,598 | 22.8% | 6,446 | 22.1% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 1,500 | 1,500 | 1,044 | 1,500 | (0) | 0.0% | 0 | 0.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 1,700 | 5,500 | 908 | 4,900 | (3,200) | -65.3% | (3,800) | -69.1% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$2,316,658 | \$2,439,274 | \$951,501 | \$2,133,200 | \$183,458 | 8.6% | (\$122,615) | -5.0% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$2,316,658 | \$2,439,274 | \$951,501 | \$2,133,200 | \$183,458 | 8.6% | (\$122,615) | -5.0% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

HUMAN RESOURCES

2020-2021 BUDGET

| <u>FILLED POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>ACTUAL MO. RATE</u> | <u>ANNUAL AMOUNT</u> | | | |
|-------------------------|--|---------------|-----------------|------------------------------|--------------------------|--------------------------------|-------------------------------|-------------------------------|
| 00437A | ASSISTANT DIRECTOR, HUMAN RESOURCES | 1 | LS10 | 12,337 | 148,040 | | | |
| 00436A | SENIOR HUMAN RESOURCES ANALYST | 4 | 101L | 34,839 | 418,068 | | | |
| 01886A | TRAINING COORDINATOR | 1 | 101K | 8,688 | 104,262 | | | |
| 00434A | HUMAN RESOURCES ANALYST | 4 | 097L | 30,086 | 361,027 | | | |
| 00435A | SENIOR HUMAN RESOURCES ASSISTANT | 2 | 091B | 12,990 | 155,884 | | | |
| | POSITIONS | 12 | | | 1,187,281 | | | |
| <u>VACANT POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>1ST STEP MO. RATE</u> | <u>ANNUAL AMOUNT</u> | <u>FILLED AT 12 MONTHS</u> | <u>FILLED AT 9 MONTHS</u> | <u>FILLED AT 6 MONTHS</u> |
| 00425A | DIRECTOR, HUMAN RESOURCES | 1 | LS12 | 10,299 | 123,591 | 123,591 | | |
| | POSITIONS | 1 | | | 123,591 | 123,591 | 0 | 0 |
| | TOTAL POSITIONS | 13 | | | | | | |
| | GROSS SALARIES | | | | 1,310,872 | | | |
| | ANTICIPATED MOU SALARY INCREASE** | | | | 22,940 | | | |
| | ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | 8,824 | | | |
| | BONUS | | | | 44,436 | | | |
| | 120-DAY RETIREE(S) | | | | 0 | | | |
| | TOTAL SALARIES | | | | 1,387,072 | | | |

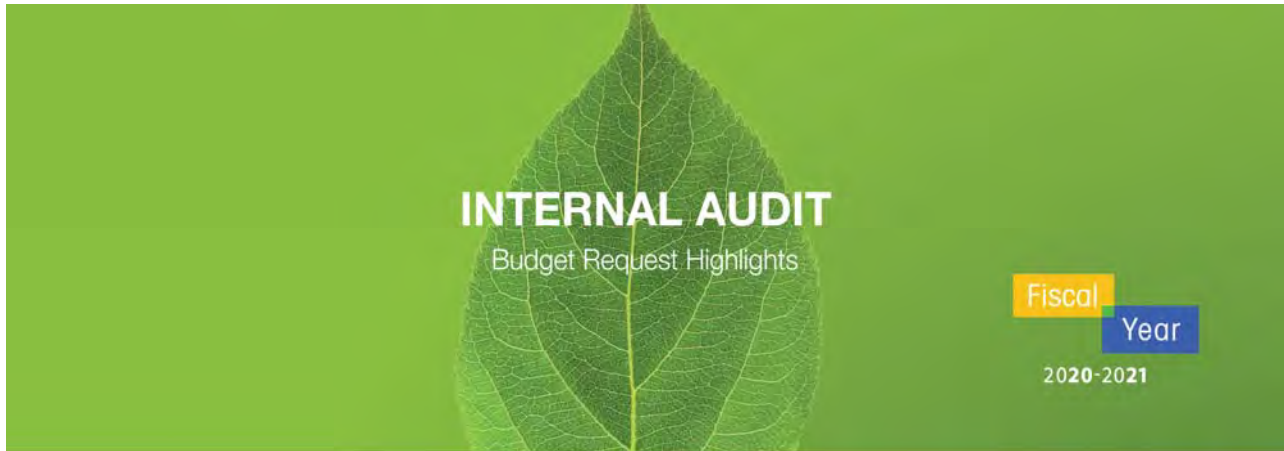
MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

HUMAN RESOURCES

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------|------------------------|------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$12,000 | \$21,000 | \$9,095 | \$19,500 | (\$7,500) | -38.5% | (\$9,000) | -42.9% |
| OFFICE SUPPLIES & EQUIPMENT | 8,000 | 6,000 | 4,746 | 7,000 | 1,000 | 14.3% | 2,000 | 33.3% |
| PARKING FEES | 377,000 | 502,000 | 200,285 | 377,000 | 0 | 0.0% | (125,000) | -24.9% |
| PROFESSIONAL & SPEC. SRVCS. | 383,300 | 303,700 | 124,366 | 286,300 | 97,000 | 33.9% | 79,600 | 26.2% |
| COMPUTER SERVICES & SUPPORT | 42,000 | 36,000 | 2,717 | 36,000 | 6,000 | 16.7% | 6,000 | 16.7% |
| EDUCATIONAL EXPENSES | 500,300 | 494,000 | 95,282 | 482,000 | 18,300 | 3.8% | 6,300 | 1.3% |
| MISCELLANEOUS | 232,500 | 172,500 | 182,953 | 198,800 | 33,700 | 17.0% | 60,000 | 34.8% |
| TOTAL | \$1,555,100 | \$1,535,200 | \$619,443 | \$1,406,600 | \$148,500 | 10.6% | \$19,900 | 1.3% |

*All amounts rounded to the nearest dollar.



Mission

To support LACERA's mission, through independent, objective assurance and consulting activities.

INTRODUCTION

The purpose of Internal Audit is to provide independent and objective assurance services, and consulting services designed to add value and improve LACERA's operations. The mission of Internal Audit is to enhance and protect LACERA's organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit brings a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes to help LACERA accomplish its mission.

Internal Audit assists the organization in meeting its control objectives through:

- Evaluating risk exposure relating to achievement of LACERA's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, procedures, laws, and regulations, which could have a significant impact on LACERA.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operation or programs are being carried out as planned.
- Monitoring and evaluating governance processes.

NOTABLE ACHIEVEMENTS AND CONTRIBUTIONS

All staff within Internal Audit are Certified Public Accountants, Certified Internal Auditors, or Certified Information Systems Auditors. Some have more than one certification and other relevant certifications such as certified fraud examiner and certified information security designations. Included in the performance of our annual audit plan, Internal Audit developed, oversaw, or contributed significantly, in a consulting capacity, to the following notable achievements and ongoing efforts within LACERA.

- New externally managed Ethics Hotline
- External Audit of LACERA (initiation of first SOC1 over OPEB Census data)
- Triennial actuarial review and audit
- Real estate advisor compliance and operational audits
- Business Continuity Process (BCP)
- LA County audit of LACERA
- Cyber Security Training Program

STAFFING

As the organization has progressed, so has the complexity of audits resulting in the need for more experienced auditors. Our budget request for Fiscal Year 2020-2021 includes the deletion of one currently vacant Internal Auditor position and the addition of one Senior Internal Auditor to better align staffing levels with the amount of complex work. Retaining one Internal Auditor position will be sufficient to cover the amount of routine audit work.

Furthermore, a classification study has been requested to convert one of the budgeted Senior Internal Auditor positions to a Senior Information Technology Auditor. A compensation study has also been requested for the Principal Internal Auditor Classification.

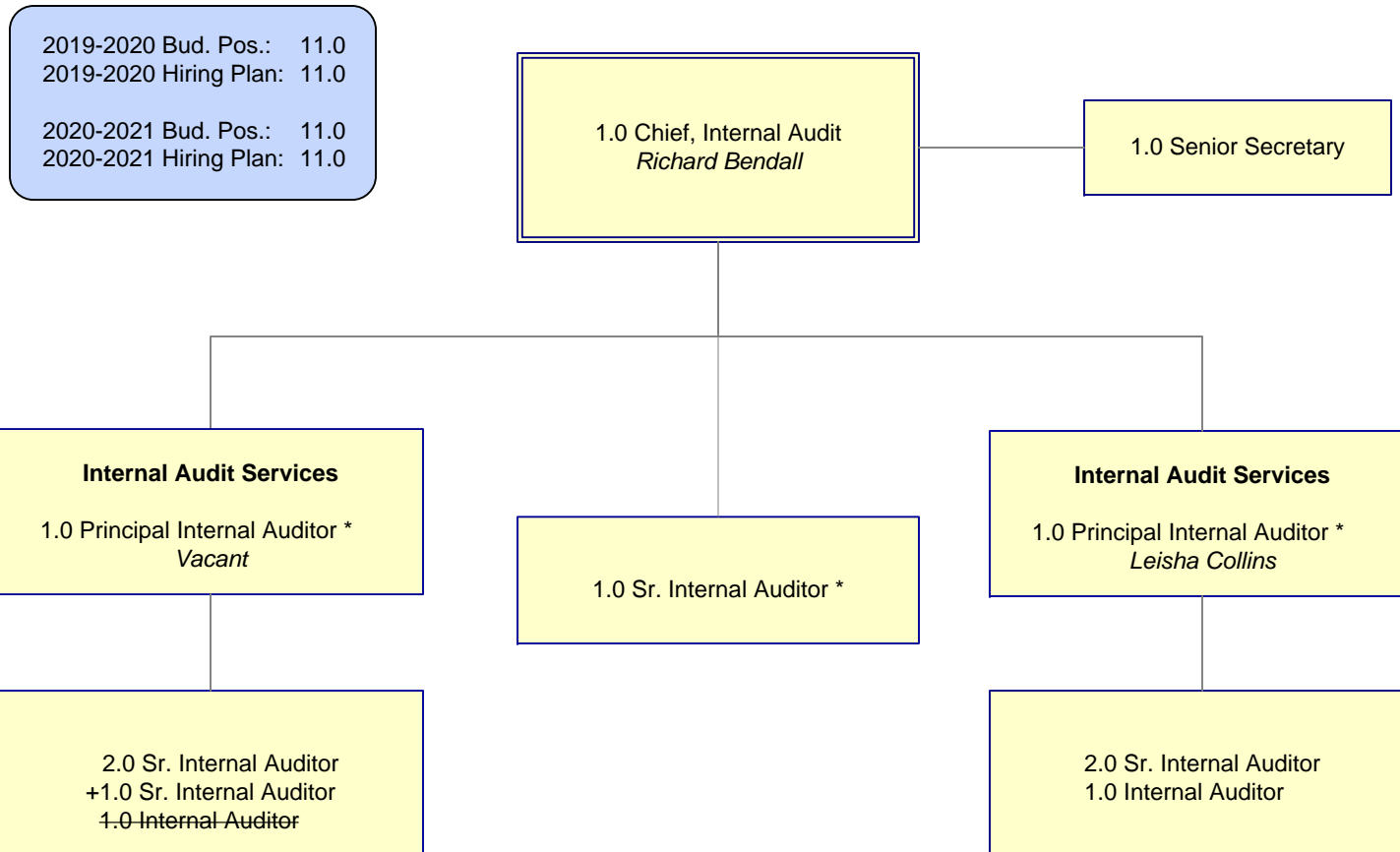
SERVICES AND SUPPLIES

Each fiscal year, Internal Audit prepares a risk-based Audit Plan, approved by the Audit Committee. The Audit Plan defines the allocation of audit resources and communicates Internal Audit planned activities and resource requirements. This provides the basis for the Chief Audit Executive (CAE) to ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed. Internal Audit continues to leverage the use of external resources to better meet the needs of the organization and ensure the Audit Plan is completed. The cost associated with these resources are a significant portion of the budget, \$400,000, which is for the

external financial audit, external IT security audits, and real estate advisor audits. The remainder of approximately \$50,000 is budgeted as a contingency amount for specialized ad hoc external audit needs. We have reduced this from \$450,000 budgeted in the current Fiscal Year to more closely reflect our anticipated needs and still provide a small amount for contingency. We have reduced our total S&S budget from \$539,500 in the current Fiscal Year to \$460,800 for Fiscal Year 2020-2021.

INTERNAL AUDIT

FISCAL YEAR 2020-2021



2019-2020 Bud. Pos.: 11.0
 2019-2020 Hiring Plan: 11.0
 2020-2021 Bud. Pos.: 11.0
 2020-2021 Hiring Plan: 11.0

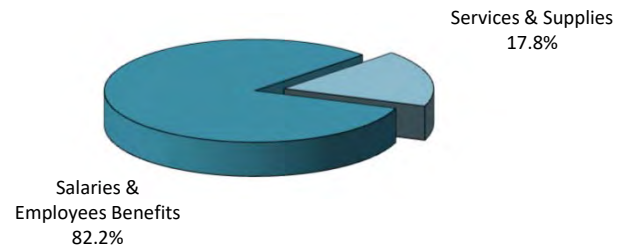
- + Added position
- Deleted position
- * Classification study for the position requested

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

INTERNAL AUDIT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|--|----------------------------------|-------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Salaries & Employees Benefits | \$2,121,686 | \$1,851,084 | \$813,963 | \$1,834,500 | \$287,186 | 15.7% | \$270,602 | 14.6% |
| Services & Supplies | 460,800 | 539,500 | 123,544 | 382,400 | \$78,400 | 20.5% | (78,700) | -14.6% |
| OPERATING BUDGET | \$2,582,486 | \$2,390,584 | \$937,507 | \$2,216,900 | \$365,586 | 16.5% | \$191,902 | 8.0% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

INTERNAL AUDIT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|--|-----------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,336,307 | \$1,168,866 | \$520,706 | \$1,154,800 | \$181,507 | 15.7% | \$167,441 | 14.3% |
| Total Agency Temp Salaries | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Employee Benefits (Variable) | 661,052 | 564,194 | 238,540 | 566,800 | 94,252 | 16.6% | 96,858 | 17.2% |
| Employee Benefits (Other) | 82,232 | 85,212 | 37,606 | 84,800 | (2,568) | -3.0% | (2,980) | -3.5% |
| OPEB Contribution | 34,296 | 25,312 | 16,226 | 25,200 | 9,096 | 36.1% | 8,983 | 35.5% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 4,800 | 3,000 | 390 | 1,000 | 3,800 | 380.0% | 1,800 | 60.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 1,500 | 1,500 | 0 | 0 | 1,500 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 1,500 | 3,000 | 496 | 1,900 | (400) | -21.1% | (1,500) | -50.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$2,121,686 | \$1,851,084 | \$813,963 | \$1,834,500 | \$287,186 | 15.7% | \$270,602 | 14.6% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$2,121,686 | \$1,851,084 | \$813,963 | \$1,834,500 | \$287,186 | 15.7% | \$270,602 | 14.6% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

INTERNAL AUDIT

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|----------------------------|--------|----------|----------------------|------------------|------------------------|-----------------------|-----------------------|
| 00774A | CHIEF, INTERNAL AUDIT | 1 | LS12 | 15,358 | 184,301 | | | |
| 00762A | PRINCIPAL INTERNAL AUDITOR | 2 | 114C | 21,857 | 262,281 | | | |
| 00763A | SENIOR INTERNAL AUDITOR | 5 | 107L | 45,818 | 549,811 | | | |
| 00764A | INTERNAL AUDITOR | 1 | 101H | 8,646 | 103,751 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 5,165 | 61,981 | | | |
| POSITIONS | | 10 | | | 1,162,125 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 00763A | SENIOR INTERNAL AUDITOR | 1 | 107L | 7,815 | 93,779 | | 70,334 | |
| 00764A | INTERNAL AUDITOR | 1 | 107L | 6,432 | 77,182 | | | |
| 00764A | INTERNAL AUDITOR | (1) | 101H | 6,432 | 77,182 | | | |
| POSITIONS | | 1 | | | 70,334 | 0 | 70,334 | 0 |
| TOTAL POSITIONS | | 11 | | | | | | |
| GROSS SALARIES | | | | | 1,232,459 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 21,568 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 15,007 | | | |
| BONUS | | | | | 67,272 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 1,336,307 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

INTERNAL AUDIT

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|------------|------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$11,500 | \$28,000 | \$9,392 | \$16,000 | (\$4,500) | -28.1% | (\$16,500) | -58.9% |
| OFFICE SUPPLIES & EQUIPMENT | 1,700 | 2,000 | 344 | 1,400 | 300 | 21.4% | (300) | -15.0% |
| PROFESSIONAL & SPEC. SRVCS. | 421,000 | 471,000 | 103,976 | 337,000 | 84,000 | 24.9% | (50,000) | -10.6% |
| EDUCATIONAL EXPENSES | 25,800 | 37,500 | 9,641 | 27,500 | (1,700) | -6.2% | (11,700) | -31.2% |
| MISCELLANEOUS | 800 | 1,000 | 192 | 500 | 300 | 60.0% | (200) | -20.0% |
| TOTAL | \$460,800 | \$539,500 | \$123,544 | \$382,400 | \$78,400 | 20.5% | (\$78,700) | -14.6% |

*All amounts rounded to the nearest dollar.



Mission

Prudently invest the Trust assets to achieve the highest risk-adjusted return in accordance with the policies and decisions of the Board of Investments.

INTRODUCTION

The Investment Office’s staff responsibilities include developing and recommending prudent investment policies and risk management strategies to assist LACERA towards achieving the return objectives established by the Board of Investments. The Investment Office’s staff is also responsible for implementing and monitoring Board-approved programs and policies.

BACKGROUND

On an ongoing basis, the Investment Office implements LACERA’s strategic asset allocation. As part of this effort, the Investment Office’s staff works to optimize asset category returns through structure reviews, monitoring existing investments, and performing diligence on prospective mandates. The team takes a total portfolio approach that incorporates ESG factors in its analysis. The Investment Office balances risks such as leverage and illiquidity with its goal of optimizing risk-adjusted returns.

A challenge that the Investment Office faces is achieving the target rate of return in an environment of more muted expectations from all asset classes. To confront this, the Investment Office continues to increase its focus on risk management, proper portfolio diversification, and LACERA-friendly fee models.

In the recent period, the Investment Office has successfully reorganized and expanded investment categories into functional asset classes such as Credit and Real Assets and is making increased use of alternative investment structures. LACERA’s most important

resource is its people. Towards this end, the Investment Office has expanded its staffing by almost 40 percent over the past several years. The greater depth of investment talent best positions the Fund to meet its goals in a challenging macro-economic environment.

Over the coming years, the Investment Office plans to evaluate additional co-investment opportunities, research internal management, embrace new risk modeling including ESG considerations, and increase its focus on cross-asset category collaboration. For additional information, please see the 2020 Investments Division Work Plan, which is located in the Strategic Plans. This plan continues the strategic journey of morphing from an allocator to an investor.

STAFFING

For Fiscal Year 2020-2021 the Investment Office is not requesting a change in the number of budgeted positions. The Investment Office's organizational chart has been updated to align the team with LACERA's functional asset allocation framework.

SERVICES AND SUPPLIES

There is a slight reduction in the proposed Fiscal Year 2020-2021 Supplies and Services budget compared to the approved Fiscal Year 2019-2020 budget primarily due to a proposed reduction in travel.

INVESTMENT OFFICE

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 44.0
2019-2020 Hiring Plan: 43.0

2020-2021 Bud. Pos.: 44.0
2020-2021 Hiring Plan: 43.0

1.0 Chief Investment Officer
Jonathan Grabel

Pending Board of Supervisors Approval

1.0 Deputy Chief Investment Officer ∅
TBD

1.0 Sr. Mgmt. Secretary

REAL ASSET AND INFLATION HEDGES

GROWTH ASSETS

CREDIT AND RISK MITIGATING STRATEGIES

PORTFOLIO ANALYTICS

Co-Head and PIO for Real Estate

1.0 Principal Investment Officer

John McClelland

Co-Head and PIO for Real Assets (Infrastructure and Natural Resources)

1.0 Principal Investment Officer

Jim Rice

Co-Head and PIO for Global Equity

1.0 Principal Investment Officer

Edward Wright

Co-Head and PIO for Private Equity

1.0 Principal Investment Officer

Christopher Wagner

PIO for Credit and Risk Mitigating Strategies

1.0 Principal Investment Officer

Vache Mahseredjian

PIO for Portfolio Analytics

1.0 Principal Investment Officer

Jude Perez

2.0 Finance Analyst III
2.0 Finance Analyst II
1.0 Finance Analyst II ^
1.0 Finance Analyst I*
1.0 Finance Analyst I
1.0 Sr. Secretary

2.0 Finance Analyst III
1.0 Finance Analyst II

2.0 Finance Analyst III
2.0 Finance Analyst II
1.0 Finance Analyst II ^
1.0 Finance Analyst I*
1.0 Sr. Secretary

1.0 Sr. Investment Officer
4.0 Finance Analyst III
2.0 Finance Analyst II
1.0 Sr. Secretary

1.0 Sr. Investment Officer
3.0 Finance Analyst III
1.0 Finance Analyst II
1.0 Finance Analyst I

2.0 Sr. Investment Officer
1.0 Finance Analyst III
1.0 Finance Analyst II
1.0 Finance Analyst I

* Classification study for the position requested.

^ Position upgrade from Finance Analyst I to Finance Analyst II as a result of classification study (Classification study finalized on June 10, 2019.).

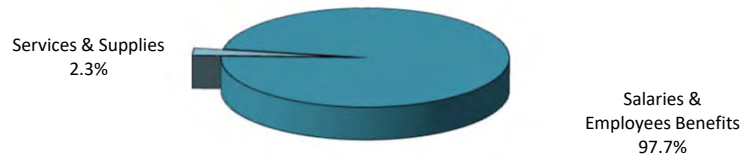
∅ Not yet approved by Board of Supervisors

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

INVESTMENT OFFICE

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|---------------------|--------------------|---|--------------------|---|--------------------|--------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$14,096,963 | \$12,361,834 | \$5,426,504 | \$12,358,250 | \$1,738,713 | 14.1% | \$1,735,129 | 14.0% |
| Services & Supplies | 337,300 | 564,400 | 160,025 | 441,000 | (103,700) | -23.5% | (227,100) | -40.2% |
| OPERATING BUDGET | \$14,434,263 | \$12,926,234 | \$5,586,529 | \$12,799,250 | \$1,635,013 | 12.8% | \$1,508,029 | 11.7% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2020-2021

SALARIES AND EMPLOYEE BENEFITS SUMMARY

INVESTMENT OFFICE

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------|------------------------|-------------|--------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$9,344,757 | \$8,031,215 | \$3,768,774 | \$8,349,800 | \$994,957 | 11.9% | \$1,313,542 | 16.4% |
| Total Agency Temp Salaries | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Employee Benefits (Variable) | 3,930,135 | 3,563,513 | 1,355,225 | 3,244,200 | 685,935 | 21.1% | 366,622 | 10.3% |
| Employee Benefits (Other) | 575,043 | 585,486 | 238,808 | 582,600 | (7,557) | -1.3% | (10,443) | -1.8% |
| OPEB Contribution | 239,828 | 173,920 | 62,435 | 173,050 | 66,778 | 38.6% | 65,908 | 37.9% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 1,000 | 0 | 0 | 0 | 1,000 | 0.0% | 1,000 | 0.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 1,200 | 1,200 | 0 | 0 | 1,200 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 5,000 | 6,500 | 1,263 | 8,600 | (3,600) | -41.9% | (1,500) | -23.1% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$14,096,963 | \$12,361,834 | \$5,426,504 | \$12,358,250 | \$1,738,713 | 14.1% | \$1,735,129 | 14.0% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$14,096,963 | \$12,361,834 | \$5,426,504 | \$12,358,250 | \$1,738,713 | 14.1% | \$1,735,129 | 14.0% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

INVESTMENT OFFICE

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
|--|--|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00493A | CHIEF INVESTMENT OFFICER (UC) | 1 | LR28 | 54,293 | 651,521 | | | |
| 00495A | PRINCIPAL INVESTMENT OFFICER | 2 | LR23 | 73,557 | 882,682 | | | |
| 00496A | PRINCIPAL INVESTMENT OFFICER (UC) | 4 | LR23 | 121,791 | 1,461,487 | | | |
| 00492A | SENIOR INVESTMENT OFFICER | 4 | LR20 | 90,994 | 1,091,929 | | | |
| 00769A | FINANCE ANALYST III | 11 | LR16 | 210,001 | 2,520,012 | | | |
| 00768A | FINANCE ANALYST II | 9 | LR12 | 110,752 | 1,329,021 | | | |
| 00767A | FINANCE ANALYST I | 3 | 104F | 27,256 | 327,077 | | | |
| 00441A | SENIOR MANAGEMENT SECRETARY | 1 | 96H | 7,550 | 90,598 | | | |
| 00439A | SENIOR SECRETARY | 3 | 88H | 18,232 | 218,785 | | | |
| POSITIONS | | | | | 38 | | | |
| | | | | | | 8,573,112 | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 99999A | DEPUTY CHIEF INVESTMENT OFFICER (UC) Ø | 1 | LR24 | 24,531 | 294,367 | | | |
| 00769A | FINANCE ANALYST III | 3 | LR16 | 13,754 | 165,052 | | | 247,579 |
| 00768A | FINANCE ANALYST II | 2 | LR12 | 10,299 | 123,591 | | | |
| 00769A | FINANCE ANALYST I | 2 | 104F | 10,299 | 123,591 | | | |
| 00769A | FINANCE ANALYST I | (2) | 104F | 10,299 | 123,591 | | | |
| | | | | | | 0 | 0 | 247,579 |
| POSITIONS | | | | | 6 | | | |
| | | | | | | 247,579 | | |
| TOTAL POSITIONS | | | | | 44 | | | |
| GROSS SALARIES | | | | | | 8,820,691 | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | | 154,362 | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | | 238,100 | | |
| BONUS | | | | | | 131,604 | | |
| 120-DAY RETIREE(S) | | | | | | 0 | | |
| TOTAL SALARIES | | | | | | 9,344,757 | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 Ø Not yet approved by the Board of Supervisors and is calculated at 0 percent filled.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

INVESTMENT OFFICE

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|------------|------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| AUTO EXPENSE | \$0 | \$3,400 | \$0 | \$0 | \$0 | 0.0% | (\$3,400) | -100% |
| TRANSPORTATION & TRAVEL | 220,000 | 406,000 | 91,138 | 305,000 | (85,000) | -27.9% | (186,000) | -45.8% |
| OFFICE SUPPLIES & EQUIPMENT | 5,000 | 6,000 | 1,408 | 5,000 | 0 | 0.0% | (1,000) | -16.7% |
| EDUCATIONAL EXPENSES | 104,800 | 143,500 | 62,767 | 123,500 | (18,700) | -15.1% | (38,700) | -27.0% |
| MISCELLANEOUS | 7,500 | 5,500 | 4,712 | 7,500 | 0 | 0.0% | 2,000 | 36.4% |
| TOTAL | \$337,300 | \$564,400 | \$160,025 | \$441,000 | (\$103,700) | -23.5% | (\$227,100) | -40.2% |

*All amounts rounded to the nearest dollar.



Mission

To provide timely and effective legal representation, advice, and counsel at the highest professional level to LACERA, the Board of Retirement and the Board of Investments, and executive management and staff.

INTRODUCTION

The Legal Services Office provides comprehensive legal services to LACERA and its Boards and staff. These services currently are provided through the Chief Counsel, four sections within the Office (Benefits, Disability, Investments, and Litigation), and the Legislative Affairs Officer.

While the Office is performing well now across its areas of specialization, our staffing must evolve over time to meet the changing needs of the organization. Our staffing challenges fall in the areas of (1) Benefits, to ensure adequate expert legal resources into the future, (2) Investments, to ensure that we keep up with the sophistication of investment operations and build our in-house resources so that we further reduce the use of outside counsel, and (3) Compliance, to bolster the operational lines of defense within the organization by providing a compliance leader to work with subject matter experts in LACERA's other divisions. To maintain austerity in the current environment, the Office will defer additional attorneys in the Benefits and Investments Sections this year; our current excellent teams in these sections will be able to provide strong support for client needs in FY 2020-2021. The Office expects to address these needs in the FY 2021-22 budget. The Office's Compliance goal does not require an increase in approved headcount because the Director of Compliance position, while still pending finalization of a class specification and Board of Supervisors' approval, was included in the FY 2019-

2020 budget. The Office intends to pursue the Director of Compliance position in FY 2020-2021 and plans to fill that position during the year because it is a priority need.

The Office's FY 2020-2021 budget continues to include the Principal Counsel positions not yet approved by the Board of Supervisors. These positions, when approved, will enable better management of the Office by freeing Chief Counsel to focus on strategic planning projects with the Executive Office and the managers of LACERA's other divisions, by enhancing the development of higher-level expertise and management experience within the Office, and by improving succession planning. It is expected that these positions will not be filled in FY 2020-2021.

Even as the Office's staffing grows in capability and as demand for legal services within the organization continues to expand, we will strive in FY 2020-2021 to be more efficient. Therefore, we have reduced the Services and Supplies budget to reflect greater care in the management of these expenses.

STAFFING

A. Classification Studies

The Office's organizational chart includes two classification studies that continue studies approved in prior years. These studies are intended to provide the Office with the ability to place staff in positions that accurately reflect their level of expertise, performance, and responsibility.

- 1. Staff Counsel:** The organizational chart for the Legal Services Office shows a classification study for Staff Counsel in all sections of the Office so that promotional opportunities are available as may be warranted by performance and responsibilities. The Senior Staff Counsel position is an existing classification. Accordingly, this study will evaluate the work of the Staff Counsel position in these sections to determine if they conform to the requirements of the Senior Staff Counsel classification. This study is important to ensure that staff are properly placed. This study was approved in past years and continues for FY 2020-2021.
- 2. Legal Analyst:** The Legal Analysts in the Office are being studied to determine whether a Senior Legal Analyst classification is warranted above the existing Legal Analyst classification in the Investments, Benefits, and Disability Sections. Legal Analysts perform paralegal work, and they assist the Office's attorneys in analyzing legal and factual issues, processing investments contracts, member benefit and disability issues, court documents, other matters, and interfacing with LACERA staff, members, and vendors. The new Senior Legal Analyst position, if warranted, would be used to recognize that certain Legal Analysts may come to have a supervisory role, perform more complex work (including legal work when the analyst possesses the necessary training), and have a higher degree of responsibility and interaction with internal clients, outside counsel, members, and/or opposing parties. These additional responsibilities require a higher level of expertise, experience, and

performance. This study was approved in past years and continues for FY 2020-2021.

B. Temporary Services and Overtime

The Agency Temporary budget will provide for temporary staff to cover Legal Office needs, such as potential attorney and clerical assistance for special projects and coverage for administrative staff absences on medical leave. The Office also has a need for overtime to support secretarial and Legal Analyst staff in the Investment Section of the Legal Office in keeping up with the very high volume and time-sensitive demands of the organization's investment work, in the Benefits Section of the Office to cover March Madness and other member service needs, and to complete compliance projects and other special assignments. However, the Office proposes to be more efficient in FY 2020-2021 in the use of temporary staff and overtime. The Legal Office will support organization-wide reductions in temporary staff and overtime.

SERVICES AND SUPPLIES

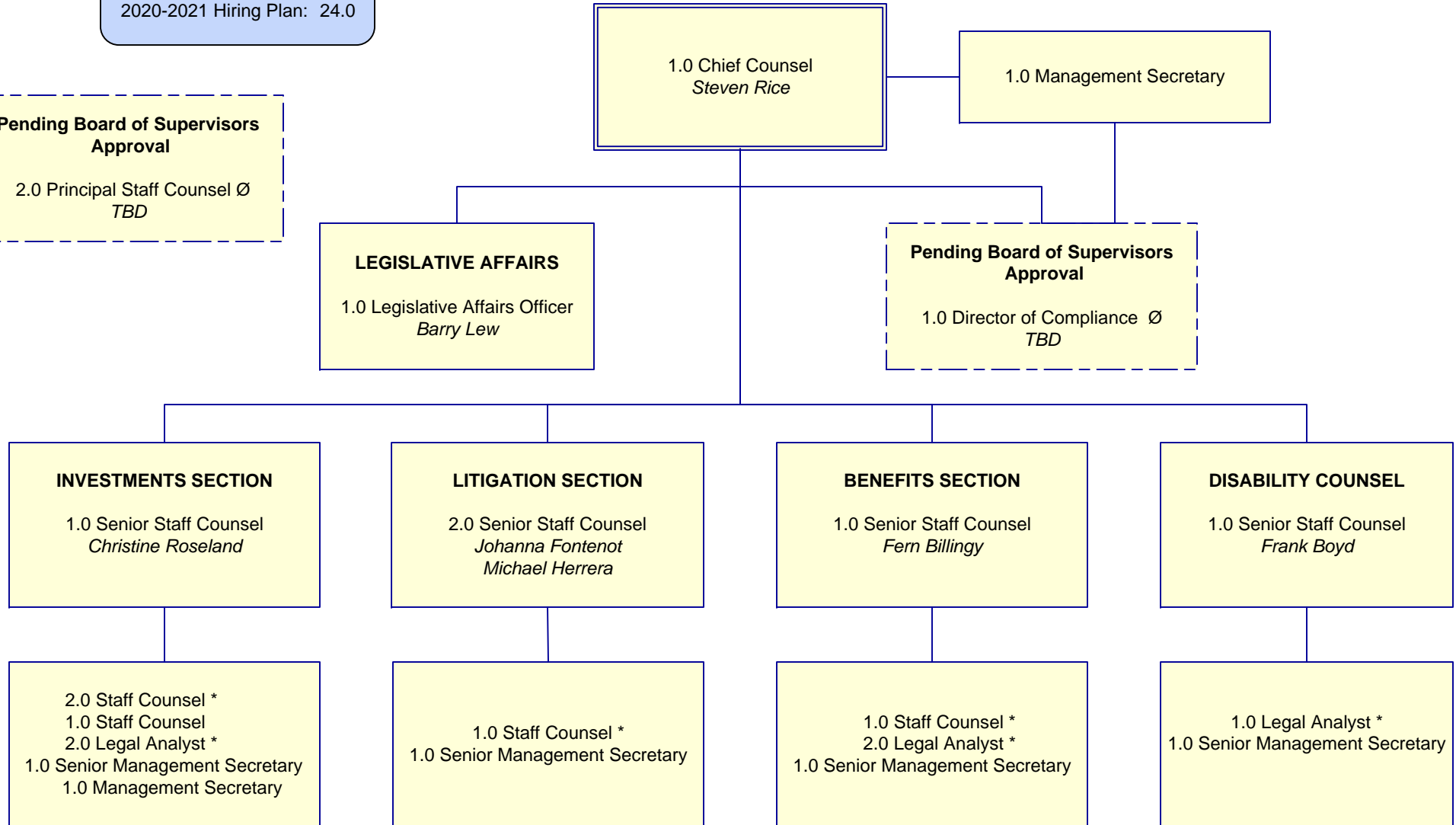
The budget for Services and Supplies is primarily based on historical expenditures, adjusted for experience. Expenses are proposed to be reduced across the board in FY 2020-2021, primarily through a focus on efficiency, reduction in the physical hard copy library in favor of electronic resources, allocation of education opportunities and organizational memberships to minimize if not eliminate travel, avoid duplication, increase the sharing of knowledge and information, and better management of outside legal resources. While outside legal resources is a difficult category to budget and control because it is dependent on unpredictable contingencies and claims as well as Board issues that may arise, the Office expects in FY 2020-2021 to be able to manage outside counsel assignments to reduce cost.

LEGAL SERVICES

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 26.0
 2019-2020 Hiring Plan: 24.0
 2020-2021 Bud. Pos.: 26.0
 2020-2021 Hiring Plan: 24.0

Pending Board of Supervisors Approval
 2.0 Principal Staff Counsel Ø
TBD



* Classification study for the position requested

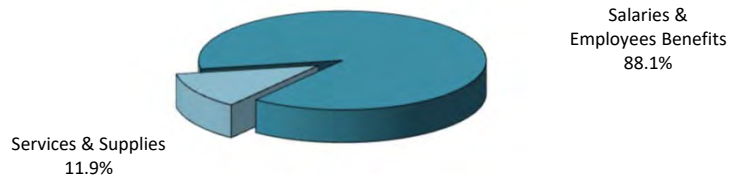
Ø Not yet approved by Board of Supervisors (1.0 Principal Staff Counsel in Investments and Litigation Team, 1.0 Principal Staff Counsel in Benefits and Disability Team, & 1.0 Director of Compliance in Legal Services)

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

LEGAL SERVICES

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|------------------|---|------------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$5,768,262 | \$5,385,123 | \$2,159,230 | \$4,974,338 | \$793,924 | 16.0% | \$383,139 | 7.1% |
| Services & Supplies | 781,200 | 1,051,300 | 846,675 | 1,379,400 | (598,200) | -43.4% | (270,100) | -25.7% |
| OPERATING BUDGET | \$6,549,462 | \$6,436,423 | \$3,005,905 | \$6,353,738 | \$195,724 | 3.1% | \$113,039 | 1.8% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

LEGAL SERVICES

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$3,527,207 | \$3,304,852 | \$1,379,972 | \$3,052,500 | \$474,707 | 15.6% | \$222,354 | 6.7% |
| Total Agency Temp Salaries | 53,500 | 60,000 | 11,127 | 58,000 | (4,500) | -7.8% | (6,500) | -10.8% |
| Employee Benefits (Variable) | 1,862,579 | 1,666,774 | 639,814 | 1,541,338 | 321,241 | 20.8% | 195,805 | 11.7% |
| Employee Benefits (Other) | 217,052 | 240,928 | 91,969 | 239,700 | (22,648) | -9.4% | (23,876) | -9.9% |
| OPEB Contribution | 90,524 | 71,568 | 34,545 | 71,200 | 19,324 | 27.1% | 18,956 | 26.5% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 12,500 | 35,000 | 389 | 6,000 | 6,500 | 108.3% | (22,500) | -64.3% |
| Bilingual Bonus | 2,400 | 0 | 700 | 2,100 | 300 | 14.3% | 2,400 | 0.0% |
| Sick Leave Buyback | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 2,500 | 6,000 | 713 | 3,500 | (1,000) | -28.6% | (3,500) | -58.3% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$5,768,262 | \$5,385,123 | \$2,159,230 | \$4,974,338 | \$793,924 | 16.0% | \$383,139 | 7.1% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$5,768,262 | \$5,385,123 | \$2,159,230 | \$4,974,338 | \$793,924 | 16.0% | \$383,139 | 7.1% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

LEGAL SERVICES

2020-2021 BUDGET

| <u>FILLED POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>ACTUAL MO. RATE</u> | <u>ANNUAL AMOUNT</u> | | | |
|--|------------------------------|---------------|-----------------|--------------------------|----------------------|----------------------------|---------------------------|---------------------------|
| 09216A | CHIEF COUNSEL | 1 | LS19 | 25,863 | 310,350 | | | |
| 09213A | SENIOR STAFF COUNSEL | 5 | LS16 | 99,545 | 1,194,535 | | | |
| 09212A | STAFF COUNSEL | 4 | LS12 | 57,693 | 692,319 | | | |
| 00795A | LEGISLATIVE AFFAIRS OFFICERS | 1 | 112C | 11,201 | 134,408 | | | |
| 09235A | LEGAL ANALYST | 5 | 099A | 38,118 | 457,416 | | | |
| 00441A | SENIOR MANAGEMENT SECRETARY | 3 | 96H | 22,649 | 271,794 | | | |
| 00440A | MANAGEMENT SECRETARY | 2 | 92H | 13,190 | 158,275 | | | |
| POSITIONS | | 21 | | | 3,219,097 | | | |
| <u>VACANT POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>1ST STEP MO. RATE</u> | <u>ANNUAL AMOUNT</u> | <u>FILLED AT 12 MONTHS</u> | <u>FILLED AT 9 MONTHS</u> | <u>FILLED AT 6 MONTHS</u> |
| 99999A | PRINCIPAL STAFF COUNSEL Ø | 2 | LS17 | 28,851 | 346,207 | | | |
| 99999A | DIRECTOR OF COMPLIANCE Ø | 1 | LS16 | 13,419 | 161,027 | | | |
| 09212A | STAFF COUNSEL | 1 | LS12 | 10,299 | 123,591 | 123,591 | | |
| 00441A | SENIOR MANAGEMENT SECRETARY | 1 | 96H | 5,756 | 69,075 | | 51,806 | |
| | | | | | | 123,591 | 51,806 | 0 |
| POSITIONS | | 5 | | | 175,398 | | | |
| TOTAL POSITIONS | | 26 | | | | | | |
| GROSS SALARIES | | | | | 3,394,494 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 59,404 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 65,916 | | | |
| BONUS | | | | | 7,392 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 3,527,207 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 Ø Not yet Board of Supervisors approved and is calculated at 0 percent filled.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

LEGAL SERVICES

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------|---------------------------|------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| AUTO EXPENSE | \$3,400 | \$4,700 | \$1,240 | \$4,100 | (\$700) | -17.1% | (\$1,300) | -27.7% |
| TRANSPORTATION & TRAVEL | 23,000 | 49,800 | 7,988 | 38,700 | (15,700) | -40.6% | (26,800) | -53.8% |
| OFFICE SUPPLIES & EQUIPMENT | 6,000 | 7,500 | 1,654 | 6,000 | 0 | 0.0% | (1,500) | -20.0% |
| PROFESSIONAL & SPEC. SRVCS. | 252,300 | 300,300 | 214,852 | 460,300 | (208,000) | -45.2% | (48,000) | -16.0% |
| LEGAL FEES & SERVICES | 395,000 | 532,000 | 577,887 | 746,500 | (351,500) | -47.1% | (137,000) | -25.8% |
| EDUCATIONAL EXPENSES | 99,500 | 154,000 | 41,646 | 122,000 | (22,500) | -18.4% | (54,500) | -35.4% |
| MISCELLANEOUS | 2,000 | 3,000 | 1,407 | 1,800 | 200 | 11.1% | (1,000) | -33.3% |
| TOTAL | \$781,200 | \$1,051,300 | \$846,675 | \$1,379,400 | (\$598,200) | -43.4% | (\$270,100) | -25.7% |

*All amounts rounded to the nearest dollar.



Mission

To provide world-class service in a positive, supportive, professional, and equitable manner through any channel the member chooses. We will strive at all times to provide accurate, clear, and common-language explanations of all plans, plans options, purchases, purchase options, and retirement-related issues. We will strive to function as a team working together to fulfill our assigned mission of servicing members.

INTRODUCTION

With more than 174,000 members, beneficiaries and survivors to serve, LACERA's Member Services Division is focused on providing world-class service to those who rely on us. The Member Services Division received more than 137,000 phone calls during the past fiscal year and counseled more than 20,000 members in our Pasadena Member Service Center. Member Service's staff members also participated in 467 educational workshops and events this past fiscal year that were attended by more than 18,000 members.

Member Services goal for FY 2020-2021 is to reach full staffing of all of the 79 positions our Board of Retirement has authorized for our Division. This year we will fill all vacant positions and reallocate some positions within the Division to increase service and operational efficiency. Member Services is not asking for more positions this fiscal year.

STAFFING

Member Services has faced chronic staffing shortages. We have 79 positions allocated to Member Services and although we have made progress addressing the shortage of staff much more needs to be done.

Over the past year, LACERA's Quality Assurance and Metrics Division, which is the training arm of benefit operations, has delivered to Member Services well-trained graduates of the LACERA Core Benefits Training program. The quantity of newly trained staff members are now at a volume that the staffing shortage in Member Services is ending. Success is shown by the September 2018 graduation of another Core Benefits Training class where Member Services received seven newly trained Retirement Benefits Specialists and in December 2019, we received 10 more new Specialists. It is anticipated in October 2020 Member Services will receive nine more Specialists who will initially be trained in Call Center operations.

Currently, Member Services has five vacant positions and several positions filled by staff members on long-term leave. Member Services required another Core Benefits Training class to fill current and future job openings. Working with LACERA business partners of Quality Assurance and Metrics, Human Resources, Benefits and the Executive Office this class is expected to begin October 2020 with an anticipated graduation date of October 2021. With the graduation of this class, Member Services will finally become fully staffed.

The focus for this fiscal year is to fully staff our Division and to increase efficiently that will produce a higher level of service to our membership. As more staff resources come on line in Member Services some of these Specialists will be allocated to our Member Service Center. This will allow our Retirement Benefits Specialist III's, who have been managing the counseling duties in the Service Center, the opportunity to move back into the field presenting educational workshops and attending events at worksites throughout the County. This is an exciting opportunity to have more LACERA Specialists out of the office to meet our members more frequently, and earlier in their careers, to educate them on their promised LACERA retirement benefits.

Overtime

For Member Services to continue to provide Saturday Workshops and individual counseling in the Member Service Center, support our Benefits business partners in processing contracts and to continue to provide Saturday Neighborhood Workshops we need a budget for Overtime. These activities are all funded through an overtime budget.

During fiscal year 2018-2019, Member Services expanded Saturday Workshops and counseling from mid-January to the end of March, essentially the heart of our March Madness retirement season. The response from our members was enthusiastic and appreciative. For Fiscal Year 2019-2020, we expanded this service by offering Saturday Workshops and counseling nearly every Saturday between November and March. Only on Holiday weekends did Member Services not offer Saturday services.

The County of Los Angeles is a 24-hour a day, seven day a week operation. Having service available to our members over all days and hours other than Monday through Friday is very convenient for many of our members. A way to provide these Saturday services on a more sustainable basis would be to make Saturday a normal workday by offering alternative work schedules such as four, 10-hour days. For now, these services are funded through overtime.

The requested overtime budget for Fiscal Year 2020-2021 is \$130,500 that is similar to the expenditures of Fiscal Year 2017-2018 and Fiscal Year 2018-2019.

Agency Temporary Employees

Member Services has ended the practice of staffing the front desk in the MSC with Agency Temporary employees. Our members will see an improvement in service by being greeted by a well-trained, experienced and knowledgeable full-time permanent Retirement Benefit Specialist.

SERVICES AND SUPPLIES

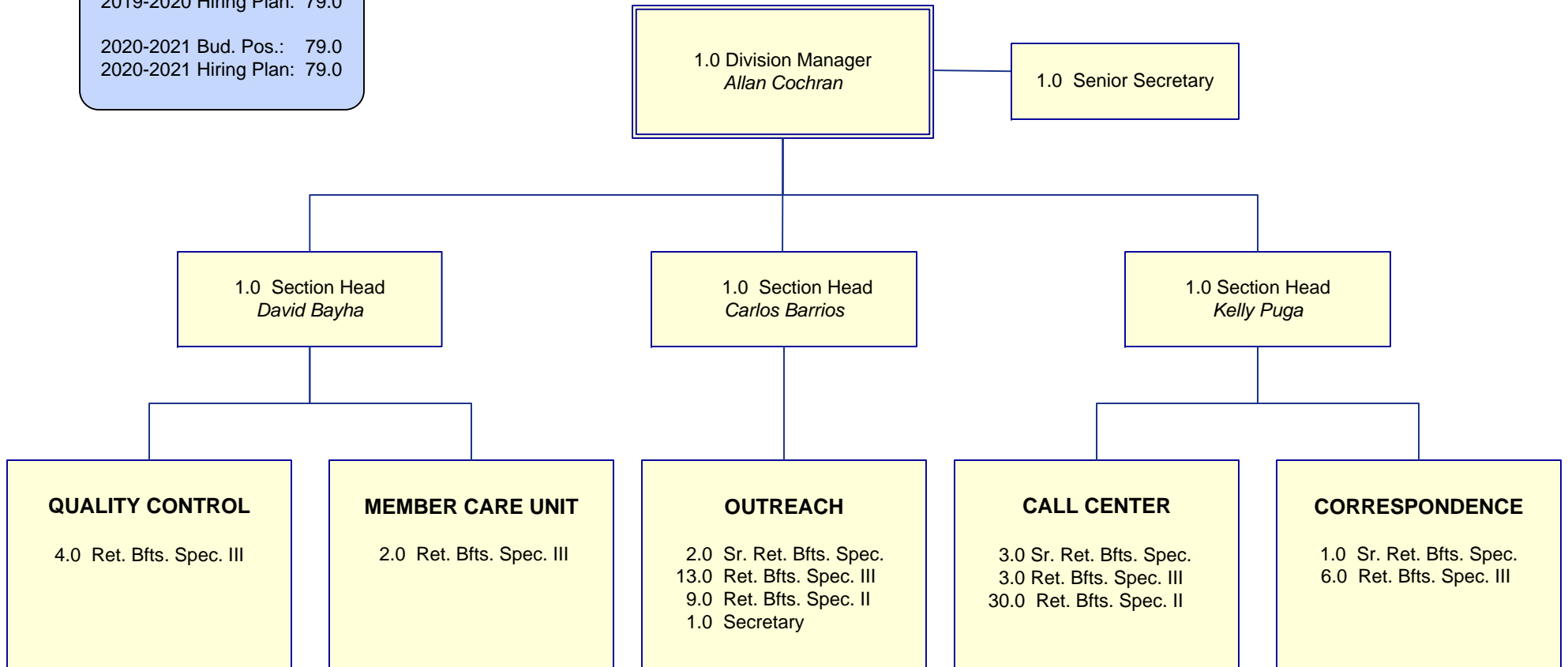
The services and supplies budget request is similar to past years based on actual and historical expenditure trends.

MEMBER SERVICES DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 79.0
2019-2020 Hiring Plan: 79.0

2020-2021 Bud. Pos.: 79.0
2020-2021 Hiring Plan: 79.0

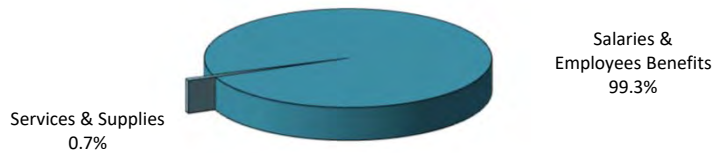


LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

MEMBER SERVICES

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|--------------------|---|------------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$9,691,407 | \$8,919,633 | \$3,695,028 | \$8,431,159 | \$1,260,248 | 14.9% | \$771,774 | 8.7% |
| Services & Supplies | 69,800 | 95,000 | 24,658 | 86,200 | (16,400) | -19.0% | (25,200) | -26.5% |
| OPERATING BUDGET | \$9,761,207 | \$9,014,633 | \$3,719,686 | \$8,517,359 | \$1,243,848 | 14.6% | \$746,574 | 8.3% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

MEMBER SERVICES

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$6,006,252 | \$5,401,556 | \$2,255,707 | \$5,046,200 | \$960,052 | 19.0% | \$604,697 | 11.2% |
| Total Agency Temp Salaries | 0 | 160,700 | 60,114 | 120,250 | (120,250) | -100.0% | (160,700) | -100.0% |
| Employee Benefits (Variable) | 2,994,104 | 2,677,523 | 1,052,119 | 2,501,209 | 492,895 | 19.7% | 316,581 | 11.8% |
| Employee Benefits (Other) | 369,603 | 393,780 | 157,398 | 391,800 | (22,197) | -5.7% | (24,177) | -6.1% |
| OPEB Contribution | 154,147 | 116,974 | 61,103 | 116,400 | 37,747 | 32.4% | 37,174 | 31.8% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 130,500 | 119,500 | 95,988 | 213,000 | (82,500) | -38.7% | 10,999 | 9.2% |
| Bilingual Bonus | 16,800 | 21,600 | 7,250 | 15,600 | 1,200 | 7.7% | (4,800) | -22.2% |
| Sick Leave Buyback | 10,000 | 10,000 | 3,096 | 10,000 | 0 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 10,000 | 18,000 | 2,253 | 16,700 | (6,700) | -40.1% | (8,000) | -44.4% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$9,691,407 | \$8,919,633 | \$3,695,028 | \$8,431,159 | \$1,260,248 | 14.9% | \$771,774 | 8.7% |
| Salary Differential ** | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$9,691,407 | \$8,919,633 | \$3,695,028 | \$8,431,159 | \$1,260,248 | 14.9% | \$771,774 | 8.7% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

MEMBER SERVICES

2020-2021 BUDGET

| <u>FILLED POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>ACTUAL MO. RATE</u> | <u>ANNUAL AMOUNT</u> | | | |
|--|---------------------------------------|---------------|-----------------|--------------------------|----------------------|----------------------------|---------------------------|---------------------------|
| 00773A | DIVISION MANAGER | 1 | LS12 | 13,438 | 161,259 | | | |
| 00772A | SECTION HEAD, LACERA | 3 | LS9 | 32,121 | 385,451 | | | |
| 01312A | SENIOR RETIREMENT BENEFITS SPECIALIST | 5 | 100G | 39,448 | 473,376 | | | |
| 01311A | RETIREMENT BENEFITS SPECIALIST III | 25 | 95B | 171,243 | 2,054,913 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 5,756 | 69,075 | | | |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | 38 | 88G | 187,469 | 2,249,624 | | | |
| 00438A | SECRETARY | 1 | 82E | 5,268 | 63,216 | | | |
| | POSITIONS | 74 | | | 5,456,914 | | | |
| <u>VACANT POSITIONS</u> | | <u># POS.</u> | <u>SCHEDULE</u> | <u>1ST STEP MO. RATE</u> | <u>ANNUAL AMOUNT</u> | <u>FILLED AT 12 MONTHS</u> | <u>FILLED AT 9 MONTHS</u> | <u>FILLED AT 6 MONTHS</u> |
| 01312A | SENIOR RETIREMENT BENEFITS SPECIALIST | 1 | 100G | 6,400 | 6,400 | 76,804 | | |
| 01311A | RETIREMENT BENEFITS SPECIALIST III | 3 | 95B | 5,520 | 5,520 | 198,710 | | |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | 1 | 88G | 4,622 | 4,622 | | 41,600 | |
| | POSITIONS | 5 | | | 317,114 | 275,515 | 41,600 | 0 |
| TOTAL POSITIONS | | | | | 79 | | | |
| GROSS SALARIES | | | | | | 5,774,028 | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | | 101,045 | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | | 118,714 | | |
| BONUS | | | | | | 12,466 | | |
| 120-DAY RETIREE(S) | | | | | | 0 | | |
| TOTAL SALARIES | | | | | | 6,006,252 | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

MEMBER SERVICES

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-----------------------------|---------------------------------|---------------------------|-----------------|-----------------|---|---------------|---|---------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$22,000 | \$42,000 | \$13,949 | \$39,000 | (\$17,000) | -43.6% | (\$20,000) | -47.6% |
| OFFICE SUPPLIES & EQUIPMENT | 15,000 | 15,000 | 3,537 | 12,600 | 2,400 | 19.0% | 0 | 0.0% |
| EDUCATIONAL EXPENSES | 21,500 | 26,700 | 2,895 | 23,200 | (1,700) | -7.3% | (5,200) | -19.5% |
| MISCELLANEOUS | 11,300 | 11,300 | 4,278 | 11,400 | (100) | -0.9% | 0 | 0.0% |
| TOTAL | \$69,800 | \$95,000 | \$24,658 | \$86,200 | (\$16,400) | -19.0% | (\$25,200) | -26.5% |

*All amounts rounded to the nearest dollar.

QUALITY ASSURANCE & METRICS

Budget Request Highlights

Fiscal
Year

2020-2021

Mission

To provide the promised benefits to our members in a timely and accurate manner by training and monitoring staff's quality and improving our business processes.

INTRODUCTION

The Quality Assurance & Metrics Division (QA) audits the quality of the work performed by LACERA for our members and provides employee development and new-hire training.

Quality Auditing

QA provides independent monthly review of and reports on the business processes performed by Benefits. The accuracy and completeness of business transactions are measured by audit criteria agreed upon by both auditor and auditee. Audit criteria weigh compliance with the retirement law, financial risk to the fund, and quality of the work completed. The quality audit supports continual improvement initiatives by identifying audit trends, process performance, effectiveness of controls, and training needs. Additionally, QA compiles and reports out on various surveys that measure the quality of the services our members receive from Benefits and Member Services.

Employee Development

To help support continuity of work quality, employee development, and performance improvement within LACERA, Quality Assurance also addresses three levels of training. Although these programs primarily serve the Benefits, Member Services, Disability Retirement Services, and Retiree Health Care Divisions, they are offered to all LACERA staff upon request.

The CORE Benefit Administration (CBA) Training program takes place over 12-months, alternating classroom instruction and practice with periods of actual processing of member requests. All training production work is checked before being finalized. In order to maintain continuity, training materials are reviewed and updated before each session to reflect changes in the retirement law, LACERA business policy, and changes to systems processing. In 2019, QA conducted our second such training with 13 participants, trained and evaluated by nine QA instructors on 22 Benefits processes. The trainees process approximately 1,200 to 2,300 member requests during the production periods.

This year, QA conducted 16 three-day modules for Continuing Education Training (veteran staff) in which 18 Benefits employees participated. In 2019, QA's seven-person training team conducted both the veteran and the CORE Benefits training. Veteran classes were scheduled during each of the CORE Benefits production periods. QA is also developing eLearning modules to broaden our blended learning approach. This offers a combination of interactive learning complimented with face-to-face learning and as well as easily accessed refresher information. This year QA also conducted phase II of the Advanced CERL Education Pilot Program. There are currently five participants from four different divisions. Each of the six modules comprises six half-day sessions and approximately 40 hours of trainer preparation as well as approximately 20 hours of evaluation and summary. The ACE program will run until June 2020, after which it will be evaluated for effectiveness and a determination will be made as to whether it will continue

Special Projects

QA Senior Auditors analyze, test, and validate new procedures, calculations, legislation, and system benefit-calculation programming, such as beta testing the benefit calculation engine, validating mass contribution rate changes, validating member account adjustments for the felony conviction process, and analyzing new County pay codes. Pay code analysis can take from 90 minutes to several weeks depending upon availability of information, and the extent of coordination needed between LACERA's Quality Assurance, Legal Division, and Executive Office, and the County Auditor Controller. The Quality Analysts also performed annual Census Testing of 30 randomly selected member records. As part of LACERA's Quality Eco-System, Quality Assurance also collaborates with other divisions to facilitate data clean-up projects as directed by LACERA's strategic goals.

Successes

Our Core Benefits Training goal is to develop the trainees to the extent that upon graduation participants achieve 95 percent accuracy. The graduating class of December 2019 had an average score of 95.63 percent. In 2019, five out of six processes met the 95 percent targeted accuracy rate.

QA's work with special projects offered insight on certain benefits processes that can be moved to the Member Portal and on streamlining access to the non-member salary file from the Auditor-Controller for efficiency in processing County Temporary Time.

Impact

The training programs are a control that mitigates error, establishes consistency and continuity in processing, and reduces re-work. This ensures quality service, reduces administrative appeals, and escalations, and improves customer and employee satisfaction.

The pay code analysis ensures compliance with CERL/PEPRA in regard to pensionable earnings. It also ensures qualifying salaries are included in the FAC and accuracy in benefit calculation. The Systems estimate calculator audit helps ensure that our system complies with CERL/ PEPRA; and aligns with actuarial assumptions. It safeguards the integrity of our data, thereby reducing financial loss and administrative appeal activity.

Challenges

This year the primary challenge has been allocating resources between the audit and training since most of the quality auditors in QA perform both tasks. Our initial review of the operations indicates that we may need additional staffing to meet the ongoing needs. Staff have been asked to work on their "off days" (most staff are on the 9/80 schedule) in order to meet the current demands.

QA has begun an evaluation process of the workloads and efficiencies of the division. The initial review focused on evaluating how long it takes the current staff to perform work. This analysis is

being reviewed for accuracy based on new functionality provided by Workspace. The next phase of this review will involve looking at work procedures and scheduling methodologies to ensure that we are maximizing efficiency. At the end of this review we may request additional staff members.

QA needs to develop a Learning Management System (LMS) that will enable us to store, access, and manage all our online learning as well as catalog courses and manage participation. In addition, QA needs equipment. Proven learning theory supports training materials in color. Since 2004, Quality Assurance has used various other divisions' color printers or requested color printing from Administrative Services. Due to the volume and frequency of our color printing needs, using other divisions' color printers is not efficient or expedient. Storage boxes and space is limited. QA needs scanning technology to digitize training record documents and eliminate the need for physical storage.

STAFFING REQUEST

There are currently two vacancies in the division, which we plan to fill in FY 2020-2021. As we are currently reviewing and developing operational metrics which will be used to make data driven decisions regarding staffing, we are not asking for any additional staffing at this time.

SERVICES AND SUPPLIES

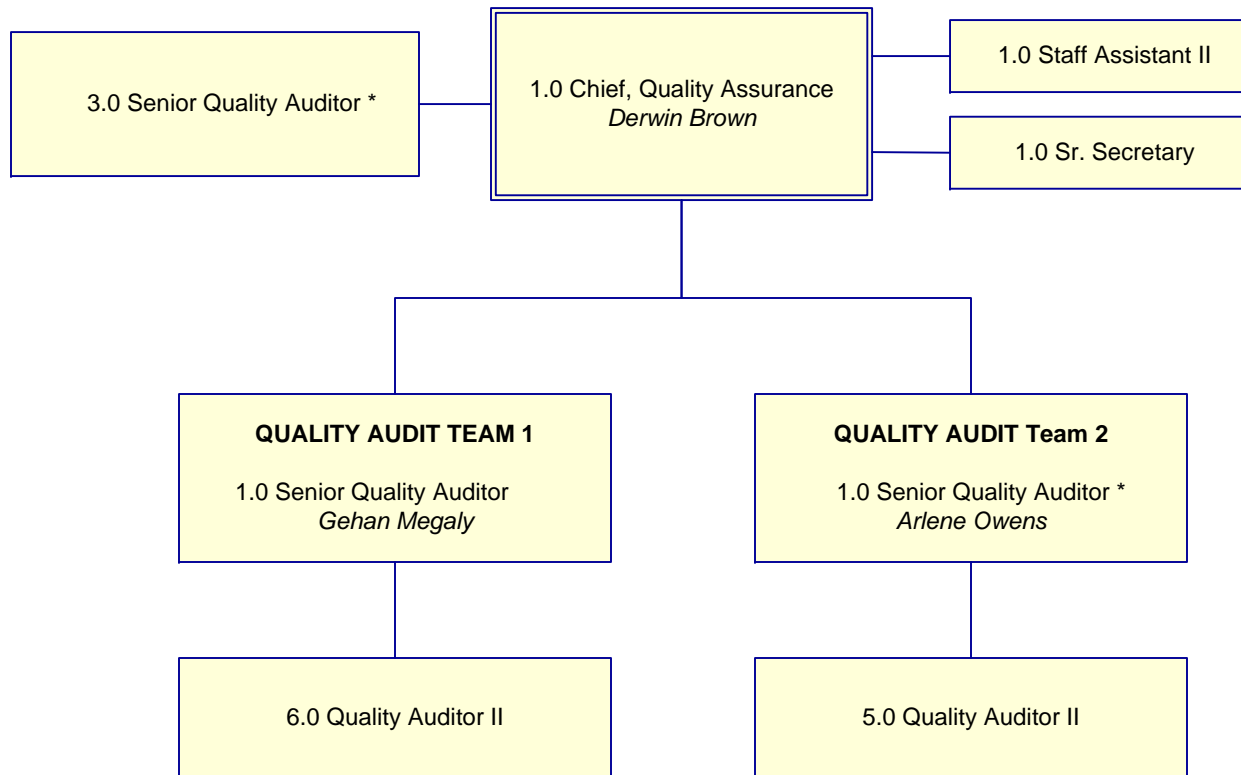
Our request for services and supplies has decreased based on divisional restructuring for lean operating efficiency.

QUALITY ASSURANCE DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 19.0
 2019-2020 Hiring Plan: 19.0

2020-2021 Bud. Pos.: 19.0
 2020-2021 Hiring Plan: 19.0



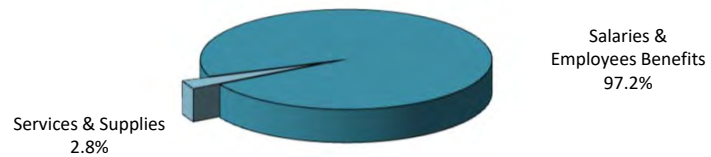
* Classification study for the position requested

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

QUALITY ASSURANCE

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|------------------|---|-----------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$3,290,455 | \$3,177,189 | \$1,241,843 | \$2,785,580 | \$504,875 | 18.1% | \$113,267 | 3.6% |
| Services & Supplies | 94,500 | 150,000 | 14,353 | 125,500 | (31,000) | -24.7% | (55,500) | -37.0% |
| OPERATING BUDGET | \$3,384,955 | \$3,327,189 | \$1,256,196 | \$2,911,080 | \$473,875 | 16.3% | \$57,767 | 1.7% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

QUALITY ASSURANCE

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|--|-----------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,993,537 | \$1,822,643 | \$761,679 | \$1,687,300 | \$306,237 | 18.1% | \$170,894 | 9.4% |
| Total Agency Temp Salaries | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Employee Benefits (Variable) | 1,120,880 | 1,178,702 | 397,350 | 920,000 | 200,880 | 21.8% | (57,822) | -4.9% |
| Employee Benefits (Other) | 122,675 | 132,873 | 53,947 | 132,200 | (9,525) | -7.2% | (10,198) | -7.7% |
| OPEB Contribution | 51,163 | 39,470 | 25,882 | 39,300 | 11,863 | 30.2% | 11,693 | 29.6% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 0 | 1,000 | 2,695 | 4,300 | (4,300) | -100.0% | (1,000) | -100.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rideshare Allowance | 2,200 | 2,500 | 290 | 2,480 | (280) | -11.3% | (300) | -12.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$3,290,455 | \$3,177,189 | \$1,241,843 | \$2,785,580 | \$504,875 | 18.1% | \$113,267 | 3.6% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$3,290,455 | \$3,177,189 | \$1,241,843 | \$2,785,580 | \$504,875 | 18.1% | \$113,267 | 3.6% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

QUALITY ASSURANCE

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|--------------------------|--------|----------|----------------------|------------------|------------------------|-----------------------|-----------------------|
| 00780A | CHIEF, QUALITY ASSURANCE | 1 | LS12 | 13,438 | 161,259 | | | |
| 00798A | SENIOR QUALITY AUDITOR | 4 | 105B | 37,477 | 449,729 | | | |
| 00797A | QUALITY AUDITOR II | 11 | 99L | 88,357 | 1,060,285 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 6,077 | 72,928 | | | |
| POSITIONS | | 17 | | | 1,744,201 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 00798A | SENIOR QUALITY AUDITOR | 1 | 105B | 7,239 | 86,869 | 86,869 | | |
| 00427A | STAFF ASSISTANT II | 1 | 91F | 5,002 | 60,022 | 60,022 | | |
| | | | | | | 146,891 | 0 | 0 |
| POSITIONS | | 2 | | | 146,891 | | | |
| TOTAL POSITIONS | | 19 | | | | | | |
| GROSS SALARIES | | | | | 1,891,092 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 33,094 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 14,350 | | | |
| BONUS | | | | | 55,001 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 1,993,537 | | | |

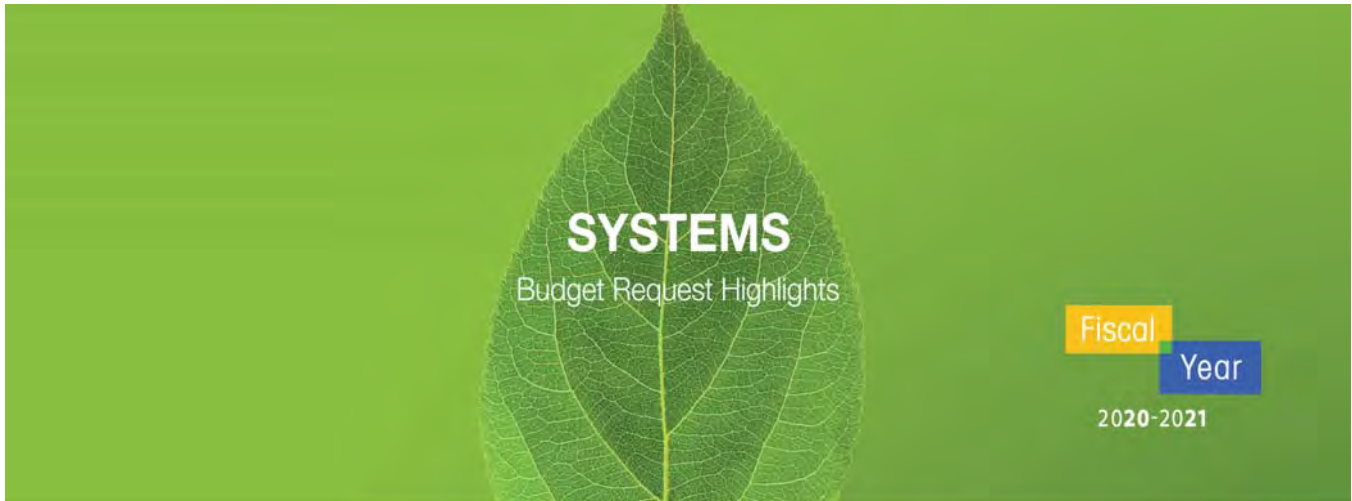
MAPP Tier I and Tier II positions are shown at actual salaries as of 01/01/20
 Represented/Non-Represented positions are shown at actual salaries as of 01/01/20
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

QUALITY ASSURANCE

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------|------------------------|-----------------|------------------|---|---------------|---|---------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$12,000 | \$38,200 | \$6,313 | \$34,300 | (\$22,300) | -65.0% | (\$26,200) | -68.6% |
| OFFICE SUPPLIES & EQUIPMENT | 3,000 | 3,500 | 1,476 | 2,600 | 400 | 15.4% | (500) | -14.3% |
| PROFESSIONAL & SPECIALIZED SERVICES | 50,000 | 50,000 | 0 | 50,000 | 0 | 0.0% | 0 | 0.0% |
| EDUCATIONAL EXPENSES | 28,800 | 57,300 | 6,563 | 38,100 | (9,300) | -24.4% | (28,500) | -49.7% |
| MISCELLANEOUS | 700 | 1,000 | 0 | 500 | 200 | 40.0% | (300) | -30.0% |
| TOTAL | \$94,500 | \$150,000 | \$14,353 | \$125,500 | (\$31,000) | -24.7% | (\$55,500) | -37.0% |

*All amounts rounded to the nearest dollar.



Mission

To provide technology support services and innovation systems-based solutions to the organization in meeting our commitment to protect, produce, and provide the promised benefits to our members.

Introduction

In the past, Systems implemented new servers, computers, operating systems, user management infrastructure, remote email access, and more. These upgrades were designed to pave the way for a new scalable architecture emphasizing remote computing, mobility, cloud-hosted services, deeper member service process automation, better systems redundancy and stronger security features. Building on these recent infrastructure upgrades, we will be partnering with our internal customers to focus on their needs; building capabilities that will directly support end users, increase productivity, and enhance the member experience.

Budget Considerations

Services and Supplies

LACERA's budget aggregates all technology expenditures, including those that are division-specific, within the Systems Division's budget so that we have clarity on the total planning and technology investments.

The Systems Division's services and supplies budget is intended to support the needs of the organization, and contains the following major components:

- **Planning:** Develop an IT Vision Statement and Strategic Plan, prepare a remote systems migration plan, update policies and procedures, review the IT organizational structure.

- Maintenance: Product support, licensing fees, ongoing and established operational costs, etc.
- New projects: Allocation for new systems, applications, products, or services.

This budget request contains principally the maintenance components.

Staffing

The Systems Division has supported a significantly increasing technology portfolio using a largely generalist staff base. Long-term sustainability will require more specialization. Additional staffing will be needed to support our current operational environment, and an influx of specialists will be recruited to sustain our current and future operational needs.

We recognize there are benefits and opportunities to leveraging outsourced expertise and will do so where appropriate and advantageous. This does not negate the need for in-house resources that can effectively support and administer our systems and we will staff appropriately.

Pressing forward, we will make future adjustments to budgeted positions in two ways—removing classifications no longer needed and replacing them with classifications that appropriately support the operation. Because there are currently sufficient vacancies for us to begin our fiscal year hiring plan, there is no net increase in staff count. Our primary focus in the 2020-2021 FY will be filling our existing vacancies to improve our ability to deliver support services to the organization while reducing our need to rely on temporary employees.

Overtime

The overtime budget is primarily allocated for

- 1) After-hour system maintenance and upgrades,
- 2) Emergency system support,
- 3) Support for Saturday member services and Benefits operations, and
- 4) Support for extended office hours during peak months.

Looking Ahead

We are developing IT Vision Statement and Strategic Plan and reviewing our IT organizational structure. The work will take a comprehensive look at the future of LACERA's technology development and focusing on long term evolution and continuous improvements that provide nimble customer support and response to business needs.

SYSTEMS DIVISION

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 60.0
 2019-2020 Hiring Plan: 59.0
 2020-2021 Bud. Pos.: 60.0
 2020-2021 Hiring Plan: 59.0

Pending Board of Supervisors Approval

1.0 Information Tech. Manager II Ø

1.0 Information Systems Manager
James Brekk

1.0 Sr. Secretary

MEMBER SYSTEMS & APPLICATIONS

1.0 Asst. Information Systems Mgr
Vacant

SYSTEMS DEVELOPMENT

1.0 Asst. Information Systems Manager
Vacant

TECHNOLOGY

1.0 Asst. Information Systems Manager
Vacant

INFORMATION SECURITY

1.0 Chief Info. Sec Officer
1.0 Data Sys. Coordinator

BUSINESS DATA ANALYSTS

2.0 Information Tech. Spec II
2.0 Information Tech. Spec. I
1.0 Retirement Sys. Specialist
1.0 Data Sys Supv. II
4.0 Data Sys Coordinator

APPLICATIONS DEVELOPMENT

1.0 Data Sys. Supv. II
2.0 Information Tech. Spec. I
1.0 Programming Sys. Spec.
4.0 Data Sys. Coordinator

INFRASTRUCTURE

1.0 Chief Technology Officer

SUPPORT

1.0 Information Technology Manager I

OPERATIONS

2.0 Data Sys. Supv. II
2.0 Information Tech. Spec. I
1.0 Retirement Sys. Spec.
1.0 Programming Sys Spec
1.0 EDP Principal Prog. Analyst

IMPLEMENTATION

1.0 Info Tech. Manager I
4.0 Info Tech Specialist II
1.0 Data Sys Coordinator

OPERATIONS

1.0 Information Sys. Manager I
8.0 Data Sys. Analyst II
3.0 Data Sys. Analyst I
1.0 Staff Assistant I

IMPLEMENTATION

1.0 Retirement Sys. Specialist
5.0 Data Sys. Coordinator

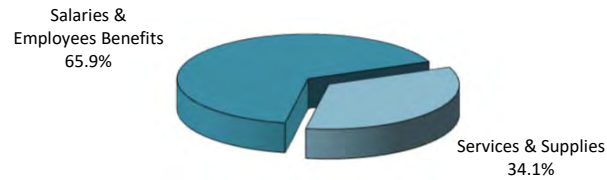
Ø Not yet approved by Board of Supervisors

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

SYSTEMS DIVISION

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|---------------------|--------------------|---|--------------------|---|------------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$11,724,699 | \$11,031,888 | \$3,872,787 | \$9,054,800 | \$2,669,899 | 29.5% | \$692,812 | 6.3% |
| Services & Supplies | 6,057,400 | 6,303,900 | 2,322,647 | 5,920,700 | 136,700 | 2.3% | (246,500) | -3.9% |
| OPERATING BUDGET | \$17,782,099 | \$17,335,788 | \$6,195,434 | \$14,975,500 | \$2,806,599 | 18.7% | \$446,312 | 2.6% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

SYSTEMS DIVISION

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$6,454,226 | \$6,055,234 | \$2,116,579 | \$4,891,200 | \$1,563,026 | 32.0% | \$398,991 | 6.6% |
| Total Agency Temp Salaries | 1,200,000 | 1,700,000 | 525,763 | 1,051,600 | 148,400 | 14.1% | (500,000) | -29.4% |
| Employee Benefits (Variable) | 3,356,659 | 2,546,989 | 960,339 | 2,424,400 | 932,259 | 38.5% | 809,669 | 31.8% |
| Employee Benefits (Other) | 397,170 | 441,434 | 164,626 | 439,200 | (42,030) | -9.6% | (44,264) | -10.0% |
| OPEB Contribution | 165,644 | 131,129 | 59,666 | 130,500 | 35,144 | 26.9% | 34,515 | 26.3% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 130,100 | 130,100 | 40,473 | 90,000 | 40,100 | 44.6% | 0 | 0.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Sick Leave Buyback | 12,000 | 12,000 | 2,927 | 11,600 | 400 | 3.4% | 0 | 0.0% |
| Rideshare Allowance | 8,900 | 15,000 | 2,415 | 16,300 | (7,400) | -45.4% | (6,100) | -40.7% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$11,724,699 | \$11,031,888 | \$3,872,787 | \$9,054,800 | \$2,669,899 | 29.5% | \$692,812 | 6.3% |
| Salary Differential ** | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$11,724,699 | \$11,031,888 | \$3,872,787 | \$9,054,800 | \$2,669,899 | 29.5% | \$692,812 | 6.3% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

SYSTEMS DIVISION

2020-2021 BUDGET

| FILLED POSITIONS | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT |
|------------------|--------|----------|-----------------|---------------|
| 00783A | 1 | LS14 | 18,015 | 216,177 |
| 00781A | 2 | LS12 | 34,326 | 411,918 |
| 00803A | 1 | LS11 | 12,876 | 154,508 |
| 00802A | 1 | 122H | 12,300 | 147,603 |
| 00801A | 1 | 117F | 6,657 | 79,884 |
| 00460A | 2 | 115L | 25,215 | 302,581 |
| 00782A | 1 | 115F | 12,576 | 150,918 |
| 02644A | 2 | 115E | 24,429 | 293,146 |
| 00453A | 1 | 115C | 12,483 | 149,798 |
| 00469A | 13 | 110D | 135,169 | 1,622,033 |
| 00458A | 8 | 104H | 71,345 | 856,146 |
| 00457A | 3 | 102A | 22,553 | 270,636 |
| 00426A | 1 | 84F | 4,868 | 58,416 |

POSITIONS 37 4,713,764

| VACANT POSITIONS | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
|------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00781A | 1 | LS12 | 10,299 | 123,591 | | | 61,796 |
| 00806A | 1 | LS12 | 10,299 | 123,591 | | | 61,796 |
| 00805A | 1 | LS12 | 10,299 | 123,591 | | | 61,796 |
| 99999A | 1 | LS12 | 10,299 | 123,591 | | | |
| 00803A | 1 | LS11 | 9,581 | 114,969 | | | 57,484 |
| 00802A | 5 | 122H | 11,651 | 139,817 | | | 349,544 |
| 00801A | 5 | 117F | 10,124 | 121,488 | | | 303,720 |
| 00460A | 2 | 115L | 9,707 | 116,488 | | | 116,488 |
| 02644A | 1 | 115E | 9,566 | 114,787 | | | 57,393 |
| 02600A | 2 | 112H | 8,884 | 106,605 | | | 106,605 |
| 00469A | 2 | 110D | 8,332 | 99,983 | | | 99,983 |
| 00439A | 1 | 88H | 4,634 | 55,603 | | | 27,801 |

POSITIONS 23 1,304,405

TOTAL POSITIONS 60

GROSS SALARIES 6,018,169

ANTICIPATED MOU SALARY INCREASE** 105,318

ANTICIPATED STEP AND/OR MERIT SALARY INCREASE 68,441

BONUS 35,642

120-DAY RETIREE(S) 3 226,656

TOTAL SALARIES 6,454,226

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 Ø Not yet approved by Board of Supervisors and is calculated at 0 percent filled.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

LACERA
FISCAL YEAR 2020-2021
SERVICES & SUPPLIES ACCOUNT SUMMARY

SYSTEMS DIVISION

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------|---------------------------|--------------------|--------------------|---|-------------|---|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| COMMUNICATIONS | \$710,000 | \$731,000 | \$285,270 | \$692,000 | \$18,000 | 2.6% | (\$21,000) | -2.9% |
| TRANSPORTATION & TRAVEL | 13,500 | 32,500 | 4,794 | 17,200 | (3,700) | -21.5% | (19,000) | -58.5% |
| POSTAGE | 390,000 | 380,000 | 189,030 | 380,000 | 10,000 | 2.6% | 10,000 | 2.6% |
| OFFICE SUPPLIES & EQUIPMENT | 469,800 | 477,800 | 158,255 | 434,000 | 35,800 | 8.2% | (8,000) | -1.7% |
| EQUIPMENT MAINTENANCE | 632,200 | 615,200 | 112,552 | 586,100 | 46,100 | 7.9% | 17,000 | 2.8% |
| PROFESSIONAL & SPECIALIZED SERVICES | 954,600 | 886,600 | 254,796 | 709,900 | 244,700 | 34.5% | 68,000 | 7.7% |
| COMPUTER SERVICES & SUPPORT | 2,849,800 | 3,120,400 | 1,307,545 | 3,075,400 | (225,600) | -7.3% | (270,600) | -8.7% |
| EDUCATIONAL EXPENSES | 36,500 | 59,400 | 10,277 | 25,100 | 11,400 | 45.4% | (22,900) | -38.6% |
| MISCELLANEOUS | 1,000 | 1,000 | 128 | 1,000 | 0 | 0.0% | 0 | 0.0% |
| TOTAL | \$6,057,400 | \$6,303,900 | \$2,322,647 | \$5,920,700 | \$136,700 | 2.3% | (\$246,500) | -3.9% |

*All amounts rounded to the nearest dollar.

PROJECTED NON-ADMINISTRATIVE EXPENSES
For the Fiscal Year Ended June 30, 2021

| | Current Year | | Prior Year ACTUAL FOR FY 2018-2019 |
|--|----------------------|-----------------------|---|
| | EXPENSES | PROJECTED | |
| | AS OF 12/31/2019 | FOR FY 2020-2021 | |
| Pension Trust Fund: | | | |
| Investment Management Fees | | | |
| U.S. Equity | \$ 7,068,061 | \$ 14,544,746 | \$ 16,543,532 |
| Non-U.S. Equity | 15,135,243 | 30,798,723 | 30,602,322 |
| Fixed Income | 20,635,704 | 38,330,605 | 37,949,688 |
| Cash and Short-Term | 233,766 | 467,531 | 644,355 |
| Mortgage Loan Services | 33,610 | 65,610 | 69,613 |
| Private Equity | 4,712,065 | 9,274,516 | 8,317,007 |
| Real Estate | 3,064,023 | 28,557,958 | 29,088,165 |
| Hedge Funds | 783,854 | - | 1,838,334 |
| Commodities | 2,108,133 | 4,216,266 | 4,640,072 |
| Total Investment Management Fees | 53,774,459 | 126,255,955 | 129,693,089 |
| Other Investment Expenses | | | |
| Consultants | | | |
| General Investment Portfolio | 98,750 | 395,000 | 426,750 |
| Private Equity | 592,500 | 1,222,500 | 2,693,035 |
| Real Estate | 78,030 | 312,120 | 309,210 |
| Other Consulting Fees | 359,351 | 591,477 | 249,680 |
| | 1,128,631 | 2,521,097 | 3,678,675 |
| Custodians | | | |
| Banking and Treasury | 1,220,147 | 2,481,947 | 2,733,062 |
| Hedge Funds | - | - | 248,952 |
| Mortgages | 1,250 | 5,000 | 5,000 |
| | 1,221,397 | 2,486,947 | 2,987,014 |
| Performance and Other Fees | 26,217,109 | 106,855,125 | 96,482,887 |
| Investment Legal Counsel | 89,894 | 179,787 | 284,638 |
| Total Other Investment Expenses | 28,657,030 | 112,042,957 | 103,433,213 |
| Total Management Fees and Other Investment Expenses | \$ 82,431,489 | \$ 238,298,912 | \$ 233,126,302 |
| Actuarial Consulting Services | 103,814 | 297,508 | 332,945 |
| Total Pension Fund Non-Administrative Expenses | \$ 82,535,304 | \$ 238,596,420 | \$ 233,459,246 |
| Retiree Health Care (RHC) Program Funds: | | | |
| Fixed Income Management Fees | \$ 36,378 | \$ 72,745 | \$ 68,169 |
| Short-Term Management Fees | 8,305 | 18,856 | 21,220 |
| Custodian Fees | 25,002 | 42,401 | 32,428 |
| Total RHC Program Non-Administrative Expenses | \$ 69,685 | \$ 134,001 | \$ 121,817 |
| Other Post Employment Benefits (OPEB) Trust Fund: | | | |
| Enhanced Cash Management Fees | \$ 5,177 | \$ 11,553 | \$ 4,340 |
| Commodities Management Fees | \$ 38,378 | \$ 79,983 | \$ 61,710 |
| Global Equity Management Fees | \$ 92,835 | \$ 182,891 | \$ 177,108 |
| Fixed Income Management Fees | \$ 84,928 | \$ 182,040 | \$ 120,344 |
| Real Estate Management Fees | \$ 39,080 | \$ 84,269 | \$ 79,014 |
| General Investment Portfolio Consultant | \$ 27,500 | \$ 55,000 | \$ 55,000 |
| Custodian Fees | \$ 167,559 | \$ 332,873 | \$ 244,701 |
| Total OPEB Trust Non-Administrative Expenses | \$ 455,457 | \$ 928,609 | \$ 742,216 |

STRATEGIC PLAN

Retirement Benefits FOR FISCAL YEARS ENDING 2018-2020



Status Update

The Strategic Plan has been reformatted and aligned along the four main key objectives outlined by our CEO. The format has also been redesigned so that we can easily see where we are on each goal (In Process, Substantially Complete, or Completed) and color coded to represent how well we are doing in terms of progress on the goals (red for behind, yellow for in danger or near to being behind, and green for completed).

The goals each have current “owners” and “business partners” who are working on the goal. These assignments may change as we continue to review and re-structure our teams to meet these goals. Here is the index that shows what the different initials stand for:

| Division Codes | | | | | | | | | |
|----------------|-----------------------|----|------------------|----|-------------------|----|---------------------------------|----|--------------------------------|
| AS | Admin Services | BE | Benefits | CO | Communications | FA | Financial & Accounting Services | DR | Disability Retirement Services |
| DL | Disability Litigation | EO | Executive Office | HR | Human Resources | IA | Internal Audit | IN | Investments |
| LS | Legal Services | MS | Member Services | QA | Quality Assurance | RH | Retiree Healthcare | SY | Systems |

Governance

Working together to improve our Board and internal governance.

1. Work with Board members to engage the NACD to provide continual Board member training and development to provide them with the tools and knowledge to continually improve their ability to provide responsible leadership for LACERA.
2. Work with the internal management and supervisory team to develop and deliver education to develop organizational leadership to transform LACERA into an innovative and best in class organization focused on delivering its mission.

Fund Sustainability

To advance LACERA's producing the promised benefits, a separate plan for 2019 addresses five inter-related objectives:

1. Execute strategic asset allocation.
 2. Enhance operational effectiveness.
 3. Optimize Investment Implementation.
 4. Maximize ownership rights and stewardship.
 5. Strengthen influence on fees and capital costs.
- Please refer to the Investments Strategic Plan

Preserving Retiree Healthcare

Preserving Retiree Healthcare by taking innovative and proactive steps to minimizing costs and improving services provided to members and survivors.

- Please refer to the Retiree Healthcare Strategic Plan

Reduce Complexity of our Organization

Continually working to make the process easier for our members and staff.

- Disability Retirement Information Integration & Enhancements

We are focusing our organizational energy on modernizing our disability investigation and appeal processes through revising Board policy, streamlining staff procedures, evaluating staffing deployment, changing operational expectations, improving accountability, creating new measurement structures, and developing new assistive technology tools.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--------------------------------------|--|-------|----------|------------|------------------------|----------|
| Disability Process Modification | Review the application processing to identify efficiencies and begin program design stage. | | | | | |
| | FY 2013-14 | SY | DR | | | |
| Current Update | Completed | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Disability Data Integration: Tracker | Export data from Tracker and import the data to Workspace. | | | | | |
| | FY 2013-14 | SY | DR | | | |
| Current Update | Completed | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Disability Document Management | Description Not Available | | | | | |
| | FY 2014-15 | SY | DR, AS | | | |
| Current Update | Completed | | | | | |

- Reduce Complexity of our Organization >>> Disability Retirement Information Integration & Enhancements (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|--|-------|----------|------------|------------------------|----------|
| Disability Process Management | Program and move most disability processes including Disability application intake, interviews, medical appointments, etc. | | | | | |
| | FY 2015-16 | SY | DR | | | |
| Current Update | Substantially Complete – Recently rolled out the Board Agenda process. Disability staff have the ability to print the agenda from Workspace. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Board and Management Metric Reporting for Disability Processes | The development of metrics and reports to provide management and BOR critical insight to the status of disability cases. The intended goal of processing disability cases is 9-12 months. | | | | | |
| | FY 2016-17 | SY | DR, EO | | | |
| Current Update | Substantially Complete – Workspace page provides metrics on pending completed cases. Provides aging (number of days) for pending cases. Additional reports will be developed as case tracking is implemented in Workspace. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Disability Medical Document Portal – System | The development of a system where doctors, medical record retrieval vendors, and others can electronically submit medical reports to LACERA. | | | | | |
| | FY 2017-18 | SY | DR | | | |
| Current Update | Not Started | | | | | |

- Reduce Complexity of our Organization >>> Disability Retirement Information Integration & Enhancements (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|----------|------------|------------------------|----------|
| Disability Medical Document Portal – Training | The development of training for staff members on how to use this and how to train outside parties to use the system. | | | | | |
| | FY 2017-18 | SY | DR | | | |
| Current Update | Training will be provided to staff upon completing the Document Portal, and training and training materials will be provided to vendors regarding their document submissions. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Case Management | Development of a case management system that will assist DRS staff members to manage individual cases more efficiently. | | | | | |
| | FY 2017-18 | SY | DR | | | |
| Current Update | Since the OOC presentation in October 2019, staff have been reviewing technical requirements and evaluating integration methods. A preliminary set of business requirements was developed and the team will be reconvening in February to further refine the business requirements and advance other tasks related to this project. | | | | | |

- Reduce Complexity of our Organization >>> Disability Appeal Process Modernization

We are leveraging our efforts and the lessons learned in the Disability Retirement process to modernize the Disability Litigation appeals process by streamlining staff processes and procedures, developing case management tools to improve resource management, process and manage Writs, and develop a new measurement structure to provide greater insight into the caseload.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|--|-------|----------|------------|------------------------|----------|
| Digital Appeal Packages | Create and store Disability Appeal packages electronically. | | | | | |
| | FY 2016-17 | SY | AS, DR | | | |
| Current Update | Completed | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| E-Board Package - Digital Appeal Cases | Deliver Disability Appeal packages to the Board electronically. | | | | | |
| | FY 2016-17 | SY | AS, DR | | | |
| Current Update | Completed | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Planning Writ Management Process | Complete a needs assessment and develop an overview of the Writ Management Process to assist Systems in developing a Writ Management System. | | | | | |
| | FY 2016-17 | SY | DL | | | |
| Current Update | Completed | | | | | |

- Reduce Complexity of our Organization >>> Disability Appeal Process Modernization (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|-----------------------------------|--|-------|----------|------------|------------------------|----------|
| Implement Writ Process Management | Create a case management process for managing the response to Writs filed to appeal Board decisions on disability cases. | | | | | |
| | FY 2017-18 | SY | DL | | | |
| Current Update | Not Started: Pending completion of Disability Process Management. If the volume of transactions warrants an automated solution, the process management developed for the disability application process will be reused for the writ process. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Appeal Process Management | Integrate the Disability Litigation Appeal process with Workspace and the Writ Management System to allow electronic management of the process and institute metrics and reporting. | | | | | |
| | FY 2017-18 | SY | DL | | | |
| Current Update | Not Started: Pending completion of Disability Process Management. The process management developed for the disability application process will be reused for the appeal process. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Retire Legacy System: Tracker | Retire the legacy Tracker system – after all functionality has been migrated to Workspace. | | | | | |
| | FY 2017-18 | SY | DL | | | |
| Current Update | The major features of the Disability Tracker have been implemented in Workspace. There are a few additional processes to implement. Ad hoc printing of letters needs to be implemented in Workspace and Tracker Events need to be imported into Workspace. | | | | | |

- Reduce Complexity of our Organization >>> Managing Work through the Job Ticket Process

Through the years, LACERA introduced various tools to improve accuracy, timeliness, and reliability of our member transactions. Building upon this foundation, LACERA is designing and implementing a system to track the progress of each transaction as it undergoes triaging, assigning, calculating, quality review, and completion. Intrinsic to each “job ticket” is process-centric and member-centric data to efficiently and effectively manage work objects.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|------------------------------|---|-------|----------|------------|------------------------|----------|
| Job Ticket 1.0 – Planning | Develop a needs assessment and outline of the job ticket requirements and system. | | | | | |
| | FY 2013-14 | SY | BE | | | |
| Current Update | Complete | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Job Ticket 1.0 – Prototyping | Create a prototype of a the job ticket system. | | | | | |
| | FY 2015-16 | SY | BE | | | |
| Current Update | Complete | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Job Ticket 1.0 – Production | Implement the job ticket system into the production environment of Workspace. | | | | | |
| | FY 2015-16 | SY | BE | | | |
| Current Update | Complete | | | | | |

- Reduce Complexity of our Organization >>> Managing Work through the Job Ticket Process (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|----------------------------------|---|-------|----------|------------|------------------------|----------|
| Job Ticket 2.0 – Reporting | Create and generate metric and tracking reports from the Job Ticket system. | | | | | |
| | FY 2017-18 | SY | BE | | | |
| Current Update | Substantially Complete: Initial Report completed. Benefits division reviewing for fine-tuning. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Job Ticket 3.0 – Case Management | Update the Job Ticket system to facilitate individual case management of work objects and member requests. | | | | | |
| | FY 2018-19 | SY | BE | | | |
| Current Update | Not Started: Expected to start the design in the upcoming year. The design will be leveraged for use in both Benefits and Disability Case Management. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Job Ticket 4.0 – Audit Version | N/A | | | | | |
| | FY 2019-20 | SY | BE | | | |
| Current Update | Scheduled for next FY. | | | | | |

- Reduce Complexity of our Organization >>> LACERA.com

Our website will have an easy to use and modern look that facilitates members' ability to learn about their LACERA benefits.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|-----------------------|--|-------|----------|------------|------------------------|----------|
| LACERA.com Redesign | Update and modernize LACERA.com. This includes a complete review of all content on the website. | | | | | |
| | FY 2017 – 18 | SY | CO | | | |
| Current Update | Significant progress has been made on this project. The site architecture has been designed, and beta tested with members to gain feedback on navigation and overall structure of data categories. This input has been used to fine tune the site organization. Subject matter experts throughout LACERA are in the process of reviewing all site content. Some delays have occurred as a result of the COVID-19 response process. We remain on target for a first quarter 2020-2021 launch. | | | | | |

- Reduce Complexity of our Organization >>> LACERA.com:

Member Portal

Our My LACERA Member Portal website will support on-line transactions so that our members can self-service their accounts in a protected and expeditious manner.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|-----------------------|--|-------|------------|------------|------------------------|----------|
| Beneficiary Update | Implement ability for members to add, update, or delete beneficiary information on My LACERA member portal. | | | | | |
| | FY 2013 - 14 | SY | BE, MS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Portal Redesign | Update and modernize the My LACERA member portal. | | | | | |
| | FY 2016 – 17 | SY | EO, CO, MS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Secure Message Center | Implement a secure message center through the My LACERA member portal so members can communicate electronically with MS and RHC. | | | | | |
| | FY 2016 – 17 | SY | EO, CO, MS | | | |
| Current Update | Completed. | | | | | |

- Reduce Complexity of our Organization >>> LACERA.com: Member Portal
(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|---|-------|------------|------------|------------------------|----------|
| On-Line Pension Verification | Allow members to request and print pension verification and amount in fund letters through the My LACERA member portal. | | | | | |
| | FY 2017 – 18 | SY | BE, CO, MS | | | |
| Current Update | Completed. In addition to the Pension Verification letters, Systems also delivered the ability to generate Amount-in-Fund letters. Additional functionality is being added to allow Member Services – Outreach to print letters at the Member Service Center. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| On-Line Form – Service Credit Purchase | Allow members to submit a request to purchase service credit online through the My LACERA member portal. | | | | | |
| | FY 2018 – 19 | SY | BE, CO, MS | | | |
| Current Update | Completed: This task was completed on October 28, 2019. Version 6.0 of My LACERA included a new Purchases page that allows members to submit request to purchase service credit online. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| On-Line Form – Disability Application | Allow members to securely submit a Disability Application online through the My LACERA member portal. | | | | | |
| | FY 2018 – 19 | SY | BE, CO, DR | | | |
| Current Update | In design phase. | | | | | |

- Reduce Complexity of our Organization >>> LACERA.com: Member Portal
(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|------------------------------------|--|-------|------------|------------|------------------------|----------|
| On-Line Form – Retirement Election | Allow members to securely submit a Retirement Election online through the My LACERA member portal. | | | | | |
| | FY 2019 – 20 | SY | BE, LS, MS | | | |
| Current Update | Significant progress has been made on designing a new Retirement Application which will serve as the design for an online election form. The form was scheduled for testing in the MSC, but delayed due to the MSC closure as a result of COVID-19. The team is reviewing the next steps to move this forward. | | | | | |

- Reduce Complexity of our Organization >>> Retiree Healthcare Program

In 1987, we embarked on an ambitious program to create our own benefit administration software application. Over the ensuing decades we have devoted considerable resources to support our retirement benefit administration and, more recently, our disability application work processes. Looking to the future, now is the time to begin planning how to best support the Retiree Healthcare Program with improved document control, workflow, and technology. Similar to our efforts in the disability application area, this will be a multi-dimensional effort which will require us to evaluate Board policy, staff procedures, staffing deployment, operational expectations, accountability, and measurement structures.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--------------------------|---|-------|----------|------------|------------------------|----------|
| Develop Needs Assessment | Complete a needs assessment to determine what future efforts will be needed to integrate RHC operations into Workspace. | | | | | |
| | FY 2017 – 18 | SY | RH | | | |
| Current Update | Completed. | | | | | |

- Reduce Complexity of our Organization >>> Managing Member Interactions

The ability to provide world class service to our members is dependent on ensuring LACERA manages member interactions in an efficient manner, measures service levels, as well as keeping an accurate record of member interactions in the member’s file. LACERA will focus resources on expanding our ability to record and store inbound and outbound calls with members to the Benefits, Disability Retirement Services divisions. Recording calls ensures we have an accurate record of member interactions which improves service and can be leveraged to provide quality assurance and training to staff. We will also begin focusing on the development of a Member Service Center queuing system to improve our ability to forecast, budget, and allocate staffing resources and improve management of service levels in the Member Service Center.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|----------|------------|------------------------|----------|
| Member Service Center Queue System – Planning | Needs assessment and planning for implementation of a queuing system in the Member Services Center | | | | | |
| | FY 2018 – 19 | SY | MS | | | |
| Current Update | Significant progress was completed and we were in discussions to schedule installation of the new system, user acceptance testing, and then beta testing. This project has been delayed due to the closure of the MSC as a result of the COVID-19 response. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Call Recording – Benefits Division – Planning | Planning the implementation and roll out of call recording for Benefits Division Specialists. | | | | | |
| | FY 2019 – 20 | SY | BE | | | |
| Current Update | This project has been completed and those staff members in Benefits who make outbound calls to members are now recorded. | | | | | |

- Reduce Complexity of our Organization >>> Managing Member Interactions

(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|------------|------------|------------------------|----------|
| Call Recording – Disability Division – Planning | Planning the implementation and roll out of call recording for Disability Division Investigators. | | | | | |
| | FY 2017 – 18 | SY | DR | | | |
| Current Update | Systems has completed the planning for the technical implementation of the call recording. Disability staff still has to be engaged to discuss rollout of the call recording. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Replace Call Recording System | Replace current call recording software and storage. | | | | | |
| | FY 2018 – 19 | SY | BE, DR, MS | | | |
| Current Update | In Process: 48 additional recording ports have been added, 24 have been designated for Disability staff scheduled for implementation later on this FY. Staff has started researching a total replacement solution. | | | | | |

- Reduce Complexity of our Organization >>> Workspace

The information system will facilitate members service while protecting membership information. The system environment will be continually evaluated and updated. We look to improve the way we circulate the member’s electronic document by creating a Job Ticket processing system.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--------------------------------------|--|-------|----------|------------|------------------------|----------|
| Replace Green Screens | Replace the mainframe green screens by importing all functionality into Workspace. | | | | | |
| | FY 2017 – 18 | SY | BE | | | |
| Current Update | Completed. The final green screens in use were retired on June 5, 2017. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Retire CICS | | | | | | |
| | FY 2017 – 18 | SY | BE | | | |
| Current Update | Completed. CICS was no longer in use as of June 5, 2017. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| COBOL Program Replacement – Planning | | | | | | |
| | FY 2017 – 18 | SY | | | | |
| Current Update | Completed. | | | | | |

- Reduce Complexity of our Organization >>> Workspace (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|--|-------|------------|------------|------------------------|----------|
| Update Retirement Estimate Program | Update the retirement estimate logic to reflect current requirements. | | | | | |
| | FY 2017 – 18 | SY | LS, IA | | | |
| Current Update | Completed: The estimate program was updated on May 8, 2017. The program now generates estimates for Service Retirement, Death, Service Connected Disability, and Non-Service Connected Disability retirements. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Multiple Plan Streams | Updating Workspace programming to properly support members who have more than one membership stream. | | | | | |
| | FY 2018 – 19 | BE | LS, SY | | | |
| Current Update | In Process: Plan E related plan stream eligibility rules have been incorporated into the Final Calc and Estimate programs. Safety plan stream with non-E eligibility rules have not been incorporated due to small volume and unresolved processing issues relating to contributions and interest. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Reengineer 1 st Payment – Planning | Review the first payment process to ensure the process is designed to efficiently and accurately issue the first benefit payment to members. | | | | | |
| | FY 2018 – 19 | SY | BE, LS, QA | | | |
| Current Update | Participating in planning/design meetings. | | | | | |

- Reduce Complexity of our Organization >>> Member Communications

Members have important retirement choices to make, from plan selection when first hired through choosing the best date and retirement option at the end of their careers. It is our responsibility to provide the education they need to make good choices for their individual circumstances. Our strategic direction is to continue to expand and improve our communication to members by offering a wide variety of user-friendly, updated, informative, and creative educational tools that include print materials, seminars and workshops, website materials, videos, etc. We will review our current pre-retirement workshop and develop and offer topic-specific modules that members could choose from as alternatives.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---------------------------------|---|-------|----------------|------------|------------------------|----------|
| Outreach Web Video – New Member | Develop an online video that explains the new membership process. | | | | | |
| | FY 2014 – 15 | MS | CO, LS | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Active Member Benefit Statement | Redesign and implement a new Active Member Benefit Statement. | | | | | |
| | FY 2017 – 18 | CO | EO, LS, MS, SY | | | |
| Current Update | Communications and Systems are working together to re-design the statement. Communications has produced prototypes and is currently in the process of finalizing the data points that will be included in the statement. This involves working with BE, MS, and LS. Once that data has been defined, Systems will work with Communications to complete the programming to support the final design. This will need to be followed up with an RFP to select a vendor to print and mail the statements. | | | | | |

- Reduce Complexity of our Organization >>> Member Communications
(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|----------------------------------|--|-------|----------------------------|------------|------------------------|----------|
| Retirement Estimate Document | Redesign the Retirement Estimate and Benefits Election form to make it more informative and user friendly. | | | | | |
| | FY 2017 – 18 | CO | EO, LS, MS, SY | | | |
| Current Update | Significant progress has been completed on the creation of a new Retirement Application and supporting materials. The new document was scheduled to be tested in early 2020. However, this was delayed as a result of the COVID-19 pandemic response which resulted in the closure of the MSC. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Retirement University - Course 1 | Design and implement an on-line course on the Retirement Benefit Options. | | | | | |
| | FY 2017 – 18 | CO | BE, DR, EO, LS, MS, RH, SY | | | |
| Current Update | Communications and Member Services finalized the first three segments of the course that address the top options chosen by members: Unmodified, Unmodified+Plus, and Option 4. Publishing has been postponed until the redesigned lacera.com website is launched. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Retirement University - Course 2 | Select the content, design, and implement the second course in our online university. | | | | | |
| | FY 2020 – 21 | CO | BE, DR, EO, LS, MS, RH, SY | | | |
| Current Update | Not Started. | | | | | |

- Reduce Complexity of our Organization >>> Member Communications
(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|----------------|---|-------|------------------------|------------|------------------------|----------|
| Member Survey | Conduct a survey of all LACERA members and survivors to assess the services and service level that LACERA is providing. | | | | | |
| | FY 2020– 21 | EO | BE, DR, LS, MS, RH, SY | | | |
| Current Update | Scheduled for next FY. | | | | | |

- Reduce Complexity of our Organization >>> Board Operations

It is important for all members of the organization, Board, management, and workers, to be dedicated to creating and maintaining a professional workspace. The Board’s workspace should foster an aesthetic appearance while maintaining functionality and readily communicate LACERA’s commitment to its membership.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|-------------------------------------|--|-------|----------|------------|------------------------|----------|
| Board Room Branding Entryway | Refresh and update the entry way to the Board room and include pictures of Board members so the members and public can see who is representing them. | | | | | |
| | FY 2017 – 18 | EO | AS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Board Room Branding | Refresh and update the Board Room, including branding. | | | | | |
| | FY 2017 – 18 | EO | AS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Board Room Speaker Timer and Signal | | | | | | |
| | FY 2017 – 18 | SY | EO, AS | | | |
| Current Update | Completed. | | | | | |

Cultivate a Risk Intelligent Organization

Creating an organization that is aware of the risks and manages those risks appropriately. Compliance. Sharing of knowledge.

- Knowledge & Content Management

Provide an Enterprise Content Management System (ECMS) that integrates a centralized search of all knowledge content. We expect to internally ingest the Board of Retirement's Committee documents and implement a user friendly tool to access our membership rules and plan information.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|---|-------|------------|------------|------------------------|----------|
| Board Package Web Posting | Post all Board of Retirement and Board of Investments agendas online. | | | | | |
| | FY 2015-16 | SY | EO, IN, LS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: BOI Back file – Implement | Archive all prior versions of BOI agendas/minutes. | | | | | |
| | FY 2016-17 | SY | EO, IN, LS | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: BOR Committee – Implement | Archive all prior versions of BOR Committee agendas/minutes. | | | | | |
| | FY 2016 - 17 | SY | EO, IN, LS | | | |
| Current Update | Completed. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|------------|------------|------------------------|----------|
| Digital Archive: Disability Case Back file – Evaluate | Conduct a needs assessment of what it would take to archive all disability case back files. | | | | | |
| | FY 2017 - 18 | SY | EO, DR, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: RFP | Issue an RFP. | | | | | |
| | FY 2017 - 18 | SY | EO, DR, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: Actuary Reports | Archive all actuary reports. | | | | | |
| | FY 2018 - 19 | SY | EO, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|---|-------|------------|------------|------------------------|----------|
| Digital Archive: Accounting Reports | Archive all accounting reports. | | | | | |
| | FY 2018 - 19 | SY | EO, FA, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: Brochures Reports | Archive all brochures. | | | | | |
| | FY 2018 - 19 | SY | EO, CO, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Digital Archive: Summary Plan Descriptions | Archive all Summary Plan Descriptions. | | | | | |
| | FY 2018 - 19 | SY | EO, CO, LS | | | |
| Previous Update | Not Started. | | | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|----------------|------------|------------------------|----------|
| Digital Archive: Retiree Healthcare Program | Archive all Retiree Healthcare Program. | | | | | |
| | FY 2018 - 19 | SY | EO, CO, RH, LS | | | |
| Current Update | Not Started: Project has been deferred due to other organizational priorities and resource limitations. | | | | | |

- Cultivate a Risk Intelligent Organization >>> **Operational Compliance**

LACERA continues implementing innovative and best practice quality initiatives by introducing another line-of-defense; a formalized Operational Compliance program. The Operational Compliance program is geared to nurture a culture of compliance, and provide a structured and transparent approach to adhere to operational processes, policies and key organizational training regimens. The program's ultimate success is achieved by an organization demonstrating a culture of compliance and ethical business practices coupled with the efficient and effective integration of Operational Compliance into daily business practices.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|----------|------------|------------------------|----------|
| Create Compliance Program Charter | Create a charter to define the compliance program roles, responsibilities, and approach. | | | | | |
| | FY 2017 – 18 | LS | EO | | | |
| Current Update | Templates gathered and reviewed by members of Compliance Committee; further action deferred pending hiring of Compliance Director. | | | | | |
| <hr/> | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Implement Organizational Compliance Committee | Create a Compliance Committee that will work together to define the compliance program, draft or review compliance policies, procedures or charters, and provide oversight until a Compliance Officer is appointed. | | | | | |
| | FY 2017 – 18 | LS | EO | | | |
| Current Update | Completed. | | | | | |
| <hr/> | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Develop Compliance Reporting Protocols | | | | | | |
| | FY 2017 – 18 | LS | EO | | | |
| Current Update | Templates gathered and reviewed by members of Compliance Committee; further action deferred pending hiring of Compliance Director. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Operational Compliance
(Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--|---|-------|----------|------------|------------------------|----------|
| Develop Policy Governance Procedures and Training | Procedures for training on compliance principles, procedures, and values. | | | | | |
| | FY 2018 – 19 | LS | EO | | | |
| Current Update | We have completed development of conflict of interest training. We are currently drafting the privacy training. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Develop and Deliver Compliance and Ethics Training | Training on compliance principles, procedures, and values. | | | | | |
| | FY 2018 – 19 | LS | EO | | | |
| Current Update | | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Inventory LACERA Policies and Standardize | Develop log of all LACERA policies. | | | | | |
| | FY 2019 – 20 | LS | ALL | | | |
| Current Update | Significant progress made in compiling existing policies; Policy on Policies developed and approved. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Conduct Best Practices Review | Confirm success in achieving compliance program objectives. | | | | | |
| | FY 2019 – 20 | LS | | | | |
| Current Update | Project has been deferred due to other organizational priorities. | | | | | |

- Cultivate a Risk Intelligent Organization >>> In-Line Quality Audit

LACERA made great strides building a quality ecosystem over the past 10 years. Our efforts include comprehensive training courses, data clean-up projects, apprenticeship programs, standardized business practices, and independent quality assurance. These practices achieved impressive results, with our quality improving from 88% to a world class quality level exceeding 98%. Our next evolutionary step is to identify data anomalies and calculation errors earlier when working a member's account to prevent errors from reaching the member in the first place.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|----------|------------|------------------------|----------|
| Increase the In-Line Audit Ratio to 60% | | | | | | |
| | FY 2015 – 16 | QA | BE | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Increase the In-Line Audit Ratio to 75% | | | | | | |
| | FY 2016 – 17 | QA | BE | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Assess Program Resource Requirements | | | | | | |
| | FY 2017 – 18 | QA | | | | |
| Current Update | Completed. Incorporated assessment of program into budget highlights. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Member Centric Process Management

Benefits Division has developed a Process Management Group (PMG) that has successfully managed its business rules, documentation, and tools so that they are coordinated, standardized, and optimized through a continuous process improvement effort. Our Strategic Plan will expand this effort to include all member centric service divisions and business rule repositories.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|--|-------|--------------------|------------|------------------------|----------|
| Develop Coordinated Procedures | Develop a process to coordinate the development of procedures for use by Benefits Division staff members. | | | | | |
| | FY 2017 – 18 | BE | DR, LS, MS, QA | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Monitor and Harmonize Procedures | | | | | | |
| | FY 2017 – 18 | BE | DR, LS, MS, QA | | | |
| Current Update | The PMG continually monitors and harmonizes procedures internally and works with its business partners to ensure that DRS, MS, and QA are consulted on and apprised of new and updated procedures. The divisions work closely on this project. We have recently completed a Service Credit Matrix and completed an Agenda Audit Criteria document. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Develop Requirements for Knowledge System | Develop a set of requirements for a Knowledge management system that can be used to share operational knowledge, procedures, and rules throughout the organization. | | | | | |
| | FY 2017 – 18 | BE | DR, LS, MS, QA, SY | | | |
| Current Update | Project has been deferred due to other organizational priorities. | | | | | |

- Cultivate a Risk Intelligent Organization >>> **Scrubbing Legacy Data**

Our membership data is diverse, voluminous, and spans many decades of time. We maintain our membership data in perpetuity. The consequences of poor or incomplete data can magnify as time progresses and may cause serious ramifications to our members. The 1989-90 database conversion includes a series of poor or incomplete data that has placed a number of our members in harm's way. Our three-year strategic plan places a high priority in scrubbing our legacy data.

- **Scrubbing Legacy Data**

A multi-year project to identify and prioritize data clean-up projects that will improve processing accuracy and service to members.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|------------|------------|------------------------|----------|
| MOU Retroactive Salary Adjustments – 26,000 | The County completed MOU negotiations that included retroactive salary increases. The County's payroll system could not retroactively collect contributions and assign them to the correct pay period, so Benefits had to adjust the accounts manually. | | | | | |
| | FY 2014 – 15 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Missing Service Credit – 1,000 | A project to review accounts that had known periods of missing service credit and ensure the total service credit and related contributions were correct. | | | | | |
| | FY 2015 – 16 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Scrubbing Legacy Data

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---|---|-------|------------|------------|------------------------|----------|
| Missing Service Credit – 1,000 | A project to review accounts that had known periods of missing service credit and ensure the total service credit and related contributions were correct. | | | | | |
| | FY 2015 – 16 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |
| | | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Back Contributions Uncollected – 1,000 | | | | | | |
| | FY 2015 – 16 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Service Contract not Resident – 1,000 | Members with a purchase on the system but no service contract set up. | | | | | |
| | FY 2015 – 16 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Recalculate Contracts Uncompleted – 4,000 | | | | | | |
| | FY 2017 – 18 | BE | MS, QA, SY | | | |
| Current Update | Completed. | | | | | |

- Cultivate a Risk Intelligent Organization >>> Implementing PEPRA

The Public Employees' Pension Reform Act of 2013 (PEPRA) required LACERA to open new plan tiers, design information systems to support the new benefit structure, develop member communications, conduct staff training, and create new monitoring protocols. With the new plan tiers successfully launched, the organization needs to take a fresh look at the additional implementation efforts yet to be completed.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|---------------------------------------|---|-------|--------------------|------------|------------------------|----------|
| PEPRA Implementation Needs Assessment | A review of all systems, materials, and rules to identify any remaining PEPRA implementation items that need to be completed. | | | | | |
| | FY 2016 – 17 | EO | BE, MS, LS, QA, SY | | | |
| Current Update | <p>Staff has evaluated and implemented a majority of the PEPRA processing needs. The following processes remain:</p> <ul style="list-style-type: none"> • Annual Benefit Statements (ABS) – Active Members: The current version of the ABS has not been revised to accommodate PEPRA; the PEPRA estimate logic has not been added to the program that generates these statements and the text has not been updated to reflect PEPRA rules. This process is dependent on the completion of the ABS redesign. • Creating a PEPRA compliance payroll report that will help LACERA determine if any non-pensionable pay codes were paid out as pensionable by the Auditor-Controller. • PEPRA limits: Staff is working with the Legal Offices to obtain guidance on how periods of absence without pay impacts the Final Average Compensation period for PEPRA members. This is critical to be able to define the FAC period for comparison to PERPA pensionable pay limitations. • Returning member processes to support the Superior Court employees. • Non-Concurrent Retirement Process: Members in double plans may have different retirement eligibility rules based on each plan. These rules, currently managed manually, will be automated. <p>Communications has updated 76 Knowledge Base pages and has completed editing of 33 K-Base pages which are in the final stages of quality control review before being published. Staff have also added or updated 17 glossary terms to correspond to the PEPRA definitions.</p> | | | | | |

- Cultivate a Risk Intelligent Organization >>> Implementing PEPRA
(Continued)

| • Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|------------------------------------|---|-------|--------------------|------------|------------------------|----------|
| PEPRA Implementation Tactical Plan | | | | | | |
| | FY 2017 – 18 | EO | BE, MS, LS, QA, SY | | | |
| Current Update | <p>The 3rd phase was completed in Q1 2019: The 3rd phase (SCR #5845) to create new database fields to store PEPRA FAC and What-If PEPRA FAC (RCEA substitution for AWOP periods in the last 36 months for members who are retirement eligible) and an associated program to calculate the PEPRA FAC for these new fields was completed in Q4 2018 and moved to production in the first quarter of 2019. In addition, significant progress has been made in removing Embedded Earnings from PEPRA FAC that we receive from the Auditor/Controller. The Auditor/Controller completed the file layout for our electronic exchange of PEPRA Embedded Earnings. A LACERA program has been written to read the file and remove PEPRA Embedded Earnings. The Auditor/Controller is in their final testing stages of their new file. We expect to receive the first test file from A/C by the end of May, 2020.</p> | | | | | |

High Performance & Diversified Team

Creating and maintaining an environment where all staff members are coached and developed to be high performers. We strive to develop the tools and training to reach higher levels of performance as an effective team. Each staff member should receive continual, relevant, and timely feedback. A diverse workforce represents a greater range of knowledge, ideas, and opinions, and spurs innovative approaches to serving our members better.

- **Advanced CERL Education (ACE) Certification**

The International Foundation of Employee Benefits, in conjunction with the University of Pennsylvania, provides an outstanding educational certification in compensation management covering all aspects of benefits and compensation. This rigorous designation, known as the Certified Employee Benefit Specialist (CEBS), allows the student to specialize their CEBS certification into one of three specialty areas:

- *Compensation Management Specialist* - compensation and human resources
- *Group Benefits Associate* - healthcare and other group benefits
- *Retirement Plans Associate* - all aspects of retirement plans

While these are excellent educational opportunities, they do not specifically address plan design, practices, and procedures unique to LACERA. Our initial concept is for the ACE certification to serve as advanced certification available to LACERA's Benefits, Member Services, Retiree Healthcare, Quality Assurance, and Internal Audit staff. The program would include an eligibility test, class work, proficiency tests (class room and production), and continuing education requirements. It is our hope that this designation will be eligible for certification compensation.

- High Performance & Diversified Team >>> Advanced CERL Education (ACE) Certification (Continued)

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|--------------------------|--|-------|----------|------------|------------------------|----------|
| Develop ACE Program | Develop and design the curriculum and processes of the program. | | | | | |
| | FY 2016 – 17 | QA | EO | | | |
| Current Update | Completed. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Implement Program | QA will conduct two pilot programs to solicit feedback on the program structure, content, and delivery. After the two pilot groups have completed the program a final program will be outlined and presented for approval. | | | | | |
| | FY 2020 – 21 | QA | EO/MS | | | |
| Current Update | This goal has been extended based on the experience from completing the first pilot group. QA's first pilot was conducted with 9 selected staff over a 22-month period. Using data gathered from this pilot group the program content has been revised for the second pilot which will begin in mid-2019, consisting of 5 selected staff and is expected to last about 17 months. Once the second pilot has been completed and reviewed, we will begin the implementation. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Graduate Inaugural Class | | | | | | |
| | FY 2020 – 21 | QA | EO/MS | | | |
| Current Update | QA will began the Pilot II program in February 2019, which will last for about the next 15 months. Once the second pilot has been completed and reviewed, we will begin the implementation. This goal has been extended to accommodate a second pilot program. | | | | | |

- High Performance & Diversified Team >>> Succession Planning

Succession planning is an important part of doing business, no matter how certain the future seems. It promotes strong leadership, facilitates organizational responsiveness, and builds team strength. A successful plan includes employees throughout the organization at all operational levels.

| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
|----------------------------|---|-------|----------|------------|------------------------|----------|
| Employee Survey – Planning | Develop an Employee Engagement program starting with an employee survey. | | | | | |
| | FY 2016 – 17 | HR | EO | | | |
| Current Update | In Process/on hold. A team was assembled to review the options provided by various vendors and to select the vendor that best understands the public sector and has experience implementing Employee Engagement Programs in public sector agencies, both nationally and locally. The vendor selected was CPS’s Institute for Public Sector Employee Engagement . CPS has provided an outline of the implementation of the Program at LACERA and has been engaged (contracted) to assist with this implementation and development of the Employee Engagement Program. The setup for the Employee Engagement Program and survey will be completed this fiscal year and the survey and follow-up work is planned for FY 2020-21 due to the COVID-19 Pandemic. | | | | | |
| Task | Implementation Schedule | Owner | Partners | In Process | Substantially Complete | Complete |
| Employee Survey – Conduct | Implement an employee survey as part of the Employee Engagement Program. | | | | | |
| | FY 2016 – 17 | HR | EO | | | |
| Current Update | On Hold: CPS’s Institute for Public Sector Employee Engagement will conduct a survey for all LACERA Staff Members and the follow-up reporting and focus groups afterward. It was planned for this fiscal year but has been moved to FY 2020-21 as a result of the COVID-19 Pandemic. Once Staff Members are able to report to LACERA’s offices, the survey will be planned and the face-to-face follow up will be scheduled. | | | | | |

Vision 2020: Investments Division Work Plan and Strategic Initiatives Update

Board of Investments

January 8, 2020

Jonathan Grabel – Chief Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Discussion Outline

- I. Setting the Stage: Background for Vision 2020 Plan

- II. Vision 2020 and Beyond

- III. Project Schedules for 2020

Objectives of Work Plan and Strategic Initiatives

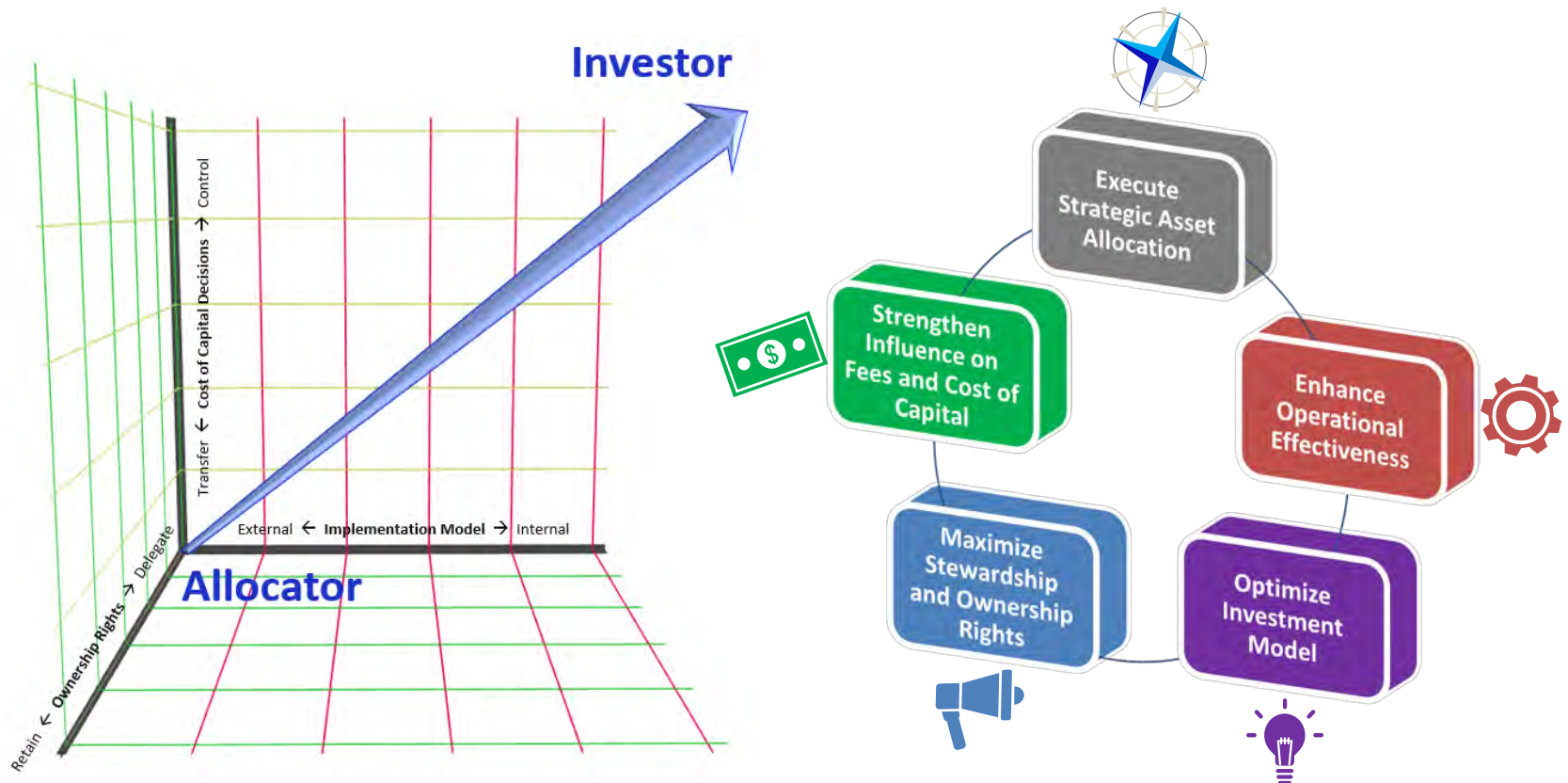


The Investments Division revisits its work plan for the coming year and beyond with the following aims:

1. Provide visibility into current and upcoming initiatives
2. Accurately reflect and synthesize all Board-approved projects and input from prior work plans, recent meetings and off-sites into a cohesive action plan
3. Promote disciplined execution and aligned resources for defined priorities

Building From 2019 Work Plan - Recap

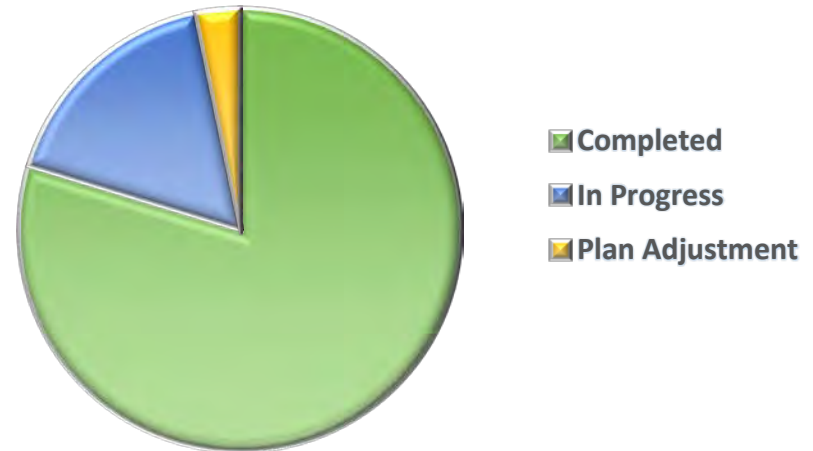
To strengthen LACERA's ability to fulfill its mission, the 2019 work plan defined and grouped projects and anticipated Board agenda items into 5 inter-related pillars designed to evolve LACERA from an *allocator of capital* to an engaged, multi-dimensional *investor*



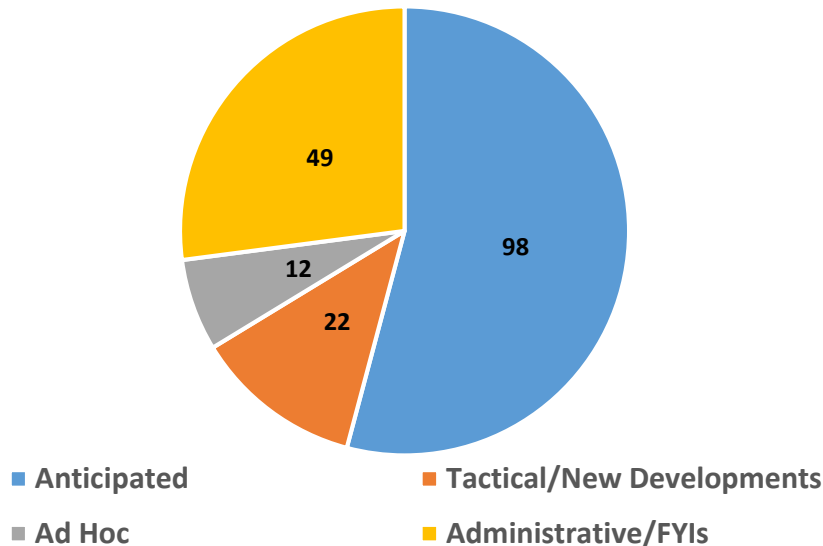
Status Check-In: 2019 Projects Largely Accomplished

LACERA largely accomplished the 2019 projects it planned for and anticipated...

2019 Work Plan Project Status



181 Agenda Items Completed



LACERA also took on additional agenda items, both proactively developing programming and folding in ad hoc requests

Select Highlights of 2019 Accomplishments



Execute Strategic Asset Allocation

- Completed structure reviews for Global Equities, Credit, Real Assets, Hedge Funds, Private Equity
- Launched Real Assets completion portfolio
- Hired asset class specific consultants



Enhance Operational Effectiveness

- Initiated search for Total Fund risk platform
- Launched RFP for administrative services for private asset classes
- Established procurement policy for investment-related services



Optimize Investment Model

- Executed Private Equity secondaries market sales and purchases
- Implemented cash overlay program
- Hired first dedicated illiquid credit manager



Maximize Stewardship and Ownership Rights

- Expanded proxy voting authority from about 20% to 90% by migrating to separate account structures
- Executed corporate engagements on corporate board diversity and climate risk
- Increased financial market policy advocacy with SEC comment letters, joint ILPA and CII letters and coordination



Strengthen Influence on Fees and Cost of Capital

- Initiated internal Private Equity co-investment strategy
- Renegotiated public markets investment management agreements
- Negotiated investor-friendly fee structures

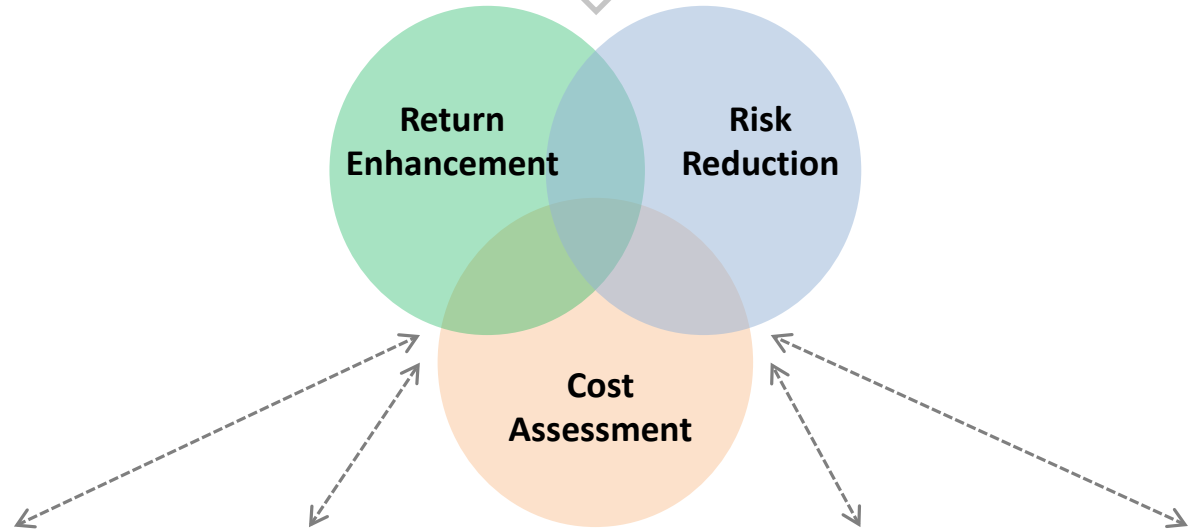
Plan for 2020 and Beyond



Vision 2020: Strategic Objective and Initiatives



Execute Strategic Asset Allocation
while balancing...



Enhance
Operational
Effectiveness



Optimize
Investment Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



Strategic Initiatives: Example Projects



**Enhance
Operational
Effectiveness**



**Optimize
Investment Model**



**Maximize
Stewardship and
Ownership Rights**



**Strengthen
Influence on Fees
and Cost of Capital**

| | Enhance Operational Effectiveness | Optimize Investment Model | Maximize Stewardship and Ownership Rights | Strengthen Influence on Fees and Cost of Capital |
|-------------------|---|--|---|--|
| Short Term (2020) | <ul style="list-style-type: none"> • Alternative assets administrative services RFP • Benchmark review • Conduct business continuity plan exercises • Active overlay evaluation | <ul style="list-style-type: none"> • Bolster risk platform capabilities • Further develop sources of co-investment deal flow • Continue internal management feasibility study | <ul style="list-style-type: none"> • Expand proxy voting • Execute engagement priorities • Corporate governance policies review • Extend ESG scorecard across asset classes | <ul style="list-style-type: none"> • Explore co-investments across additional asset categories • Dedicated managed account (DMA) services provider RFP • Pursue founder's class opportunities |

Strategic Initiatives: Example Projects



**Enhance
Operational
Effectiveness**



**Optimize
Investment Model**



**Maximize
Stewardship and
Ownership Rights**



**Strengthen
Influence on Fees
and Cost of Capital**

| | Enhance Operational Effectiveness | Optimize Investment Model | Maximize Stewardship and Ownership Rights | Strengthen Influence on Fees and Cost of Capital |
|--|--|---|--|--|
| Medium Term (2-4 years) | <ul style="list-style-type: none"> • Adopt dedicated managed account (DMA) service provider • Strengthen Investments Division culture • Enhance data and analytics capabilities across all asset categories • Redesign Board materials | <ul style="list-style-type: none"> • Evaluate factor-based fixed income strategies • Continue building private Real Assets program • Develop risk budgeting methodology | <ul style="list-style-type: none"> • Assess portfolio climate risk exposure • Refine manager ESG due diligence • Continue to promote diversity and inclusion initiatives • Author thought/white papers | <ul style="list-style-type: none"> • Consider alternative private market investment structures • Evaluate performance-based fees for liquid markets • Enhance fee reporting to include fee attribution on alpha |
| Long Term (5+ years) | <ul style="list-style-type: none"> • Further improve performance reporting • Expand portfolio company data analysis • Enhance compliance monitoring program | <ul style="list-style-type: none"> • Evaluate private equity replication strategies • Research alpha/beta investment approaches • Explore investment alliances with like-minded institutions | <ul style="list-style-type: none"> • Integrate climate-aware strategic asset allocation • Increase influence with policy makers • Consider implications of different investment models | <ul style="list-style-type: none"> • Align staffing with evolving investment model • Consider seeding spin-out managers • Optimize cost of capital efficiency across asset categories |



Prospective 2020 Calendar

Tentative Board of Investments and Committee Meetings

| | January | February | March | April | May | June | July | August | September | October | November | December |
|--------------------------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| Board of Investments | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Corporate Governance Committee | | | ✓ | | | | | ✓ | | ✓ | | |
| Credit and Risk Mitigation Committee | | | | | ✓ | | | | | | | ✓ |
| Equity: Public/Private Committee | | ✓ | | | | ✓ | | | | | ✓ | |
| Real Assets Committee | | | | ✓ | | | | | ✓ | | | |

Notes:

- Each committee meets at least two times
- Additional meetings would be scheduled on an as-needed basis



1st Quarter 2020 Preliminary Monthly Calendar View

| FEBRUARY 2020 | |
|-----------------------|--|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Investment Procedure Manual I – Growth |
| Total Fund | 4Q19 Trust and OPEB Performance Report |
| Total Fund | Meketa 4Q19 Trust and OPEB Performance Report |
| Total Fund | Offsite Planning I |
| Real Estate | Investment Recommendation (International) |
| Real Estate | Meketa Review on Manager Reconciliation |
| Real Estate | Appraisal Management Service Provider Recommendation |
| Private Equity | Investment Recommendation (x2) |
| | |
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| | |
| | |
| Committee: Equity | |
| Category | Subject |
| Private Equity | Education |
| Private Equity | Investment Memorandum Redesign |

| MARCH 2020 | |
|---------------------------------|--|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Offsite Planning II |
| Total Fund | Transition Management Minimum Qualifications |
| Total Fund | Benchmark Review |
| Total Fund | Recommendation to Accept the June 30, 2019 Valuation |
| Global Equity | Internal Management Consultant Report |
| Global Equity | Investment Recommendation (Factor Based) |
| Real Estate | Investment Recommendation (International) |
| Real Estate | Performance Review |
| Private Equity | Investment Recommendation |
| Corporate Governance | SEC Comment Letter Report |
| Corporate Governance | Corporate Governance Ballot Report |
| | |
| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Principles and Policy Review |
| | |

* Please note that certain listed items are subject to Board approval



3rd Quarter 2020 Preliminary Monthly Calendar View

| JULY 2020 | |
|-----------------------|---|
| Board of Investments: | |
| Category | Subject |
| <i>Total Fund</i> | <i>Board Offsite</i> |
| Real Estate | 4Q 2019 Performance Review |
| Private Equity | Investment Recommendation |
| Real Assets | Natural Resources Investment Recommendation |
| Global Equity | Emerging Managers Search MQ's |
| | |
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| Committee: | |
| Category | Subject |
| | |
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| AUGUST 2020 | |
|---------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Revised Risk Reports - Preview |
| Total Fund | 2Q2020 Trust and OPEB Performance Report |
| Total Fund | Meketa 2Q2020 Trust and OPEB Performance Report |
| Total Fund & OPEB | Strategic Asset Allocation Study |
| Global Equity | Internal Management Update |
| Private Equity | Investment Recommendation |
| Real Assets | Infrastructure Investment Recommendation |
| Hedge Funds | Dedicated Managed Account Service Provider Recommendation |
| | |
| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Engagement Initiatives Review and Next Steps |
| | |
| | |

| SEPTEMBER 2020 | |
|------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Consultant Self Assessments |
| Total Fund | Transition Management |
| Total Fund & OPEB | Strategic Asset Allocation Study |
| Private Equity | Investment Recommendation |
| Real Assets | Natural Resources Investment Recommendation |
| Corporate Governance | Corporate Governance Ballot Report |
| Real Estate | Investment Recommendation |
| | |
| | |
| Committee: Real Assets | |
| Category | Subject |
| Real Estate | International Implementation Plan |
| Real Estate | Education – TBD |
| Real Assets | Structure Review |

* Please note that certain listed items are subject to Board approval



4th Quarter 2020 Preliminary Monthly Calendar View

| OCTOBER 2020 | |
|---------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund & OPEB | Strategic Asset Allocation Study |
| Total Fund | Risk Education |
| Private Equity | Investment Recommendation |
| Real Assets | Structure Review |
| Real Estate | International Implementation Plan |
| Hedge Funds | HF Emerging Manager Program Separate Account Manager Recommendation |
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| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Proxy Voting Results and Trends FY2020 |
| Corporate Governance | PRI Assessment Results and ESG Integration Update |
| Corporate Governance | Proxy Voting Research and Voting Platform RFP |

| NOVEMBER 2020 | |
|-----------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund & OPEB | Strategic Asset Allocation Study |
| Total Fund | 3Q2020 Trust and OPEB Performance Report |
| Total Fund | Meketa 3Q2020 Trust and OPEB Performance Report |
| Real Estate | Investment Recommendation |
| Private Equity | Investment Recommendation |
| Real Assets | Infrastructure Investment Recommendation |
| Corporate Governance | Corporate Governance Ballot Report |
| Corporate Governance | Proxy Voting Research and Voting Platform RFP |
| | |
| | |
| Committee: Equity | |
| Category | Subject |
| Private Equity | Structure Review |
| Private Equity | Education – TBD |
| | |

| DECEMBER 2020 | |
|---------------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund & OPEB | Strategic Asset Allocation Study |
| Total Fund | AB2833/Investment Fee Validation Review |
| Total Fund | Derivatives Procedures |
| Global Equity | Investment Recommendation (Emerging Managers) |
| Credit | High Yield Search Recommendation |
| Private Equity | Structure Review |
| Private Equity | Investment Recommendation |
| Real Estate | Performance Review |
| Hedge Funds | Investment Recommendation |
| | |
| Committee: Credit and Risk Mitigation | |
| Category | Subject |
| Credit | Education – TBD |
| Hedge Fund | Education – TBD |
| | |

* Please note that certain listed items are subject to Board approval



STRATEGIC PLAN

RETIREE HEALTHCARE PROGRAM

Yesterday, Today, Tomorrow

FISCAL YEARS ENDING 2019-2021



L/CERA

OVERVIEW

LACERA's Board of Retirement administers the Los Angeles County Retiree Healthcare Program. LACERA staff, external consultants, and advisors assist the Board of Retirement's Insurance, Benefits & Legislative Committee in overseeing the Los Angeles County Retiree Healthcare Program.

In 1961 the County Employees Retirement Law of 1937 (CERL) was amended to allow pension systems to provide healthcare to retirees in two ways:

- Board of Supervisors can pay all or part of the cost
- Board of Retirement can pay via excess earnings.

OUR MISSION

To efficiently administer the Healthcare Benefits Program for retired association members and beneficiaries and provide a healthcare program of the highest quality at an affordable cost.

OUR CORE VALUES

PROFESSIONALISM * We take the initiative to develop our skills to get the job done. We are accountable for providing quality service to our members that is efficient and accurate.

RESPECT * Our members and coworkers deserve to be treated with courtesy, patience, and empathy. When we listen to and support each other, we create a nurturing work environment that promotes fairness and trust.

OPEN COMMUNICATIONS * Our frank and straightforward expression of ideas fosters a common understanding of purpose – quality service to our

members. We create a healthy work environment by sharing information, listening to each others' ideas, and giving constructive feedback.

FAIRNESS * Our employees are entitled to a clear explanation of performance expectations. Performance evaluations are timely, honest, and impartial; personal improvement plans are reasonable and constructive; and we provide opportunities for professional development and promotion.

INTEGRITY * We inspire confidence by our high standards for member services and sound investment practices. We are reliable, ethical, and honest. Loyalty to LACERA means loyalty to members. Integrity guides all of our work relationships.

TEAMWORK * We are committed to teamwork and we openly share information and ideas. Working together to reach common goals is the essence of success.

OUR OBJECTIVES

PRUDENT FIDUCIARY

To act at all times as prudent fiduciaries, executing our responsibilities exclusively on behalf of our members, beneficiaries, and participating employers.

RESPONSIVE AND QUALITY SERVICES

To provide responsive and consistent quality service using integrated cost effective procedures.

COMMUNICATION

To promote and enhance the understanding of LACERA benefits among members, employers, County officials, and the public.

QUALITY WORKFORCE

To develop a human resources program to recruit, train, develop, and promote qualified staff; provide a quality work environment and enhance the quality of life for our employees.

MANAGE GROWTH AND CHANGE

To manage growth and change through planning, innovation, and the maximum use of available technology.

OUR HISTORY

The 1970s

In January 1971, with the assistance of its healthcare consultant, Johnson & Higgins, LACERA first offered a hospital-medical plan and subsidized the retiree's premium by using excess earnings. At that time, the Board of Retirement offered retirees the choice of remaining in Blue Cross, Kaiser, or Ross-Loos from an active employment status. For those electing not to stay with their "active" plan carrier, Occidental or Kaiser Permanente was made available to them.

The indemnity dental/vision plan became a part of the Los Angeles County Retiree Healthcare Benefit Program effective January 1, 1977; with July 1, 1996, the first offering of the CIGNA Dental Health Plan - pre-paid – HMO plan.

The 1980s

In April 1982, the Board of Retirement negotiated an agreement with the County obligating the County to fund the healthcare program so long as the County provided a healthcare program for active employees

The administration of the Los Angeles County Retiree Healthcare Program has gone through several evolutionary organizational changes. Initially, the insurance processing was handled as a function of the Retiree Member Unit as part of the retirement payroll function. Subsequently, at the recommendation of an independent auditor, the function was decentralized to several benefits processing units (team concept).

The 1990s

In early 1992, a determination was made that the health and dental/vision staff support provided to our members was at an unacceptable level; thus, in May 1992, LACERA established the Insurance Services Section (now known as the Retiree Healthcare Division) to centralize the administration of the healthcare program.

With the establishment of the Retiree Healthcare Division in 1992, came the addition of LACERA's first Medicare Advantage plans (Kaiser Health Pledge, now Senior Advantage; Secure Horizons; FHP Golden Healthcare-*terminated 6/30/94*) and Medicare Supplement plan (Provident III), along with a Medicare Part B Reimbursement Program. This complimented the five medical plans (Kaiser, Blue Cross Prudent Buyer, CIGNA Network Model, Provident I, and Provident II) and one dental/vision plan with Provident already offered to retirees.

Effective August 1994, the 1982 agreement was amended to guarantee the County's obligation to continue providing a program even if the County terminated their health program for active employees.

The Twenty-First Century

Our progression to the future is necessarily focused on our primary goal of providing efficient, accurate and friendly service to members. We want to utilize and develop the skills and expertise of our staff to achieve the highest quality service possible. We continue to explore ways to ensure that we capitalize our human and technological resources to maximum effect.

Prior to 2009, all enrollment forms, correspondence, etc. were delivered directly to the Retiree Healthcare Division. In March 2009, we began scanning enrollment forms and correspondence via the CIB (Client In-Basket) document management system, which provided us the ability to better track and monitor workflow. When scanning of healthcare work objects began, an average of 950 forms were received monthly. With Baby Boomers reaching retirement eligibility, that average has climbed to 1,260 enrollment forms per month, while the number of staff processing those enrollments has decreased due to restructure of the Division and additional staff responsibilities.

In 2013, we reorganized the Division to capitalize on the skills and strengths of staff and to ensure that we provide efficient and effective customer service to our Members. Our Division is currently divided into four

specialized units: Call Center, Operations, Financial/Special Projects and Audits.

OUR STRATEGIC INITIATIVES

Successful Implementation of 2014 RHC Program Changes

In January 2014, Los Angeles County (plan sponsor) informed LACERA of a proposed plan to lower the employer costs for the Retiree Healthcare Program changes for new employees hired on or after July 1, 2014. The adopted plan has been named Los Angeles County Retirees Healthcare Program -Tier 2 (Tier 2). We worked closely with other Divisions, including Communications, Member Services, Claims Processing, and Systems to update processes, information and procedures. Retiree Healthcare staff is in the process of revising our *Exploring Your Healthcare Benefits Through LACERA* booklet and information packet. We are also working with Systems with programming Workspace to calculate the County subsidy at the retiree only premium level to support the new benefits structure and mandated Medicare enrollment for Tier 2 members. The only outstanding item is Modify Information Systems – Enrollment, which is targeted by Systems for completion in FY2015-2016. All staff from our RHC Units (Call Center, Operations, Audits, and Quality Assurance/Special Projects) are fully trained on all aspects of the new healthcare benefits so our members can continue to receive excellent and accurate service.

Continued Integration of Information Technology

Information technology continues to play a vital role in Retiree Healthcare's ability to serve our retirees and their dependents. For the past few years, all enrollment processing functions have been integrated into Workspace. This has helped increase the efficiency of our Operations staff and helped the overall member experience. We continue working toward providing our members more electronic options to download forms, carrier-related documents, receive education, and complete enrollment. Already in place is the ability for members to input information into enrollment forms online which can then be printed and submitted for processing. The ultimate goal is for members to complete the enrollment process online, with no need to print or mail forms. We are moving forward with anticipated informational and training videos to be included in the Retiree Healthcare section of LACERA.com that will be produced with the help of the Communications Division. The first of these videos were originally intended to be ready by the end of the 2014-2015 fiscal year, but were delayed due to the reallocation of staff resources to prepare for the implementation of Tier 2 to assist with RDS and ERRP audits, and process an increased number of enrollments.

LACERA.com

| GOAL | IMPLEMENTATION DATE |
|--|---------------------|
| RHC Enrollment web video | FY 2020-2021 |
| Medicare 101 web video | FY 2020-2021 |
| RHC members' electronic submission of enrollment | FY 2020-2021 |

Workspace

The focus began with improving the tools available to Retiree Healthcare Specialists by changing the 1960s era computer input screens (Green Screens) with user friendly Windows based input screens. We have fully transitioned to all enrollment functions being processed through Workspace. We are also still looking toward automating transmittal of members' enrollment information to the carriers. We have been working with Systems to create an efficient process to automate the population of imputed income in 1099 forms for affected members. We are now re-evaluating the need for such a system. With the legalization of same sex marriage, the number of members requiring 1099 forms has dropped significantly. It may prove to be a better use of resources to handle the approximately one-hundred forms manually.

| GOAL | IMPLEMENTATION DATE |
|--|---------------------|
| Streamline generation and mailing of confirmation letter upon member election via Workspace | FY 2020-2021 |
| Automate monthly premium reconciliation process | FY 2020-2021 |
| Electronic submission to carriers | FY 2020-2021 |

Member Interaction and Communication

It is our responsibility to educate our members and assist them while making healthcare choices suitable for their needs. With so many changes in the world of healthcare today coupled with the various options available for our members to choose, our plan is to continue to expand and improve our communication to members by offering a wide variety of user-friendly, updated, informative, and creative educational tools that include print materials and videos. We have made significant strides forward in

automating correspondence to members and continue to look toward making the member's experience as consistent, informative, and efficient as possible.

| GOAL | IMPLEMENTATION DATE |
|--|---------------------|
| <i>Implement new seminar for members becoming Medicare eligible*</i> | FY 2020-2021 |
| Develop Medicare 101 Packet | FY 2020-2021 |

*Partnership with Member Services Division

Financial & Special Projects Section

The Quality Assurance and Special Projects Section is responsible for identifying, creating and implementing new efficiencies. They build upon the quality assurance practices we have already put in place to assess needs such as staff training or task allocation. This section will also coordinate and conduct quality control of staff work (both Operations and Call Center) to ensure accuracy and will be responsible for working audits of our insurance carriers. Finally, this section will handle higher level tasks and projects such as Medicare RDS research, EGWP implementation, Affordable Care Act implementation, and accounting and monthly financial reconciliation. Development of guidelines for higher-level functions listed below is in progress.

| GOAL | IMPLEMENTATION DATE |
|-------------------------------------|---------------------|
| Dependent database audit RFP | FY 2020-2021 |
| Dependent database audit completion | FY 2020-2021 |

Audits Section

The Audits Section is responsible for generating and conducting audits that are both generated based on internal needs (such as the Code 19 project) or based on reports received from different carriers (Kaiser, Cigna, SCAN and United Healthcare). The staff assigned to this Section are responsible for researching and updating discrepancies found between member's accounts on LACERA and carrier's systems, including processing of complex premium adjustments and Medicare Part B retrievals. Part of the process is to notify other Divisions at LACERA for eligibility updates for members and beneficiaries. The staff are also responsible for notifying members of any premium adjustments or eligibility changes and will be the ultimate point of contact for any future calls or correspondence regarding the audits they conducted. All guidelines were completed during the 2015-2016 fiscal year. In addition, the Audits Section is responsible in checking the enrollment forms for accuracy.

| GOAL | IMPLEMENTATION DATE |
|--|---------------------|
| Medicare Certification project | FY 2020-2021 |
| Automation of Medicare Part B retrievals | FY 2020-2021 |

Call Center Section

The Retiree Healthcare Call Center is the first interface in which our staff interact with members. Call Center Specialists are responsible for answering member inquiries pertaining to their Medical and Dental/Vision

enrollment, eligibility issues, premium payments in addition to assisting members and their eligible dependents in selecting an appropriate Medical and/or Dental/Vision plan that suits their needs.

To ensure our Call Center staff are well versed in all LACERA Administered plans, our specialists receive “in-house” training for approximately six weeks. This training is in addition to the Core Benefits training that is offered by the Quality Assurance Division.

| GOAL | IMPLEMENTATION DATE |
|---------------------------|---------------------|
| RHC- New toll free number | FY 2018-2019 |

Operations Section

Operations Section staff are assigned a specific carrier with whom they work and serve as a point-of-contact for the carrier, internal staff, and members for questions and issues regarding that carrier. Operations staff are responsible for processing all enrollments, including new members, changes and cancellations for all plans.

| GOAL | IMPLEMENTATION DATE |
|--|---------------------|
| Process enrollment through Workspace (PDF) and submission to carriers via e-mail | FY 2019-2020 |
| Revise RHC Enrollment Processing Guidelines | FY 2019-2020 |

RETIREE HEALTHCARE

Budget Request Highlights

Fiscal
Year
2020-2021

Mission

To effectively administer the Retiree Healthcare Benefits Program for LACERA members, survivors, and their eligible dependents and to provide a healthcare program of the highest quality at an affordable cost.

INTRODUCTION

The Retiree Healthcare Division (RHC) is responsible for administering the Retiree Healthcare Benefits Program (RHCBP) for retired members, survivors, and eligible dependents. This budget request for Fiscal Year 2020-2021 reflects our ongoing commitment to provide the highest level of customer service to our members and eligible dependents. RHC is also responsible for understanding and implementing the many complex changes in Federal and State Programs such as the Affordable Care Act (ACA), Medicare, and Social Security guidelines as applicable to the RHCBP, in addition to the general health care landscape. This budget will provide the division with the support needed to deliver timely quality service to our retired members/survivors and their eligible dependents.

The RHC Division consists of the following units:

- Operations Unit
Assists in planning, assigning, organizing, and directing the work of staff engaged in the research, resolution, and processing of Healthcare retirement benefits.
- Audit Unit
Assists in conducting operational audits to ensure the quality of the work performed by staff.
- RHC Call Center
Assists with resolving complex questions regarding the Retiree Healthcare Benefits Program and provides information to management regarding its impact on division operations.

RHC Successes:

- Procedures to address the varying monthly Medicare Part B premium cost to eligible members/survivors and their eligible dependents
- Achieved an overall single digit premium increase

- Fully staffed the RHC Call Center
- Improved the Operations enrollment processing triage description for efficiency
- Each divisional unit is now aligned in accordance with the organizational chart

RHC Challenges:

- Inability for members to be able to submit electronic enrollment forms
- Submitting paper enrollments to the health plan carriers
- Limited office space
- Unable to access system remotely in order to telecommute
- Medicare Part B premium verification requirement
- Policy mandating that all employees hired as a Retirement Benefits Specialist participate in the one-year CORE Benefits training class even though they are being hired to perform other work within the organization

STAFFING

There are currently 31 budgeted positions in Retiree Healthcare. Our budget request for Fiscal Year 2020-2021 includes the deletion of three currently vacant Retiree Benefits Specialist (RBS) II positions and the addition of three Senior Retirement Benefit Specialists. The higher level positions are needed to support the Section Heads by providing front line supervision such as, training, coaching, counselling, escalated member cases, performance evaluations (PE), Appraisal of Promotability (AP), forecasting staffing needs, work triage, and monitor work assigned to staff.

Classification Study

Upgrade four Retirement Benefits Specialist II's to Retirement Benefits Specialist III level.

- Staff is requesting a classification study of four RBS II levels within our Operations Unit. Staff assigned to this unit are performing duties that are commensurate with a higher-level classification. The duties performed include processing medical and dental/vision enrollment forms, prior period adjustments for healthcare premiums as well Part B premium reimbursements, billings, resolving insurance carrier issues on behalf of the members, and composing correspondence to members. Staff also assist in resolving the most complex healthcare eligibility, prescription and medical benefit claims issues between the member and the carrier. The workload in this unit continues to increase, because of increasing healthcare enrollments and Part B verifications. In addition, staff provides support to the Retiree Healthcare Call Center as well as at the Member Services Center (MSC) by assisting with incoming calls and face-to-face counselling due to special mass mailings such as the annual Medicare Part B Premium Notice, annual Retiree Healthcare Letter/Packet, and other unanticipated mass mailings.

Overtime

Overtime is being requested to manage the workload related to the high volume of enrollment forms received resulting from March Madness, processing of Medicare Part B premium verifications, dependent database audit, and for any unanticipated special projects and special mailings that regularly occur. The total overtime amount being requested for this fiscal year is \$115,600.

SERVICES AND SUPPLIES

Postage—Special Retiree Mailings

Our Postage - Special Retiree Mailing account is primarily used to fund the postage costs and printing for the following mass mailing materials.

- Annual letter packet mailing
- Rate booklets
- Medicare Part D prescription drug coverage Creditable Coverage Notice
- Retiree Staying Healthy Together Program bi-annual workshop invitations
- Non-LACERA Medicare Part D warning/reminder notices
- Non-discrimination Notices in compliance with ACA 1557
- Medicare Part B Premium Verification Notices
- Other unanticipated special mailings

Our Special Retiree Mailing budget request remains constant at \$400,000 for Fiscal Year 2020-2021.

Professional and Specialized Services–Audits

We have budgeted \$435,000 to cover the cost of conducting the following program audits such as the Dependent Eligibility Audit and Retire Drug Subsidy Program Audit for the 2016-2017 Plan Year Applications. Per the final signed agreement, at its option, LACERA may extend the term of the Mercer RDS Agreement for two additional RDS Plan Years. Please note that audit costs are estimated and be finalized through a request-for-proposal process.

| | |
|------------------------------------|-------------------|
| Dependent Eligibility Audit | \$ 200,000 |
| Retiree Drug Subsidy Program Audit | \$ 235,000 |
| Total | \$ 435,000 |

The following discussion provides insight into each audit category.

- **Dependent Eligibility Audit**

For fiscal year 2020-2021, we plan to perform a Dependent Eligibility Verification Audit to ensure only eligible dependents are receiving healthcare coverage. Conducting a Dependent Eligibility Verification Audit could potentially assist with reducing future healthcare costs for both the plan sponsor and plan participants. While this audit may, ultimately result in savings, there is an upfront cost to conducting the audit as well as engaging an external firm for on-going eligibility verification. A request to release a Request for Proposal (RFP) will be brought forth to the Board of Retirement's Insurance, Benefits, and Legislative Committee.

Professional and Specialized Services–OPEB Actuarial Valuation

The Board of Retirement approved the OPEB Valuation moving from biennial valuations to annual valuations under GASB 74/75 reporting requirements. This change will result in the budget request amount of \$375,000 for the 2020-2021 fiscal year.

Bank Services–State Street

Effective Fiscal Year 2020-2021, due to GASB 84, a new Bank Services account will be established for the annual State Street banking and Treasury service charges to be allocated to RHC. The change to the agent model caused the change to start breaking out these fees. Prior to this upcoming fiscal year, these expenses were previously allocated to FASD's bank services account under Pension. We are requesting to create a new account in the budget request amount of \$21,000 for State Street Bank services.

FUNDING AND OPERATING EXPENSES

The Retiree Healthcare Benefits Program's (RHCBP) operating expenses must be funded by the program and its operations cannot be subsidized by the trust funds used to operate the retirement benefit trust. The administrative fee covers administrative expenses, including consulting services, vendor fees, and the cost of administering the RHCBP. As such, a RHCBP administrative fee is included as part of the retiree healthcare medical and dental/vision plan premiums, per member, per plan, per month.

For the 2020/2021 plan year, we recommend continuation of the administrative fee of \$8.00. However, we will likely need to review the administrative fee cost in the next fiscal year. Staff's ongoing responsibilities and increasing costs of administering the program due to increased membership, operational costs, and implementation of the ever complex and myriads of federal and Medicare rules and regulations, may necessitate the need to again, review the current administrative fee.

Below is a chart of RHCBP's revenue and expenses over the past 10 years based on the administrative fee:

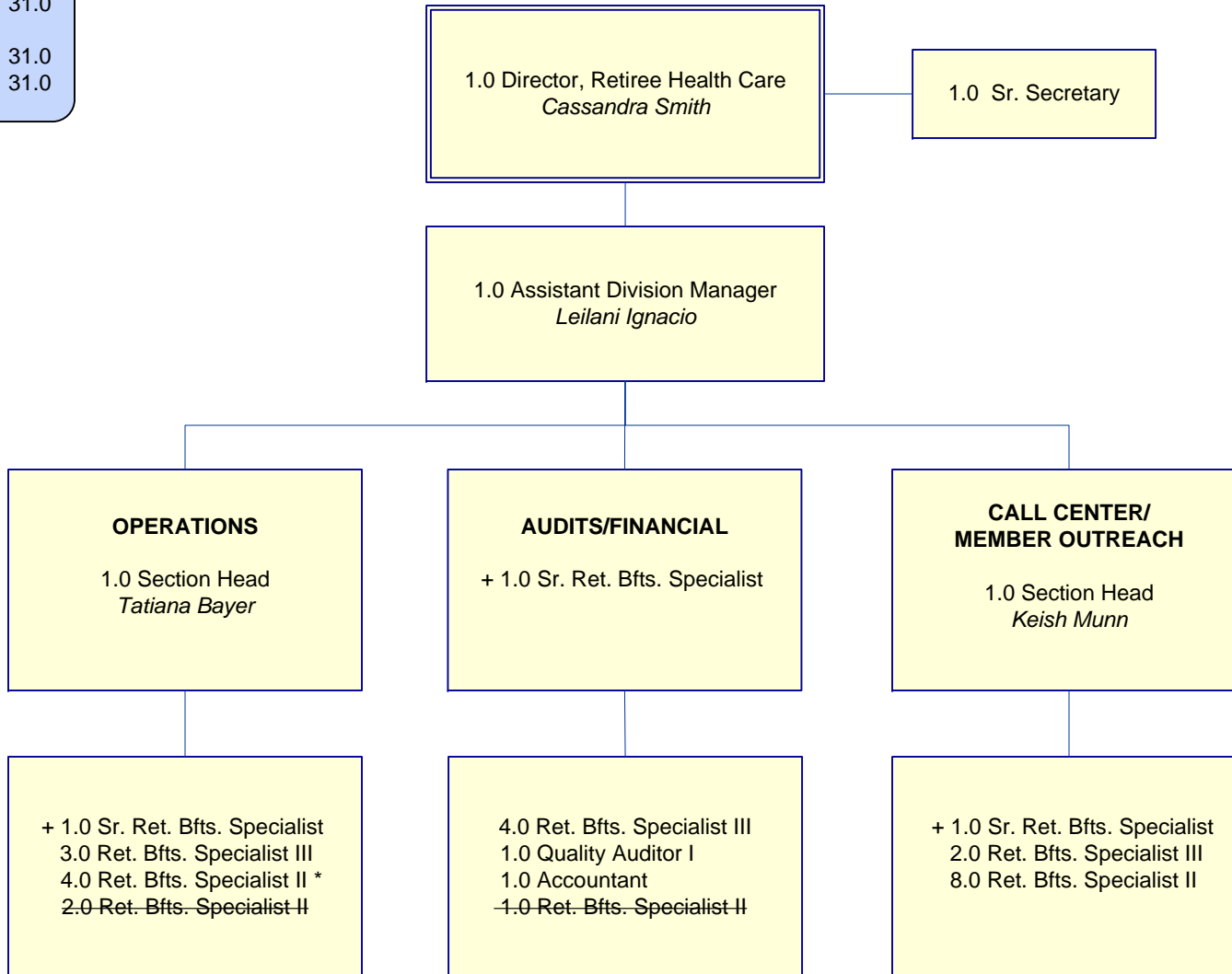
RHC ADMIN REVENUE AND EXPENSES FOR THE LAST 10 YEARS (FYE 2010 – 2019)

| Fiscal Year Ending | Fee | Admin Revenue | Admin Expenses | Surplus/(Deficit) |
|---------------------------|------------|----------------------|-----------------------|--------------------------|
| 2010 | \$3.00 | \$3,013,440 | \$3,110,301 | (\$96,861) |
| 2011 | \$3.00 | \$3,062,112 | \$3,532,195 | (\$470,083) |
| 2012 | \$3.00 | \$3,133,352 | \$3,232,274 | (\$98,922) |
| 2013 | \$3.00 | \$3,351,652 | \$4,597,261 | (\$1,245,609) |
| 2014 | \$5.00 | \$5,466,487 | \$5,006,498 | \$459,989 |
| 2015 | \$5.00 | \$5,578,149 | \$5,424,333 | \$153,816 |
| 2016 | \$5.00 | \$5,984,986 | \$5,279,617 | \$705,369 |
| 2017 | \$8.00 | \$9,631,327 | \$5,326,190 | \$4,305,137 |
| 2018 | \$8.00 | \$9,559,745 | \$5,681,953 | \$3,877,792 |
| 2019 | \$8.00 | \$9,823,062 | \$6,118,267 | \$3,704,794 |

RETIREE HEALTH CARE BENEFITS PROGRAM

FISCAL YEAR 2020-2021

2019-2020 Bud. Pos.: 31.0
 2019-2020 Hiring Plan: 31.0
 2020-2021 Bud. Pos.: 31.0
 2020-2021 Hiring Plan: 31.0



- + Added position
- Deleted position
- * Classification study for the position requested

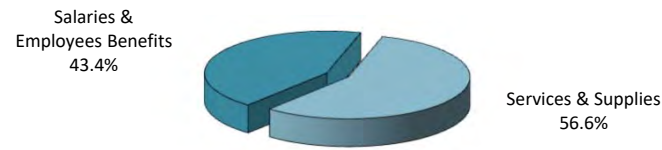
RETIREE HEALTHCARE BENEFITS PROGRAM

FISCAL YEAR 2020-2021

BUDGET SUMMARY

| | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|--------------------|---|--------------------|---|--------------------|--------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | | | | | PROJECTION |
| Salaries & Employees Benefits | \$4,092,346 | \$3,556,664 | \$1,413,425 | \$3,284,489 | \$807,857 | 24.6% | \$535,682 | 15.1% |
| Services & Supplies | 5,340,628 | 4,668,186 | 1,693,914 | 4,616,186 | 724,442 | 15.7% | 672,442 | 14.4% |
| OPERATING BUDGET | \$9,432,974 | \$8,224,850 | \$3,107,339 | \$7,900,675 | \$1,532,299 | 19.4% | \$1,208,124 | 14.7% |

2020 - 2021 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

RETIREE HEALTHCARE BENEFITS PROGRAM
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|---------------------------------|---------------------------|-------------|-------------|---|----------|---|----------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$2,574,811 | \$2,227,726 | \$887,791 | \$2,030,200 | \$544,611 | 26.8% | \$347,085 | 15.6% |
| Total Agency Temp Salaries | 0 | 60,300 | 97,156 | 194,300 | (194,300) | -100.0% | (60,300) | -100.0% |
| Employee Benefits (Variable) | 1,318,654 | 1,087,095 | 399,923 | 973,889 | 344,765 | 35.4% | 231,560 | 21.3% |
| OPEB Contribution | 66,081 | 48,243 | 21,579 | 48,000 | 18,081 | 37.7% | 17,839 | 37.0% |
| Stipends | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Overtime | 115,600 | 113,700 | 2,315 | 20,800 | 94,800 | 455.8% | 1,900 | 1.7% |
| Bilingual Bonus | 3,600 | 3,600 | 1,100 | 2,400 | 1,200 | 50.0% | 0 | 0.0% |
| Sick Leave Buyback | 10,000 | 10,000 | 2,711 | 8,800 | 1,200 | 13.6% | 0 | 0.0% |
| Rideshare Allowance | 3,600 | 6,000 | 850 | 6,100 | (2,500) | -41.0% | (2,400) | -40.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| ADJUSTED GROSS S&EB | \$4,092,346 | \$3,556,664 | \$1,413,425 | \$3,284,489 | \$807,857 | 24.6% | \$535,682 | 15.1% |
| Salary Differential | - | - | - | - | - | - | - | - |
| TOTAL S&EB | \$4,092,346 | \$3,556,664 | \$1,413,425 | \$3,284,489 | \$807,857 | 24.6% | \$535,682 | 15.1% |

*All amounts rounded to the nearest dollar.

Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
SALARIES

RETIREE HEALTHCARE BENEFITS PROGRAM

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|---------------------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00793A | DIRECTOR, RETIREE HEALTHCARE | 1 | LS14 | 15,995 | 191,945 | | | |
| 00771A | ASSISTANT DIVISION MANAGER | 1 | LS10 | 12,900 | 154,803 | | | |
| 00772A | SECTION HEAD | 2 | LS9 | 18,119 | 217,422 | | | |
| 01311A | RETIREMENT BENEFITS SPECIALIST III | 9 | 95B | 60,765 | 729,176 | | | |
| 00796A | QUALITY AUDITOR I | 1 | 94J | 7,239 | 86,869 | | | |
| 00415A | ACCOUNTANT | 1 | 92B | 6,674 | 80,084 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 6,077 | 72,928 | | | |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | 9 | 88G | 48,574 | 582,894 | | | |
| POSITIONS | | 25 | | | 2,116,121 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 01312A | SENIOR RETIREMENT BENEFITS SPECIALIST | 3 | 100G | 6,400 | 76,804 | | | 115,206 |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | 6 | 88G | 4,622 | 55,466 | 166,398 | | |
| 01310A | RETIREMENT BENEFITS SPECIALIST II | (3) | 88G | 4,622 | 55,466 | | | |
| | | | | | | 166,398 | 0 | 115,206 |
| POSITIONS | | 6 | | | 281,605 | | | |
| TOTAL POSITIONS | | 31 | | | | | | |
| GROSS SALARIES | | | | 2,397,726 | | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | 41,960 | | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | 62,789 | | | | |
| BONUS | | | | 0 | | | | |
| 120-DAY RETIREE(S) | | 1 | | | 72,336 | | | |
| TOTAL SALARIES | | | | 2,574,811 | | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase

RETIREE HEALTHCARE BENEFITS PROGRAM

BUDGET REQUEST INFORMATION

**AGENCY TEMPORARY STAFFING
HISTORY OF EXPENDITURES**

| DIVISION | FYE 2018 | | FYE 2019 | | FYE 2020 | | FYE 2021 |
|--------------------|-----------------|-----------------|------------------|-----------------|-----------------|-------------------|-----------------|
| | Budget | Actual | Budget | Actual | Budget | Projection | Budget |
| Retiree Healthcare | \$72,500 | \$47,203 | \$132,100 | \$69,213 | \$60,300 | \$194,300 | \$0 |
| GRAND TOTAL | \$72,500 | \$47,203 | \$132,100 | \$69,213 | \$60,300 | \$194,300 | \$0 |

*All amounts rounded to the nearest dollar.

RETIREE HEALTHCARE BENEFITS PROGRAM

BUDGET REQUEST INFORMATION

**OVERTIME
HISTORY OF EXPENDITURES**

| DIVISION | FYE 2018 | | FYE 2019 | | FYE 2020 | | FYE 2021 |
|--------------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------------|------------------|
| | Budget | Actual | Budget | Actual | Budget | Projection | Budget |
| Retiree Healthcare | \$30,700 | \$19,079 | \$36,245 | \$20,185 | \$113,700 | \$20,800 | \$115,600 |
| GRAND TOTAL | \$30,700 | \$19,079 | \$36,245 | \$20,187 | \$113,700 | \$20,800 | \$115,600 |

*All amounts rounded to the nearest dollar.

RETIREE HEALTHCARE BENEFITS PROGRAM

BUDGET REQUEST INFORMATION

VACANT POSITIONS
SUMMARY

| Division | Budgeted Positions FY 2019-2020 | Vacancy (As of 04/30/20) | % | Budgeted Positions FY 2020-2021* | Vacancy | % |
|--------------------|--|-------------------------------------|------------|---|----------------|------------|
| Retiree Healthcare | 31 | 6 | 19% | 31 | 6 | 19% |
| TOTAL | 31 | 6 | 19% | 31 | 6 | 19% |

* Includes new requested positions. We plan to fill all vacant positions.

RETIREE HEALTHCARE BENEFITS PROGRAM

FISCAL YEAR 2020-2021

SERVICES & SUPPLIES ACCOUNT SUMMARY

| ACCOUNT CLASSIFICATION | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|---------------------------------------|---------------------------|------------------------|--------------------|--------------------|---|--------------|---|--------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| TRANSPORTATION & TRAVEL | \$50,000 | \$51,000 | \$21,313 | \$47,200 | \$2,800 | 5.9% | (\$1,000) | -2.0% |
| POSTAGE | 400,000 | 400,000 | 2,210 | 400,000 | 0 | 0.0% | 0 | 0.0% |
| OFFICE SUPPLIES & EQUIPMENT | 4,000 | 5,000 | 3,524 | 5,000 | (1,000) | -20.0% | (1,000) | -20.0% |
| OPERATIONAL COSTS | 3,269,328 | 2,550,186 | 1,274,260 | 2,550,186 | 719,142 | 28.2% | 719,142 | 28.2% |
| PROFESSIONAL AND SPECIALIZED SERVICES | 1,561,500 | 1,626,500 | 388,575 | 1,583,500 | (22,000) | -1.4% | (65,000) | -4.0% |
| BANK SERVICES | 21,000 | 0 | 0 | 0 | 21,000 | 0.0% | 21,000 | 0.0% |
| EDUCATIONAL EXPENSES | 34,500 | 35,500 | 4,032 | 30,300 | 4,200 | 13.9% | (1,000) | -2.8% |
| MISCELLANEOUS | 300 | 0 | 0 | 0 | 300 | 0.0% | 300 | 0.0% |
| TOTAL | \$5,340,628 | \$4,668,186 | \$1,693,914 | \$4,616,186 | \$724,442 | 15.7% | \$672,442 | 14.4% |

*All amounts rounded to the nearest dollar.



Cost Allocation: The Need for Separate Accounting of the OPEB Trust

The County of Los Angeles (County), LACERA and the Superior Court maintain a Retiree Healthcare Program (RHP) for their members. In FY 2012-13, the County established a trust in order to fund this program. In FY 2016-17, the Superior Court established a trust to participate in the program. Beginning in FY 2017-18, the costs of administering the program were displayed separately, based on the size of the participating agencies. The Board of Investments of LACERA is the trustee and investment manager for the trusts.

The Trust Agreements between the County, Superior Court, and LACERA stipulate that "...the Trustee (LACERA) shall be entitled to payment or reimbursement of all its reasonable and appropriate expenses incurred in administering or investing the Trust..." In other words, LACERA will not expend its principal or operating allocation to administer the Trusts. Instead, the Trust Agreements allow LACERA to seek payment directly from the County and Superior Court, or to obtain payment from the OPEB trust.

To avoid OPEB Trust assets being commingled with the retirement fund assets, it is important for LACERA to maintain a separate accounting of the costs associated with administering the OPEB Trust.

A Method for Tracking OPEB Trust Expenses

Only the LACERA Divisions that participate in the administration of the OPEB Trust are included in the calculation of costs. These divisions are: Administrative Services, Communications, Executive Office, FASD, Human Resources, Internal Audit, Investments, Legal Services, Systems and Retiree Healthcare.

Each division utilizes staff and resources to administer the OPEB Trust. In estimating the costs to administer the trust, LACERA considers the amount of time expended by employees as a share of the total cost of salaries and benefits. In estimating the additional costs used to administer the trust, LACERA also considers the share of the total costs of services and supplies.

Cost Methodology

There are four categories of expenses applicable to our cost methodology as follows:

Direct Costs of Salaries & Employee Benefits

Division managers provided a list of staff members and the number of hours those staff members worked on OPEB activities. Those "hours spent" are converted into a percentage of annual hours. The salaries and benefits totals of each staff member are then multiplied by the percentage of annual hours devoted to OPEB.

Indirect Services & Supplies

These costs were estimated by taking the overall cost of services and supplies for LACERA and dividing it by the total number of employees. This provides LACERA with a "per employee cost" which is then multiplied by the overall percentage of hours worked on OPEB.

Indirect Salaries & Employee Benefits

Systems, Human Resources, and Administrative Services divisions provide staffing support to all LACERA divisions. The Salary and Employee Benefits costs for these Divisions are added up, then divided by the number of LACERA employees to determine a per employee cost. This total is then multiplied by the overall percentage of hours worked on OPEB.

Direct Services & Supplies

Direct Services and Supplies costs are based on actual payment requests that are applicable to OPEB.

Allocation of Costs

The total overhead cost is divided amongst County, LACERA, and the Superior Court. The shared cost is allocated in a hybrid method that considers fund size, effort, and resources to approximate a fair and equitable allocation. These allocations are scheduled to be reviewed every two years. The current allocation is:

- County – 75 percent
- LACERA – 5 percent
- Superior Court – 20 percent

Reconciliation of Actual Costs

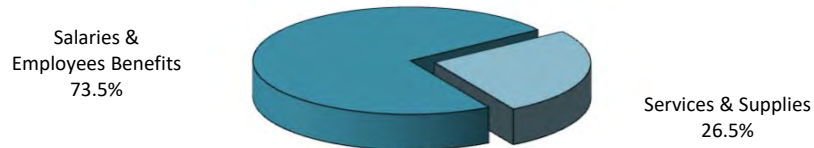
At the close of each fiscal year, the actual costs are reconciled with the budget costs. Variances are either credited or debited to each allocated entity to ensure that each OPEB Trust is appropriately capturing the true operating costs.

OPEB COST ALLOCATION

FISCAL YEAR 2020-2021

| PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019 - 2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION * | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|--|-----------------------------|------------|------------|---|-----------|---|--------------|--------|
| | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | BUDGET | (12-31-19) | PROJECTION | | | | | |
| Salaries & Employees Benefits | \$428,043 | \$155,183 | \$77,591 | \$145,872 | \$282,171 | 193.4% | \$272,860 | 175.8% |
| Services & Supplies | 154,153 | 100,610 | 50,305 | 94,574 | 59,579 | 63.0% | 53,542 | 53.2% |
| OPERATING BUDGET | \$ 582,196 | \$255,793 | 127,897 | 240,445 | \$341,750 | 142.1% | \$326,402.56 | 127.6% |

2020 - 2021 PROPOSED BUDGET



FOR INFORMATION ONLY

May 14, 2020

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Audit Committee
Gina Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

FOR: May 20, 2020 Joint Board of Retirement & Board of Investments Meeting

SUBJECT: Audit Committee Budget Recommendations

The Chief Audit Executive prepares and submits the Internal Audit (IA) Budget Request each fiscal year to the Chief Executive Officer. In the past, the Audit Committee (AC) has provided input to IA on staffing and the proposed audit plan relating to contracts with external consultants. However, the AC has not been formally included in the annual budget development process. Based on a current review of the AC Charter (Charter), it was determined that best practice is for the AC to have its own independent funding allocation as part of the final budget.

At the May 8, 2020 AC meeting, the Committee Members approved proposed changes to its Charter, which will be presented to the Board of Retirement (BOR) and Board of Investments (BOI) at their respective meetings in June 2020 for further consideration and final approval.

Associated with these Charter changes, the AC voted unanimously on moving to the Boards as part of the budget process a recommendation to establish an Audit Reserve Fund of \$500,000 against available contingency funds; and to secure delegated authority to allow the AC to access such funds at its sole discretion to conduct further audit work when a preliminary finding from existing audit activities overseen by IA merits additional investigation. This structure will provide the AC with the independence and means to initiate and fund additional audit work without the need to return to the Board(s) for approval.

The AC Report dated May 1, 2020 is included as Attachment A for your convenience and information.

Audit Reserve Fund and Delegated Authority

May 14, 2020

Page 2


The Audit Committee will bring a recommendation for final approval of these two matters to the June 24, 2020 joint BOR and BOI meeting.

RB:lc



May 1, 2020

TO: 2020 Audit Committee
Gina Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

FROM: Richard Bendall 
Chief Audit Executive

Leisha Collins 
Principal Internal Auditor

FOR: May 8, 2020 Audit Committee Meeting

SUBJECT: Internal Audit Proposed FYE 2021 Budget

RECOMMENDATION:

Staff recommends that the Audit Committee consider and recommend the establishment of an Audit Reserve Fund in the amount of \$500,000 to be funded from contingency monies and secure the Boards' delegated authority to access such reserve funds at the sole discretion of the Audit Committee based on a preliminary finding from existing audit activities that merit further investigation.

The Chief Audit Executive (CAE) prepares and submits the Internal Audit (IA) Budget Request each fiscal year to the Chief Executive Officer. In the past, the Audit Committee has provided input to IA on staffing and the proposed audit plan that contracts with external consultants. However, the Audit Committee has not been formally included in the annual budget development process. Based on staff's current review of the Audit Committee Charter, we determined that best practice is for the Audit Committee to have its own independent funding allocation as part of the final budget.

The budget process is currently in progress for Fiscal Year 2020-2021, and has been reviewed by the JOGC and advanced to the two Boards to be considered during budget hearing and ultimately for final approval. However, at the request of the Audit Committee Chair, we are providing the Internal Audit section (Attachment A) of the current draft budget proposal for the Committees consideration and further input.

In comparison to FY 2019-2020, there were no significant increases for Salaries and Employee Benefits, however, Services and Supplies (S&S) decreased from \$539,500 to \$460,800. The most significant portion of the S&S budget relates to external audit service costs under Professional and Specialized Services for \$400,000. We anticipate the following audit service expenses to be incurred for projects in our FYE 2021 Audit Plan:

| Audit/Project | Est. Cost |
|---|----------------|
| External Audit for FYE 2020 | 135,000 |
| Real Estate Manager Audits | 75,000 |
| IT Penetration Audits | 50,000 |
| IT Risks/Network Security Audit | 40,000 |
| External Quality Assurance & Improvement Program Review | 25,000 |
| Contingency for unplanned investigations or audits | 75,000 |
| TOTAL | 400,000 |

In addition, in order to provide the Audit Committee with the means to fund its own audits independently without the need for further Board approval, it is proposed that an Audit Reserve Fund of \$500,000, be established against available contingency funds. The Audit Committee would be granted delegated authority to access such funds in its sole discretion to conduct further audit work based on a preliminary finding from existing audit activities overseen by Internal Audit which merits additional investigation.

Staff recommends that the Audit Committee consider and recommend the establishment of an Audit Reserve Fund in the amount of \$500,000 to be funded from contingency monies and secure the Boards' delegated authority to access such reserve funds at the sole discretion of the Audit Committee based on a preliminary finding from existing audit activities that merit further investigation.

RB:lc

Attachment A: Internal Audit Proposed FYE 2021 Budget

INTERNAL AUDIT

FISCAL YEAR 2020-2021

Mission

To support LACERA's mission, through independent, objective assurance and consulting activities.

Budget Request Highlights

INTRODUCTION

The purpose of Internal Audit is to provide independent and objective assurance services, and consulting services designed to add value and improve LACERA's operations. The mission of Internal Audit is to enhance and protect LACERA's organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit brings a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes to help LACERA accomplish its mission.

Internal Audit assists the organization in meeting its control objectives through:

- Evaluating risk exposure relating to achievement of LACERA's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, procedures, laws, and regulations, which could have a significant impact on LACERA.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operation or programs are being carried out as planned.
- Monitoring and evaluating governance processes.

NOTABLE ACHIEVEMENTS AND CONTRIBUTIONS

All staff within Internal Audit are Certified Public Accountants, Certified Internal Auditors, or Certified Information Systems Auditors. Some have more than one

certification and other relevant certifications such as certified fraud examiner and certified information security designations. Included in the performance of our annual audit plan, Internal Audit developed, oversaw, or contributed significantly, in a consulting capacity, to the following notable achievements and ongoing efforts within LACERA.

- New externally managed Ethics Hotline
- External Audit of LACERA (initiation of first SOC1 over OPEB Census data)
- Triennial actuarial review and audit
- Real estate advisor compliance and operational audits
- Business Continuity Process (BCP)
- LA County audit of LACERA
- Cyber Security Training Program

STAFFING

As the organization has progressed, so has the complexity of audits resulting in the need for more experienced auditors. Our budget request for Fiscal Year 2020-2021 includes the deletion of one currently vacant Internal Auditor position and the addition of one Senior Internal Auditor to better align staffing levels with the amount of complex work. Retaining one Internal Auditor position will be sufficient to cover the amount of routine audit work.

Furthermore, a classification study has been requested to convert one of the budgeted Senior Internal Auditor positions to a Senior Information Technology Auditor. A compensation study has also been requested for the Principal Internal Auditor Classification.

SERVICES AND SUPPLIES

Each fiscal year, Internal Audit prepares a risk-based Audit Plan, approved by the Audit Committee. The Audit Plan defines the allocation of audit resources and communicates Internal Audit planned activities and resource requirements. This provides the basis for the Chief Audit Executive (CAE) to ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed. Internal Audit continues to leverage the use of external resources to better meet the needs of the organization and ensure the Audit Plan is completed. The cost associated with these resources are a significant portion of the budget, \$400,000, which is for the external financial audit, external IT security audits, and real estate advisor audits. The remainder of approximately \$50,000 is budgeted as a contingency amount for specialized ad hoc external audit needs. We have reduced this from \$450,000 budgeted in the current Fiscal Year to more closely reflect our anticipated needs and still provide a small amount for contingency. We have reduced our total S&S budget from \$539,500 in the current Fiscal Year to \$475,000 for Fiscal Year 2020-2021.

LACERA
FISCAL YEAR 2020-2021
BASIS FOR SERVICES & SUPPLIES

DRAFT
INTERNAL AUDIT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | JUSTIFICATION |
|---|---------------------------|------------------------|------------------|------------------|---|--------------|---|---------------|--|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE | |
| | | BUDGET | (12-31-19) | PROJECTION | | | | | |
| 9180 TRANSPORTATION & TRAVEL | | | | | | | | | |
| 9181 TRANSPORTATION | \$1,600 | \$5,000 | \$1,333 | \$2,300 | (\$700) | -30.4% | (\$3,400) | -68.0% | |
| 9182 TRAVEL | 9,900 | 23,000 | 8,059 | 13,700 | (3,800) | -27.7% | (13,100) | -57.0% | Travel for Investment purposes |
| TOTAL | 11,500 | 28,000 | 9,392 | 16,000 | (4,500) | -28.1% | (16,500) | -58.9% | |
| 9300 OFFICE SUPPLIES & EQUIPMENT | | | | | | | | | |
| 9302 SPECIAL ORDERS/MINOR EQUIP | 1,700 | 2,000 | 344 | 1,400 | 300 | 21.4% | (300) | -15.0% | |
| TOTAL | 1,700 | 2,000 | 344 | 1,400 | 300 | 21.4% | (300) | -15.0% | |
| 9500 PROFESSIONAL & SPECIALIZED SERVICES | | | | | | | | | |
| 9541 AUDITS | 400,000 | 450,000 | 101,526 | 325,000 | 75,000 | 23.1% | (50,000) | -11.1% | Plante Moran, Real Estate, IT Security, etc. |
| 9702 AUDIT COMMITTEE CONSULTANT | 21,000 | 21,000 | 2,450 | 12,000 | 9,000 | 75.0% | 0 | 0.0% | |
| TOTAL | 421,000 | 471,000 | 103,976 | 337,000 | 84,000 | 24.9% | (50,000) | -10.6% | |
| 9960 EDUCATIONAL EXPENSES | | | | | | | | | |
| 9961 MEMBERSHIPS | 7,500 | 7,500 | 5,515 | 6,000 | 1,500 | 25.0% | 0 | 0.0% | IIA, CPA, AGA. APPFA, etc. |
| 9962 REGISTRATION FEES | 14,300 | 25,000 | 3,050 | 18,000 | (3,700) | -20.6% | (10,700) | -42.8% | |
| 9963 EDUCATIONAL MATERIALS | 4,000 | 5,000 | 1,076 | 3,500 | 500 | 14.3% | (1,000) | -20.0% | |
| TOTAL | 25,800 | 37,500 | 9,641 | 27,500 | (1,700) | -6.2% | (11,700) | -31.2% | |
| 9980 MISCELLANEOUS | | | | | | | | | |
| 9986 MISCELLANEOUS | 800 | 1,000 | 192 | 500 | 300 | 60.0% | (200) | -20.0% | |
| | 800 | 1,000 | 192 | 500 | 300 | 60.0% | (200) | -20.0% | |
| GRAND TOTAL | \$460,800 | \$539,500 | \$123,544 | \$382,400 | \$78,400 | 20.5% | (\$78,700) | -14.6% | |

LACERA
FISCAL YEAR 2020-2021
SALARIES AND EMPLOYEE BENEFITS SUMMARY

DRAFT
INTERNAL AUDIT

| | PROPOSED BUDGET 2020-2021 | CURRENT YEAR 2019-2020 | | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | |
|-------------------------------------|--|-----------------------------------|-------------------|-------------------|--|-----------------|--|-----------------|
| | | YTD | | | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | PROJECTION | | | | |
| Total LACERA Salaries | \$1,336,307 | \$1,168,866 | \$520,706 | \$1,154,800 | \$181,507 | 15.7% | \$167,441 | 14.3% |
| Total Agency Temp Salaries | 0 | 0 | 0 | 0 | 0 | #DIV/0! | 0 | #DIV/0! |
| Employee Benefits (Variable) | 654,147 | 564,194 | 238,540 | 566,800 | 87,347 | 15.4% | 89,953 | 15.9% |
| Employee Benefits (Other) | 87,757 | 85,212 | 37,606 | 84,800 | 2,957 | 3.5% | 2,545 | 3.0% |
| OPEB Contribution | 36,867 | 25,312 | 16,226 | 25,200 | 11,667 | 46.3% | 11,555 | 45.6% |
| Stipends | 0 | 0 | 0 | 0 | 0 | #DIV/0! | 0 | #DIV/0! |
| Overtime | 4,800 | 3,000 | 390 | 1,000 | 3,800 | 380.0% | 1,800 | 60.0% |
| Bilingual Bonus | 0 | 0 | 0 | 0 | 0 | #DIV/0! | 0 | #DIV/0! |
| Sick Leave Buyback | 1,500 | 1,500 | 0 | 0 | 1,500 | #DIV/0! | 0 | 0.0% |
| Rideshare Allowance | 1,500 | 3,000 | 496 | 1,900 | (400) | -21.1% | (1,500) | -50.0% |
| Transportation Allowance | 0 | 0 | 0 | 0 | 0 | #DIV/0! | 0 | #DIV/0! |
| ADJUSTED GROSS S&EB | \$2,122,877 | \$1,851,084 | \$813,963 | \$1,834,500 | \$288,377 | 15.7% | \$271,793 | 14.7% |
| Salary Differential | 0 | 0 | - | - | - | - | 0 | #DIV/0! |
| TOTAL S&EB | \$2,122,877 | \$1,851,084 | \$813,963 | \$1,834,500 | \$288,377 | 15.7% | \$271,793 | 14.7% |

*All amounts rounded to the nearest dollar.

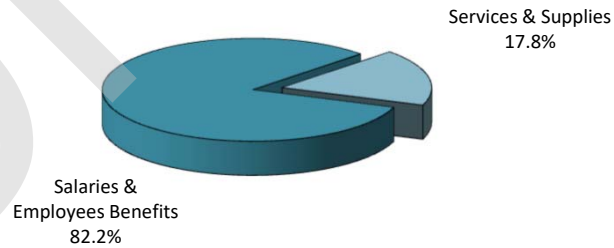
Note: All Permanent Salaries and Employee Benefits include amounts through 11/30/19, except Agency Temporary includes amounts through 12/31/19 and Rideshare Allowance includes amounts through 8/31/19.

LACERA
FISCAL YEAR 2020-2021
BUDGET SUMMARY

DRAFT
INTERNAL AUDIT

| | CURRENT YEAR 2019-2020 | | COMPARISON OF PROPOSED BUDGET TO PROJECTION | | | COMPARISON OF PROPOSED BUDGET TO 19-20 BUDGET | | |
|-------------------------------|---------------------------------|--------------------|---|--------------------|------------------|---|------------------|-------------|
| | PROPOSED BUDGET 2020-2021 | YTD | | PROJECTION | \$ CHANGE | % CHANGE | \$ CHANGE | % CHANGE |
| | | BUDGET | (12-31-19) | | | | | |
| Salaries & Employees Benefits | \$2,122,877 | \$1,851,084 | \$813,963 | \$1,834,500 | \$288,377 | 15.7% | \$271,793 | 14.7% |
| Services & Supplies | 460,800 | 539,500 | 123,544 | 382,400 | \$78,400 | 20.5% | (78,700) | -14.6% |
| OPERATING BUDGET | \$2,583,677 | \$2,390,584 | \$937,507 | \$2,216,900 | \$366,777 | 16.5% | \$193,093 | 8.1% |

2020 - 2021 PROPOSED BUDGET



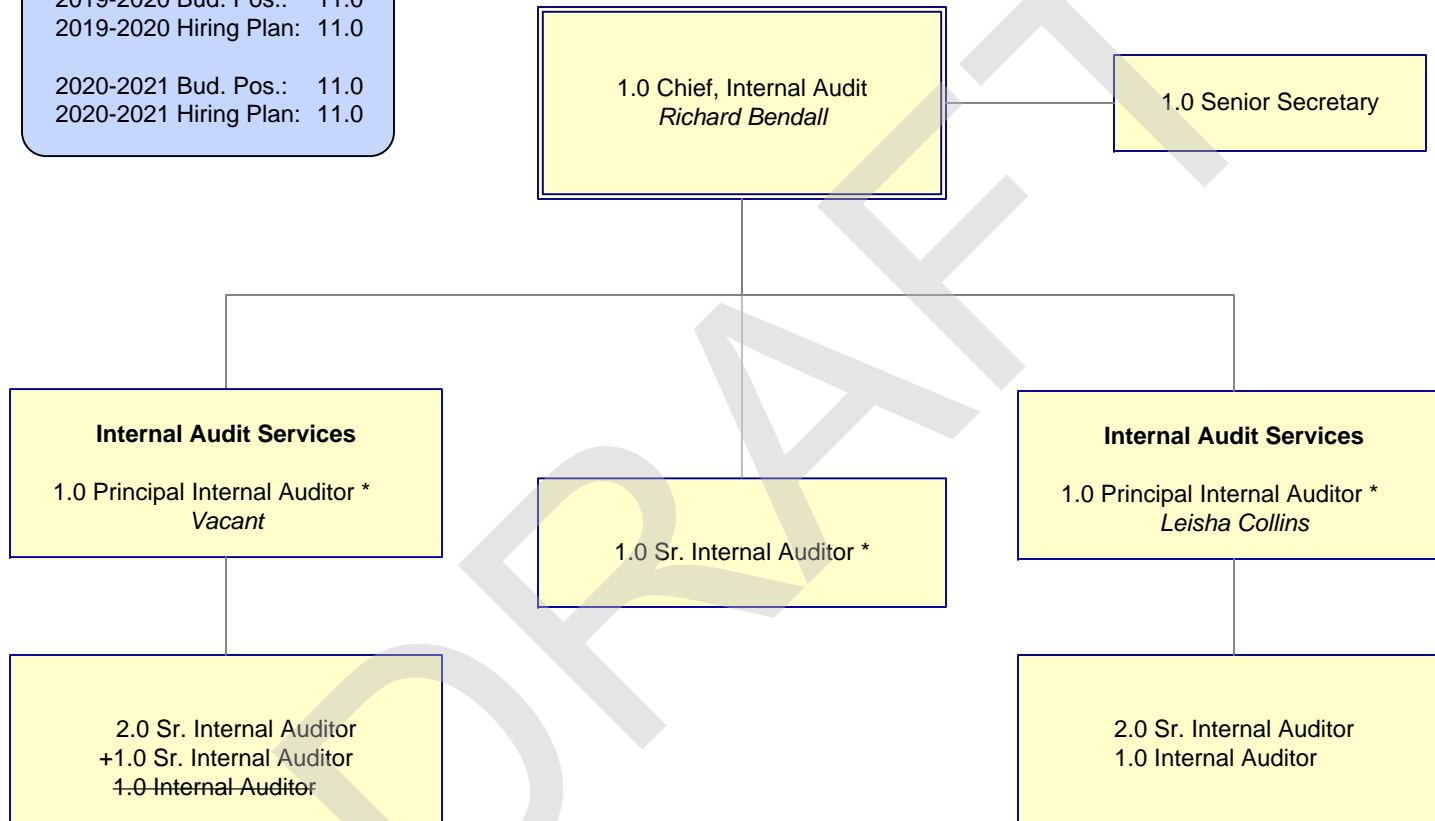
*All amounts rounded to the nearest dollar.

INTERNAL AUDIT

FISCAL YEAR 2020-2021

DRAFT

2019-2020 Bud. Pos.: 11.0
 2019-2020 Hiring Plan: 11.0
 2020-2021 Bud. Pos.: 11.0
 2020-2021 Hiring Plan: 11.0



- + Added position
- Deleted position
- * Classification study for the position requested

LACERA
FISCAL YEAR 2020-2021

SALARIES

DRAFT

INTERNAL AUDIT

2020-2021 BUDGET

| FILLED POSITIONS | | # POS. | SCHEDULE | ACTUAL MO. RATE | ANNUAL AMOUNT | | | |
|---|----------------------------|--------|----------|-------------------|---------------|---------------------|--------------------|--------------------|
| 00774A | CHIEF, INTERNAL AUDIT | 1 | LS12 | 15,358 | 184,301 | | | |
| 00762A | PRINCIPAL INTERNAL AUDITOR | 2 | 114C | 21,857 | 262,281 | | | |
| 00763A | SENIOR INTERNAL AUDITOR | 5 | 107L | 45,818 | 549,811 | | | |
| 00764A | INTERNAL AUDITOR | 1 | 101H | 8,646 | 103,751 | | | |
| 00439A | SENIOR SECRETARY | 1 | 88H | 5,165 | 61,981 | | | |
| POSITIONS | | 10 | | | 1,162,125 | | | |
| VACANT POSITIONS | | # POS. | SCHEDULE | 1ST STEP MO. RATE | ANNUAL AMOUNT | FILLED AT 12 MONTHS | FILLED AT 9 MONTHS | FILLED AT 6 MONTHS |
| 00763A | SENIOR INTERNAL AUDITOR | 1 | 107L | 7,815 | 93,779 | | 70,334 | |
| 00764A | INTERNAL AUDITOR | 1 | 107L | 6,432 | 77,182 | | | |
| 00764A | INTERNAL AUDITOR | (1) | 101H | 6,432 | 77,182 | | | |
| POSITIONS | | 1 | | | 70,334 | 0 | 70,334 | 0 |
| TOTAL POSITIONS | | 11 | | | | | | |
| GROSS SALARIES | | | | | 1,232,459 | | | |
| ANTICIPATED MOU SALARY INCREASE** | | | | | 21,568 | | | |
| ANTICIPATED STEP AND/OR MERIT SALARY INCREASE | | | | | 15,007 | | | |
| BONUS | | | | | 67,272 | | | |
| 120-DAY RETIREE(S) | | | | | 0 | | | |
| TOTAL SALARIES | | | | | 1,336,307 | | | |

MAPP Tier I and Tier II positions are shown at actual salaries as of 1/1/20.
 Represented/Non-Represented positions are shown at actual salaries as of 1/1/20.
 Represented positions shown in blue
 Vacancies are shown at the 1st Step
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 1.75% to calculate anticipated MOU increase



May 13, 2020

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann *SHK*
Chief Executive Officer

FOR: May 20, 2020 Joint Board Meeting

SUBJECT: Progress Report on LA County Audit Recommendations

In November 2019, the Los Angeles County Auditor-Controller (County) issued its review of LACERA's administrative expenses and operations. When the County issued its review, LACERA submitted a response to each of the recommendations. The County's review and LACERA's initial response are provided in Attachment B.

As discussed in my Chief Executive Officer Reports, since December 2019, LACERA management has been working to address the 28 recommendations. To date:

- Thirteen recommendations have been completed
- Thirteen recommendations are partially completed and are expected to be completed by September 2020
- One recommendation is ongoing, part of a long-term strategic plan
- We disagreed with one recommendation.

Management has made substantial progress in addressing the recommendations. In addition, Internal Audit and the Audit Committee have incorporated several of the risk areas identified in the County Audit into the current Audit Plan and will continue to evaluate these risks in the development of future audit plans. The recommendations and LACERA's responses to each recommendation are in the following Progress Report on LA County Audit Recommendations (Attachment A). I will provide a further update to the Boards on the status of all recommendations in the fall.

Attachments:

A: Progress Report on LA County's Audit Recommendations

B: LA County's Review & LACERA's Initial Response

SK:cl

PROGRESS REPORT ON LA COUNTY'S AUDIT RECOMMENDATIONS

Budget and Expenditures – County Recommendations

LACERA Boards/management consider:

- 1. Analyzing LACERA's administrative costs, evaluating other public employee retirement agencies' administrative costs, and adopting best practices to be more cost efficient.**

Status: Completed

LACERA's strategic planning and budgeting process considers the unique needs of LACERA as one of the largest County retirement systems in the country, serving over 174,000 members. Our budget and expenses are well within the statutory limit, and the percentage increase of LACERA's expenditures is within the range of other public pension systems.

The budget process is transparent and conducted under full oversight of both Boards. The process begins internally with a robust discussion between the Executive Office and the management team regarding strategic and operational priorities. The resulting budget proposal is then presented to the Joint Organizational Governance Committee (JOGC), in a public meeting. Feedback provided by the JOGC allows the management team to finalize the budget and bring it back for final approval by both Boards.

In the JOGC Charter, approved in May 2019, the Boards directed that, in the future, staff prepare a three-year strategic planning and annual budgeting process for JOGC approval to guide the Boards' consideration of these issues. The Executive Office is reviewing our strategic planning and budgeting process this year and will be making recommendations to the Boards as part of the CEO's 100-day Report which will be delivered and presented, along with this letter, at the May 20th Joint Board Meeting.

- 2. Implementing processes to ensure expenditures are reported in units/divisions where they are incurred.**

Status: Completed

The FY 2020-21 proposed LACERA budget has been prepared to ensure expenditures are reported in the Divisions and units in which the costs will be incurred. This includes moving offsite meeting expenses, membership fees, travel, and transportation costs from the Executive Office to the Board of Investments and Board of Retirement budget units.

Spending Practices – County Recommendation

LACERA Boards/management consider:

- 3. Re-examining its administrative spending and issue a memo to all LACERA Board members and staff to reinforce the organization’s commitment to upholding their fiduciary obligation.**

Status: Completed

Our fiduciary duty to carefully manage the funds entrusted to LACERA is continually reinforced to staff on a regular basis. LACERA’s Management team has a duty to determine the strategic needs and initiatives necessary in pursuit of fulfilling our mission. The Management team understands their obligation to justify all plans and related expenditures to the Executive Office for inclusion in the annual budget and spending plan. This plan is then reviewed, modified, and approved through the sound budget process described above. Going forward, a memo from the CEO will be included in the final budget, which will reiterate LACERA’s fiduciary duty.

In response to the economic downturn and uncertainty caused by the pandemic, we have implemented a COVID-19 Austerity Plan (CAP) for FY 2020-21 to help guide our budget. As part of the CAP, we have committed to a freeze in spending for non-essential items, delaying building renovations, restricting overtime and compensation time, and a hiring freeze for non-essential workers.

Offsite Board Meetings/Retreats – County Recommendations

LACERA Boards/management consider:

- 4. Evaluating benefits and costs of Board and management offsite meetings/retreats and implementing changes to reduce associated costs.**

Status: Completed

LACERA’s offsites have great fiduciary value to the organization, which outweighs the cost of the events, and Management agrees offsite costs should be prudently managed. We have already taken steps to review and reduce costs where appropriate and will continue to make prudent decisions that meet the needs of our organization. This includes carefully reviewing all available venues, including the County’s public facilities, and making the most appropriate choices that fit the needs of the Boards and staff. Additionally, the Board offsite costs have now been moved so they appear under the appropriate Board costs in our budget, for additional transparency.

5. Adopting similar offsite meeting/retreat policies as the County.

Status: Completed

For the 2020 offsites, we reduced the budgeted amounts significantly by hosting the events at locations closer to our Pasadena office. Although the Board of Retirement offsite was cancelled due to the pandemic, it was scheduled to be held in late April, at the Los Angeles Biltmore Hotel. The Board of Investments offsite, in July, is currently scheduled to be held at the Glendale Hilton.

Bonus Monitoring and Oversight – County Recommendations

LACERA Boards/management consider:

6. Establishing written policies/procedures to ensure that bonuses are implemented timely and adequately documented, and to periodically review all bonuses to ensure continued eligibility.

Status: Completed

Human Resources worked with the Legal Office to draft a new Bonus Policy, which now requires a detailed manager explanation for the bonus, including the scope of work justifying the bonus, why the work cannot be performed by someone within the proper job classification, and anticipated duration (not to exceed 180 days). The policy also, requires Human Resources and the Executive Office's approval, and establishes that all bonuses need to be reviewed and justified quarterly.

7. Developing bonus reports to improve bonus monitoring and oversight.

Status: Completed

Human Resources worked with the Systems Division to develop a Bonus Report, which includes the employee name, division, type of bonus, start and end date for the bonus, to improve the monitoring and oversight of all bonuses.

8. Reviewing all bonuses, cancel bonuses that are no longer applicable, and seek recovery for any overpayments.

Status: Completed

LACERA's Management team has reviewed all bonuses and has canceled those bonuses that are no longer applicable effective December 31, 2019. As of May 11, 2020, LACERA has cancelled 14 of the 29 Additional Responsibility Bonuses (ARB) that are no longer applicable, and five additional ARBs will expire June 30, 2020.

- 9. Working with the County of Los Angeles Chief Executive Office to ensure budgeted positions align with job assignments.**

Status: Completed

LACERA's budgeted positions are unique and designed to attract personnel with the appropriate skill and experience to assist the organization in meeting its goals and fulfilling the mission. The Board of Retirement has the ultimate responsibility to allocate positions. However, we will continue to reach out and work with the County to ensure we can mutually support each other in pursuit of LACERA's needs.

Wireless Devices and Equipment Management – County Recommendations
LACERA Boards/management consider:

- 10. Implementing procedures to periodically reconcile wireless devices, assigned users, and wireless bills.**

Status: Partially completed; expected to be completed by September 2020

In February 2020, Systems performed a limited reconciliation of wireless devices, assigned users, and wireless bills, and drafted a Mobile Device Policy and procedures. Since past practice did not require wireless devices to be included in LACERA's inventory, the reconciliation was not as robust as it should be. Internal Audit also recently completed a Mobile Device Management Controls audit, which reviewed the assignment, tracking, security, and disposal of all mobile devices. There are several overlapping findings from the LA County audit and Internal Audit's audit, which Systems will be addressing through its Mobile Device Policy and procedures. The finalization of the above policy and procedures has been delayed as the result of the pandemic.

- 11. Implementing procedures to periodically inventory all equipment, investigate any missing items, and maintain documentation.**

Status: Partially completed; expected to be completed by September 2020

The Administrative Services and the Systems Divisions are currently working together to perform an asset inventory reconciliation and are also drafting revised inventory procedures which should be finalized in June 2020. In addition, the Executive Office, Administrative Services, and Systems Divisions are evaluating the Materials Asset Tracking System (MATS) inventory system used by LA County Accessor's Office.

- 12. Identifying all equipment assigned to Board members and staff, evaluate reasonableness, and establish policies and procedures related to equipment assignments, specifying the equipment type and quantity allowed per Board member/staff.**

Status: Partially completed; expected to be completed by September 2020

In February 2020, Systems performed a reconciliation of all equipment (computers, printers, laptops, iPads, smart phones, etc.) issued to Board members and staff. Most of the equipment issued were smart phones which were not included in LACERA's inventory so the reconciliation was not as robust as it should be.

The Administrative Services and System Divisions are also currently drafting revised inventory procedures which will now require all LACERA-issued equipment be included in our inventory count. Systems is also in the process of finalizing the Mobile Device Policy and related procedures which will address the business need and criteria for assignment of mobile devices, as well as the type and quantity of devices assigned. This issue is also addressed in Internal Audit's Mobil Device Audit, currently being finalized, which will be presented to the Audit Committee at its June 25, 2020 meeting.

Travel/Training – Travel Policy – County Recommendations

LACERA Boards/management consider:

- 13. Revising the Travel Policy to ensure it is clear, well-defined, and includes cost control measures such as:**
- a) More stringent requirements on pre-approval, lodging costs, incidental costs, and the use of business class.**
 - b) Requiring travelers to obtain the lowest overall price amongst major carriers.**
 - c) Prohibiting per diem reimbursements when meals are provided by the hotel/conference or during a flight**

Status: Partially completed; expected to be completed by September 2020

In August 2019, the Boards approved a revised Education and Travel Policy which addressed some of the issues identified from LACERA's Internal Audit June 2019 report and the above LA County recommendations. As a result of these revisions, Board educational and travel expenditures decreased substantially. From July to December 2018 versus July to December 2019, LACERA's Boards reduced the number of trips taken by approximately 30% and totals costs by approximately 60%.

Additionally, in August 2019, the Board of Retirement hired a consultant, Mosaic Governance Advisors, to conduct a review of travel expenses and practices, and the Education and Travel Policy, and policy implementation practices. Per the Boards request, the County and Internal Audit's travel/training recommendations will be considered with the recommendations from the Mosaic Report, to ensure alignment

Attachment A

of policy revisions. The results of the Mosaic review were scheduled to be presented in April 2020, but the presentation was delayed due to the pandemic. Mosaic will present its results at the June 2020 Joint Board meeting.

14. Implementing an in-house centralized travel process, or contract with an independent vendor to provide travel related services.

Status: Partially completed; expected to be completed by September 2020

See response in recommendation #13

15. Requiring conference/meeting attendees to submit proof of attendance, report back on conference/meeting, and seek reimbursement for any meeting or travel costs if attendance is not supported or documented.

Status: Partially completed; expected to be completed by September 2020

See response in recommendation #13

16. Revising the Education and Travel Policy to ensure that the number of educational conferences reported accurately reflects the number of educational conferences attended and provide clear guidelines for the number and cost of administrative meetings.

Status: Partially completed; expected to be completed by September 2020

See response in recommendation #13

17. Establishing a policy to promote cost-effective training (in-house, local, web-based) whenever possible and practical.

Status: Partially completed; expected to be completed by September 2020

See response in recommendation #13

18. Developing organizational and/or individual training/education goals and develop a process to periodically evaluate and update progress towards the goals.

Status: Partially completed; expected to be completed by September 2020

See response in recommendation #13

Technology Efficiency – County Recommendation

LACERA Boards/management consider:

- 19. LACERA Boards/management consider working with divisions to determine technology needs, strategically evaluate and prioritize competing needs, and periodically re-assess and update the status of technology projects.**

Status: Completed

LACERA's technological needs are driven by our focus on service and sound business management. Management teams request technology needs throughout the strategic planning and budgeting process. The Executive Office is ultimately responsible for evaluating and prioritizing these requests to ensure alignment with the mission, overall organizational needs, and current abilities to deliver successful implementations. Divisional management understand that as new business needs develop, or new innovative ideas emerge to provide more efficient, effective service to our members, they can approach the Executive Office and Systems for support.

Systems Division – Staffing and Vacancies – County Recommendations

LACERA Boards/management consider:

- 20. Implementing procedures to ensure examinations provide an equal opportunity to all qualified applicants and do not provide an unfair advantage to pre-selected candidates.**

Status: Completed

LACERA is committed to a fair recruitment and selection process for all new hires pursuant to Civil Service Rules governing recruitment and hiring of new employees. Our examinations provide an equal opportunity to recruit and hire qualified candidates at all levels of the organization.

- 21. Ensuring that Systems Division and Human Resources Division work together to develop a plan for outreach and recruitment.**

Status: Completed

LACERA follows Civil Service Rules for all recruitments to ensure all qualified candidates are provided an equal opportunity. Human Resources developed a recruitment calendar in January 2020, to address vacancies not only in Systems but throughout LACERA.

Systems Division – Job Assignments and Separation of Duties – County Recommendation

LACERA Boards/management consider:

22. LACERA management consider establishing a process to periodically complete a documented review of Systems Division’s applications and system access roles to ensure that roles are appropriate, and duties are adequately separated.
- If duties cannot be sufficiently separated, consider implementing alternative controls, including staff rotation, and evaluate and document the Boards’ and executive management’s risk appetite.

Status: Partially completed; expected to be completed by September 2020

The Systems Division has drafted a Roles and Responsibilities Policy to ensure information is managed by authorized staff, accessed only by those whose job responsibilities dictates the access, and that appropriate segregation of duties within Systems exists. The policy will require that if separation of duties is impractical, the Executive Office will work with the Systems Division to ensure mitigating controls are appropriate and documented.

This policy is still under review and has not yet been finalized. LACERA anticipates completing its review and implementing any organizational changes to the Systems Division once we have enhanced our member services, benefits and retiree healthcare business, and remote call center operations required to respond to the pandemic.

Internal Audit has begun a Privileged Users Audit in April 2020, which will examine the creation, monitoring, and maintenance of privileged access credentials for compliance with best practice guidelines.

Systems Division – Independent Information Technology Review – County Recommendation

LACERA Boards/management consider:

23. LACERA management consider obtaining an independent consultant to draft a Request-for-Proposal including Statement of Work and complete an independent information technology review that includes:
- a) IT resources and efficiency, including work-related applications
 - b) Operational efficiency and appropriate job functions.
 - c) IT staffing assessment.
 - d) Span of control and separation of duties.

Status: Partially completed; expected to be completed by September 2020

Attachment A

LACERA's Executive Office performed an internal assessment of the Systems Division and will make recommendations as part of the CEO's 100-Day Report which will be delivered to the Board of Investments and Board of Retirement at the end of May. Additionally, Human Resources has developed a recruitment calendar and is actively working with the Systems Division to address its staffing vacancies.

120-Day Temporary Assignments – County Recommendation

LACERA Boards/management consider:

- 24. LACERA management consider developing transition plans for 120-day temporary employees and implement a process to periodically review and update transition plans as needed.**

Status: Completed

The Human Resources Division has developed a form, Request for Employment of Retiree to a 960 Hour Temporary Assignment (Request), for division managers to complete for temporary employed retirees. The Request includes a start and end date, description of assigned project, specialized skills, and transition plan. The Request must be reviewed and approved by the Human Resources Division and the Executive Office.

In March 2020, the division managers submitted Requests for the three "120-day temporary employees," and the Human Resources Division approved them. The three transition plans are pending Chief Executive Officer approval.

The Human Resources Division is working with the Legal Office to develop a policy for Employment of a Retiree to a 960-Hour Temporary Assignment, which will require transition plans to be reviewed as part of LACERA's annual budget process.

Keycard Access – County Recommendation

LACERA Boards/management consider:

- 25. LACERA management consider developing processes to periodically reconcile keycard access and remove or update access when it is no longer needed or appropriate.**

Status: Partially Complete; expected to be completed by September 2020

The Systems Division has drafted a keycard procedure to document its keycard reconciliation process. The finalization of this procedure has been delayed due to Systems' resource constraints as the result of the pandemic.

Policies and Procedures – County Recommendation

LACERA Boards/management consider:

- 26. LACERA Boards/management consider developing organization-wide policies and procedures inclusive of all administrative functions/duties and periodically review and update policies and procedures.**

Status: Ongoing

LACERA has existing Board, organizational, and divisional policies, procedures, and processes. LACERA has compiled a list of Board, organizational, and divisional policies.

As part of LACERA's long-term strategic plan, LACERA is in the process of 1) developing a Compliance unit within the Legal Office, and 2) reviewing and updating policies to ensure they are aligned with industry standards and best practices and the organization, and compliant with LACERA's Policy on Policies, Procedures, and Charters.

Organizational Culture – County Recommendations

LACERA Boards/management consider:

- 27. LACERA Boards/management consider sharing our report with the proposed contractor prior to the engagement to review LACERA's work culture.**

Status: Partially completed; expected to be completed by September 2020

Prior to the County's audit, LACERA had decided to contract services for an Employee Engagement Program, to foster relationships and open communication channels. Due to the pandemic, LACERA has delayed executing the contract but still views this as an important initiative. We will share the County's report with the contractor when the contract is executed.

- 28. LACERA Boards explore term limits for Board members.**

Status: Disagree

Terms limits are not provided in governing California law for county pension trustees.



ARLENE BARRERA
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 8, 2019

TO: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

FROM: Arlene Barrera *Arlene Barrera*
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION –
ADMINISTRATIVE OPERATIONS REVIEW (July 30, 2019,
Board Agenda Item 11)**

On July 30, 2019, the Board of Supervisors instructed the Auditor-Controller to conduct an audit of the Los Angeles County Employees Retirement Association's (LACERA) processes and controls over their administrative operations, which would include, but not be limited to, an analysis of LACERA's cost/budget increases, travel and training expenditures, and overall administrative expense compared to other public employee retirement agencies and/or industry benchmarks to determine whether LACERA provides adequate stewardship over administrative funds and evaluate whether additional targeted reviews would be beneficial.

Background and Scope

LACERA is an independent governmental entity that is responsible for administering retirement, healthcare, and death benefits to over 170,000 active and retired members. LACERA is overseen by nine Board of Investments (Board) members, responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the trust fund, and 11 Board of Retirement (Board) members, responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications.

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Our review focused on evaluating certain factors that drive LACERA's administrative costs and evaluating LACERA's adoption of best practices. Our review included interviewing LACERA Board members, management and staff, examining policies and procedures, conducting detailed walkthroughs of activities that contribute to LACERA's administrative costs, including spending practices related to offsite meetings, travel, training, bonuses, etc. We also evaluated if LACERA is adequately safeguarding equipment and operating with sufficient technological resources. In addition, we benchmarked LACERA's administrative costs and trends against five public employee retirement agencies (California Public Employees' Retirement System [CalPERS], California State Teachers' Retirement System [CalSTRS], Los Angeles City Employees' Retirement System [LACERS], Orange County Employees Retirement System [OCERS], and San Diego County Employees Retirement Association [SDCERA]).

Our review was limited to an overview of LACERA's processes and controls over administrative accounts. While our review included tests to confirm the existence of processes and controls (e.g., interviews and walkthroughs), it did not include extensive tests to identify whether processes and controls were consistently operating as designed or whether LACERA continually complied with best practices, and LACERA's requirements. In addition, our review did not include LACERA's processes and controls over purchasing (credit cards, reimbursements, contracts, etc.) or payroll and personnel (timekeeping, leave accounting, workers' compensation, etc.).

Summary of Findings

LACERA is subject to the County Employees Retirement Law of 1937 which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. With over \$68.5 billion of actuarial accrued liability, LACERA's maximum allowable administrative costs for Fiscal Year (FY) 2019-20 is \$143.9 million. LACERA's FY 2017-18 administrative costs totaled .13% of their actuarial accrued liabilities, which is below the .21% threshold and within the range of the other public employee retirement agencies that we benchmarked. However, a number of agencies, including those that are not subject to the .21% threshold, have lower administrative cost percentages, which indicates that opportunities exist for LACERA to adopt best practices to be more cost efficient.

LACERA consistently operates below the maximum allowable costs and budgeted \$94.6 million for LACERA's administrative operations in FY 2019-20. We also noted that LACERA consistently operates within their administrative expenditures budget. While we noted LACERA's administrative expenditures increased by approximately 25% between FY 2014-15 and FY 2017-18 (from \$62.6 million to \$78.2 million), this is within the range reported by other public employee retirement agencies that we benchmarked.

However, throughout this report we identify a number of spending practices that suggest LACERA Boards/management need to establish a stronger tone at the top regarding

LACERA's commitment to fiduciary obligation by improving fiscal stewardship over some of their administrative costs, strengthening internal controls, and implementing/revising policies and procedures. The following are examples of areas needing improvement:

- **Offsite Meetings/Retreats** – LACERA Boards/management should consider reducing the cost of the annual two-day offsite Board meetings and/or other retreats. In 2019 LACERA spent \$186,000 for two offsite Board meetings, which included meals and alcohol. LACERA managers also held a separate one-day retreat totaling approximately \$17,000, which included \$51/person for unlimited coffee.
- **Bonuses** – LACERA Boards/management should consider improving controls over bonuses to ensure all bonuses are justified and approved timely, and periodically monitored to ensure bonuses remain valid. We noted instances where bonuses for staff performing work outside their normal responsibilities were approved retroactively up to six years in arrears without an explanation for the delayed request.
- **Equipment Management** – LACERA Boards/management should consider implementing procedures to periodically inventory all equipment, and investigate missing items. Management indicated that an organization-wide portable equipment inventory was last conducted in 2003. During our review, LACERA was conducting a physical equipment inventory and although it is still ongoing (90% of the locations have been counted), LACERA only accounted for approximately 1,913 (62%) of 3,091 reported assets.
- **Education/Travel** – LACERA Boards/management should consider further strengthening the recently revised Education and Travel Policy (Policy). While LACERA Board members took steps to update their Policy as recommended by a recent LACERA internal audit, we believe the Policy can be strengthened further. For example, the revised Policy continues to allow practices that appear to be very generous compared to the County of Los Angeles (County) or benchmarked public employee retirement agencies, includes unclear language (e.g., “allowed when reasonably necessary”), and does not require travelers to submit itemized receipts. In FY 2018-19 LACERA's Board members took 73 trips totaling \$326,000 and management/staff took 336 trips totaling \$475,000. As indicated in LACERA's recent internal audit, LACERA incurred significantly higher costs for Board educational travel in FY 2018-19 than its larger peers - CalPERS, a \$350 billion fund as of June 2018, or CalSTRS, a \$226.1 billion fund as of May 2019.
- **Other Matters** – As part of assessing processes and controls over administrative accounts, we interviewed over 25 LACERA key personnel and Board members. While this sample was limited and not intended to be representative of LACERA as a whole, several interviewees voluntarily reported an environment of

entitlement, favoritism, fear and retaliation and indicated that LACERAs organizational culture should be improved. The interviewees indicated that they were reluctant to speak with us and preferred to meet offsite because they feared retaliation. Interviewees also indicated they do not trust LACERA's fraud hotline process due to a perceived lack of independence. LACERA's Internal Audit Division indicated that the hotline received one call over a six-month period. LACERA Boards/management are in the process of hiring an independent consultant to review LACERA's work culture. The Boards/management should consider sharing our report with the independent consultant to ensure that the consultant is aware of issues discussed throughout the report.

Review of Report

We discussed the results of our review with LACERA. LACERA's response is attached and indicates they do not agree with all our specific findings; nonetheless, they are in the process of addressing some issues, and they will share our report with the LACERA Boards and management for their consideration.

LACERA's response also indicates we exceeded our audit scope by reviewing non-financial issues which are described in the last section of our report, entitled *Other Matters*. These concerns regarding LACERA's organizational culture were brought to our attention by interviewees during the course of our audit and we would have been remiss in not reporting them. In addition, LACERA's response states that our report does not dispute they are effective in serving its members. However, our scope was limited to an overview of LACERA's processes and controls over administrative accounts, therefore we did not evaluate their effectiveness in serving its members.

We thank LACERA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

AB:PH:MP:YK:cc

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Steven P. Rice, Chief Legal Counsel, LACERA
Celia Zavala, Executive Officer, Board of Supervisors
Audit Committee
Countywide Communications

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION –
ADMINISTRATIVE OPERATIONS REVIEW**

Background and Scope

The Los Angeles County Employees Retirement Association (LACERA) is an independent governmental entity that is responsible for administering retirement, healthcare, and death benefits to over 170,000 active and retired members. LACERA is overseen by nine Board of Investments (BOI or Board) members, responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the trust fund, and 11 Board of Retirement (BOR or Board) members, responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications.

LACERA is subject to the County Employees Retirement Law of 1937 (CERL) which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. With over \$68.5 billion of actuarial accrued liability, LACERA's maximum allowable administrative costs for Fiscal Year (FY) 2019-20 is \$143.9 million. However, LACERA consistently operates below the maximum allowable costs and budgeted \$94.6 million for LACERA's administrative operations in FY 2019-20.

On July 30, 2019, the Board of Supervisors instructed the Auditor-Controller to conduct an audit of LACERA's processes and controls over their administrative operations, which would include, but not be limited to, an analysis of LACERA's cost/budget increases, travel and training expenditures, and overall administrative expense compared to other public employee retirement agencies and/or industry benchmarks to determine whether LACERA provides adequate stewardship over administrative funds and evaluate whether additional targeted reviews would be beneficial.

With the support and active participation of LACERA, we have completed a review of some of LACERA's administrative operations and internal controls as directed by the Board of Supervisors. Our review focused on reviewing certain factors that drive LACERA's administrative costs and evaluating LACERA's adoption of best practices.

Our review included interviewing LACERA's Board members, management, and staff, examining policies and procedures, conducting detailed walkthroughs of activities that contribute to LACERA's administrative costs, including spending practices related to offsite meetings, travel, training, bonuses, etc. We also evaluated if LACERA is adequately safeguarding equipment and operating with sufficient technological resources. In addition, we benchmarked LACERA's administrative costs and trends against five public employee retirement agencies (California Public Employees' Retirement System [CalPERS], California State Teachers' Retirement System [CalSTRS], Los Angeles City Employees' Retirement System [LACERS], Orange County Employees Retirement System [OCERS], and San Diego County Employees Retirement Association [SDCERA]).

We noted various opportunities for LACERA to improve and strengthen internal processes and controls.

Budget and Expenditures

LACERA is subject to CERL which states that administrative costs may not exceed .21% of the retirement agency's actuarial accrued liabilities. As indicated in the table below, LACERA's FY 2017-18 administrative costs totaled .13% of their actuarial accrued liabilities, which is below the .21% threshold and within the range of the other public employee retirement agencies that we benchmarked. However, as shown below, a number of agencies, including those that are not subject to the .21% threshold, have lower administrative cost percentages, which indicates that opportunities exist for LACERA to adopt best practices to be more cost efficient.

| Administrative Costs to Actuarial Accrued Liabilities | | |
|--|--|---|
| Public Employee Retirement Agency | FY 2017-18 Administrative Costs (in millions) | % of actuarial accrued liabilities |
| LACERA | \$ 78.2 | 0.13% |
| CalPERS ¹ | 886.3 | 0.20% |
| CalSTRS ¹ | 221.4 | 0.08% |
| OCERS ² | 18.3 | 0.10% |
| LACERS ¹ | 16.4 | 0.09% |
| SDCERA ² | 13.2 | 0.09% |

Although we noted LACERA's expenditures increased 25% between FY 2014-15 and FY 2017-18 (from \$62.6 million to \$78.2 million), the increase is within the range reported by other public employee retirement agencies that we benchmarked. The benchmarked public employee retirement agencies ranged between a 6% decrease to a 50% increase over that same period.

In addition, we reviewed LACERA's overall budget and expenditures for each of LACERA's divisions over the same three years and noted that the individual divisions generally operated within their budget. However, we noted the following divisions had expenditure increases that exceeded LACERA's overall 25% expenditure increase: Investment Office - \$4.5 million (76%), Benefits - \$2.1 million (32%), Legal Services - \$1.6 million (41%).

¹ CERL applies only to California's county pension funds. CalPERS, CalSTRS, and LACERS are not subject to CERL's expenditure limits based on the actuarial accrued liabilities limits.

² CERL does not specify the time period for which the actuarial accrued liabilities should be calculated. These public employee retirement agencies may have selected a different actuarial accrued liabilities valuation date, resulting in a higher/lower actuarial accrued liabilities percentage.

We also noted that LACERA can improve clarity and transparency by recording expenditures in units/divisions where they are incurred. For example, we noted that Board offsite meetings and meals, discussed further below, are budgeted and reported as miscellaneous expenses under the Executive Office instead of the Boards. Reporting expenditures in units/divisions where they are incurred improves transparency and simplifies budget and related policy decisions.

Recommendations

LACERA Boards/management consider:

- 1. Analyzing LACERA's administrative costs, evaluating other public employee retirement agencies' administrative costs, and adopting best practices to be more cost efficient.**
- 2. Implementing processes to ensure expenditures are reported in units/divisions where they are incurred.**

Spending Practices

As mentioned above, LACERA operated within their overall administrative expenditures budget. However, we identified a number of spending practices that suggest LACERA Boards/management should consider re-evaluating policies associated with the spending of administrative funds. For example, we noted concerns in the following areas:

- Offsite meetings and retreats for Board members and staff
- Staff bonuses
- Travel for Board members and staff
- Electronic devices for Board members

Each of these areas is discussed in more detail below. Based on the observations we made during our review, we believe that overall, LACERA could benefit from an organization-wide re-evaluation of certain spending practices of taxpayer and County of Los Angeles (County) employee funded pension contributions. We believe there is an opportunity for LACERA Boards and management to more clearly demonstrate LACERA's expressed commitment to their fiduciary and fiscal obligations to current and future pensioners, and establish a more fiscally prudent tone at the top.

Recommendation

- 3. LACERA Boards/management consider re-examining its administrative spending and issue a memo to all LACERA Board members and staff to reinforce the organization's commitment to upholding their fiduciary obligation.**

The remainder of this report discusses our specific observations of LACERA's spending practices over certain administrative funds that we noted during our review. In addition, while our focus was to review select administrative expenditures, matters came to our attention during the course of our review involving the overall organization culture. These issues are discussed at the end of this report.

Offsite Board Meetings/Retreats

Annually, the BOI and the BOR each hold two-day offsite Board meetings to develop organizational strategies and conduct trainings. For the three years ending June 30, 2018, offsite Board meeting costs have increased by 166% (\$80,000 to \$213,000) and exceeded their budget between 113% to 287%. In addition, we noted that LACERA increased the offsite Board meetings budget from \$150,000 to \$200,000 (33%) for FY 2019-20.

As an example of an offsite meeting, LACERA spent a total of \$186,000 in 2019 for two offsite Board meetings, lasting two days each, held in Santa Monica and Long Beach. The total cost included over \$50,000 for lodging and incidentals, \$64,000 for meals (including alcohol), and \$72,000 for room rental, audio-visual equipment, etc.

LACERA also periodically holds separate management retreats. A recent one-day retreat at a hotel in Pasadena for 50 managers totaled approximately \$17,000, which included \$51/person for unlimited coffee.

As a comparison, the County has very strict and explicit written rules regarding retreats in its County Code and County Fiscal Manual. Among the requirements, County departments cannot spend more than the limits specified in the maximum reimbursement rates for travel, meals, lodging, and incidental expenses (generally \$229.25 for lodging, \$13.75 for breakfast, \$18.00 for lunch, etc.). In addition, County departments must identify cost-control methods that were utilized in the planning and execution of the retreat on a report to the County Chief Executive Office (County CEO), which must include itemized costs per employee. The County CEO is also required to submit a semi-annual report to the Board of Supervisors on the Countywide retreat activities. LACERA should consider adapting similar retreat/offsite meeting policies.

Recommendations

LACERA Boards/management consider:

- 4. Evaluating benefits and costs of Board and management offsite meetings/retreats and implementing changes to reduce associated costs.**
- 5. Adopting similar offsite meeting/retreat policies as the County.**

Bonus Monitoring and Oversight

LACERA does not have formal written procedures for initiating and approving bonuses. Management indicated that division managers submit bonus requests to the Assistant Executive Officer which are then forwarded to the Human Resources (HR) manager and LACERA's Chief Executive Officer (CEO) for approval. We reviewed LACERA's bonus monitoring and oversight and noted the following:

Bonus Approval/Timeliness

LACERA needs to implement procedures and oversight to ensure that bonuses are appropriate and requested/approved timely. We reviewed a judgmental sample of 12 bonuses and found:

- **Retroactive Bonuses** – We noted two instances where Additional Responsibilities (AR) bonuses were requested and approved in August 2019 for work performed since 2013 (i.e., retroactive to 2013) with limited written justification. Specifically, the justification indicated that the bonus recipient performed higher level administrative/technical duties since 2013, without an explanation for the delayed request. Although management approved the AR bonuses, when significant time lapses it is difficult to validate/verify that the employees performed the eligible duties.
- **Bonus Manipulation/Preferential Treatment** – In another instance, in October 2017 LACERA temporarily promoted an employee to a higher-level position that was not approved by the County CEO by revising the organizational chart to create the new position. For this temporary promotion, the employee received a Superior-Subordinate (SS) bonus of approximately \$5,000 per month (33%) more than the employee's previous salary. A year later, management simultaneously pre-approved a 4.5% salary increase and an 11% AR bonus to become effective if/when the manager returned to his/her original assignment. In December 2018, the manager was returned to the original position and while the SS bonus was cancelled, the 11% pre-approved AR bonus was implemented.
- **Classification Circumvention** – LACERA approved an AR bonus to a manager for performing work outside of their classification, and the bonus approval documentation indicated that the bonus would be cancelled when the manager's position was appropriately reclassified to include the additional duties. However, when the County approved the reclassification, it did not include a salary increase so LACERA management decided to continue the bonus even though the manager is no longer working outside of their classification.

We also noted that 34 (9%) of LACERA's 374 non-investment management/staff receive AR bonuses for performing work that is above their class specifications. In comparison, we surveyed four County departments (Chief Executive Office, Auditor-Controller, Board of Supervisors, and County Counsel) and noted that less than 1% of staff/management

receive AR bonuses. An excessive number of employees working above their class specifications may be an indication of mis-aligned job assignments, budgeted positions and/or class specifications, and increases the potential for abuse.

Periodic Bonus Reviews

LACERA management indicated that in June 2019 they implemented a process to review AR bonuses for eligibility every six months. However, LACERA does not have organization-wide bonus reports or a formal written policy to periodically review all bonuses and to cancel bonuses when recipients are no longer eligible. We noted that some LACERA staff have been receiving duty related bonuses (e.g., bilingual, AR) for up to ten years and without performing periodic reviews, management cannot ensure that staff continue to be eligible. In comparison, the County requires departments to review all bonuses at least annually.

Recommendations

LACERA Boards/management consider:

- 6. Establishing written policies/procedures to ensure that bonuses are implemented timely and adequately documented, and to periodically review all bonuses to ensure continued eligibility.**
- 7. Developing bonus reports to improve bonus monitoring and oversight.**
- 8. Reviewing all bonuses, cancel bonuses that are no longer applicable, and seek recovery for any overpayments.**
- 9. Working with the County of Los Angeles Chief Executive Office to ensure budgeted positions align with job assignments.**

Wireless Devices and Equipment Management

Wireless Devices

LACERA's Systems Division (Systems) is responsible for maintaining and tracking all wireless (cellular phones, tablets, laptops) devices. Systems management indicated they reconcile their internal lists of mobile devices and wireless accounts, but they do not reconcile mobile devices to authorized users or wireless bills. As a result, we noted that LACERA may be paying for unneeded phone services. Specifically, LACERA's internal records showed approximately 180 wireless devices; however, LACERA's wireless bills show that LACERA maintains approximately 215 wireless lines each month.

We also reviewed LACERA's current list of active wireless devices and noted instances where the device holder no longer works with/for LACERA. For example, an individual terminated service in 2017, but LACERA continued to pay for the monthly services, and

its internal reports indicated that the person's phone is still active. Subsequently, LACERA indicated that they had taken possession of the phone and were continuing to use it, but they had not reassigned the phone to an individual. We noted that between June 1, 2019 and August 31, 2019, LACERA's wireless bills averaged approximately \$8,000 a month. Lack of sufficient processes and procedures to reconcile wireless devices increase the risk of fraud/abuse and inefficient use of resources.

Equipment

We reviewed LACERA's practices related to managing portable equipment (e.g. tablets, desktops/laptops, printers, fax machines, cell phones) and noted the following:

- **Portable Equipment Inventory** - LACERA management indicated that the most recently completed organization-wide inventory was conducted in 2003. In addition, although LACERA conducts periodic cycle counts (counting all equipment in a given area), they do not reconcile the count to a master inventory list and investigate discrepancies. As a result, management cannot ensure that all purchased equipment is accounted for. During our review, LACERA was conducting a physical equipment inventory and, although it is still ongoing (approximately 90% of the locations have been counted), LACERA has only accounted for 1,913 (62%) of 3,091 reported assets.
- **Equipment Assignment** - While other public employee retirement agencies we reviewed provide Board members with a tablet and/or cell phone to perform their duties, LACERA's Board members may receive tablets, desktops/laptops, printers, fax machines, data lines, home Internet service, and more to perform their duties. We noted that some Board members received two LACERA-issued laptops and two tablets or are reimbursed for the full cost of their home Internet when the LACERA-issued tablets already include cellular Internet service.

Recommendations

LACERA Boards/management consider:

- 10. Implementing procedures to periodically reconcile wireless devices, assigned users, and wireless bills.**
- 11. Implementing procedures to periodically inventory all equipment, investigate any missing items, and maintain documentation.**
- 12. Identifying all equipment assigned to Board members and staff, evaluate reasonableness, and establish policies and procedures related to equipment assignments, specifying the equipment type and quantity allowed per Board member/staff.**

Travel/Training

In FY 2018-19, LACERA's Board members took 73 trips totaling \$326,000 and management/staff took 336 trips totaling \$475,000. During the same time period, LACERA's 15 Board members and 410 staff spent \$164,000 and \$137,000 respectively on educational conferences and administrative meetings.

In June 2019, LACERA's Internal Audit Division (IA) issued a report on Board and Staff Education and Travel and included recommendations to increase accountability and improve fiduciary oversight and control. The IA's report also indicated LACERA incurred significantly higher costs for Board educational travel in FY 2018-19 than its larger peers - CalPERS, a \$350 billion fund as of June 2018, or CalSTRS, a \$226.1 billion fund as of May 2019. Based on our review, findings and recommendations included in IA's report appear appropriate. Subsequently, in August 2019, LACERA Boards approved the revised Education and Travel Policy (Policy). However, we reviewed the revised Policy and noted the following:

Travel Policy

The revised Policy related to travel lacks key controls and does not comply with best practices established by other public employee retirement agencies, County, and/or IA's recommendations in the following areas:

Cost Effectiveness

- Allows Board members to travel within California without pre-approval if costs are below \$2,000 per trip and \$10,000 annually. In comparison, the County requires pre-approval on all travel arrangements regardless of the cost.
- Board members/staff may upgrade to business class when total trip time, including layovers, exceeds five hours or for international flights. In addition, LACERA will pay the additional cost for coach/economy class seats that advertise additional leg room regardless of trip time. None of the five public employee retirement agencies we benchmarked allowed business class upgrades. County business travelers are also required to travel in coach/economy class.
- Lodging per diem limits appear excessive. The Policy permits up to three times the Internal Revenue Service (IRS) per diem rate. For example, the IRS per diem rate for Santa Monica is \$248 a night, but per LACERA Policy travelers may spend up to \$744 (or three times the per diem rate of \$248) a night for lodging in Santa Monica. LACERA's per diem rates are higher than all of the agencies we benchmarked.
- Board members/staff may be reimbursed for gym fees, expedited security, etc., which are not allowed by other public employee retirement agencies we benchmarked, or the County.

- The Policy does not prohibit the purchase of expensive refundable tickets or high-fare ride sharing services such as Uber Black and Lyft Premier, etc. In comparison, the County’s policy generally requires the travelers to use the least expensive method of travel/transportation.
- The Policy allows travelers to request per diem reimbursement even when meals are provided by the hotel/conference or during a flight. County policies prohibit this practice.

In addition, while the Policy generally requires pre-approval for travel, it specifically authorizes Board members to waive compliance with any Policy requirement and to approve travel after the travel has been completed. Furthermore, during a recent Board meeting on the \$10,000 limit for in-state travel, there was discussion that it is Board members’ right to be reimbursed up to \$10,000 annually for travel without pre-approval and the \$10,000 is not intended to be a limit. A flexible policy, and financially unconservative tone at the top appear to minimize the importance of ensuring that travel costs are reasonable.

Unclear Language

The Policy indicates that additional travel expenses incurred before or after an event (e.g., arriving a day early or leaving a day late) will be reimbursed if reasonably necessary but does not establish criteria for ‘reasonableness’. Similarly, while the Policy allows travelers to use business class or equivalent in certain instances, the Policy does not identify the ‘equivalent’ of business class, which is sometimes interpreted as first class. However, there are significant cost differences between the two classes.

The Policy also requires the lowest available airfare offered by United, American or Delta implying that the traveler may choose the lowest cost airfare of any one of the three carriers, rather than the lowest cost overall. In addition, the Policy indicates that travel to Mexico/Canada is international travel deserving business class air travel, whereas the same Policy indicates that training in Mexico/Canada is not considered international for purposes of educational conference limits.

Centralized Travel Process

LACERA does not have a centralized travel processor, or an independent vendor that provides travel related services to help ensure consistent Policy compliance. In comparison, the County mandates that all County-related business travel be arranged through a County-approved travel agency.

Recommendations

LACERA Boards/management consider:

13. **Revising the Travel Policy to ensure it is clear, well-defined, and includes cost control measures such as:**
 - a) **More stringent requirements on pre-approval, lodging costs, incidental costs, and the use of business class.**
 - b) **Requiring travelers to obtain the lowest overall price amongst major carriers.**
 - c) **Prohibiting per diem reimbursements when meals are provided by the hotel/conference or during a flight.**

14. **Implementing an in-house centralized travel process, or contract with an independent vendor to provide travel related services.**

Training Policy

Similar to the travel policies, the revised training policies appear to lack key controls and do not comply with best practices established by other public employee retirement agencies, the County, and/or LACERA IA's recommendations in the following areas:

Proof of Attendance

Proof of attendance is not required for educational conferences and administrative meetings. Four of the five agencies we benchmarked require a full report for conferences/meetings to promote information sharing amongst peers, to identify conferences/meetings that would be beneficial in the future, and to ensure attendance at the event.

Cost Effectiveness

We noted that the Policy does not establish guidelines for the cost and number of administrative meetings (legislative advocacy, speaking engagements, networking opportunities, etc.) that Board members may attend. The Policy does limit Board members to attend four educational conferences if serving on one Board or six if serving on both Boards. However, we noted that the updated Policy now allows two educational conferences to be counted as one when they are held within two days of each other and do not require additional transportation costs. It should be noted that some of these educational conferences cost as much as \$10,000 per person for registration, and additional lodging and related expenses would also be incurred. Although LACERA recently revised the Policy and reduced the number of allowable educational conferences due to concerns over travel and training costs, allowing two conferences to count as one conference appears counterproductive.

We also noted that LACERA's Policy does not promote cost effective training (in-house, local, or web-based training) whenever possible. In comparison, the County encourages e-learning whenever possible.

Educational Strategies/Goals

Although the Boards comply with CERL, which requires Board members to complete 24 hours of education every two years, LACERA's revised Policy still does not require Board members to establish specific educational strategies/goals for individuals or the organization. Reported best practices (i.e., *Clapman Report 2.0 Model Governance Provisions to Support Pension Fund Best Practice Principles*) and some of the agencies that we benchmarked encourage Board members to establish specific educational strategies/goals.

We noted that the recommendation to establish education strategies/goals was included in IA's June 2019 report. However, LACERA Boards have not taken corrective action to address the recommendation. Establishing specific strategies/goals for LACERA Board members and staff should help ensure that training costs and related travel expenses are justified and coincide with overall strategies/goals.

Recommendations

LACERA Boards/management consider:

- 15. Requiring conference/meeting attendees to submit proof of attendance, report back on conference/meeting, and seek reimbursement for any meeting or travel costs if attendance is not supported or documented.**
- 16. Revising the Education and Travel Policy to ensure that the number of educational conferences reported accurately reflects the number of educational conferences attended and provide clear guidelines for the number and cost of administrative meetings.**
- 17. Establishing a policy to promote cost-effective training (in-house, local, web-based) whenever possible and practical.**
- 18. Developing organizational and/or individual training/education goals and develop a process to periodically evaluate and update progress towards the goals.**

Technology Efficiency

During our review, LACERA management/staff indicated numerous areas where software/applications or connectivity can significantly improve efficiencies and/or provide better member services. Insufficient technology resources can result in inefficient use of resources and circumvention of internal controls. LACERA management/staff indicated

that these issues had been discussed in the past but have not been adequately resolved to meet end-user needs. Some of their suggestions include:

- **Case Management System (CMS)** – In October 2013, LACERA held a kick-off meeting to discuss a CMS. LACERA recognized that a comprehensive CMS would allow management/staff to track workflow, identify bottlenecks, calculate performance metrics, and maintain documentation from the beginning of a case to the end under one database, rather than manually updating and tracking cases and benefits over ten separate databases.

As of October 2019, LACERA had not purchased or implemented a CMS and Systems management indicated that they will begin coding for a new CMS in 2020. In addition, LACERA management had not prepared detailed planning documentation specifying project timeline, scope, budget, and objective, etc. or to ensure functionality meets users' needs. Having a complete planning document for a significant system improvement would increase accountability and help ensure timely implementation.

- **Automated accounts payable system** – In 2018, an independent auditor recommended an automated system to ensure payments are appropriately approved. LACERA management indicated this project is in the preliminary research phase and no timeline for implementation has been established.
- **Member Services field connectivity** – Member Services staff indicated they cannot efficiently respond to specific member questions while they are in the field because they do not have access to their work applications. LACERA management indicated staff are not given access to their work applications offsite due to security concerns. However, many organizations have implemented two-factor authentication or other measures to ensure offsite security for sensitive information.
- **Budgeting software** – Administrative Services Division prepares the budget using over 100 Excel worksheets that cannot readily produce reports or integrate to the accounting software. As a result, LACERA cannot generate basic budget related reports (e.g., budget to actual expenditures) without labor-intensive manual entries.
- **Interactive training/eLearning** – Quality Assurance and Metrics Division (QA) instructors use PowerPoint presentations to train new Retirement Benefit Specialist (RBS) staff in a year-long training program. Management indicated that QA instructors and RBS trainees can benefit from self-training with interactive training modules that cost less than \$5,000.
- **Electronic access to Board meetings** – The Boards do not live-stream or digitally archive meetings for staff and public access. LACERA management/staff indicated this impacts their ability to respond timely to Board discussions.

Some of the software/applications and lack of field connectivity may potentially be attributable to the staffing and vacancy issues in Systems discussed in the section below.

Recommendation

- 19. LACERA Boards/management consider working with divisions to determine technology needs, strategically evaluate and prioritize competing needs, and periodically re-assess and update the status of technology projects.**

Systems Division

Every division within LACERA requires Systems' support to complete their duties efficiently and effectively. Systems oversees more than 20 separate business processes including: application and web development/maintenance, cybersecurity, Information Technology (IT) hardware, security (surveillance cameras and keycard access), telecommunications, help desk, mobile device (cell phones, tablets, etc.) management, and updating bank signatories.

Staffing and Vacancies

It appears Systems must manage multiple competing priorities with insufficient staffing. For the three years reviewed (FY 2015-16 through FY 2018-19), Systems vacancies increased from 12 to 15 positions. In FY 2019-20, Systems budget indicates that 20 (35%) of Systems' 57 budgeted positions are vacant. The staffing shortage may have been partially offset by nine IT professionals contracted between 1991 and 2018.

LACERA Systems management indicated they have difficulty filling positions because they cannot compete with private IT related companies to recruit high-level staff with the necessary qualifications and expertise. However, as discussed further below, LACERA's IT staff hiring practices appear to have been passive, and do not support Systems management's assertion that they are having difficulty filling the positions due to competition.

Although LACERA management indicated their systems and IT staff requirements may not be directly comparable to the County's, we noted the County's Internal Services Department and Auditor-Controller's Systems Division do not experience similar shortages or recruiting difficulties in their IT staffing.

Recruitment Practices

We discussed Systems vacancies with LACERA's HR and Systems management. Systems management indicated that Systems generally hires temporary agency staff. When Systems wants to permanently hire agency staff, they write the examination's desirable qualifications to meet the candidates' abilities and open the examination for a limited time, so they can manage the candidate pool.

We verified the practice by reviewing LACERA's examination logs from January 1, 2016 through September 17, 2019, and noted that during the 44-month period, LACERA opened two competitive IT exams for a combined total of 82 hours (17 hours for Data

Systems Analyst, 65 hours for Data Systems Coordinator). In addition, even though the examinations were supposed to be ‘open competitive’ meaning they were open to everyone, Systems’ desirable qualifications are so specific that most candidates outside of LACERA do not qualify. For example, exams are weighted 100% on application information and desirable qualifications included:

“Three or more years’ experience training LACERA staff and Board members on how to use mobile devices...”

“Demonstrated knowledge of the Countywide payroll and LACERA payroll batch processing.”

We noted that there were 774 views on the two job postings, but only 23 candidates applied. As stated earlier, this hiring practice does not support Systems management’s assertion that they cannot fill the vacancies since they are unable to compete with private IT companies. Inadequate outreach and recruitment efforts limits Systems ability to attract necessary and qualified staff, and complete critical IT assignments.

We followed up with Systems management to inquire as to why they did not aggressively recruit more staff, but management could not provide a valid reason other than indicating that the exam process is HR’s responsibility.

Recommendations

LACERA Boards/management consider:

- 20. Implementing procedures to ensure examinations provide an equal opportunity to all qualified applicants and do not provide an unfair advantage to pre-selected candidates.**
- 21. Ensuring that Systems Division and Human Resources Division work together to develop a plan for outreach and recruitment.**

Job Assignments and Separation of Duties

Some Systems staff’s duties do not appear to correspond with Systems’ core job functions. For example, a Systems manager is assigned to update bank signatories. Signature cards identify the rightful signers for bank accounts and updating signatories is usually the responsibility of the Chief Financial Officer or the Chief Investment Officer. However, LACERA does not have a formal written policy to indicate who should be responsible for updating bank signatories.

In addition, Systems management indicated that they structurally separate duties to minimize the risk that staff can access and/or change critical systems, but Systems has no formal policies. We requested a list of access roles to Systems’ applications/software (Microsoft Office 365, Workspace, Member Portal, HR Data, etc.) to verify if they

sufficiently separated duties and restricted access as appropriate. However, Systems management declined to provide a list, citing security concerns that information could be used to exploit LACERA's systems. Systems management subsequently provided a self-assessment report for financial software that they completed at the request of LACERA's external auditors. The report indicates that Systems management is willing to accept the risk where there is an insufficient separation of duties. We believe the decision to accept the risk due to insufficient separation of duties should be made by the Boards or the CEO.

Recommendation

- 22. LACERA management consider establishing a process to periodically complete a documented review of Systems Division's applications and system access roles to ensure that roles are appropriate, and duties are adequately separated.**
- **If duties cannot be sufficiently separated, consider implementing alternative controls, including staff rotation, and evaluate and document the Boards' and executive management's risk appetite.**

Independent Information Technology Review

As discussed, we noted a number of areas where LACERA can potentially improve its overall Systems related operations and efficiencies. Since Systems Division is already facing staffing issues, it may be beneficial for LACERA to consider obtaining an independent consultant to complete an IT review. An independent review will bring in an outside perspective, may be able to identify problems that employees who are too close to the process/issues may not see, and ensure objectivity. To further ensure objectivity, LACERA management should consider hiring an independent consultant to develop a Request-for-Proposal (RFP) including a Statement of Work, based on input from LACERA management/staff.

Recommendation

- 23. LACERA management consider obtaining an independent consultant to draft a Request-for-Proposal including Statement of Work and complete an independent information technology review that includes:**
- a) **IT resources and efficiency, including work-related applications.**
 - b) **Operational efficiency and appropriate job functions.**
 - c) **IT staffing assessment.**
 - d) **Span of control and separation of duties.**

120-Day Temporary Assignments

Civil Service rules indicate that a retiree may be reinstated to a 120-day temporary assignment if the retiree possesses special skills or knowledge. Management is

encouraged to develop a transition plan to ensure that the retiree's special skills/knowledge are transferred to current employees and the retiree is returned to their retirement.

LACERA reinstated two retirees on 120-day temporary assignments seven and 12 years ago but has not established transition plans to ensure the retirees can be returned to their retired status. One of the retirees was reinstated in 2006 to train her successor. In FY 2018-19, the retiree accumulated \$30,000 in travel/training expenses while assisting her successor.

Lack of transition plans increases the risk of excessive costs and inefficient use of resources, ineffective succession planning, and reliance on the institutional knowledge of retirees.

Recommendation

- 24. LACERA management consider developing transition plans for 120-day temporary employees and implement a process to periodically review and update transition plans as needed.**

Keycard Access

LACERA's headquarters is open to the public from 6 a.m. to 6 p.m. LACERA uses keycards to prevent unauthorized access to their business operations. Inadequate controls over keycards increases the risk of unauthorized access to LACERA's assets and confidential/sensitive information.

Systems is responsible for adding, deleting, and updating keycard access to the LACERA offices. Systems management indicated they work with HR to ensure keycard access is appropriately maintained and periodically reconciled. However, we noted the reconciliation was limited to reviewing access to the parking garage and did not include the office keycards.

Systems management indicated they do not periodically reconcile keycard access to ensure only approved staff/contractors have access to the LACERA offices because they do not want to remove access in error. We requested a list of keycard holders to verify that current cardholders are authorized to access LACERA offices, but Systems management declined to provide a list citing security concerns.

Recommendation

- 25. LACERA management consider developing processes to periodically reconcile keycard access and remove or update access when it is no longer needed or appropriate.**

Policies and Procedures

Policies and procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. Having updated and uniform policies and procedures are critical for ensuring LACERA's processes are consistent, and staff perform duties adhering to established policies/procedures and internal controls.

We noted that some of LACERA's policies and procedures are outdated, incomplete or inconsistent. For example, LACERA does not have a policy to describe how Board members should request/obtain equipment. As a result, the process is not consistent, making it difficult to track Board members' equipment.

Additionally, LACERA's January 2010 Information Technology Policies, Email/Electronic Use Policy (e-mail Policy) lacks key controls to limit who can access to view employee e-mails. The e-mail Policy indicates that employees' e-mail may be accessed with management consent but does not require documented justification (e.g., suspected fraud), does not identify the level of management with the authority to request access, or how the request should be documented.

Although LACERA management indicated that it is understood the request to access employee e-mails must come from the Legal Division, as currently written, any manager may request access to staff e-mails or a Systems manager may self-approve access to other employees' e-mails.

In addition, LACERA does not have up-to-date written procedures or policies related to a number of issues we discussed above, including bonuses, offsite meetings, wireless device inventory/reconciliation, keycard controls, etc. Our interviews with LACERA management/staff indicated that LACERA may 'selectively' follow the County's policies and procedures (e.g., HR policies), but complying with policies or procedures should not be flexible. Some of the issues we identified may have been prevented if LACERA maintained current and comprehensive organization-wide policies and procedures similar to the County's Fiscal Manual that all County departments are required to follow.

Recommendation

- 26. LACERA Boards/management consider developing organization-wide policies and procedures inclusive of all administrative functions/duties and periodically review and update policies and procedures.**

Other Matters

As part of assessing processes and controls over administrative accounts, we interviewed over 25 LACERA key personnel and Board members. While this sample was limited and not intended to be representative of LACERA as a whole, several interviewees voluntarily

reported an environment of excessive spending, entitlement, favoritism, and fear of retaliation and indicated that LACERA's organizational culture should be improved.

Several interviewees indicated they were reluctant to speak with us and preferred to meet offsite because they feared retaliation. The interviewees believed they were constantly being monitored with security cameras, or their e-mails and phone lines were inappropriately accessed, and meeting rooms were not secure. Although we did not attempt to verify their retaliation claims, the fact that several management/staff requested offsite meetings appears to support interviewees' concerns that the fear of retaliation exists.

Several interviewees also indicated that LACERA's fraud hotline is not working as intended and callers' confidentiality may not be protected. Although we also did not attempt to verify those claims, IA management indicated the hotline received only one complaint over a six-month period. However, given that we received several requests for an offsite meeting during our review, one call over a six-month period appears to support the interviewees' concerns that they do not trust the hotline process. LACERA management indicated they are aware of this perception of caller confidentiality not being protected and is in the process of contracting with an independent vendor to operate the hotline and ensure anonymity.

In addition, Board members have served LACERA for up to 18 years and some interviewees reported that certain members may have developed close personal relationships with management and staff. Multiple interviewees reported favoritism between certain Board members and management/staff. Interviewees indicated that the favored management/staff have increased access to confidential information and promotional opportunities. While we did not attempt to verify interviewees' claims, we did note that in 2019, the Board downgraded the minimum requirement for the CEO so that the position no longer required a bachelor's degree. Some interviewees believe the requirement was downgraded so that Board members would be able to select a favorite manager who did not have a bachelor's degree.

During our review, LACERA management informed us that in July 2019 they started the RFP process for hiring a consultant to review their work culture. LACERA management should consider sharing our report with the consultant to ensure that the consultant becomes aware of some of the issues (e.g., perceived e-mail confidentiality) we discussed above that may impact the consultant's review.

Recommendations

- 27. LACERA Boards/management consider sharing our report with the proposed contractor prior to the engagement to review LACERA's work culture.**
- 28. LACERA Boards explore term limits for Board members.**



November 8, 2019

Arlene Barrera, CPA
Auditor-Controller
Los Angeles County
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012
abarrera@auditor.lacounty.gov

Dear Ms. Barrera:

Thank you for providing LACERA with the opportunity to read the report on your office's review of our organization. This letter and its attachment constitute LACERA staff's comments, and, like the report itself, they have not yet been reviewed by the Board of Retirement and Board of Investments.

Government Code Section 31593 permits the County to audit "the accounts of the retirement system." While we believe the review went beyond this scope by addressing non-financial issues, LACERA is a transparent organization and cooperated fully and openly with the County review team within applicable law. After many weeks of work, the County report identifies subjects that already have been and continue to be considered by LACERA's Boards and/or staff. Importantly, the review findings do not dispute that LACERA is effective in serving its members and managing the organization to provide the promised benefits in a timely manner.

It is significant that, before the County review began, LACERA had identified for review and evaluation each of the subject areas addressed in the report as part of LACERA's ongoing program of self-evaluation and process improvement. LACERA voluntarily identified these subjects, among others, to the County review team at the beginning of their work as matters already under current internal consideration.

LACERA is an independent public agency from the County. While LACERA does not agree with many of the specific findings (and it is not possible to address all of them in these responses), LACERA will evaluate the report as the organization continues to update its processes and policies. LACERA always strives to align fund administration with the best interests of its members. The County report will be shared with the Board of Retirement and management as a priority matter for consideration; the report will also be provided to the Board of Investments.

In addition, effective November 16, 2019, the LACERA Boards appointed a new Chief Executive Officer, Santos H. Kreimann, who brings almost 30 years of experience with the County of Los Angeles in positions of responsibility in the County Chief Executive Officer's Office, the Assessor's Office, the Beaches & Harbors Department, and other parts of County government. Mr. Kreimann provides management expertise, and a track record of success, in budgeting, strategic planning, human resources, information

Arlene Barrera, CPA, Auditor-Controller
November 8, 2019
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technology (IT) systems, and other administrative functions that directly relate to many of the review findings. Mr. Kreimann will apply his knowledge and expertise in reviewing the County report and evaluating LACERA's processes to implement further checks and balances as needed.

LACERA provides additional comments in the attachment with respect to each subject category in the County report.

LACERA requests that this letter and its attachment be included as part of the final report.

Very truly yours,



Steven P. Rice
Chief Counsel

Attachment

LACERA'S RESPONSE TO SPECIFIC COUNTY RECOMMENDATIONS

Budget and Expenditures – County Recommendations

LACERA Boards/management consider:

- 1. Analyzing LACERA's administrative costs, evaluating other public employee retirement agencies' administrative costs, and adopting best practices to be more cost efficient.**
- 2. Implementing processes to ensure expenditures are reported in units/divisions where they are incurred.**

LACERA's Response: LACERA's strategic planning and budgeting process takes into account the unique needs of LACERA as one of the largest retirement systems in the country, serving over 170,000 members. As the County's review found, LACERA's budget and expenses are well within the statutory limit, and the percentage increase of LACERA's expenditures is within the range of other public pension systems. LACERA also routinely reviews the accounts to which expenditures are allocated; this is a normal part of LACERA's process.

Each year, LACERA's proposed budget is reviewed by the Boards at multiple public budget hearings and other meetings. The proposed budget is publicly available to all stakeholders and open to comment each year before the budget is approved. This process ensures transparency. In the current 2019-2020 budget process, as in prior years, the Boards actively discussed the budget before it was approved, in the diligent performance of their fiduciary duty, and provided staff with specific input and direction for the current budget and future budget cycles.

In the Joint Organizational Governance Committee (JOGC) Charter approved in May 2019, the LACERA Boards directed that, in the future, staff prepare a three-year strategic planning and annual budgeting process for JOGC approval to guide the Boards' consideration of these issues. This process will be utilized in the 2020-2021 budget cycle and thereafter, and will further enhance LACERA's already solid financial management. LACERA's new CEO has expertise in budgeting and expense management, and will separately review existing processes to ensure LACERA is providing the best possible service to the members.

LACERA will present the County report findings and recommendation nos. 1-2 to the Boards and management.

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Spending Practices – County Recommendation

- LACERA Boards/management consider re-examining its administrative spending and issue a memo to all LACERA Board members and staff to reinforce the organization’s commitment to upholding their fiduciary obligation.**

LACERA’s Response: LACERA’s spending is based on a commitment to the organization’s fiduciary duty and is reinforced to staff by management on a regular basis. Spending is pursuant to the sound budget process described above. The four spending categories listed in this section were identified to the County review team by LACERA as matters already under current consideration by LACERA. LACERA will present the County report findings and recommendation no. 3 to the Boards and management.

Offsite Board Meetings/Retreats – County Recommendations

LACERA Boards/management consider:

- Evaluating benefits and costs of Board and management offsite meetings/retreats and implementing changes to reduce associated costs.**
- Adopting similar offsite meeting/retreat policies as the County.**

LACERA’s Response: Board and staff offsites are a prudent and common practice to permit trustees and staff to provide an extended opportunity, not possible during regular Board meetings, to discuss strategic issues in detail, receive extensive updates from staff on initiatives and plans, and hear from outside experts within a focused environment that facilitates discussion among trustees in the exercise of their fiduciary duty. Board members do not maintain offices at LACERA, and therefore offsites are a practical and efficient method of providing for interaction and discussion between Board members and staff. For these reasons, LACERA’s offsites have great fiduciary value to the organization, which outweighs the cost of the events.

Historically, LACERA held one three-day offsite for both the Board of Retirement and Board of Investments. However, in recent years, to enhance the opportunity for Board members to have the positive experience described above, the schedule was changed to provide separate two-day offsites for each Board to focus on matters within their different areas of interest. This decision has proved successful in improving the value of the offsites.

LACERA will present the County report findings and recommendation nos. 4-5 to the Boards and management.

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Bonus Monitoring and Oversight – County Recommendations

LACERA Boards/management consider:

- 6. Establishing written policies/procedures to ensure that bonuses are implemented timely and adequately documented, and to periodically review all bonuses to ensure continued eligibility.**
- 7. Developing bonus reports to improve bonus monitoring and oversight.**
- 8. Reviewing all bonuses, cancel bonuses that are no longer applicable, and seek recovery for any overpayments.**
- 9. Working with the County of Los Angeles Chief Executive Office to ensure budgeted positions align with job assignments.**

LACERA's Response: The bonuses referenced in the retroactive bonuses section were supported with appropriate documentation detailing the reason for the bonuses before the bonuses were approved. Human Resources also performed case analysis to support the bonuses prior to approval.

Bonuses were identified by LACERA to the County review team as a matter already under current consideration by the organization. In June 2019, the LACERA Executive Office instituted a practice of limiting Additional Responsibility (AR) bonus requests, when granted, to six months, and placing all ARs on a six-month review cycle, with renewed justification required for extension. Additional information on bonuses is also now requested to support AR requests before Executive Office approval. LACERA's existing practice also includes recovery of bonus overpayments. Human Resources is developing a written Bonus Review and Approval Policy.

LACERA will present the County report findings and recommendation nos. 6-9 to the Boards and management.

Wireless Devices and Equipment Management – County Recommendations

LACERA Boards/management consider:

- 10. Implementing procedures to periodically reconcile wireless devices, assigned users, and wireless bills.**
- 11. Implementing procedures to periodically inventory all equipment, investigate any missing items, and maintain documentation.**
- 12. Identifying all equipment assigned to Board members and staff, evaluate reasonableness, and establish policies and procedures related to equipment**

assignments, specifying the equipment type and quantity allowed per Board member/staff.

LACERA's Response: LACERA's periodically reviews its wireless device assignments against wireless bills. An inventory of equipment and devices assigned to Board members and staff is currently in progress as part of a larger organizational inventory; the inventory is reconciled and discrepancies investigated. LACERA will present the County report findings and recommendation nos. 10-12 to the Boards and management.

Travel/Training – Travel Policy – County Recommendations

LACERA Boards/management consider:

- 13. Revising the Travel Policy to ensure it is clear, well-defined, and includes cost control measures such as:**
 - a) More stringent requirements on pre-approval, lodging costs, incidental costs, and the use of business class.**
 - b) Requiring travelers to obtain the lowest overall price amongst major carriers.**
 - c) Prohibiting per diem reimbursements when meals are provided by the hotel/conference or during a flight**
- 14. Implementing an in-house centralized travel process, or contract with an independent vendor to provide travel related services.**

LACERA's Response: Education is necessary to enable Board members and staff to perform their fiduciary duties. In June 2019, LACERA's Internal Audit Division issued a report stating the results of a regular periodic audit of Board member and staff education and travel, pursuant to LACERA's Education and Travel Policy and best practices. In August 2019, the Boards substantially revised and improved the Education and Travel Policy. It was stated in connection with the recent revisions that the Boards would further review the policy, including the recommendations of the internal audit report, at upcoming meetings. In addition, in August 2019, the Board of Retirement authorized an external review of travel expenses and practices, including the policy; the external review is in progress. LACERA will present the County report findings and recommendation nos. 13-14 to the Boards and management.

Travel/Training – Training Policy – County Recommendations

LACERA Boards/management consider:

- 15. Requiring conference/meeting attendees to submit proof of attendance, report back on conference/meeting, and seek reimbursement for any meeting or travel costs if attendance is not supported or documented.**

16. **Revising the Education and Travel Policy to ensure that the number of educational conferences reported accurately reflects the number of educational conferences attended and provide clear guidelines for the number and cost of administrative meetings.**
17. **Establishing a policy to promote cost-effective training (in-house, local, web-based) whenever possible and practical.**
18. **Developing organizational and/or individual training/education goals and develop a process to periodically evaluate and update progress towards the goals.**

LACERA's Response: Training is addressed in LACERA's Education and Travel Policy. The response from the preceding section also applies here. LACERA will present the County report findings and recommendation nos. 15-18 to the Boards and management.

Technology Efficiency – County Recommendation

19. **LACERA Boards/management consider working with divisions to determine technology needs, strategically evaluate and prioritize competing needs, and periodically re-assess and update the status of technology projects.**

LACERA's Response: Technology needs are strategically evaluated, organization-wide and on a division-by-division basis, during the annual strategic planning and budgeting process. In addition, technology needs are considered on a continuous basis, and improvements are underway. LACERA identified technology to the County review team as a subject matter already under consideration. LACERA will present the County report findings and recommendation no. 19 to the Boards and management.

Systems Division – Staffing and Vacancies – County Recommendations

LACERA Boards/management consider:

20. **Implementing procedures to ensure examinations provide an equal opportunity to all qualified applicants and do not provide an unfair advantage to pre-selected candidates.**
21. **Ensuring that Systems Division and Human Resources Division work together to develop a plan for outreach and recruitment.**

LACERA's Response: LACERA managers initiate the hiring and recruiting process based on their individual assessment of needs for that division. Once initiated the Human Resources Division works with the management team to effect the recruitment in a successful manner. This subject was identified by LACERA to

Arlene Barrera, CPA, Auditor-Controller
November 8, 2019
Page 8

the County review team as a matter already under current consideration. Human Resources is available to work with any division to conduct recruitments as needed. LACERA will present the County report findings and recommendation nos. 20-21 to the Boards and management.

Systems Division – Job Assignments and Separation of Duties – County Recommendation

22. LACERA management consider establishing a process to periodically complete a documented review of Systems Division’s applications and system access roles to ensure that roles are appropriate, and duties are adequately separated.

- **If duties cannot be sufficiently separated, consider implementing alternative controls, including staff rotation, and evaluate and document the Boards’ and executive management’s risk appetite.**

LACERA’s Response: The Systems Division, in conjunction with other divisions, appropriately separates duties. LACERA’s systems, finances, and processes are secure; data and information security is a top priority of the organization. Financial integrity is also critical. Members and the public can have confidence that LACERA information and finances are secure and well-managed. LACERA’s Internal Audit Division periodically conducts audits of the Systems Division and the processes under the System Division’s oversight, as well as the processes of other divisions. LACERA will present the County report findings and recommendation no. 22 to the Boards and management.

Systems Division – Independent Information Technology Review – County Recommendation

23. LACERA management consider obtaining an independent consultant to draft a Request-for-Proposal including Statement of Work and complete an independent information technology review that includes:

- a) **IT resources and efficiency, including work-related applications**
- b) **Operational efficiency and appropriate job functions.**
- c) **IT staffing assessment.**
- d) **Span of control and separation of duties.**

LACERA’s Response: LACERA will present the County report findings and recommendation no. 23 to the Boards and management.

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May 15, 2020

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann ^{SKC}
Chief Executive Officer

FOR: May 20, 2020 Joint Board of Retirement & Board of Investments Meeting

SUBJECT: **100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments**

During the hiring process we discussed the need for an objective assessment of LACERA's organizational needs as the first step in charting a new path forward for the organization. I committed to complete this assessment and provide a report after my first 100 days in the Chief Executive Officer position. While the pandemic delayed the submittal of the report, it did provide additional time and a real opportunity to observe staff's unwavering dedication to public service and their commitment to the lifetime financial security of our members. It was a pleasure to have a front row seat to watch staff come together as a team and execute in a very challenging time.

During the last several months, I worked closely with staff members at all levels of the organization to develop an understanding of how LACERA functions, the capabilities of staff members, how they interact with each other, the organization's technical capabilities, the organizational structure and culture, and the organization's strengths and weaknesses. This assessment included an initial survey that requested staff members to respond to 7 key questions, one on one interactions, project/group meetings, management meetings, and Board and Committee meetings. Essentially, I listened, asked questions, shared ideas, provided input when necessary, and most importantly observed.

Based on these observations, I can confidently say LACERA staff members are dedicated and focused on the organization's mission and care tremendously about our members. I have been welcomed into the LACERA family and I appreciate the support I have received from the Trustees, the Executive and Management teams, and staff at all levels of the organization. This support, willingness to be transparent and open, and patience with my questions and approach is greatly appreciated.

I am pleased to provide for your review, consideration and input the promised "100-Day Report to the Trustees of the Board of Retirement and Board of Investments". This report provides an overview of my observations, highlights the strengths, challenges, and opportunities, including our COVID-19 response. I have also laid out a roadmap for moving forward. I look forward to our discussion regarding these observations and plans.

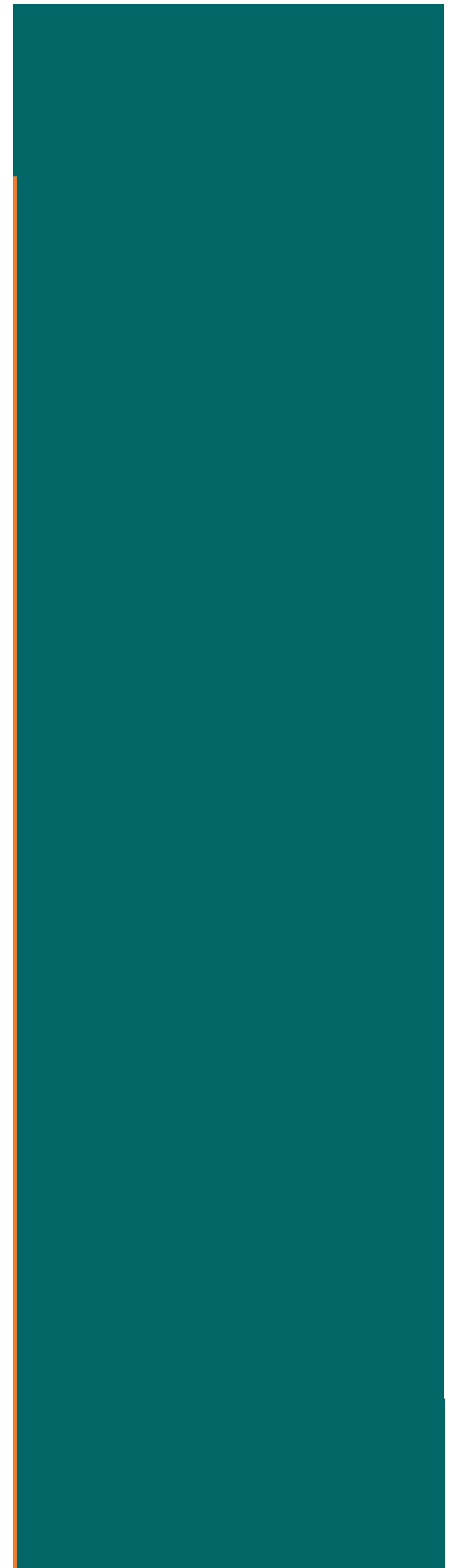
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Attachment



100-DAY MANAGEMENT REPORT TO THE TRUSTEES OF THE BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

Prepared by Santos H. Kreimann, Chief Executive Officer, LACERA
May 2020



TRANSMITTAL LETTER

May 15, 2020

Dear Board of Retirement and Board of Investments Trustees,

I want to thank the Trustees for working with me and entrusting LACERA to me as its Chief Executive Officer (CEO). During the hiring process, I made a commitment to assess the organizational needs and prepare a report after my first 100 days in the CEO position for discussion with the Boards. Attached is this “100-Day Management Report,” which:

- Summarizes my observations during my initial 100 days of tenure
- Highlights LACERA’s initial and subsequent responses to the COVID-19 pandemic
- Provides a general road map for moving forward

This report is also part of my commitment to promote transparency, which should help to continue to build a trusting relationship with the Trustees and staff.

COVID-19 TRANSITION PLAN

In the coming months, we will be focusing on the Transition Business Plan as the State of California and County of Los Angeles Public Health begin to lift workplace restrictions put in place to respond to the COVID-19 pandemic and mandate to “Stay Home. Save Lives.”

As we emerge from the initial phase (and shock) of the COVID-19 pandemic, there will be a new normal. An unexpected silver lining to the COVID-19 pandemic is that it has inspired staff to be more innovative and resourceful as we implement new ways of working. Many have learned new tools and developed remote working capabilities. We will need to incorporate these beneficial changes into our strategic thinking and mode of operation in moving forward.

PLANNING FOR THE YEAR AND OUR FUTURE

The report contains proposed action steps for this next year that help:

- Put an executive structure in place with more integrated lines of business under the executive positions
- Set LACERA on a course for more integrated services and systems that meet members’ needs

- Promotes increased accountability and collaboration, accompanied with leadership, management, and staff development

But this report is just a start in beginning a collaborative, integrated, and ongoing planning effort. We need to embark on a collaborative strategic planning process that engages the Trustees and our staff in defining our vision, values, and strategic priorities for the next 3 to 5 years (discussed in Chapter IV, “Vision and Planning for the Future”).

THIRD-PARTY OBJECTIVITY

As part of full disclosure, in preparing this report, I felt it important to have an independent, third-party assist with synthesizing the findings and proposed action steps. Therefore, I engaged KH Consulting Group (KH), a local small business (LSBE), headquartered in Los Angeles since 1986 and specializing in public sector clients. KH has worked with more than 200 clients in 24 states and 9 foreign countries and has performed hundreds of studies for Los Angeles County, other governmental jurisdictions, and Fortune 100 corporations. Its President, Gayla Kraetsch Hartsough, Ph.D., interviewed the executives and managers, reviewed background documents, and synthesized my observations into this report.



I look forward to discussing this report with you and planning our future together.

Sincerely,

Santos H. Kreimann

Santos H. Kreimann
Chief Executive Officer, LACERA

A SPECIAL THANKS

I want to thank the Trustees for:

- Working with me during these challenging times
- Supporting me in providing insights on how I can best contribute to LACERA – both today and into the future

Our LACERA staff were vital in:

- Welcoming me to LACERA
- Responding to the “7 CEO Questions” I posed to staff when I started at LACERA
- Rallying together to address the COVID-19 precautions to protect our Trustees, members, sponsors, and ourselves while maintaining a high standard of service and productivity

I also want to thank the Executive Team for providing input to the consultants and me regarding where LACERA is today and what opportunities exist for making the organization better and stronger.

Together, we will ensure the continued fulfillment of LACERA’s mission:

- **Produce** the highest quality of service for our members and sponsors
- **Protect** the promised benefits through prudent investment and conservation of plan assets
- **Provide** the promised benefits

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I – EXECUTIVE SUMMARY

Effective November 16, 2019, the Los Angeles County Employee Retirement Association (LACERA) Board of Retirement and Board of Investment appointed me as the new Chief Executive Officer (CEO).¹ During the hiring process, I made a commitment to assess the organizational needs and prepare a report after my first 100 days in the CEO position for discussion with the Boards. I adopted a listening-learning approach to ensure I learned about LACERA from various perspectives.²

This “100-Day Management Report” summarizes my observations before and during the COVID-19 pandemic, focusing on LACERA’s responses to it. The pandemic in many ways further reinforced the opportunities and vulnerabilities I had identified before this urgent situation emerged.

STRENGTHS TO BE PRESERVED

Overall, I have been impressed with our staff’s commitment to LACERA’s mission: *“To produce, protect, and provide the promised benefits.”*

The COVID-19 pandemic has amplified LACERA staff’s dedication in serving our members, despite the challenging conditions in which we all have had to work since March 16, 2020, when we launched our disaster response tactics. It is clear that LACERA staff stand by some core commitments:

- ***Members first and mission focused.*** LACERA staff are committed to helping members plan for the future, be informed about their retirement benefits, and retire with peace of mind, knowing their retirement income is secure. The timing of the COVID-19 was inopportune in many ways. For LACERA, it occurred in the midst of “March Madness” when we have peak retirement applications. Our workforce came together to do their best in processing these retiring members while continuing service delivery. Staff’s strong values of member service provide a foundation to implement the improvements and structure outlined in this report.
- ***Highly professional management of our \$57-billion investment portfolio on behalf of our members.*** LACERA’s fiduciary responsibility is to promote, enhance, and efficiently administer a financially sound retirement for our members and retirees. The Investment

¹ Appendix A provides a brief overview of LACERA and its Boards’ roles and responsibilities.

² Appendix B describes my listening-learning approach to the CEO position during the first 100 days.

Division has executed this responsibility well and serves as a model of execution and collaboration for the rest of the organization.

Our Board of Investments approved a recently updated, prudent Strategic Asset Allocation (SAA) that provides greater diversification of LACERA's assets to perform in multiple economic environments. Given what is happening to the financial market with the COVID-19 pandemic, our fiscal responsibilities are increasingly even greater.

Under the leadership of the Chief Investment Officer (CIO), our investment initiatives focus on the efforts of the entire team. In addition to the attention to the portfolio, the Board of Investments and the Investments Division have worked extensively on updating policies with an effort to extract procedures into separate documents.

FOCUS OF THE REPORT

The Investments Division currently functions at a high level and contributes to other aspects of LACERA's operations through the CIO's participation at the Executive Team and Management Action Committee (MAC) meetings. Such collaboration has already paid dividends in collegiality and brainstorming in which all parts of the organization are represented.

Because the Investment side is well-managed, my focus in this "100-Day Management Report" is on the Retirement side and internal operations (e.g., IT, Human Resources (HR), Finance, and Administration) that provide support for both Retirement services and Investment activities.

This report also does not address Board relationships, governance, committee structures, and roles and responsibilities. I did receive input from both Trustees and staff that Board relations can be strengthened and clarified. I believe that we have begun a more collaborative approach in working with Trustees. The strategic planning process will also be important for unifying the organization – Board and staff alike. By working together, we can agree on common strategic priorities and build trust.

Building trust will be particularly important, given the Board's challenges and executive turnover prior to my arrival as CEO. I recognize that the Boards and staff should focus on future improvements versus dwelling on the past. Once the new executive structure is in place, I can spend more time working with the Board on strategic planning, priority issues, policy reviews, and legislative advocacy.

This report focuses on a new executive structure; enhanced strategic planning and budgeting; an IT Modernization initiative; and improvements in the work culture, accountability and metrics, processes, operations, and services across the organization.

EXECUTIVE STRUCTURE

As part of our strategic planning effort will be the need for the Trustees to develop a vision for LACERA's future. To achieve this vision and implement the preliminary action steps in this report requires that I build a strong and integrated executive structure.

The current CEO position is burdened with too many direct reports without a cohesive or logical division of authority among them. As a result, as CEO, I must spend the majority of my time on day-to-day operational issues versus higher-level responsibilities, such as working with the Boards; focusing on strategic priorities; building bridges with Los Angeles County, our other sponsors, pension-related associations, and labor partners; and launching a collaborative planning process.

Therefore, I propose an interim solution that uses existing positions and a recommended structure that would follow. (Note: Both the interim and recommended structures are discussed in greater detail in Chapter III, "New Organizational Alignment.") This interim structure is expected to be in place for approximately 18 months while we prepare for the recommended structure.

Under both structures, Internal Audit's working relationship with the CEO and Board Audit Committees will remain the same.

Interim Structure

The interim structure better aligns functions and modernizes the leadership structure by building a CEO-COO corporate structure. The new structure will:

- Provide the CEO with a senior leadership team
- Place related functions together, consistent with our core lines of business
- Leverage existing positions
- Reduce fragmentation
- Enhance LACERA's ability to manage and implement process improvements for the future

Chief Operating Officer (COO). Under the interim structure, I will create the COO position to focus initially in improving collaboration and coordination in two critical areas.

- **Enhanced member-facing services.** Member-facing divisions have historically been divided between two Assistant Executive Officers (AEOs). Under the proposed interim structure, all member-facing functions will report directly to the COO. These functions include:

- Disability Litigation
- Retiree Healthcare (RHC)
- An AEO over Member Services, Benefits, Disability Retirement Services, Communications,³ Process Management Group (PMG), and Quality Assurance (QA)

This reorganization will allow for a unified and cohesive approach to all member-facing services: starting with a member’s initial employment, retirement, death, and finally payment to beneficiaries.

- **Enhanced financial and administrative services.** The other AEO position is vacant and, once filled, also report to the COO. This AEO will be over Administration, HR, Information Systems (IS), and Finance with added responsibilities for budgeting.

No organizational changes are proposed to Legal Services, Investments Division, and Internal Audit. The changes proposed will provide improved support to them.

Recommended Structure

The interim structure will serve as the foundation for migrating to my recommended structure, which includes the following executive (C-suite) members:

- Chief Investment Officer (CIO)
- Chief Counsel
- Chief Operating Officer (COO) working with the AEO to manage all member-facing functions
 - Note: The AEO will be part of the Executive Team, given the importance and size of the member-facing activities.
- Chief Technology Officer (CTO) with broader IT responsibilities for information systems, IT security, business solutions, IT program management, IT planning/policies, and applications
- Chief Financial Officer (CFO) also over administration and HR
 - Note: Depending on the skill sets of the newly hired AEO, this individual might be a candidate for this elevated CFO position.

The primary changes from the interim structure to the recommended structure entail two shifts:

³Communications will have a renewed focus on building LACERA’s standing and reputation through member communication, the website, traditional media, and social media.

- **CTO over both Information Technology (IT) and Information Systems (IS).** Given the importance of technology to LACERA’s future operations, the CTO will be a direct CEO report and part of the Executive Team. The CTO’s charge will be to:
 - Transform our ability to use up-to-date technology to support our staff and our members, including member self-service
 - Build an IT model that will stay current with future technological developments
 - Improve IT planning, leadership, staffing, and structure
 - Enhance and update available tools to create a fully remote working environment
 - Support and focus on users to a greater extent through an improved collaborative IT service model
 - Maintain IT security
 - Fully document the organization’s IT disaster recovery capabilities that is integrated into LACERA’s overall Business Continuity Plan (BCP), thereby, ensuring LACERA’s readiness in the case of any business interruptions or need for business contingencies
- **CFO over finance, HR, and administration.** A revised and strengthened CFO model will reinforce our values of fiscal responsibility, accountability, and efficiency, including a disciplined approach to budgeting. By integrating LACERA’s financial, HR, and administrative operations, we can better support the Investment and Retirement sides of operations.

Under this model, the CEO will be able to spend more time on strategic planning, improvement of Board-staff relationship, and coordinating with Board leadership to refine and enhance the Boards’ policymaking and legislative advocacy roles. This change will have a positive operational, cultural, and leadership impact on LACERA.

OTHER OPPORTUNITIES FOR IMPROVEMENT

LACERA has been fulfilling its mission and serving our members. My observations and identified challenges are presented to position LACERA to be the best we can be. Candor is needed if an organization is to improve and not merely rest on its past laurels. It is in this spirit that this report is written.

LACERA has been fulfilling its mission and serving our members. Candor is needed for improving. This report is written in that spirit.

Self-reflection, self-evaluation, and recognition of the need for a genuine culture of constant improvement, even if it means changes to prior practices, are not criticisms of any individuals. It

is rather a necessary positive and forward-looking process to enhance the shared desire at both the Board and staff levels to move LACERA forward for the benefit of the organization's mission.

My initial 100-day assessment and the organization's response to the COVID-19 pandemic reinforced the criticality of LACERA to make the transition from a reactive organization to a synchronized, integrated, and fully optimized team. The new work environment should:

- Anticipate members' and operational needs
- Address organizational and operational vulnerabilities or inefficiencies as part of a quest to continuously improve
- Promote trust and teamwork
- Leverage technology in serving our members and performing our work
- Embed leadership and management skills and accountability with an outcomes-oriented mentality
- Operate in a more nimble and dynamic way, especially in terms of our technological capabilities and back office operations
- Have the ability to flex during times of emergency or disaster responses – whether a pandemic, earthquake, or fire – or other disruptive incidents (e.g., broken water pipes)

PLANNING FOR THE FUTURE

It has been years since LACERA has gone through a strategic planning process that resulted in a comprehensive multi-year plan. Both Boards should be involved in shaping LACERA's vision and values with review and support from our staff. In this way, both the Boards and our staff can be vested in the vision and values.

We also need to build consensus around our strategic priorities: What are the 3 to 5 areas that we plan to focus on that will best further our mission? Accelerate our performance? Improve our processes for fiscal responsibility and budgeting? Enhance our accountabilities? Leverage our available technology to enhance efficiency and productivity through better management of our cases and other matters while working remotely? Elevate us to the next generation of technology for delivering member services?

The Strategic Plan should provide a roadmap that outlines what actions we need to take over the course of several years to address these strategic priorities. We will embark on such a collaborative strategic planning effort in FY2020-21.

REPORT CONTENT HIGHLIGHTS

I have identified more specific priorities, which are elaborated further in this report. Highlights of these priorities are:

- **Chapter I – Executive Summary** (this chapter)
- **Chapter II: Actions Taken** – This chapter describes: 1) the actions I took during my first 100-days as CEO and 2) LACERA’s organizational readiness at the start of and during the COVID-19 pandemic and how LACERA responded and adapted to meet members’ needs.
- **Chapter III: New Organizational Structure** – I want to build a strong executive leadership team and embed leadership skills throughout the organization. My intent is also to restructure and right-size LACERA to best support member needs in the most effective and efficient way possible. To accomplish this change, I want to: a) align the organization along lines of business, particularly integration of member-facing services and administrative functions, and b) enhance expertise in areas, such as budgeting.

To begin, I propose an 18-month interim structure that uses currently approved positions and will serve as the building block for the streamlined structure I am recommending. My initial focus is to fill key executive vacancies that will facilitate putting this new structure in place. I see the need for a corporate CEO-COO model, a new Chief Technology Officer (CTO) position for IT, and a strong CFO who can manage finance, accounting, financial reporting, budgeting, HR, and administration.

- **Chapter IV: Vision and Planning for the Future** – Chapter IV emphasizes the importance of strategic planning, strategic thinking, and planning in general (including disaster response and business continuity planning) at LACERA. In addition to the need for a Strategic Plan, I want to develop integrated and collaborative planning processes, including a set of plans for key aspects of the business (e.g., IT Strategic Plan, BCP, HR Training & Development Plan, and Communications Plan). These other plans must align with LACERA’s vision and Strategic Plan and be reviewed and updated during implementation. The benefits of such an approach is that all lines of business will be working toward common goals in a more disciplined approach.

Chapter V: IT Modernization – To improve member services and enable our staff to be more productive, LACERA needs to leverage its technology investments and strengthen IT staff capabilities. Some IT solutions are “quick fixes” with SharePoint. Others are more complex, such as a Case Management System (CMS) that will service all member support functions: benefits, member services, disability cases, disability litigation, retiree healthcare benefits, document processing, member communications, quality assurance, and program management.

IT Modernization includes enhanced knowledge management, which will benefit Investments, Legal, and member-facing operations. It also supports a remote working platform that includes access to applications and local drives to provide needed tools and information for a true teleworking capability for all staff. Such a remote working platform recognizes future trends, heightened during the COVID crisis, in the working environment as well as needed during business travel.

- **Chapter VI: Change Management** – LACERA has defined member commitment and fiscal responsibility as core values to aspire to. Movement to a more proactive, disciplined, and well-managed operation requires strengthening of our capabilities, including:
 - ***Cultural change and shared values***, including establishing shared values for the desired work culture, recruiting the most motivated people with a focus on member service and innovation, and energizing the staff through staff training and development
 - ***Management philosophy, capabilities, and accountability***, which will require leadership development, management training, and coaching in using emerging management methods, metrics, and tools
 - ***Upgraded HR functions***, starting with the hiring of the HR Director who can spearhead:
 - Integration of HR into LACERA’s strategic and operational plans
 - Culture changes, including emphasis on shared values
 - Enhancements to the recruitment process
 - Establishment of a disciplined approach to performance management, bonuses, overtime, and 120-day employee processes
 - Institutionalization of accountability at all levels, including the addressing of non-performance issues

- **Chapter VII: Enhanced Operations Initiatives** – Our internal operations need to shift from being reactive to anticipating and addressing problems as part of a disciplined management approach. This shift requires a focus on:
 - ***A revamped budgeting process and system*** that promotes a more disciplined approach, supported by a deep bench of experienced budget professionals, involving a base budget to start, multiple collaborative reviews, metrics to justify budget requests, a budget review calendar, and a new budgeting system linked to the accounting system
 - ***Continuous process improvements***, including streamlined work processes with supporting IT systems designed to better serve members with an attitude toward always improving – always doing better
 - ***Accountability metrics and evidence-based decision-making***, including dashboards and weekly statistics review meetings
 - ***Best practices, next practices, and benchmarking*** linked to continuous process improvements
- **Chapter VIII: Conclusions** – Summarizes the importance of this document for identifying preliminary actions needed and embarking on a longer-term Strategic Plan.
- **Appendices** – The Appendices contain additional background information, including my approach to this report, Board survey results, and additional information that reinforces the next action steps.

BOARD SUPPORT

Finally, the Boards' support is critical in making these changes. Because of COVID-19, the Board offsite scheduled for late April 2020 has been postponed. When it is safe to do so, we will convene an offsite and build consensus around our future strategic direction.

In addition, the recommended next steps in this report are consistent with our proposed budget, submitted to the Joint Organizational Governance Committee on April 29, 2020.

II – UPDATE ON ACTIONS TAKEN

This chapter outlines: a) actions I took during my first 100 days as CEO and b) our actions in response to the COVID-19 pandemic.

MY FIRST 100 DAYS

For the first 100 days, I focused on:

- Getting to know LACERA’s Trustees, staff, and key stakeholders
- Establishing credibility and gaining the trust of the Boards and the organization
- Creating strong communication and business management protocols
- Reaffirming repeatedly the value of each person within the organization
- Identifying pressing issues and aligning short-term expectations with the mission
- Developing a framework to prepare LACERA staff for the strategic planning process to develop long-term goals and action plans

I started a number of preliminary initiatives with the Boards and through the executive, Management Action Committee (MAC), and Supervisor Action Committee (SAC) teams. These actions are the result of feedback from multiple sources (i.e., Board meetings, Trustees, sponsors, and staff), my personal observations, one-on-one interviews with my direct reports, individual interactions with staff, and events that necessitated action.

| Area of Focus | Initiatives Begun Pre-COVID-19 – Work in Progress |
|-----------------------------------|--|
| Our Boards and Our Members | |
| Board Relations | <ul style="list-style-type: none"> ■ Formed ongoing communication protocols and actions to promote open and transparent relationships with Trustees ■ Reinforced the importance to staff to provide solid, fact-based, well-analyzed recommendations for the Trustees to consider ■ Conducted a Board survey to identify topics that the Trustees wanted to cover at an offsite (see Appendix C for Board survey results) |

Area of Focus Initiatives Begun Pre-COVID-19 – Work in Progress

Members

- Continued to champion ongoing efforts to redesign the website so that it is updated and customer-friendly⁴
- Provided guidance for implementing a robust social media program (Facebook, Instagram, Twitter) to tell our story and disseminate information
- In the process of issuing a Request for Proposal (RFP) for a public relations firm
- Requested a Public Information Officer (PIO) position as part of the FY2020-21 budget
- Reached out to the Retired Employees of Los Angeles County (RELAC), which includes many of our retired members; delivered a speech at RELAC’s annual lunch, which several hundred retirees attended, in February 2020

Board Legislative Policy

**Board
Legislative
Policy Support**

- Support our Trustees’ adopted Legislative Policy and their desire for LACERA to be involved in influencing issues of consequence to the organization and our members
- Have been working with our internal Legislative Affairs Officer (Barry Lew) and separate outside State and Federal legislative advocates (Joe Ackler and Tony Roda, respectively)
- Arranged for our Legislative Affairs Officer to keep his office in the Executive suite so that we can easily connect on State and Federal political and legislative issues

**Federal
Government**

- Joined several Trustees in attending the legislative meeting of the National Conference of Public Employee Retirement Systems (NCPERS) in Washington, D.C., in January 2020

⁴ Targeted for completion in June 2020; however, the date may slip depending on COVID-19 impact.

Area of Focus Initiatives Begun Pre-COVID-19 – Work in Progress

- Along with the LACERA committee contingent, visited several congressional offices, including 3 U.S. Senators and 11 U.S. House of Representatives

During these visits, advocated with the Trustees on such issues as:

- LACERA’s opposition to the unrelated business income tax on public pension plans (which shields certain income on our investments from taxation) and the Public Employees’ Pension Transparency Act (which would impose burdensome additional and duplicative reporting requirements on LACERA)
- LACERA’s support for the repeal of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) (which reduces the Social Security payments of LACERA members simply because they also receive a LACERA pension)

State Government

Connecting with State leaders is particularly key for LACERA because our governing law is primarily State law. I had planned a trip to Sacramento in March 2020 to meet with key State legislators but postponed this trip because of COVID-19.

Los Angeles County Relationships

Los Angeles County Board of Supervisors

- Initiated my plan to leverage my Los Angeles County connections for LACERA by conducting ongoing meetings regarding:
 - Denied positions
 - Audit findings
 - Lifetime million-dollar cap
 - Double insurance coverage
- Coordinated with County agencies and the CEO’s Office regarding the Board of Supervisors’ investment sustainability motion; obtained recognition of LACERA’s investment program leadership in this area

Executive Office

- Worked with the Board of Supervisors’ Executive Office in developing this year’s LACERA trustee elections (which are run by the County as a matter of law) and obtained agreement to improvements in voting options and accessibility to enhance turnout

| Area of Focus | Initiatives Begun Pre-COVID-19 – Work in Progress |
|--|---|
| <p>Bonus Pay, Overtime Pay, and 120-Day Employees</p> | <ul style="list-style-type: none"> ■ Established new internal policies for hiring and redefined promotional requirements and processes <hr/> <ul style="list-style-type: none"> ■ Reviewed all current bonuses and decisions made regarding inappropriate or unsupportable bonuses ■ Developed a new policy with defined rules and expectations for managing existing bonuses to ensure they remain appropriate and controlled ■ Defined new rules for requesting and reviewing new bonuses ■ Reviewed the policies, rules, and use of overtime ■ Reviewed the process for 120-day employees to ensure compliance with the California Public Employees' Pension Reform Act (PEPRA) requirements and limitations |
| <p>Employee Representative Relationships</p> | <ul style="list-style-type: none"> ■ Discussed the goal to build a more collaborative and amenable working relationship with the union; promoted effective communication so when issues arise, they can be addressed in an appropriate and timely manner ■ Discussed the importance of establishing mutual trust and plans for greater accountability through performance management and metrics ■ Shared the need for the union’s assistance to ensure the stewards are well trained and can evaluate and triage complaints for validity to avoid unnecessary and frivolous grievances |
| <p>Our Technology</p> | |
| <p>Technology</p> | <ul style="list-style-type: none"> ■ Organized a field trip for the LACERA managers to visit the Los Angeles County Office of the Assessor to: <ul style="list-style-type: none"> ○ Compare best practices, particularly in the use of metrics to drive operational excellence ○ Instill the benefits of user-systems collaboration in developing business applications and plans |

| Area of Focus | Initiatives Begun Pre-COVID-19 – Work in Progress |
|--|--|
| | <ul style="list-style-type: none"> ○ Generate progressive thinking about what is possible for a remote call center at LACERA, which proved to be particularly valuable at the start of COVID-19 ○ Emphasized the importance of further development of our IT processes, documentation, and security ■ Hired an individual within Information Systems (but temporarily located in the Executive Office) to set up and lead our Program Management Office (PMO) |
| Performance Management and Evidence-Based Decision-Making | |
| Metrics | <ul style="list-style-type: none"> ■ Discussed the importance of performance management metrics with staff as a means to improve budget projections and set performance goals ■ Began the development of a dashboard as a prototype in Benefits ■ Reviewed and discussed improved QA, including sampling, metrics, and increased transparent reporting |
| Budgeting & Policies | |
| Budgeting & Business Planning | <ul style="list-style-type: none"> ■ Building on a collaborative budgeting approach, reviewed annual business plans to better align staffing and budgetary resources ■ Required managers to provide data-driven annual business plans to better align staffing and resources ■ Identified key LACERA priorities for integration into the FY2020-21 budget |
| Policies | <ul style="list-style-type: none"> ■ Initiated policy changes, such as sign-off requirements |
| Audits and Consultants | |
| County Audits | <ul style="list-style-type: none"> ■ Prepared timely responses to the County audits of LACERA's operations and policies, including our response to the audit recommendations |

| Area of Focus | Initiatives Begun Pre-COVID-19 – Work in Progress |
|--------------------------------------|---|
| <p>Management Consultants</p> | <ul style="list-style-type: none"> ■ Retained the services of two consulting firms to independently interview the top 20 LACERA executives and managers from different perspectives and assess the organization <ul style="list-style-type: none"> ○ Eagle Leadership Group focused on our leadership capabilities of our Executive Team. ○ KH Consulting Group (KH) developed an understanding of the management structure, reporting and working relationships, accountabilities, metric requirements, IT, and key processes. KH also took the lead in preparing this report. ■ Reviewed both firms’ findings, which triangulated with mine and confirmed the need for change management, cultural change, and improved collaboration and transparency around shared goals and future directions |

COVID-19 RESPONSE

Team Designations and Telecommuting

Effective March 16, 2020, we divided our workforce into four teams:

- **Red Teams** and **Blue Teams** work as tag teams with one week on and one week off to cover member-related and other operational needs.
- **Black Teams** address LACERA’s critical day-to-day operations (i.e., IT, Document Processing Center, HR, Procurement, and other Administration support functions) while taking the necessary safety precautions to come to the office.
- **Purple Teams** perform 100% of their work via telecommuting.

Leadership and Staff Recognition

Beginning mid-March 2020, LACERA operations transitioned to crisis response mode as a result of the COVID-19 pandemic. LACERA leadership and staff performed heroically to balance continuity of operations with staff health and welfare. Highlights of some of these efforts are:

Area of Focus COVID-19 Response Initiatives – Work in Progress

**Staff
Overall**

- The Executive Team, managers, and staff quickly adapted to the new work conditions, public health guidelines, and societal changes in light of COVID-19.
- The level of collaboration and working together has been tremendous.
- LACERA staff have been energized, identifying workarounds, taking initiatives to solve problems, and implementing new ideas. They developed a customized user guide for many of their workarounds that was shared with other staff.
- We shifted as much of our work as possible to a telecommuting workforce.

**Information
Systems**

Since March 16, 2020, Information Systems has worked industriously to support LACERA operations in multiple ways by:

- Providing more than 150 computers for remote operations.
- Establishing secure portals for those computers in the field.
- Providing access to critical member servicing systems, such as Workspace, EHR, and the microfiche viewer.
- Facilitating remote email access for all needed staff.
- Enabling Microsoft Teams, which have become a key organization-wide business tool for communication and productivity and will continue past the COVID-19 crisis.
- Establishing a remote call center.
- Rolling out technology to conduct virtual Board meetings with the public.

Investments

I want to recognize the special role that Investments took in this effort:

- Investments had a cohesive Crisis Response Plan (CRP) in place and activated it at the start of the pandemic.

| Area of Focus | COVID-19 Response Initiatives – Work in Progress |
|--|--|
| | <ul style="list-style-type: none"> ■ Investments operations, along with Legal Services, were the first two to go to a remote work model. ■ Investments is developing due diligence procedures to manage and monitor LACERA’s global investment portfolio from a remote work environment. |
| <p>Investments, Finance, & Administration Testing</p> | <ul style="list-style-type: none"> ■ Prior to the “full work from home mandate,” Investments, Finance, and Administration tested our cash management procedures and protocols and other transactions from remote locations, including protections for money transfer, before activating them remotely. |
| <p>Benefits</p> | <ul style="list-style-type: none"> ■ Benefits staff came in weekends to process individuals who planned to retire by March 31, 2020, for entry into the April 2020 payroll. <ul style="list-style-type: none"> ○ LACERA received 974 retirement applications with March 2020 retirement dates. LACERA staff processed 555 (57%) of them in March 2020; approximately 400 (41%) were processed while LACERA was dealing with the impact of COVID-19 |
| <p>Member Services</p> | <ul style="list-style-type: none"> ■ Although lacking the necessary technology, Member Services was resourceful in finding ways to continue to interact with members. ■ Member Services positioned its operations to adopt remote call center capabilities by: <ul style="list-style-type: none"> ○ Designing and implementing call trees and scripts for member interactions ○ Developing training manuals ○ Training staff to work effective in the remote call center model |
| <p>Member Information & Communications</p> | <ul style="list-style-type: none"> ■ LACERA staff updated the webpage so members could access relevant information and frequently asked questions. ■ Communications initiated real-time information updates through a variety of media to provide accurate information for staff and members during COVID-19 response. |

| Area of Focus | COVID-19 Response Initiatives – Work in Progress |
|--|--|
| | <ul style="list-style-type: none"> ■ In early April 2020, Communications began sending weekly mass emails to members to ensure they remain confident in our management of their retirement benefits. <ul style="list-style-type: none"> ○ The team creatively collaborated to adapt LACERA’s current technology to use with widely supported emailing systems. ○ Emails are sent to all members for whom we have collected email addresses over the last several years. ■ LACERA successfully encouraged members to submit or update their Power of Attorney forms. |
| <p>Legal Services</p> | <ul style="list-style-type: none"> ■ Legal Services shifted its work remotely without issue and, with Investments, were the first two operations to begin working remotely, as already mentioned. |
| <p>Coordination with Los Angeles County</p> | <ul style="list-style-type: none"> ■ I was able to obtain critical, time-sensitive information from the County in connection with our COVID response, which was easier to do because I had worked with senior County officials before and, thus, they answered my calls even though they were also under pressure from the crisis. |

Opportunities for Improvement

Disaster Response and Business Continuity Plans

I was made aware at the time I became CEO that staff was in the middle of updating LACERA’s Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). The urgency for such plans crystalized during this COVID-19 pandemic.

- The Board of Investments had a CRP in place in 2019.
- In contrast, LACERA’s BCP and other response plans had not been fully refreshed or tested for more than 5 years. An update effort that had begun earlier in 2019 was in progress, however. The existing BCP contained old contact lists, former staff names, and incorrect contact information. The BCP focused almost inclusively on responses to an earthquake and the need for alternative sites. It indicated that LACERA would seek a hotel for an alternative location if necessary.

- LACERA had neither identified potential hotels nor established standing agreements with hotels, particularly locations with Wi-Fi capabilities to meet LACERA’s needs.
 - No specific tactics were identified to re-locate to hotels, despite a written standard to establish LACERA operations at a hotel within 72 hours.
 - The plan had not been tested for a number of years.
- The IT response or its IT DRP was not part of the BCP.

LACERA’s lack of a comprehensive and updated BCP and a Disaster Preparation, Response, and Recovery Plan – not just for IT, but for all of our vital operations – mandated that we develop our responses on a real-time basis. In many ways, we were like “MacGyver,” developing quick fixes and solutions in the wake of an urgent situation. Some of our solutions were not ideal. Some staff used their personal cell phones or computers⁶ to complete work assignments but they did what they had to do to respond to our members’ needs.

Shift to a More Normal Routine

During the first two weeks of the COVID-19 response, LACERA was primarily in a reactionary mode. Management dealt with a few situations that were “near misses” – acts that might have potentially exposed our staff to the virus. We took actions to address these issues as they occurred and avoid similar health safety threats in the future. For example, our updated protocol ensures that no **Red Team** members are in the office on the same day as any **Blue Team** members to avoid the potential risk of contaminating both teams if there were a COVID-19 exposure.

When the Governor of California and County of Los Angeles issued the “Safer at Home” order, further confusion occurred in terms of defining what the order meant for LACERA. The number of employees who could congregate was ill-defined (e.g., less than 50, 25 or 10). In response, LACERA management decided to keep the bare minimum number of staff needed at our headquarters to function. We experienced further obstacles because of the inability of certain administrative support functions to be performed remotely as a result of IT limitations.

By the third and fourth week, we settled into a more routine business rhythm. Approximately 25% of the staff are in the LACERA HQ on any given day – primarily supporting IT, document processing, purchasing, and HR.

⁶ Given the security constructs of our IT systems, we were limited in making the full transition to telecommuting for many other functions.

NEXT ACTION STEPS

COVID-19 transition planning and implementation will be important in the coming months. It is unlikely that any business, let alone LACERA, will return to “business as usual.” We must be ready for the potential second and third waves of COVID-19 and any other business disruptions that may occur. In many ways, COVID-19 has helped identify new tools and opportunities for efficiency that should be retained in future business processes. Moreover, staff have developed greater skills in working remotely.

| Steps | Accountability | Timeline |
|---|--|--|
| Strategic Planning and Action Plans | | |
| 1. Review this “100-Day Management Report” with the Trustees | CEO | May-June 2020 |
| 2. Refine and implement the recommended “Next Action Steps” in this report, which focus primarily on actions for the next fiscal year | CEO | FY2020-21 |
| 3. Launch a strategic planning effort with the Trustees and Executive Team to define our vision, values, and strategic priorities for the next 3 to 5 years | CEO | FY2020-21 |
| 4. Define the actions needed to implement the Strategic Plan | CEO | FY2021-22 through at least FY2024-25 |
| COVID-19 Transition Plan | | |
| 5. Implement an “after action” review regarding LACERA’s response to the COVID-19 incident | CEO | May 2020; thereafter monthly until pandemic ends |
| 6. Develop and implement a COVID-19 Transition Plan that is staged in accordance with public official guidelines as COVID-19 restrictions are eased or lifted | CEO, AEO, IT | May 2020, then ongoing |
| 7. As part of the COVID-19 Transition Plan, develop plans for addressing the work backlog | AEO, Member Services, Benefits, Disability Retirement, RHC | May 2020, then ongoing |
| Business Continuity Planning | | |
| 8. Prepare a unified BCP, including: <ul style="list-style-type: none"> a. Disaster preparedness, response, and recovery (DRP) for all LACERA services (e.g., IT, Finance, HR, member-facing services, legal, investments, etc.) | CEO | In progress; FY2020-21 |

| Steps | Accountability | Timeline |
|---|----------------|---------------|
| <ul style="list-style-type: none"> b. Continuity of the business (BCP) during an emergency or disaster with customization based on the impact of different scenarios c. Steps for reviewing after an incident and updating and refreshing the plans routinely | | |
| 9. Implement the initiatives for IT, outlined in Chapter V on “IT Modernization” | See Chapter V | See Chapter V |
| Management of Staff Working Remotely | | |
| 10. Develop an approach, including management and supervisory training, for leading and managing staff remotely – during times of emergencies or disasters <u>and</u> during “normal” times | Executive Team | FY2020-21 |

III – NEW ORGANIZATIONAL ALIGNMENT

I made a commitment not to make any drastic organizational changes during the first 100 days of my tenure. As part of this “100-Day Management Report,” I am ready to share my thoughts on the current structure and my proposal for a new executive alignment that better serves our members and supports our staff.

CURRENT STRUCTURE

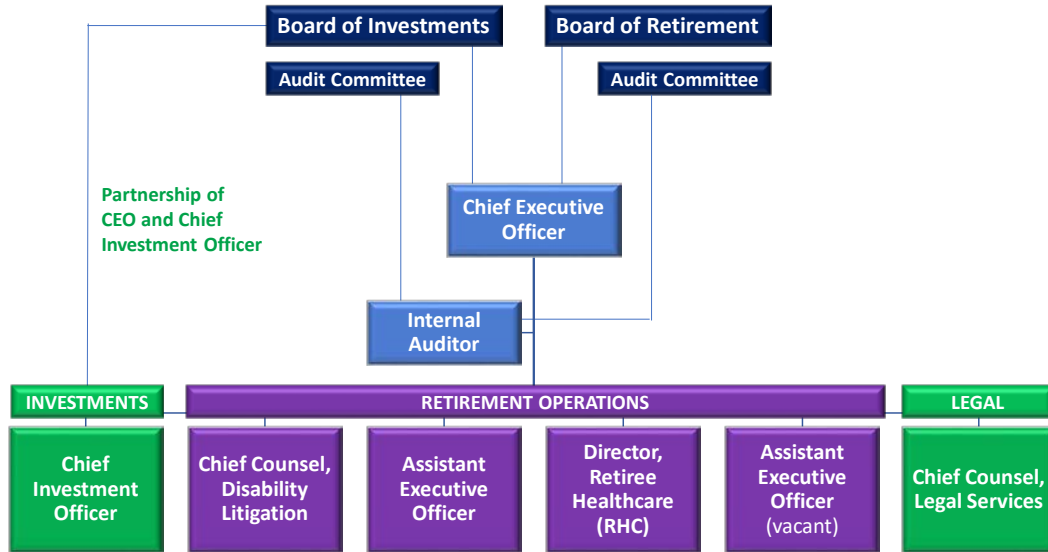
The Board of Retirement and Board of Investments are the two governing boards at LACERA.⁷ Under the Boards are:

- The CEO who reports to both Boards
- The Chief Investment Officer (CIO) who reports to the Board of Investments
- Internal Audit which reports day-to-day to the CEO and directly to the Audit Committees of each Board

The CEO provides day-to-day oversight of the retirement operations (in purple) and support for investment operations (in green). The CEO works in partnership with the CIO and oversees his day-to-day operations, except for matters directly delegated by the Board of Investments to the CIO.

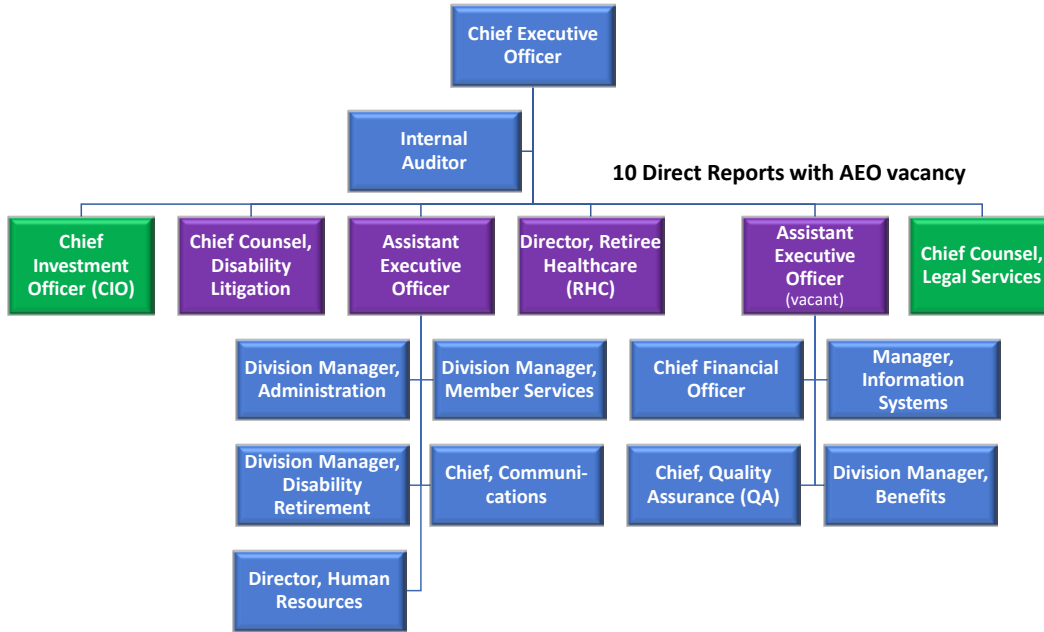
⁷ Described further in Appendix C, “LACERA Background.”

Current Executive Structure with the Boards



When I arrived, one of the two AEO positions was vacant, resulting in 10 direct reports to the CEO. Other positions were filled with acting or interim managers: Chief Financial Officer (CFO) and HR Director. This number of direct reports is not a best managerial practice. It is neither optimal nor sustainable, given the CEO’s responsibilities to serve two Boards; promote legislative advocacy on behalf of LACERA; work in partnership with the CIO; build collegial working relationships with our sponsors, associations; and unions; address actions in this report; and embark on cultural change and strategic planning.

Current Structure under the Executive Team



Many of the reporting relationships appear to have been put in place based on past CEOs’ or incumbents’ personal preferences, prior turf battles or alliances, and tactical adjustments to organizational growth. In addition:

- The organization has a preponderance of narrow spans of control: executives over 2 to 3 managers, managers over 2 to 3 supervisors, or supervisors over 2 or 3 unit heads.
- The functions under the two AEOs are not logically assigned.
- Organizational silos persist which perpetuate inconsistencies in how staff perform their work or deliver services.

In contrast, the structure should support what is needed for optimizing the lines of business, serving our members, and operating as a first-class pension fund.

PROPOSED EXECUTIVE STRUCTURE

I am keenly aware of the importance that the new structure be consistent with requirements or restrictions regarding direct reporting relationship (e.g., Internal Audit, Disability Litigation, and RHC). At the same time, the structure must be more mature in serving our members. We should adopt best practices from both corporate models and governmental agencies.

In identifying a new LACERA structure, I reviewed multiple options and their respective pros and cons. The structure I am pursuing builds a more cohesive Executive Team by applying a corporate CEO-COO model. Internal Audit will maintain its current reporting relationship to the Boards and Audit Committee with continued day-to-day administrative oversight from the CEO.

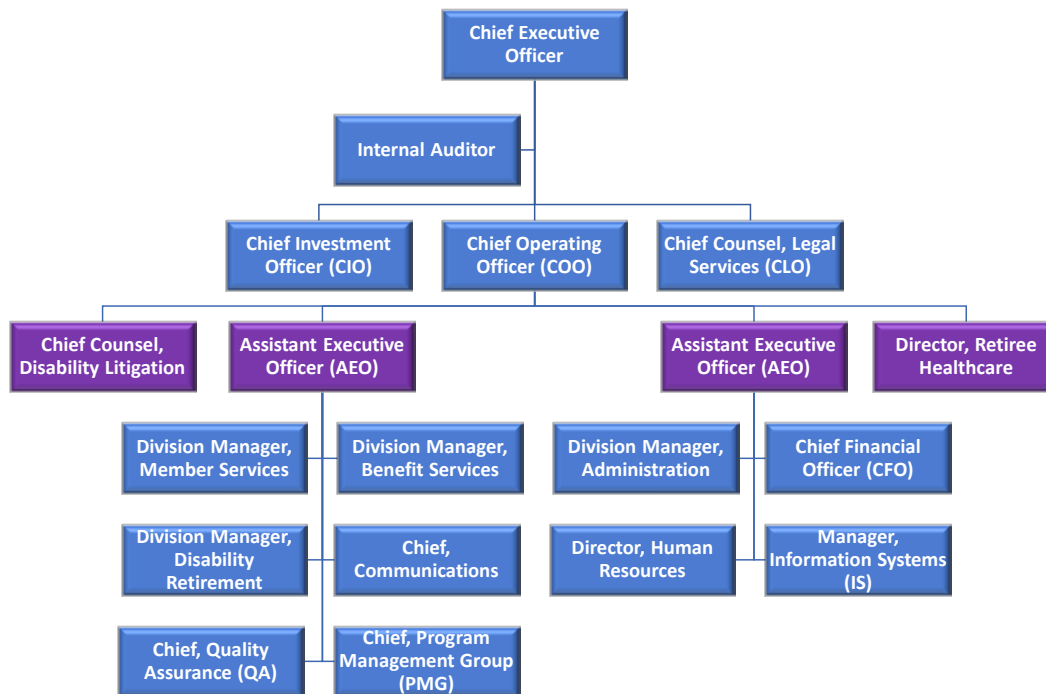
Interim Structure

I will start with an interim structure that takes advantage of the already approved positions of two AEOs and will add a Chief Operating Officer (COO) position.⁸ The interim structure begins to align the organization along clearer lines of business within the confines of our current divisions and sections. Under the COO will be:

- Disability Litigation
- Retiree Healthcare (RHC)
- An AEO in charge of the other member-facing operations: Member Services, Benefit Services, Disability Retirement Services, Communications, PMG, and QA.
- An AEO in charge of support functions: Administration; Finance, Accounting, & Budgeting; HR; and Information Systems. The CFO position is currently filled on an interim basis and needs to be permanently filled.

⁸ The Los Angeles County Chief Executive Office has approved a Chief Deputy Director (CDD) position for LACERA. The COO position is proposed in lieu of a CDD position.

Transitional Structure



The CIO and Chief Counsel positions and incumbents are already in place and remain unchanged.

Until the COO and vacant AEO positions are filled, the CEO will continue to have too many direct reports. Therefore, filling these two positions is a high priority to address day-to-day operations.

We plan on adding two additional positions to the organization as per our FY2020-21 budget:

- **Compliance Officer.** The Boards have already recognized the need for a Compliance Officer, assigned to Legal Services to promote transparency. The position is particularly important for reinforcing our “Lines of Defense” to ensure no single point of failure, as discussed in Chapter VI on “Change Management.”
- **Public Information Officer (PIO).** The proposed budgeted PIO will be assigned to the Communications Division and help respond to media inquiries, keep Trustees aware of such inquiries, prepare public presentations and talking points, and manage our social media profile and platforms that we plan to launch this upcoming fiscal year.

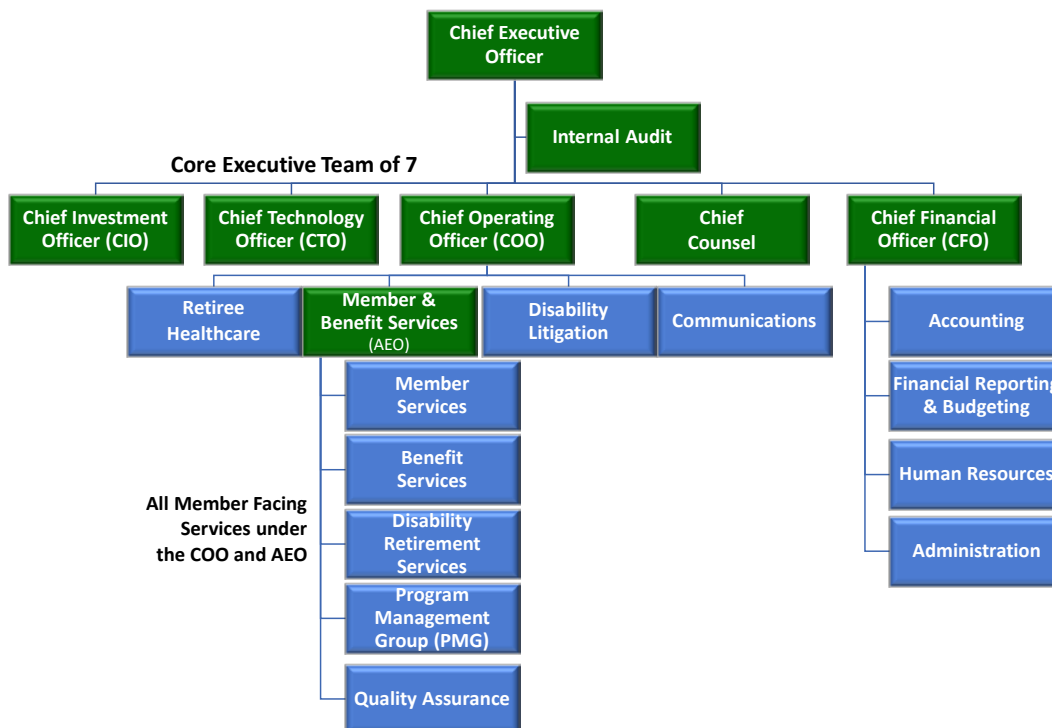
Recommended Structure

The recommended structure includes the following **executive (C-suite) members**:

- Chief Investment Officer (CIO)
- Chief Technology Officer (CTO) with broader IT responsibilities for information systems, IT security, business solutions, IT program management, IT infrastructure and architecture, IT planning/policies, and IT applications
- Chief Operating Officer (COO) working with the AEO to manage all member-facing functions
- AEO under the CEO
- Chief Financial Officer (CFO) also over HR and Administration
- Chief Counsel

Internal Audit will maintain its current reporting and working relationship with the Board Audit Committee and the CEO.

Recommended Executive Structure



I anticipate that I can implement the recommended structure during FY2021-22.

Chief Technology Officer (CTO)

The new CTO will lead the IT Modernization effort (see Chapter V), including:

- The IT vision and IT Strategic Plan
- Formation of the IT management oversight structure
- Management of applications and business solutions
- Development and definition of IT data architecture, data infrastructure, data life cycle, data quality, and data management
- Development and management of the IT Modernization team
- Execution of the IT Modernization effort, including the IT budget requirements, related processes for the upgrades and new systems, and roll-out and training of staff working with the new systems
- Communications within LACERA about IT changes and progress made
- User integration and collaboration in product development and focus on IT priorities as a service model in which IT serves the business needs of staff
- Support in the development of an Information Management (IM) platform to help the organization have the information needed to make evidence-based decisions, monitor process improvements, and enhance member experiences (see Chapter VII)

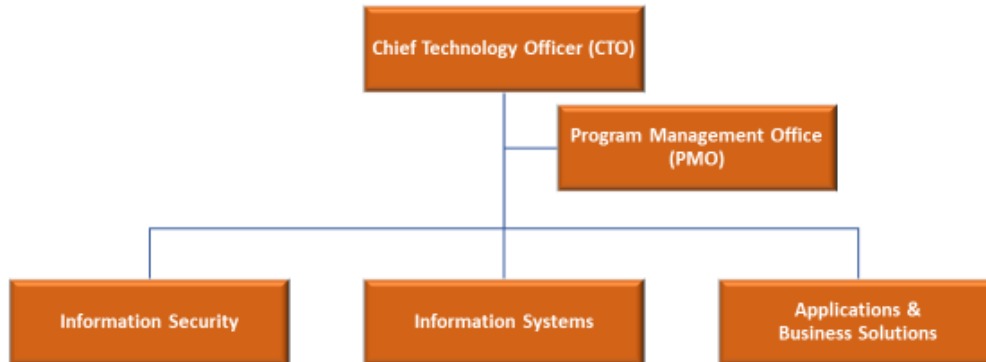
In April 2020, I brought on board a Project Manager to help with some of the immediate IT initiatives. This role is the start of an IT Program Management Office (PMO), which will be needed as LACERA embarks on IT Modernization (see Chapter V) and the IM platform (see Chapter VII).

The current IS Manager needs to maintain our current legacy and security systems to ensure smooth operations of the systems in place. In going forward, the IS Manager should:

- Maintain Information Systems operational responsibilities to support operations, administrative support (e.g., HR, Finance, Legal), and efficiencies
- Continue to focus on improving IT security, infrastructure, and operations

An initial CTO structure will be:

Initial Chief Technology Officer (CTO) Structure



Once the CTO is on board, the structure may undergo further refinements.

Chief Operating Officer (COO) and Assistant Executive Officer (AEO)

The COO will work closely with the AEO to manage all member-facing activities:

- **COO responsibilities.** Under the COO will have four direct reports: RHC, Disability Litigation, and Communications, and an AEO over the other member-facing services. The COO will focus on strategy, planning, innovation implementation, and integration of all member-facing services so that members have positive experiences at all levels.
- **AEO responsibilities.** The AEO will lead Member Services, Benefit Services, Disability Retirement, PMG, and QA – referred to collectively as Benefits & Member Services. Because these areas are large operations and among the highest priorities of LACERA, they warrant a dedicated senior leader for oversight of day-to-day operations. The AEO will report to the COO and serve as an Executive Team member.

By bringing these member-facing functions together, our work will become more seamless to members. We can identify areas for cross-training and career growth for our staff. Moreover, we will be building the foundation for such member services as one-stop retirement counseling, self-service capabilities, etc.

Chief Financial Officer (CFO) to include Administrative and HR Services

The CFO position's responsibilities will be expanded to include:

- General accounting
- Investment accounting
- Financial reporting, compliance, and budgeting (currently in Administration)
- Human resources
- Administration

The Assistant CFO will focus on general accounting and investment accounting activities for day-to-day operations and to meet user divisions' requirements.

Administration functional responsibilities include:

- Business continuity planning
- Risk management, insurance, and business continuity
- Contracts and procurement
- Facilities and asset management
- Records management
- Document processing
- Administrative policies and procedures

Once the Finance & Administrative operation is established, the CFO should assess other potential enhancements, such as:

- Improving the budgeting process with experienced budget professionals for succession planning purposes
- The need for a separate division for contracts and procurement
- Cost-benefit of a centralized travel unit for making travel arrangements, processing travel expenses, etc.
- Review of the practice of using the Worker's Compensation fee schedule for forensic physicians on LACERA's panel, including assessment of the caliber of the physicians and quality of services they render

Clarity in the Organizational Hierarchy

I also would like to introduce more business (versus governmental) job titles and bring greater clarity and consistency in the terminology we use in describing our organizational hierarchy:

| Illustrative Only | | | |
|---|---------------------|--------------------------|---|
| Levels | Job Title Hierarchy | Organizational Hierarchy | Examples |
| Executive Leadership Team | Chief XYZ Officer | Lines of Business (LOB) | Legal LOB, Finance & Administration LOB |
| Management Action Committee (MAC) | Director | Departments | Disability Litigation, RHC, HR |
| | Manager | Services | Member Services, Benefit Services, Disability Retirement Services, Investment, Communications |
| Supervisor Action Committee (SAC) | Supervisor | Sections | PMG, Outreach Team |
| Ad Hoc, rotated, or permanently assigned ⁹ | Lead | Units | ABC Unit or HIJ Ad Hoc team |
| Individual Contributor | Varies | | |

Given our size, I do not anticipate the need for more levels. Fewer levels will enable us to be more responsive and nimbler and create simpler internal lines of communication.

Potential Future Modifications

As the nation emerges from COVID-19, we may find displaced talent available to fill the critical leadership positions: COO, CFO, and CTO positions in the recommended executive structure.

At a later date, I plan on revisiting additional organizational needs. The potential need for a Chief Human Resources Officer (CHRO) may become an important addition to the Executive Team given the needed significant cultural changes (see Chapter VI on “Change Management”).

⁹ Dependent on the size and complexity of the organization

BENEFITS OF THE NEW EXECUTIVE STRUCTURE

This new executive structure is an improved, effective, and stronger organization.

| Criteria | Recommended Structure Benefits |
|---|--|
| <p>Supports LACERA’s future directions and change management initiatives</p> | <ul style="list-style-type: none"> ■ The new structure forms the foundation for future strategic planning and change management initiatives. The Executive Team will focus on strategy and procedures to support Board policies, Board requirements, etc. ■ The Investments Division will continue to focus on its strategic shift from “Allocator to Investor” to deliver on our promise to our members. ■ The structure recognizes the importance of the CFO and CTO as Executive Team members. |
| <p>Provides a reasonable span of control for the CEO</p> | <ul style="list-style-type: none"> ■ It defines the Executive Team under the CEO with the Internal Auditor maintaining a Board reporting relationship. |
| <p>Integrates accountabilities across logical lines of business</p> | <ul style="list-style-type: none"> ■ The lines of business are better integrated and defined, particularly in terms of Finance & Administration and member-facing functions under the COO and AEO. |
| <p>Creates career pathways & succession plans</p> | <ul style="list-style-type: none"> ■ Defined lines of business better clarify career pathways and help instill continuity of expertise through succession planning. ■ Member-facing functions are aligned as a major line of business. Individuals working in member-facing functions have greater opportunities for cross-lateral movements or promotional opportunities. ■ Similarly, finance and administrative functions are defined as lines of business. ■ Information Systems staff have opportunities to be part of the IT Modernization effort where they can master more innovative and extensive IT solutions, systems, and capabilities. |

| Criteria | Recommended Structure Benefits |
|--|---|
| | <ul style="list-style-type: none"> ■ A more clearly defined job title and organizational hierarchy is the basis for building career pathways, succession plans, and leadership pipelines. |
| <p>Fosters innovation and continuous improvement by leveraging technology</p> | <ul style="list-style-type: none"> ■ A CTO can provide greater executive attention on the IT Modernization effort while the IS Manager handles day-to-day IT operations. ■ LACERA can maintain our current IT operations with the necessary security protocols while transitioning to remote technology in serving our members and supporting our staff in performing their work. |
| <p>Supports the Boards’ legislative advocacy and policy-making roles</p> | <ul style="list-style-type: none"> ■ Together, we can work on developing LACERA’s vision and strategic priorities for the next three to five years. ■ The CEO will have more time to support the Boards in their agendas. |
| <p>Remains cost-effective, given our mission</p> | <ul style="list-style-type: none"> ■ I am recommending a new COO position. This internal oversight is essential to the organization overall and important for the CEO to perform Board-related and external duties. ■ LACERA supports a 171,000 membership with a \$3 billion annual payroll. Our operating budget is \$95 million. Together, the organization requires a strong executive-level CFO who can ensure effective financial, budgeting, protection against fiscal liabilities, and administrative support functions. ■ The CFO position is currently vacant. The future CFO requires capabilities to manage and enhance accounting, financial compliance, and financial reporting, as well as budgeting, HR, contracts and procurement, and other administrative functions. ■ The investment in a CTO position is critical. We have increased reliance on technology today and into the future (see Chapter V on “IT Modernization”). |

NEXT ACTION STEPS

| Steps | Accountability | Timeline |
|--|------------------------|---------------------------|
| 1. Review the interim and recommended executive structures with both Boards | CEO | By May 2020 |
| 2. Announce to the LACERA staff the planned new structure – both short and longer term | CEO | By May 2020 |
| 3. Begin routine executive meetings | CEO | In progress |
| 4. Align the member-facing functions under the AEO | CEO | By June 2020 |
| 5. Define the new COO position for approval and budgeting purposes | CEO with HR | For FY2020-21 budget |
| 6. Redefine the CFO position to include accounting, finance, budgeting, administration, and HR and aggressively recruit to fill the CFO position | CEO with HR | By June 2020- Dec 2020 |
| 7. Define the CTO position for approval and budgeting purposes; begin recruitment of the incumbent | CEO with HR | By June 2020- Dec 2020 |
| 8. Recruit for and fill the Compliance Officer position | CEO; Chief Counsel; HR | By Dec 2020 |
| 9. Recruit and fill the PIO position | CEO | By Dec 2020 |
| 10. Revisit the need for other organizational refinements (e.g., CHRO) | CEO | For FY2021-22 budget |
| 11. Review job title and organizational hierarchy terminology for consistency and adoption | CEO, HR | For FY2021-22 budget |

IV – VISION AND PLANNING FOR THE FUTURE

PLANNING

LACERA can benefit from disciplined planning processes. It is difficult to hold managers accountable when few plans, goals, or performance metrics exist. Specifically:

| Types of Plans | LACERA’s Planning Status |
|--|---|
| <p>Strategic Plan</p> | <p>LACERA will benefit from a unified Strategic Plan. It currently has multiple Strategic Plans:</p> <ul style="list-style-type: none"> ■ The Board of Investments has reviewed and approved a Strategic Plan for the Investments side of LACERA. ■ The Strategic Plan for the member-serving side of the operations and the support functions serving LACERA is coming to conclusion, which makes it timely to embark on a collaborative strategic planning effort. |
| <p>Business Continuity Plans (BCPs)</p> | <p>A BCP entails emergency and disaster preparedness, response, and recovery for IT, member-facing services, investment, and other office operations. The urgency for such an up-to-date and complete BCP became even more crystalized during this COVID-19 pandemic (see Chapter II on “COVID-19 Response”). Information Systems’ DRP, which explains IT accessibility during an emergency, must be fully documented and added to the BCP as a priority matter.</p> <p>In contrast, Investments had developed a CRP and were better positioned. As background, LACERA engaged Assurance to work on the CRP. Under the direction of the CIO, the Investments Division embraced the exercise in 2019, focusing on their ability to perform transactions that were previously dependent on accessing the building and divisional leadership.</p> <p>The Investments Division worked with internal parties (e.g., Finance and Administrative Services Divisions) and external partners (e.g., our general consultant, custody bank, and index fund manager) to:</p> <ul style="list-style-type: none"> ■ Identify solutions to transacting outside of the LACERA building |

| Types of Plans | LACERA’s Planning Status |
|----------------------------|---|
| | <ul style="list-style-type: none"> ■ Reduce the number of steps involved while maintaining checks and balances ■ Develop means to meet payroll obligations <p>By working with Meketa Investment Group (general investment consultant), the CIO and Investments Division developed the CRP with a list of groups of parties able to transact within guardrails in the absence of the CIO.</p> |
| IT Plans | <p>Information Systems will be more effective and stronger by developing a number of comprehensive, disciplined, and accepted IT plans (see Chapter V on “IT Modernization” for details).</p> |
| Member-Facing Plans | <p>LACERA will benefit by developing a plan to efficiently integrate activities across all member-facing operations from employment through retirement and until death and payment of beneficiaries. Such an integrated plan will streamline the working relationships across Member Services, Benefits, Disability Retirement Services, and RHC.</p> |
| HR Plans | <p>HR should develop a number of basic HR plans: a leadership and management development plan, staff development and training plan, succession plan, recruitment plan, and staffing plan. A staffing plan should be based on anticipated turnover and is useful input into the budgeting process.</p> |
| Budget Plan | <p>Although LACERA prepares an annual budget, the budgeting process is not linked to a strategy for the future. An operating budget of \$95 million warrants a more sophisticated approach. Once the CFO is in place, I will transfer budgeting responsibilities to Finance & Administration and charge the new CFO with developing a new budgeting process. The budget will be tied to the strategic priorities in LACERA’s Strategic Plan. Budget staff will be expanded and professionalized with additional expertise and experience. (Chapter VII on “Enhanced Operational Improvements” elaborates further on the need to reengineer the budgeting process and acquire a new budgeting system.)</p> |

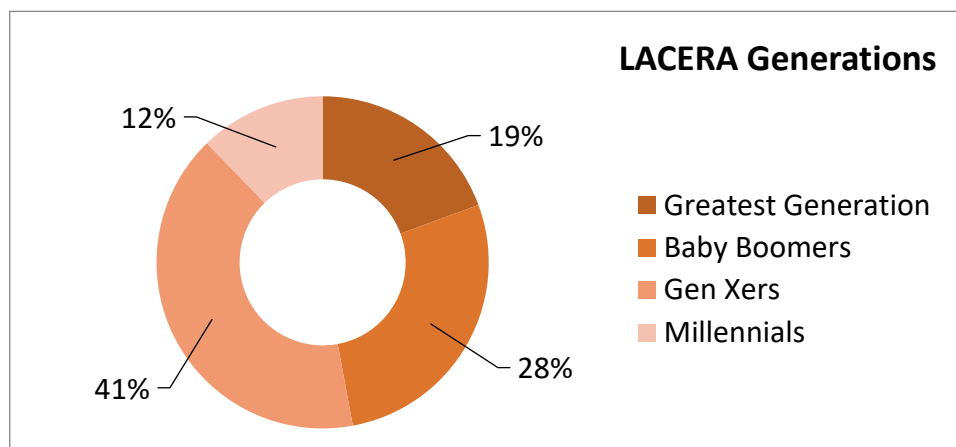
| Types of Plans | LACERA’s Planning Status |
|------------------------------------|--|
| <p>Communications Plans</p> | <p>LACERA should have a comprehensive Communications Plan that:</p> <ul style="list-style-type: none"> ■ Develops the approach for outreach to members and staff ■ Uses new communication technologies and leverages social media ■ Adopts new communication channels ■ Continues to coordinate and manage our responses to media inquiries ■ Promotes LACERA’s achievements in the media and to all stakeholders |
| <p>Other Plans</p> | <p>All other types of plans – facility and office plans, purchasing and asset acquisitions (e.g., laptops, iPads), contracted services, etc. – should be tied to the overall LACERA Strategic Plan. Such plans are outdated, incomplete, non-existent, or not formalized.</p> |

OUR FUTURE

A strategic planning process will help to shape our future.

Creating a Vision for the Future

As Allan Cochran, LACERA’s Division Manager of Member Services, pointed out in his presentation on “Charting a Course for the Future of Member Services,” a common trend in the service industry is communication preferences by generations.¹⁰ Based on generation categories, people tend to share common preferences (although not always) about how they



¹⁰ “Communication Accommodation Theory,” developed by Professor Howard Giles

want to communicate. Among our members, the Greatest Generation and Baby Boomers currently make up 47% and Gen Xers and Millennials represent 53% of our members.

These percentages will evolve rapidly over time with the size of our Gen X and Millennial membership expanding and new generations being added. LACERA must be in touch with and ahead of the curve of these generational changes.

The strategic planning process can help hone a shared vision for the future. During strategic planning, the Trustees, Executive Team, managers, and staff should envision what is possible in the future, such as:

- Exceptional customer service, including ***self-service capabilities***, especially important to the changing demographics of LACERA future retirees and our staff
- Helping LACERA ***manage an ever-increasing member base cost-effectively*** and not having to continually add staff to the payroll
- An ***effective CMS*** to track cases across LACERA’s organizational units with the ability of management to ensure that service-level commitments to members are met
- ***Increased remote working environment*** that will reduce “windshield” time for both our members and our staff, resulting in a better quality of life (e.g., more time with family or for recreation) and less adverse environmental impact
- Better member services with ***smart phone apps, 24/7 access to services, and improved technology*** (e.g., fillable forms that automatically populate database fields)
- ***Streamlined processes and workflow***
- ***Improved team collaboration, productivity, and morale***
- Capturing the best of high-tech capabilities with high-touch services (***high tech/high touch***)
- ***Partnerships with our allies***
- ***Emergency and disaster preparedness*** with system and operational redundancies to better serve our members in the event of a pandemic, natural or man-made disaster or emergency, or unexpected events (e.g., broken water pipes at HQ)

Organizational Maturity

To achieve a better future, our organization, processes, and operations must continuously improve and enhance our organization.

At the organizational level and taken as a whole, LACERA’s operations are primarily reactive – when an issue occurs, we respond. When a member contacts the call center, LACERA is there to help. Some areas are more proactive where managers and staff anticipate and take proactive measures, such as outreach and education.

My aim is to move the organization to a well-managed operation with the capabilities of becoming an innovative, optimized organization. LACERA is currently at Level 2 (Reaction) and optimally needs to mature to Level 4 (Managed) and Level 5 (Innovative).



Appendix D defines these five levels of organizational maturity.

Below are some examples of a more managed approach to achieving a goal to help members and retirees to be healthy and active:

- LACERA might analyze the causes of disability issues for early retirement to identify patterns where member agencies might be alerted to improve their employees’ safety and reduce such disability claims in the future (similar to a Workers’ Compensation approach).
- RHC could identify patterns in healthcare costs and healthcare issues, particularly in preventive measures, preventable illnesses or disabilities, or common medical occurrences.
- RHC and other member-facing services might collaborate to identify health trends among active and retired members. Communications could help to reach out to members regarding preventive health measures (e.g., how to manage stress during a pandemic).

LACERA managers and staff will need to develop more organization-wide and systematic thinking (e.g., what is needed across LACERA and for its members) versus focusing primarily on their work at hand or just their job duties. Our staff needs to understand where their work fits into the overall workflow and anticipate requirements later in the process. This shift also requires LACERA staff to investigate questions and not immediately assume that past practices are the best solutions.

Progressing to Level 3, Level 4, and eventually Level 5 requires a more evidence-based, metric driven culture. Metrics can be used to:

- Understand the interconnectedness of systems or processes
- Assess the impact that changes in a given process may have on outcomes for member services

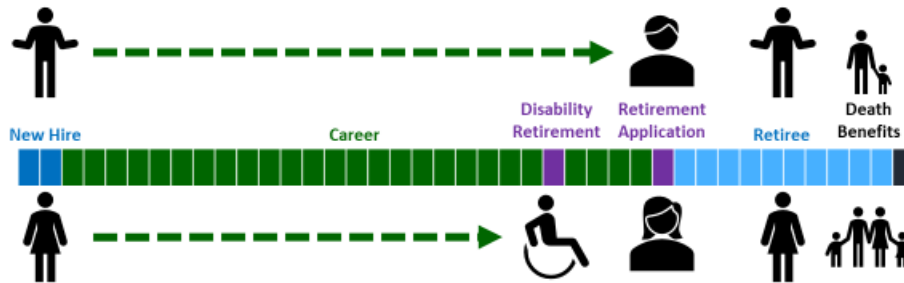
Data analytics can be applied across all of the member-facing operations to identify trends in member inquiries, requests, problems, and appeals. Such data will assist management in forward-thinking and proactive planning to address these issues. Our goal should be to identify member needs before they become problems and ensure our members receive the best service possible. (Chapter VII's section on "Accountability Metrics and Evidence-Based Decision-Making" elaborates on these concepts further.)

Member-Facing Services

LACERA's commitment to members is one of our hallmarks – its greatest strength. In moving forward, we need to continuously identify ways to serve our members innovatively and creatively. LACERA should adopt and apply "Customer Experience" and "Customer Journey" concepts:

- A good **customer experience (or member experience)** means that all member contacts with LACERA have been positive and have met members' expectations. To achieve good member experiences requires that LACERA manages each touchpoint with members.
- The **customer journey (or member journey)** consists of all of a member's interactions or touchpoints with LACERA over the duration of their relationship. A member's journey and LACERA touchpoints occur at various phases in a member's life: at time of hiring, during a member's career, at time of application for retirement, while retired, and with the member's beneficiaries regarding death benefits. These multiple touchpoints build a composite of the overall member experience. At LACERA, the touchpoints tend to increase as members near retirement or retire.

A Member's Journey at LACERA



LACERA’s member-facing divisions should develop an integrated, more efficient approach in serving our members. Such efficiencies also support our fiscal responsibility by reducing delays in services or costs through an inflated payroll.

In our modern world, there are multiple channels for these touchpoints: in-person, phone, video chats, emails, online sessions, instant secure messaging, self-service, etc. LACERA should not only develop multiple channels for communicating with our members but ensure that each channel creates a member-friendly experience that consistently addresses members’ needs.

As another example, LACERA will be increasing its partnership with Empower-Retirement,¹¹ the 401k and 457b plan administrators for Los Angeles County. Empower-Retirement is building apps and virtual training sessions that will involve LACERA’s participation.

NEXT ACTION STEPS

| Steps | Accountability | Timeline |
|---|------------------------|---------------------------|
| 1. Identify best practices in other public sector retirement funds and financial institutions worldwide as input to strategic thinking and operational improvements | Executive Team, AEO(s) | FY2020-21 |
| 2. Create a shared vision of the future as part of a strategic planning process; embark on an integrated LACERA Strategic Plan for investment, member-related activities, retiree health benefits, support operations, etc. | See Chapter II | FY2020-21 |
| 3. Prepare a unified BCP that includes IT and disaster or emergency preparedness, response, and recovery plans (DRPs), combined with reviews after the incident and routine updates and refinements | See Chapter II | In progress; FY2020-21 |

¹¹ <https://www.empower-retirement.com/financial-professionals/>

| Steps | Accountability | Timeline |
|---|---|-------------------------|
| 4. Prepare IT plans, including an IT Strategic Plan, IT Security Plan, IT BCP, and IT DRP – all linked to the LACERA Strategic Plan | See Chapter V | FY2020-21, then ongoing |
| 5. Prepare HR Plans starting with Leadership & Management Development Plans and a Staff Training & Development Plan, followed by a Succession Plan, Recruitment Plan, and Staffing Plan | HR Director (See Chapter VI) | FY2020-21, then ongoing |
| 6. Improve the budgeting process | CFO (See Chapter VII) | FY2020-21, then ongoing |
| 7. Develop a Communications Plan, including use of social media and multi-communication channels, for reaching the LACERA Boards, members, staff, and representatives of Los Angeles County and the four other Districts that LACERA serves | Communications with Member Services | FY2020-21 |
| 8. Formalize and tie other plans to the LACERA Strategic Plan | Executive Team | FY2020-21, then ongoing |

V – IT MODERNIZATION

As identified in my 7 CEO Questions (in Appendix B), LACERA staff understand that our future requires an investment in technology to upgrade the hardware, software, and programs needed for LACERA operations and serve our members. As already mentioned, the COVID-19 response has further highlighted the need for comprehensive and integrated IT plans.

CURRENT SITUATION

IT currently represents 17% of LACERA’s budget. Given this level of investment, LACERA should continue to expect sophisticated IT capabilities. In the past, the primary IT reasons for not embarking on IT initiatives were related to security concerns, lack of funding, and mismatch with IT priorities. IT is positioned to implement some meaningful improvements, as highlighted below:

| Affected Areas | Examples of IT Opportunities |
|--------------------------------------|---|
| Member & Benefit Services | <ul style="list-style-type: none"> ■ LACERA has developed a proprietary member servicing application called Workspace. Workspace allows our staff to manage and provide service to members. Workspace is flexible and can be modified as needs develop but the process is slow. ■ IT can work with Benefits to reduce the number of necessary calculations made today to determine retirement benefits and purchases for members. Benefits currently makes these calculations manually using Excel and other means.^{12, 13} ■ LACERA’s call center is tied to the Pasadena office. Remote capabilities will broaden our abilities to serve members – now during the COVID-19 pandemic, during future routine operations, and in the event that another business disruption incident occurs in the future. |
| Our LACERA Members | <ul style="list-style-type: none"> ■ IT can build system capabilities so members can access self-service functions online (beyond current basic account maintenance). |

¹² Some of these calculation needs date back to the transition to the new IT system in 1990 when estimated years of service were entered and resulted in aggregated over-estimations or vesting issues for some members today.

¹³ Benefits also has to make manual calculations to distinguish between pre-tax versus tax-exempt member funds in the databases.

| Affected Areas | Examples of IT Opportunities |
|--------------------------------|--|
| | <ul style="list-style-type: none"> ■ IT can work with users in the design of online fillable forms that automatically and securely update the databases. A member can today fill in the PDF form but then must print it, sign it, and mail or bring it into the LACERA office. Such information is then re-entered by LACERA staff (e.g., in RHC) – an unnecessary duplication of effort and one that may increase errors. ■ LACERA relies on the U.S. mail (versus email and chat) for reaching out to members. We do not take advantage of such eCommerce services as Constant Contact and other popular communications tools, used by many private companies and peer organizations since the late 1990s. |
| <p>Our LACERA Staff</p> | <ul style="list-style-type: none"> ■ Our staff rely on shadow systems (internal reports generated via Access or Excel) to perform their work. IT can partner with them to improve IT reporting and tracking. ■ Accounts Payable cuts manual checks for vendors and staff reimbursements. ■ The work is more labor intensive and error prone because of the need to process paper copies of member applications and other documents. Document processing handles approximately: <ul style="list-style-type: none"> ○ 32,000 pieces of mail per month ○ 57,000 scanned pages per month ■ Prior to COVID-19, staff could not readily access systems remotely. In the future, IT can help build such remote working capabilities to facilitate: <ul style="list-style-type: none"> ○ Telecommuting ○ Emergency responses during different kinds of incidents (local, regional, or national) ■ Staff needs the ability to share, transfer, and upload large files; for example, IT can help Communications staff have the ability to: <ul style="list-style-type: none"> ○ Transfer large video files to vendors (versus relying on messenger services or other means to move files) |

| Affected Areas | Examples of IT Opportunities |
|-------------------------------------|--|
| | <ul style="list-style-type: none"> ○ Upload large files to the LACERA network so that such files can be shared and reviewed internally ○ Upload files and videos to our website ■ IT can help develop more modern approaches to administrative systems (e.g., the Fixed Asset Tracking System that handles more than 3,000 items but is limited in its ability for easily managing and tracking LACERA assets). ■ IT can increase user engagement in providing input to IT priorities and developing IT solutions, which will improve implementation pacing and product functionality. |
| IT Governance | <ul style="list-style-type: none"> ■ The Executive Team can put in place an internal collaborative structure to ensure that the IT priorities align with LACERA’s strategic and business priorities.¹⁴ |
| Case Management System (CMS) | <ul style="list-style-type: none"> ■ LACERA should explore the need for an integrated CMS, which can improve our effectiveness in tracking cases and generate metrics to assess and improve efficiency across LACERA’s lines of business. ■ Such a CMS system will help all member-facing services. For example, disability cases are currently handled manually, making them labor intensive. LACERA currently has 625 disability cases pending. |
| IT as Business Solutions | <ul style="list-style-type: none"> ■ The IT management style can shift to one of collaboration with the users, making it easier for IT to understand and respond to LACERA’s business requirements. |
| IT Technology | <ul style="list-style-type: none"> ■ Our future technology should have greater flexibility so that we can use available information in a user-friendly way, on a real-time basis, and for metrics-based decision-making. |

¹⁴ The IS Manager currently takes the lead in determining IT priorities, which puts him in the difficult position of having to defend his choices.

| Affected Areas | Examples of IT Opportunities |
|---------------------------|--|
| | <ul style="list-style-type: none"> IT can work with PMG and others to build a true Information Management (IM) platform (see Chapter VII). |
| <p>IT Plans</p> | <ul style="list-style-type: none"> Information Systems has developed a number of internal IT plans. An approach for strengthening the IT planning process is discussed further under “IT Planning” in this chapter. |
| <p>IT Reports</p> | <ul style="list-style-type: none"> IT generates ad hoc reports when requested. IT can work with LACERA management to develop means for them to generate their own reports as needed. |
| <p>IT Training</p> | <ul style="list-style-type: none"> IT staff need ongoing technical training to remain abreast of new technological innovations, support system and software updates and replacements, and effectively serve LACERA in its technological requirements. |

IT MODERNIZATION

Modernizing IT is even more important today.

- LACERA’s membership is growing, spans different generations, and is geographically more dispersed.
- Our members are increasingly technologically savvy with interest in one-stop and self-service capabilities. Such technological advancements will become even more important as: a) Baby Boomers retire, and b) Gen-Xers and Millennials become eligible to retire.
- LACERA’s workforce reflects societal expectations to work with the latest technologies in serving members, while maintaining an appropriate work-life balance.
- In the event of an emergency or a disaster, LACERA will have greater resiliency to respond and continue business operations. Our experience with COVID-19 has certainly emphasized this need.

IT Structure

Chapter III outlined the importance of a CTO to lead the IT Modernization effort at LACERA while the IS Manager maintains current operations. Once the CTO is on board, the CTO should assess the optimal structure for IT.

IT Management Council

Strategic organizations should have an IT Management Council, responsible for major IT decision-making. The IT Management Council will be chaired by the CEO, include the CTO, and assign executive representation from the key IT user groups, such as member-facing services, Finance, Administration, Investments, and Legal Services. Internal Audit will serve on the IT Management Council to ensure economic and regulatory matters are considered.

The charter should define the IT Management Council’s organization, purpose, oversight responsibilities, membership, and meeting schedule. Some of its responsibilities entail:

| Roles | IT Management Council Responsibilities |
|-----------------------|--|
| IT planning | <ul style="list-style-type: none"> ■ Oversee development of IT strategic planning processes ■ Review IT plans to ensure alignment with LACERA’s mission, Strategic Plan goals, and users’ needs ■ Set IT priorities to enable LACERA to balance its improvement goals with available resources |
| IT policies | <ul style="list-style-type: none"> ■ Review relevant policies and provide input into IT planning and IT investment ■ Ensure policies exists to establish IT authority, accountability, and responsibility |
| IT innovation | <ul style="list-style-type: none"> ■ Ensure significant opportunities for leveraging technology are considered, our technology-related risks are addressed, and our IT resources are optimized ■ Ensure existing and emerging technologies are available to LACERA’s users ■ Provide guidance regarding emerging IT needs or issues |
| IT initiatives | <ul style="list-style-type: none"> ■ Support requests for major IT initiatives ■ Provide advice for allocating resources for these initiatives |

| Roles | IT Management Council Responsibilities |
|---|---|
| | <ul style="list-style-type: none"> Provide direction to prevent unnecessary redundancy, promote efficiencies, ensure sustainable service implementation, and minimize risks |
| IT security | <ul style="list-style-type: none"> Ensure LACERA has an effective IT and information security framework with appropriate IT controls |
| Internal IT governance framework | <ul style="list-style-type: none"> Administer the IT management and IT governance framework Establish priorities for IT advisory or ad hoc committees; consider recommendations they bring forward |
| IT funding | <ul style="list-style-type: none"> Ensure LACERA has a sustainable funding and procurement model for our IT infrastructure and services Review and recommend the IT budget Develop a hardware, software, and IT infrastructure replacement cycle for items nearing their end of life |

IT Planning

LACERA will benefit from more comprehensive, formalized IT plans that the IT Management Council reviews and the Executive Team approves and supports. This type of engagement will ensure that we are internally in agreement on IT requirements. IT planning is essential for:

- Establishing IT priorities
- Defining IT staffing requirements
- Documenting IT upgrades and improvements
- Identifying areas where IT investments are needed
- Maintaining IT business continuity at all times

Immediate IT planning needs. Information Systems can begin by developing more comprehensive plans in the following areas of immediate need:

- A telework and cloud migration plan

- A rapid IT Migration Plan that highlights the need for a fast and thorough review of our remote system security safeguards to further protect personal member information
- A Software Deployment Plan for the roll out of the Office365 suite of applications, such as MS Teams, OneDrive, SharePoint, etc., which will strengthen our security settings for managing the access, flow, and storage of files among staff
- IT Security Plan
- IT BCP and IT DRP

Comprehensive, cohesive IT Strategic Plan. Once the IT plans that are needed immediately are in place, IT can embark on developing a comprehensive and thoughtful IT Strategic Plan, linked to the LACERA Strategic Plan. The IT Strategic Plan can serve as the umbrella for updating and implementing the other IT plans.

Investments in IT solutions in this technology-driven age are critical for effectively and efficiently serving our current and future membership. The Boards must understand the IT Strategic Plan and recognize the criticality of the IT priorities and initiatives so that Trustees can support funding IT Modernization priorities.

Ongoing IT planning process. A disciplined, ongoing IT planning process will not only help LACERA during times of disasters or emergencies but also in codifying institutional knowledge in moving forward. As part of the IT planning process, LACERA can adopt an approach to develop, test, and implement ongoing technology initiatives that:

- Gain executive sponsorship
- Promote a transparent, user-focused, and approved process for prioritizing IT projects, particularly long-term projects (e.g., CMS) and short-term business solutions
- Analyze the Workspace platform in terms of its short-term enhancement upgrades, longevity, and potential for additional system modules (e.g., financial)
- Prepare IT assessments and comparisons with other pension systems

Support for IT plans. IT plans need to be built with input from the user groups, reviewed by the IT Management Council, and adopted by the LACERA Executive Team. IT management and staff need a roadmap for implementing the IT Strategic Plan.

As part of the IT planning process, it is likely that IT will uncover some quick fixes and business solutions that it can implement rapidly. Other systems, such as CMS, will take more time. A CMS, however, can facilitate:

- More seamless retirement and health benefit services from initial outreach to ongoing availability of services to assist retirees
- Improved efficiency of LACERA staff in delivering member-facing services

IT Security

LACERA should be able to achieve the IT Modernization with the assurance that our information remains secure with the appropriate multi-factor authentication, checks and balances, etc.

Information Management (IM) and Data Platform

LACERA also needs to enhance our Information Management (IM) capabilities with a data platform to generate dashboards, prepare ad hoc reports, monitor metrics, and track changes (see Chapter VII).

NEXT ACTION STEPS

IT can assume an important role in making the transition to a service that supports LACERA’s business units and better meets our multi-dimensional mission. Specific IT needs emerged with greater urgency as a result of the COVID-19 pandemic.

Information Systems will continue to maintain existing operating systems. In addition to defining and filling the CTO position, I will oversee the CTO’s plans, IT Management Council, and IT Modernization effort. The IT Modernization efforts will result in superior member and benefit services, improved staff productivity and morale, and stronger technology capabilities in moving forward.

| Steps | Accountability | Timeline |
|---|----------------|------------------|
| IT Planning, Structure, & Staffing | | |
| 1. Establish an IT Management Council with defined charter and duties | CEO & CTO | Jul 2020 ongoing |
| 2. Develop and implement IT plans that are immediately needed: <ul style="list-style-type: none"> a. A telework and cloud migration plan b. A rapid IT Migration Plan c. A Software Deployment Plan (Office365 suite) d. IT Security Plan e. IT BCP, including IT recovery | IS Manager | In progress |

| Steps | Accountability | Timeline |
|---|---|-------------------------|
| 3. Establish IT policies and IT priorities until a formal LACERA Strategic Plan and IT Strategic Plan are developed | CEO, CTO, & IT Management Council | Jul 2020-Dec 2021 |
| 4. Develop an IT Strategic Plan; ensure that the IT plans align with LACERA’s Strategic Plan and priorities; update other IT plans | CTO & IT Management Council | Jan 2021; then ongoing |
| 5. Establish a Program Management Office (PMO) for IT | CTO | In progress |
| 6. Analyze the IT/IS structure and realign functions to reflect best practices, requirements for addressing the issues raised in this “100-Day Management Report,” and implement the IT Strategic Plan | CEO, CTO | Jan 2021 ongoing |
| 7. Develop and implement an IT staffing, recruitment, and talent acquisition strategy and plan | CTO & Director/HR | In progress |
| IT Security | | |
| 8. Plan to identify and close any system and data vulnerabilities resulting from the rapid transition to a remote work environment | IS Manager | By June 2020 |
| 9. Retain a security expert consultant with a Non-Disclosure Agreement (NDA) to perform a review and make recommendations regarding security, deployment of our remote work program, and cloud migration | CEO | In progress |
| 10. Incorporate the consultant’s IT security concepts and recommendations into LACERA IT operations and IT Security Plan | IS Manager | Sep 2020 ongoing |
| IT Investment | | |
| 11. Make recommendations regarding IT matters (e.g., the purchase of IT equipment or the creation of new IT systems) | CTO & IT Management Council | FY2020-21, then ongoing |
| 12. Consult with the Boards on the development of the IT Modernization effort and IT Strategic Plan | CEO, CTO, Boards | FY2020-21, then ongoing |
| 13. Invest in and upgrade LACERA’s technology capabilities and systems in accordance with the IT Strategic Plan | Boards, CEO, CTO, & IT Management Council | FY2020-21, then ongoing |
| IT Implementation | | |
| 14. Implement the IT upgrades and business solutions that are “quick fixes” and will have an immediate impact on member services and staff workload as soon as possible (e.g., leveraging JAVA in the pension system, expanding SharePoint expertise, and leveraging Microsoft Teams) | CTO | FY2020-21, then ongoing |

| Steps | Accountability | Timeline |
|---|-------------------------------|-------------------------|
| 15. Implement the approved IT Strategic Plan and other IT plans (e.g., IT Security Plan, IT BCP, IT DRP) | CTO | FY2020-21, then ongoing |
| 16. Establish robust telecommuting capabilities as an accepted mode of operation | CTO & IS Manager | In progress |
| 17. Plan, develop, and implement, using vendor resources, a comprehensive plan to migrate to the cloud; assess functional needs; and identify deployment strategies (e.g., pilot projects with Investments and other operating units) | CTO & CIO | FY2020-21, then ongoing |
| 18. Migrate key servers and systems to cloud base computing | IS Manager | By Dec 2020 |
| 19. Develop a virtual call center so that counseling can occur in the field (Note: Such an approach will also help with recruitment, member services, and business continuity.) | IT, AEO, Member Services, RHC | In progress |
| 20. Enable benefits analysts to perform their work remotely by giving them access to the microfiche viewer | IT | Done; April 2020 |

VI – WORK CULTURE AND CHANGE MANAGEMENT

This chapter addresses:

- Work culture and values and striving for the desired work culture
- Management philosophy, capabilities, and accountability
- HR’s role

CURRENT SITUATION

Cultural Change and Shared Values

When I asked managers and staff to describe the culture prior to my arrival, many used negative descriptors: rigid, command-and-control management styles, organizational silos, lack of accountability, discouragement to try new ways, inability to listen and consider new ideas, and comfort with the status quo.

During my first 100 days and going forward, I want to:

- Encourage staff to germinate ideas throughout the organization
- Continue and strengthen LACERA’s member-oriented focus
- Offer encouragement and solicit feedback from stakeholders and staff at all levels
- Alleviate anxiety and uncertainty of staff caused by the impact of the COVID-19 pandemic, particularly as we transition to a new work model
- Systematically support staff and management by making staff development, training, and succession planning a priority to bolster our organizational culture
- Provide managers with the skills to be successful – to motivate staff, prepare plans, manage by the numbers, establish and monitor goals, apply evidence-based decision-making, and design and implement changes and innovations
- Reassure management and staff that performance and behaviors will be evaluated based on actual merit with transparency and consistency
- Fill key positions with proven leaders of character who model the traits consistent with the desired culture and ensure promotions and new hires similarly embrace these traits

Prior to my arrival, LACERA had embarked on an Employee Engagement Program (EEP) as a long-term commitment to foster employment engagement and open communication channels.

Although EEP’s roll-out has been delayed because of COVID-19, its importance is not diminished.

I believe our focus on values, training, and development will help shift the culture to one of accountability and working in partnership through better teamwork. Our strategic planning process will help shape our values and culture. Two values came through from my 7 CEO Questions: Trust/Respect and Teamwork/Accountability (see Appendix B).

| Trust/Respect | Teamwork/Accountability |
|---|--|
| <p>LACERA staff said they wanted to promote a culture of trust and respect by:</p> <ul style="list-style-type: none"> ■ Doing what is right for the members and the fund by delivering professional member services ■ Trusting our management team ■ Building trust with the Boards ■ Having division managers and staff work together ■ Ensuring consistency in our decision-making processes and fairness in the application of operational policies and procedures across divisions and at all levels of management and supervision | <p>LACERA staff wanted the CEO to embark on specific areas to improve teamwork and accountability:</p> <ul style="list-style-type: none"> ■ MAC meetings with specific actions tracked in the “status” column ■ Executive Office, management, and staff accountability ■ Divisional teamwork and accountability ■ Clearly defined performance standards ■ Listening and communicating across the Boards, divisions, and staff |

Management Philosophy and Capabilities

Implementation of the change management initiatives in this “100-Day Management Report” will require that our managers develop skills to:

- Motivate, coach, and develop their staff
- Enhance their operations
- Assume greater accountability of themselves and their staff
- Manage their people and operations (Many of them report that they spend less than 20% of their time on people management.)
- Become more effective managers and leaders

Management and staff should gain a greater understanding of what constitutes effective leadership and effective management skills. LACERA needs both effective leaders and effective managers with a shared vision for a better future. (Appendix E describes the traits of effective leaders and effective managers.)

Thus, we will launch a comprehensive program for management and leadership skills, which we included in our FY2020-21 budget. I have charged HR with developing the integrated leadership and management development program that provides the necessary skills and tools for managers, supervisors, and leaders at all levels of LACERA.

Increased Management Accountability

LACERA describes three desired levels of defense to protect our operations:

| Levels | Lines of Defense |
|-----------------------|---------------------------------------|
| 3 rd Level | = Internal Audit |
| 2 nd Level | = The new Compliance Officer position |
| 1 st Level | = LACERA staff, including QA and PMG |

On the positive side, the Trustees and managers are supportive of building a second line of defense with a Compliance Officer in Legal Services. On the negative side, managers report that few of the Internal Audit and QA recommendations are implemented.

Ensuring financial, operational, and legal compliance and effectiveness should be everyone’s responsibility. Therefore, I am proposing five levels by engaging managers – not just staff – in protecting and serving our members. This extra level emphasizes greater management accountability (see also Chapter VII):

- Managers should use IM and dashboards to identify areas for improved efficiency and quality improvements.
- Managers should collect metrics and discuss such metrics at weekly meetings with their managers, supervisors, and staff to identify areas for improvement. In this way, everyone can be part of the discussions for identifying solutions to address problematic areas and stimulating continuous process improvements.
- With time, IT and PMG can develop dashboards and apply artificial intelligence to quickly flag potential problem areas for operations.

I prefer the “Levels of Protection” approach because “Levels of Defense” reinforces LACERA’s historic approach of being reactive versus proactive. In Levels of Protection, all involved

managers and staff incorporate the appropriate measures to protect our members, our operations, and our staff as part of a well-managed operation.

| Levels | Lines of Protection | Roles |
|-----------------|--|--|
| 5 th | Internal Audit | <ul style="list-style-type: none"> ▪ Performance of independent internal audits and reviews on behalf of the Boards and for operational improvements ▪ Monitoring of external audits ▪ Monitoring of financial CPA audits ▪ Monitoring of external actuarial services |
| 4 th | Compliance Officer | <ul style="list-style-type: none"> ▪ Legal compliance and liability ▪ Financial compliance and liability |
| 3 rd | LACERA Management, QA staff, & PMG staff | <ul style="list-style-type: none"> ▪ Routine metrics review meetings, including dashboards and tracking and aging reports ▪ Implementation of process improvements across operations ▪ Accountability for the implementation of Internal Audit, PMG, QA, and other study recommendations |
| 2 nd | QA & PMG staff | <ul style="list-style-type: none"> ▪ Quality assurance across member-facing operations ▪ QA which focuses on transaction audits ▪ Optimal and documented processes ▪ Development of IM, metrics, analytics, and artificial intelligence ▪ Development of dashboards and reports to support management in evidence-based decision-making and needed process improvements |
| 1 st | LACERA staff | <ul style="list-style-type: none"> ▪ Empowered front-line workers who: <ul style="list-style-type: none"> ○ Can identify and resolve issues on a real-time basis ○ Are innovative thinkers and inspired and motivated to share their ideas |

HR's Role

Recruitment, Hiring, Diversity, and Inclusion

Our HR staff should be able to recruit the most motivated and diverse talent for LACERA. If we are to be best-in-class among public sector pension funds, we need to make sure our recruitment process is first rate.

Our HR staff should develop a diversity and inclusion program to ensure that we are hiring a diverse staff in terms of background, ethnicity, and orientation. We should be looking for experienced and creative thinkers to keep LACERA fresh, innovative, and always moving forward.

At the same time, HR should engage management and staff alike to:

- Develop a culture of inclusion where all staff are treated equally
- Have the resources and opportunity to participate,
- Are welcomed into the workforce to foster true teamwork

Training and Development

Once hired, HR should have the necessary plans for an inclusive workplace to develop our people and provide them with the tools and roadmaps for their success. LACERA needs to develop a pipeline of talent, which entails HR planning:

- A staff development and training plan with a training needs assessment based on staff skill gaps
- A Succession plan (see Chapter IV)
- Leadership training and development program (see Chapter IV)
- Management training and development program with special attention on change management and managing a remote workforce
- Redesigned and streamlined technical training via a combination of remote online learning, classroom instruction, and hands-on training with an aim of shortening the length of training time required for staff to gain skill proficiency

NEXT ACTION STEPS

It is important we begin with management training, given the change initiatives outlined in this report. Managers will need training on managing by metrics, setting goals, and thinking strategically and globally as we move to higher levels of organizational maturity.

| Steps | Accountability | Timeline |
|---|--|-------------|
| 1. Launch a leadership and management development program, focused on change management and management accountability for people management and a second line of protection | CEO with HR Director | FY2020-21 |
| 2. Define the desired culture and values as part of the strategic planning process; identify mechanism to help move LACERA toward the desired culture, including a Diversity and Inclusion Plan | CEO, Executive Team, HR | FY2020-21 |
| 3. Redesign the technical training to shorten the time required to master skill requirements | HR with Member Services, Benefits, & RHC | |
| 4. Fill the Compliance Officer position; refine and implement the 4 Levels of Protection | Chief Counsel | By Dec 2020 |

VII – ENHANCED PROCESSES AND OPERATIONS

LACERA exists to serve our members. This member-oriented commitment must continue. All of our planned initiatives must be aimed at serving our 171,000 members better. The next initiatives focus on internal operations:

- Budgeting process and systems
- Continuous process improvements
- Information Management (IM) and metrics for greater accountability and effective decision-making
- Best practices, next practices, and benchmarking

CURRENT SITUATION

Budgeting Process and System

The budgeting process needs to be revamped and reengineered from start-to-finish to ensure transparency and better management of the budget. Some of the many needed enhancements are:

- A base budget that eliminates one-time costs, such as renovations, from the prior year as a starting point
- Proposed budgets with metrics to justify requests
- Greater collaboration with meetings and discussions of divisional budgets with the CEO, COO, AEOs, CFO, and involved divisions
- A budget preparation calendar for when budget actuals are generated, the Executive Team has its final review, the budget advances to the Trustees for joint Board review and budget hearings, and the final budget is prepared for Trustee approval
- Addition of experienced budget professionals

A budgeting system should be acquired to replace the Excel worksheets that are currently used to prepare and monitor our current budget. The new budgeting process and system should:

- Have reporting capabilities and be user-friendly, especially when making budget changes
- Effectively leverage database applications

- Have tie-ins to our accounting systems (e.g., our “Great Plains” general ledger applications)
- Generate year-to-date, month-to-month, year-over-year, and actual and forecasted expenditures comparisons routinely
- Promote greater fiduciary responsibility in how we use our operating funds

The delay in acquiring a new budget system has been ongoing for multiple years based on my conversations with staff.

Continuous Process Improvements

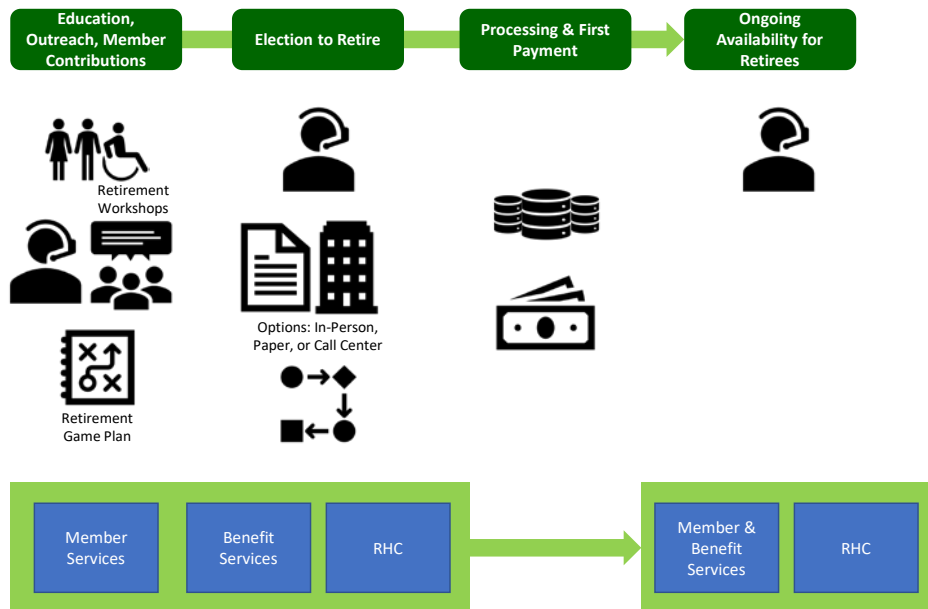
LACERA services will improve with greater standardization of policies and procedures across all lines of business, combined with a mindset of continuous process improvement.

Moreover, our annual work volume is high and much of our work is dependent on hard copy forms, mail, and phone inquiries.

| Work Effort | Annual Volume |
|-------------------------------|---------------|
| Phone Inquiries | 117,000 |
| Mail Processed | 356,000 |
| Calls Answered by Specialists | 56,000 |
| Outgoing Mail | 51,000 |
| Enrollment Forms Processed | 6,900 |

In moving forward, we need to identify ways to adopt innovative technology to serve our members effectively and implement process improvements that will make us more efficient and effective.

Need for Seamless Member, Benefit, and Healthcare Benefit Services



Our continuous improvement initiatives should investigate best practices at other public sector pension funds in the United States, Canada, and abroad that LACERA can adapt. Such insights can help us to improve and rank among the best-in-class pension funds in serving our members.

Therefore, I am recommending that PMG have broader responsibilities for process improvements and development of business solutions within operations, including:

- Dashboards and performance metrics
- Benchmarking and identification of best practices
- Process improvements
- Policy and procedural documentation
- Development and management of a unified knowledge management system with updates as process improvements are identified
- Training of managers and supervisors in how to identify and document needed process improvements in collaboration with QA

Examples of areas beyond Benefits where process improvements might be beneficial in operations are:

- Identification of how to streamline the Disability Claims workload and reduce our paper-intensive case reviews for both LACERA staff and the Board (Note: The LACERA Board of Retirement had 45 disability cases slated for review for its April 9, 2020, meeting.)
- Identification of COVID-19 processes and procedures developed as “work-arounds” that are worthy of retention in standard operational procedures to better serve members and leverage efficiencies

In the longer term, LACERA may want to explore adding business analysts (or individuals from outside of the member-facing operations) to PMG to explore process improvements in other areas, such as:

- Reduction in the extensive time spent in putting together Board packets (e.g., Investments)
- Processing of supply orders, vendor payments, contract management, and numerous other administrative functions
- Dashboards for other parts of LACERA

Information Management (IM) and Accountability Metrics

A culture of continuous process improvements requires Information Management (IM) capabilities, clear accountability, and performance metrics. Together, these factors make evidence-based decision-making possible. LACERA should embark on developing formalized performance metrics and standards in many areas. The metrics that are currently collected are manually compiled.

To begin, it might be useful to describe what IM functions do:

| IM Focus | Information Management (IM) Functions |
|----------------------------------|--|
| <p>Business Solutions</p> | <ul style="list-style-type: none"> ■ Helps rethink services and processes for the digital age and provides critical tools or resources in collaboration with management and staff in line operations and administrative services (i.e., working with those doing the work) ■ Focuses on IM solutions that can help LACERA better serve our members ■ Focuses on employee-centric IM solutions |

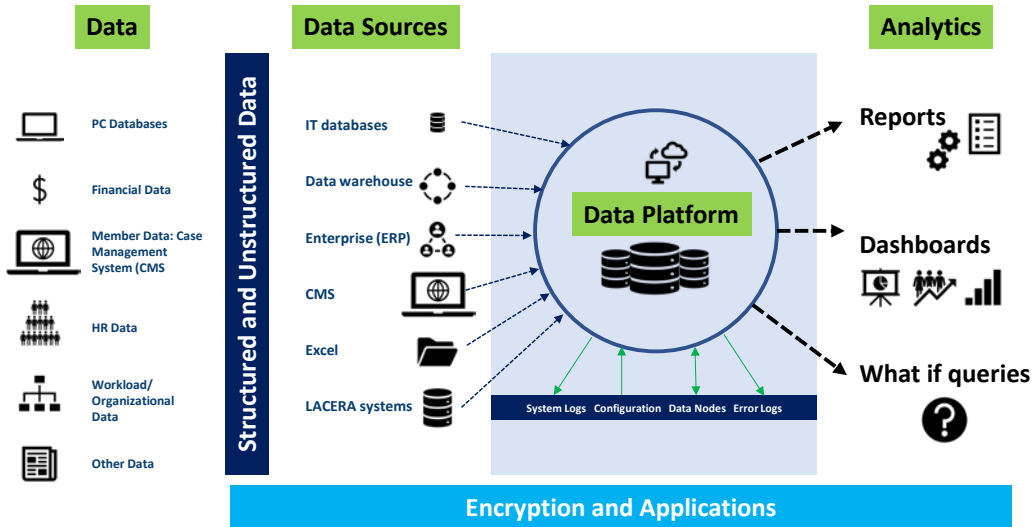
| IM Focus | Information Management (IM) Functions |
|--------------------------------|--|
| | <ul style="list-style-type: none"> Understands operations and their needs and can translate those needs for IT |
| Analytics & Metrics | <ul style="list-style-type: none"> Identifies ways to link metrics to LACERA’s strategy to assess progress and outcomes Uses modern technologies and big data to address priority issues |
| Data Platform | <ul style="list-style-type: none"> Works with the leadership teams to determine what kinds of information LACERA should capture, retain, and exploit and for what purposes Anticipates operations data, evaluation, and research needs and develops approaches to compile such information Builds scalable, efficient IM capabilities by using existing information, knowledge, assets, and IT via data processing, analysis, data mining, information trading, artificial intelligence, and other means Integrates disconnected and inconsistent data activities with different tools into a unified approach |
| IM Planning | <ul style="list-style-type: none"> Creates a shared data vision, energizes LACERA around data-driven possibilities, and coordinates data activities Drafts an IM strategy and policies in coordination with the CTO and for review and approval by the IT Management Council and Executive Team |

Many of these skill sets exist in PMG. As already identified, PMG’s capabilities should be leveraged to support member-facing operations. In addition to PMG’s current focus on Benefits metrics, other metrics will need to be developed for Disability Claims, RHC, Member Services, etc.¹⁵

¹⁵ In the longer term, PGM might develop IM capabilities across LACERA (e.g., identify accountability metrics for finance, HR, etc.).

In addition, LACERA needs to develop an IM data platform so that the required analytics, dashboards, reports, and queries can be produced for well-run operations. PMG with the CTO will be charged with building that IM data platform.

Illustration of a Data Platform for IM



Designed by KH Consulting Group

CMS would include member information in retirement, healthcare, disability benefits, etc.

In addition to the data platform, LACERA needs to create a knowledge management platform so that divisions have a place to store and share knowledge, procedures, and instructions in one single location that is searchable and accessible and, in some cases, restricted based on “a need to know” basis. Some examples include Operating Instructions (OIs), Benefits Wiki, Business Rules, and QA training materials. Such knowledge should be on the same platform and managed by this team.

Best Practices, Next Practices, and Benchmarking

In the past, LACERA’s investment team have used benchmarks for comparative peer analysis. In other parts of LACERA’s operations, managers have selectively used benchmark comparisons because they feel that other pension funds differ: have different laws, interpret shared laws differently, and manage larger workforce sizes (e.g., OCERS and CalPERS).

CEM produces benchmark data for more than 400 fund sponsors worldwide. CEM’s goal is to “...provide objective, actionable benchmarking insight into how to maximize value for money in investments and pension administration.”¹⁶ LACERA management should not ignore benchmarking data, particularly as LACERA implements high-tech solutions while preserving our high-touch capabilities. Moreover, internal metrics (i.e. measurements against our own standard) may stifle innovation, reinforce a status-quo mentality, and miss opportunities to improve service delivery.

Innovation relies on not only understanding prevailing practices and best practices but also such “next practices” as:

- Anticipating and taking advantage of the next technological breakthrough
- Enhancing our member experiences with our contact center through multiple communications channels
- Emerging investment strategies

NEXT ACTION STEPS

The following action steps will begin the process of addressing the issues identified as internal operational initiatives:

| Steps | Accountability | Timeline |
|--|---------------------|-------------------------|
| 1. Reengineer the budgeting process and acquire a new budget system | CFO | FY2020-21; then ongoing |
| 2. Designate PMG as the lead for spearheading a continuous process improvement initiative, coupled with the development of dashboards and performance metrics, across member-facing operations | CEO | Jul 2020 |
| 3. Develop the continuous process improvement initiative with metrics and starting with the development of a plan with priority areas to tackle in operations | PMG | Sep 2020 |
| 4. Initiate identification of best practices and best-in-class standards for appropriate peer-to-peer comparisons among various LACERA operations functions | Executive Team | FY2020-21, then ongoing |
| 5. Review and approve PMG’s proposed priorities for the continuous process improvement initiative with metrics | Executive Team, PMG | Nov 2020 |
| 6. Once approved, implement the continuous process improvement initiative with metrics for operations | PMG | FY2020-21, then ongoing |

¹⁶ <https://cembenchmarking.com/>

| Steps | Accountability | Timeline |
|---|-----------------------|-----------------|
| 7. Explore the potential expansion of PMG’s services to provide metrics and process improvement analysis for other LACERA functions (e.g., HR, administration, document processing) | CEO | FY2022-23 |

VIII – CONCLUSION

In conclusion, much of this document’s findings are based on observations, interviews, meetings, document reviews, and discussions.

- **Preliminary Actions.** The “100-Day Management Report” outlines my proposed preliminary actions to undertake during the next year to begin to address the outlined opportunities for improvement. I look forward to discussing this report and needed actions with the Trustees.
- **Formal Strategic Planning.** As CEO, I plan on developing a more thoughtful multi-year Strategic Plan in collaboration with the Trustees, Executive Team, managers, and staff. We will likely solicit input from our other key stakeholders, such as our members and our sponsors: Los Angeles County, LACOE, SCAQMD, LAFC, and Little Lake Cemetery District.

A formal strategic planning process will also enable us to vet the ideas further in this report and make them more actionable in the long term.

APPENDICES

APPENDIX A – LACERA BACKGROUND

LACERA is one of the largest county retirement systems in the United States with a \$60-billion pension fund and more than 171,000 members. It is an independent governmental entity, separate and distinct from the County that administers and manages:

- The retirement fund for the County of Los Angeles and four outside Districts: Little Lake Cemetery District, Local Agency Formation Commission (LAFC), Los Angeles County Office of Education (LACOE), and South Coast Air Quality Management District (SCAQMD)
- Retiree Healthcare (RHC) and our 62,000 health benefit recipients
- The related trusts: LACERA Pension Plan and Post-Employment Benefits Trust (OPEB Trust) and the associated other trust¹⁷

LACERA is governed by two Boards:

- The Board of Retirement is responsible for the overall management of the retirement system and the LACERA-administered RHC
- The Board of Investments establishes LACERA’s investment policy and objectives and exercises oversight over the investment management of the fund to conform with its Investment Policy Statement (IPS)

LACERA has two internal formal action committees that address and coordinate day-to-day operations:

- Management Action Committee (MAC), which includes the executives and division managers
- Supervisor Action Committee (SAC), which includes supervisors reporting to division managers

¹⁷ Elaborated on further in LACERA’s Comprehensive Annual Financial Report (CAFR)

APPENDIX B – MY APPROACH

MY LEADERSHIP PHILOSOPHY

On October 17, 2019, I shared my leadership philosophy with LACERA staff so that they would have insights into my priorities and leadership style, including how I make decisions, how I communicate, what my general expectations are, and how I can help the organization.

Highlights of my leadership philosophy entail:

- Commitment to building and earning trust, respect, and integrity
- Welcoming of diverse perspectives, differences of opinions, and healthy debate to evaluate alternatives and solve problems
- Belief that LACERA staff should be part of the solution, not part of the problem
- Encouragement of staff to take time to plan and perform the job right the first time – and to exercise initiative and innovation in solving problems
- Guidance that staff tackle mistakes and establish a professional, vibrant, and rewarding work environment

LISTENING-LEARNING APPROACH AND EMPLOYEE INPUT

I thought it was necessary to begin by listening and learning about LACERA to help pave the way for long-term success. This listening-learning approach allows me to:

- Absorb information quickly to better understand LACERA’s business rhythm and culture
- Assess individual skills and team competencies of executives and senior managers
- Evaluate existing procedures, information requirements, formal and informal decision-making processes
- Learn the lines of business and review key performance indicators
- Meet with key people to align expectations for the organization and identify operating challenges
- Conduct meetings and informal visits with staff and other LACERA stakeholders to open two-way communication lines

Overall, I have been impressed with our staff’s commitment to LACERA’s mission: *“To produce, protect, and provide the promised benefits.”*

RESPONSES TO THE “7 CEO QUESTIONS”

I posed 7 CEO Questions to LACERA staff:

1. What are the three most important things about LACERA we should preserve?
2. What are the top three things we need to change and why?
3. What are you most concerned I might do and why?
4. What are you most concerned I might not do and why?
5. What do I need to know?
6. What else would you like to discuss or ask?
7. What advice do you have for me?

More than 70 staff emailed me directly with their input; an encouraging number who care about the direction of the organization and provided their comments “on record.” Receiving this information early in my tenure was obviously important to help me understand the issues important to the workforce and was a key element of my effort to “listen and learn” with respect to the LACERA staff.

Receiving this information early in my tenure helped me understand the issues important to the workforce and was a key element of my effort to “listen and learn.” Two themes stood out: **Trust/Respect** and **Teamwork/Accountability**. These themes focused across the organization and into the customer base. The staff’ comments encouraged me to:

- Support doing what is right by the members, fund, management team, staff, and Boards
- Focus my time, energy, and capacity in growing the trust, teamwork, and accountability of the management team, staff, and strategic stakeholders

Equally critical to staff was upgrading the technology (hardware, software, and programs) that support LACERA operations. The expansion of consistent, focused, and dedicated IT support to all divisions, the approval of an IT Strategic Plan, and IT staffing were seen as critical to future operations in 2020 and beyond.

Other themes included implementing professional training/development, building relationships, developing a culture of accountability, taking time to understand the organization, setting a focused future path, and being present and interactive with management and staff.

APPENDIX C – BOARD SURVEY RESULTS

Prior to COVID-19, LACERA surveyed Board Trustees regarding what they would like to cover at an offsite retreat. Although some of these priorities may have changed given the vulnerabilities identified during my first 100 days as CEO and in light of COVID-19, many are likely to remain the same (e.g., committee structure and joint strategic planning).

| Board Offsite Topics: Overall | Highly Desirable or Desirable |
|---|-------------------------------|
| Standing committee review, including committee role clarification and effectiveness | 100% |
| Joint collaboration on harmonizing the pension and investment Strategic Plans | 83% |
| Medicare 101 | 83% |
| Ethics and fiduciary duty | 67% |
| Legislative process at the Federal, State, and local levels | 33% |

In the area of disability, the topics of greatest interest were:

| Board Offsite Topics: Disability Retirement Education | Percent Responses |
|---|-------------------|
| Role in adjudicating disability application/appeals, including substantial evidence, roles of the DRS and legal staff, the disability/litigation attorneys, and applicant attorneys | 83% |
| Safety member presumptions (e.g., heart issues, strokes, cancer, blood pressure, other medical conditions) | 83% |
| Disability claims, including issues and criteria for granting medical accommodations and service-connected disabilities | 83% |
| Medical conditions education (e.g., Fibromyalgia, mental health issues) | 50% |

APPENDIX D – ORGANIZATIONAL MATURITY MODEL

The five levels of organizational maturity are:

| Maturity Levels | Description of Organizational Maturity Progression |
|-------------------------------|---|
| 1 Aware | A general awareness of issues and challenges but a lack of leadership, budget, or resources to make meaningful advances |
| 2 Reactive | Generally operating in a reactive mode, based on situations as they arise and ad hoc information, resulting in one-off solutions that are not reusable or sustainable |
| 3 Proactive | Parts of the organization begin to anticipate situations, use data to develop better solutions, and establish protocols and procedures. Some needed information or data are available but not leveraged across the organization |
| 4 Managed | A deliberate approach to planning, process improvements, operations, information management, and evidence-based decision-making with needed resources available, combined with effective people, procedures, IT, data platforms, and coordination across the organization |
| 5 Innovative/Optimized | A high-functioning, disciplined organization with “best-in-class” people, planning, technology, and processes that leverage enterprise architectures and data platforms for effective member-facing services and efficient operations |

Each maturity level exhibits different stages of development:

- Vision/strategy
- Leadership
- Processes
- Culture/decision-making
- Stakeholders/customers
- Information management
- Resources

Few organizations perform consistently at the same level throughout its operations. An organization might be at Level 4 in terms of its customer relationships but at Level 3 in terms of its vision or strategy.

APPENDIX E – EFFECTIVE LEADERS AND MANAGERS

Effective Leaders

Leaders focus on the vision – desired future of the organization. They motivate and influence people to embrace the vision and move the organization toward a better future.

Decisions are made in relation to a vision of the future.

Performance is measured against possibilities.

Leaders are committed to the big picture and doing what is needed to get there.

Leaders deal with emotional, motivational, and abstract resources, such as values, commitments, and aspirations.

Leaders are subjective, intuitive, natural, and creative.

Leaders seek to “do the right thing” for the right reason. They are concerned with:

- Defining the organizational values
- Building on the legal and fiduciary requirements to define ethical solutions
- Serving as role models by acting in an ethical and responsible manner
- Expanding resources to meet future needs

Leaders are proactive; they share ideas and goals.

There is an emphasis on intuition supported by reason.

Effective Managers

Managers take the organizational vision and implement the tactical plan by allocating resources and administering tasks, activities, processes, and procedures to achieve short-term results.

Decisions are made in relation to established direction.

Performance is measured against a plan.

Managers are committed to their assigned responsibilities.

Managers deal with physical resources, such as capital, technical skills, raw materials, and technology.

Managers are analytical, logical, sequential, and objective.

Managers seek to “do things right” by:

- Using the current resources effectively and efficiently
- Providing caring and compassionate solutions for staff and members in keeping with our organizational values
- Abiding by our legal and fiduciary requirements (because it is the right thing to do and not merely done to avoid getting in trouble)

Managers are reactive; they solve problems and fight fires.

There is an emphasis on logic and structure supported by intuition.

Effective Leaders

Leaders are conceptual and future-oriented, thus, perceived as theoretical.

Most of the leadership skills and tasks are people-oriented.

Effective Managers

Managers are practical, concrete, and present-oriented.

Most of the management skills and tasks are focuses on resource allocation, supervising and developing staff, and operations and outcomes.