Joint Study of LADWP Total Compensation

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Background and Executive Summary
Context - LADWP benchmarking program
This program, jointly conducted by the OPA and LADWP, refreshes and updates the previous total compensation study completed in 2016 to support OPA’s continued rate-related work.

History of organizational level benchmarking at LADWP

Phase 1 - High level financial benchmarking
First of three phases of benchmarking focused on high level operating and capital expenditures - used FY12/13 data

Phase 2 – Joint Functional Total Cost Study
Second phase which is evaluating total labor cost and staffing for key functions as well as non-labor costs (e.g. 3rd party service). Jointly conducted by OPA and LADWP - used FY14/15 data and the 2016/17 Joint Total Compensation Study employee census

Phase 3 – Business process improvement
Ongoing benchmarking that will target specific business processes identified for improvement

Joint Total Compensation Study
Total compensation benchmarking study that compared matched “jobs” at LADWP to those in industry surveys – used FY14/15 data

Joint Total Compensation Study
Update of total compensation benchmarking study to compare matched “jobs” at LADWP to those in industry surveys – used CY19 data

The phases of LADWP’s benchmarking program aim to “peel back the onion” in order to identify the areas with the greatest opportunities for improvement that will be addressed through new initiatives or incorporated into existing efforts.
Background: Total Compensation Study of LADWP

Oliver Wyman/Mercer used industry standard methodologies in evaluating key components of total compensation at LADWP, consistent with the 2016 Study.

- The Office of Public Accountability (OPA) contracted with Oliver Wyman/Mercer to refresh the Total Compensation Study of LADWP (updated using pre-COVID CY 2019 data), as part of its role to provide independent analysis of LADWP actions as they relate to water and electricity rates and to continue benchmarking initiatives already underway at the organization.

- This labor benchmarking study represents a joint effort between OPA and LADWP with the analysis performed by Oliver Wyman/Mercer in cooperation with and based on data provided by LADWP staff.

- The Study focused on the analysis of three components of employee compensation using LADWP data from CY 2019:
  - Annualized salaries.
  - Retirement benefits.
  - Health and other benefits including medical, dental, life, long-term disability, and post-retirement medical.

- As with the 2016 Study, this analysis evaluated LADWP’s total compensation cost relative to peer utilities nationwide ranking them from the 1st quartile being the “lowest” cost to the 4th quartile representing the “highest” cost.
Executive summary: Key findings of Update of Total Compensation Study

- **Employee base salary compensation costs**: Comparisons were performed relative to both (1) base salary and (2) base salary plus bonus/incentive pay at IOUs and POUs:
  - Including bonus/incentive pay in the market data, LADWP has position-weighted compensation that falls in the 2nd quartile, just below median among peers. Many peer utilities offer bonus/incentive pay programs, while LADWP does not. LADWP’s results are similar to the 2016 Study.
  - The analysis included a review of 202 Duties Description Records (DDRs) covering 113 common classifications for 5,444 LADWP employees representing 51.5% of all LADWP employees. (Industry standards suggest a study covering between 40-50% of employees provides a very good overall representative sample for benchmarking purposes.)
  - Industry standard benchmarking surveys report annual salaries by job classification
  - Of the job classifications analyzed in this study, 86 out of 113 or roughly 76% fell within the 1st, 2nd, or 3rd quartiles for the period benchmarked (calendar 2019).

- **Compensation costs by pay band; salary plus bonus/incentive pay**:
  - For those market job classes less than $100,000, LADWP employees fall in the 4th quartile. LADWP’s cost position increased versus the market since the 2016 Study.
  - LADWP employees are positioned in the 1st quartile for job classes between $100,000 and $175,000. LADWP has become somewhat less competitive against the market in the middle band (see p. 21)
  - For those job classes greater than $175,000, LADWP is positioned in the 1st quartile of the market. LADWP has lost ground against the median among higher paid employees (see p. 22)

- **Retirement benefits costs**: Overall retirement benefits costs blended between Tier 1 and Tier 2 are within the 4th quartile relative to both panels of peer utilities. However, costs are much lower (lower 1st quartile) for employees that participate in Tier 2. Since 2016, LADWP’s blended retirement benefits costs have increased from the 2nd to 4th quartile in the IOU panel and 3rd to 4th in the POU panel.

- **Medical and other benefits costs**: LADWP’s costs fall within the 4th quartile when compared to both panels of peer utilities driven by higher active and retiree medical plan costs, due to a higher subsidy level than peers. LADWP’s positioning is similar to results in 2016.

- **Total compensation costs**: LADWP’s costs fall slightly above the 2nd quartile when compared to both panels of peer utilities.
Executive summary: Link to Functional Total Cost Study (2020)

- This Update of LADWP Total Compensation provides further insight and support of recommendations included in the Functional Total Cost Study conducted jointly by OPA and LADWP, which was released in 2020
- **ITS improvement**: The update suggests LADWP significantly lags the market in both compensation and potentially in skill development
  - LADWP’s salaries for IT-related positions lag the market; LADWP falls in the 1st quartile overall. For 15 IT positions evaluated, LADWP falls in the 1st quartile for 14 positions
  - Furthermore, the market data suggests that key IT positions have specialized skills and experience (e.g., testing). LADWP fills these specialized roles using jobs that describe more general IT skillsets
- **Staffing and overtime usage**: The update highlights further the hiring and under-staffing issues facing LADWP
  - Based on the employee Census information, overtime represents a growing portion of total compensation at LADWP
  - Overtime pay is concentrated in Power and Water operational functions resulting in ~10% of the company earning 38% of total overtime pay. The Functional Total Cost Study concluded that no apparent mechanism exists to translate high overtime use at LADWP into analysis and actions that increase staffing in those functions
- **LADWP management-related issues**: The update suggests LADWP lags the market in compensation for senior and middle management employees by a wide margin
  - LADWP’s seven-member executive team ranks in the 1st quartile after considering bonus/incentives offered by peers
  - For 25 MEA positions evaluated, LADWP also falls in the 1st quartile after considering bonus/incentives
- **Power Distribution improvement**: The update suggests multiple issues may need to be addressed
  - One of the critical positions in Power Distribution is Electric Mechanics. LADWP’s pay for this position is at median relative to peers; the ranking may not be high enough to attract the numbers of staff required to complete work
  - Overtime in key areas within Power Distribution has grown further from already high levels. For the Electric Mechanic classification, OT has grown from 20.7% of compensation in the 2016 Study to 28.5% in the latest Census. Moreover, for the broader functional category of Distribution Line Crews and Management, OT has grown from 27.7% to 37.3% of compensation. This continued high level and growth of OT most likely reflects understaffing.

This Update provides support for the five recommendations identified for initial focus and supported by the LADWP Executive Team and OPA, Recommendations were to focus improvement initiatives on (1) Management Value Proposition, (2) Management Alignment and Development, (3) Support of the ITS Program, (4) Key HR Processes, and (5) Power Distribution
Cash Compensation: Salary and Salary plus Bonus/Incentive Pay
Class codes for salary benchmarking
The Study updated and expanded the job classes for benchmarking against the market, that were previously selected using a comprehensive and highly collaborative process involving multiple staff from both LADWP and OPA.

Number of LADWP Job Classes Benchmarked

<table>
<thead>
<tr>
<th>Year</th>
<th>Benchmark Jobs</th>
<th>Additional Jobs in 2018</th>
<th>Additional IT Jobs</th>
<th>Total Jobs Benchmarked 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>89</td>
<td>14</td>
<td>10</td>
<td>113</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Commentary

- 113 LADWP job classes were selected for benchmarking:
  - 89 job classes that were included in the 2016 Study.
  - 14 additional job classes were included in a 2018 study conducted for LADWP.
  - 10 IT job classes were added given the importance of the function to LADWP’s future.

- Subject matter experts from Water, Power, and Joint divisions previously approved benchmark matches for each job class included in the 2016 and 2018 analyses. To ensure an “apples-to-apples” comparison, subject matter experts from LADWP also approved the benchmark matches for each of the IT roles.

- Position matching was completed before salary benchmarking to ensure independent and unbiased results.

The 113 benchmarked classes cover 5,444 LADWP employees (representing 51.5% of all LADWP employees). Industry standards suggest a study covering between 40-50% of employees provides a very good overall representative sample for benchmarking purposes.
Salary benchmarking methodology

The updated Study continued to use industry standard sources and adjustments to benchmark salaries at LADWP with the utility industry.

- Four commonly used utility-industry related surveys were used to benchmark cash compensation for the 113 LADWP job class codes.
- Comparisons of LADWP to market data were made considering the following measures for cash compensation:
  - “Base Salary”: Annualized base salary.
  - “Base Salary Plus Bonus/Incentive Pay”: For those positions which are typically bonus-eligible (i.e., 50% or more of the incumbents are bonus eligible within the market), market data provided include actual cash bonuses awarded in 2019 and paid in 2020 but excluded any stock-related compensation.
  - For attracting and retaining staff, comparison of LADWP salaries to the market including bonuses/incentives is critically important since LADWP does not pay bonuses or other forms of incentive pay and thus may be at a competitive disadvantage.
- Compensation comparisons were made using median not average data since median represents the industry standard and limits the impact of outliers. Market data were collected for the 25th percentile, median, and 75th percentile and compared to median annualized salaries for the applicable LADWP Description of Duties and Responsibilities (DDRs) for each class code.
- The data in each of the four surveys is based on utilities located throughout the country and is not specific to Los Angeles. Thus, a labor market adjustment of +15% based on data from Economic Research Institute’s Geographic Assessor and the US Bureau of Labor Statistics was applied to account for the relatively higher cost of labor in Los Angeles.

Additional information on the benchmarking methodology appears in Appendix 1.
Job classes by quartile: LADWP versus market salary plus bonus/incentive pay

86 of LADWP’s 113 benchmarked job classes has compensation that fell in the 1st, 2nd, or 3rd quartiles.

Cash compensation distribution for 113 benchmarked job classes
By quartile, LADWP relative to market salary plus bonus/incentive pay

- 1st Quartile: 43%
- 2nd Quartile: 14%
- 3rd Quartile: 19%
- 4th Quartile: 24%

27 LADWP job classes fell in the 4th quartile
By % difference from 3rd quartile compensation levels

- 15 job classes were between 0-10% above 3rd quartile
- 9 job classes were between 10-20% above 3rd quartile
- 3 job classes were above 20% above 3rd quartile

Only 3 LADWP job classes have median compensation well above 3rd quartile levels

Data shown by job classes/positions, not by numbers of employees. Job classes in the 1st quartile (dark green) reflect job classes that have the lowest cost relative to the same positions among peer utilities. Job classes in the 4th quartile (blue) reflect job classes with the highest cost relative to the same position among peer utilities.
Base salaries: Overall findings
LADWP has a position-weighted median base salary that falls near the median among peers.

Position-weighted median annual employee base salary
Calendar 2019, LADWP vs peer organizations, IOU and POU

113 Matched Job Classes from IOU and POU Surveys

Lowest
$82.6K
Q1

$119.6K
Q2

$163.2K
Q3

Highest
LADWP = $119.3K

Commentary

- Overall, LADWP’s position-weighted median base salary is near the median.
- Generally, compensation levels within 10% of the targeted positioning are considered within a reasonable range.
- Using 2014/2015 data, LADWP was 10.1% above median; with 2019 data, LADWP now falls 0.2% below median.
Base salaries: By salary band
LADWP’s salaries are relatively lower versus the market as pay increases. Pay is relatively higher at LADWP for lower compensated positions.

**Commentary**

- For those job classes with market salaries less than $100,000, LADWP employees are positioned in the 4th quartile.
- LADWP employees are between the median and the 75th percentile for job classes with base market salaries between $100,000 and $175,000.
- For those job classes with market salaries greater than $175,000, LADWP is positioned below the market median.

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**Based/annualized salaries by market salary band**

*Calendar 2019*

- **< $100,000**
  - LADWP = $94.7K
  - 44 LADWP Class Codes
  - 3,712 LADWP benchmarked employees
  - 65% of benchmarked employees
- **$100,000- $175,000**
  - LADWP = $138.8K
  - 45 LADWP Class Codes
  - 1,809 LADWP benchmarked employees
  - 32% of benchmarked employees
- **> $175,000**
  - LADWP = $232.4K
  - 24 LADWP Class Codes
  - 197 LADWP benchmarked employees
  - 3% of benchmarked employees

**Source:** LADWP; utility industry salary surveys from Mercer; Mercer analysis

1. 183 IT employees are in DDRs that were matched to more than 1 industry job description, as is industry standard, resulting in number of benchmarked employees totaling 5,718 vs the actual incumbents of 5,444 – this has no statistically significant impact.
**Base salaries plus bonus/incentive pay: Overall findings**

After including bonus/incentive pay in the market data, LADWP has position-weighted compensation that falls in the 2nd quartile, just below median among peers.

**Position-weighted median annual employee base salary plus bonus/incentive pay**

Calendar 2019, LADWP vs peer organizations, IOU and POU

- **LADWP = $119.3K**

**Commentary**

- LADWP’s pay structure does not have a bonus/incentive component while many utilities offer such programs.
- Industry surveys suggest that roughly 60% of all utilities offer bonus/incentive programs.
- Overall, LADWP’s position-weighted median is just below the median of the utility peers.
- The median bonus/incentive paid by peers is about $13,600, which includes both job classes that both pay and do not pay bonuses/incentives.
- Based on industry standards, LADWP’s cash compensation falls just below the median.
Base salaries plus bonus/incentive pay: By pay band
LADWP’s salaries rank lower relative to peers when bonus/incentives are included in the market data.

Pay by market salary plus bonus/incentive pay band
Calendar 2019

<table>
<thead>
<tr>
<th>Pay Band</th>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>$68.7K-$122.5K</td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td>$80.5K-$133.0K</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>$86.7K</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Lowest: 41 LADWP Class Codes
3,567 LADWP benchmarked employees
62% of benchmarked employees

Highest: 34 LADWP Class Codes
1,759 LADWP benchmarked employees
31% of benchmarked employees

Commentary

- For those market job classes with salary plus bonus/incentive pay less than $100,000, LADWP employees are above the market 75th percentile.
- LADWP employees are positioned at the 25th percentile for job classes with salaries between $100,000 and $175,000 (the lowest end of the market).
- For those job classes greater than $175,000, LADWP is positioned at the 25th percentile of the market.

Source: LADWP; utility industry salary surveys from Mercer; Mercer analysis

1. 183 IT employees are in DDRs that were matched to more than 1 industry job description, as is industry standard, resulting in number of benchmarked employees totaling 5,718 vs the actual incumbents of 5,444 – this has no statistically significant impact.
Total cash compensation for GM and Direct Reports
LADWP’s seven-member executive team ranks below the 25th percentile after considering bonus/incentives offered by peers.

GM and Direct Reports compensation against IOU peers
7 executives, Calendar 2019

<table>
<thead>
<tr>
<th></th>
<th>Base salary</th>
<th>Base plus bonus/incentive pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>$311.3K</td>
<td>$312.7K</td>
</tr>
<tr>
<td></td>
<td>$321.7K</td>
<td>$322.7K</td>
</tr>
<tr>
<td></td>
<td>$325.4K</td>
<td>$325.4K</td>
</tr>
<tr>
<td>Highest</td>
<td></td>
<td>$329.8K</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$329.8K</td>
</tr>
</tbody>
</table>

LADWP = $312.7K

Commentary

- Base salaries for LADWP’s Executive Management job classes rank just above the 25th percentile - note the tight distribution between 1st and 3rd quartiles with only $14,000 separating the two.

- LADWP’s competitive position in terms of compensation declines (to 40% below the market median, on average) when incentives are considered (e.g., bonus incentives are often used by peers).

- The median bonus at peers was $195.2K or about 61% of base salary.

Note: GM and direct reports position-weighted median based on 7 incumbents in three job classes at LADWP (151, 9759 and 9998)
Source: LADWP, utility industry salary surveys from Mercer; Mercer analysis
Salary structure: Highest and lowest paid job classifications

Overall, LADWP has a flatter cash compensation structure than its peers: LADWP has a much lower ratio of highest to lowest median compensation (by job classification) than its utility peers.

Comparison of salary structure (all Median values)

<table>
<thead>
<tr>
<th>Compensation measure</th>
<th>LADWP</th>
<th>Utility Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base Plus Bonus/Incentive</td>
<td>Base Salary</td>
</tr>
<tr>
<td>Highest LADWP job classification: General Manager &amp; Chief Engineer Water &amp; Power</td>
<td>$400,019</td>
<td>$470,330</td>
</tr>
<tr>
<td>Lowest LADWP job classification: CUSTODIAN</td>
<td>$60,094</td>
<td>$41,521</td>
</tr>
<tr>
<td>Ratio of compensation: highest to lowest job classification</td>
<td>6.7x</td>
<td>11.3x</td>
</tr>
</tbody>
</table>

Source: LADWP, utility industry salary surveys from Mercer; Mercer analysis
Base salaries: Comparison to 2016 study  
Similar to the 2016 Study, LADWP has a position-weighted median base salary that falls near median among peers.

Position-weighted median annual employee base salary – 2016 vs current study  
LADWP vs peer organizations, IOU and POU

Commentary

- LADWP median base salary increased from $99.5K to $119.3K.
- LADWP relative position has gone down and moved near median relative to peers.
- Using 2014/2015 data, LADWP was 10.1% above median; with 2019 data, LADWP now falls 0.2% below median.
- In the 4 years between studies, the matched, position weighted median for base salary increased 4.36% per year.

Source: LADWP; Mercer analysis of compensation for matched job classes from IOU and POU salary surveys
Base salaries plus bonus/incentive pay: Comparison to 2016 study

Similar to the 2016 Study results, after including bonus/incentive pay in the market data, LADWP has position-weighted compensation that falls at median relative to peers.

Position-weighted median annual employee base salary plus bonus/incentive pay
– 2016 vs current study
LADWP vs peer organizations, IOU and POU

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016 Study</th>
<th>Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$73.5K</td>
<td>$84.5K</td>
</tr>
<tr>
<td>Q2</td>
<td>$99.8K</td>
<td>$129.8K</td>
</tr>
<tr>
<td>Q3</td>
<td>$140.7K</td>
<td>$196.7K</td>
</tr>
<tr>
<td>Q4</td>
<td>$99.5K</td>
<td>$119.3K</td>
</tr>
</tbody>
</table>

Source: LADWP; Mercer analysis of compensation for matched job classes from IOU and POU salary surveys

Commentary

• LADWP median base salary increased from $99.5K to $119.3K.

• Relative position is nearly unchanged as similar increase occurred for the panel companies.

• Using 2014/2015 data, LADWP’s was 0.3% below median; using 2019 data, LADWP falls 8.1% below median.
<$100K pay band for base salaries plus bonus/incentive pay; comparison to 2016 study

For this band, LADWP moved higher relative to the peer set and remains in the 4th quartile.

Position-weighted median annual employee base salary plus bonus/incentive pay for <$100k band – 2016 vs current study
LADWP vs peer organizations, IOU and POU

2016 Study

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$62.1K</td>
</tr>
<tr>
<td>Q2</td>
<td>$73.5K</td>
</tr>
<tr>
<td>Q3</td>
<td>$84.6K</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
</tr>
</tbody>
</table>

Lowest = $62.1K
Highest = $84.6K
LADWP = $86.2K

Current Study

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$68.7K</td>
</tr>
<tr>
<td>Q2</td>
<td>$80.5K</td>
</tr>
<tr>
<td>Q3</td>
<td>$86.7K</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
</tr>
</tbody>
</table>

Lowest = $68.7K
Highest = $86.7K
LADWP = $94.7K

Commentary

• LADWP median base salary increased from $86.2K to $94.7K.

• LADWP’s relative position moved higher to near the top of peers.

• In the 2016 study, LADWP was 1.9% above the 3rd quartile; with the updated study, LADWP now falls 9.2% above the 3rd quartile.

Source: LADWP; Mercer analysis of compensation for matched job classes from IOU and POU salary surveys

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$100k-175k pay band for base salaries plus bonus/incentive pay; comparison to 2016 study
Since the last review, this segment of jobs has moved lower relative to peers and is now 1st quartile. LADWP has become somewhat less competitive against the market in the middle band.

Position-weighted median annual employee base salary for $100k-175k band – 2016 vs current study
LADWP vs peer organizations, IOU and POU

Commentary
• LADWP median base salary plus bonus/incentive increased from $114.2K to $119.8K.
• Relative position has moved lower, moving from 2nd to 1st quartile.
• In 2016, LADWP was 7% below median while it is now 10% below median.

Source: LADWP; Mercer analysis of compensation for matched job classes from IOU and POU salary surveys
$175k pay band for base salaries plus bonus/incentive pay; comparison to 2016 study

The highest band of salaries remains low compared to peers (1st quartile). LADWP has lost ground against the median among higher paid employees.

Position-weighted median annual employee base salary plus bonus/incentive pay for >$175k band
2016 vs current study
LADWP vs peer organizations, IOU and POU

Commentary
• LADWP median base salary plus bonus/incentive increased from $181.0K to $197.6K.
• Relative to peers, LADWP’s quartile position is unchanged from previous study.
• In 2016, LADWP was 10% below median while it is now 15% below median.
Retirement Benefits
Retirement benefits benchmarking methodology
Mercer used an industry standard methodology to analyze the “normal” cost of retirement benefits for LADWP versus its peers.

• To generate the “normalized” workforce retirement benefit cost for LADWP, Mercer used the following methodology (consistent with the 2016 Study):
  – Calculate the “normal” retirement benefit cost (i.e., inclusive of costs due to additional service, pay, age, and interest) of the benchmarked job classifications.
  – Weight values, based on the number of employee participants in either Tier 1 or Tier 2, to determine a weighted average total cost.
  – Comparisons were also made purely for Tier 1 employees and Tier 2 employees, as positioning is significantly different under the two programs.
• This analysis is based on a “normal” cost for LADWP and each of the peers (and should not be compared with the annual actuarial valuation of pension cost).
• Mercer used the benchmark salary data to calculate the “normal” cost from retirement programs for the peer utilities.

Further details on the methodology and peer utility comparison panel for retirement benefits is shown in Appendix 2.

Source: LADWP, Mercer analysis.
Overall retirement benefits costs: key findings

LADWP’s retirement benefits costs are in the 4th quartile relative to IOU and POU peers.

Average retirement benefit cost per employee
LADWP vs peer organizations, IOU and POU

Commentary

• Overall, LADWP’s average retirement benefits cost is in the 4th quartile relative to IOU and POU peers.

• LADWP retirement positioning increased (primarily related to the Tier 1 population) compared to the analysis in 2016:
  – Demographic changes (increases in age/service) in the Tier 1 plan population result in large accruals close to retirement.
  – Peer median benefits (as % of pay) have decreased.

• Tier 2 costs are much lower relative to Tier 1 as shown on the following page.

• Unlike many peers, LADWP does not offer an employer-funded defined contribution plan, which could be considered for Tier 2.

Note: Comparisons were made against separate, agreed upon by stakeholders, panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs).
Source: LADWP, Mercer analysis.
Retirement benefits costs: Tier 1 vs Tier 2
LADWP’s retirement benefits costs are much lower for Tier 2 compared to Tier 1.

Commentary

- LADWP’s average retirement benefits cost is in the 4th quartile relative to IOU and POU peers for Tier 1, and 1st quartile for Tier 2.

- Tier 2 costs are much lower relative to Tier 1 given Tier 2’s higher required employee contribution, lower benefit formula, and demographics:
  - Smaller accruals in early years (generally Tier 2 participants) compared to larger accruals closer to retirement age (generally Tier 1) are features of a final average pay defined benefit plan.
  - To further illustrate how demographics impact the retirement value, if we determined the Tier 2 retirement benefit using Tier 1 employee demographics, the Tier 2 amount would be $19.5K (in 4th quartile of Tier 1 IOU Panel and 3rd quartile of Tier 1 POU Panel).
  - Over time, a greater portion of LADWP’s workforce will be covered by the Tier 2 pension.

IOU Panel - Tier 1 | POU Panel - Tier 1
Lowest | Lowest
$12.9K | $15.8K
$14.8K | $19.1K
$17.7K | $19.7K
Highest | Highest

IOU Panel - Tier 2 | POU Panel - Tier 2
Lowest
$7.8K | $0.5K
$9.3K | $0.8K
$10.3K | $6.8K
Highest | Highest

LADWP: $31.0K Tier 1, $0.1K Tier 2

Note: Comparisons were made against separate, agreed upon by stakeholders, panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs).
Source: LADWP, Mercer analysis.
Retirement benefits costs: comparison to 2016 Study

LADWP’s retirement benefits costs have increased; LADWP moved from the 2\textsuperscript{nd} to 4\textsuperscript{th} quartile in the IOU panel and 3\textsuperscript{rd} to 4\textsuperscript{th} in the POU panel.

Average retirement benefit cost per employee
LADWP vs peer organizations, IOU and POU

In the 4 years between studies, the average cost per employee increased 9.71% per year

- **2016 Study**
  - IOU Panel
    - Lowest: $14.0K
    - Q1
    - Q2: $12.6K
    - Q3: $14.7K
    - Q4: $17.3K
    - Highest: $18.0K
  - POU Panel
    - Lowest: $13.0K
    - Q1
    - Q2: $14.0K
    - Q3: $17.5K
    - Q4: $18.0K
    - Highest: $21.5K

- **Current Study**
  - IOU Panel
    - Lowest: $14.5K
    - Q1
    - Q2: $12.6K
    - Q3: $14.7K
    - Q4: $17.3K
    - Highest: $18.0K
  - POU Panel
    - Lowest: $21.5K
    - Q1
    - Q2: $15.0K
    - Q3: $17.5K
    - Q4: $18.0K
    - Highest: $21.5K

Note: Comparisons were made against separate, agreed upon by stakeholders, panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs). As indicated on pages 26 and 28, pension benefits are affected by demographics and changes already negotiated in 2013 are expected to provide additional cost containment.

Source: LADWP, Mercer analysis.

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Retirement benefits costs: Tier 1 movement from 2016 Study
LADWP’s Tier 1 retirement benefits costs have increased relative to both peer panels.

Average retirement benefit cost per employee
LADWP vs peer organizations, IOU and POU

<table>
<thead>
<tr>
<th></th>
<th>Aggregate</th>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 Study</td>
<td>Current</td>
<td>2016 Study</td>
</tr>
<tr>
<td>LADWP</td>
<td>$14.5K</td>
<td>$21.5K</td>
<td>$15.9K</td>
</tr>
<tr>
<td>IOU Median</td>
<td>$16.0K</td>
<td>$14.7K</td>
<td></td>
</tr>
<tr>
<td>POU Median</td>
<td>$14.0K</td>
<td>$15.0K</td>
<td></td>
</tr>
</tbody>
</table>

Example of LADWP retirement benefit cost for sample employee
Illustrates increase in cost for Tier 1 employee

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOY Age</td>
<td>44</td>
<td>48</td>
</tr>
<tr>
<td>EOY Service</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Salary</td>
<td>$141,600</td>
<td>$159,300</td>
</tr>
<tr>
<td>Accrual</td>
<td>$5,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>PV Factor</td>
<td>5,295</td>
<td>6,701</td>
</tr>
<tr>
<td>Retirement benefit cost (net of employee contributions)</td>
<td>$17,800</td>
<td>$30,700</td>
</tr>
</tbody>
</table>

Commentary

- While the average Tier 2 retirement benefits cost for LADWP remained relatively constant from the 2016 Study, the average Tier 1 cost increased significantly.

- Accruals for Tier 1 participants are larger than in 2016, as the average age has increased (it is a closed group with no new entrants).
  - As participants get closer to retirement, the present value factor increases (given the shorter discounting period), and the impact of pay increases is more pronounced.
  - The example on the left illustrates how the cost increases for a Tier 1 participant over four years.
Health and Other Benefits
Health and other benefits benchmarking methodology
Mercer used an industry standard methodology to benchmark health and other benefits costs for LADWP versus its peers.

• Mercer took the following steps to generate the benefits cost of LADWP (~$28,300 average value):
  - We sorted the census data to use only the employees whose positions were being valued in the compensation and retirement segments of the analysis (for consistency; 5,085 employees).
  - Each health and ancillary benefit option (including retiree health benefits) was evaluated separately, net of applicable employee contributions, with the results then added to get a total active health net benefits cost.
  - Time-off benefits (vacation, personal days, sick days and short-term disability) are assumed to be included in annual base salary compensation.

• LADWP’s costs were compared against similar programs for 26 peer utilities to provide market benchmarks, split into separate panels of investor-owned and publicly-owned utilities.
  - The same peer utilities were used for the retirement benefits benchmarking and the health/other benefits benchmarking.

Further details on the methodology and peer utility comparison panel for retirement benefits is shown in Appendix 3.
Health and other benefits costs: Key findings
LADWP’s costs are in the 4th quartile compared to peers, driven by higher active and retiree medical costs.

**Commentary**

- Costs reflect medical, dental, life insurance, long-term disability, and post-employment medical programs.

- Active and retiree medical costs compose over 90% of total health and other benefit costs.

- Contributing factors to higher relative medical costs for LADWP are much higher company subsidies for both active and retiree medical costs.

- There is no material variance in average annual healthcare trends from one region of the US to another.

Note: Comparisons were made against separate representative panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.

Source: LADWP, Mercer analysis.
Health and other benefits costs: Comparison to 2016 study

LADWP health costs remain 4th quartile. LADWP’s costs have grown much faster than both peer panels (driven by a 32% rise in active and retiree medical costs). Median costs for peers have stayed the same. Benefit costs have increased. However, the peer panels have lowered relative subsidy levels since the prior study while LADWP has remained constant for Actives and increased for Retirees.

Average health care and other benefit cost per employee
LADWP vs peer organization, IOU and POU

In the 4 years between studies, the average cost per employee increased 5.99% per year

Note: Comparisons were made against separate representative panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.
Source: LADWP, Mercer analysis.
LADWP net medical cost summary for active employees

The Anthem Blue Cross HMO and Owens Valley plans have the highest costs.

Net Active Medical Plan Costs for All Plans: Annual Premium

LADWP weighted annual per employee average cost (annual premium / # of employees) is $20,200

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th># of Employees</th>
<th>Gross Annual Premium</th>
<th>Employee Contributions</th>
<th>Net Employer Cost</th>
<th>Annual Net Cost per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser HMO</td>
<td>2,291</td>
<td>$39,535,000</td>
<td>$0</td>
<td>$39,535,000</td>
<td>$17,300</td>
</tr>
<tr>
<td>United Healthcare HMO</td>
<td>213</td>
<td>$4,607,000</td>
<td>$488,000</td>
<td>$4,119,000</td>
<td>$19,300</td>
</tr>
<tr>
<td>United Healthcare PPO</td>
<td>111</td>
<td>$2,163,000</td>
<td>$119,000</td>
<td>$2,044,000</td>
<td>$18,400</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO*</td>
<td>2,000</td>
<td>$43,241,000</td>
<td>$0</td>
<td>$43,241,000</td>
<td>$21,600</td>
</tr>
<tr>
<td>Anthem Blue Cross PPO*</td>
<td>307</td>
<td>$6,955,000</td>
<td>$397,000</td>
<td>$6,558,000</td>
<td>$21,400</td>
</tr>
<tr>
<td>Subtotals – greater LA</td>
<td>4,922</td>
<td>$96,501,000</td>
<td>$1,004,000</td>
<td>$95,497,000</td>
<td>$19,400</td>
</tr>
<tr>
<td>United Healthcare PPO (Owens Valley)</td>
<td>17</td>
<td>$500,000</td>
<td>$0</td>
<td>$500,000</td>
<td>$29,400</td>
</tr>
<tr>
<td>Anthem Blue Cross PPO* (Owens Valley)</td>
<td>146</td>
<td>$6,788,000</td>
<td>$0</td>
<td>$6,788,000</td>
<td>$46,500</td>
</tr>
<tr>
<td>Totals</td>
<td>5,085</td>
<td>$103,789,000</td>
<td>$1,004,000</td>
<td>$102,785,000</td>
<td>$20,200</td>
</tr>
</tbody>
</table>

* These plans are sponsored by IBEW

Notes: Owens Valley is a remote area with a limited population, smaller number of healthcare facilities and less competition among providers to help keep costs under control. There are also no HMO plan options available. Accordingly, LADWP covers the total premium costs for Owens Valley employees.
Sum of Compensation
Sum of compensation: IOU-related
Base salaries plus bonus/incentive pay, retirement benefits, and health & other benefits
Companies have focused on managing broadly across all forms of compensation. LADWP falls around the median when all forms of compensation analyzed in this study are used to arrive at a Total Compensation figure.

Benchmarking results
LADWP vs peer organizations

113 matched Job Classes using data from 4 compensation surveys having over 400 utility participants

13 peer investor-owned utilities

Source: Joint Study of LADWP Total Compensation; Mercer analysis
Note: median retirement and health/other benefit costs added to compensation quartiles

Illustrative and Directional
Sum of compensation: POU-related
Base salaries plus bonus/incentive pay, retirement benefits, and health & other benefits
LADWP falls around the median when all forms of compensation analyzed in this study are used to arrive at a Total Compensation figure.

Benchmarking results
LADWP vs peer organizations

Base salary plus bonus/incentive pay

Retirement benefits

Health and other benefits

Total Compensation

LADWP: $119.3K

LADWP: $21.5K

LADWP: $169.1K

113 matched Job Classes
using data from 4 compensation surveys
having over 400 utility participants

Illustrative and Directional

Source: Joint Study of LADWP Total Compensation; Mercer analysis
Note: median retirement and health/other benefit costs added to compensation quartiles

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Benchmarking results for Total Compensation – comparison of 2014/2015 and 2019 data
LADWP vs peer organizations, IOU and POU panels

Sum of compensation: Comparison to 2016 study
Updated results are similar to the previous study. LADWP’s total compensation remains just above the peer medians overall.

In the 4 years between studies, the median for total compensation increased 5.24% per year

Source: Joint Study of LADWP Total Compensation; Mercer analysis
Note: median retirement and health/other benefit costs added to compensation quartiles
Link to and Support of Recommendations in Phase 2 -- Functional Total Cost Study
Linkage between Update of LADWP Total Compensation and Functional Total Cost Study (2020)

• In 2020, OPA and LADWP jointly completed a Functional Total Cost Study of the utility. LADWP’s Executive Team with the support of OPA developed 17 recommendations, including 5 recommendations for initial focus.

• This Update of LADWP Total Compensation provides further insight and support of recommendations, especially in the following areas:
  – ITS improvement
  – Staffing and overtime usage
  – LADWP management-related issues
  – Power Distribution improvement
  – Operations support functions improvement

Detail on these linkages are provided for these areas in this section
Employees and net Property, Plant and Equipment (PP&E)

Although not as large as the biggest electric IOUs in the country, LADWP is significantly larger than many peer IOUs and most, if not all, POUs.

Employees, PP&E (net of depreciation) and customer count
2015, IOUs and POUs (bubble size represents customer count)

Large utility peers of LADWP have focused significantly on management related issues, technology staff, and staffing and overtime usage highlighted in the findings and conclusions in this study.

Source: Company 10K, Comprehensive Annual Financial Report, LADWP Monthly Staffing report June 2015, CA City Data, Oliver Wyman analysis
**Total Functional Cost Study (2020): five recommendations for initial focus**

Based on consensus of LADWP Executive Team and supported by OPA

**Management Value Proposition**: Develop and implement a new value proposition for executives and all levels of management – address roles and responsibilities, career progression, total compensation (including base compensation, appropriate incentives, and benefits). Develop an equitable incentive system for management and staff.

**Management Alignment and Development**: Evolve senior staff more to manage a complex and very large utility business. Encourage increased collaboration among executives to drive the modernization. Align Executive Team on priorities and necessary actions to modernize LADWP. Focus on shared goals among the senior leaders. Better develop LADWP’s managers by addressing leadership, roles and responsibilities, teaming across organization, and managing using metrics. Cascade development efforts to first line managers. Help all managers to drive necessary shifts in behaviors, culture, and work practices.

**Support of Current Three-Year ITS Program**: Provide guidance on staffing plans, hiring practices, job descriptions, and total compensation for IT professionals. Use this study's conclusions on underspending and understaffing in IT to support the Three-Year ITS Roadmap.

**Key HR Processes**: Review and redesign key HR processes including hiring, staffing, advancement and training employees; address internal LADWP issues as well as interfaces with City Personnel. Consider reprioritization of human resources spend to support necessary staffing; perform an organizational study of HR function to possibly consolidate functions.

**Power Distribution**: Improve work planning and productivity, especially new business, replacement capital programs, outage response, and compliance and maintenance activities. Focus on people, including understaffed areas, organization, and processes. Determine key drivers of O&M cost in Power Distribution. Seek to understand and explain 4th quartile O&M expense position versus peers, but difficulty in completing planned work. Help support increasing staff levels or reallocating resources.

---

*Use the insight and capability of LADWP’s staff to design and put into practice improvement initiatives. Let the LADWP staff create the improvement and change*

---

*Recommendations supporting ongoing initiatives at LADWP*
## Total Functional Cost Study (2020): consolidated descriptions of all recommendations

<table>
<thead>
<tr>
<th>IMPROVE CORE UTILITY</th>
<th>EVOLVE MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td><strong>Power Distribution:</strong> Develop improvement initiatives focused on work planning and productivity, especially new business, replacement capital programs, outage response, and compliance and maintenance activities. Determine key drivers of O&amp;M cost in Power Distribution</td>
<td><strong>Management Alignment and Development:</strong> Evolve senior and middle management staff more to manage a complex and very large utility business</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Water T&amp;D:</strong> Determine key drivers of O&amp;M cost in Water Transmission &amp; Distribution. Refresh planning/budget goals and assumptions</td>
<td><strong>Utility-level Metrics:</strong> Use a smaller set of executive-level Department-wide metrics (6 to 8) to manage LADWP</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td><strong>Customer Service:</strong> Address 4th quartile costs, especially with Water service, and customer experience improvement needs</td>
<td>(*') <strong>Mgmt. Value Proposition:</strong> Develop and implement a new value proposition for executives and all levels of management – address roles and responsibilities, career progression, and total compensation</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td><strong>Capital Spend:</strong> Ensure LADWP is getting “bang-for-the-buck” with capital spending in both the industry leading Power and Water modernization programs</td>
<td>(*') <strong>Labor-related Resources:</strong> Begin to address difficult questions on optimizing spending on internal labor and third-party resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENABLE MODERNIZATION</th>
<th>MONITOR PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td>(*') <strong>Key HR Processes:</strong> Review and redesign key HR processes including hiring, staffing, advancement and training employees; address internal LADWP issues as well as interface with City Personnel</td>
<td><strong>Employee Engagement:</strong> Engage all employees of LADWP; listen to them and encourage them to contribute. Develop and launch a formal employee engagement and follow-up program</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Integrated Human Resources Plan:</strong> Hire and staff to meet LADWP’s goals. Develop a comprehensive, realistic, and utility-wide Integrated Human Resources Plan (IHRP) to support appropriate levels of increased hiring</td>
<td><strong>Utility-wide Functional Benchmarking:</strong> Enhance the use of both (1) Department-wide and (2) functional-level benchmarking across LADWP</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td><strong>Understaffed Areas:</strong> Perform deep dive examining staffing issues in specific functions across the organization</td>
<td><strong>Periodic Utility-wide Studies:</strong> Conduct periodic comprehensive utility-wide performance and benchmarking reviews</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td><strong>Support Current Three-Year ITS Program:</strong> Provide guidance on staffing plan, hiring practices, job descriptions, and total compensation for IT professionals</td>
<td><strong>Regulatory Accounts:</strong> Provide better industry standard financial information in the future</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Operations Support Functions:</strong> Improve internal customer service and cost effectiveness. Immediate focus on effectiveness of Purchasing. Secondary focus on Fleet, Facilities, and Security due to service improvement potential and high cost</td>
<td></td>
</tr>
</tbody>
</table>

(*) indicates recommendation that requires close coordination with and participation of the City (e.g. City Council, Mayor, Personnel Dept.)
Total Functional Cost Study (2020): LADWP’s next steps

By the end of Fiscal Year 2020/2021:

1. **Improve power distribution:** Focus on multiple priorities that require the same skilled employees but current approach cannot keep up with the competing work (new business, outage management, capital replacement/modernization, compliance/maintenance). Address the plans, people, and execution to modernize:
   - Work with key stakeholders to define overarching KPIs to bring forward actions previously deemed infeasible, including impediments related to working time restrictions, HR, IT, MOU, and funding processes
   - Identify areas where Personnel/CAO/CLA actions or agreement are needed to address progress.

2. **Further develop the human resources processes to support long-term goals**
   - Evaluate short-run LADWP internal initiatives for effectuating change to better support hiring and staffing.
   - Address potential missing utility expertise in specialty skills (e.g., IT)
   - Create partnership with City Personnel to address hiring challenges that are controlled by the civil service process

3. **Use the Functional Total Cost Study to support the ITS Program:** Use this Study to help guide ITS funding, opportunities, and modernization. Consider staffing plans, hiring practices, job descriptions, and total compensation for IT professionals. Use the Study’s conclusions on underspending and understaffing in IT to support ITS initiatives

4. **Continue to evolve management at LADWP:** Improve management alignment through development. Start with a program focused on LADWP’s senior team. Cascade development efforts to all levels of management at LADWP

5. **Improve the management value proposition at LADWP:** Develop and implement a new value proposition for executives and all levels of management – address roles and responsibilities, career progression, and compensation
Information Technology: Linkages between Total Compensation and Total Functional Cost

The update suggests LADWP significantly lags the market in both compensation and potentially in skill development

Conclusions and recommendations from Total Functional Cost Study (2020); Recommendation B.4

- LADWP lags technology adoption and use
- LADWP has below median spending, below median staffing in key areas, and key skill gaps in IT
- There is a major opportunity to build upon best practices to create a modern utility IT function at LADWP, while ensuring sound choices on a possible 80% increase in IT spending on staff and services

Additional information provided by Update of Total Compensation Study

- LADWP’s total compensation for IT-related positions lags the market; LADWP falls in the 1st quartile overall
- For 15 IT positions matched and evaluated, LADWP falls in the 1st quartile for 14 positions, with entry-level IT the only one falling above median
- Furthermore, the market suggests that key IT positions have specialized skills and experience (e.g., testing/QA, see p. 45). LADWP fills these specialized roles using jobs that describe more general IT skillsets
- Discussions with ITS during the matching processes suggested that LADWP is challenged in filling IT positions with employees with appropriate skills (e.g., impacts of civil service process requirements)

Staffing and compensation in IT at LADWP need attention. LADWP appears to have the need to address multiple issues: compensation levels, hiring and promotional processes within IT, job classification/DDR development for IT, and establishing processes within IT to add specialized skills or exempt positions
Total cash compensation for IT Positions
LADWP’s IT team ranks roughly 30% below the median after considering bonus/incentives offered by IOU peers.

Commentary

- Base salaries for LADWP’s IT job classes rank near the 1st / 2nd quartile border.
- LADWP’s competitive position declines (to 29% below the market median) as incentives are considered (e.g., bonus incentives are often used by peers).

Note: IT position-weighted median based on 15 positions covering 306 employees at LADWP; CIO peer set from salary survey unlike memo provided to OPA in January 2021 which was using 15 top IOUs
Source: LADWP, utility industry salary surveys from Mercer; Mercer analysis
IT: base salaries plus bonus/incentive pay for key IT positions

All but one matched job – an entry level role – for LADWP positions are in the 1st quartile relative to peers

The market has determined that these IT positions have specialized skills and experience. LADWP fills these specialized roles using jobs that describe more general IT skillsets.

Note: Peer range is for Total Annual Compensation with bottom at 25th percentile and top at 75th percentile
Source: LADWP, utility industry salary surveys from Mercer; Mercer analysis
Staffing and overtime: Linkages between Total Compensation and Total Functional Cost

The update highlights further the hiring and staffing issues facing LADWP

Conclusions and recommendations from Total Functional Cost Study (2020)

- LADWP uses an internal-labor intensive model: relative to peers, LADWP uses far more internal labor than non-labor resources for both capital and O&M. Significant additional hiring will be needed under LADWP’s labor-intensive business model to meet goals
- **Understaffed Areas**: Perform deep dive examining staffing issues in specific functions across the organization, including Power Distribution and IT (Recommendation B.3)
- **Key HR Processes**: Review and redesign key HR processes including hiring, staffing, advancement and training employees; address internal LADWP issues as well as interface with City Personnel (Recommendation B.2)
- **Integrated Human Resources Plan**: Hire and staff to meet LADWP’s goals. Develop a comprehensive, realistic, and utility-wide Integrated Human Resources Plan (IHRP) to support appropriate levels of increased hiring (Recommendation B.3)
- **Labor-related Resources**: No apparent mechanism exists to translate high overtime use at LADWP into analysis and actions that increase staffing in those functions. Begin to address difficult questions on optimizing spending on internal labor, additional hiring, and the use of third-party resources (Recommendation C.4)

Additional information provided by Update of Total Compensation Study

- Based on the comparison of employee Census information, OT represents a growing portion of total compensation at LADWP
- OT pay is concentrated in Power and Water operational functions resulting in ~10% of the company earning 38% of total OT pay
- Presentations to the Board in 2021 have further highlighted understaffing issues in both Power Distribution and IT
- Board presentations have also highlighted the need to evaluate short-run LADWP internal initiatives for effectuating change to better support hiring and staffing, as well as creating better partnerships with City Personnel to address hiring challenges that are controlled by the civil service process

The Update of the Total Compensation Study provides more support to the conclusion that providing talent for LADWP’s internal labor-focused business model may represent the most important strategic issue facing LADWP
Base / annualized base and OT / cash over base changes
In all cases, OT has driven increases in total cash compensation. OT represents an increasing percentage of total compensation.

OT to total cash compensation – aggregate
2016 and current study, $M

<table>
<thead>
<tr>
<th></th>
<th>2016 Study</th>
<th>Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>826</td>
<td>1,011</td>
</tr>
<tr>
<td>OT</td>
<td>983</td>
<td>248</td>
</tr>
</tbody>
</table>

+28%

Total cash comp growth driven by OT increase of 58% since 2015

OT now represents 20% of total comp

Base and OT per employee; annualized base and cash over matched positions
2016 and current study, $’000

<table>
<thead>
<tr>
<th></th>
<th>Average - 2016 Study</th>
<th>Average - Current Study</th>
<th>Median - 2016 Study</th>
<th>Median - Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>92.5</td>
<td>93.9</td>
<td>92.5</td>
<td>93.9</td>
</tr>
<tr>
<td>OT</td>
<td>15.9</td>
<td>13.7</td>
<td>8.8</td>
<td>13.7</td>
</tr>
</tbody>
</table>

Base and OT per employee; annualized base and cash over matched positions
2016 and current study, $’000

<table>
<thead>
<tr>
<th></th>
<th>Average - 2016 Study</th>
<th>Average - Current Study</th>
<th>Median - 2016 Study</th>
<th>Median - Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>99.6</td>
<td>99.5</td>
<td>92.5</td>
<td>99.5</td>
</tr>
<tr>
<td>OT</td>
<td>23.4</td>
<td>119.0</td>
<td>8.8</td>
<td>119.3</td>
</tr>
</tbody>
</table>

+19%

+16%

Total cash comp growth driven by OT increase of 47% since 2015

Total cash comp growth driven by OT increase of 56% since 2015

Excludes matched $7 of cash over base

Excludes matched $12.5 of cash over base

Source: LADWP employee census (2016 Cash Compensation Study version), Oliver Wyman analysis

1. Position weighted matched median is output from methodology applied in Section 2 of this study. Note cash over base is more than 80% OT, which can be matched but not position weighted.
Addressing overtime costs: Overtime pay

OT pay is concentrated in operational functions resulting in ~10% of the company earning 38% of total OT pay

**OT groups – highest to lowest OT earners**

<table>
<thead>
<tr>
<th>% of total OT, OT total is $248M from census</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 500 OT earners</td>
</tr>
<tr>
<td>OT earners 501-1,000</td>
</tr>
<tr>
<td>Remaining 9,585</td>
</tr>
</tbody>
</table>

**Percent of employees in groups**

<table>
<thead>
<tr>
<th>% (10,581 FTE included in study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 500 OT earners</td>
</tr>
<tr>
<td>OT earners 501-1,000</td>
</tr>
<tr>
<td>Remaining 9,585</td>
</tr>
</tbody>
</table>

Source: LADWP employee census, Oliver Wyman analysis

Addressing overtime costs: Overtime pay

OT pay is concentrated in operational functions resulting in ~10% of the company earning 38% of total OT pay

The highest OT earners are in operational functions with the greatest concentration occurring in:
- T&D Line Crews & Management
- Water & Power Construction Crews
- Gen. Operations & Maintenance
- Water Operations & Maintenance
- Transformer & Substation Crews
- T&D System Operations
Overtime groups – comparison of 2016 and current Study
Results are consistent over years for the three groups of OT earners

OT groups – highest to lowest OT earners

<table>
<thead>
<tr>
<th>Group</th>
<th>2016 Study</th>
<th>Current Study</th>
<th>% of total OT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 500</td>
<td>$157.4 M</td>
<td>$248.0 M</td>
<td>25.4%</td>
</tr>
<tr>
<td>501-1,000</td>
<td>$157.4 M</td>
<td>$248.0 M</td>
<td>15.3%</td>
</tr>
<tr>
<td>Remaining staff</td>
<td>$157.4 M</td>
<td>$248.0 M</td>
<td>59.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>2016 Study</th>
<th>Current Study</th>
<th>% of employees per group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 500</td>
<td>9,876</td>
<td>10,581</td>
<td>5.1%</td>
</tr>
<tr>
<td>501-1,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining staff</td>
<td>89,760</td>
<td>90,581</td>
<td>90.6%</td>
</tr>
</tbody>
</table>

Commentary
- The distribution has remained consistent within the 3 groups

Source: LADWP employee census (2016 Cash Compensation Study version), Oliver Wyman analysis
Management: Linkages between Current Total Compensation and 2020 Total Functional Cost

The update suggests LADWP lags the market in compensation for senior and middle management employees by a wide margin

Conclusions and recommendations from Total Functional Cost Study (2020)

- Historic GM turnover; siloed organization; not enough effort to build and strengthen middle and lower-level management
- Unclear roles, responsibilities, & expectations of mid- and first line managers; diminished incentives to become and develop as a manager
- Growing use of incentive reward structure among POU peers (~30% have some incentives)
- Better align and develop LADWP’s managers: Evolve senior and middle management staff more to manage a complex and very large utility business. Encourage increased collaboration and shared goals among executives to drive the modernization. Better develop LADWP’s managers by addressing leadership, roles and responsibilities, teaming across organization, and managing using metrics (Recommendation C.1)
- Refresh the management value proposition at LADWP: Develop and implement a new value proposition for executives and all levels of management – address roles and responsibilities, career progression, and total compensation (including base compensation, appropriate incentives, and benefits). Develop an equitable incentive system for management and staff (Recommendation C.3)

Additional information provided by Update of Total Compensation Study

- LADWP’s seven-member executive team ranks below the 25th percentile after considering bonus/incentives offered by peers.
- For 25 MEA positions evaluated, LADWP’s median base salary plus bonus/incentive is $171.1K vs peers at $207.4K. This results in 1st quartile total compensation relative to the peer set.

The Update of Total Compensation supports moving ahead with the recommendations included in the Total Functional Cost Study and supported by LADWP’s management team and its Board
Power Distribution: Linkages between Current Total Compensation and 2020 Total Functional Cost

The update suggests LADWP issues in Power Distribution revolve around planning, understaffing, and productivity and not compensation

Conclusions and recommendations from Total Functional Cost Study (2020)

• Distribution is overwhelmed with work: capital replacement, new business, outage response, O&M, & compliance; Field management struggles
• Continuing hiring, retention, & skill issues; process & organization issues, including understaffing. Power does not have enough staff to field the necessary number of crews to perform the work.
• Significant increase in net staff most likely needed to effectively meet goals
• Power Distribution: Improve work planning and productivity, especially new business, replacement capital programs, outage response, and compliance and maintenance activities. Focus on people, including understaffed areas, organization, and processes. Seek to understand and explain 4th quartile O&M expense position versus peers, but difficulty in completing planned work. Help support increasing staff levels or reallocating resources (Recommendation A.1)

Additional information provided by Update of Total Compensation

• One of the critical positions in Power Distribution is Electric Mechanic. LADWP’s pay for this position is at median relative to peers even though LADWP needs to attract substantial numbers of staff in this area
• OT in key areas within Power Distribution has grown further from already high levels. For the Electric Mechanic classification, OT has grown from 20.7% of compensation in the 2016 Study to 28.5% in the latest Census. Moreover, for the broader functional category of Distribution Line Crews and Management, OT has grown from 27.7% to 37.3% of compensation. This continued high level and growth of OT most likely reflects understaffing.
• Recent presentations to the Board have also highlighted field staffing issues in Power Distribution.

Building upon the recommendations of the Total Functional Cost Study, improvement in Power Distribution needs to address multiple factors; hiring of more experienced staff, pays levels plus a fresh look at field processes and organization.
Operations Support: Linkages between Current Total Compensation and 2020 Total Functional Cost

The Update suggests skill and cost issues that LADWP may have to address to evolve these support organizations

Conclusions and recommendations from Total Functional Cost Study (2020)

- Operations Support functions (e.g., Facilities, Fleet, Purchasing, Safety, Security, and Environmental) are driven by the needs of the Power and Water Systems. Nearly all provide service at a relatively high total cost relative to utility peers
- **Operations Support Functions**: Improve internal customer service and cost effectiveness (Recommendation B.5)
  - Immediate focus on effectiveness of Purchasing and Materials Management (long cycle time; high cost)
  - Secondary focus on Fleet, Facilities, and Security due to service improvement potential and high cost.
  - Investigate opportunities in Environment and Safety (cost, compliance and reportables)

Additional information provided by Update of Total Compensation

- Some lower paid positions at LADWP are much higher paid than peers driving higher total functional costs
  - In Facilities, pay for custodians and their supervisors is 4th quartile
  - In Fleet Services, pay for regular and heavy equipment mechanics is 4th quartile
  - In Purchasing and Materials Management, pay for storekeepers and warehouse workers is in the 4th quartile
- Some more strategic positions at LADWP, where other utilities have invested to strengthen capabilities, lag the market
  - In Purchasing, pay for buyers is in the 1st quartile
  - In Environmental, compensation for matched jobs (primarily specialists) are all in the 1st quartile
- Security positions at LADWP are paid at the median. The high cost of the function appears to be driven by higher staffing levels and OT cost. OT cost increased from 28% to 47% of total cash compensation in the Census used for this update
- Paying higher than market for lower paid classifications promotes a flatter pay structure at LADWP (see p. 17)

In the future, LADWP will most likely need to transition Operations Support functions from “service providers” to “service managers” to balance service levels and cost. Most utilities periodically address performance and cost issues with operations and shared services.
OPA Supplemental Information
Historical and forecast employee-related costs

Total LADWP employee costs for both power and water have trended upward reaching $1.85B in 2015.

**Total employee-related costs**

Power and Water

Excludes the cost of daily exempts.

CAGR = Compound Annual Growth Rate

Source: LADWP; Oliver Wyman analysis
Comparison of census files (2014/15 and 2019)
Total compensation has risen $286.5M (26.6%), including 770 more regular employees

Census file comparisons (regular + exempt)
2016 and Current Study, $M

<table>
<thead>
<tr>
<th>Employee type</th>
<th>Total Cost CAGR</th>
<th>Cost per EE CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular EE</td>
<td>5.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Exempt EE</td>
<td>4.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total Employee</td>
<td>5.7%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Commentary

- From 2014/15 to CY2019, regular employee count increased from 9,876 to 10,581
- Cost increase driven primarily by base and OT of regular employees with 4.9% and 11.3% CAGRs, respectively
  - Modest contribution from Daily exempt & P/T

Source: 2014/15 and CY2019 Census files, OPA Supplemental information section of 2016 Joint Compensation Study, Oliver Wyman analysis
# LADWP Census File Detail (1 of 2)

Census File Component | # of LADWP Employees | Amount Paid to Employees ($M) | Annual Salary * for Benchmarking ($M) | # of LADWP Employees | Amount Paid to Employees ($M) | Annual Salary * for Benchmarking ($M) |
---|---|---|---|---|---|---|
**Regular Employees**

## Base Salaries
- **Base Salaries for 202 Benchmarked DDRs**: 5,926 employees, $480.0 paid, $538.6 annual salary for benchmarking
- **Base Salaries for non-benchmarked DDRs**: 3,950 employees, $345.8 paid, $384.3 annual salary for benchmarking

**Subtotal: Base Salaries**
- 9,876 employees, $825.8 paid, $922.9 annual salary for benchmarking

## Cash Overtime
- $157.4 paid, $248.0 annual salary for benchmarking

## Other Cash Compensation Add-ons
- **Hazardous Pay**: $0.0 paid, $0.0 annual salary for benchmarking
- **Stand-by Pay**: $0.5 paid, $1.1 annual salary for benchmarking
- **Longevity Add-on**: $11.3 paid, $13.3 annual salary for benchmarking
- **Other Add-on**: $6.6 paid, $8.7 annual salary for benchmarking

**Other Cash Compensation Add-ons**
- $18.4 paid, $23.1 annual salary for benchmarking

## Other Adjustments
- **Employee Other Pay Adj (MOU Required)**
  - Unused 5.7B: $11.6 paid, $13.0 annual salary for benchmarking
  - Unused Sk Pay: $10.9 paid, $12.3 annual salary for benchmarking
  - Premium Time, Holiday: $3.1 paid, $3.3 annual salary for benchmarking
  - 1 Overtime Meal: $4.8 paid, $6.8 annual salary for benchmarking
  - Meals, Breakfast, Lunch and Dinner: $2.5 paid, $2.7 annual salary for benchmarking
  - Suppl Unused Sk: $1.3 paid, $1.7 annual salary for benchmarking
  - P.M. Shift Differential, Regular Time: $1.2 paid, $1.3 annual salary for benchmarking
  - Premium Time, Holiday Equivalent: $1.1 paid, $1.2 annual salary for benchmarking
  - Transportation Subsidy: $1.1 paid, $1.1 annual salary for benchmarking
  - Miscellaneous Employee Other Pay: $7.6 paid, $10.5 annual salary for benchmarking

**Employees Other Pay Adj**
- $45.1 paid, $54.0 annual salary for benchmarking

---

**Note:**
- Per Mercer provided benchmarking definition: Annual Salary for benchmarking = Annual Salary - Add-on Premium - Longevity Premium + Hazardous Pay + Standby Pay
- Census Data file contains 360 records with zero annual salaries
- **"Other Pay" code for total Fringe Benefits was $32.80M, $32.75M was for Health and Pension Payments to Daily Exempt Workers and the balance is being added to this line**
- **This figure is from the Payroll Census File, "Other Pay" for payroll code 72, 74, & 95. It represents the majority of what is captured by "Other Pay" code # 1, 2, 3, 5, 8, & 13**

---

**Source:** 2014/15 and CY2019 Census files, OPA Supplemental information section of 2016 Joint Compensation Study, Oliver Wyman analysis

**Note:** In the CY2019 file, there were the following exclusions: 183 students, 15 receiving Schedule D payments and 877 who had $0 annual salary
### LADWP census file detail (2 of 2)

#### Source: 2014/15 and CY2019 Census files, OPA Supplemental information section of 2016 Joint Compensation Study, Oliver Wyman analysis

Note: In the CY2019 file, there were the following exclusions: 183 students, 15 receiving Schedule D payments and 877 who had $0 annual salary.

**Annual Salary for Benchmarking**

Per Mercer provided benchmarking definition: Annual Salary for benchmarking = Annual Salary - Add-on Premium - Longevity Premium + Hazardous Pay + Standby Pay

Census Data file contains 360 records with zero annual salaries

**Other Pay** code for total Fringe Benefits was $32.80M, $32.75M was for Health and Pension Payments to Daily Exempt Workers and the balance is being added to this line

This figure is from the Payroll Census File, "Other Pay" for payroll code 72, 94, & 95. It represents the majority of what is captured by "Other Pay" code # 1, 2, 3, 5, 8, & 13

---

<table>
<thead>
<tr>
<th>Census File Component</th>
<th>(For the Period from October 2014 thru September 2015)</th>
<th>(For the Period from January 2019 thru December 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of LADWP Employees</td>
<td>Amount Paid to Employees ($M)</td>
</tr>
<tr>
<td>Regular Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-discretionary, Post-retirement and Other one-time Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disability work day (reimbursed by disability fund)</td>
<td>$13.4</td>
<td>$14.3</td>
</tr>
<tr>
<td>Retro pay tx (MEA prior years COLA retro pay)</td>
<td>$5.1</td>
<td>$2.7</td>
</tr>
<tr>
<td>Workers compensation work day extended</td>
<td>$3.9</td>
<td>$3.1</td>
</tr>
<tr>
<td>Vacation 10A (post retirement)</td>
<td>$2.6</td>
<td>$2.2</td>
</tr>
<tr>
<td>Ret option D (post retirement, payroll codes MR01 + MR02)</td>
<td>$2.3</td>
<td>$5.8</td>
</tr>
<tr>
<td>MOU % ADJ (post retirement)</td>
<td>$1.3</td>
<td>$0.9</td>
</tr>
<tr>
<td>Vac def comp (post retirement)</td>
<td>$1.3</td>
<td>$2.6</td>
</tr>
<tr>
<td>** MisceIlianeous non-discretionary and one-time payments</td>
<td>$5.2</td>
<td>$4.9</td>
</tr>
<tr>
<td>Payments</td>
<td>$35.1</td>
<td>$36.4</td>
</tr>
<tr>
<td>Total other adjustments</td>
<td>$80.2</td>
<td>$90.4</td>
</tr>
<tr>
<td>Total for regular employees</td>
<td>$1,081.7</td>
<td>$1,372.7</td>
</tr>
<tr>
<td>Daily exempt construction workers &amp; part-time employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base salaries</td>
<td>884</td>
<td>$37.6</td>
</tr>
<tr>
<td>Overtime</td>
<td></td>
<td>$5.6</td>
</tr>
<tr>
<td>** Health and pension payments</td>
<td></td>
<td>$28.3</td>
</tr>
<tr>
<td>Total for daily exempt construction workers &amp; part-times</td>
<td></td>
<td>$71.5</td>
</tr>
<tr>
<td>Grand total</td>
<td>10,760</td>
<td>$1,153.3</td>
</tr>
</tbody>
</table>

---

Note: For Mercer provided benchmarking definition: Annual Salary for benchmarking = Annual Salary - Add-on Premium - Longevity Premium + Hazardous Pay + Standby Pay

Census Data file contains 360 records with zero annual salaries

** Other Pay** code for total Fringe Benefits was $32.80M, $32.75M was for Health and Pension Payments to Daily Exempt Workers and the balance is being added to this line

This figure is from the Payroll Census File, "Other Pay" for payroll code 72, 94, & 95. It represents the majority of what is captured by "Other Pay" code # 1, 2, 3, 5, 8, & 13
LADWP Total Compensation Comparisons

LADWP Total Compensation comparisons
2016 and Current Study, $000

Source: 2014/15 and CY2019 Census files respectively, OPA Supplemental Information section of 2016 Joint Compensation Study, OW analysis
Note: All base pay is annualized, except preliminary column. Annualized includes COLA, shift premiums, and hazard pay.

2016 Study

- Preliminary Average all employees (Jan '16)
- $1,048M Final Average all 4-quarter employees (Nov '16)
- $1,048M Final Median all 4-quarter employees
- $588M Final Median, no weighting, 5,926 matched
- $588 Final Median, position-weighted, 5,926 matched

Current Study

- Industry's Standardized Metric +24%
- 169.1
- 21.5
- 28.3
- Excludes $12.6 of cash-over-base
- Excludes $7 of cash-over-base

Medians

Subtotal: 108.8

Averages

- Annualized Base
- Health
- Cash-over-base
- Retirement

- 145.4
- 13.4
- 23.2
- Subtotal: 109.5
- 19.4
- 10.7
- 7.0
- Subtotal: 101.7
- 91.0
- 86.6
- 99.5
- Subtotal: 93.6
- 136.1
- 22.1
- 119.3

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Appendix 1: Cash Compensation; Salary and Salary plus Bonus/Incentive Pay
Cash compensation methodology (1 of 6)

Benchmarking Process

Mercer was consistent with the methodology from the 2016 Study; the following describes the methodology used in 2016, as well as updates where applicable (namely, the inclusion of 10 new IT job classes – see next page):

In 2016, in order to properly match each of LADWP’s class codes with appropriate market data contained in the surveys, Mercer worked closely with LADWP:

- The LADWP provided a census file encompassing annualized salary data for all of LADWP’s employees.
- Mercer conducted a thorough review of the elements of compensation included in the survey data to ensure a consistent comparison with LADWP data:
  - Based on data obtained from each of the four survey sources (see next page), median annualized base salaries (excluding overtime, tenure pay, shift differentials, parking subsidies, etc.) for the applicable DDRs for each class code at LADWP were compared to median annualized salary data from the selected position matches from each of the applicable surveys.
- Mercer has confirmed with Corporate Performance that the current census file and annualized base salaries for all LADWP incumbents has been calculated in a manner consistent with the 2016 Study.
- In 2016, Mercer and LADWP completed extensive matching analysis involving both in-person work session as well as follow-up discussions with Subject Matter Experts (SMEs) from the Water, Power, and Joint operation divisions to confirm the position matches used for each of the benchmark class codes.
- Mercer used the approved position matches and applicable DDRs to conduct a market review of base salary and total cash compensation for each class code included in the 2016 Study. These previously approved positions matches were used again in the current study, replicating the methodology in its entirety.
- Exceptions include a handful of IT positions as well as additional executives which were not included in the prior analyses. SMEs from ITS confirmed the applicable DDRs and position matches, consistent with the 2016 Study; there were 183 incumbents that were in DDRs matched to multiple industry job codes and, as is industry standard, were matched used to match against all matched jobs.
Cash compensation methodology (2 of 6)
Benchmarking Process - continued

The 10 newly-included IT job classes were:

- Chief Information Officer
- Chief Information Security Officer
- Lead Manager; Program Manager Officer
- Program/Project Managers
- Cyber Security/Business Recovery Architects/Analysts
- Data Base Architect
- Business Process Consultant
- Advanced Data Analytics Staff
- Applications Programmer
- IT Systems Tester/Quality Assurance Staff (Experienced)
Data Sources

- Consistent with the 2016 Study, survey data were evaluated based on the following dimensions:
  - Electric and water utilities industries.
  - Size of organization and relative customer base.
  - Ownership type: public-owned utility (POU) and investor-owned utility (IOU).
- For each of the 113 class codes included in the review, comparable roles among existing compensation surveys were compared to four published survey sources with a focus on the utility industry where applicable:
  - 2019 Mercer Benchmark Database.
- In 2016, position matches were selected from each survey based on similar title, responsibilities, and minimum candidate requirements/qualifications and were thoroughly vetted by LADWP SMEs from the Water, Power, and Joint Divisions. As previously discussed, the same position matches were utilized again in the current analysis with the follow exceptions: a handful of IT positions as well as additional executives which were not included in the prior analyses. SMEs from ITS confirmed the applicable DDRs and position matches, consistent with the 2016 Study.
Cash compensation methodology (4 of 6)
Market Data Comparison

• Consistent with the 2016 Study, market data were collected for the 25th percentile, median, and 75th percentile and compared to median annualized salaries for the applicable DDRs for each class code. Note that compensation data is presented on a summary basis only (i.e., only aggregate 25th percentile, median, and 75th percentile are shown) due to confidentiality clauses contained in each of the four surveys.

• For the current analysis, as with the 2016 Study, median data were selected for several reasons:
  – Market median is a “standard” comparison point when benchmarking pay. As such, median data is available for all four surveys whereas not all provide average pay data. Thus, average market data cannot be provided.
  – Market median provides a more stable statistical reference point so as not to skew the analysis - - use of averages tends to bias compensation data when outliers exist (high or low data points at either extremity).

• Equal weight was awarded to each individual survey source selected.

• Note that consistent with the 2016 Study, “position-weighted median” data is used throughout this analysis to compare market job class data with LADWP data. “Position-weighted median” data is derived by taking a simple median of the relevant data (i.e., each class code is only included once in the calculation, regardless of the number of incumbents covered under the respective class code). This methodology is a “standard” practice used throughout the industry.

• The job classes included under the Senior Management group are typically also considered senior management by the utility companies represented in the surveys.
Consistent with the 2016 Study, the current study indicated that like LADWP, most POU employees are not bonus-eligible (i.e., 50% or more of the incumbents are not bonus-eligible).

- Market levels of total cash compensation for those positions which are typically not bonus-eligible within the market are therefore equivalent to the market levels of salary for those roles.

- For those positions which are typically bonus-eligible (i.e., 50% or more of the incumbents are bonus-eligible), market data provided include actual bonuses awarded in 2019 and paid in 2020.
Cash compensation methodology (6 of 6)

Adjustments

• **Aging**: Market data were aged to 1/1/2020 using a utility industry aging factor of 3.0% as reported in the 2019/20 Mercer U.S. Compensation Planning Guide.

• **Premiums/discounts**:  
  – A 20% adjustment has been included for class code 3879 (Electric Distribution Mechanic) since the work often involves energized underground systems. Based on our research, this position is somewhat unique at LADWP and therefore warrants a premium of 20%. Note that this adjustment was made prior to the application of the LA Labor Market Adjustment (see below).
  – Premiums/discounts were considered for other roles; however, consistent with the 2016 Study, based on a further review of the required duties/responsibilities/job conditions among survey participants and LADWP incumbents, ultimately, the analysis indicated that no other premiums/discounts were required.

• **LA Labor Market Adjustment**: Survey data used in the base salary and total cash compensation analysis are based on utilities located throughout the country and are not specific to Los Angeles. Thus, consistent with the 2016 Study, a labor market adjustment has been applied to account for the relatively higher cost of employment in Los Angeles. To determine an appropriate adjustment, Mercer replicated the analysis conducted in 2016 using two reputable sources:
  – Economic Research Institute’s Geographic Assessor.

The results of both analyses were similar to the 2016 results and corroborate the findings. Based on the analyses, an LA Labor Market Adjustment of 115% was included in the market data for all class codes.
2019 Economic Research Institute
Participant Profile

Type of Utility

- 95% IOU
- 5% POU

144 participating organizations

Names of participating organizations cannot be released publicly due to confidentiality restrictions
2019 American Water Works Association
Participant Profile

Type of Utility

- IOU
- POU

19%
81%

151 participating organizations

Names of participating organizations cannot be released publically due to confidentiality restrictions
2019 Mercer Energy Sector
Participant Profile

Names of participating organizations cannot be released publically due to confidentiality restrictions.
2019 Mercer Benchmark Database
Participant Profile

74 participating organizations

Names of participating organizations cannot be released publically due to confidentiality restrictions
<table>
<thead>
<tr>
<th>Function</th>
<th>Class Code</th>
<th>Employees</th>
<th>LAD Code</th>
<th>Base Salary</th>
<th>Base vs. Market Base</th>
<th>Market Target</th>
<th>% Q1 vs. Q3 %ile</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATERRWKYS MACHNCD</td>
<td>3864</td>
<td>30</td>
<td>3864</td>
<td>$107,775</td>
<td>$92,619</td>
<td>$72,038</td>
<td>27%</td>
</tr>
<tr>
<td>PAINTR</td>
<td>3432</td>
<td>30</td>
<td>3432</td>
<td>$105,129</td>
<td>$90,970</td>
<td>$65,950</td>
<td>27%</td>
</tr>
<tr>
<td>CUSTOMZNS</td>
<td>3166</td>
<td>132</td>
<td>3166</td>
<td>$50,084</td>
<td>$53,709</td>
<td>$41,527</td>
<td>24%</td>
</tr>
<tr>
<td>STORES STOREGRD</td>
<td>3166</td>
<td>95</td>
<td>3166</td>
<td>$47,680</td>
<td>$51,023</td>
<td>$41,883</td>
<td>15%</td>
</tr>
<tr>
<td>NPPR MICH</td>
<td>3764</td>
<td>6</td>
<td>3764</td>
<td>$36,808</td>
<td>$36,165</td>
<td>$11,445</td>
<td>18%</td>
</tr>
<tr>
<td>LUMINFC ASST</td>
<td>3862</td>
<td>29</td>
<td>3862</td>
<td>$50,316</td>
<td>$61,898</td>
<td>$29,068</td>
<td>18%</td>
</tr>
<tr>
<td>ELTS LTR</td>
<td>3862</td>
<td>33</td>
<td>3862</td>
<td>$159,018</td>
<td>$172,164</td>
<td>$29,810</td>
<td>18%</td>
</tr>
<tr>
<td>ELTS MICH</td>
<td>3861</td>
<td>291</td>
<td>3861</td>
<td>$31,133</td>
<td>$35,907</td>
<td>$8,774</td>
<td>18%</td>
</tr>
<tr>
<td>WTR SVC WKS</td>
<td>3863</td>
<td>37</td>
<td>3863</td>
<td>$26,277</td>
<td>$29,368</td>
<td>$6,785</td>
<td>14%</td>
</tr>
<tr>
<td>MTS RSDR</td>
<td>1011</td>
<td>149</td>
<td>1011</td>
<td>$72,767</td>
<td>$84,652</td>
<td>$6,884</td>
<td>12%</td>
</tr>
<tr>
<td>CUSTOMSTR SUPY</td>
<td>3719</td>
<td>35</td>
<td>3719</td>
<td>$60,531</td>
<td>$68,219</td>
<td>$13,688</td>
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</tr>
<tr>
<td>PRGRM/PROJ MGRS</td>
<td>$195,002</td>
<td>$180,129</td>
<td>$221,627</td>
<td>$256,235</td>
<td>-39%</td>
<td></td>
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<tr>
<td>CHEM</td>
<td>$101,197</td>
<td>$93,348</td>
<td>$108,401</td>
<td>$126,332</td>
<td>-20%</td>
<td></td>
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<tr>
<td>MTN CONSTR HLPR</td>
<td>$69,969</td>
<td>$71,509</td>
<td>$81,391</td>
<td>$94,187</td>
<td>-26%</td>
<td></td>
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<tr>
<td>GNL MGR &amp; CHF ENGR WP</td>
<td>$400,019</td>
<td>$400,255</td>
<td>$470,330</td>
<td>$556,076</td>
<td>-28%</td>
<td></td>
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<tr>
<td>AQ &amp; RESV SUPV</td>
<td>$108,766</td>
<td>$111,438</td>
<td>$129,782</td>
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<tr>
<td>PRGM/PRJ MGRS</td>
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<td>$138,077</td>
<td>$158,102</td>
<td>$185,649</td>
<td>-16%</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>CVL ENGG ASSO</td>
<td>$125,565</td>
<td>$117,164</td>
<td>$136,059</td>
<td>$159,727</td>
<td>-21%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>GEN CNCLSV SDV</td>
<td>$120,565</td>
<td>$117,164</td>
<td>$136,059</td>
<td>$159,727</td>
<td>-21%</td>
<td></td>
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<tr>
<td>ENR AUDTR WP</td>
<td>$299,043</td>
<td>$280,121</td>
<td>$329,073</td>
<td>$389,951</td>
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<tr>
<td>CNCLSV MGR &amp; CHF ENGR WP</td>
<td>$276,472</td>
<td>$254,451</td>
<td>$300,894</td>
<td>$351,233</td>
<td>-15%</td>
<td></td>
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<tr>
<td>ADVANCED DATA ANALYTICS STAFF</td>
<td>$141,608</td>
<td>$136,128</td>
<td>$165,711</td>
<td>$202,624</td>
<td>-38%</td>
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<tr>
<td>CTA</td>
<td>$209,343</td>
<td>$204,584</td>
<td>$250,089</td>
<td>$305,233</td>
<td>-51%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ADMINISTRATIVE &amp; REGULATORY AFFAIRS</td>
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<td>$249,292</td>
<td>$274,793</td>
<td>$323,348</td>
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<tr>
<td>ADMIN/POWER CONSTRUCTIONS: MAINTENANCE &amp; OPERATIONS</td>
<td>$312,943</td>
<td>$277,497</td>
<td>$321,739</td>
<td>$372,358</td>
<td>-45%</td>
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<tr>
<td>ADMIN/CONSTRUCTION ENGINEERS &amp; TECHNICAL SERVICES</td>
<td>$312,700</td>
<td>$277,497</td>
<td>$321,739</td>
<td>$372,358</td>
<td>-45%</td>
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</tr>
<tr>
<td>CIO</td>
<td>$276,472</td>
<td>$267,326</td>
<td>$309,689</td>
<td>$365,091</td>
<td>-34%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>EXEC HCST TO THE GM</td>
<td>$220,796</td>
<td>$198,820</td>
<td>$272,745</td>
<td>$331,660</td>
<td>-37%</td>
<td></td>
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<tr>
<td>BUSNESS PROCESS CONSULTANT</td>
<td>$235,073</td>
<td>$230,972</td>
<td>$272,021</td>
<td>$323,118</td>
<td>-38%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIO</td>
<td>$209,343</td>
<td>$204,584</td>
<td>$250,089</td>
<td>$305,233</td>
<td>-51%</td>
<td></td>
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<tr>
<td>ONE MP &amp; CHF ENGR WP</td>
<td>$400,919</td>
<td>$343,226</td>
<td>$472,026</td>
<td>$530,076</td>
<td>-39%</td>
<td></td>
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</tr>
</tbody>
</table>
Appendix 2: Retirement Benefits
Retirement benefits benchmarking methodology
Mercer used an industry standard methodology to analyze the “normal” cost of retirement benefits for LADWP versus its peers.

In generating the “normalized” workforce retirement benefit cost for LADWP of ~$21,500, Mercer used the following methodology:

- Calculated the “normal” retirement benefit cost (i.e., inclusive of costs due to additional service, pay, age, and interest) of the benchmarked job classifications for active employees.
- Weighted, based on the number of employee participants in either Tier 1 or Tier 2 in each job, to determine a weighted average total cost.

This analysis is based on a “normal” cost for LADWP and each of the peers. This differs from the annual actuarial valuation of pension cost which takes into account the funding level of LADWP (based on market value of assets). The comparison of annual actuarial pension costs is not appropriate and/or available for the peers due to funding level differences and other factors.

Mercer used benchmark salary data to calculate the “normal” cost from retirement programs for 26 peer utilities selected jointly by LADWP and OPA to provide market benchmarks.

The difference between LADWP’s and Mercer’s normal cost numbers is largely due to assumption differences, as Mercer used consistent assumptions for LADWP and all peers, rather than using LADWP’s specific actuarial assumptions.
Retirement benefits benchmarking methodology
Mercer valued 5,097 employees for these benefits, as detailed below.

- For the compensation analysis, 5,444 total employees were included. As noted previously, 5,718 employees were actually included in the compensation analysis, as some DDRs (representing 274 employees) were matched to more than one job description by ITS.

- For the retirement analysis, we worked from the Health & Retirement census file that was provided to us separately. We compared this file against the census file to identify those which could be included in the retirement analysis. Variances resulted from the following:
  - 49 records from the census file were not included in the Health & Retirement file and thus were excluded.
  - 70 records were included in the Health & Retirement file but had blank, zero, or missing data and thus were excluded.
  - 20 records that were included in the retirement analysis were excluded from the compensation analysis because they had either negative numbers or zeroes in certain salary fields. These records were removed in the v2 census file used for the compensation analysis (a total of 65 records were removed in the v2 census file, however, only 20 were represented in the DDRs included in the analyses). These 20 records do not have a statistically significant impact on the retirement analysis.
  - For the compensation analysis, in order to increase the total number of employees represented in the compensation analysis, we adjusted the original list of DDRs included for Class 3879 (replacing 32 employees in DDRs 9438021, 9438305, 9438308 for 280 employees in DDRs 9438020, 9438117, 9438200). This change was made in the review stages, after the retirement analysis was completed; before the change was made, we confirmed that the change in DDRs would have a zero or immaterial impact on the average results for the retirement analysis. Note that all six of these DDRs were included in the 2016 analysis and the matches were fully vetted at that time.

- The difference between the 5,444 records included in the compensation analysis vs. the 5,097 included in the retirement analysis is therefore = 5,444 - 49 - 70 + 20 + 32 - 280 = 5,097.
Peer panels for retirement benefits benchmarking (same as for health / other benefits benchmarking)

<table>
<thead>
<tr>
<th>Public-Owned Utilities (13)</th>
<th>Investor-Owned Utilities (13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Energy</td>
<td>Arizona Public Service Co (Pinnacle West)</td>
</tr>
<tr>
<td>Burbank Water &amp; Power</td>
<td>California Water</td>
</tr>
<tr>
<td>Citizens Energy Group</td>
<td>Golden State Water Company</td>
</tr>
<tr>
<td>City of Anaheim</td>
<td>Great Plains Energy Inc.</td>
</tr>
<tr>
<td>CPS Energy (San Antonio)</td>
<td>NV Energy</td>
</tr>
<tr>
<td>Orlando Utilities Commission</td>
<td>OGE Energy Corp</td>
</tr>
<tr>
<td>Riverside Public Utilities</td>
<td>San Jose Water Company</td>
</tr>
<tr>
<td>Salt River Project</td>
<td>Southern California Edison Company</td>
</tr>
<tr>
<td>SMUD (Sacramento Municipal Utility District)</td>
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</tr>
<tr>
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<td>Southwest Gas Corp.</td>
</tr>
<tr>
<td>Glendale Water &amp; Power</td>
<td>NorthWestern Energy</td>
</tr>
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<td>Pasadena Water &amp; Power</td>
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</tr>
<tr>
<td>Seattle City Light</td>
<td>LG&amp;E and KU Energy, LLC</td>
</tr>
</tbody>
</table>

LADWP and OPA selected the most relevant comparators from Mercer’s database.
# High-level retirement plan prevalence information

<table>
<thead>
<tr>
<th>Plan Structure</th>
<th>Percentage of IOUs Providing Plan Structure</th>
<th>Percentage of POUs Providing Plan Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit (DB) Only</td>
<td>0%</td>
<td>62%</td>
</tr>
<tr>
<td>Defined Contribution (DC) Only</td>
<td>62%</td>
<td>0%</td>
</tr>
<tr>
<td>DB and DC</td>
<td>38%</td>
<td>38%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan Formula</th>
<th>Percentage of IOUs Providing Plan Formula</th>
<th>Percentage of POUs Providing Plan Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Average Pay Formula (DB)</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>Cash Balance Formula (DB)</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td>Employer-paid DC Contributions</td>
<td>100%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Note: Comparisons were made against separate, agreed upon by stakeholders, panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs).
Appendix 3: Health and Other Benefits
Health and Other Benefits benchmarking methodology
Mercer used an industry standard methodology to benchmark health and other benefits costs for LADWP versus its peers.

• In generating the workforce health benefit cost for LADWP of ~$28,300 per active employee per year, Mercer took the following steps:
  - Each health and ancillary benefit option (including retiree health benefits) was evaluated separately, net of applicable employee contributions, with the results then added to get a total active health net benefits cost.
  - Baseline gross costs for each LADWP medical and dental plan were developed using 2019/20 fiscal year budget rates, from the final renewal worksheet, applied to actual LADWP enrollment by plan and rate tier.
  - Applicable employee contributions, calculated using the final 2019/20 contribution rates from the final renewal worksheet, were deducted from the gross cost to get net company cost for the valued population.
  - Medical and dental plan cost is a weighted average total net cost based on LADWP enrollment in each plan by rate tier.
  - Life and disability coverage was valued based on the LADWP benefits designs and required employee contributions were deducted to get net cost.
  - Time-off benefits (vacation, personal days, sick days and short-term disability) are assumed to be included in base salary compensation.

• LADWP’s costs were compared against similar programs for 26 peer utilities approved by LADWP and OPA to provide market benchmarks in two peer panels.
Health and Other Benefits benchmarking methodology
The following is a breakout of the costing by component with related methodology.

- The costs were developed individually for each of the lines of coverage and then added together to get the $28.3k total, as described below:

- **Active Medical** – We took the census file containing all of the employees whose positions were valued in the compensation analysis, identified the actual plans and rate tiers that each of the employees was enrolled in, and multiplied them against the actual 2019/20 budget rates from the 2019/20 Department of Water & Power 2019/20 Health and Welfare Budget Estimate sheet that was provided to us. This first step develops the gross cost. We then apply the employee contribution rates from the same 2019/20 budget estimate sheet and subtract the resulting average annual contributions per employee per year from the gross cost to get a net cost result. The $20.2k figure shown in our report for active medical is the weighted average annual net LADWP cost per employee per year that results from these calculations.

- **Active Dental** – The $1.2k average annual net cost per employee per year for this line of coverage was calculated in the exact same fashion as described for the active medical coverage above, except that the dental budget and contribution rates were used.

- **Retiree Medical/Dental** – These costs are not valued using the actual budget rates and contributions as the active costs were above. Instead, the retiree medical/dental (OPEB) benefits were valued on the same normal cost basis as the retirement (pension) plans. Normal cost represents the relative expense of the plans, rather than the balance sheet impact or relative ability to meet future obligations. Normal cost is net of required employee contributions and also reflects the extent to which benefits are offered for either pre or post-65 retiree coverage (or both). The normal cost values for both the tier 1 and tier 2 benefits were calculated separately and then weighted together, based on the relative eligibility of the population for either benefit tier, to come up with the $6.6k figure shown in our report.

- **Life and Long-term Disability** – These two benefits were valued using a standard workforce profile, applied to the rates for the life and LTD benefits, with any required employee funding netted out. The annual net cost per employee per year figures of $0.2k and $0.1k respectively, reflect the average relative values of these benefits. We did not re-run them for each of the actual positions benchmarked, given their low relative value in relation to the total benefits cost.
Health and Other Benefits benchmarking methodology
Mercer valued 5,085 employees for these benefits, as detailed below.

- For the compensation analysis, 5,444 total employees were included. As noted previously, 5,718 employees were actually included in the compensation analysis, as some DDRs (representing 274 employees) were matched to more than one job description by ITS.

- For the health analysis, we worked from the Health & Retirement census file that was provided to us separately. We compared this file against the census file to identify those which could be included in the health analysis. Variances resulted from the following:
  - 49 records from the census file were not included in the Health & Retirement file and thus were excluded.
  - 70 records were included in the Health & Retirement file but had blank, zero, or missing data and thus were excluded.
  - 20 records that were included in the health analysis were excluded from the compensation analysis because they had either negative numbers or zeroes in certain salary fields. These records were removed in the v2 census file used for the compensation analysis (a total of 65 records were removed in the v2 census file, however, only 20 were represented in the DDRs included in the analyses). These 20 records do not have a statistically significant impact on the retirement analysis.
  - For the compensation analysis, in order to increase the total number of employees represented in the compensation analysis, we adjusted the original list of DDRs included for Class 3879 (replacing 32 employees in DDRs 9438021, 9438305, 9438308 for 280 employees in DDRs 9438020, 9438117, 9438200). This change was made in the review stages, after the health analysis was completed; before the change was made, we confirmed that the change in DDRs would have a zero or immaterial impact on the average results for the health analysis. Note that all six of these DDRs were included in the 2016 analysis and the matches were fully vetted at that time.
  - 12 records in the selected DDRs waived health coverage according to the Health & Retirement file and thus were excluded.

- The difference between the 5,444 records included in the compensation analysis vs. the 5,085 included in the health analysis is therefore = 5,444 - 49 - 70 + 20 + 32 - 280 - 12 = 5,085.
## Peer panels for health and other benefits benchmarking (same as for retirement benefits benchmarking)

<table>
<thead>
<tr>
<th>Public-Owned Utilities (13)</th>
<th>Investor-Owned Utilities (13)</th>
</tr>
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<tbody>
<tr>
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<td>Portland General Electric Co.</td>
</tr>
<tr>
<td>Seattle City Light</td>
<td>LG&amp;E and KU Energy, LLC</td>
</tr>
</tbody>
</table>

The same peer panels were used for both the health and benefits and retirement analyses, selected jointly by LADWP and OPA from Mercer’s database.
Medical benefits (active employees)
LADWP cost ranks in the 4th quartile against both IOU and POU peers.

**Commentary**

- LADWP is in the 4th quartile for active medical benefit costs.
- Employer subsidy for active medical benefits is higher than most peers.
- The IBEW-sponsored HMO plan requires no employee contribution.
- High family-tier enrollment in LADWP’s plans contributes to the higher overall medical costs.
- LADWP medical costs are higher in areas like Owens Valley where provider competition is limited.

**Medical benefit annual cost per employee**
LADWP vs peer organizations, IOU and POU

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</thead>
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<td>IOU</td>
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<td>$15.7K</td>
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<td>$17.5K</td>
</tr>
<tr>
<td>POU</td>
<td>$13.7K</td>
<td>$16.3K</td>
<td>$17.5K</td>
<td>$19.8K</td>
</tr>
</tbody>
</table>

**LADWP: $20.2K**

Note: Comparisons were made against separate panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) reviewed by LADWP and OPA.
Source: LADWP, Mercer analysis.
Post-employment medical benefits (retirees)
LADWP’s relative cost falls in the 4th quartile, with Tier 1 costs higher than Tier 2.

Post-employment medical benefits annual cost per employee
LADWP vs peer organizations, IOU and POU

Commentary

- LADWP’s retiree medical costs are among the highest in the study.
- The analysis evaluated the cost of the post-retirement medical coverage for both Tier 1 and Tier 2 benefits.
- Tier 2 employees contribute 3% of compensation toward post-employment benefits.
- Most peers either do not offer a retiree medical benefit, provide only a limited fixed subsidy, or require retirees to pay the full cost.
- Separate from this cost evaluation, LADWP has pre-funded approximately 83% of its post-employment medical costs (as of its latest valuation), which reduces its total liability risk.

Note: Comparisons were made against separate panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.
Source: LADWP, Mercer analysis.
Dental benefits (active employees)
LADWP’s relative cost falls in the 4th quartile relative to the IOU panel and at the top of the 3rd quartile versus the POU panel.

Dental benefit annual cost per employee
LADWP vs peer organization, IOU and POU

**Commentary**

- LADWP roughly offers the same number of plan options as most of their peers.
- LADWP plan design structures are in line with the market.
- However, most peers require employee contributions for dental plans, while LADWP does not require employee contributions.
- Additionally, lack of employee contribution leads to high dependent enrollment and higher total costs as more members are covered.

Note: Comparisons were made against separate panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.
Source: LADWP, Mercer analysis.
Life insurance benefits (active employees)
LADWP is at the 3rd quartile cost level for this benefit.

Life benefit annual cost per employee
LADWP vs peer organization, IOU and POU

.IOU Panel

Q1
$0.1K
Q2
$0.1K
Q3
$0.2K
Q4
Highest

.POU Panel

Q1
$0.1K
Q2
$0.1K
Q3
$0.2K
Q4
Highest

LADWP: $0.2K

Commentary

• LADWP’s life insurance costs are at the top of the 3rd quartile.

• Benefits fall at roughly the 75th percentile of peers.

• LADWP and employees share in some of the cost of the life benefits.

Note: Comparisons were made against separate panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.
Source: LADWP, Mercer analysis.
Long-term disability (LTD) benefits (active employees)
LADWP cost ranks in the 1st quartile for this benefit. Plan design is less generous and employees pick-up a large share of the cost.

Commentary

- LADWP shares in the cost of the LTD benefits.
- The most common approach for peers is to have employees pay the entire cost of the benefit.
- However, some peers do cover the full cost.
- LADWP LTD benefits begin later than most peer plans due to short-term disability benefits having a longer duration.
- The LTD benefit percentage is below peers but the maximum benefit allowed is above peers.

Note: Comparisons were made against separate panels of 13 investor-owned utilities (IOUs) and 13 publicly-owned utilities (POUs) agreed to by LADWP and OPA.
Source: LADWP, Mercer analysis.
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- Mercer is a global consulting leader in talent, health, retirement and investments. Mercer helps clients around the world advance the health, wealth and performance of their most vital asset – their people. Mercer’s approximately 25,000 employees are based in 43 countries and the firm operates in over 130 countries.

- This report was prepared by a joint team from Oliver Wyman and Mercer, including senior specialists in utilities, compensation, retirement, and health and non-health benefits.

- Oliver Wyman contact information:

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  Boston, MA 02110-2320
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