



March 8, 2021

**TO:** Each Trustee,  
Joint Organizational Governance Committee

**SUBJECT:** Joint Organizational Governance Committee Meeting on May 28, 2021 –  
Agenda Item IV.A.

---

Attached please find the presentation for Item IV.A. FY 21-22 Proposed Administrative, RHC, Other OPEB Benefits Budgets.

Administrative, Retiree Healthcare  
Benefits & OPEB Trust Budget

Fiscal Year 2021-2022

# FY 2021 – 2022 Proposed Budget Presentation

**JJ Popowich,  
Assistant Executive Officer**

**Kimberly Hines, CPA  
Manager, Administrative Services**

# FY 2020 – 2021 Budget Drivers

Mission - Vision - Values

Legacy Strategic Plan

CEO 100 Day Report

# Organizational Initiatives

## Common Themes

Legacy Strategic Plan

CEO 100 Day Report

Human  
Resources

Technology

Disaster  
Recovery /  
Business  
Continuity

Operational  
Improvements

Administrative  
Infrastructure

# Strategic Planning Cycle



# Human Resources

Recruit & Hire Staff  
Add Critical Positions

Accomplished

New Director of HR

Organizational Realignment

CISO & Info Security

PMO

FY 2021-22

Resolve County Disputes

HR & Recruiting Plan

New CORE Training Class

Critical IT Positions

# Technology

IT Infrastructure  
Information Security Group  
IT Council

Accomplished

CISO & Info Security Team

PMO

Safe / Secure Remote Capabilities

Virtual Service Platforms

FY 2021-22

PMO: Inclusive Project Based

Change Management Controls

Focus on Automation & Service

Telecommunications Upgrade

# Disaster Recovery / Business Continuity

Planning  
Testing

Accomplished

Updated BCP

First BCP-DRP in Years

COVID-19

Civil Unrest

FY 2021-22

Regularly Scheduled BCP / DR Test - 2

Cloud Migration

Improved Remote Access

# Operational Improvements

Case Management  
Work Backlogs  
Member Self Service

Accomplished

CMS: Vendor Evals

Metrics 101

Document / Certificate Upload

Paperless Initiative

FY 2021-22

CMS Implementation

Expanded Online Self Service

Process Improvements – Death Claim

Expanded Retirement University & Virtual Services

# Administrative Infrastructure

Budget Consultant & Software Implementation

Contract Management

Travel Management System

Administrative Case Management System

Strategic Planning Consultant

# CEM Benchmarking: LACERA and its Peers

LACERA is one of the smaller funds

LACERA has more active and retired members

LACERA spends more staff time with and for its members

LACERA spends more on staff and professional services

LACERA's service score gains over time coincide with new customer service technology (Figure 1)

LACERA spends less on IT projects and other major projects

**Figure 1**  
Trends in Total  
Service Scores



# LACERA'S CEM Cost and Service Profile

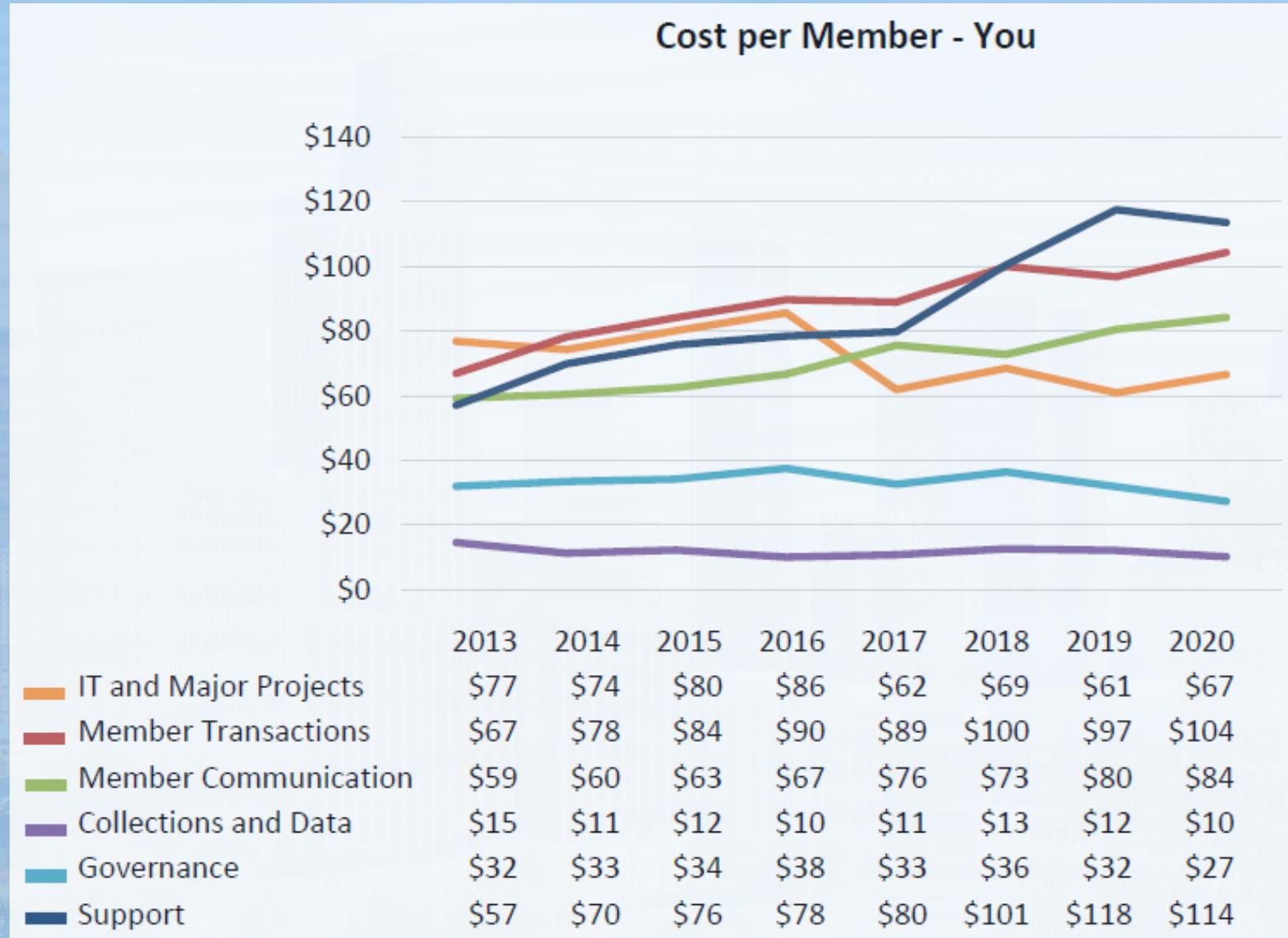
## Higher Service Score Per Member (Figure 1)

- One-on-One Counseling (Outreach and Call Center)

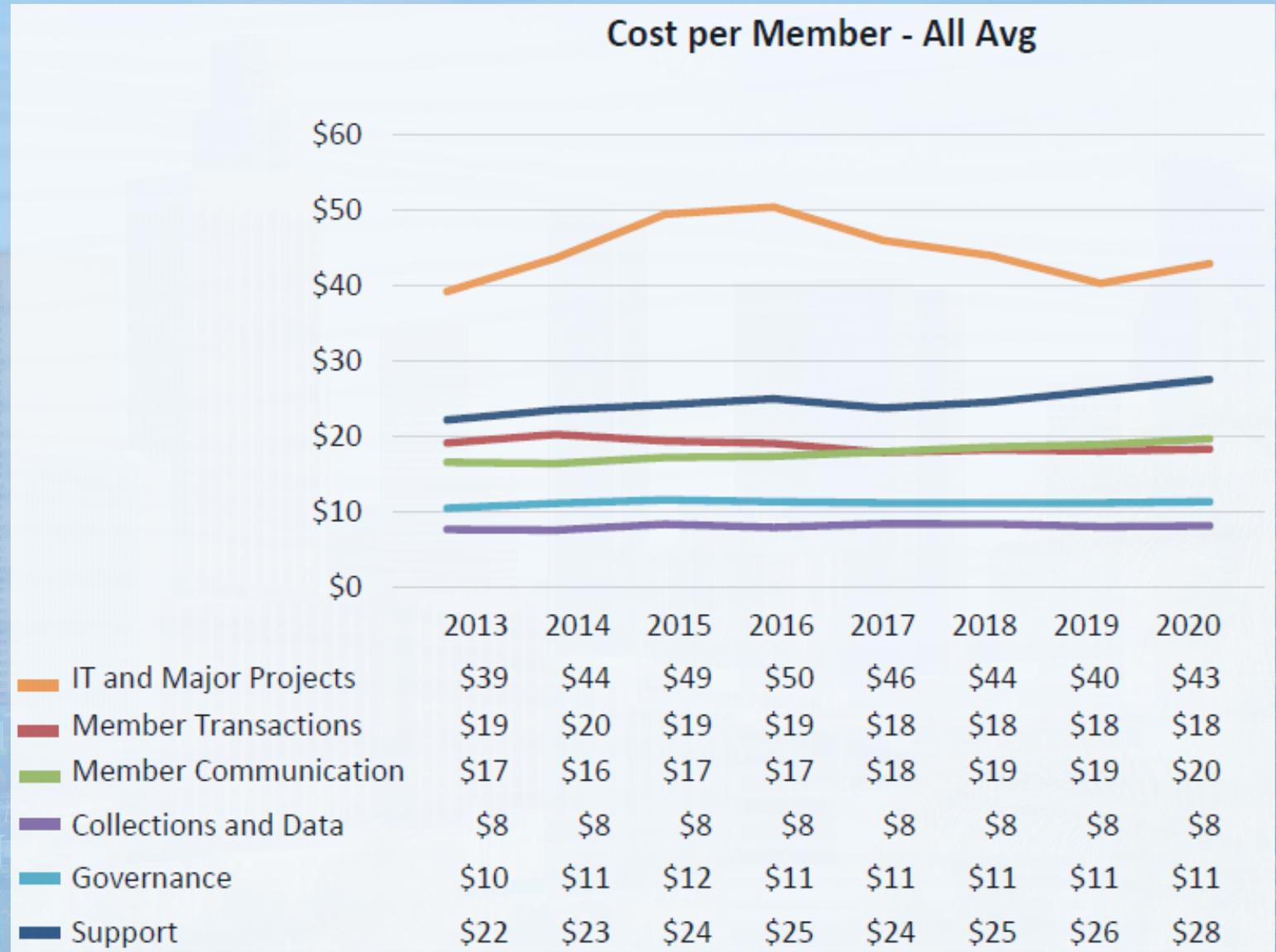
## Higher Cost Per Member (Figure 2 and Figure 3)

- Economies of Scale Disadvantage
- High-Cost Environment
- Growing membership to Address Growing Public Service Needs
- More Personnel Costs in Front-Office, Transaction Processing, and Professional Services
- Slower Pace of Adopting Cost-Saving Technology
- Complex Plan Design

**Figure 2**  
**LACERA'S Cost**  
**per Member –**  
**Trend Analysis**



**Figure 3**  
 38 Retirement Systems:  
 Average Cost per  
 Member –  
 Trend Analysis



# CEM COSTS: OTHER FACTORS

LACERA'S In-House Full-Service IT Approach

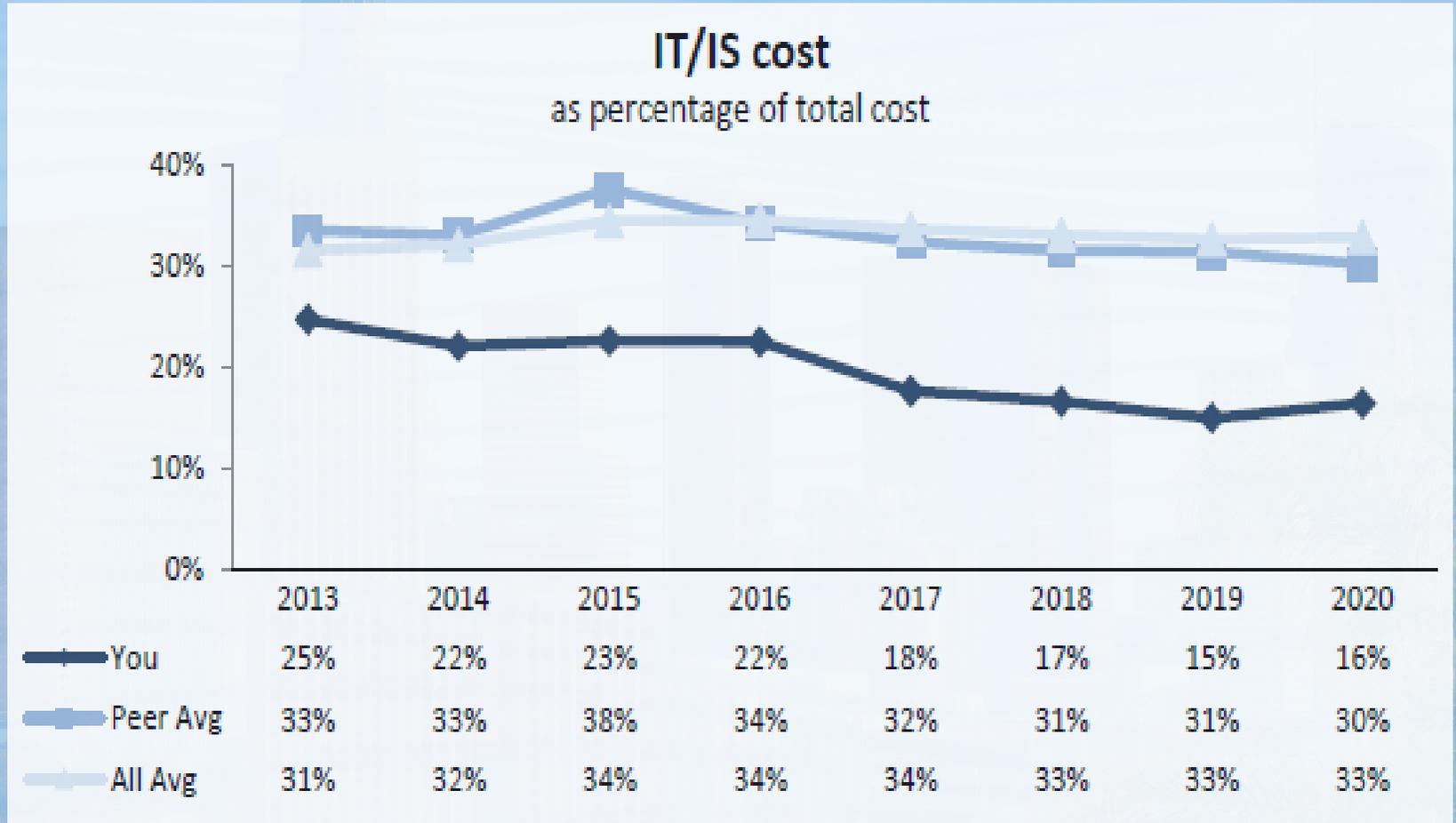
Cautious IT Implementation Philosophy (Figure 4)

- Incremental vs. Transformational Projects
- Risk vs. Reward

Data Quality Issues

- The County's Role: Improving Source Data and Contribution Deductions
- LACERA'S Role: Improving Exceptions Handling Practices

**Figure 4**  
Cautious  
Implementation of IT



# Looking Forward

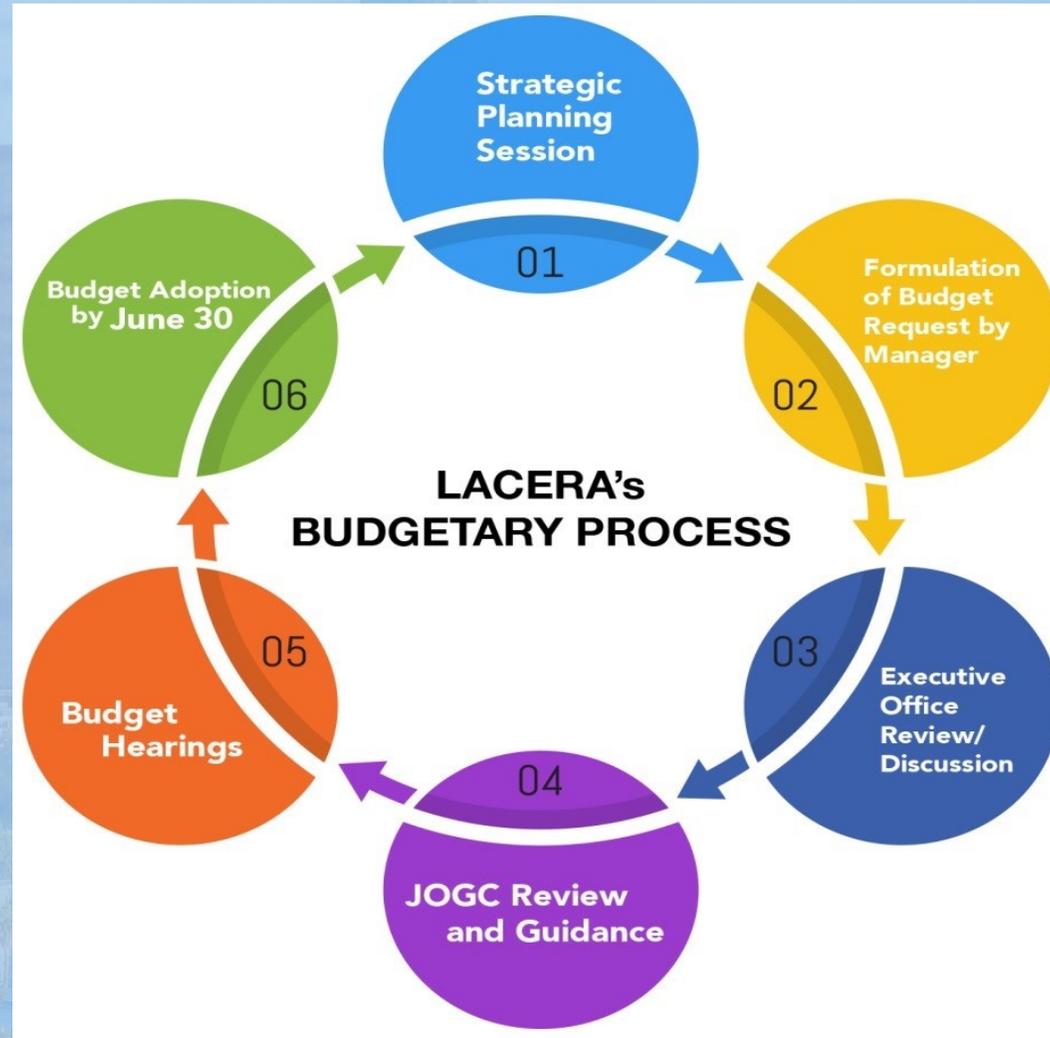
## Workforce Optimization

- Case Management - Teamwork Optimization
- Process Management - Business Rules, Tools, Metrics
- QA/Exceptions Handling/Account Certification
- Staff Development - Recruitment and Training
- Data integrity and cleansing as an optimization effort

## Omni-Channel Service Focused on Member Experience

- Member-Driven Online Workflows
  - Preserve the best of LACERA's Customer Service culture
  - Growing Member Appetite for Technology
- Communication Options
- Infrastructure and Expertise - Project Development

# Budget Development Process



# Budget Policies

## Statutory Appropriation

- Legal Authorization: CERL Section 31580.2
- 0.21 basis points of Actuarial Accrued Liabilities (AAL)
- Excludes Non-Administrative Costs CERL Section 31596.1

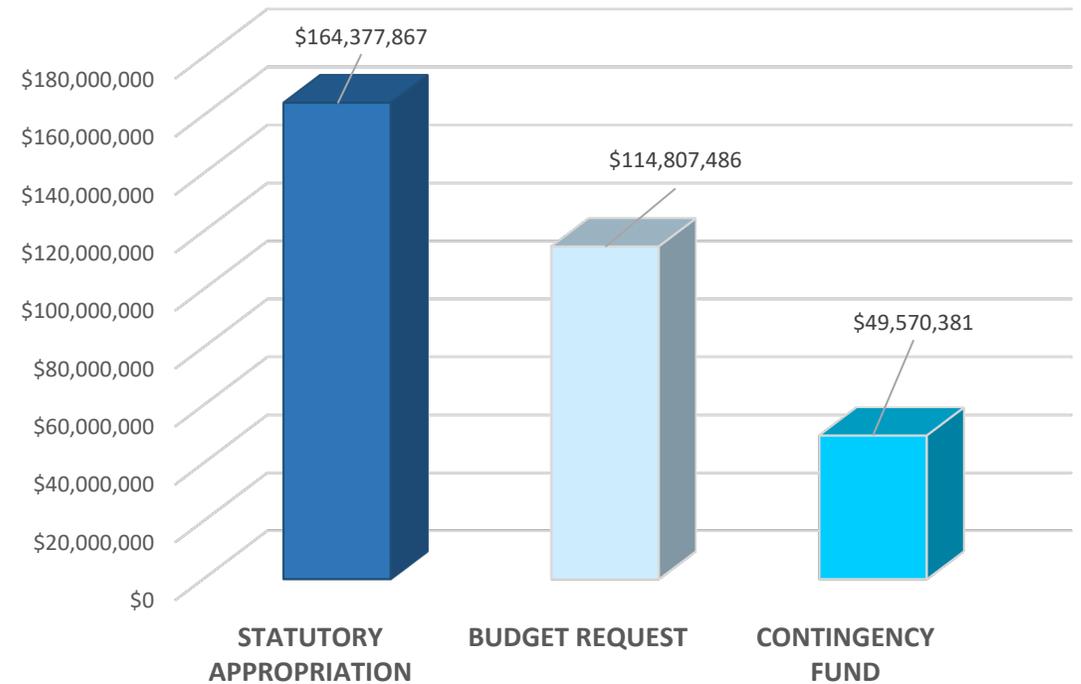
## Contingency Funds

- Balance Remaining after Administrative Costs
- Approx. \$50 Million

## Retiree Healthcare Costs

- Administrative Overhead Costs are charged against RHC Budget on an annual basis

## BASIS FOR BUDGET FY 2021-2022



# Administrative Budget Request Summary

| <b>ADMINISTRATIVE BUDGET</b>            | <b>BUDGET REQUEST<br/>FY 2020-2021</b> | <b>BUDGET REQUEST<br/>FY 2021-2022</b> | <b>VARIANCE</b>     | <b>%<br/>CHANGE</b> |
|---|--|--|---------------------|---------------------|
| <b>SALARIES &amp; EMPLOYEE BENEFITS</b> | <b>\$79,121,717</b>                    | <b>\$88,449,786</b>                    | <b>\$9,328,069</b>  | <b>11.8%</b>        |
| <b>SERVICES &amp; SUPPLIES</b>          | <b>\$21,168,800</b>                    | <b>\$26,357,700</b>                    | <b>\$5,188,900</b>  | <b>24.5%</b>        |
| <b>OPERATING BUDGET TOTAL</b>           | <b>\$100,290,517</b>                   | <b>\$114,807,486</b>                   | <b>\$14,516,969</b> | <b>14.5%</b>        |

# Salaries & Employee Benefits

Increase in Salaries & Employee Benefits

Net Increase of 15  
permanent positions

Full funding of vacant  
positions (CORE Benefits  
Training Class)

Natural Step Increases &  
Merit Increases

# 15 Net Increase in Positions

| DIVISION                |                | POSTION TITLE   | DESCRIPTION  |
|-------------------------|----------------|---|--|
| Administrative Services | 1.00           | Administrative Services Analyst III                                       | To conduct quality assurance assessments for the Document Processing Center  |
| Administrative Services | 1.00<br>(1.00) | Administrative Services Analyst II<br>(Administrative Services Analyst I) | Add/Delete Upgraded position to support complex work related to risk management, business continuity and contracts   |
| Benefits Division       | 4.00           | Retirement Benefits Specialist III  | To support growth in LACERA membership and increase in member transactions   |
| Benefits Division       | 3.00           | Retirement Benefits Specialist II   | To support growth in LACERA membership and increase in member transactions   |
| Executive Office        | 1.00           | Special Assistant   | Assist the Executive Officers with implementing special projects, including strategic planning efforts, major initiatives, data gathering and analytics  |
| Human Resources         | 2.00           | Human Resources Analyst   | One staff to assume new HR responsibility for personnel assignment transactions. One staff to support expanding operations related to leadership development, succession planning, inclusion, and engagement |
| Investment Office       | 1.00           | Finance Analyst III   | Assist with portfolio stewardship and corporate governance   |
| Legal Services          | 1.00           | Senior Staff Counsel  | To support investments and commercial transactions work  |
| Legal Services          | 1.00           | Staff Counsel   | Succession planning related to seasoned CERL attorney and growing Benefits workload  |
| Systems Division        | (2.00)         | (Programming Systems Specialist)  | No longer needed   |
| Systems Division        | 3.00           | Data Systems Analyst I  | Two staff to improve service levels for Helpdesk support. One staff to support the Application Development and Business Solutions team with supporting the Pension Administration System                     |
| <b>Total</b>            | <b>15.00</b>   |   |  |

# Vacant Positions

| VACANT POSITION SUMMARY        |                                    |                              |            |                                     |           |            |
|--------------------------------|------------------------------------|------------------------------|------------|-------------------------------------|-----------|------------|
| Division                       | Budgeted Positions<br>FY 2020-2021 | Vacancy<br>as of<br>04/30/21 | %          | Budgeted Positions<br>FY 2021-2022* | Vacancy   | %          |
| Administrative Services        | 36                                 | 10                           | 28%        | 37                                  | 11        | 30%        |
| Benefits                       | 71                                 | 4                            | 6%         | 78                                  | 11        | 14%        |
| Communications                 | 14                                 | 4                            | 29%        | 14                                  | 4         | 29%        |
| Disability Litigation          | 7                                  | 0                            | 0%         | 7                                   | 0         | 0%         |
| Disability Retirement Services | 41                                 | 2                            | 5%         | 41                                  | 2         | 5%         |
| Executive                      | 8                                  | 2                            | 25%        | 14                                  | 8         | 57%        |
| Financial Accounting Services  | 30                                 | 10                           | 33%        | 30                                  | 10        | 33%        |
| Human Resources                | 13                                 | 0                            | 0%         | 15                                  | 2         | 13%        |
| Internal Audit                 | 11                                 | 1                            | 9%         | 11                                  | 1         | 9%         |
| Investments Ø                  | 44                                 | 4                            | 9%         | 45                                  | 5         | 11%        |
| Legal Services Ø               | 26                                 | 6                            | 23%        | 28                                  | 8         | 29%        |
| Member Services                | 79                                 | 10                           | 13%        | 79                                  | 10        | 13%        |
| Quality Assurance              | 19                                 | 4                            | 21%        | 19                                  | 4         | 21%        |
| Systems Ø                      | 60                                 | 24                           | 40%        | 56                                  | 20        | 36%        |
| <b>LACERA Total</b>            | <b>459</b>                         | <b>81</b>                    | <b>18%</b> | <b>474</b>                          | <b>96</b> | <b>20%</b> |

\*Includes new requested positions.

Ø Includes five (5) budgeted positions not yet processed by the Board of Supervisors.

# Services & Supplies

Increase in Services & Supplies

Historical Usage / Efficiency  
Focus

Rent Increase

Technology / Infrastructure

# Services & Supplies - Highlights

\$3.5 million rent increase due to an Administrative change to properly account for actual rent costs

\$1.3 million request for furniture and technology costs related to renovating Systems & Accounting

\$600,000 increase due to the new fee schedule for Disability Panel Physicians

\$290,000 to retain a consultant and to implement a new budget software

\$200,000 for Phase II of the Case Management System for the Member Operations Group

# Retiree Healthcare Budget Request Summary

| <b>RHC ADMINISTRATIVE BUDGET</b>        | <b>BUDGET REQUEST<br/>FY 2020-2021</b> | <b>BUDGET REQUEST<br/>FY 2021-2022</b> | <b>VARIANCE</b>    | <b>%<br/>CHANGE</b> |
|---|--|--|--------------------|---------------------|
| <b>SALARIES &amp; EMPLOYEE BENEFITS</b> | <b>\$3,838,039</b>                     | <b>\$5,272,936</b>                     | <b>\$1,434,897</b> | <b>37.4%</b>        |
| <b>SERVICES &amp; SUPPLIES</b>          | <b>\$5,315,628</b>                     | <b>\$6,118,192</b>                     | <b>\$802,564</b>   | <b>15.1%</b>        |
| <b>OPERATING BUDGET TOTAL</b>           | <b>\$9,153,667</b>                     | <b>\$11,391,128</b>                    | <b>\$2,237,461</b> | <b>24.4%</b>        |

# Retiree Healthcare Budget Overview

The budget proposal includes necessary increases and responsible reductions designed to provide the resources needed to support an increased workload.

## Salaries & Employee Benefits

## Supplies & Services

Increase of 6 permanent positions

Full funding of vacant positions

Natural Step & Merit Increases

Increased Operational Costs Related to Departmental Overhead

Audit to comply with GASB 75 SOC - 1 Type 2 Assessment

# Other Post Employment Benefits Cost Allocation Summary

| OPEB COST ALLOCATIONS        | BUDGET REQUEST<br>FY 2020-2021 | BUDGET REQUEST<br>FY 2021-2022 | VARIANCE  | %<br>CHANGE |
|------------------------------|--------------------------------|--------------------------------|-----------|-------------|
| SALARIES & EMPLOYEE BENEFITS | \$428,043                      | \$495,700                      | \$67,568  | 15.8%       |
| SERVICES & SUPPLIES          | \$154,153                      | \$187,449                      | \$33,297  | 21.6%       |
| OPERATING BUDGET TOTAL       | \$582,196                      | \$683,150                      | \$100,954 | 17.3%       |

# Other Post Employment Benefits Cost Allocation Summary

Total OPEB operating costs are based on work performed and services provided in support of the OPEB Trust Fund. All costs are divided between LA County (75%), LACERA (5%), and the Superior Court (20%).

Salaries & Employee Benefits

Supplies & Services

Actual Hours Spent  
on OPEB  
Administration

Percentage of  
Indirect S&EB for  
Staff Supporting all  
LACERA Ops

Direct S&S Costs

Percentage of  
Indirect S&S  
Supporting all  
LACERA Ops

# We hear you

Adjustments and additional budget data to be included earlier in the process

Historical budget data included in the preliminary budget package

Year-to-date expenditure information and projected spending data included in the preliminary budget

A budget that more closely aligns with actual spending

# Questions?

