November 5, 2025

TO: Each Trustee,
JOGC Committee Meeting

SUBJECT: Joint Organizational Governance Committee Meeting on November 6, 2025 – Agenda Item VI. B.

Following you will find supplemental information regarding the below-mentioned item.

VI. B. **Approval of Concept for Incentive Pay Plan for Investment Positions Recommendation as submitted by Luis Lugo, Acting Chief Executive Officer:** It is recommended that (1) the proposed concept for an incentive pay plan structure for Investments Division positions and its components be reviewed by the Joint Organizational Governance Committee (JOGC), (2) the JOGC direct staff to prepare the necessary materials to implement the structure, and (3) the JOGC recommend the structure, with necessary implementation materials, be approved by the Board of Retirement and Board of Investments, with direction to present the structure and supporting implementation materials to the County of Los Angeles Board of Supervisors for inclusion in the County Salary Ordinance. (Memo dated November 6, 2025)

MEMORANDUM

TO: Joint Organizational Governance Committee (JOGC)
FROM: Jason E. Green, Chair, Board of Investments,
Co-Chair, JOGC
DATE: November 5, 2025
RE: Support for Incentive Compensation Plan Proposal

I regret that I am unable to attend today's committee meeting. If I were present, I would move to direct staff to prepare materials detailing the structure of the Incentive Compensation Plan and, upon completion, forward it to the Board of Retirement, the Board of Investments, and the County of Los Angeles Board of Supervisors for consideration.

I strongly support this proposal. The classification and compensation study was completed in March 2024, and while this has been in development for some time, it is crucial we move forward now. The stakes are clear: if we fail to stay competitive with the broader financial sector and other pension systems, we risk losing exceptional talent and our future ability to attract qualified replacements.

The County Board of Supervisors and CEO Office already recognizes this issue and has implemented similar programs to incentivize high-level professionals into County service. The DHS medical system, for example, offers bonus incentives up to 25% to attract physicians (see DHS physician pay and bonus incentives). LACERA also must remain competitive in an increasingly challenging market for qualified talent.

This plan serves two critical functions. First, it provides an essential recruitment tool to attract the small pool of top tier investment and pension management professionals to work at LACERA. This program addresses upfront the issue of pension income limitations for top earners in County service with a "pay it forward" approach. Second, it validates the exceptional work of our current staff through performance-based recognition. The structure is well-designed, and our contemporaries in public pension systems have demonstrated success with similar programs—both in generating increased returns for pensioners and in recruiting top talent.

I commend all staff for involved for remaining independent and for their integrity in developing this program. This has been a long time coming, and I am pleased to see it developing.

Thank you for your consideration.

Respectfully submitted,

Jason E. Green

MEMORANDUM OF SUPPORT

To: Members of the Joint Organizational Governance Committee
From: Patrick Jones, BOI Vice-Chairman, Trustee
Subject: Support for Adoption of the Incentive Compensation Plan (ICP) for Investment Positions
Date: November 5, 2025

Colleagues

I am writing to express my strong support for the proposed Incentive Compensation Plan (ICP) for our investment team and to encourage its adoption. This initiative has been in development for quite some time, and our key staff have been waiting in anticipation for our approval. Moving forward now demonstrates our commitment to both governance excellence and the professionals who deliver results for our beneficiaries.

Why This Plan Matters:
The ICP is a strategic tool designed to:

- Attract, motivate, and retain highly skilled investment professionals in a competitive market.
- Align compensation with long-term, risk-adjusted performance rather than short-term gains.
- Reward ethical leadership and prudent risk-taking consistent with LACERA's values.
- Recognize outstanding results achieved for our members.

Eligibility and Governance:
Participation is limited to critical investment roles—CIO, DCIO, Principal and Senior Investment Officers, and Financial Analysts II and III. The plan year runs January–December for fund performance and July–June for individual performance, with prorated payouts for partial-year participation. Participants must be in good standing and have completed probation, ensuring fairness and accountability.

Performance and Payout Structure
The ICP uses a balanced approach:

- Metrics include Total Fund, Asset Class, and Individual Performance, weighted by role.
- Bonus opportunities are tied to clear thresholds, targets, and stretch goals—no payouts below threshold.
- Competitive targets aligned with industry standards reinforce a pay-for-performance philosophy.

Bottom Line
This plan is more than a compensation adjustment—it's a long-awaited step that honors the commitment we've made to our staff and strengthens our ability to deliver for beneficiaries. After extensive work and collaboration, the ICP is ready. Approving it now positions LACERA as a leader in governance and investment excellence.

Thank you for your consideration.