



LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Los Angeles, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

2023



ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

Issued by

NEIL M. GUGLIELMO
General Manager

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Los Angeles, California

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Introduction



December 15, 2023

LETTER OF TRANSMITTAL

Dear Members of the Board:

We are pleased to present the Los Angeles City Employees’ Retirement System (LACERS, or the System) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, the System’s 86th year of operation. This report is intended to provide a comprehensive review of our financial condition at conclusion of the fiscal year including the System’s audited financial statements, investment performance results, and actuarial valuations for retirement and health benefit plans.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles (the City), a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Today, over 25,000 Active Members and more than 22,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

Notably in 2023, improvements were completed to LACERS new headquarters building and member services center (an asset of the System) located at 977 North Broadway in Los Angeles. The building was opened for services in March 2023.

Governance

Board of Administration

The LACERS Board of Administration (Board) consists of four Commissioners appointed by the Mayor and three Commissioners elected by the Members. Commissioners Thuy T. Huynh and Janna Sidley were appointed by the Mayor for a five-year term (replacing Commissioner Sandra Lee whose term ended June 30, 2022) and a two-year term (completing the

LA CITY EMPLOYEES’ RETIREMENT SYSTEM

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90051-0218

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lacers.services@lacers.org

KAREN BASS

Mayor of the City of Los Angeles

LACERS BOARD OF ADMINISTRATION

Annie Chao, *President*
Sung Won Sohn, *Vice President*
Thuy Huynh
Elizabeth Lee
Gaylord “Rusty” Roten
Janna Sidley
Michael R. Wilkinson

LACERS EXECUTIVE STAFF

Neil M. Guglielmo
General Manager
Todd Bouey
Executive Officer
Dale Wong-Nguyen
Assistant General Manager
Rodney June
Chief Investment Officer

term of departed Commissioner Cynthia Ruiz) respectively beginning August 5, 2022. Following the departure of Commissioner Nilza Serrano in 2023, Commissioner Gaylord “Rusty” Roten was appointed by the Mayor for a 2-year term beginning June 28, 2023 (completing the term of the departed commissioner). Commissioner Elizabeth Lee was re-elected by the Active Members in 2023 to a five-year term ending June 30, 2028. The Board sets general policy and adopts rules and regulations necessary to operate LACERS. Among other duties, the Board directs investment strategy and policy for the System’s assets, determines the health insurance carriers and health subsidy levels for retired employees, and approves Members’ retirement applications, including applications for disability retirements. In July 2022, the City issued its Charter-mandated Management Audit report of LACERS covering the time period of 2013 through 2021, including investment performance, asset allocation, administrative expense, actuarial methods and assumptions, best practices and policies, and governance and fiduciary responsibilities. The Management Audit found that LACERS is generally operating in an efficient and effective manner and highlighted many positive aspects relating to LACERS operations.

Strategic Plan

LACERS’ mission is *to protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members*. To help achieve this, LACERS’ Strategic Plan is focused on the following seven goals:

1. Provide Outstanding Customer Service
2. Deliver Accurate and Timely Member Benefits
3. Improve Value and Minimize Costs of Members’ Health and Wellness Benefits
4. Optimize Long-Term Risk-Adjusted Investment Returns
5. Uphold Good Governance Practices which Affirm Transparency, Accountability, and Fiduciary Duty
6. Increase Organizational Effectiveness, Efficiency and Resiliency
7. Recruit, Retain, Mentor, Empower, and Promote a High-Performing Workforce

In 2024, the LACERS Board will be engaging in a strategic planning process that will re-evaluate LACERS’ goals and plans, setting the course for the next three to five years of departmental operations.

Promoting Equity in the Workplace and Beyond

The importance of Equity in the workplace, for our Members, and in investment remains a growing priority for LACERS and the Board.

Diversity, Equity and Inclusion in the Workplace

LACERS continues with a Diversity, Equity, and Inclusion (DEI) initiative designed to open dialogue between staff and management on mutual needs. This effort focuses on instilling a high development culture – one that values the growth of individuals. Tantamount to this effort is knowledge transfer, seeking to empower staff across the organization and

promoting seamless transition as senior staff depart the workforce. As part of LACERS efforts, training programs and paper-based manuals will evolve into web-based learning modules and internal chat-based artificial intelligence. Equal access to resources and training promotes workforce equity in enabling all staff members to succeed and advance in their careers, a benefit that will translate to LACERS Members as well.

Accessibility to LACERS Members

To ensure that Members all have the same opportunity to stay current on their benefits information and participate in public hearings, LACERS is making translation services available for Board meetings, as well as translating important Member documents to be available in more languages reflective of the membership. Breaking down barriers to Member access is an ongoing concern and priority of the organization.

Environmental, Social, and Governance Factors in Investing

LACERS aims to enhance the long-term risk adjusted returns of its investment portfolio by incorporating Environmental, Social and Governance (ESG) factors into the selection process for investment managers and consultants. As the risk factors are integrated, LACERS monitors exposure metrics and is developing reporting to help further drive ESG-based strategies. This approach protects the community and the Fund.

Emerging Investment Managers

LACERS also continued outreach efforts to emerging managers as part of DEI efforts extended into the Investment community, wherein LACERS aims to identify managers that can add value to the LACERS portfolio but which might not otherwise be identified through the standard search processes. LACERS hosted both a symposium and networking forum for emerging managers that will continue to be held on a bi-annual basis.

Funding Status and Progress

Actuarial assumptions are used in the actuarial valuation process for measuring the liabilities of the plan and the contribution requirements of the plan sponsor. While the City Charter requires that an actuarial experience study be completed every five years, the typical timeframe between experience studies for LACERS has been three years. LACERS' last experience study for the period of July 1, 2019 to June 30, 2022, was completed in 2023 with the Board adopting assumption changes as recommended by the Plan actuary, including a reduction in the inflation assumption from 2.75% to 2.50% while maintaining the investment return assumption of 7.00%, though the Investment Return assumption methodology was changed from arithmetic to geometric. The Board maintained the Public Retirements Plan mortality tables, but updated the two-dimensional mortality improvement scale to the most current MP-2021. The adopted Experience Study assumption changes are reflected in the June 30, 2023 actuarial valuation.

Annual actuarial valuations are performed by LACERS' consulting actuary to determine the actuarial accrued liability arisen from the benefits promised by the City, among other things. Such liability is expected to be met by LACERS' assets accumulated through City contributions, Member contributions, and investment returns. The funding status, commonly expressed by the term "funded ratio," is calculated by dividing the plan assets, based either on actuarial (smoothed) value or fair value, by the actuarial accrued liabilities. The funded ratio is a snapshot of the relative status of LACERS' assets and liabilities at the end of each reporting year. Determined annually in the actuarial valuation, it reflects changes that affect the assets and liabilities during the reporting year due to investment performance, change in demographics, assumptions, benefit terms, and other factors. Funded ratios are useful when they are looked at over several years to determine trends, and should be viewed in light of the economic situation at each time point. If the ratio is less than 100%, indicating an underfunding condition, then the underfunded portion is paid for by the City systematically over a period no longer than 20 years pursuant to LACERS' funding policy, which targets a funding status of 100% in the long run.

In the June 30, 2023 actuarial valuation, the combined funded ratio, based on the valuation value of assets, for the Retirement Plan and the Postemployment Health Care Plan increased by 0.7% year-over-year to 77.1%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan slightly decreased from 73.3% to 73.1%; and for the Postemployment Health Care Plan, the ratio increased from 97.0% to 107.1%. There is a slight increase in the funded ratio despite a very slight increase in the Unfunded Actuarial Accrued Liabilities (UAAL) by 0.4%. The change in UAAL for Retirement Benefits is primarily as a result of less than expected investment return (after asset smoothing) and higher than expected cost of living adjustments for payees, while the UAAL for Health Benefits decreased primarily due to lower than expected premiums. The investment experience represented a System loss as the actuarial value return for all plans combined for June 30, 2023 was 6.48%, lower than the assumed rate of return of 7.00%.

Investment Summary

The System established its investment policies in accordance with Section 1106 of the Charter of the City of Los Angeles for the systematic administration of LACERS. The investment policies are designed to achieve the best risk-adjusted investment returns. The System's assets are managed on a total return basis in compliance with the investment policies to produce a total portfolio, long-term, real (above inflation), positive return above the asset allocation policy benchmark on a net-of-fee basis. Consequently, prudent risk-taking is warranted within the context of the overall portfolio diversification. The Board implements its risk management policy by monitoring the portfolio's compliance through the adoption of investment policies, guidelines, and procedures for determining the strategic management of investment risk, while allowing sufficient flexibility in capturing investment opportunities, as they may occur, and establishing reasonable risk parameters to ensure prudence and care in the management of the System's assets.

The portfolio consists of investments in U.S. and non-U.S. equities, fixed income, private equity, private real estate, private credit, public real assets, and short-term investments. The

System's total portfolio, including cash and investments at fair value, was valued at \$21.53 billion as of June 30, 2023, an increase of \$965 million (4.7%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 6.93% over a one-year period. The total fund outperformed its policy benchmark by 1.15% gross of fees return.

In fiscal year ended June 30, 2023, the Board adopted interim asset allocation policy targets to transition the portfolio to the long-term strategic asset allocation policy targets adopted by the Board. This transition is anticipated to occur over a five-year time period to provide sufficient time to align private markets asset classes, which have a higher degree of illiquidity than public markets asset classes, with long-term policy targets.

The annualized investment returns in detail are presented in the Investment Results on page 80 of the Investment Section. The detail of investment income and loss can be found on pages 23-24 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Financial Reporting

The financial statements included within this report are the responsibility of LACERS' management and have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) as promulgated or adopted by the Governmental Accounting Standards Board (GASB). A system of internal controls is designed, implemented, and maintained by management, as a means to protect System assets, and to assure the integrity of LACERS' financial statements. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Management is confident that its system of internal control, with oversight from LACERS Audit Committee, in tandem with internal audit staff, as well as the annual engagement of an independent external auditing firm to render an opinion on LACERS' financial statements, provide the requisite level of due diligence expected from a governmental pension system. This position is supported by our external auditor, Moss Adams, which has audited and expressed an unmodified opinion that LACERS' basic financial statements are free of material misstatement, presented fairly, and in conformity with US GAAP.

Readers of this ACFR are encouraged to review the Management's Discussion and Analysis Section starting on page 18, which provides narrative analysis and highlights of our financial condition and fiscal operations during the reporting period.

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its ACFR for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of

Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both US GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2023, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration for the fiscal year ended June 30, 2023. To receive this honor, LACERS was assessed to have met the standards in six key areas: Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments, Member Communications, and Funding Adequacy.

Acknowledgements

Lastly, I would like to acknowledge the professional and dedicated staff of the Fiscal Management Division of LACERS for the preparation of this report. I would also like to express appreciation for the leadership and commitment of the LACERS Commissioners, as well as all of LACERS' staff, as we continue to achieve high standards of performance and reporting. Lastly, I would also like to thank our external auditor, Moss Adams, and our consulting actuary, Segal, for their professional assistance in the preparation of this report.

Respectfully Submitted,



NEIL M. GUGLIELMO
General Manager



JO ANN PERALTA
Chief Accountant

Board of Administration

For the Fiscal Year Ended June 30, 2023



Nilza Serrano
Board President
Elected by Active Members
Term Ended March 20, 2023



Elizabeth Lee
Board Vice President
Elected by Active Members
Term Expires June 30, 2028



Annie Chao
Member
Elected by Active Members
Term Expires June 30, 2024



Thuy Huynh
Member
Appointed by the Mayor
Term Expires June 30, 2027



Gaylord "Rusty" Roten
Member
Appointed by the Mayor
Term Expires June 30, 2025



Janna Sidley
Member
Appointed by the Mayor
Term Expires June 30, 2024



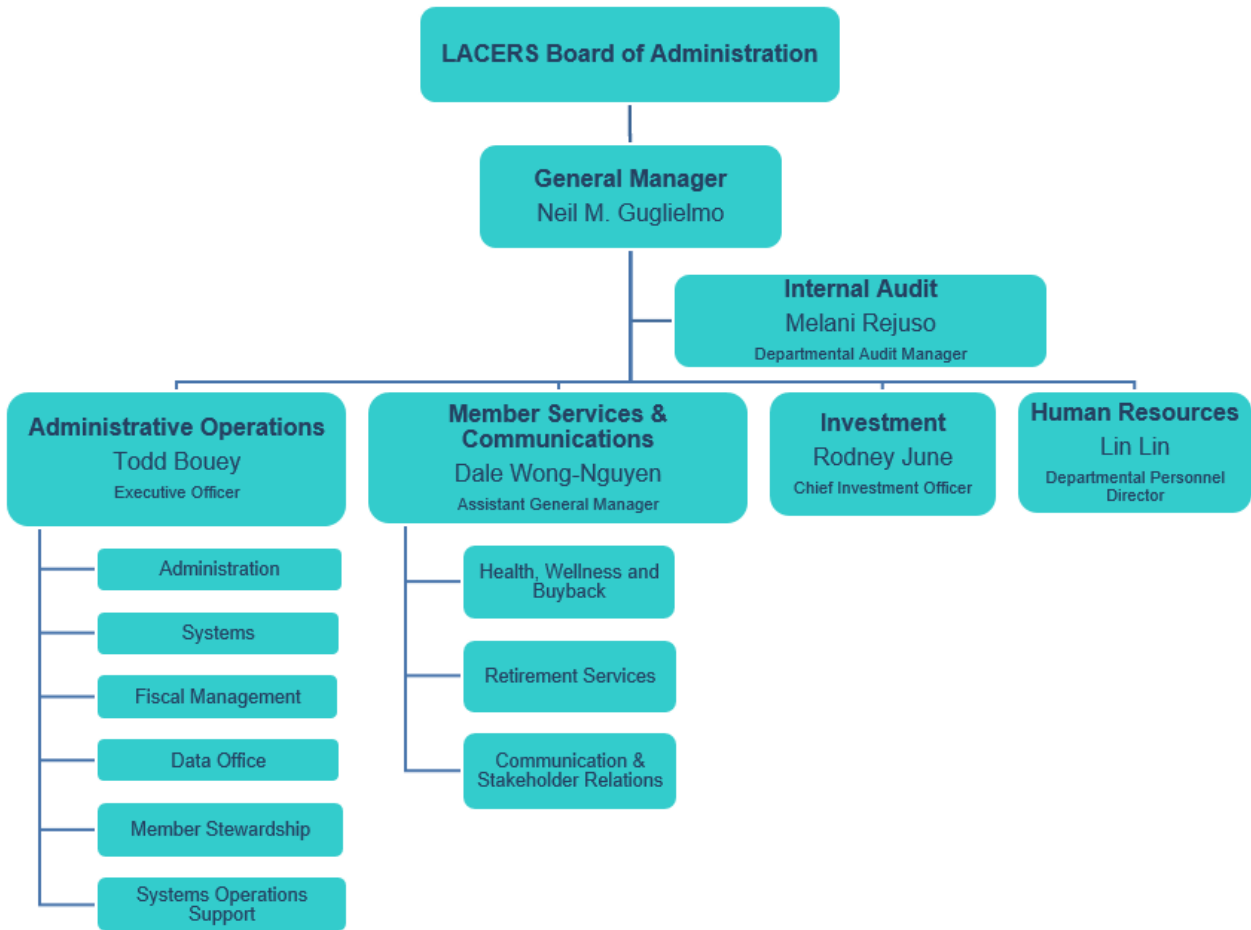
Sung Won Sohn
Member
Appointed by the Mayor
Term Expires June 30, 2026



Michael Wilkinson
Member
Elected by Retired Members
Term Expires June 30, 2025

Organization Chart

As of June 30, 2023



Professional Consultants

Actuary

Segal

Independent Auditor

Moss Adams LLP

Investment Consultants

Aksia, LLC

NEPC, LLC

Townsend Holdings, LLC

Health & Welfare Consultant

Keenan & Associates

Legal/Fiduciary Counsel

Danning, Gill, Israel & Krasnoff, LLP

Foley & Lardner LLP

Ice Miller, LLP

Kutak Rock, LLP

Morgan, Lewis & Bockius, LLP

Nossaman, LLP

Pension Administration System

Levi, Ray & Shoup, Inc.

Governance Consultant

Institutional Shareholder Services, Inc.

Note: Schedules of Fees and Commissions, Schedule of Investment Summary and List of Investment Advisors, Custodian and Other Consultants who provided services to LACERS, can be found in the Investment Section on pages 86-90.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Los Angeles City Employees' Retirement System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

Presented to

***Los Angeles City Employees' Retirement System
(LACERS)***

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive, flowing style.

Alan H. Winkle
Program Administrator



Financial

Report of Independent Auditors

The Board of Administration
Los Angeles City Employees' Retirement System

Report on the Audit of the Financial Statements

Opinions

We have audited financial statements of the retirement plan and the postemployment health care plan in the statements of fiduciary net position of Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the LACERS' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective of the fiduciary net position of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System as of June 30, 2023, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of LACERS present the fiduciary net position and changes in fiduciary net position of the Municipality of the City of Los Angeles, California, that are attributable to the transactions of LACERS. The financial statements do not present fairly the financial position of the entire Municipality of the City of Los Angeles, California, as of June 30, 2023, the changes in its financial position, and where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Prior-Year Comparative Information

We have previously audited LACER's 2022 financial statements, and we expressed unmodified opinions on the retirement plan and the postemployment health care plan in our report dated December 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management’s discussion and analysis; the retirement plan’s schedule of net pension liability, schedule of changes in net pension liability and related ratios, schedule of contribution history, and schedule of investment returns; and the postemployment health care plan’s schedule of net OPEB liability, schedule of changes in net OPEB liability and related ratios, schedule of contribution history, and schedule of investment returns (collectively, the required supplementary information) be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Los Angeles City Employees’ Retirement System’s basic financial statements. The schedule of additions and deductions to fiduciary net position – postemployment health care plan, schedule of administrative expenses, and schedule of investment fees and expenses (collectively, the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERS. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



El Segundo, California
December 15, 2023

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Annual Comprehensive Financial Report.

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2023 was \$21,589,265,000, an increase of \$1,135,161,000 or 5.5% year-over-year.
- The total additions to the fiduciary net position of LACERS from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded insurance premium, Members' portion of premium reserve, building lease and other income, and net investment income were \$2,568,327,000 a 363.9% increase from the prior fiscal year.
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*.
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.
- The total deductions from the fiduciary net position were \$1,433,166,000, a 4.0% increase year-over-year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the Retirement Plan was \$7,346,244,000 as of June 30, 2023. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the fair value of the plan's assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL increased by \$280,584,000.
- The System's Net Other Postemployment Benefits (OPEB) Plan Asset for the postemployment health care benefits was \$135,298,000 as of June 30, 2023. Net OPEB Liability is a measure required by GASB Statement No. 74. Net OPEB Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As of June 30, 2023, the plan fiduciary net position exceeded the TOL resulting in a surplus or Net OPEB Asset. Compared with the previous fiscal year, the Net OPEB Liability decreased by \$368,223,000.
- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 71.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.
- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 104.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Management's Discussion and Analysis

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data on LACERS operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 27 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 28 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 29 – 59 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Retirement Plan, and the Schedule of Net OPEB (Asset) Liability, Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 60 - 71 of this report.

Supplemental Schedules

The supplemental schedules, including a Schedule of Additions and Deductions to Fiduciary Net Position for Postemployment Health Care Plan, Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 72 and 74 of this report.

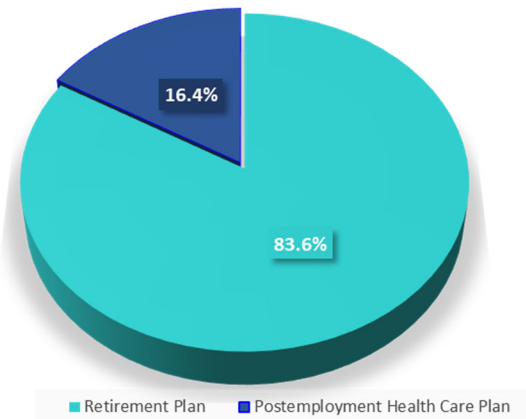
Management's Discussion and Analysis

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2023 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	\$ 18,048,879	83.6%
Postemployment Health Care Plan	3,540,386	16.4
Fiduciary Net Position	\$ 21,589,265	100.0%



Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2023 and 2022 (dollars in thousands):

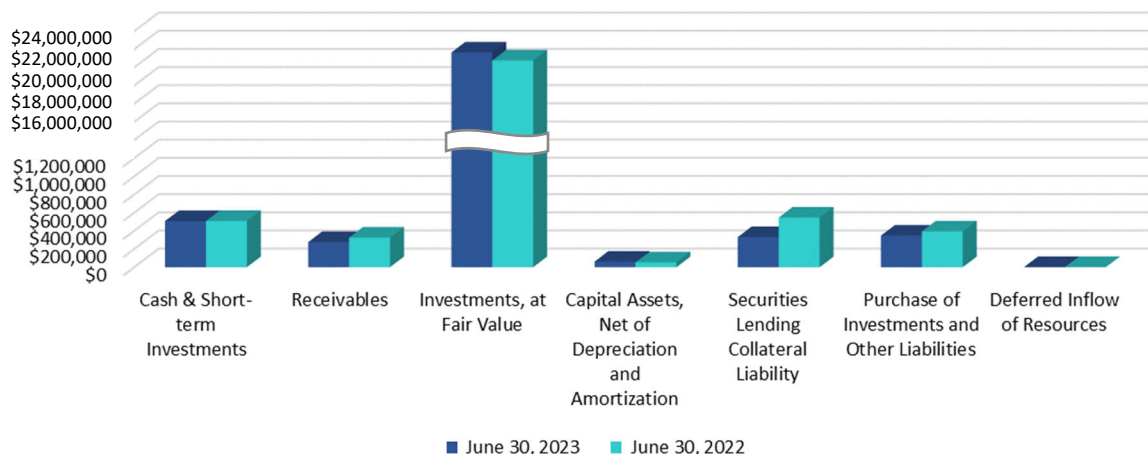
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	
Cash and Short-Term Investments	\$ 427,788	\$ 428,387	\$ (599)	(0.1) %
Receivables	195,865	225,716	(29,851)	(13.2)
Investments, at Fair Value	21,363,996	20,576,788	787,208	3.8
Capital Assets, Net of Depreciation and Amortization	<u>60,727</u>	<u>53,305</u>	<u>7,422</u>	13.9
Total Assets	<u>22,048,376</u>	<u>21,284,196</u>	<u>764,180</u>	3.6
Securities Lending Collateral Liability	210,806	515,988	(305,182)	(59.1)
Purchase of Investments and Other Liabilities	<u>247,544</u>	<u>313,533</u>	<u>(65,989)</u>	(21.0)
Total Liabilities	<u>458,350</u>	<u>829,521</u>	<u>(371,171)</u>	(44.7)
Deferred Inflow of Resources	<u>761</u>	<u>571</u>	<u>190</u>	33.3
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	<u>\$ 21,589,265</u>	<u>\$ 20,454,104</u>	<u>\$ 1,135,161</u>	5.5 %

Management's Discussion and Analysis

Financial Analysis (Continued)

Fiduciary Net Position (Continued)

Components of Fiduciary Net Position



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, real estate, private equity and other asset classes. Fiduciary net position increased by \$1,135,161,000 or 5.5%, during this fiscal year.

Net Increase (Decrease) in Fiduciary Net Position

The increase (decrease) in fiduciary net position was the net effect of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the report year, as compared with the prior year (dollars in thousands):

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	
Additions	\$ 2,568,327	\$ (973,225)	\$ 3,541,552	363.9 %
Deductions	<u>1,433,166</u>	<u>1,377,991</u>	<u>55,175</u>	4.0
Net Increase (Decrease) in				
Fiduciary Net Position	1,135,161	(2,351,216)	3,486,377	148.3
Fiduciary Net Position				
Beginning of Year	<u>20,454,104</u>	<u>22,805,320</u>	<u>(2,351,216)</u>	(10.3)
End of Year	<u>\$ 21,589,265</u>	<u>\$ 20,454,104</u>	<u>\$ 1,135,161</u>	5.5 %

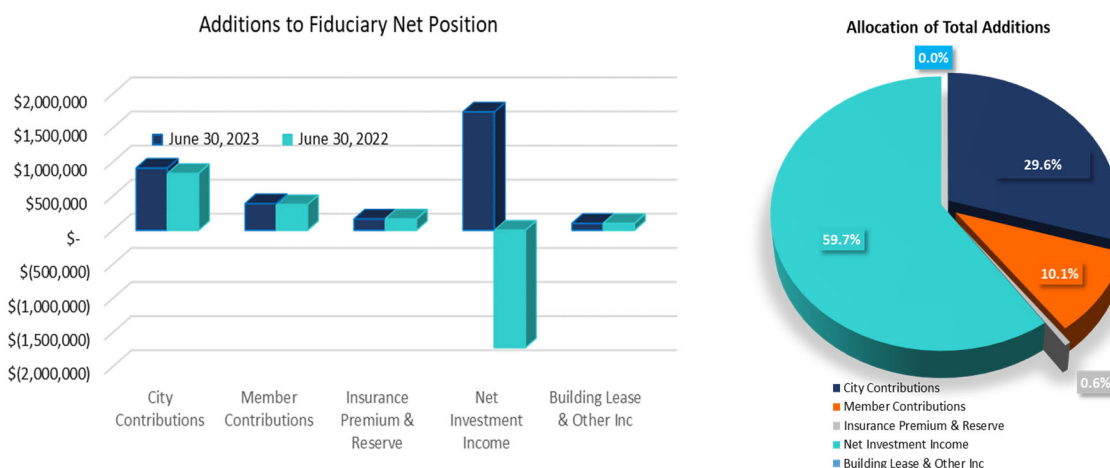
Management’s Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands):

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
City Contributions	\$ 760,019	\$ 682,928	11.3 %
Member Contributions	259,977	245,879	5.7
Health Insurance Premium and Reserve	14,232	14,460	(1.6)
Net Investment Income (Loss)	1,533,998	(1,916,529)	180.0
Building Lease & Other Income	101	37	173.0
Additions to Fiduciary Net Position	\$ 2,568,327	\$ (973,225)	363.9 %



The additions to LACERS fiduciary net position that primarily constitute the funding sources of LACERS benefits are City Contributions, Member Contributions, Health Insurance Premium and Reserve, and Net Investment Income (Loss).

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were \$760,019,000 during the fiscal year. The total contributions increased by \$77,091,000 or 11.3% higher than the prior fiscal year, mainly due to the higher contribution rates and payroll base (approximately 7.1% increase in payroll) for the reporting year. The total City contributions include a \$81,477,000 true-up credit adjustment, a reduction from the City’s contribution payment, to reconcile the difference of the City’s contributions based on projected payroll against actual payroll. This true-up amount, which includes accrued interest at 7.00%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 32.94% (29.01% for the Retirement Plan and 3.93% for the Postemployment Health Care Plan), which is 1.25% higher than the prior fiscal year at 31.69%. Actual contribution of \$669,391,000 to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. Actual contribution of \$90,581,000 to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

Management's Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position (Continued)

In fiscal year 2022-23, Member contributions were \$259,977,000, which was \$14,098,000 or 5.7% higher than the prior fiscal year. The increase in Member contributions was primarily due to the increased number of Members and increased in salary base during the fiscal year.

LACERS Postemployment Health Care 115 Trust fund recognized revenue of \$12,809,000 representing monthly dental insurance premium under the Delta Dental PPO and Anthem Vision self-funded plans and \$1,423,000 of Member's portion from health insurance premium reserve.

The net investment income was \$1,533,998,000, which included \$1,181,447,000 of net appreciation in the fair value of investments. The details are discussed in the next section.

Investment Income (Loss)

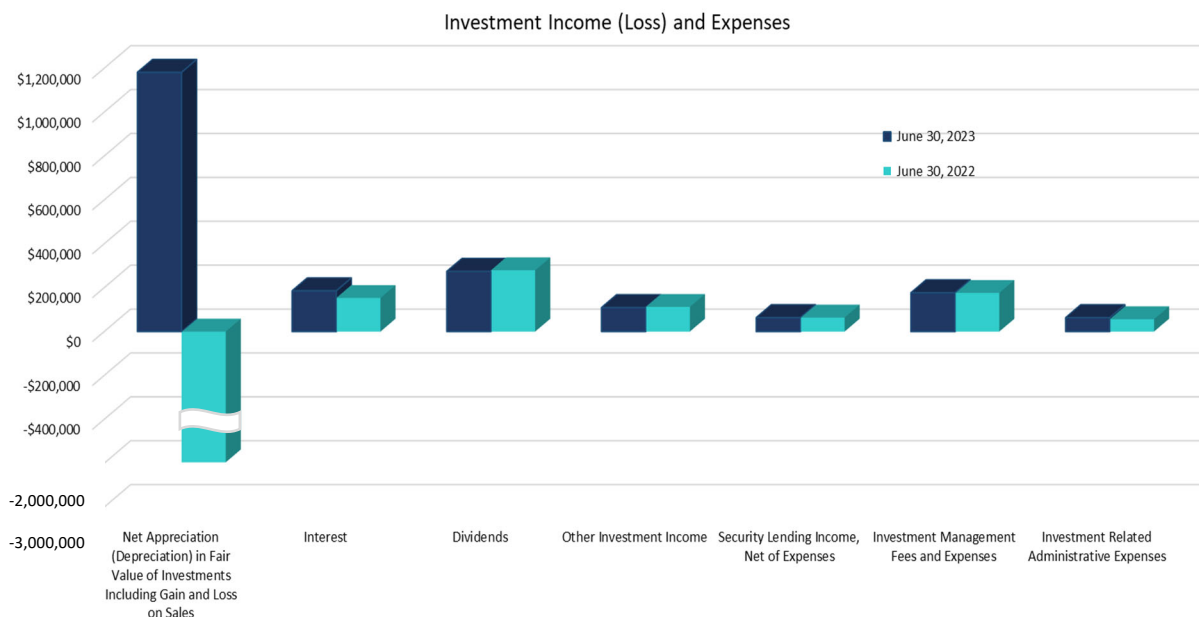
The following table and graph present the detail of investment income (loss), net of investment management fees and expenses for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands).

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Net Appreciation (Depreciation) in Fair Value of			
Investments, Including Gain and Loss on Sales	\$ 1,181,447	\$ (2,245,698)	152.6 %
Interest	185,777	152,971	21.4
Dividends	224,315	229,455	(2.2)
Other Investment Income	69,508	72,597	(4.3)
Securities Lending Income, Net of Expense	<u>3,727</u>	<u>3,891</u>	(4.2)
Sub-Total	1,664,774	(1,786,784)	193.2
Less: Investment Management Fees and Expenses	(127,066)	(126,174)	0.7
Investment Related Administrative Expenses	<u>(3,710)</u>	<u>(3,571)</u>	3.9
Net Investment Income (Loss)	<u>\$ 1,533,998</u>	<u>\$ (1,916,529)</u>	180.0 %

Management’s Discussion and Analysis

Financial Analysis (Continued)

Investment Income (Loss) (Continued)



The net investment income for the current fiscal year was \$1,533,998,000, as compared with the loss of \$1,916,529,000 for the previous fiscal year. This increase was due primarily to a net appreciation in the fair value of investments of \$1,181,447,000, compared with the previous fiscal year’s decrease of \$2,245,698,000. This increase in the fair value of investments is attributed to a rise in the public equity markets following negative returns in the previous fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 19.0% compared with -13.9% for the previous fiscal year. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned 12.7% compared with -19.4% for the previous year. Fixed income markets, as represented by the Bloomberg U.S. Aggregate Bond Index, returned -0.9% compared with -10.3% for the previous year.

Interest income derived from fixed income securities increased by 21.4% or \$32,806,000. The average coupon rate of LACERS’ fixed income portfolio increased as the Federal Reserve took action to address inflation by increasing the fed funds rate. Dividend income derived from public equities decreased by 2.2% or \$5,140,000 as public companies reassessed dividend payouts in favor of reinvesting back into internal growth prospects.

Other investment income, primarily derived from private equity and private real estate partnership investments, decreased by 4.3%, or \$3,089,000 as private market managers took a more cautious approach on exit opportunities.

LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short-term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, securities lending income (net of expense) decreased by 4.2%, or \$164,000 from a year ago.

Total investment management fees, expenses, and investment related administrative expenses increased by 0.8% or \$1,031,000, from the prior year. This increase corresponded with an increase in LACERS’ exposure to private equity and private real estate, which is consistent with LACERS’ current target asset allocation and strategic plan to increase returns.

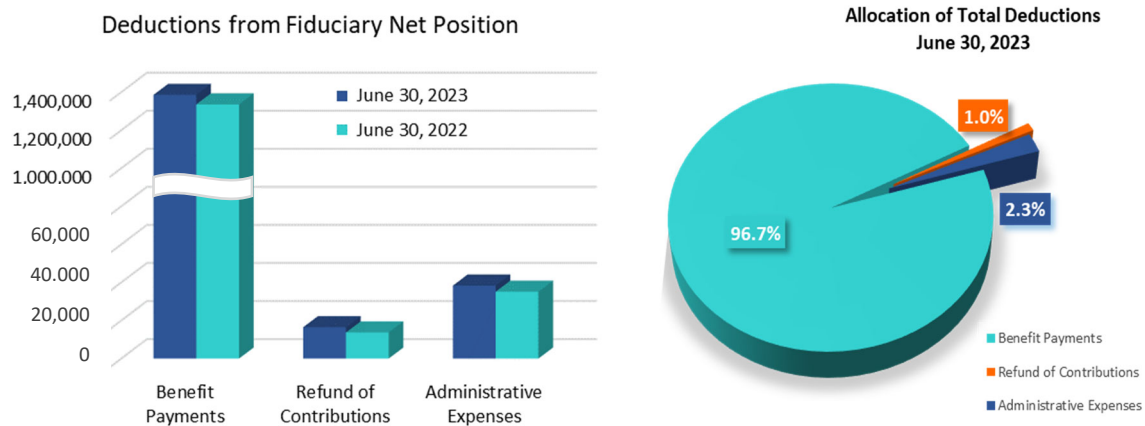
Management’s Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position

The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands):

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Benefit Payments	\$ 1,385,477	\$ 1,335,124	3.8%
Refunds of Contributions	14,397	11,630	23.8
Administrative Expenses	33,292	31,237	6.6
Deductions from Fiduciary Net Position	<u>\$ 1,433,166</u>	<u>\$ 1,377,991</u>	4.0%



LACERS’ deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by \$55,175,000 or 4.0% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by \$50,353,000 or 3.8%. The benefit payments for the Retirement Plan increased by \$48,500,000 or 4.2% mainly due to the annual cost of living adjustments (approximately 3.0% increase on average); slight increase in the number of retirees and beneficiaries; and higher average retirement allowance of newly retired Members as compared to those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits increased by \$1,878,000 or 1.1%. This increase was mainly due to the increased reimbursement of Medicare Part B premium and self-funded insurance claims paid for the self-funded plans offset by a small decrease in healthcare cost due to the slight decrease in number of retirees and their dependents eligible for medical subsidy.

Management's Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position (Continued)

The Refunds of Member contributions increased by \$2,767,000 or 23.8% from the prior fiscal year's \$11,630,000, mainly due to the increase in refunds to Members leaving the City service and refunds of unused annuity to beneficiaries of deceased retired members.

LACERS' administrative expenses increased by \$2,055,000 or 6.6% from the prior fiscal year. The increase was mainly due to higher personnel costs as a result of mandatory cost of living adjustment salary increased including one-time cash payouts in accordance with the City's negotiated salary contracts and increased employee benefit and associated pension costs. Additionally, on April 2023, as LACERS moved and occupied its new Headquarter building purchased in October 2019, increased building operating expenses were incurred, and depreciation expense started to be recognized for the capitalized building and improvement.

Requests for Information

This financial report is designed to provide a general overview of LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Division
PO Box 512218
Los Angeles, CA 90051-0218

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2023, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2023	2022
Assets				
Cash and Short-Term Investments	\$ 357,636	\$ 70,152	\$ 427,788	\$ 428,387
Receivables				
Accrued Investment Income	74,593	14,632	89,225	79,684
Proceeds from Sales of Investments	78,567	15,411	93,978	135,169
Other	10,585	2,077	12,662	10,863
Total Receivables	163,745	32,120	195,865	225,716
Investments, at Fair Value				
US Government Obligations	1,375,416	269,795	1,645,211	1,869,382
Municipal Bonds	12,071	2,368	14,439	14,904
Domestic Corporate Bonds	746,441	146,418	892,859	917,227
International Bonds	884,175	173,436	1,057,611	963,270
Other Fixed Income	597,234	117,151	714,385	798,218
Bank Loans	87,803	17,223	105,026	87,969
Opportunistic Debts	392,553	77,001	469,554	356,856
Domestic Stocks	4,679,367	917,884	5,597,251	5,214,050
International Stocks	3,808,020	746,964	4,554,984	4,288,111
Mortgages	564,991	110,826	675,817	577,576
Government Agencies	9,289	1,822	11,111	11,313
Derivative Instruments	(1,576)	(310)	(1,886)	(1,252)
Real Estate	1,055,373	207,017	1,262,390	1,161,179
Private Equity	3,473,159	681,279	4,154,438	3,801,997
Security Lending Collateral	176,236	34,570	210,806	515,988
Total Investments	17,860,552	3,503,444	21,363,996	20,576,788
Capital Assets (Net of Depreciation and Amortization)	50,768	9,959	60,727	53,305
Total Assets	18,432,701	3,615,675	22,048,376	21,284,196
Liabilities				
Accounts Payable and Accrued Expenses	(78,305)	(15,360)	(93,665)	(88,838)
Accrued Investment Expense	(7,373)	(1,446)	(8,819)	(19,982)
Purchases of Investments	(121,272)	(23,788)	(145,060)	(204,713)
Security Lending Collateral Payable	(176,236)	(34,570)	(210,806)	(515,988)
Total Liabilities	(383,186)	(75,164)	(458,350)	(829,521)
Deferred Inflow of Resources	(636)	(125)	(761)	(571)
Net Position Restricted For Pensions	18,048,879		18,048,879	17,106,333
Net Position Restricted For Postemployment Health Care Benefits		3,540,386	3,540,386	3,347,771
Total Fiduciary Net Position	\$ 18,048,879	\$ 3,540,386	\$ 21,589,265	\$ 20,454,104

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2023, with Comparative Totals
(In Thousands)**

	Retirement Plan	Postemployment Health Care Plan	2023	2022
Additions				
Contributions				
City Contributions	\$ 669,438	\$ 90,581	\$ 760,019	\$ 682,928
Member Contributions	259,977	-	259,977	245,879
Total Contributions	<u>929,415</u>	<u>90,581</u>	<u>1,019,996</u>	<u>928,807</u>
Self Funded Insurance Premium	-	12,809	12,809	13,280
Health Insurance Premium Reserve	-	1,423	1,423	1,180
Investment Income (Loss)				
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	960,978	220,469	1,181,447	(2,245,698)
Interest	157,772	28,005	185,777	152,971
Dividends	190,501	33,814	224,315	229,455
Other Investment Income	59,030	10,478	69,508	72,597
Security Lending Income	3,723	661	4,384	4,577
Less: Security Lending Expense	(534)	(123)	(657)	(686)
Sub-total	<u>1,371,470</u>	<u>293,304</u>	<u>1,664,774</u>	<u>(1,786,784)</u>
Less: Investment Management Fees and Expenses	(103,354)	(23,712)	(127,066)	(126,174)
Investment Related Administrative Expenses	(3,018)	(692)	(3,710)	(3,571)
Net Investment Income (Loss)	<u>1,265,098</u>	<u>268,900</u>	<u>1,533,998</u>	<u>(1,916,529)</u>
Building Lease and Other Income	82	19	101	37
Total Additions	<u>2,194,595</u>	<u>373,732</u>	<u>2,568,327</u>	<u>(973,225)</u>
Deductions				
Benefit Payments	(1,211,894)	(173,583)	(1,385,477)	(1,335,124)
Refunds of Contributions	(14,397)	-	(14,397)	(11,630)
Administrative Expenses	(25,758)	(7,534)	(33,292)	(31,237)
Total Deductions	<u>(1,252,049)</u>	<u>(181,117)</u>	<u>(1,433,166)</u>	<u>(1,377,991)</u>
Net Increase (Decrease) in Fiduciary Net Position	942,546	192,615	1,135,161	(2,351,216)
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of year	<u>17,106,333</u>	<u>3,347,771</u>	<u>20,454,104</u>	<u>22,805,320</u>
End of year	<u>\$ 18,048,879</u>	<u>\$ 3,540,386</u>	<u>\$ 21,589,265</u>	<u>\$ 20,454,104</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (LACERS or the System) is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by statute in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. The Board has seven members. Four members, one of whom shall be a retired Member of the System, shall be appointed by the Mayor subject to the approval of the City Council. Two members shall be active employee Members of the System elected by active employee Members. One shall be a retired Member of the System elected by retired Members of the System. Elected Board members serve five-year terms in office, with no term limits. The System is a component unit of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles Annual Comprehensive Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 34 - 46 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses are recognized when due and payable. The accompanying financial statements include information from the prior year summarized for comparative purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with US GAAP.

Investments

Investment policies

Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, real assets, private credit, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2023, the Board's target asset allocation policy was as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic and International Equities	47.00%
Domestic and International Bonds	11.25
Private Equity	16.00
Real Assets	12.00
Short-Term Investments	1.00
Credit Opportunities	12.75
Total	<u>100.00%</u>

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in accordance with GASB Statement No. 72 – *Fair Value Measurement and Application*. The fair values of derivative instruments are determined using available market information.

Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. LACERS investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

The provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under Receivables and labeled as Proceeds from Sales of Investments and amounts payable for purchases are reported under Liabilities and labeled as Purchases of Investments. Dividend income is recorded on the ex-dividend date. Interest income is reported at the stated interest rate as earned, and any premiums or discounts on debt securities are not amortized. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of LACERS pension plan investment. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

For the future contracts, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. LACERS reports the collateral for the future contracts in the short-term investments.

Concentrations

The investment portfolio as of June 30, 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the fiscal year ended June 30, 2023, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 7.4%. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. It expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI).

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Receivables

As of June 30, 2023, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

Purchases of capital assets are capitalized upon acquisition if the cost of purchase was \$5,000 or more and depreciated over five years using the straight-line method.

Certain costs to develop LACERS Pension Administration System (PAS), a customized software solution critical to LACERS core operations, was capitalized in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The total capitalized cost of \$9,413,000 is being amortized starting March 1, 2018, over 15 years using the straight-line method.

This fiscal year, LACERS occupied its headquarters building located at 977 N. Broadway in Los Angeles, California purchased in October 2019 in the amount of \$33,750,000. This cost was allocated to Land valued at \$4,023,000 and Building valued at \$29,727,000, based on the assessment performed on the fair value of acquired assets. Acquisition cost of \$236,000 and associated building improvements cost with a total of \$19,273,000 were capitalized as part of the building cost. The building and improvements total capitalized cost of \$49,236,000 is being depreciated over its estimated useful life of 25 years using the straight-line method.

The System recognizes intangible right-to-use subscription assets in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, using LACERS estimated incremental borrowing rate and included extensions in the term if, after considering relevant economic factors, it is reasonably certain to be exercised. LACERS does not recognize subscription asset for SBITA with noncancellable term of 12 months or less.

Administrative Expenses

All administrative expenses are funded from LACERS fiduciary net position, which represents accumulated investment earnings and contributions from the City and the Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS is maintained on a reserve basis, determined in accordance with recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for the Retirement Plan

Member Contributions (Mandatory) – To provide for individual accounts of Members consisting of Active Member mandatory contributions to the Retirement Plan and interest credited to Members accounts, less refunds of Members contributions and transfers to the Annuity reserve.

Member Contributions (Voluntary) – To provide for individual accounts of Members participating in the larger annuity program of Active Member voluntary contributions and interest/investment return credited to Members' accounts, less refunds of Member contributions (voluntary) and transfers to the Larger Annuity reserve.

Basic Pensions – To provide for the City's guaranteed portion of retirement benefits consisting of City contributions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to retired Members and beneficiaries, and allocated investment and administrative expenses.

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

Annuity – To provide for the Members’ share of retirement benefits consisting of Members’ mandatory contribution balances transferred at retirement; investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments; less payments to retired Members and beneficiaries.

Larger Annuity – To provide for the Larger Annuity benefit consisting of Members’ voluntary contribution balances transferred at retirement including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to participating retired Members and beneficiaries, and allocated investment and administrative expenses.

Family Death Benefit Plan (FDBP) – To pay benefits under the Family Death Benefit Plan administered by LACERS consisting of Active Member voluntary contributions; matching City of Los Angeles contributions; and investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to beneficiaries and allocated investment and administrative expenses.

Reserves for the Postemployment Health Care Plan

401(h) Account – To provide health care benefits for retirees consisting of City contributions received until fiscal year 2019; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to insurance providers, including payment to the 115 Trust fund for the self-funded insurance premium and Members’ portion of insurance premium reserve.

115 Trust Account – This Health Care fund is currently limited to pay the benefit claims from LACERS self-funded insurance plans, but ultimately will fund all health care benefits for retirees upon depletion of the existing 401(h) account reserve. The 115 Trust account currently consists of City Contributions received starting fiscal year 2020, self-funded insurance plan premiums and prepayments; certain retired Members’ health insurance premium deductions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments of the self-funded insurance plan claims and related third party administration fees; and certain direct and allocated administrative expenses.

Reserve balances as of June 30, 2023, were as follows (in thousands):

Reserve for the Retirement Plan			
Member Contributions			
Mandatory	\$	2,821,137	
Voluntary		8,788	
Basic Pensions		14,381,210	
Annuity		750,945	
Larger Annuity		68,284	
FDBP		18,515	\$ 18,048,879
<hr/>			
Reserve for the Postemployment Health Care Plan			
401(h) Account	\$	3,050,906	
115 Trust Account		489,480	3,540,386
<hr/>			
Total			\$ 21,589,265

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Comparative Totals

The basic financial statements include certain prior year summarized comparative data in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with LACERS' financial statements for the year ended June 30, 2022, from which the summarized data were derived.

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Changes in economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ from those estimates materially.

Risk and Uncertainty That May Impact Financial Operations and Performance

The System operates in an environment that is exposed to various risks and uncertainties. The global economic activity and financial markets continue to be impacted by various disruptions such as inflation surge and international issues. These have resulted in increased financial market volatility and performance. It is currently unclear how measures being taken to address these issues both globally and in the United States would impact future market performance. Additionally, the total pension liabilities, net pension liabilities, total OPEB and Net OPEB (asset) liability disclosed in Notes 2 and 3 to the Basic Financial Statements are measured based on certain assumptions, including the long-term rate of return on investments, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions described in this section, it is at least reasonably possible that changes in these estimates and assumptions in the near term may have material impact on the financial statements. LACERS Board and management continue to closely monitor the financial market. LACERS' investment strategy is to maintain a well-diversified portfolio to mitigate the risk of market uncertainty.

Adoption of New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement take effect for financial statements starting with the fiscal year ending June 30, 2023. This Statement has no material impact on LACERS financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement take effect starting with the fiscal year ending June 30, 2023. This Statement has no material impact on LACERS financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement take effect starting with the fiscal year that ends June 30, 2023. LACERS implemented this statement during the fiscal year ended June 30, 2023. Details are provided in the Note 11 Subscription-Based Information Technology Arrangements (SBITA) on page 59.

Recent GASB Pronouncements for Future Adoption

LACERS is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Recent GASB Pronouncements for Future Adoption (Continued)

GASB Statement No. 99, *Omnibus 2022*. The requirement related to leases, PPPs, and SBITAs takes effect starting fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instrument with the scope of Statement 53 will take effect in fiscal year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Errors Correction- an amendment of GASB Statement No. 62*. The requirements of this Statement will take effect for fiscal years starting after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. The requirements of this Statement will take effect for fiscal years starting after December 15, 2023.

Note 2. Retirement Plan Description

Plan Administration and Membership

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits.

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, certain Port Police officers of the Harbor, and certain Airport Peace Officers of the Airports who elected to opt out of LACERS. Upon transferring all active Tier 2 Members to Tier 1 as of February 21, 2016, Membership to Tier 1 is now closed to new entrants unless a Member meets one of the exceptions allowed in the Ordinance (No. 184134). Eligible employees hired on or after February 21, 2016, become Members of Tier 3.

Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

As of June 30, 2023, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	17,968
Non-vested	7,907
	<hr/>
	25,875
Inactive:	
Non-vested	7,759
Terminated Entitled to Benefits, Not Yet Receiving Benefits	3,389
Retired	22,510
	<hr/>
Total	59,533

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit.

Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a \$2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Tier 1 – Enhanced Benefits

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code (LAAC) authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan with enhanced benefits. All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon a mandatory additional contribution payment of \$5,700 required by LAAC Section 4.1002(e)(2) to LACERS before January 8, 2019, or prior to the Member's retirement date, whichever is earlier.

Tier 3

Plan Members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provided that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Plan Members also are eligible to retire with an age-based reduced benefit before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the Member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the Member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, the System also provides Tier 3 Members enhanced retirement benefits with a 2.0% retirement factor if the Member retires at age 63 with at least 10 years of service, or a retirement factor of 2.1% if the Member retires at age 63 with 30 years of service.

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

Tier 3 (Continued)

Tier 3 retirement benefits are determined by multiplying the Member's retirement factor (1.5% - 2.1%), with the Member's Final Average Compensation (FAC) based on the Member's pensionable salary for the last 36 months or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

Age at Retirement	Required Years of Service	Retirement Benefit ⁽¹⁾
Under 55	30 Years	2.0% x FAC x Yrs. of SC ⁽²⁾
55 and Over	30 Years	2.0% x FAC x Yrs. of SC
60 and Over	10 Years	1.5% x FAC x Yrs. of SC
63 and Over	10 Years	2.0% x FAC x Yrs. of SC
63 and Over	30 Years	2.1% x FAC x Yrs. of SC

⁽¹⁾ Retirement allowance may not exceed 80% of final compensation except when benefit is based solely on the annuity component funded by the Member's contributions.

⁽²⁾ A reduction factor will be applied based on age at retirement.

Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a \$2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Cost of Living Adjustment

Retirement allowances are indexed annually for inflation. The Board has authority to determine, no later than May 1st of each year, the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a Cost of Living Adjustment (COLA) to the benefits of eligible Members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 Members or 2.0% for Tier 3 Members. For Tier 1 Members, the COLA percentage greater than 3.0% is banked for future use.

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2023, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 29.39% (30.16% for Tier 1 and 26.93% for Tier 3) of projected payroll, based on the June 30, 2021 actuarial valuation.

Upon closing the fiscal year 2022-23, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2022. As a result, employer contributions received for the Retirement Plan were \$71,723,000 more than required, which was recorded in fiscal year 2022-23 and credited towards employer contributions payment for fiscal year 2023-24. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 29.01% for fiscal year 2022-23.

Member Contributions

Tier 1 and Tier 1 Enhanced

The current contribution rate for Tier 1 and Tier 1 Enhanced Members is 11% of their pensionable salary including a 1% increase in the Member contribution rate pursuant to 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first). Contribution rates for Tier 1 and Tier 1 Enhanced Members is expected to decrease by 1% once ERIP obligation is met.

Tier 3

The contribution rate for Tier 3 Members is 11% of their pensionable salary. Unlike Tier 1, Tier 3 Members do not pay ERIP contribution, therefore, Tier 3 Members' contribution rate will not drop down when Tier 1 Members cease to pay the 1% ERIP contribution.

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity benefits. As of June 30, 2023, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	\$ 25,299,537
<u>Less Plan Fiduciary Net Position⁽¹⁾</u>	<u>17,953,293</u>
Plan's Net Pension Liability	<u>\$ 7,346,244</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.0%

⁽¹⁾ Plan fiduciary net position is \$18,048,879,000 as of June 30, 2023 without excluding amounts associated with Family Death and Larger Annuity benefits.

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2023, are summarized below:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Cost Method (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022)
Long-Term Expected Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Annual COLAs	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>(currently in pay status)</i>	Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>(not currently in pay status)</i>	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Percent Married / Domestic Partner	76% of male participants and 52% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate and Investment Rates of Return

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed Plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries, as well as projected contributions from future Plan Members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2023.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with June 30, 2023 any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation) are shown in the following table. These values are after deducting applicable investment management expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2023 actuarial valuation. This information will change every three years based on the actuarial experience study. The last experience study was for July 1, 2019 through June 30, 2022. The next experience study is anticipate to be conducted in fiscal year 2025-26.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	15.00%	6.00%
Small/Mid Cap U.S. Equity	6.00%	6.65%
Developed International Large Cap Equity	15.00%	7.01%
Developed International Small Cap Equity	3.00%	7.34%
Emerging Markets Equity	6.67%	8.80%
Core Bonds	11.25%	1.97%
High Yield Bonds	1.50%	4.63%
Bank Loans	1.50%	4.07%
Protected Securities (TIPS)	3.60%	1.77%
Emerging Market External Debt	2.00%	4.72%
Emerging Market Local Currency Debt	2.00%	4.53%
Real Estate Core	4.20%	3.86%
Cash & Equivalents	1.00%	0.63%
Private Equity	16.00%	9.84%
Private Credit (Private Debt)	5.75%	6.47%
Emerging Market Small-Cap Equity	1.33%	11.10%
REIT	1.40%	6.80%
Real Estate -Non Core	2.80%	5.40%
Total	100.00%	6.27%

Notes to the Basic Financial Statements

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 10,670,437	\$ 7,346,244	\$ 4,597,569

Note 3. Postemployment Health Care Plan Description

Plan Administration and Membership

LACERS administers and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).

As of June 30, 2023, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses ⁽¹⁾	17,759
Vested terminated Members entitled to, but not yet receiving benefits ⁽²⁾	1,617
Retired Members and surviving spouses not yet eligible for health benefits	132
Active Members	25,875
Total	<u><u>45,383</u></u>

⁽¹⁾ Total participants including married dependents and dependent children currently receiving benefits are 23,696.

⁽²⁾ Includes terminated Members due a refund of employee contributions.

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Plan Administration and Membership (Continued)

On November 9, 2018, the City Council approved Ordinance No. 185829 to amend Article 1 of Chapter 11, Division 4 of the Los Angeles Administrative Code to establish the LACERS Health Care Fund (115 Trust Account) for the sole purpose of funding the retiree healthcare benefits for eligible LACERS retirees and beneficiaries as well as to help stabilize premium rates over time.

The City and the Board of LACERS entered into a written trust agreement for the LACERS Health Care Fund which shall provide an alternative funding mechanism, in addition to or in lieu of the existing 401(h) account described in LAAC Section 4.1102 for funding benefits under the health and welfare programs. The LACERS Health Care Fund is intended to qualify for federal tax exemption under Section 115 of the Internal Revenue Code. Because health benefits paid out of the LACERS Health Care Fund are not required to be subordinate to the Plan retirement benefits, the LACERS Health Care Fund would not become taxable if the Plan health benefits surpass the 25% threshold. Second, the LACERS Health Care Fund gives LACERS more flexibility to invest premium surpluses to provide for smoothing should healthcare premiums increase considerably in the future. Currently, the Health Care Coverage Account (401(h) account) cannot receive full refunds of excess premiums from insurance providers. However, the LACERS Health Care Fund can receive full premium surplus refunds from insurance providers; therefore, the System can invest these funds at a higher rate of return than the insurance providers' reserve account interest rate.

Eligibility Requirement and Benefits Provided

To be eligible for LACERS postemployment healthcare benefits, Member must: 1) be at least age 55; 2) have at least 10 whole years of service with LACERS; and 3) be enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

The maximum subsidies are set annually by the Board. Effective February 21, 2016, healthcare benefit eligibility requirements have changed for the Members who have periods of part-time service. Such Members are now eligible to participate in the LACERS retiree medical programs with 10 whole years of service, even if some or all that service was part-time, provided that the Member meets the eligibility requirements. Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment healthcare benefits after the retired Member's death.

During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at \$1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2023, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The actuarially determined aggregate contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2023, was 3.92% (3.77% for Tier 1 and 4.42% for Tier 3) of projected payroll, based on the June 30, 2021 actuarial valuation.

Upon closing the fiscal year 2022-23, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was lower than projected covered payroll used by the City to make the advance payment on July 15, 2022. As a result, employer contributions for Postemployment Health Care Plan were \$9,754,000 more than required, which was recognized in fiscal year 2022-23 and credited towards employer contribution payment for fiscal year 2023-24. Based on actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 3.93% for fiscal year 2022-23.

Net OPEB (Asset) Liability

As of June 30, 2023, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	\$	3,405,088
<u>Less: Plan Fiduciary Net Position</u>		<u>3,540,386</u>
Plan's Net OPEB (Asset) Liability	\$	<u>(135,298)</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		104.0%

Significant Assumptions

The total OPEB liability as of June 30, 2023 was determined by actuarial valuation as of June 30, 2023. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2023, are summarized below:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.00% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022)
Long-Term Expected Rate of Return	7.00%
Inflation	2.50%
Salary Increase	Range from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Mortality Table for Retirees	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>(currently in-pay status)</i>	Pub-2010 Contingent Survivor Headcount-Weighted Above Median Mortality Tables (separate tables for males and females), with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>(not currently in-pay status)</i>	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

Medical Premium Trend Rates to be applied in the following fiscal years to all health plans. Trend Rate is to be applied to the premium for the shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2023-2024 and later years are:

First Fiscal Year (July 1, 2023 through June 30, 2024)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	9.49%	3.25%
Anthem Blue Cross HMO	8.01%	N/A
Anthem Blue Cross PPO	8.01%	(3.35)%
UHC Medicare HMO	N/A	(4.51)%

Approximate Trend Rate (%) Fiscal Year 2024 - 2025 and later		
Fiscal Year	Non-Medicare	Medicare
2024 - 2025	7.12%	6.37%
2025 - 2026	6.87%	6.12%
2026 - 2027	6.62%	5.87%
2027 - 2028	6.37%	5.62%
2028 - 2029	6.12%	5.37%
2029 - 2030	5.87%	5.12%
2030 - 2031	5.62%	4.87%
2031 - 2032	5.37%	4.62%
2032 - 2033	5.12%	4.50%
2033 - 2034	4.87%	4.50%
2034 - 2035	4.62%	4.50%
2035 and later	4.50%	4.50%

Dental Premium Trend - 1.50%, then 3.00% thereafter

Medicare Part B Premium Trend - 5.20%, then 4.50% thereafter

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Discount Rate and Investment Rates of Return

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with June 30, 2023, any applicable investment management expense) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation) are shown in the following table. These values are after deducting applicable investment management expense. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2023 actuarial valuation. This information will change every three years based on the actuarial experience study. The last experience study was for July 1, 2019 through June 30, 2022. The next experience study is anticipate to be conducted in fiscal year 2025-26.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	15.00%	6.00%
Small/Mid Cap U.S. Equity	6.00%	6.65%
Developed International Large Cap Equity	15.00%	7.01%
Developed International Small Cap Equity	3.00%	7.34%
Emerging Markets Equity	6.67%	8.80%
Core Bonds	11.25%	1.97%
High Yield Bonds	1.50%	4.63%
Bank Loans	1.50%	4.07%
Protected Securities (TIPS)	3.60%	1.77%
Emerging Market External Debt	2.00%	4.72%
Emerging Market Local Currency Debt	2.00%	4.53%
Real Estate Core	4.20%	3.86%
Cash & Equivalents	1.00%	0.63%
Private Equity	16.00%	9.84%
Private Credit (Private Debt)	5.75%	6.47%
Emerging Market Small-Cap Equity	1.33%	11.10%
REIT	1.40%	6.80%
Real Estate - Non Core	2.80%	5.40%
Total	100.00%	6.27%

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 316,466	\$ (135,298)	\$ (508,751)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2023, calculated using the healthcare cost trend rates as well as what LACERS net OPEB (asset) liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rate (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates⁽¹⁾	1% Increase
\$ (546,070)	\$ (135,298)	\$ 372,464

⁽¹⁾ Current healthcare cost trend rates: 7.12% graded down to 4.50% over 11 years for Non-Medicare medical plan costs, and 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs. Actual premium increase in first year, then 3.00% thereafter for Dental and 4.50% thereafter for Medicare Part B subsidy cost.

Note 4. Contributions Required and Contributions Made

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes including the 2009 ERIP, are amortized over separate 15 year-periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012. For OPEB, all bases as of June 30, 2020 were re-amortized over 21 years effective with the June 30, 2021 valuation. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

Notes to the Basic Financial Statements

Note 4. Contributions Required and Contributions Made (Continued)

The total contributions to LACERS for the fiscal year ended June 30, 2023, in the amount of \$1,019,996,000 (\$929,415,000 for the Retirement Plan and \$90,581,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	<u>Retirement Plan</u>	<u>Postemployment Health Care Plan</u>
City Contributions:		
Initial Contributions ⁽¹⁾	\$ 741,114	\$ 100,335
True-up Adjustments ⁽²⁾	<u>(71,723)</u>	<u>(9,754)</u>
Required Contributions	669,391	90,581
FDBP	<u>47</u>	<u>-</u>
Total City Contributions	669,438	90,581
Member Contributions	<u>259,977</u>	<u>-</u>
Total Contributions	<u>\$ 929,415</u>	<u>\$ 90,581</u>

(1) The initial City contributions made on July 15, 2022 were based on applying actuarially-determined contributions rates to projected payroll for the fiscal year.

(2) At the end of the fiscal year, LACERS recalculated required contributions based on actual payroll, resulting in these true-up adjustments.

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of \$669,391,000 were equal to 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 67. The City contributions made for the Postemployment Health Care Plan, in the amount of \$90,581,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of \$259,977,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan and Family Death Benefit Plan.

Note 5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 60 - 65 for the Retirement Plan and pages 66 - 71 for the Postemployment Health Care Plan.

Note 6. Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of LACERS funds, and should discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2023, for the Retirement Plan and Postemployment Health Care Plan included approximately \$4,718,000 held in LACERS general operating accounts with the City Treasurer, \$2,284,000 in building operating account with LACERS building property management and short-term investments funds (STIF) of \$420,786,000 for a total of \$427,788,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2023, short-term investments included collective STIF of \$331,854,000, international STIF of \$29,072,000, and future contracts initial margin and collaterals of \$59,860,000.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, rights and warrants and swaps, are recorded in the Statement of Fiduciary Net Position with a net negative value of \$1,886,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income (Loss). LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2023, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	\$ -	\$ -	\$ -
Equity Index	23,689	133	370
Foreign Exchange	-	-	-
Interest Rate	(13,364)	21	57
Currency Forward Contracts	627,263	1,219	2,077
Currency Options	N/A	(1,358)	(1,339)
Right / Warrants	N/A	48	2
Swaps—Interest Rate	N/A	(2,388)	227
Swaps—Credit Contracts	N/A	439	(2,028)
Total Value		\$ (1,886)	\$ (634)

Credit Risk – Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. LACERS is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

LACERS permits investment managers, under the terms of individual guidelines, to use derivative instruments as set forth in each manager's investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. LACERS has no general investment policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of the counterparty's default.

As of June 30, 2023, without respect to netting arrangements, LACERS maximum income on derivative instruments subject to credit risk, namely currency forward contracts, is \$5,219,000. All counterparties of these investment derivatives had the credit rating of "A" or "AA" assigned by S&P.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2023, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	\$ 45,771	1.38 %
AA+	5,768	0.17
AA	735,835	22.13
AA-	18,631	0.56
A+	36,614	1.10
A	58,999	1.78
A-	179,586	5.40
BBB+	236,435	7.11
BBB	190,802	5.74
BBB-	171,859	5.17
BB+	86,811	2.61
BB	115,777	3.48
BB-	122,928	3.70
B+	57,952	1.74
B	71,442	2.15
B-	78,442	2.36
CCC+	76,840	2.31
CCC	63,419	1.91
CCC-	12,268	0.37
CC	158	0.00
D	7,626	0.23
Not Rated	951,087	28.60
	\$ 3,325,050	100.00 %
U.S. Government Guaranteed Securities ⁽¹⁾	2,260,965	
Total Fixed Income Securities	\$ 5,586,015	

⁽¹⁾ Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AA+ rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2023, LACERS has exposure to such risk in the amount of \$28,126,000 or 0.4% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 13 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2023, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2023 is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	\$ 78,407	3.04
Bank Loans	105,025	(0.08)
Commercial Mortgage-Backed Securities	80,310	2.79
Corporate Bonds	1,110,916	5.01
Government Agencies	65,423	7.16
Government Bonds	1,358,092	7.59
Government Mortgage-Backed Securities	595,508	7.42
Index Linked Government Bonds	958,463	4.45
Municipal/Provincial Bonds	15,418	5.57
Non-Government Backed Collateralized		
Mortgage Obligations (C.M.O.s)	34,515	3.96
Opportunistic Debts	469,555	0.12
Other Fixed Income (Funds)	714,385	6.29
Derivative Instruments	21	98.47
Total Fixed Income Securities	\$ 5,586,038	

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Concentration of Credit Risk

The investment portfolio as of June 30, 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Highly-Sensitive Investments

Highly-sensitive investments are certain debt investments whose terms may cause their fair value to be highly-sensitive to market interest rate changes. Terms include embedded options, coupon multipliers, benchmark indexes, and reset dates. LACERS asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of LACERS asset-backed investments by investment type (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Asset-Backed Securities	\$ 78,407
Commercial Mortgage-Backed Securities	80,310
Government Agencies	65,423
Government Mortgage-Backed Securities	595,508
Non-Government Backed C.M.O.s	34,515
Total Asset-Backed Investments	\$ 854,163

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 24% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2023, which represent 24.01% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Australian dollar	\$ (1,904)	\$ 116,190	\$ -	\$ 49	\$ -	\$ 114,335
Brazilian real	27,602	60,042	29,844	(1,341)	(1,421)	114,726
British pound sterling	466	500,036	-	26	-	500,528
Canadian dollar	484	290,310	-	58	-	290,852
Chilean peso	(11,684)	2,993	10,528	(192)	(140)	1,505
Chinese yuan renminbi	15,763	46,798	14,068	981	184	77,794
Colombian peso	3,698	406	35,632	(1,047)	(1,039)	37,650
Czech koruna	(2,578)	730	27,020	(470)	(439)	24,263
Danish krone	153	104,079	-	-	-	104,232
Egyptian pound	1,329	-	-	-	-	1,329
Euro	(32,086)	1,108,009	42,235	21	333,123	1,451,302
Hong Kong dollar	1,053	249,740	-	1	-	250,794
Hungarian forint	(3,073)	1,176	23,959	94	354	22,510
Indian rupee	(8,405)	218,771	-	(136)	(44)	210,186
Indonesian rupiah	(4,159)	21,986	53,360	93	-	71,280
Israeli new shekel	704	27,105	-	33	-	27,842
Japanese yen	2,913	647,766	-	(10)	-	650,669
Kazakhstan tenge	860	-	-	-	-	860
Malaysian ringgit	7,885	14,158	34,648	(60)	(117)	56,514
Mexican peso	1,554	58,046	45,225	(698)	(582)	103,545
New Romanian Leu	2,913	-	16,604	15	-	19,532
New Taiwan dollar	6,276	216,017	-	46	-	222,339
New Zealand dollar	97	3,752	-	9	-	3,858
Norwegian krone	163	43,180	-	-	-	43,343
Peruvian nuevo sol	(5,491)	-	18,347	(63)	-	12,793
Philippine peso	1,958	8,461	-	-	-	10,419
Polish zloty	7,088	8,166	24,126	344	850	40,574
Qatari riyal	12	4,427	-	-	-	4,439
Russian ruble	650	-	-	-	-	650
Singapore dollar	(20,233)	59,499	-	104	-	39,370
South African rand	(5,208)	31,806	50,818	(180)	(129)	77,107
South Korean won	(21,869)	127,756	-	444	136	106,467
Swedish krona	106	121,325	-	-	-	121,431
Swiss franc	413	241,415	-	-	-	241,828
Thai baht	19,741	21,277	14,758	40	-	55,816
Turkish lira	859	3,962	-	11	-	4,832
United Arab Emirates dirham	37	11,537	-	-	-	11,574
Uruguayan peso uruguayo	941	-	-	-	-	941
Total Investments Held in Foreign Currency	<u>\$ (10,972)</u>	<u>\$ 4,370,921</u>	<u>\$ 441,172</u>	<u>\$ (1,828)</u>	<u>\$ 330,736</u>	<u>\$ 5,130,029</u>

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements

LACERS follows GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements and disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in either a government's principal or the most advantageous market at the measurement date.

The System's investments are measured and reported within the fair value hierarchy established by US GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Schedule of Investments by Fair Value Hierarchy

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 or 3 of the fair value hierarchy are valued using a matrix pricing technique based on the availability of the market price, the pricing source and type, and the country of incorporation of the securities. The hierarchy levels are determined based on the level of corroborative information obtained from other market sources to assert that the prices provided represent observable data.

The exchange traded Future Contracts classified in Level 1 of the fair value hierarchy are valued using a daily settlement when available or as a daily mark to market. The Foreign Exchange Contracts (liabilities) classified in Level 2 of the fair value hierarchy are valued using independent pricing services including London Close Mid-evaluation, WM/Reuters Company, Bloomberg, and Thomson Reuters.

Real estate funds classified in Level 3 of the fair value hierarchy are valued based on periodic appraisals in accordance with industry practice, or other valuation methods and techniques including models.

The System's remaining investments not categorized under the fair value hierarchy, such as private equity partnerships, real estate comingled funds and other investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV). NAV is calculated and used as a practical expedient to estimate fair value of LACERS' interest, unless it is probable that all or a portion of the investments will be sold for an amount different from the NAV. As of June 30, 2023, LACERS had no specific plans to sell investments at amounts different from NAV. These investments are disclosed in the Investments Measured at the NAV on page 55.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2023 (in thousands):

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
Government Bonds	\$ 2,316,554	\$ -	\$ 2,294,826	\$ 21,728
Government Agencies	65,423	-	65,423	-
Municipal/Provincial Bonds	15,418	-	15,418	-
Corporate Bonds	1,223,837	-	1,217,360	6,477
Bank Loans	105,025	-	105,025	-
Government Mortgage Bonds	595,508	-	595,508	-
Commercial Mortgage Bonds	80,310	-	80,310	-
Opportunistic Debts	117,485	-	-	117,485
Funds – Fixed Income ETF	2,434	2,434	-	-
Total Debt Securities	4,521,994	2,434	4,373,870	145,690
Equity Securities:				
Common Stock:				
Basic Industries	1,367,168	1,367,051	22	95
Capital Goods Industries	482,384	482,233	-	151
Consumer & Services	2,098,659	2,097,432	1,137	90
Energy	593,938	593,579	-	359
Financial Services	1,409,830	1,409,626	-	204
Health Care	964,819	964,481	-	338
Information Technology	1,600,283	1,600,154	-	129
Real Estate	730,387	730,005	-	382
Other Funds - Common Stock	846,647	-	846,647	-
Miscellaneous	14,095	11,905	18	2,172
Total Common Stock	10,108,210	9,256,466	847,824	3,920
Preferred Stock	37,617	37,617	-	-
Stapled Securities	5,906	5,906	-	-
Convertible Equity	501	487	14	-
Total Equity Securities	10,152,234	9,300,476	847,838	3,920
Real Estate Funds	392,378	-	-	392,378
Total Investments by Fair Value Level	15,066,606	\$ 9,302,910	\$ 5,221,708	\$ 541,988
Investments Measured at the NAV:				
Common Fund Assets	711,951			
Private Equity Funds	4,154,437			
Real Estate Funds	870,012			
Opportunistic Debts	352,070			
Total Investments Measured at the NAV	6,088,470			
Total Investments Measured at Fair Value⁽¹⁾	\$ 21,155,076			
Investment Derivative Instruments:				
Future Contracts (liabilities)	\$ 154	\$ 154	\$ -	\$ -
Foreign Exchange Contracts (liabilities)	1,219	-	1,219	-
Rights/Warrants/Options/Swaps	(3,259)	(1,920)	(1,358)	19
Total Investment Derivative Instruments	\$ (1,886)	\$ (1,766)	\$ (139)	\$ 19

⁽¹⁾ Excluded \$(1,886,000) of investment derivative instruments (shown separately) and \$210,806,000 of securities lending collateral.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

Investments Measured at the NAV: (in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets ⁽¹⁾	\$ 711,951	\$ -	Daily	2 days
Private Equity Funds ⁽²⁾	4,154,437	1,650,990	N/A	N/A
Real Estate Funds ⁽³⁾	870,012	31,571	Daily, Quarterly	1-90 days
Opportunistic Debts ⁽⁴⁾	352,070	-	Monthly	30 days
Total Investments Measured at NAV	<u>\$ 6,088,470</u>	<u>\$ 1,682,561</u>		

- (1) Common fund assets - This investment type includes one fund that primarily invests in U.S. bonds. The fair value of the investment has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.
- (2) Private equity funds - This investment type includes 319 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.
- (3) Real estate funds - This investment type includes 22 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 85.5% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. Thirteen investments, representing approximately 14.5% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.
- (4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99.8% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 0.2% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. The fund is still being liquidated.

Notes to the Basic Financial Statements

Note 7. Securities Lending Agreement

Under authority granted by the City Charter, LACERS has entered into various short-term arrangements with its custodian to lend securities to various brokers. There are no restrictions on the number of securities that may be lent, and the custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 103% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high-quality short-term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending. As of June 30, 2023, the fair value of the securities on loan was \$1,002,246,000. The fair value of associated collateral was \$1,047,295,000 (\$210,806,000 of cash collateral and \$836,489,000 of non-cash collateral). These agreements provide for the return of the securities and revenue determined by the type of collateral received.

During the reporting period, LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. If this scenario were to occur, LACERS would be required to make up the deficiency in collateral and would incur a loss.

All securities loans can be terminated on demand by either LACERS or the borrower. Because of this nature, their duration did not generally match the duration of the investment made with the cash collateral. LACERS cannot pledge or sell non-cash collateral unless the borrower defaults.

Notes to the Basic Financial Statements

Note 7. Securities Lending Agreement (Continued)

For loaned securities for which LACERS received cash collateral, the following table represents the fair value of securities on loan, corresponding cash collateral received and cash reinvestment value, as of June 30, 2023 (in thousands):

Securities on Loan	Fair Value of Underlying Securities on Loan	Cash Collateral Received	Collateral Reinvestment Value
U.S. Government & Agency Securities	\$ 9,436	\$ 9,652	\$ 9,652
Domestic Corporate Fixed Income Securities	86,842	88,630	88,630
International Fixed Income Securities	29,719	31,888	31,888
Domestic Stocks	64,418	65,696	65,696
International Stocks	14,001	14,940	14,940
Total	\$ 204,416	\$ 210,806	\$ 210,806

The fair value of cash collateral is reported in the Statement of Fiduciary Net Position. However, the non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position.

On April 28, 2020, the Board adopted several temporary Security Lending Program risk-reducing strategies to minimize potential losses due to unusual and more volatile market conditions as a result of COVID pandemic. These strategies include (1) temporarily reducing the volume of loans in order to reduce LACERS overall exposure; (2) shorten the duration and maturity of individual investments to 60 days; and (3) require a non-U.S. country to hold a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) in order for non-U.S. government or corporate debt to be eligible for investment. These strategies remained in place through the fiscal year ended June 30, 2023.

During fiscal year ended June 30, 2023, LACERS income and expenses related to securities lending were \$4,384,000 and \$657,000 respectively, a decrease of 4.2%, or \$164,000 from prior fiscal year's net security lending income (income net of expenses).

Note 8. Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives).

As of June 30, 2023, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of \$10,324,000. In addition, on June 30, 2023, LACERS had outstanding forward purchase commitments with a notional amount of \$627,263,000 and offsetting forward sales commitments with notional amounts of \$627,263,000, which expire in January 2024. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was \$59,860,000 as of June 30, 2023.

Notes to the Basic Financial Statements

Note 9. Capital Assets

The System's capital assets include land, building, furniture, office and technology equipment, computer software and subscription asset. The cost and related accumulated depreciation/amortization as of the fiscal year ended June 30, 2023 and 2022 (dollars in thousands) are presented below:

	June 30, 2023	June 30, 2022
Capital Assets Not Depreciated/Amortized		
Land	\$ 4,023	\$ 4,023
Total Capital Assets Not Depreciated/Amortized	4,023	4,023
Capital Assets Depreciated/Amortized		
Building	49,236	40,571
Furniture, Office & Technology Equipment	4,030	3,690
Computer Software	9,413	9,413
Intangible Right-To-Use Leased Asset	-	2,524
Subscription Asset	452	-
Total Capital Assets Depreciated/Amortized	63,131	56,198
Less: Accumulated Depreciation/Amortization		
Building	494	-
Furniture, Office & Technology Equipment	2,584	2,374
Computer Software	3,335	2,706
Intangible Right-To-Use Leased Asset	-	1,836
Subscription Asset	14	-
Total Accumulated Depreciation/Amortization	6,427	6,916
Total Capital Assets, Net of Depreciation/Amortization	\$ 60,727	\$ 53,305

Note 10. Leases

LACERS as a Lessee

The System building lease agreement expired on March 31, 2023. As a result, termination of lease asset and the related accumulated amortization of \$2,524,000 was recorded as of the fiscal year ending June 30, 2023. Additionally, the related lease liability was fully settled during the fiscal year.

LACERS as a Lessor

The System entered into a cell tower/antenna placement agreement under a five-year extended term expiring on November 30, 2023 with an option to automatically renew for four separate consecutive additional periods of five years. The total amount of inflow of resources, including lease revenue, interest revenue and other lease related inflows, recognized during the fiscal year was \$62,000. This total includes \$25,000 of variable and other payments not previously included in the measurement of the lease receivable.

Notes to the Basic Financial Statements

Note 11. Subscription-Based Information Technology Arrangements (SBITA)

During the fiscal year, the System entered into a subscription-based information technology arrangements (SBITA) with various vendors for the right to use of their software and licenses for a period of three years which included option to renew for another term. During the current fiscal year, subscription asset in the amount of \$452,000 and related accumulated amortization of \$14,000 as well as subscription liability of \$379,000 were recognized. The total amount of outflows of resources recognized and accrued for the reporting period is \$3,000. The subscriptions' principal and interest requirements to maturity are as follows:

Fiscal Year	Payment	Principal	Interest
2024	\$ 57,040	\$ 47,657	\$ 9,383
2025	57,040	49,401	7,639
2026	130,174	116,749	13,425
2027	57,040	53,083	3,957
2028	57,040	55,026	2,014
Total	\$ 358,334	\$ 321,916	\$ 36,418

Note 12. Commitments and Contingencies

As of June 30, 2023, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately \$1,934,434,000, including agreements for acquisition not yet initiated.

Required Supplementary Information

Retirement Plan

The following schedules included in the Required Supplementary Information for the Retirement Plan shows information for 10 years.

- 1) Schedule of Net Pension Liability
- 2) Schedule of Changes in Net Pension Liability and Related Ratios
- 3) Schedule of Investment Returns (Losses)

Schedule of Net Pension Liability ⁽¹⁾ As of June 30 (Dollars in Thousands)

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Plan's Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension
2014	\$ 16,248,853	\$ 11,791,079	\$ 4,457,774	72.6%
2015	16,909,996	11,920,570	4,989,426	70.5%
2016	17,424,996	11,809,329	5,615,667	67.8%
2017	18,458,188	13,180,516	5,277,672	71.4%
2018	19,944,578	14,235,230	5,709,348	71.4%
2019	20,793,421	14,815,593	5,977,828	71.3%
2020	22,527,195	14,932,404	7,594,791	66.3%
2021	23,281,893	18,918,136	4,363,757	81.3%
2022	24,078,751	17,013,091	7,065,660	70.7%
2023	25,299,537	17,953,293	7,346,244	71.0%

⁽¹⁾ In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension benefits (Family Death and Larger Annuity Benefits) were excluded.

Note to Schedule:

Refer to the notes to the Schedule of Changes in Net Pension Liability and Related Ratios.

Required Supplementary Information Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios ⁽¹⁾ For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost ⁽²⁾	\$ 412,247	\$ 413,863	\$ 451,426	\$ 374,967	\$ 370,409
Interest	1,671,683	1,617,800	1,570,785	1,499,208	1,439,661
Changes of benefit terms	-	-	-	-	-
Differences of expected and actual experience	469,172	(66,172)	(189,822)	308,184	(46,035)
Changes of assumptions	(112,700)	-	-	530,720	-
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)	(915,192)
Net change in total pension liability	1,220,786	796,858	754,698	1,733,774	848,843
Total pension liability-beginning	24,078,751	23,281,893	22,527,195	20,793,421	19,944,578
Total pension liability-ending (a)	\$ 25,299,537	\$ 24,078,751	\$ 23,281,893	\$ 22,527,195	\$ 20,793,421
Plan fiduciary net position					
Contributions-employer	\$ 669,391	\$ 591,234	\$ 554,856	\$ 553,118	\$ 478,717
Contributions-Member	257,968	241,876	252,123	259,817	237,087
Net investment income (loss) ⁽⁴⁾	1,261,073	(1,542,473)	4,283,202	306,712	799,351
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)	(915,192)
Administrative expenses	(28,614)	(27,033)	(26,758)	(23,531)	(19,600)
Others ⁽³⁾	-	(16)	-	-	-
Net change in Plan fiduciary net position	940,202	(1,905,045)	3,985,732	116,811	580,363
Plan fiduciary net position-beginning	17,013,091	18,918,136	14,932,404	14,815,593	14,235,230
Plan fiduciary net position-ending (b)	\$ 17,953,293	\$ 17,013,091	\$ 18,918,136	\$ 14,932,404	\$ 14,815,593
Plan's net pension liability-ending (a)-(b)	\$ 7,346,244	\$ 7,065,660	\$ 4,363,757	\$ 7,594,791	\$ 5,977,828
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.0%	70.7%	81.3%	66.3%	71.3%
Covered payroll	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768	\$ 2,271,039	\$ 2,108,171
Plan's net pension liability as a percentage of covered payroll	318.4%	327.9%	191.7%	334.4%	283.6%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension benefits (Family Death and Larger Annuity Benefits) were excluded.

(2) The service cost is based on the previous year's valuation.

(3) In fiscal year 2022, a prior period adjustment was made related to the implementation of GASB 87 – Lease, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Required Supplementary Information Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios ⁽¹⁾ (Continued) For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost ⁽²⁾	\$ 352,283	\$ 340,759	\$ 322,574	\$ 322,380	\$ 317,185
Interest	1,332,878	1,302,278	1,263,556	1,215,151	1,149,966
Changes of benefit terms	25,173	-	-	-	-
Differences of expected and actual experience	144,224	(146,474)	(300,813)	(135,821)	(164,247)
Changes of assumptions	483,717	340,718	-	-	785,439
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,317)	(740,567)	(721,153)
Net change in total pension liability	1,486,390	1,033,192	515,000	661,143	1,367,190
Total pension liability-beginning	18,458,188	17,424,996	16,909,996	16,248,853	14,881,663
Total pension liability-ending (a)	\$ 19,944,578	\$ 18,458,188	\$ 17,424,996	\$ 16,909,996	\$ 16,248,853
Plan fiduciary net position					
Contributions-employer	\$ 450,195	\$ 453,356	\$ 440,546	\$ 381,141	\$ 357,649
Contributions-Member	230,757	221,829	206,377	202,463	203,975
Net investment income (loss) ⁽⁴⁾	1,243,817	1,517,545	29,358	306,980	1,810,782
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,318)	(740,567)	(721,153)
Administrative expenses	(17,699)	(17,454)	(17,204)	(15,860)	(12,372)
Others ⁽³⁾	(471)	-	-	(4,666)	(2,288)
Net change in Plan fiduciary net position	1,054,714	1,371,187	(111,241)	129,491	1,636,593
Plan fiduciary net position-beginning	13,180,516	11,809,329	11,920,570	11,791,079	10,154,486
Plan fiduciary net position-ending (b)	\$ 14,235,230	\$ 13,180,516	\$ 11,809,329	\$ 11,920,570	\$ 11,791,079
Plan's net pension liability-ending (a)-(b)	\$ 5,709,348	\$ 5,277,672	\$ 5,615,667	\$ 4,989,426	\$ 4,457,774
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.4%	71.4%	67.8%	70.5%	72.6%
Covered payroll	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946	\$ 1,835,637	\$ 1,802,931
Plan's net pension liability as a percentage of covered payroll	277.5%	267.5%	299.2%	271.8%	247.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) The service cost is based on the previous year's valuation.

(3) On July 1, 2015, the System segregated Members' voluntary larger annuity contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the System's actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was \$5,200,000. On July 1, 2017, the System reallocated \$471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Required Supplementary Information Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 35). Enhanced benefits became effective as of January 7, 2018.

Change of Assumptions: The total pension liability calculation on fiscal years ended June 30, 2014, June 30, 2017, June 30, 2020 and June 30, 2023 reflected various assumption changes based on the triennial actuarial experience study. The latest experience study covers the period July 1, 2019 to June 30, 2022 resulted to changes of assumptions used in the June 30, 2023 actuarial valuation. The changes include inflation rate reduction from 2.75% to 2.50% and various demographic assumption changes such as retirement, mortality, disability and termination rates.

Schedule of Contribution History (Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC ⁽¹⁾	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 357,649	\$ 357,649	\$ -	\$ 1,802,931	19.8%
2015	381,141	381,141	-	1,835,637	20.8%
2016	440,546	440,546	-	1,876,946	23.5%
2017	453,356	453,356	-	1,973,049	23.0%
2018	450,195	450,195	-	2,057,565	21.9%
2019	478,717	478,717	-	2,108,171	22.7%
2020	553,118	553,118	-	2,271,039	24.4%
2021	554,856	554,856	-	2,276,768	24.4%
2022	591,234	591,234	-	2,155,005	27.4%
2023	669,391	669,391	-	2,307,336	29.0%

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Actuarial Cost Method (individual basis).

Amortization Method Level Percent of Payroll.

Required Supplementary Information Retirement Plan

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Amortization Period	Multiple layers – closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.

Actuarial Assumptions:

Investment Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases ⁽¹⁾	Ranges from 4.00% to 9.00% based on years of service.
Cost of Living Adjustment	2.75% for Tier 1; 2.00% for Tier 3. Actual increases are contingent upon Consumer Price Index (CPI) increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with sufficient COLA bank, withdrawals from the bank can be made to increase retiree COLA up to 3% per year.
Mortality	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021 Beneficiaries (<i>currently in pay status</i>): Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

⁽¹⁾ Includes inflation at 2.50% plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Required Supplementary Information

Retirement Plan

Schedule of Investment Returns (Losses) For the Fiscal Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	7.1%	(8.0%)	27.5%	2.0%	5.5%	9.3%	12.6%	0.2%	2.6%	18.2%

Note to Schedule:

In fiscal years 2020 to 2023, the impact of highly divergent and volatile global market in LACERS' investments continued resulting from the economic distress caused by the COVID-19 pandemic that started in 2020, the subsequent strong market recovery in 2021, the sharp decline in 2022 brought by the inflation concerns and the gradual market recovery in 2023.

Required Supplementary Information

Postemployment Health Care Plan

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS or the System) presented information only for those years for which information is available:

- 1) Schedule of Net OPEB (Asset) Liability
- 2) Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
- 3) Schedule of Investment Returns (Losses)

Additional years will be displayed in the future as they become available.

Schedule of Net OPEB (Asset) Liability As of June 30 (Dollars in Thousands)

Fiscal Year	Total OPEB Liability	Plan Fiduciary Net Position	Plan's Net OPEB (Asset) Liability	Plan Fiduciary Net Position as a percentage of the Total OPEB Liability
2016	2,793,689	2,134,877	658,812	76.4%
2017	3,005,806	2,438,862	566,944	81.1%
2018	3,256,827	2,676,371	580,456	82.2%
2019	3,334,299	2,812,098	522,201	84.3%
2020	3,486,530	2,851,204	635,326	81.8%
2021	3,520,078	3,781,652	(261,574)	107.4%
2022	3,580,696	3,347,771	232,925	93.5%
2023	3,405,088	3,540,386	(135,298)	104.0%

Note to Schedule:

Refer to the notes to the Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios.

Required Supplementary Information Postemployment Health Care Plan

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost ⁽¹⁾	\$ 81,028	\$ 81,415	\$ 84,817	\$ 76,423	\$ 74,478
Interest	250,838	246,694	244,776	242,666	236,678
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,048)	(369)	10,672	(135,720)	(134,053)
Changes of assumptions	(336,075)	(109,877)	(157,614)	96,076	33,940
Benefit payments ⁽²⁾	(159,351)	(157,245)	(149,103)	(127,214)	(133,571)
Net change in total OPEB liability	(175,608)	60,618	33,548	152,231	77,472
Total OPEB liability-beginning	3,580,696	3,520,078	3,486,530	3,334,299	3,256,827
Total OPEB liability-ending (a)	\$ 3,405,088	\$ 3,580,696	\$ 3,520,078	\$ 3,486,530	\$ 3,334,299
Plan fiduciary net position					
Contributions-employer	\$ 90,581	\$ 91,623	\$ 103,454	\$ 112,136	\$ 107,927
Net investment income (loss) ⁽³⁾	269,611	(360,636)	983,522	60,899	166,470
Benefit payments ⁽²⁾	(159,351)	(157,245)	(149,103)	(127,214)	(133,571)
Administrative expense	(8,226)	(7,619)	(7,425)	(6,715)	(5,099)
Others ⁽⁴⁾	-	(4)	-	-	-
Net change in Plan fiduciary net position	192,615	(433,881)	930,448	39,106	135,727
Plan fiduciary net position-beginning	3,347,771	3,781,652	2,851,204	2,812,098	2,676,371
Plan fiduciary net position-ending (b)	\$ 3,540,386	\$ 3,347,771	\$ 3,781,652	\$ 2,851,204	\$ 2,812,098
Plan's net OPEB (asset) liability-ending (a)-(b)	\$ (135,298)	\$ 232,925	\$ (261,574)	\$ 635,326	\$ 522,201
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	104.0%	93.5%	107.4%	81.8%	84.3%
Covered payroll	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768	\$ 2,271,039	\$ 2,108,171
Plan's net OPEB (asset) liability as a percentage of covered payroll	(5.9%)	10.8%	(11.5%)	28.0%	24.8%

(1) The service cost is based on the previous year's valuation.

(2) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

(3) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

(4) In fiscal year 2022, a prior period adjustment was made related to the implementation of GASB 87 – Leases, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

Required Supplementary Information Postemployment Health Care Plan

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued) For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2018	2017	2016
Total OPEB Liability			
Service cost ⁽¹⁾	\$ 74,611	\$ 68,385	\$ 62,360
Interest	218,686	210,170	199,078
Changes of benefit terms	948	-	17,215
Differences between expected and actual experience ⁽²⁾	(7,321)	19,666	(22,013)
Changes of assumptions	92,178	33,512	-
Benefit payments ⁽³⁾	(128,081)	(119,616)	(109,940)
Net change in total OPEB liability	251,021	212,117	146,700
Total OPEB liability-beginning	3,005,806	2,793,689	2,646,989
Total OPEB liability-ending (a)	\$ 3,256,827	\$ 3,005,806	\$ 2,793,689
Plan fiduciary net position			
Contributions-employer	100,909	97,457	105,983
Net investment income (loss) ⁽⁴⁾	269,380	330,708	(344)
Benefit payments ⁽³⁾	(128,081)	(119,616)	(109,940)
Administrative expense	(4,699)	(4,564)	(4,528)
Net change in Plan fiduciary net position	237,509	303,985	(8,829)
Plan fiduciary net position-beginning	2,438,862	2,134,877	2,143,706
Plan fiduciary net position-ending (b)	\$ 2,676,371	\$ 2,438,862	\$ 2,134,877
Plan's net OPEB (asset) liability-ending (a)-(b)	\$ 580,456	\$ 566,944	\$ 658,812
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	82.2%	81.1%	76.4%
Covered payroll	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946
Plan's net OPEB (asset) liability as a percentage of covered payroll	28.2%	28.7%	35.1%

(1) The service cost is based on the previous year's valuation.

(2) After the GASB Statement No. 74 valuation report was issued for the fiscal year June 30, 2017, the System's consulting actuary reclassified \$12,450,000 of OPEB liability from the *Changes of Assumption* (revised from \$45,962,000 to \$33,512,000) to the *Differences Between Expected and Actual Experience* (revised from \$7,216,000 to \$19,666,000). However, this reclassification did not affect the recommended employer contribution rates or results of the OPEB valuation in total.

(3) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Required Supplementary Information Postemployment Health Care Plan

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on page 41) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 35) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Schedule of Contribution History (Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 97,841	\$ 97,841	\$ -	\$ 1,802,931	5.4%
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9
2019	107,927	107,927	-	2,108,171	5.1
2020	112,136	112,136	-	2,271,039	4.9
2021	103,454	103,454	-	2,276,768	4.5
2022	91,623	91,623	-	2,155,005	4.3
2023	90,581	90,581	-	2,307,336	4.0

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Valuation Date

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Actuarial Cost Method (level percent of payroll).
Amortization Method Level Percent of Payroll.

Required Supplementary Information

Postemployment Health Care Plan

Schedule of Contribution History (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued):

Amortization Period	Multiple layers – closed amortization periods. The unfunded actuarial accrued liability as of June 30, 2020 is amortized over a fixed period of 21 years beginning June 30, 2021. Assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. Any actuarial surplus is amortized over 30 years on an open (non - decreasing) basis.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a fair value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Assumptions:

Investment Rate of Return 7.00%

Inflation 2.50%

Real Across-the-Board
Salary Increase 0.50%

Projected Salary
Increases⁽¹⁾ Ranges from 4.00% to 9.00% based on years of service.

Mortality
Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled: Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries (*currently in-pay status*): Contingent Survivor Headcount-Weighted Above Median Mortality Tables (separate tables for males and females), with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries (*not currently in-pay status*): Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021

⁽¹⁾ Includes inflation at 2.50%, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Required Supplementary Information Postemployment Health Care Plan

Schedule of Investment Returns (Losses) For the Fiscal Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	9.0%	(10.5%)	39.9%	2.1%	6.1%	10.8%	15.2%

Note to Schedule:

The required disclosure about factors that significantly affect trends in the money-weighted rate of return is not provided as only seven years' rates are available. As additional years' money-weighted rate of return become available, the System will disclose factors that significantly affect trends in the rate of return.

In fiscal years 2020 to 2023, the impact of highly divergent and volatile global market in LACERS' investments continued resulting from the economic distress caused by the COVID-19 pandemic that started in 2020, the subsequent strong market recovery in 2021, the sharp decline in 2022 brought by the inflation concerns and the gradual market recovery in 2023.

**Schedule of Additions and Deductions to Fiduciary Net Position
Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2023
(In Thousands)**

	<u>401(h)</u>	<u>115 Trust</u>	<u>Total</u>
Additions			
Contributions			
City Contributions	\$ -	\$ 90,581	\$ 90,581
Member Contributions	-	-	-
Total Contributions	<u>-</u>	<u>90,581</u>	<u>90,581</u>
Self Funded Insurance Premium	-	12,809	12,809
Health Insurance Premium Reserve	-	1,423	1,423
Investment Income (Loss)			
Net Appreciation (Depreciation) in Fair Value of			
Investments, Including Gain and Loss on Sales	190,439	30,030	220,469
Interest	24,190	3,815	28,005
Dividends	29,209	4,605	33,814
Other Investment Income	9,051	1,427	10,478
Security Lending Income	571	90	661
Less: Security Lending Expense	(106)	(17)	(123)
Sub-total	<u>253,354</u>	<u>39,950</u>	<u>293,304</u>
Investment Management Fees and Expenses	(20,482)	(3,230)	(23,712)
Investment Related Administrative Expenses	(598)	(94)	(692)
Net Investment Income (Loss)	<u>232,274</u>	<u>36,626</u>	<u>268,900</u>
Building Lease and Other Income	<u>16</u>	<u>3</u>	<u>19</u>
Total Additions	<u>232,290</u>	<u>141,442</u>	<u>373,732</u>
Deductions			
Benefit Payments	(162,564)	(11,019)	(173,583)
Refunds of Contributions	-	-	-
Administrative Expenses	(5,715)	(1,819)	(7,534)
Total Deductions	<u>(168,279)</u>	<u>(12,838)</u>	<u>(181,117)</u>
Net Increase (Decrease) in Fiduciary Net Position	64,011	128,604	192,615
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits			
Beginning of year	<u>2,986,895</u>	<u>360,876</u>	<u>3,347,771</u>
End of year	<u>\$ 3,050,906</u>	<u>\$ 489,480</u>	<u>\$ 3,540,386</u>

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2023
(In Thousands)

	<u>Retirement Plan</u>	<u>Postemployment Health Care Plan</u>	<u>Total</u>
Personnel Services:			
Salaries	\$ 13,605	\$ 3,121	\$ 16,726
Employee Benefits and Development	6,147	1,410	7,557
Total Personnel Services	<u>19,752</u>	<u>4,531</u>	<u>24,283</u>
Professional Services:			
Actuarial	309	70	379
Audit	104	24	128
Legal Counsel	666	153	819
Disability Evaluation	101	23	124
Retirees' Health Admin Consulting	-	706	706
Benefit Payroll Processing	214	49	263
Self Funded Plan Administrative Fee	-	918	918
Other Consulting	139	32	171
Total Professional Services	<u>1,533</u>	<u>1,975</u>	<u>3,508</u>
Information Technology:			
Computer Hardware & Software	683	157	840
Computer Maintenance & Support	229	53	282
Total Information Technology	<u>912</u>	<u>210</u>	<u>1,122</u>
Other Expenses:			
Insurance	144	33	177
Educational and Due Diligence Travel	25	6	31
Office Expenses	434	100	534
Depreciation	1,656	380	2,036
Building Operating Exp	1,302	299	1,601
Total Other Expenses	<u>3,561</u>	<u>818</u>	<u>4,379</u>
 Total Administrative Expenses	 <u><u>\$ 25,758</u></u>	 <u><u>\$ 7,534</u></u>	 <u><u>\$ 33,292</u></u>

**Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2023
(In Thousands)**

	<u>Assets Under Management</u>	<u>Fees and Expenses</u>
<u>Retirement Plan</u>		
Investment Management Fees:		
Fixed Income Managers	\$ 4,669,991	\$ 7,299
Equity Managers	8,485,792	20,747
Subtotal	<u>13,155,783</u>	<u>28,046</u>
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	696
Real Estate Consulting Fees	N/A	175
Other Consulting Fees	N/A	378
Investment Related Administrative Expenses	N/A	3,018
Subtotal	<u>N/A</u>	<u>4,267</u>
<u>Postemployment Health Care Plan</u>		
Investment Management Fees:		
Fixed Income Managers	916,044	1,675
Equity Managers	1,664,535	4,760
Subtotal	<u>2,580,579</u>	<u>6,435</u>
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	160
Real Estate Consulting Fees	N/A	40
Other Consulting Fees	N/A	88
Investment Related Administrative Expenses	N/A	692
Subtotal	<u>N/A</u>	<u>980</u>
Total Investment Fees and Expenses excluding Private Equity and Real Estate	<u>\$ 15,736,362</u>	<u>\$ 39,728</u>
Private Equity Managers' Fees and Expenses:		
Retirement Plan	\$ 3,473,159	\$ 58,404
Postemployment Health Care Plan	681,279	13,399
Total Private Equity Managers' Fees and Expenses	<u>\$ 4,154,438</u>	<u>\$ 71,803</u>
Real Estate Managers' Fees and Expenses:		
Retirement Plan	\$ 1,055,373	\$ 15,654
Postemployment Health Care Plan	207,017	3,591
Total Real Estate Managers' Fees and Expenses	<u>\$ 1,262,390</u>	<u>\$ 19,245</u>
Total Assets Under Management and Fees and Expenses	<u>\$ 21,153,190⁽¹⁾</u>	<u>\$ 130,776⁽²⁾</u>

(1) Excludes Security Lending Collateral assets of \$210,086,000.

(2) Includes Investment Management Fees and Expenses of \$127,066,000 and Investment-Related Administrative Expenses of \$3,710,000.



Investment

Report on Investment Activity

December 15, 2023



Dear Members of the Board:

Presented below is a summary report of the System's investment activities for the fiscal year 2022-2023.

Market Overview

The 2023 fiscal year resulted in positive gains for the LACERS investment portfolio, with gains of 6.93% (gross of fees) for the one-year period ending June 30, 2023. This outperformed the policy benchmark return of 5.78% (gross of fees). The positive performance came amidst a challenging capital markets backdrop of the ongoing Russia-Ukraine war, continuing U.S.-China tensions, the unexpected collapse of three U.S. regional banks, slowing growth in China, the persistence of inflation, and ongoing recession fears.

During the period, the Federal Reserve raised the federal funds rate seven times for a total increase of 3.5%. From the start of the fiscal year to the end, the rate more than doubled. Conversely, the rate of inflation declined to 3.0 percent as compared to the startling 9.1 percent increase over the prior 12 months.

Despite borrowing costs reaching their highest levels in more than two decades, the U.S. economy was resilient. The S&P 500 Index, a measurement of U.S. large cap stock performance, gained 19.59%, after declining 10.62% the previous 12 months. U.S. small cap stocks, as measured by the Russell 2000 Index, gained 12.31% for the year, after declining 25.20% during the prior 12 months.

U.S. investment grade fixed income returns were slightly negative, with the Bloomberg U.S. Aggregate Bond Index declining 0.94%. In contrast, the U.S. high yield fixed income market, as measured by the Bloomberg U.S. High Yield Index, returned 9.07% over the same period.

International stocks also performed well, with developed equity markets, as measured by the MSCI EAFE Index, gaining 18.77%, after declining 17.77% during the prior 12 months. While emerging markets stocks gained just 1.75% for the year, this was far better than the 25.28% decline over the previous fiscal year. Nevertheless, the low emerging market return reflects slowing economic growth in China, with public equities as reflected by the Shanghai Composite Index down approximately 5.48% over the fiscal year.

Against the backdrop of higher borrowing costs, global private equity markets and real assets struggled. Over the fiscal year, the Cambridge Associates Global Private Equity and Venture Capital Index returned just 2.20% while the NFI-ODCE Index, a measure of the real estate market, declined 8.60%. Commodities, which have traditionally been considered a hedge to rising inflation, declined 9.61% over the fiscal year, as compared to gains of 24.27% during the prior period.

Overall volatility decreased from the prior fiscal year as capital markets adjusted to a new regime of higher inflation and higher interest rates. As market conditions continue to evolve, it is important to acknowledge that LACERS is a long-term strategic investor with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

Investment Performance

LACERS' primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. The System's investment portfolio is managed on a total return basis over a long-term investment horizon. While the System recognizes the importance of capital preservation, it also recognizes that varying degrees of investment risk are generally rewarded with commensurate returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification, which is achieved through the System's strategic asset allocation policy.

LACERS investments are reported at fair value. The total portfolio, comprised of investments, cash, and accrued dividends and income, was valued at \$21.53 billion as of June 30, 2023, an increase of \$1 billion from the prior fiscal year. The total portfolio realized a 6.93% return (gross of fees) for the fiscal year. Individual asset class returns (gross of fees) were: U.S. Equity, 18.8%; Non-U.S. Equity, 12.75%; Core Fixed Income, -0.40%; Credit Opportunities, 9.99%; Real Assets, -3.36%; and Private Equity, -0.41%.

The total portfolio outperformed its policy benchmark by 115 basis points (gross of fees) for the fiscal year, with all of the major asset classes outperforming their respective benchmarks, with the lone exception of U.S. Equity which underperformed its benchmark by just 15 basis points.

The Investment Results table presented on page 80 provides a summary of time-weighted rates of return based on fair value of assets by asset class and for the total portfolio.

Policies, Procedures and Guidelines

During the 2022-2023 fiscal year, the Board approved amendments to several sections of the Investment Policy. Interim asset allocation policy targets were adopted to transition the current portfolio to the long-term strategic asset allocation policy targets adopted by Board. The transition is anticipated to occur over a five-year time period to provide sufficient time to align private markets asset classes, which have a higher degree of illiquidity than public markets asset classes, with long-term policy targets. The Board also approved renaming the Tactical Asset Allocation Policy to Adaptive Asset Allocation Policy and including an additional risk management guideline to prevent adaptive rebalances from breaching the established long-term policy target range of any asset class.

To evaluate the risk-return characteristics of LACERS' Private Equity portfolio more effectively, the Board approved a change in the Private Equity benchmark from a public equity-based index, the Russell 3000 plus 300 basis points, to a blended private equity-based index, the Cambridge Associates Global Private Equity and Venture Capital Index, effective January 1, 2022. The Board also increased the maximum commitment size for new and existing private equity general partnership relationships to \$150 million.

Responsible Investment Program

LACERS also enhanced outreach efforts to emerging managers that have potential to add value to the LACERS portfolio but would otherwise not be identified through the standard search process. LACERS virtually hosted an Emerging Manager Symposiums on November 16, 2022, and an in-person Emerging Manager Networking Forum on June 8, 2023, to educate firms about LACERS' Emerging Investment Manager Program and investment manager search and selection processes. The fall symposium was attended by 365 professionals with 342 representing emerging manager firms. The June networking forum was attended by 18 firms. Symposiums and networking forums will continue to be held on a bi-annual basis.

Public Investment Manager Contract Awards, Renewals, and Terminations

As presented in the table on page 82, contracts with eleven investment managers of publicly traded securities were awarded or renewed during the fiscal year: four active U.S. small cap managers, one active U.S. mid cap manager, three active emerging markets managers, one active developed markets manager, one active high yield fixed income manager, and one active hybrid high yield fixed income manager. No contracts with investment managers of publicly traded securities were terminated during the fiscal year.

Private Investments

Also as presented in the table of page 82, LACERS approved 20 private equity partnership contracts, totaling \$725 million of commitments, and two private real estate partnership contracts, totaling \$115 million of commitments during the fiscal year.

The pages that follow provide further details about the LACERS investment portfolio and investment activity for the fiscal year 2022-2023.

Respectfully submitted,



Rodney L. June
Chief Investment Officer

Outline of Investment Policies Fiscal Year 2022-2023

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment goals are consistent with the City Charter citations and State Constitution and are stated below:

- The overall goal of the System's investment assets is to provide plan participants with post-retirement benefits as set forth in the System documents. This will be accomplished through a carefully planned and executed investment program.
- The System's investment program shall comply, at all times, with existing and future applicable City, state and federal regulations. Investment performance data is calculated in conformance with Global Investment Performance Standards (GIPS).
- All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
- Investment actions are expected to comply with the Employee Retirement Income Security Act (ERISA) "prudent person" standards, which are described in the act as "...with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

Investment Results

Schedule of Annualized Asset Class Investment Returns (Compared to Policy Benchmarks)

Asset Class / Benchmark	Annualized Rates of Return ⁽¹⁾ (Gross of Fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	18.80	14.11	10.99
Russell 3000	18.95	13.89	11.39
Non-U.S. Equity	12.75	8.57	4.38
MSCI ACWI ex U.S.	12.72	7.22	3.52
Private Equity	-0.41	25.42	16.49
Private Equity Blend ⁽²⁾	-5.69	16.86	14.47
Core Fixed Income	-0.40	-3.25	1.38
Bloomberg U.S. Aggregate Bond Index	-0.94	-3.96	0.77
Credit Opportunities	9.99	1.99	2.74
Credit Opportunities Blend ⁽³⁾	8.66	1.53	2.75
Real Assets	-3.36	4.36	3.92
Real Assets Blend ⁽⁴⁾	-5.01	3.63	4.65
LACERS Total Fund	6.93	8.79	6.71
LACERS Policy Benchmark	5.78	7.04	6.41

(1) Time-weighted rate of return based on fair value of assets for all asset classes.

(2) Cambridge Associates Global Private Equity and Venture Capital Index January 1, 2022 to present; Russell 3000 + 3% February 1, 2012 to December 31, 2021; Russell 3000 + 4% inception to January 31, 2012

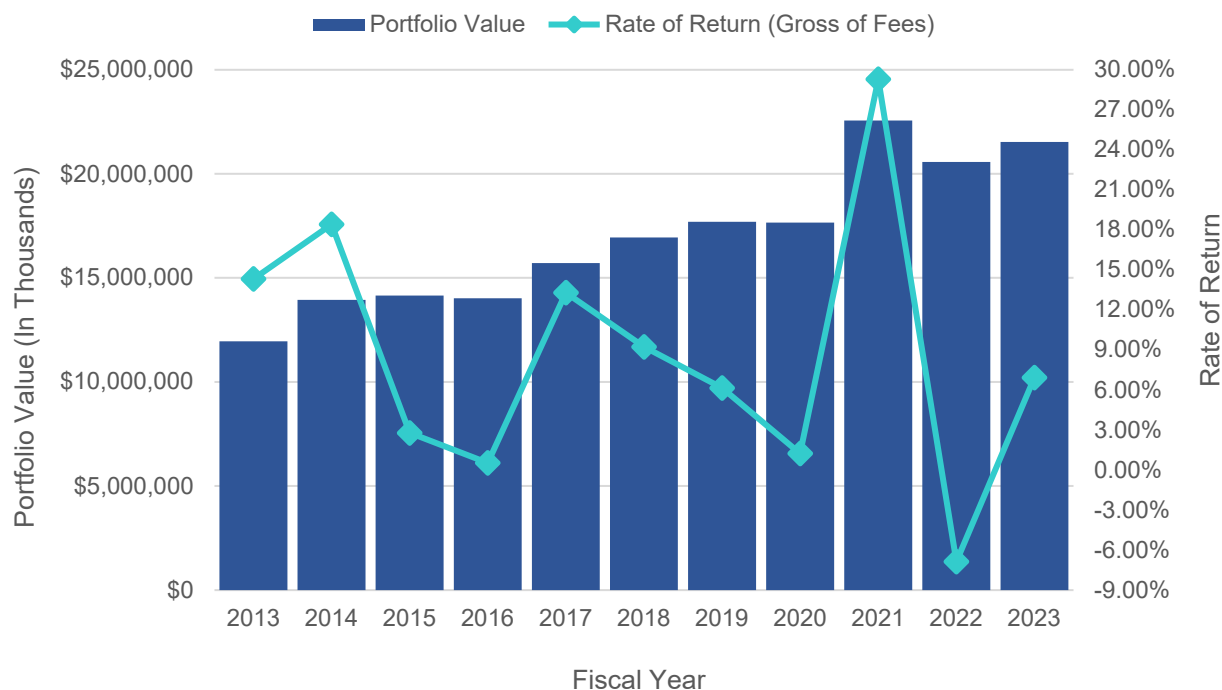
(3) 18.75% Bloomberg US High Yield 2% Issuer Capped Index, 18.75% Credit Suisse Leveraged Loan Index, 50% Blended Emerging Markets Debt Blend, 12.5% Credit Suisse Leveraged Loan Index One Quarter Lagged

(4) 34.62% Bloomberg US TIPS Index, 23.08% FTSE NAREIT All Equity Index, 42.3% Real Estate Blend;
Real Estate Blend – NCREIF ODCE + 0.80% July 1, 2014 to present; NCREIF Property Index Lagged + 1% July 1, 2012 to June 30, 2014; NCREIF Property Index Lagged October 1, 1994 to June 30, 2012

Investment Results

Schedule of Investment Result History For the Fiscal Years Ended June 30 (Dollars in Thousands)

Fiscal Year	Total Investment Portfolio ⁽¹⁾ (Fair Value)	Time-Weighted Rate of Return (Gross of Fees)
2013	\$11,946,264	14.32%
2014	13,941,866	18.41
2015	14,148,849	2.78
2016	14,014,772	0.53
2017	15,708,981	13.29
2018	16,935,458	9.23
2019	17,693,115	6.15
2020	17,654,460	1.24
2021	22,518,983	29.29
2022	20,564,461	-6.86
2023	21,529,316	6.93



- (1) The total investment portfolio is comprised of investments, cash, accrued dividends and income. It excludes LACERS' new headquarters property purchased in fiscal year 2019-2020 and subsequent cost fundings. Additionally, it excludes 115 Trust and general operating cash accounts of \$11,100,000.

Investment Contract Activity

Contracts with investment managers of publicly traded securities awarded/renewed/extended:

Firms	Mandate
Axiom Investors, LLC	Active Growth Non-U.S. Emerging Markets Equities
Copeland Capital Management, LLC	Active U.S. Small Cap Core Equities
Dimensional Fund Advisors L.P.	Active Non-U.S. Emerging Markets Value Equities
EAM Investors, LLC	Active U.S. Small Cap Growth Equities
Granahan Investment Management, Inc.	Active U.S. Small Cap Growth Equities
Lazard Asset Management LLC	Active Non-U.S. Equities Developed Markets Core
Loomis, Sayles & Company, L.P.	Active High Yield Fixed Income
Polen Capital Credit, LLC	Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan
Principal Global Investors, LLC	Active U.S. Mid Cap Core Equities
Segall Bryant & Hamill	Active U.S. Small Cap Value Equities
Wasatch Advisors, Inc.	Active Emerging Markets Small Cap Equities

New private equity and real estate partnerships:

Investment Funds	Mandate
Auldbrass Partners Secondary Opportunity Fund III, L.P.	Private Equity – Secondaries
Barings Emerging Generation Fund II, LP	Private Equity – Fund of Funds
Eighth Cinven Fund (No.1) Limited Partnership	Private Equity – Buyout
EQT Exeter Industrial Value Fund VI, L.P.	Private Real Estate – Value Added
Genstar Capital Partners XI, L.P.	Private Equity – Buyout
Genstar XI Opportunities Fund I, L.P.	Private Equity – Buyout
GGV Capital IX L.P.	Private Equity – Venture Capital
GGV Capital IX Plus L.P.	Private Equity – Venture Capital
GTCR XIV/A L.P. and GTCR XIV/B L.P.	Private Equity – Buyout
Hellman & Friedman Capital Partners XI, L.P.	Private Equity – Buyout
ICG Strategic Equity Fund V (USD), L.P.	Private Equity – Secondaries
KPS Special Situations Fund VI, L.P.	Private Equity – Buyout
KPS Special Situations Mid-Cap Fund II, L.P.	Private Equity – Buyout
Mayfield Select III, A Delaware Limited Partnership	Private Equity – Venture Capital
Mayfield XVII, A Delaware Limited Partnership	Private Equity – Venture Capital
NB Partners Fund IV, L.P.	Private Real Estate – Value Added
OceanSound Partners Fund II, L.P.	Private Equity – Buyout
Platinum Equity Capital Partners VI, L.P.	Private Equity – Buyout
Sunstone Partners III-Main, L.P.	Private Equity – Growth
TA XV-A, L.P.	Private Equity – Growth
Ulu Ventures Fund IV, L.P.	Private Equity – Venture Capital
Vitruvian Investment Partnership V	Private Equity – Growth

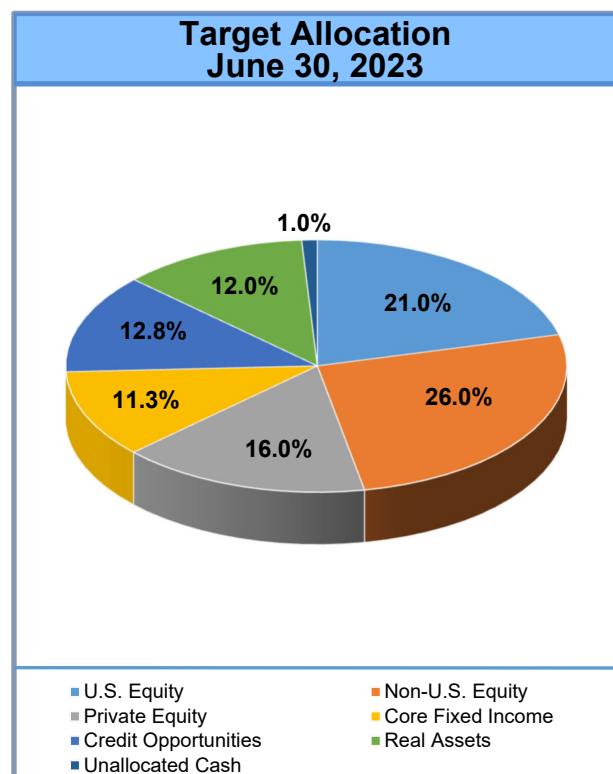
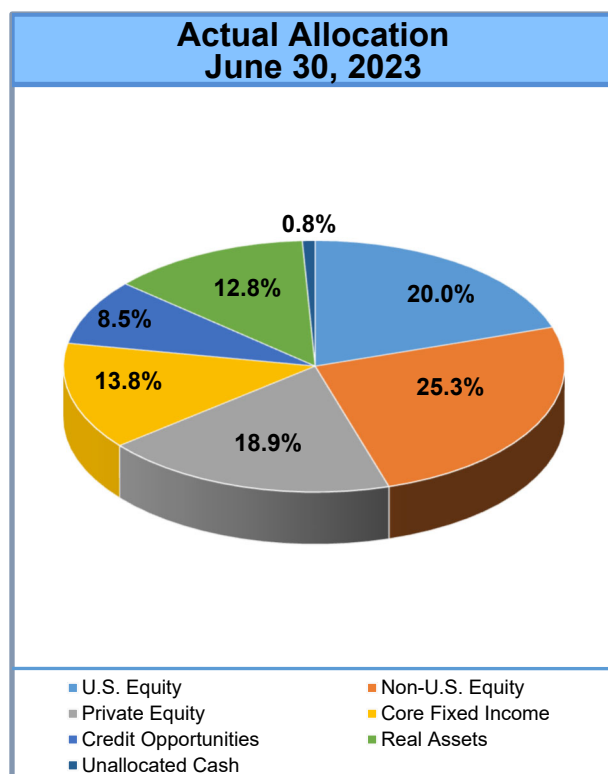
Contracts with consultants and vendors awarded/renewed/extended:

Firms	Mandate
Aksia LLC	Private Credit Consultant
Bloomberg Finance, L.P.	Investment Research Database
Institutional Shareholder Services Inc.	Proxy Voting Service
S&P Global	Private Equity Benchmark
MSCI, Inc.	ESG Data Service
PitchBook Data, Inc.	Private Markets Database

Asset Allocation As of June 30, 2023

	Actual ⁽¹⁾		Target ⁽²⁾
U.S. Equity	19.98%	U.S. Equity	21.00%
Non-U.S. Equity	25.29	Non-U.S. Equity	26.00
Private Equity ⁽³⁾	18.86	Private Equity	16.00
Core Fixed Income	13.79	Core Fixed Income	11.25
Credit Opportunities ⁽⁴⁾	8.46	Credit Opportunities	12.75
Real Assets ⁽⁵⁾	12.80	Real Assets	12.00
Unallocated Cash	0.82	Unallocated Cash	1.00
Total	100.00%	Total	100.00%

- (1) Implementation of the most recently adopted Target Asset Allocation Policy is in progress and explains the difference in actual versus target allocations.
- (2) Interim Target Asset Allocation Policy was adopted on September 14, 2021. The policy targets are scheduled to incrementally change between 2021 and 2025, and ultimately converge to the long-term target ranges as presented above.
- (3) The overweight to Private Equity is a result of the denominator effect caused by public market volatility and cannot be rebalanced on demand since the valuations for private markets lag one quarter.
- (4) The underweight to Credit Opportunities is due to the addition of the Private Credit sub-asset class, which is currently in the process of being invested. The balance of the allocation for Private Credit is currently held within the Core Fixed Income portfolio.
- (5) The overweight to Real Assets is a result of an overweight to the Private Real Estate sub-asset class. Private Real Estate is also impacted by the denominator effect caused by public market volatility and cannot be rebalanced on demand since the valuations for private markets lag one quarter.



List of Largest Assets Held by Fair Value

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2023.

Largest U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US\$)
1.	1,193,926	Apple Inc.	\$ 231,585,826
2.	600,608	Microsoft Corp.	204,531,048
3.	720,839	Amazon Inc.	93,968,572
4.	199,712	NVIDIA Corp.	84,482,170
5.	479,751	Alphabet Inc. Class A	57,426,195
6.	217,554	Tesla, Inc.	56,949,111
7.	178,637	Meta Platforms, Inc.	51,265,246
8.	412,676	Alphabet Inc. Class C	49,921,416
9.	406,619	Prologis, Inc.	49,863,688
10.	144,005	Berkshire Hathaway Class B	49,105,705
		Total	\$ 929,098,977

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US\$)
1.	14,205,467	SSgA MSCI Emerging Markets Index Fund ⁽¹⁾	\$ 526,823,958
2.	17,504,396	SSgA MSCI EAFE Small Cap Index Fund ⁽¹⁾	319,822,826
3.	438,501	Nestle SA	52,738,733
4.	5,826,183	HSBC Holdings	46,050,055
5.	47,746	LVMH Moet Hennessy Louis Vuitton	44,954,439
6.	138,397	Roche Holdings AG	42,308,813
7.	4,190,703	AIA Group Ltd.	42,299,544
8.	254,028	Novo Nordisk A/S	40,920,809
9.	283,137	SAP SE	38,656,058
10.	199,527	Air Liquide SA	35,743,709
		Total	\$ 1,190,318,944

(1) Investment in a commingled fund that holds publicly traded equity securities. The share amount represents LACERS ownership interest in the commingled fund.

(2) A complete listing of the System's holdings is available upon request.

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Fair Value (in US\$)
1.	23,094,300	SSgA US Aggregate Bond Fund ⁽¹⁾	\$ 711,951,091
2.	196,000,000	Bain Capital Senior Loan Fund, L.P. ⁽¹⁾	252,761,219
3.	97,899,656	Benefit Street Partners SMA	98,780,400
4.	80,503,388	Monroe Capital Private Credit Fund L.P.	79,573,026
5.	58,250,000	United States Treas Notes Inflation Index 0.375% Due 07/15/2027	67,721,332
6.	63,997,000	United States Treas Notes Inflation Index 0.125% Due 01/15/2030	67,685,125
7.	58,000,000	United States Treas Notes Inflation Index 0.500% Due 01/15/2028	66,723,726
8.	52,400,000	United States Treas Notes Inflation Index 0.375% Due 01/15/2027	61,750,868
9.	55,100,000	United States Treas Notes Inflation Index 0.250% Due 07/15/2029	59,668,002
10.	52,000,000	United States Treas Notes Inflation Index 1.750% Due 07/15/2028	59,552,899
		Total	\$ 1,526,167,688

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Fair Value (in US\$)
1.	11,200,000	Senior Floating Rate Fund LLC	\$ 16,114,220
2.	285,370,000	Republic of South Africa 8.875% Due 02/28/2035	12,383,846
3.	57,242	Brazilian Federative Republic 10.000% Due 01/01/2029	12,207,221
4.	158,240,000,000	Indonesia Government Bond 8.375% Due 03/15/2034	12,159,716
5.	47,470,000	Republic of Peru 5.400% Due 08/12/2024	11,569,678
6.	1,541,832	Republic of Mexico 10.000% Due 11/20/2036	9,944,751
7.	256,800,000	Czech Republic 2.000% Due 10/13/2033	9,559,224
8.	51,481,000	Republic of Poland 1.750% Due 04/25/2032	9,252,249
9.	1,505,986	Republic of Mexico 8.500% Due 05/31/2029	8,702,589
10.	37,182,000	Government of Malaysia 3.478% Due 06/14/2024	7,980,604
		Total	\$ 109,874,098

(1) Investment in a commingled fund that holds publicly traded fixed income securities. The par value represents LACERS ownership interest in the commingled fund.

(2) A complete listing of the System's holdings is available upon request.

Schedules of Fees and Commissions

Schedule of Fees (In Thousands)

	2023 Assets Under Management		2022 Assets Under Management	
		Fees		Fees
Investment Manager Fees:				
Fixed Income Managers	\$ 5,586,035 ⁽¹⁾	\$ 8,974	\$ 5,596,679 ⁽²⁾	\$ 10,219
Equity Managers	10,150,327 ⁽¹⁾	25,507	9,500,945 ⁽²⁾	28,701
Real Estate Managers	1,262,390	19,245	1,161,179	16,167
Private Equity Managers	4,154,438	71,803	3,801,997	69,645
Total	\$ 21,153,190	\$ 125,529	\$ 20,060,800	\$ 124,732
Investment Consulting Fees	N/A	\$ 1,536	N/A	\$ 1,442
Investment Related Administrative Expense	N/A	3,711	N/A	3,571
Total	N/A	\$ 5,247	N/A	\$ 5,013

(1) Includes \$21,000 of fixed income derivatives and \$(1,907,000) of equity derivatives. This is combined in the State of Fiduciary Net Position of \$(1,886,000).

(2) Includes \$(36,000) of fixed income derivatives and \$(1,216,000) of equity derivatives. This is combined in the Statement of Fiduciary Net Position as \$(1,252,000).

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	\$/Share
1.	J.P. Morgan Securities PLC	\$ 34,322,292	\$ 340,641	\$ 0.010
2.	Goldman, Sachs and Co.	11,352,759	133,550	0.012
3.	Liquidnet Inc.	7,641,024	124,054	0.016
4.	Merrill Lynch International Limited	16,792,527	99,395	0.006
5.	Parel	3,303,664	95,143	0.029
6.	Macquarie Bank Limited	44,559,887	93,764	0.002
7.	Jeffries LLC	12,887,033	91,974	0.007
8.	UBS AG London Branch	11,133,918	90,557	0.008
9.	Pershing Securities Limited	43,459,885	90,452	0.002
10.	C.L. King & Associates, Inc.	4,477,905	89,558	0.020
	Total	189,930,894	1,249,088	0.007
	Total - Other Brokers⁽¹⁾	541,767,529	2,662,475	0.005
	Grand Total	\$ 731,698,423	\$ 3,911,563	\$ 0.005

(1) Over-the-counter (OTC) Brokers excluded because there is no stated commission.

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of \$8,091 commission credit from Cowen, which was rebated to LACERS in cash.

Investment Summary

As of June 30, 2023

<u>Type of investment</u> (In Thousands)	<u>Fair Value</u>	<u>% of Total Fair Value</u>	<u>Domestic Fair Value</u>	<u>Foreign Fair Value</u>
Fixed Income				
Fixed Income ETF	\$ 2,434	0.01	\$ 2,434	\$ -
Government bonds	2,316,555	10.84	1,645,211	671,344
Government agencies	65,423	0.31	11,111	54,312
Municipal/provincial bonds	15,418	0.07	14,439	979
Corporate bonds	1,223,837	5.73	892,860	330,977
Bank loans	105,025	0.49	102,729	2,296
Government mortgage bonds	595,508	2.79	595,177	331
Commercial mortgage bonds	80,310	0.38	80,310	-
Opportunistic debts	469,554	2.20	453,440	16,114
Other fixed income (Common Funds Assets)	711,951	3.33	711,951	-
Derivative Instruments	20	-	28	(8)
Total Fixed Income	5,586,035	26.15	4,509,690	1,076,345
Equities				
Common Stock				
Basic industries	1,367,169	6.40	510,770	856,399
Capital good industries	482,384	2.25	138,254	344,130
Consumer & services	2,098,658	9.82	1,009,066	1,089,592
Energy	593,938	2.78	272,562	321,376
Financial services	1,409,830	6.60	563,250	846,580
Health care	964,820	4.52	546,683	418,137
Information technology	1,600,283	7.49	1,053,453	546,830
Real Estate	730,386	3.42	649,830	80,556
Other funds - Common Stock	846,647	3.96	846,647	-
Miscellaneous	14,095	0.07	6,251	7,844
Total Common Stock	10,108,210	47.31	5,596,766	4,511,444
Preferred Stock	37,617	0.18	-	37,617
Stapled Securities	5,906	0.03	-	5,906
Convertible Equity	500	-	484	16
Derivative Instruments	(1,906)	(0.01)	1,244	(3,150)
Total Equities	10,150,327	47.51	5,598,494	4,551,833
Real Estate	1,262,390	5.91	1,241,013	21,377
Private Equity				
Buyout	2,387,801	11.18	1,829,102	558,699
Distressed debt	218,641	1.02	145,898	72,743
Mezzanine	40,709	0.19	40,709	-
Special situations	276,521	1.29	206,377	70,144
Venture capital	1,230,766	5.76	1,140,730	90,036
Total Private Equity	4,154,438	19.44	3,362,816	791,622
Security Lending Collateral	210,806	0.99	163,979	46,827
Total Fund⁽¹⁾	\$21,363,996	100.00%	\$14,875,992	\$6,488,004

(1) Total Fund includes securities lending collateral but excludes cash and cash equivalents and adjustments to cash.

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors

U.S. Equity

Copeland Capital Management, LLC
EAM Investors, LLC
Granahan Investment Management
Principal Global Investors, LLC
RhumbLine Advisers Limited Partnership
Segall Bryant & Hamill

Non-U.S. Equity

Axiom Investors, LLC
Barrow, Hanley, Mewhinney & Strauss, LLC
Dimensional Fund Advisors LP
Lazard Asset Management, LLC
MFS Institutional Advisors, Inc.
Oberweis Asset Management, Inc.
State Street Global Advisors Trust Company
Wasatch Advisors Inc.

Fixed Income

Garcia Hamilton & Associates, L.P.
Income Research & Management
J.P. Morgan Asset Management
Loomis, Sayles & Company, L.P.
Robert W. Baird & Co., Incorporated
State Street Global Advisors Trust Company

Credit Opportunities

Bain Capital Credit, L.P.
Benefit Street Partners L.L.C.
Crescent Capital Group LP
Loomis, Sayles & Company, L.P.
Monroe Capital Advisors LLC
Polen Capital Credit, LLC
PGIM, Inc.
Wellington Management Company LLP

Public Real Assets

CenterSquare Investment Management LLC
Dimensional Fund Advisors LP

Cash & Short-Term

The Northern Trust Company

Real Estate

Almanac Realty Partners, LLC
Apollo Global Management, LLC
Asana Partners, LP
Berkshire Group
Bristol Group, Inc.
Broadview Real Estate Partners
Brookfield Asset Management Inc.
Bryanston Realty Partners
Cerberus Capital Management
CIM Group LLC
Clarion Partners
Cortland Partners, LLC
DLJ Real Estate Capital Partners
DRA Advisors LLC
EQT Group
Gerrity Group, LLC
Global Logistics Real Estate Investment Firm
Hancock Timber Resource Group, Inc.
Heitman LLC
Integrated Capital, LLC
Invesco Advisors, Inc.
Jamestown LP
JP Morgan Chase & Co.
Kayne Anderson Capital Advisors, L.P.
LBA Logistics
Lone Star Funds
Morgan Stanley & Co., LLC
Northbridge Partners
NREP Logistics AB
Oaktree Capital Management, L.P.
PCCP, LLC
Principal Global Investors LLC
Standard Life Investments Limited
Stockbridge Capital Group
Torchlight Investors, LLC
TPG Capital Advisors, LLC
Walton Street Capital
Waterton Associates L.L.C.
The Wolff Company

Private Equity

1315 Capital LLC
ABRY Partners LLC
ACON Investments, L.L.C.
Advent International Corp.
AION Capital Partners
American Securities LLC
Angeleno Group LLC
Angeles Equity Partners, LLC
Apollo Global Management, LLC

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

Arsenal Capital Partners
Ascribe Capital, LLC
Astorg Group, LLC
Astra Capital Management LLC
Auldbrass Partners
Avance Investment Management
Bain Capital
Baring Private Equity Asia Limited
BC Partners
Biospring Partners
Black Diamond Capital Management
Blackstone Group Inc.
Blue Sea Capital LLC
Brentwood Associates, Inc.
Builders VC
Cardinal Partners
Carlyle Group Inc.
CenterGate Capital, L.P.
Charterhouse Capital Partners LLP
Cinven
Clearlake Capital Group
Coller Capital Limited
Crescent Capital Group
CVC Capital Partners
Defy Partners Management, LLC
EIG Global Energy Partners
Element Management LP
Encap Investments L.P.
Energy Capital Partners
Essex Woodland Health Ventures
FIMI Ltd.
First Reserve Corporation
Fortress Investment Group
Freeman Spogli & Co. Inc.
Frontier Venture Capital
General Catalyst Partners
Genstar Capital
GGV Capital
Gilde Buy Out Partners BV
Glendon Capital Management LP
GTCR LLC
The Halifax Group, LLC
HarbourVest Partners, LLC
Harvest Partners
Hellman & Friedman LLC
Hg Capital, LLC
H.I.G. Capital
High Road Capital Partners, LLC
Hony Capital

Incline Equity Partners
Insight Partners
Institutional Venture Partners
Intermediate Capital Group Inc
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR & Co., Inc.
KPS Capital Partners
L2 Point Management, LLC
Leonard Green & Partners LP
Levine Leichtman Capital Partners, LLC
Longitude Capital
Mayfield Group
MBK Partners L.P.
Menlo Ventures L.P.
Mill Point Capital, LLC
Montagu Private Equity LLP
Nautic Partners, LLC
New Enterprise Associates, LLC
New Mountain Capital, LLC
New Water Capital, L.P.
NGEN Partners, LLC
NGP Energy Capital Management, LLC
New MainStream Capital
Nordic Capital, L.P.
Oak HC/FT Partners, LLC
Oak Investment Partners, L.P.
Oaktree Capital Management, L.P.
OceanSound Partners Fund, L.P.
Orchid Asia Group
P4G Capital Management, LLC
Palladium Equity Partners, L.P.
Permira, L.P.
Pharos Capital Group, LLC
Platinum Equity, LLC
Polaris Partners, L.P.
Providence Equity Partners, LLC
Reverence Capital Partners
Roark Capital Group
Saybrook Capital, LLC
Searchlight Capital Partners, L.P.
Spark Capital
Spire Capital Management, LLC
St. Cloud Capital Partners, L.P.
StarVest Partners
Stellex Capital Management
StepStone Group, L.P.
Sterling Partners
Stripes Group, LLC
Sunstone Partners

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

TA Associates Management, L.P.
Technology Crossover Ventures, LLC
Thoma Bravo, LLC
Threshold Ventures Inc. (formerly DFJ Venture)
TPG Capital Advisors, LLC
Trident Capital
Ulu Ventures
Upfront Ventures
VantagePoint Venture Partners, L.P.
Vicente Capital Partners, LLC
Vista Equity Partners Management, LLC
Vitruvian Partners, LLP
Wynnchurch Capital, L.P.
Yucaipa Alliance Management, LLC

Consultants

NEPC, LLC
Aksia LLC
Townsend Holdings, LLC

Custodian

The Northern Trust Company

Transition Managers

Abel Noser, LLC
Blackrock Institutional Trust Company, N.A.
Citigroup Global Markets Inc.
The Northern Trust Company
Russell Investments Implementation Services, LLC

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)



Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2023	June 30, 2022	Change
I. Total Membership			
a. Active Members	25,875	24,917	3.8%
b. Pensioners and Beneficiaries	22,510	22,399	0.5%
II. Valuation Salary			
a. Total Annual Projected Payroll	\$ 2,512,179,018	\$ 2,258,724,771	11.2%
b. Average Projected Monthly Salary	8,091	7,554	7.1%
III. Benefits to Current Retirees and Beneficiaries⁽¹⁾			
a. Total Annual Benefits	\$ 1,240,519,399	\$ 1,195,992,537	3.7%
b. Average Monthly Benefit Amount	4,592	4,450	3.2%
IV. Total System Assets⁽²⁾			
a. Actuarial Value	\$ 22,239,263,545	\$ 21,218,951,507	4.8%
b. Fair Value	21,589,265,113	20,454,103,991	5.5%
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	\$ 6,805,716,100	\$ 6,429,483,732	5.9%
b. Health Subsidy Benefits	(241,889,698)	107,740,545	(324.5)%

⁽¹⁾ Includes July COLA.

⁽²⁾ Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

	FY 2024-25 ⁽¹⁾		FY 2023-24 ⁽¹⁾		Difference	
	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
VI. Budget Items (as a Percent of Pay)						
a. Retirement Benefits						
1. Normal Cost	8.89 %	5.42 %	8.51%	5.31%	0.38 %	0.11 %
2. Amortization of UAAL	22.19 %	22.19 %	21.79%	21.79%	0.40 %	0.40 %
3. Total Retirement Contribution	31.08 %	27.61 %	30.30%	27.10%	0.78 %	0.51 %
b. Health Subsidy Benefits						
1. Normal Cost	3.79 %	3.98 %	3.44%	4.02%	0.35 %	(0.04)%
2. Amortization of UAAL	(0.53)%	(0.53)%	0.33%	0.33%	(0.86)%	(0.86)%
3. Total Health Subsidy Contribution	3.26 %	3.45 %	3.77%	4.35%	(0.51)%	(0.90)%
c. Total Contribution (a+b)	34.34 %	31.06 %	34.07%	31.45%	0.27 %	0.39 %

⁽¹⁾ Contributions are assumed to be received by LACERS on July 15.

	June 30, 2023	June 30, 2022	Difference
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	73.1%	73.3%	(0.2)%
b. Health Subsidy Benefits	107.1%	97.0%	10.1%
c. Total	77.1%	76.4%	0.7%
(Based on Fair Value of Assets)			
d. Retirement Benefits	71.0%	70.7%	0.3%
e. Health Subsidy Benefits	104.0%	93.5%	10.5%
f. Total	74.9%	73.6%	1.3%

Actuarial Valuation Summary

Summary of Significant Valuation Results (Continued)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
VIII. Net Pension Liability⁽¹⁾			
Total Pension Liability	\$ 25,299,537,118	\$ 24,078,751,303	5.1 %
Plan Fiduciary Net Position	<u>(17,953,292,567)</u>	<u>(17,013,091,063)</u>	5.5 %
Net Pension Liability	<u>\$ 7,346,244,551</u>	<u>\$ 7,065,660,240</u>	4.0 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.0%	70.7%	0.3 %

⁽¹⁾ Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 100.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
IX. Net OPEB (Asset) Liability⁽¹⁾			
Total OPEB Liability	\$ 3,405,088,528	\$ 3,580,696,288	(4.9)%
Plan Fiduciary Net Position	<u>(3,540,386,112)</u>	<u>(3,347,771,350)</u>	5.8 %
Net OPEB (Asset) Liability	<u>\$ (135,297,584)</u>	<u>\$ 232,924,938</u>	(158.1)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	104.0%	93.5%	10.5 %

⁽¹⁾ Refer to the Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios on page 122.



Actuarial Certification

November 7, 2023

This is to certify that Segal has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS or the System) retirement program as of June 30, 2023, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2022. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS. Segal did not audit LACERS' financial statements, but we conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method.

The actuarial computations made are for funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying financial accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules in the Actuarial Section of the Annual Financial Report and certain supporting schedules in the Financial Section, based on the results of the June 30, 2023 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB, and in the Actuarial Section, is provided below:

Financial Section

1. Schedule of Net Pension Liability¹
2. Schedule of Changes in Net Pension Liability and Related Ratios¹
3. Schedule of Contribution History¹

¹ Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2023.

Retirement Benefits Valuation

Actuarial Certification (continued)

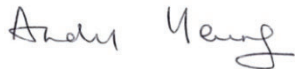
November 7, 2023

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7. Schedule of Funded Liabilities by Type
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net Pension Liability and Related Ratios¹
12. Projection of Pension Plan Fiduciary Net Position for use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2023¹

LACERS' staff prepared other trend data schedules in the Statistical Section based on information supplied in Segal's valuation report.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

¹ Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2023.

Retirement Benefits Valuation

Active Member Valuation Data

Valuation Date	Member Population			Change in Annual Average Pay (%)
	Active Members ⁽¹⁾	Covered Payroll ⁽²⁾	Annual Average Pay ⁽²⁾	
06/30/2014	24,009	\$1,898,064,175	\$79,056	4.6%
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7
06/30/2022	24,917	2,258,724,771	90,650	1.2
06/30/2023	25,875	2,512,179,018	97,089	7.1

⁽¹⁾ Includes non-vested Members.

⁽²⁾ Reflects annualized salaries for part-time Members.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll⁽¹⁾

Valuation Date	No. of New Retirees/Beneficiaries	Annual Allowances Added ⁽²⁾	No. of Retirees/Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2014	831	\$38,666,905	661	\$21,175,777	17,532	\$716,556,070	2.5%	\$40,871
06/30/2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7	41,847
06/30/2016	1,082	51,056,286	657	23,092,610	18,357	778,355,426	3.7	42,401
06/30/2017	1,142	65,583,105	694	24,422,619	18,805	819,515,912	5.3	43,580
06/30/2018	1,312	86,917,553	738	26,361,758	19,379	880,071,707	7.4	45,414
06/30/2019	1,341	93,946,126	686	26,429,224	20,034	947,588,609	7.7	47,299
06/30/2020	1,134	85,268,880	745	28,126,528	20,423	1,004,730,961	6.0	49,196
06/30/2021	2,486	169,148,971	897	37,106,822	22,012	1,136,773,110	13.1	51,643
06/30/2022	1,140	91,420,287	753	32,200,860	22,399	1,195,992,537	5.2	53,395
06/30/2023	892	80,956,579	781	36,429,717	22,510	1,240,519,399	3.7	55,110

⁽¹⁾ Does not include Family Death Benefit Plan beneficiaries. Table is based on valuation data.

⁽²⁾ Includes the COLA granted in July.

Retirement Benefits Valuation

Schedule of Funded Liabilities by Type

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For			Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members		Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members
06/30/2014	\$1,900,068	\$8,700,896	\$5,647,889	\$10,944,751	100.0%	100.0%	6.1%
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3
06/30/2016	2,137,269	9,439,001	5,848,726	12,439,250	100.0	100.0	14.8
06/30/2017	2,255,048	10,164,403	6,038,737	13,178,334	100.0	100.0	12.6
06/30/2018	2,354,026	11,079,053	6,511,500	13,982,435	100.0	100.0	8.4
06/30/2019	2,469,761	11,933,703	6,389,957	14,818,564	100.0	100.0	6.5
06/30/2020	2,584,851	12,740,109	7,202,235	15,630,102	100.0	100.0	4.2
06/30/2021	2,431,974	14,546,803	6,303,116	16,660,585	100.0	97.8	0.0
06/30/2022	2,554,972	15,266,882	6,256,897	17,649,268	100.0	98.9	0.0
06/30/2023	2,776,364	15,932,796	6,590,377	18,493,821	100.0	98.6	0.0

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2014	\$10,944,751	\$16,248,853	\$5,304,102	67.4%	\$1,898,064	279.5%
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
06/30/2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
06/30/2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
06/30/2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
06/30/2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
06/30/2020	15,630,102	22,527,195	6,897,093	69.4	2,445,017	282.1
06/30/2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
06/30/2022	17,649,268	24,078,751	6,429,483	73.3	2,258,725	284.7
06/30/2023	18,493,821	25,299,537	6,805,716	73.1	2,512,179	270.9

Please refer to the required supplementary information of the Financial section for the ten-year schedule of actuarially determined contributions and actual contributions.

Retirement Benefits Valuation

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2023

1. Unfunded actuarial accrued liability at beginning of year		\$6,429,483,732
2. Total normal cost at beginning of year		412,247,235
3. Expected employer and member contributions at beginning of year		(903,068,086)
4. Interest		415,706,401
5. Expected unfunded actuarial accrued liability at end of year		<u>\$6,354,369,282</u>
6. Changes due to:		
a) Investment loss on smoothed value of assets	\$109,885,702	
b) Gain due to contribution experience	(15,009,686)	
c) Loss due to higher than expected salary increases for continuing actives	255,446,392	
d) Loss due to higher than expected COLAs for payees	236,936,106	
e) Other net gains on demographic experience	(23,211,036)	
f) Decrease due to changes in actuarial assumptions	<u>(112,700,660)</u>	
Total loss		<u>\$451,346,818</u>
7. Unfunded actuarial accrued liability at end of year		<u><u>\$6,805,716,100</u></u>

Actuarial Balance Sheet For Year Ended June 30, 2023

Actuarial Present Value of Future Benefits

1. Present value of benefits for retired members and beneficiaries	\$15,556,003,937
2. Present value of benefits for inactive vested members	666,372,920
3. Present value of benefits for active members	12,985,744,755
4. Total actuarial present value of future benefits	<u><u>\$29,208,121,612</u></u>

Current and Future Assets

5. Total valuation value of assets	\$18,493,821,018
6. Present value of future contributions by members	2,259,921,414
7. Present value of future employer contributions for:	
a) Entry age normal cost	1,648,663,080
b) Unfunded actuarial accrued liability	6,805,716,100
8. Present value of current and future assets	<u><u>\$29,208,121,612</u></u>

Retirement Benefits Valuation

Schedule of Changes in Net Pension Liability and Related Ratios⁽¹⁾ For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2023	2022	2021	2020
Total Pension Liability				
Service cost ⁽²⁾	\$ 412,247	\$ 413,863	\$ 451,426	\$ 374,967
Interest	1,671,683	1,617,800	1,570,785	1,499,208
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	469,172	(66,172)	(189,822)	308,184
Changes of assumptions	(112,700)	-	-	530,720
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)
Net change in total pension liability	1,220,786	796,858	754,698	1,733,774
Total pension liability-beginning	24,078,751	23,281,893	22,527,195	20,793,421
Total pension liability-ending (a)	<u>\$ 25,299,537</u>	<u>\$ 24,078,751</u>	<u>\$ 23,281,893</u>	<u>\$ 22,527,195</u>
Plan Fiduciary net position				
Contributions-employer	\$ 669,391	\$ 591,234	\$ 554,856	\$ 553,118
Contributions-Member	257,968	241,876	252,123	259,817
Net investment income ⁽³⁾	1,261,073	(1,542,473)	4,283,202	306,712
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)
Administrative expenses	(28,614)	(27,033)	(26,758)	(23,531)
Others ⁽⁴⁾	0	(16)	-	-
Net change in Plan Fiduciary net position	940,202	(1,905,045)	3,985,732	116,811
Plan Fiduciary net position-beginning	17,013,091	18,918,136	14,932,404	14,815,593
Plan Fiduciary net position-ending (b)	<u>\$ 17,953,293</u>	<u>\$ 17,013,091</u>	<u>\$ 18,918,136</u>	<u>\$ 14,932,404</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 7,346,244</u>	<u>\$ 7,065,660</u>	<u>\$ 4,363,757</u>	<u>\$ 7,594,791</u>
Plan Fiduciary net position as a percentage of the total pension liability (b)/(a)	71.0%	70.7%	81.3%	66.3%
Covered payroll	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768	\$ 2,271,039
Plan's net pension liability as a percentage of covered payroll	318.4%	327.9%	191.7%	334.4%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan Fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) The service cost is based on the previous year's valuation.

(3) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

(4) On July 1, 2021, the System made an adjustment to the beginning of year assets in order to match the June 30, 2021 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2021 GAS 67 valuation report.

Retirement Benefits Valuation

Schedule of Changes in Net Pension Liability and Related Ratios⁽¹⁾ (Continued) For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2019	2018	2017	2016
Total Pension Liability				
Service cost ⁽²⁾	\$ 370,409	\$ 352,283	\$ 340,759	\$ 322,574
Interest	1,439,661	1,332,878	1,302,278	1,263,556
Changes of benefit terms	-	25,173	-	-
Differences between expected and actual experience	(46,035)	144,224	(146,474)	(300,813)
Changes of assumptions	-	483,717	340,718	-
Benefit payments, including refunds of Member contributions	(915,192)	(851,885)	(804,089)	(770,317)
Net change in total pension liability	848,843	1,486,390	1,033,192	515,000
Total pension liability-beginning	19,944,578	18,458,188	17,424,996	16,909,996
Total pension liability-ending	\$ 20,793,421	\$ 19,944,578	\$ 18,458,188	\$ 17,424,996
Plan Fiduciary net position				
Contributions-employer	\$ 478,717	\$ 450,195	\$ 453,356	\$ 440,546
Contributions-Member	237,087	230,757	221,829	206,377
Net investment income ⁽³⁾	799,351	1,243,817	1,517,545	29,358
Benefit payments, including refunds of Member contributions	(915,192)	(851,885)	(804,089)	(770,318)
Administrative expenses	(19,600)	(17,699)	(17,454)	(17,204)
Others ⁽⁴⁾	-	(471)	-	-
Net change in Plan Fiduciary net position	580,363	1,054,714	1,371,187	(111,241)
Plan Fiduciary net position-beginning	14,235,230	13,180,516	11,809,329	11,920,570
Plan Fiduciary net position-ending	\$ 14,815,593	\$ 14,235,230	\$ 13,180,516	\$ 11,809,329
Net pension liability-ending	\$ 5,977,828	\$ 5,709,348	\$ 5,277,672	\$ 5,615,667
Plan Fiduciary net position as a percentage of the total pension liability	71.3%	71.4%	71.4%	67.8%
Covered payroll	\$ 2,108,171	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946
Net pension liability as a percentage of covered payroll	283.6%	277.5%	267.5%	299.2%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan Fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) The service cost is based on the previous year's valuation.

(3) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

(4) On July 1, 2017, the System reallocated \$471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

Retirement Benefits Valuation

Schedule of Changes in Net Pension Liability and Related Ratios⁽¹⁾ (Continued) For the Fiscal Years Ended June 30 (Dollars in Thousands)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost ⁽²⁾	\$ 322,380	\$ 317,185
Interest	1,215,151	1,149,966
Changes of benefit terms	-	-
Differences between expected and actual experience	(135,821)	(164,247)
Changes of assumptions	-	785,439
Benefit payments, including refunds of Member contributions	(740,567)	(721,153)
Net change in total pension liability	<u>661,143</u>	<u>1,367,190</u>
Total pension liability-beginning	<u>16,248,853</u>	<u>14,881,663</u>
Total pension liability-ending	<u>\$ 16,909,996</u>	<u>\$ 16,248,853</u>
Plan Fiduciary net position		
Contributions-employer	\$ 381,141	\$ 357,649
Contributions-Member	202,463	203,975
Net investment income ⁽³⁾	306,980	1,810,782
Benefit payments, including refunds of Member contributions	(740,567)	(721,153)
Administrative expenses	(15,860)	(12,372)
Others ⁽⁴⁾	(4,666)	(2,288)
Net change in Plan Fiduciary net position	<u>129,491</u>	<u>1,636,593</u>
Plan Fiduciary net position-beginning	<u>11,791,079</u>	<u>10,154,486</u>
Plan Fiduciary net position-ending	<u>\$ 11,920,570</u>	<u>\$ 11,791,079</u>
Net pension liability-ending	<u>\$ 4,989,426</u>	<u>\$ 4,457,774</u>
Plan Fiduciary net position as a percentage of the total pension liability	70.5%	72.6%
Covered payroll	\$ 1,835,637	\$ 1,802,931
Net pension liability as a percentage of covered payroll	271.8%	247.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan Fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) The service cost is based on the previous year's valuation.

(3) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

(4) On July 1, 2015, the System segregated Members' voluntary larger annuity contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the System's actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was \$5,200,000.

Retirement Benefits Valuation

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 35). Enhanced benefits became effective as of January 7, 2018.

Change of Assumptions: The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal years ended on June 30, 2014 was primarily due to the lowered assumed investment rate of return from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries while the June 30, 2017 increase was primarily due to the lowered assumed investment rate of return from 7.50% to 7.25%.

The June 30, 2018 calculations reflected changes in the actuarial assumptions adopted by the Board on August 14, 2018 based on the triennial experience study for the period from July 1, 2014 through June 30, 2017, including revising the mortality tables from static to generational to reflect future mortality improvement, contributing to increased total pension liability.

The June 30, 2020 calculations reflected changes in the actuarial assumptions adopted by the Board on June 23, 2020 based on the triennial experience study for the period from July 1, 2016 through June 30, 2019. These assumption changes included lowering of the investment return assumption from 7.25% to 7.00% (which was largely offset by the effect of the change in the inflation assumption from 3.00% to 2.75%), changes in the merit and promotion salary increase assumption, and changes in the mortality assumption, which contributed to increased total pension liability.

The June 30, 2023 calculations reflected changes in the actuarial assumptions adopted by the Board on June 27, 2023 based on the triennial experience study for the period from July 1, 2019 through June 30, 2022. These assumption changes included lowering of the inflation assumption from 2.75% to 2.50% while maintaining the 2.75% cost of living adjustment assumption for Tier 1, changes in the merit and promotion salary increase assumption, and changes in the mortality assumption, which somewhat offset the increase in total pension liability.

Retirement Benefits Valuation

Projection of Pension Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2023

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2022	\$17,013	\$927	\$1,220	\$29	\$1,261	\$17,953
2023	17,953	1,008	1,404	30	1,236	18,764
2024	18,764	978	1,396	32	1,292	19,607
2025	19,607	997	1,457	33	1,349	20,463
2026	20,463	1,012	1,521	34	1,407	21,327
2027	21,327	1,018	1,586	36	1,466	22,188
2028	22,188	1,049	1,650	37	1,524	23,075
2029	23,075	1,089	1,719	39	1,585	23,992
2030	23,992	1,126	1,792	40	1,648	24,934
2049	32,246	188	2,752	54	2,155	31,782
2050	31,782	176 ⁽¹⁾	2,778	53	2,121	31,248
2051	31,248	166 ⁽¹⁾	2,795	53	2,083	30,649
2052	30,649	155 ⁽¹⁾	2,807	52	2,040	29,985
2053	29,985	145 ⁽¹⁾	2,816	50	1,993	29,256
2086	2,705	23 ⁽¹⁾	581	5	167	2,310
2087	2,310	21 ⁽¹⁾	514	4	142	1,956
2088	1,956	19 ⁽¹⁾	452	3	120	1,640
2089	1,640	17 ⁽¹⁾	393	3	100	1,361
2090	1,361	15 ⁽¹⁾	339	2	83	1,118
2106	15	1 ⁽¹⁾	6	0	1	11
2107	11	1 ⁽¹⁾	4	0	1	8
2108	8	1 ⁽¹⁾	3	0	0	6
2109	6	1 ⁽¹⁾	2	0	0	4
2110	4	0 ^{(1),(2)}	2	0	0	3
2111	3	0 ^{(1),(2)}	1	0	0	2
2112	2	0 ^{(1),(2)}	1	0	0	2
2113	2	0 ^{(1),(2)}	1	0	0	1
2114	1	0 ^{(1),(2)}	1	0	0	1
2115	1	0 ^{(1),(2)}	0 ⁽²⁾	0	0	1
2116	1	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0
2117	0	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0
2118	0	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0
2119	0	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0
2120	0	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0
2121	0	0 ^{(1),(2)}	0 ⁽²⁾	0	0	0

(1) Mainly attributable to employer contributions to fund each year's annual administrative expenses.

(2) Less than \$1 million when rounded.

Note that in preparing the above projections, we have not taken into consideration the one-year delay between the date of the contribution rate calculation and the implementation.

Retirement Benefits Valuation

Projection of Pension Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2023 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2022 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Years 2031-2048, 2054-2085, and 2091-2105 have been omitted from this table.
4. Column (a): None of the projected beginning Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.
5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2023); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.
6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2023. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2023 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.
7. Column (d): Projected administrative expenses are calculated as approximately 0.17% of the projected beginning Plan Fiduciary Net Position amount. The 0.17% portion was based on the actual fiscal year 2022 - 2023 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.
8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. As illustrated in this Exhibit, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2023 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.
10. This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Net Investment Return

7.00%⁽¹⁾

Based on the Actuarial Experience Study report referenced above, expected administrative and investment expenses represent about 0.20% of the Actuarial Value of Assets.

⁽¹⁾ Net of investment and administrative expenses for funding purposes, and net of investment expenses only for financial reporting purposes.

Discount Rate

7.00%

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 2.50% is used to approximate that crediting rate in this valuation.

Cost of Living Adjustment (COLA)

Retiree COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA to 3.00% per year until their COLA banks are exhausted.

Payroll Growth

Inflation of 2.50% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit

Increase of 2.50% per year from the valuation date.

Salary Increases

The annual rate of compensation increase includes: inflation at 2.50%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Percentage Increase
Less than 1	6.00%
1 – 2	5.90%
2 – 3	5.40%
3 – 4	4.20%
4 – 5	3.50%
5 – 6	2.80%
6 – 7	2.50%
7 – 8	2.10%
8 – 9	1.80%
9 – 10	1.60%
10 – 11	1.50%
11 – 12	1.40%
12 – 13	1.30%
13 – 14	1.20%
14 – 15	1.10%
15 & Over	1.00%

Post-Retirement Mortality Rates

Healthy Members

Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled Members

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries

Beneficiaries not currently in pay status: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries currently in pay status: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Post-Retirement Mortality Rates (Continued)

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality Rates

Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Age	Rate (%)	
	Male	Female
20	0.04	0.01
25	0.03	0.01
30	0.03	0.01
35	0.05	0.02
40	0.06	0.04
45	0.09	0.06
50	0.14	0.08
55	0.21	0.12
60	0.30	0.19
65	0.45	0.30

Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

For Tier 1 Enhanced, 100% of pre-retirement death benefits are assumed to be service-connected.

Disability Incidence

Age	Rate (%)
25	0.01
30	0.02
35	0.03
40	0.05
45	0.10
50	0.14
55	0.15
60	0.16
65	0.20

For Tier 1 Enhanced, 90% of disability retirements are assumed to be service-connected with service-connected disability benefits based on years of service, as follows:

Years of Service	Benefit
Less than 20	55% of Final Average Monthly Compensation
20 – 30	65% of Final Average Monthly Compensation
More than 30	75% of Final Average Monthly Compensation

For Tier 1 Enhanced, 10% of disability retirements are assumed to be nonservice-connected with nonservice-connected disability benefits equal to 40% of Final Average Monthly Compensation.

Termination

Years of Service	Rate (%)
Less than 1	10.50
1 – 2	10.00
2 – 3	9.00
3 – 4	7.75
4 – 5	6.25
5 – 6	5.25
6 – 7	5.00
7 – 8	4.75
8 – 9	4.50
9 – 10	4.25
10 – 11	4.00
11 – 12	3.75
12 – 13	3.50
13 – 14	3.00
14 – 15	2.75
15 & over	2.50

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

Age	Rate (%)					
	Tier 1		Tier Enhanced 1		Tier 3	
	Non-55/30	55/30	Non-55/30	55/30	Non-55/30	55/30
50	5.0	0.0	6.0	0.0	5.0	0.0
51	3.0	0.0	5.0	0.0	3.0	0.0
52	3.0	0.0	5.0	0.0	3.0	0.0
53	3.0	0.0	5.0	0.0	3.0	0.0
54	18.0	0.0	18.0	0.0	17.0	0.0
55	6.0	27.0	10.0	30.0	0.0 ⁽¹⁾	26.0
56	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
57	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
58	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
59	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
60	9.0	18.0	11.0	22.0	8.0	17.0
61	9.0	18.0	11.0	22.0	8.0	17.0
62	9.0	18.0	11.0	22.0	8.0	17.0
63	9.0	18.0	11.0	22.0	8.0	17.0
64	9.0	18.0	11.0	22.0	8.0	17.0
65	16.0	21.0	20.0	26.0	15.0	20.0
66	16.0	21.0	20.0	26.0	15.0	20.0
67	16.0	21.0	20.0	26.0	15.0	20.0
68	16.0	21.0	20.0	26.0	15.0	20.0
69	16.0	21.0	20.0	26.0	15.0	20.0
70 & Over	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ Not eligible to retire under the provisions of the Tier 3 plan at these ages with less than 30 years of service. If a member has at least 30 years of service at these ages, they would be subject to the "55/30" rates.

Retirement Age and Benefit for Inactive Vested Members

Pension benefit will be paid at the later of age 60 or the current attained age for members retiring from deferred status and at the later of age 59 or the current attained age for members retiring from reciprocal status. For reciprocals, 4.00% compensation increases per annum.

Other Reciprocal Service

5% of future inactive vested Members will work at a reciprocal system.

Service

Benefit service is used for benefit calculation purposes. For eligibility determination purposes, employment service is used for currently active members and vesting service is used for currently inactive members.

Future Benefit Accruals

1.0 year of service credit per year.

Unknown Data for Members

Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Form of Payment

All active and inactive Tier 1 and Tier 3 members who are assumed to be married or with domestic partners at retirement are assumed to elect the 50% Joint and Survivor Cash Refund Annuity. For Tier 1 Enhanced, the continuance percentage is 70% for service retirement and nonservice-connected disability, and 80% for service-connected disability. Those members who are assumed to be un-married or without domestic partners are assumed to elect the Single Cash Refund Annuity.

Percent Married/Domestic Partner

For all active and inactive Members, 76% of male participants and 52% of female participants are assumed to be married or with domestic partner at pre-retirement death or retirement.

Age and Gender of Spouse

For all active and inactive Members, male Members are assumed to have a female spouse who is 3 years younger than the Member, and female Members are assumed to have a male spouse who is 2 years older than the Member.

Actuarial Cost Method

Entry Age Cost Method, level percent of salary. Entry age is calculated as age on the valuation date minus years of benefit service rounded down to the number of completed years. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.

Actuarial Value of Assets

Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual fair value return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets (AVA) is limited by a 40% corridor; the AVA cannot be less than 60% of fair value of assets, nor greater than 140% of fair value of assets.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Valuation Value of Assets

The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of fair value.

Amortization Policy

The amortization method for the UAAL is a level percent of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation).

Changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, ⁽¹⁾ were combined and amortized over 30 years effective June 30, 2012.

⁽¹⁾ The two GASB 25/27 layers have been fully amortized by the June 30, 2022 valuation.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00%

(i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Internal Revenue Code Section 415

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active members could be taxed on their vested benefits and the IRS may see to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$265,000 for 2023. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

Changes in Actuarial Assumptions

Based on the July 1, 2019 through June 30, 2022 Actuarial Experience Study, the following actuarial assumptions were changed. Previously, these assumptions were:

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 2.75% is used to approximate that crediting rate in this valuation.

Payroll Growth

Inflation of 2.75% per year plus real "across the board" salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit

Increase of 2.75% per year from the valuation date.

Salary Increases

The annual rate of compensation increase includes: inflation at 2.75%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Percentage Increase
Less than 1	6.70%
1 – 2	6.50%
2 – 3	5.80%
3 – 4	4.00%
4 – 5	3.00%
5 – 6	2.20%
6 – 7	2.00%
7 – 8	1.80%
8 – 9	1.60%
9 – 10	1.40%
10 & Over	1.00%

Post-Retirement Mortality Rates

Healthy Members

Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Disabled Members

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Beneficiaries

Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality Rates

Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Age	Rate (%)	
	Male	Female
20	0.04	0.01
25	0.03	0.01
30	0.03	0.01
35	0.05	0.02
40	0.06	0.04
45	0.09	0.06
50	0.14	0.08
55	0.21	0.12
60	0.30	0.19
65	0.45	0.30

Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

For Tier 1 Enhanced, 100% of pre-retirement death benefits are assumed to be service-connected.

Disability Incidence

Age	Rate (%)
25	0.01
30	0.02
35	0.04
40	0.06
45	0.12
50	0.16
55	0.18
60	0.18
65	0.22

For Tier 1 Enhanced, 90% of disability retirements are assumed to be service-connected with service-connected disability benefits based on years of service, as follows:

Years of Service	Benefit
Less than 20	55% of Final Average Monthly Compensation
20 – 30	65% of Final Average Monthly Compensation
More than 30	75% of Final Average Monthly Compensation

For Tier 1 Enhanced, 10% of disability retirements are assumed to be nonservice-connected with nonservice-connected disability benefits equal to 40% of Final Average Monthly Compensation.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Termination

Termination (< 5 Years of Service)	
Years of Service	Rate (%)
Less than 1	11.50
1 – 2	10.00
2 – 3	8.50
3 – 4	7.75
4 – 5	7.00
Termination (5+ Years of Service)	
Age	Rate (%)
25	7.00
30	6.70
35	5.30
40	3.75
45	3.10
50	3.00
55	3.00
60	3.00

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Retirement Rates

Age	Rate (%)					
	Tier 1		Tier Enhanced 1		Tier 3	
	Non-55/30	55/30	Non-55/30	55/30	Non-55/30	55/30
50	5.0	0.0	7.0	0.0	5.0	0.0
51	3.0	0.0	5.0	0.0	3.0	0.0
52	3.0	0.0	5.0	0.0	3.0	0.0
53	3.0	0.0	5.0	0.0	3.0	0.0
54	18.0	0.0	20.0	0.0	17.0	0.0
55	6.0	27.0	8.0	30.0	0.0 ⁽¹⁾	26.0
56	6.0	18.0	8.0	22.0	0.0 ⁽¹⁾	17.0
57	6.0	18.0	8.0	22.0	0.0 ⁽¹⁾	17.0
58	6.0	18.0	8.0	22.0	0.0 ⁽¹⁾	17.0
59	6.0	18.0	8.0	22.0	0.0 ⁽¹⁾	17.0
60	7.0	18.0	9.0	22.0	6.0	17.0
61	7.0	18.0	9.0	22.0	6.0	17.0
62	7.0	18.0	9.0	22.0	6.0	17.0
63	7.0	18.0	9.0	22.0	6.0	17.0
64	7.0	18.0	9.0	22.0	6.0	17.0
65	14.0	21.0	16.0	26.0	13.0	20.0
66	14.0	21.0	16.0	26.0	13.0	20.0
67	14.0	21.0	16.0	26.0	13.0	20.0
68	14.0	21.0	16.0	26.0	13.0	20.0
69	14.0	21.0	16.0	26.0	13.0	20.0
70 & Over	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ Not eligible to retire under the provisions of the Tier 3 plan at these ages with less than 30 years of service. If a member has at least 30 years of service at these ages, they would be subject to the "55/30" rates.

Retirement Age and Benefit for Inactive Vested Members

Pension benefit will be paid at the later of age 59 or the current attained age. For reciprocals, 4.25% compensation increases per annum.

Service

Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.

Actuarial Cost Method

Entry Age Cost Method, level percent of salary. Entry age is calculated as age on the valuation date minus years of employment service. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.

Summary of Plan Provisions

LACERS administers a single-employer defined benefit Retirement Plan. The following summarizes the major provisions of LACERS Retirement Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1 (§ 4.1002(a), § 4.1002.1)

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on pages 34 – 36 regarding the Membership). Includes Airport Peace Officers who did not pay for enhanced benefits.

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Membership Eligibility (Continued)

Tier 1 Enhanced (§ 4.1002(e))

All Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of \$5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier.

Tier 3 (§ 4.1080.2(a))

All employees who became Members of LACERS on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

Normal Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(a))

- Age 70; or
- Age 60 with 10 years of continuous City service; or
- Age 55 with at least 30 years of City service.

Tier 1

Amount (§ 4.1007(a))

2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.

Tier 1 Enhanced

Amount (§ 4.1007(a))

2.30% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.

Tier 3

With less than 30 Years of Service (§ 4.1080.5(a)(2)(i))

Age & Service Requirement

Age 60 with 10 years of service, including 5 years of continuous City service.

Amount

1.50% per year of service credit at age 60 (not greater than 80%⁽¹⁾) of the Final Average Monthly Compensation.

With 30 or more Years of Service (§ 4.1080.5(a)(2)(ii))

Age & Service Requirement

Age 60 with 30 years of service, including 5 years of continuous City service.

Amount

2.00% per year of service credit at age 60 (not greater than 80%⁽¹⁾) of the Final Average Monthly Compensation.

⁽¹⁾ Except when benefit is based solely on the annuity component funded by the Member's contributions.

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

- Age 55 with 10 years of continuous City service; or
- Any age with 30 years of City service.

Amount (§ 4.1007(a) & (b))

2.16% and 2.30% per year of service credit for Tier 1 and Tier 1 Enhanced, respectively, (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	53	0.8650
46	0.6550	54	0.8950
47	0.6850	55	0.9250
48	0.7150	56	0.9400
49	0.7450	57	0.9550
50	0.7750	58	0.9700
51	0.8050	59	0.9850
52	0.8350	60	1.0000

Tier 3

Age & Service Requirement (§ 4.1080.5(a)(1))

Prior to age 60 with 30 years of service, including 5 years of continuous City service.

Amount (§ 4.1080.5(a)(1))

2.00% per year of service credit (not greater than 80%⁽¹⁾) of the Final Average Monthly Compensation, reduced for retirement ages below age 55 using the following Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	50	0.7750
46	0.6550	51	0.8050
47	0.6850	52	0.8350
48	0.7150	53	0.8650
49	0.7450	54	0.8950
		55 - 60	1.0000

⁽¹⁾ Except when benefit is based solely on the annuity component funded by the Member's contributions.

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Enhanced Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement

Not applicable – see Normal Retirement age and service requirement.

Amount

Not applicable – see Normal Retirement amount.

Tier 3

With less than 30 Years of Service (§ 4.1080.5(a)(3)(i))

Age & Service Requirement

Age 63 with 10 years of service, including 5 years of continuous City service.

Amount

2.00% per year of service credit at age 63 (not greater than 80%⁽¹⁾) of the Final Average Monthly Compensation.

With 30 or more Years of Service (§ 4.1080.5(a)(3)(ii))

Age & Service Requirement

Age 63 with 30 years of service, including 5 years of continuous City service.

Amount

2.10% per year of service credit at age 63 (not greater than 80%⁽¹⁾) of the Final Average Monthly Compensation.

⁽¹⁾ Except when benefit is based solely on the annuity component funded by the Member's contributions.

Service Credit

Tier 1, Tier 1 Enhanced, & Tier 3 (§ 4.1001(a) & § 4.1080.1(a))

The time component of the formula used by LACERS for purposes of calculating benefits.

Final Average Monthly Compensation

Tier 1 & Tier 1 Enhanced (§ 4.1001(b))

Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.⁽¹⁾

Tier 3 (§ 4.1080.1(b))

Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary and any items of compensation that are designated as pension based.⁽¹⁾

⁽¹⁾ IRC Section 401(a)(17) compensation limit would apply to all employees who began membership in LACERS after June 30, 1996.

Post-Retirement Cost of Living Benefits

Tier 1 & Tier 1 Enhanced (§ 4.1022)

Based on changes to Los Angeles area⁽¹⁾ Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 3 (§ 4.1080.17)

Based on changes to Los Angeles area⁽¹⁾ Consumer Price Index, to a maximum of 2% per year; excess not banked.

⁽¹⁾ Currently referred to as the Los Angeles-Long Beach-Anaheim Area, by the Bureau of Labor Statistics.

Death after Retirement

Tier 1 & Tier 3

(§ 4.1010(c), § 4.1080.10(c), & § 4.1012(c))

- 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)⁽¹⁾; and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

⁽¹⁾ The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1080.14 (Tier 3).

Tier 1 Enhanced

(§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j))

While on service-connected disability

- 80% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)⁽¹⁾, ⁽²⁾; and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

⁽¹⁾ If the death occurs within three years of the retiree's retirement, the eligible survivor shall receive 80% of the Final Average Monthly Compensation (adjusted with Cost of Living benefit).

⁽²⁾ The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of Section 4.1010.1(c).

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Death after Retirement (Continued)

While on nonservice-connected disability or service retirement

- 70% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)⁽³⁾ and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

⁽³⁾ The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of Section 4.1010.1(c).

Death before Retirement

Tier 1, Tier 1 Enhanced, & Tier 3
(§ 4.1010(a), § 4.1010.1(b), & § 4.1080.10(a))

Greater of:

Option #1:

- Eligibility – None.
- Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:⁽¹⁾

⁽¹⁾ Refund only if less than one year of service credit.

Service Credit	Total Number of Monthly Payments
Less than 1 year	0
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Tier 1 & Tier 3

Option #2:

- Eligibility – Duty-related death or after five years of continuous service.
- Benefit – Deferred, service, optional, or disability survivorship benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner. (Limited pension waived.)
- Refund of accumulated contributions. No survivorship benefit payable with refund.

Tier 1 Enhanced

Service-Connected Death

Option #2:

- Eligibility – None.
- Benefit – 80% of Member's Final Average Monthly Compensation.

Nonservice-Connected Death

Option #2:

- Eligibility – 5 years of service (unless on military leave and killed while on military duties).
- Benefit – 50% of Member's Final Average Monthly Compensation.
- Eligibility – Less than 5 years of service.
- Benefit – The Basic Death Benefit shall consist of: (1) the return of a deceased Member's accumulated contributions to the Retirement System with accrued interest thereon, subject to the rights created by virtue of the Member's designation of a beneficiary as otherwise provided in the Retirement System; and (2) if the deceased Member had at least one year of service, the deceased Member's Final Compensation multiplied by the number of completed years of Service, not to exceed six years, provided that said amount shall be paid in monthly installments of one-half of the deceased Member's Final Compensation.

Member Contributions

Tier 1 & Tier 1 Enhanced (§ 4.1003)

Effective July 1, 2011, the Member contribution rate became 7% for all employees. Of the 7% rate, 0.5% is the survivor contribution portion and 6.5% is the normal contribution. The 7% Member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance No. 180926) is fully paid, whichever comes first⁽¹⁾.

Beginning January 1, 2013, all non-represented Members and Members in certain bargaining groups are required to pay an additional 4% Member contribution rate to defray the cost of providing a Retiree Medical Plan premium subsidy (this additional rate has increased to 4.5% for certain Members).

For Tier 1 (excluding Tier 1 Enhanced), members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the Member contributions (i.e., generally based on a contribution rate of 0.5% of pay).

⁽¹⁾ The Member contribution rate will drop down to 6% afterwards.

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Member Contributions (Continued)

Tier 3 (§ 4.1080.3)

The Member contribution rate is 7% for all employees. Of the 7% rate, 0.5% is the survivor contribution portion and 6.5% is the normal contribution.

All Members are required to pay an additional 4% Member contribution rate to defray the cost of providing a Retiree Medical Plan premium subsidy.

Members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the Member contributions (i.e., generally based on a contribution rate of 0.5% of pay).

Disability

Tier 1 & Tier 3

Service Requirement (§ 4.1008(a) & § 4.1080.8(a))
5 years of continuous service.

Amount⁽¹⁾ (§ 4.1008(c) & § 4.1080.8(c))
1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

⁽¹⁾ The benefit calculated using the service retirement formula will be paid if the Member is eligible and that benefit is greater than that calculated under the disability retirement formula.

Tier 1 Enhanced

Service Requirement (§ 4.1008.1)
Service-Connected Disability: None.
Nonservice-Connected Disability: 5 years of continuous service.

Amount⁽¹⁾ (§ 4.1008.1)
Service-Connected Disability: 30% to 90% of the Final Average Monthly Compensation depending on severity of disability, with a minimum of 2% of the Final Average Monthly Compensation per year of service.
Nonservice-Connected Disability: 30% to 50% of the Final Average Monthly Compensation depending on severity of disability.

⁽¹⁾ The benefit calculated using the service retirement formula will be paid if the Member is eligible and that benefit is greater than that calculated under the disability retirement formula.

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

- Age 70 with 5 years of continuous City service; or
- Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 55 with at least 30 years of service.
- Deferred employee who meets part-time eligibility: age 60 and at least 10 years elapsed from first date of membership.

Amount

Normal Retirement Benefit (or refund of contributions and accumulated interest).

Age & Service Requirement

- A former Member who is not yet age 60 may retire for early retirement with an age-based reduced retirement allowance at age 55 or older with 5 years of continuous City service provided at least 10 years have elapsed from first date of membership; or
- Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.

Amount

Early Retirement Benefit (or refund of contributions and accumulated interest), using the following Early Retirement benefit adjustment factors:

Age	Factor
55	0.9250
56	0.9400
57	0.9550
58	0.9700
59	0.9850

Tier 3 (§ 4.1080.6)

Age & Service Requirement

- Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 70 with 5 years of continuous City service, regardless of the number of years that have elapsed from first date of membership.

Amount

Normal retirement benefit (based on a Retirement Factor of 1.50%; or refund of contributions and accumulated interest).

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 3 (§ 4.1080.6) (Continued)

Age & Service Requirement

- Age 60 with 30 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 63 with 10 years of service, including 5 years of continuous City Service.

Amount

Normal retirement benefit (based on a Retirement Factor of 2.00%; or refund of contributions and accumulated interest).

Age & Service Requirement

Age 63 with 30 years of continuous City service and at least 10 years elapsed from first date of membership.

Amount

Enhanced retirement (benefit based on a Retirement Factor of 2.10%; or refund of contributions and accumulated interest).

Age & Service Requirement

Age 55 (but not yet 60) with 5 years of continuous City service and at least 10 years elapsed from first date of membership.

Amount

Early retirement benefit (based on a Retirement Factor of 1.50% and using the following Early Retirement benefit adjustment factors; or refund of contributions and accumulated interest):

<u>Age</u>	<u>Factor</u>
55	0.9250
56	0.9400
57	0.9550
58	0.9700
59	0.9850

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

There have been no changes in plan provisions since the last valuation.



Actuarial Certification

November 7, 2023

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2023, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this other postemployment benefit program with the last valuation completed as of June 30, 2022.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims and financial data provided by LACERS. Segal did not audit LACERS' financial statements, but conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method.

The actuarial computations made are for funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying financial accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 74 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2023 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section, and in the Actuarial Section, is provided below:

Financial Section

1. Schedule of Net Other Postemployment Benefits (OPEB) Liability¹
2. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios¹
3. Schedule of Contribution History¹

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Health Benefits
7. Member Benefit Coverage Information

¹ Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2023.

Health Benefits Valuation

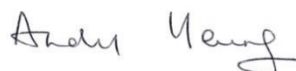
Actuarial Certification (Continued)

November 7, 2023

8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios¹
12. Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2023¹

LACERS' staff prepared other trend data schedules in the Statistical Section based on information supplied in Segal's valuation report.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The signing actuaries are members of the American Academy of Actuaries and collectively are qualified to render the actuarial opinion contained herein.



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary



Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary



Mary Kirby, FSA, MAAA, FCA
Senior Vice President and Actuary

¹ Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2023.

Health Benefits Valuation

Active Member Valuation Data

Member Population

Valuation Date	Active Members ⁽¹⁾	Covered Payroll	Annual Average Pay ⁽²⁾	Change in Annual Average Pay (%)
06/30/2014	24,009	\$1,898,064,175	\$79,056	4.6%
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7
06/30/2022	24,917	2,258,724,771	90,650	1.2
06/30/2023	25,875	2,512,179,018	97,089	7.1

⁽¹⁾ Includes non-vested Members.

⁽²⁾ Reflects annualized salaries for part-time Members.

Retirees and Beneficiaries Added to and Removed from Health Benefits

Valuation Date	No. of New Retirees/Beneficiaries	Annual Subsidies Added ⁽¹⁾	No. of Retirees/Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
06/30/2014	616	\$7,160,148	522	\$3,047,436	13,686	\$104,959,232	4.1%	\$7,669
06/30/2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038
06/30/2016	837	2,185,058	536	3,102,492	14,313	111,712,086	(0.8)	7,805
06/30/2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
06/30/2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
06/30/2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
06/30/2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
06/30/2021	2,135	25,826,129	742	5,162,633	17,500	168,971,493	13.9	9,656
06/30/2022	893	5,631,315	640	4,809,300	17,753	169,793,508	0.5	9,564
06/30/2023	699	1,517,839	693	568,742	17,759 ⁽²⁾	170,742,605	0.6	9,614

⁽¹⁾ Also reflects changes in subsidies for continuing retirees and beneficiaries.

⁽²⁾ Total participants including married dependents currently receiving benefits are 23,696.

Health Benefits Valuation

Member Benefit Coverage Information

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For			Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
	Inactive/Vested Members	Retirees, Beneficiaries & Dependents	Active Members		Inactive/Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2014	\$41,188	\$1,196,769	\$1,424,896	\$1,941,225	100%	100%	49%
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61
06/30/2016	50,413	1,275,604	1,467,671	2,248,753	100	100	63
06/30/2017	62,252	1,379,357	1,564,197	2,438,458	100	100	64
06/30/2018	67,138	1,497,370	1,692,320	2,628,844	100	100	63
06/30/2019	65,887	1,600,131	1,668,281	2,812,662	100	100	69
06/30/2020	70,327	1,677,723	1,738,481	2,984,424	100	100	71
06/30/2021	74,600	1,869,445	1,576,034	3,330,377	100	100	88
06/30/2022	74,632	1,900,861	1,605,203	3,472,956	100	100	93
06/30/2023	76,592	1,784,281	1,544,216	3,646,978	100	100	100

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2014	\$1,941,225	\$2,662,853	\$721,628	72.9 %	\$1,898,064	38.0 %
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
06/30/2016	2,248,753	2,793,688	544,935	80.5	1,968,703	27.7
06/30/2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
06/30/2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
06/30/2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
06/30/2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
06/30/2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
06/30/2022	3,472,956	3,580,696	107,740	97.0	2,258,725	4.8
06/30/2023	3,646,978	3,405,088	(241,890)	107.1	2,512,179	(9.6)

Please refer to the required supplementary information of the Financial section for the ten-year schedule of actuarially determined contributions and actual contributions.

Health Benefits Valuation

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2023

1. Unfunded actuarial accrued liability as of June 30, 2022	\$ 107,740,545
2. Employer normal cost as of June 30, 2022	81,027,749
3. Expected employer contributions during 2022-23 fiscal year	(88,430,426)
4. Interest	<u>7,117,978</u>
5. Expected unfunded actuarial accrued liability as of June 30, 2023 (1 + 2 + 3 + 4)	\$ 107,455,846
6. Change due to investment loss, after smoothing	813,433
7. Change due to actual contributions more than expected	(2,036,804)
8. Change due to miscellaneous demographic gains and losses	(12,047,528)
9. Change due to updated 2023/2024 premiums, underlying claims estimates and subsidy levels	(222,219,952)
10. Change due to updated trend assumption to project future medical premiums after 2023/2024	(56,226,132)
11. Change due to updated assumptions based on the triennial experience study	<u>(57,628,561)</u>
12. Unfunded actuarial accrued liability as of June 30, 2023 (5 + 6 + 7 + 8 + 9 + 10 + 11)	<u><u>\$ (241,889,698)</u></u>

Actuarial Balance Sheet For Year Ended June 30, 2023

Assets

1. Actuarial value of assets	\$ 3,646,978,226
2. Present value of future normal costs	854,683,157
3. Unfunded actuarial accrued liability	<u>(241,889,698)</u>
4. Present value of current and future assets	<u><u>\$ 4,259,771,685</u></u>

Liabilities

5. Actuarial present value of total projected benefits	<u><u>\$ 4,259,771,685</u></u>
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Health Benefits Valuation

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2023	2022	2021	2020
Total OPEB Liability				
Service cost ⁽¹⁾	\$ 81,028	\$ 81,415	\$ 84,817	\$ 76,423
Interest	250,838	246,694	244,776	242,666
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(12,048)	(369)	10,672	(135,720)
Changes of assumptions	(336,075)	(109,877)	(157,614)	96,076
Benefit payments ⁽²⁾	(159,351)	(157,245)	(149,103)	(127,214)
Net change in total OPEB liability	<u>(175,608)</u>	<u>60,618</u>	<u>33,548</u>	<u>152,231</u>
Total OPEB liability-beginning	<u>3,580,696</u>	<u>3,520,078</u>	<u>3,486,530</u>	<u>3,334,299</u>
Total OPEB liability-ending (a)	<u>\$ 3,405,088</u>	<u>\$ 3,580,696</u>	<u>\$ 3,520,078</u>	<u>\$ 3,486,530</u>
Plan Fiduciary net position				
Contributions-employer	\$ 90,581	\$ 91,623	\$ 103,454	\$ 112,136
Net investment income (loss)	269,611	(360,636)	983,522	60,899
Benefit payments ⁽²⁾	(159,351)	(157,245)	(149,103)	(127,214)
Administrative expense	(8,226)	(7,619)	(7,425)	(6,715)
Other ⁽³⁾	0	(4)	-	-
Net change in Plan Fiduciary net position	<u>192,615</u>	<u>(433,881)</u>	<u>930,448</u>	<u>39,106</u>
Plan Fiduciary net position-beginning	<u>3,347,771</u>	<u>3,781,652</u>	<u>2,851,204</u>	<u>2,812,098</u>
Plan Fiduciary net position-ending (b)	<u>\$ 3,540,386</u>	<u>\$ 3,347,771</u>	<u>\$ 3,781,652</u>	<u>\$ 2,851,204</u>
Plan's net OPEB (asset) liability-ending (a)-(b)	<u>\$ (135,298)</u>	<u>\$ 232,925</u>	<u>\$ (261,574)</u>	<u>\$ 635,326</u>
Plan Fiduciary net position as a percentage of the total OPEB liability (b)/(a)	104.0%	93.5%	107.4%	81.8%
Covered payroll	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768	\$ 2,271,039
Plan's net OPEB (asset) liability as a percentage of covered payroll	(5.9)%	10.8%	(11.5)%	28.0%

(1) The service cost is based on the previous year's valuation.

(2) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

(3) Adjustment made to beginning of year assets in order to match the June 30, 2021 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2021 GAS 74 valuation report.

Health Benefits Valuation

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2019	2018	2017	2016
Total OPEB Liability				
Service cost ⁽¹⁾	\$ 74,478	\$ 74,611	\$ 68,385	\$ 62,360
Interest	236,678	218,686	210,170	199,078
Changes of benefit terms	-	948	-	17,215
Differences between expected and actual experience ⁽²⁾	(134,053)	(7,321)	19,666	(22,013)
Changes of assumptions ⁽²⁾	33,940	92,178	33,512	-
Benefit payments ⁽³⁾	(133,571)	(128,081)	(119,616)	(109,940)
Net change in total OPEB liability	77,472	251,021	212,117	146,700
Total OPEB liability-beginning	3,256,827	3,005,806	2,793,689	2,646,989
Total OPEB liability-ending (a)	\$ 3,334,299	\$ 3,256,827	\$ 3,005,806	\$ 2,793,689
Plan Fiduciary net position				
Contributions-employer	\$ 107,927	\$ 100,909	\$ 97,457	\$ 105,983
Net investment income (loss)	166,470	269,380	330,708	(344)
Benefit payments ⁽³⁾	(133,571)	(128,081)	(119,616)	(109,940)
Administrative expense	(5,099)	(4,699)	(4,564)	(4,528)
Other	-	-	-	-
Net change in Plan Fiduciary net position	135,727	237,509	303,985	(8,829)
Plan Fiduciary net position-beginning	2,676,371	2,438,862	2,134,877	2,143,706
Plan Fiduciary net position-ending (b)	\$ 2,812,098	\$ 2,676,371	\$ 2,438,862	\$ 2,134,877
Plan's net OPEB (asset) liability-ending (a)-(b)	\$ 522,201	\$ 580,456	\$ 566,944	\$ 658,812
Plan Fiduciary net position as a percentage of the total OPEB liability (b)/(a)	84.3%	82.2%	81.1%	76.4%
Covered payroll	\$ 2,108,171	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946
Plan's net OPEB (asset) liability as a percentage of covered payroll	24.8%	28.2%	28.7%	35.1%

(1) The service cost is based on the previous year's valuation.

(2) After the GASB Statement No. 74 valuation report was issued for the fiscal year June 30, 2017, the System's consulting actuary reclassified \$12,450,000 of OPEB liability from the *Changes of Assumption* (revised from \$45,962,000 to \$33,512,000) to the *Differences Between Expected and Actual Experience* (revised from \$7,216,000 to \$19,666,000). However, this reclassification did not affect the recommended employer contribution rates or results of the OPEB valuation in total.

(3) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

Health Benefits Valuation

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 was primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on page 41) while the June 30, 2018 increase was primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 35) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Changes of Assumptions: The OPEB liability from the changes of assumptions for the fiscal year ended June 30, 2017 was primarily due to the lowered assumed investment rate of return, from 7.50% to 7.25%. The June 30, 2018 liability increase was primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2014 through June 30, 2017), including revising the mortality tables from static to generational, while the June 30, 2019 increase was mainly due to the increased Medicare Part B Premium Trend Rate from 4.0% to 4.5%. The June 30, 2020 liability increase was primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2016 through June 30, 2019), including the lowered assumed investment rate of return, from 7.25% to 7.00%. The June 30, 2021 liability decrease was primarily due to 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience. The June 30, 2022 liability decrease was primarily due to favorable 2022/2023 premium renewal experience and lower 2022/2023 subsidy levels than expected. The June 30, 2023 liability decrease was primarily due to lower overall 2023/2024 premiums and subsidy levels than expected, and to a lesser degree the new assumptions adopted in the triennial experience study (July 1, 2019 to June 30, 2022).

Health Benefits Valuation

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2023

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning OPEB Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2022	\$3,348	\$91	\$159	\$8	\$270	\$3,540
2023	3,540	85	173	9	244	3,688
2024	3,688	83	180	9	254	3,837
2025	3,837	83	190	9	265	3,985
2026	3,985	83	200	10	275	4,133
2027	4,133	80	209	10	284	4,278
2028	4,278	89	219	10	295	4,432
2029	4,432	88	229	11	305	4,585
2030	4,585	86	240	11	315	4,735
2049	6,273	5	440	15	423	6,247
2050	6,247	0 ^{(1),(2)}	455	15	421	6,198
2051	6,198	0 ^{(1),(2)}	467	15	417	6,133
2052	6,133	0 ^{(1),(2)}	480	15	412	6,050
2053	6,050	0 ^{(1),(2)}	490	15	406	5,950
2086	2,143	0 ^{(1),(2)}	169	5	144	2,113
2087	2,113	0 ^{(1),(2)}	153	5	142	2,097
2088	2,097	0 ^{(1),(2)}	138	5	142	2,095
2089	2,095	0 ^{(1),(2)}	124	5	142	2,108
2090	2,108	0 ^{(1),(2)}	110	5	144	2,137
2106	4,558	0 ^{(1),(2)}	3	11	319	4,863
2107	4,863	0 ^{(1),(2)}	2	12	340	5,189
2108	5,189	0 ^{(1),(2)}	1	13	363	5,538
2109	5,538	0 ^{(1),(2)}	1	14	387	5,911
2110	5,911	0 ^{(1),(2)}	1	15	413	6,309
2111	6,309	0 ^{(1),(2)}	0 ⁽²⁾	16	441	6,734
2112	6,734	0 ^{(1),(2)}	0 ⁽²⁾	17	471	7,188
2113	7,188	0 ^{(1),(2)}	0 ⁽²⁾	18	503	7,673
2114	7,673	0 ^{(1),(2)}	0 ⁽²⁾	19	536	8,190
2115	8,190	0 ^{(1),(2)}	0 ⁽²⁾	20	573	8,743
2116	8,743	0 ^{(1),(2)}	0 ⁽²⁾	21	611	9,332
2117	9,332	0 ^{(1),(2)}	0 ⁽²⁾	23	652	9,962
2118	9,962	0 ^{(1),(2)}	0 ⁽²⁾	24	696	10,634
2119	10,634	0 ^{(1),(2)}	0 ⁽²⁾	26	743	11,351
2120	11,351	0 ^{(1),(2)}	0 ⁽²⁾	28	794	12,117
2121	12,117	0 ^{(1),(2)}	0 ⁽²⁾	30	847	12,934
2122	\$12,934					
2122	Discounted: \$16 ⁽³⁾					

⁽¹⁾ Mainly attributable to employer contributions to fund each year's annual administrative expenses.

⁽²⁾ Less than \$1 million when rounded.

⁽³⁾ \$12,934 million when discounted with interest at the rate of 7.00% per annum has a value of \$16 million as of June 30, 2023.

Note that in preparing the above projections, we have not taken into consideration the one-year delay between the date of the contribution rate calculation and the implementation.

Health Benefits Valuation

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2023 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2022 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Years 2031-2048, 2054-2085, and 2091-2105 have been omitted from this table.
4. Column (a): Except for the "discounted value" shown for 2122, none of the projected beginning OPEB Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.
5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2023); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses. Unfunded accrued liabilities are amortized over closed 20 and 15-year periods, depending on the source of the changes. Contributions are assumed to occur halfway through the year, on average. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis.
6. Column (c): Projected benefit payments have been determined in accordance with paragraph 43 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2023. The projected benefit payments reflect future health care trends used in the June 30, 2023 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 49 of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.
7. Column (d): Projected administrative expenses are calculated as approximately 0.25% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.25% portion was based on the actual fiscal year 2022-23 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.
8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. As illustrated in this Schedule, the OPEB Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan Members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2023 shown in the GAS 74 report, pursuant to paragraph 49 of GASB Statement No. 74.
10. This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023 and the retiree health assumptions letter dated September 18, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Measurement Date

June 30, 2023.

Data

LACERS provided detailed census data and financial information for post-employment benefits.

Post-Retirement Mortality Rates

Healthy Members

Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled Members

Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries

Beneficiaries not currently in pay status: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries currently in pay status: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The Pub-2010 mortality tables and adjustments as shown reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality Rates

Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disability Incidence

Age	Rate (%)
25	0.01
30	0.02
35	0.03
40	0.05
45	0.10
50	0.14
55	0.15
60	0.16
65	0.20

Termination

Years of Service	Rate (%)
Less than 1	10.50
1 – 2	10.00
2 – 3	9.00
3 – 4	7.75
4 – 5	6.25
5 – 6	5.25
6 – 7	5.00
7 – 8	4.75
8 – 9	4.50
9 – 10	4.25
10 – 11	4.00
11 – 12	3.75
12 – 13	3.50
13 – 14	3.00
14 – 15	2.75
15 & over	2.50

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

Age	Rate (%)					
	Tier 1		Tier 1 Enhanced		Tier 3	
	Non-55/30	55/30	Non-55/30	55/30	Non-55/30	55/30
50	5.0	0.0	6.0	0.0	5.0	0.0
51	3.0	0.0	5.0	0.0	3.0	0.0
52	3.0	0.0	5.0	0.0	3.0	0.0
53	3.0	0.0	5.0	0.0	3.0	0.0
54	18.0	0.0	18.0	0.0	17.0	0.0
55	6.0	27.0	10.0	30.0	0.0 ⁽¹⁾	26.0
56	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
57	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
58	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
59	6.0	18.0	10.0	22.0	0.0 ⁽¹⁾	17.0
60	9.0	18.0	11.0	22.0	8.0	17.0
61	9.0	18.0	11.0	22.0	8.0	17.0
62	9.0	18.0	11.0	22.0	8.0	17.0
63	9.0	18.0	11.0	22.0	8.0	17.0
64	9.0	18.0	11.0	22.0	8.0	17.0
65	16.0	21.0	20.0	26.0	15.0	20.0
66	16.0	21.0	20.0	26.0	15.0	20.0
67	16.0	21.0	20.0	26.0	15.0	20.0
68	16.0	21.0	20.0	26.0	15.0	20.0
69	16.0	21.0	20.0	26.0	15.0	20.0
70 &						
Over	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ Not eligible to retire under the provisions of the Tier 3 plan at these ages with less than 30 years of service. If a member has at least 30 years of service at these ages, they would be subject to the "55/30" rates.

Retirement Age and Benefit for Inactive Vested Members

Assume retiree health benefit will be paid at the later of age 59 or the current attained age.

Unknown Data for Members

Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Service

Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.

Future Benefit Accruals

1.0 year of service credit per year

Net Investment Return

7.00%⁽¹⁾

⁽¹⁾ Net of investment and administrative expenses for funding purposes, and net of investment expenses only for financial reporting purposes.

Discount Rate

7.00%

Payroll Growth

Inflation of 2.50% per year plus real "across the board" salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

Salary Increases

Inflation: 2.50%; plus additional 0.50% "across the board" salary increases (other than inflation); plus the following merit and promotion increases:

Years of Service	Rate (%)
Less than 1	6.00
1 – 2	5.90
2 – 3	5.40
3 – 4	4.20
4 – 5	3.50
5 – 6	2.80
6 – 7	2.50
7 – 8	2.10
8 – 9	1.80
9 – 10	1.60
10 – 11	1.50
11 – 12	1.40
12 – 13	1.30
13 – 14	1.20
14 – 15	1.10
15 & Over	1.00

Per Capita Cost Development

The assumed costs on a composite basis are the future costs of providing postemployment health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Dental Subsidy 2023-24 Fiscal Year		
Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	81.5%	\$43.37
DeltaCare USA	18.5%	\$15.10
Medicare Part B Premium Subsidy		
Actual monthly premium for calendar year 2023		\$164.90
Actual monthly premium for calendar year 2024		\$174.70
Actual average monthly premium for plan year 2023/2024		\$169.80

LACERS will not reimburse Medicare Part B premiums for spouses/domestic partners, unless they are LACERS retired Members with Medicare Parts A and B enrolled as a dependent in a LACERS medical plan. This valuation does not reflect Medicare Part B reimbursement for any (married or surviving) spouses/domestic partners enrolled in Medicare Parts A and B.

For retirees age 65 and over on the valuation date, Segal valued the Medicare Part B premium subsidy reported in the data with Medicare Part B premium. For current and future retirees under age 65, Segal will assume 100% of those electing a medical subsidy will be eligible for the Medicare Part B premium subsidy.

Maximum Monthly Medical Subsidy (Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members) Participant Under Age 65 or Not Eligible for Medicare A & B 2023-24 Fiscal Year				
Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.3%	\$995.44	\$1,990.87	\$995.44
Anthem BC PPO	21.5%	\$1,528.98	\$2,074.89	\$995.44
Anthem BC HMO	17.2%	\$1,221.39	\$2,074.89	\$995.44

Maximum Monthly Medical Subsidy (Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members) Participant Eligible for Medicare A & B 2023-24 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	56.3%	\$262.47	\$524.94	\$262.47
Anthem Medicare Preferred (PPO)	33.7%	\$464.97	\$924.90	\$464.97
UHC Medicare Advantage Plan ⁽¹⁾	10.0%	\$267.68	\$530.33	\$267.68

⁽¹⁾ Rates for CA plan.

Tier 1 Members who are subject to the retiree medical subsidy cap will have monthly health insurance subsidy maximums capped at the levels in effect at July 1, 2011, as shown in the table below.

Maximum Monthly Medical Subsidy (Tier 1 Members Subject to Retiree Medical Subsidy Cap)

	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65: All Plans	\$1,190.00	\$1,190.00	\$593.62
Age 65 and Over: Kaiser Senior Adv.	\$203.27	\$406.54	\$203.27
Anthem Medicare Preferred (PPO)	\$478.43	\$478.43 ⁽¹⁾	\$478.43
UHC California Medicare Adv. HMO	\$219.09	\$433.93	\$219.09

⁽¹⁾ The reason the subsidy is only at the single-party amount is that there is no excess subsidy to cover a dependent.

These rates only apply to a small number of deferred vested members, retirees and beneficiaries. No active members are subject to the retiree medical subsidy cap.

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Adjustments to per-capita costs based on age, gender, and status are as follows:

Age	Retiree & Spouse	
	Male	Female
55	0.6807	0.6914
60	0.7837	0.7495
64	0.9524	0.8137
65	1.0000	0.8306
70	1.1232	0.9292
75	1.2407	0.9769
80	1.2991	1.0427
85+	1.3603	1.1129

Spouse/Domestic Partner Coverage

For all active and inactive members, 60% of male and 35% of female retirees who receive a retiree health subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage. Of these covered spouses/domestic partners, 100% are assumed to continue coverage if the retiree predeceases the spouse/domestic partner.

Male retirees are assumed to be four years older than their female spouses/domestic partners. Female retirees are assumed to be two years younger than their male spouses/domestic partners.

Participation

Retiree Medical and Dental Coverage Participation:

Years of Service Range	Percent Covered ⁽¹⁾
10 – 14	60%
15 – 19	80%
20 – 24	90%
25 and Over	95%

⁽¹⁾ Deferred vested Members are assumed to elect coverages at 50% of the rates shown above.

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates

Trends to be applied in following fiscal years, to all health plans.

First Fiscal Year (July 1, 2023 through June 30, 2024):

Plan	Trend to be applied to 2023-24 Fiscal Year premium
Anthem BC HMO, Under Age 65	8.01%
Anthem BC PPO, Under Age 65	8.01%
Kaiser HMO, Under Age 65	9.49%
Anthem Preferred PPO Medicare Advantage	-3.35%
Kaiser Senior Advantage	3.25%
UHC CA Medicare Advantage	-4.51%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx.)		Calendar Year	Trend (applied to calculate following year premium)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2024-25	7.12%	6.37%	2024	7.25%	6.50%
2025-26	6.87%	6.12%	2025	7.00%	6.25%
2026-27	6.62%	5.87%	2026	6.75%	6.00%
2027-28	6.37%	5.62%	2027	6.50%	5.75%
2028-29	6.12%	5.37%	2028	6.25%	5.50%
2029-30	5.87%	5.12%	2029	6.00%	5.25%
2030-31	5.62%	4.87%	2030	5.75%	5.00%
2031-32	5.37%	4.62%	2031	5.50%	4.75%
2032-33	5.12%	4.50%	2032	5.25%	4.50%
2033-34	4.87%	4.50%	2033	5.00%	4.50%
2034-35	4.62%	4.50%	2034	4.75%	4.50%
2035-36 and later	4.50%	4.50%	2035	4.50%	4.50%

Dental Premium Trend: 1.50% applied to 2023-2024 fiscal year premium, then 3.00% thereafter.

Medicare Part B Premium Trend: 5.20% applied to 2023-24 fiscal year premium, then 4.50% thereafter.

Health Care Reform

The valuation does not reflect the potential impact of any future changes due to prior or pending legislations.

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Actuarial Cost Method

Entry Age Cost Method, level percent of salary. Entry age is calculated as age on the valuation date minus years of benefit service rounded down to the number of completed years. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.

Actuarial Value of Assets

Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a fair value basis, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% of fair value of assets nor greater than 140% of fair value of assets.

Valuation Value of Assets

The portion of the total actuarial value of assets allocated for retiree health benefits, based on a prorated share of fair value.

Amortization Policy

The amortization method for the UAAL is a level percent of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation).

The plan has an actuarial surplus as of June 30, 2023 and the surplus has been amortized over 30 years. Prior to the June 30, 2023 valuation, the plan had a UAAL and all bases as of June 30, 2020 were re-amortized over 21 years effective with the June 30, 2021 valuation. Changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes and health trend and premium assumption changes are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years.

An adjustment is made to the amortization period of all the UAAL actuarial gain layers to be the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers when the total UAAL contribution is negative (a credit) but there is still a UAAL balance.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Assumption Changes since Prior Valuation

Per capita costs and associated trend assumptions were updated to reflect 2024 calendar year premiums/subsidies and updated trend assumptions for 2025 and after. The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs. retired) from Segal's claims data warehouse. The updated claims and associated trend assumptions had a combined impact of reducing the actuarial accrued liability.

Medical carrier election assumptions were updated based on more recent data.

Economic and demographic assumptions have been updated based on the July 1, 2019 through June 30, 2022 Actuarial Experience Study. The assumptions changes from the 2022 Actuarial Experience Study had a combined impact of reducing the actuarial accrued liability and increasing the plan's normal cost.

Health Benefits Valuation

Summary of Plan Provisions

LACERS administers a single-employer postemployment health care plan. The following summarizes the major benefit provisions of the Health Plan as included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 3 – Postemployment Health Care Plan Description on page 40 - 41 regarding the Membership).

Tier 3 (§4.1080.2(a))

All employees who became Members of LACERS on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

Benefit Eligibility

Tier 1 (§4.1111(a)) and Tier 3 (§4.1126(a))

Retired age 55 or older with at least 10 years of service (including deferred vested Members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. The health subsidy is not payable to a service or disabled retiree before the Member reaches age 55.

Medical Subsidy for Members Not Subject to Cap

Under Age 65 or Over Age 65 Without Medicare Part A:

Tier 1 (§4.1111(d)) and Tier 3 (§4.1126(c))

Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium).

As of July 1, 2023, the maximum monthly health subsidy is \$1,962.20, and will be \$2,187.58 per month as of January 1, 2024. This amount includes coverage of dependent premium costs.

Over Age 65 and Enrolled in Both Medicare Parts A and B:

Tier 1 (§4.1111(e)) and Tier 3 (§4.1126(d))

For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

Completed Years of Service Credit	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired Members who do not contribute an additional 4.0% or 4.5% of employee contributions to the System.

The capped subsidy is different for Medicare and non-Medicare retirees. The cap applies to the medical subsidy limits at the 2011 calendar year level. The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

Dependents

Tier 1 (§4.1111(e)(4)) and Tier 3 (§4.1126(d)(4))

An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service credit. The combined Member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired Members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.

Dental Subsidy for Members

Tier 1 (§4.1114(b)) and Tier 3 (§4.1129(b))

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2023, the maximum dental subsidy is \$43.81 per month; decreasing to \$42.93 in calendar year 2024.

Health Benefits Valuation

Summary of Plan Provisions (continued)

Dental Subsidy for Members (continued)

There is no subsidy available to dental plan dependents or surviving spouses/domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

If a retiree is eligible for a health subsidy, covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium. LACERS does not reimburse survivors or dependents any part of their Medicare Part B premium.

Medical Subsidy for Surviving Spouse

Tier 1 (§4.1115) and Tier 3 (§4.1129.1)

The surviving spouse or domestic partner will be entitled to a health subsidy based on the Member's years of service credit and the surviving dependent's eligibility for Medicare.

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium (\$939.09 per month as of July 1, 2023, and will be \$1,051.78 per month as of January 1, 2024).

Over Age 65 and Enrolled in Both Medicare Parts A and B:

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service Credit	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Changes in Plan Provisions

None.



Statistical

Statistical Section

The Statistical Section of the System's Annual Comprehensive Financial Report provides additional historical trend information to assist the reader in gaining a more comprehensive understanding of the current fiscal year's financial statements, note disclosures, and required supplementary information, which cover the System's Retirement Plan and the Postemployment Health Care Plan. This section also provides multi-year trending of financial and operating information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's revenues (additions), expenses (deductions), net increase or decrease in fiduciary net position, benefit expenses by type, number of retirees by different types of benefits, and average monthly benefit payments.

The financial and operational trend information are as follows:

Schedule of Additions by Source - Retirement Plan (Dollars in Thousands)

Fiscal Year	Member Contributions	Employer Contributions		Net Investment Income (Loss) ⁽²⁾	Building Lease & Other Income ⁽³⁾	Total Additions
		Amounts	As a % of Annual Covered Payroll ⁽¹⁾			
2014	\$ 204,136	\$ 357,818	19.8	\$ 1,820,266	-	\$ 2,382,220
2015	207,564	381,299	20.8	308,557	-	897,420
2016	211,345	440,704	23.5	27,638	-	679,687
2017	227,532	453,504	23.0	1,524,533	-	2,205,569
2018	236,222	450,338	21.9	1,249,814	-	1,936,374
2019	240,357	478,827	22.7	802,027	-	1,521,211
2020	263,936	553,222	24.4	305,291	645	1,123,094
2021	259,285	554,954	24.4	4,305,990	519	5,120,748
2022	245,879	591,305	27.4	(1,555,222)	30	(718,008)
2023	259,977	669,438	29.0	1,265,098	82	2,194,595

(1) % of Annual Covered Payroll is an aggregate rate for all tiers based on actual covered payroll.

(2) Includes unrealized gains and losses of investments. Investment-related administrative expenses are deducted from Investment Income pursuant to GASB Statement No. 67.

(3) Building Lease and Other Income from System's new Headquarter Building purchased on October 23, 2019.

Schedule of Deductions by Type - Retirement Plan⁽²⁾ (In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses ⁽¹⁾	Total Deductions
2014	\$ 708,956	\$ 15,982	\$ 12,438	\$ 737,376
2015	734,736	10,121	15,946	760,803
2016	767,264	7,719	15,576	790,559
2017	799,221	9,803	16,019	825,043
2018	847,031	10,412	16,394	873,837
2019	909,154	11,684	17,806	938,644
2020	973,197	12,332	21,257	1,006,786
2021	1,067,331	17,584	24,264	1,109,179
2022	1,163,419	11,630	24,282	1,199,331
2023	1,211,894	14,397	25,758	1,252,049

(1) Excludes investment related administrative expenses. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.

Statistical Section

Schedule of Additions by Source - Postemployment Health Care Plan (Dollars in Thousands)

Fiscal Year	Employer Contributions		Self-Funded Insurance Premium ⁽²⁾	Health Insurance Premium Reserve ⁽²⁾	Net Investment Income (Loss) ⁽³⁾	Building Lease & Other Income ⁽⁴⁾	Total Additions
	Amounts	As a % of Annual Covered Payroll ⁽¹⁾					
2014	\$ 97,841	5.4	-	-	\$ 375,504	-	\$ 473,345
2015	100,467	5.5	-	-	59,435	-	159,902
2016	105,983	5.7	-	-	(721)	-	105,262
2017	97,457	4.9	-	-	330,368	-	427,825
2018	100,909	4.9	-	-	269,065	-	369,974
2019	107,927	5.1	6,090	468	166,470	-	280,955
2020	112,136	4.9	10,364	2,137	60,201	147	184,985
2021	103,454	4.5	10,924	919	982,797	118	1,098,212
2022	91,623	4.3	13,280	1,180	(361,307)	7	(255,217)
2023	90,581	3.9	12,809	1,423	268,900	19	373,732

- (1) % of annual covered payroll is an aggregate rate for all tiers based on actual covered payroll.
(2) Additions related to LACERS Postemployment Health Care 115 Trust fund and the self-funded dental plan established in fiscal year 2019 and self-funded vision plan in fiscal year 2022.
(3) Includes unrealized gains and losses of investments. Investment related administrative expenses are deducted.
(4) Building Lease and Other Income from System's new Headquarter Building purchased on October 23, 2019.

Schedule of Deductions by Type - Postemployment Health Care Plan (In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses ⁽¹⁾	Total Deductions
2014	\$ 101,628	\$ 3,327	\$ 104,955
2015	103,599	3,932	107,531
2016	109,940	4,151	114,091
2017	119,616	4,224	123,840
2018	128,081	4,384	132,465
2019	140,129	5,099	145,228
2020	139,714	6,165	145,879
2021	160,945	6,820	167,765
2022	171,705	6,955	178,660
2023	173,583	7,534	181,117

- (1) Excludes investment related administrative expenses. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' postemployment healthcare benefits. Starting fiscal year 2019, expenses include third party fees paid for the administration of the self-funded dental plan.

Statistical Section

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan Last Ten Fiscal Years (In Thousands)

Fiscal Year	Additions					Deductions				Net In/(De)crease in Fiduciary Net Position
	City Contributions	Member Contributions	Net Investment Income (Loss)	Building Lease & Other Income	Total Additions	Benefit Payments	Refunds of Contributions	Admin. Expenses ⁽¹⁾	Total Deductions	
2014	\$ 357,818	\$ 204,136	\$ 1,820,266	-	\$2,382,220	\$ 708,956	\$ 15,982	\$ 12,438	\$ 737,376	\$1,644,844
2015	381,299	207,564	308,557	-	897,420	734,736	10,121	15,946	760,803	136,617
2016	440,704	211,345	27,638	-	679,687	767,264	7,719	15,576	790,559	(110,872)
2017	453,504	227,532	1,524,533	-	2,205,569	799,221	9,803	16,019	825,043	1,380,526
2018	450,338	236,222	1,249,814	-	1,936,374	847,031	10,412	16,394	873,837	1,062,537
2019	478,827	240,357	802,027	-	1,521,211	909,154	11,684	17,806	938,644	582,567
2020	553,222	263,936	305,291	645	1,123,094	973,197	12,332	21,257	1,006,786	116,308
2021	554,954	259,285	4,305,990	519	5,120,748	1,067,331	17,584	24,264	1,109,179	4,011,569
2022	591,305	245,879	(1,555,222)	30	(718,008)	1,163,419	11,630	24,282	1,199,331	(1,917,339)
2023	669,438	259,977	1,265,098	82	2,194,595	1,211,894	14,397	25,758	1,252,049	942,546

- (1) Excludes investment related administrative expenses. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits. Starting fiscal year 2019, expenses include third party fees paid for the administration of the self-funded dental plan and beginning fiscal year 2020, related expenses for the new headquarters building were incurred.
- (2) In fiscal year 2022, a prior period adjustment was made related to implementation of GASB 87 - Leases, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

Net Increase (Decrease) in Fiduciary Net Position - Postemployment Health Care Plan Last Ten Fiscal Years (In Thousands)

Fiscal Year	Additions					Deductions				Net In/(De)crease in Fiduciary Net Position
	City Contributions	Self-Funded Insurance Premium ⁽¹⁾	Health Insurance Premium Reserve ⁽¹⁾	Net Investment Income (Loss)	Building Lease & Other Income	Total Additions	Benefit Payments	Admin. Expenses ⁽²⁾	Total Deductions	
2014	\$ 97,841	-	-	\$ 375,504	-	\$ 473,345	\$101,628	\$ 3,327	\$ 104,955	\$ 368,390
2015	100,467	-	-	59,435	-	159,902	103,599	3,932	107,531	52,371
2016	105,983	-	-	(721)	-	105,262	109,940	4,151	114,091	(8,829)
2017	97,457	-	-	330,368	-	427,825	119,616	4,224	123,840	303,985
2018	100,909	-	-	269,065	-	369,974	128,081	4,384	132,465	237,509
2019	107,927	6,090	468	166,470	-	280,955	140,129	5,099	145,228	135,727
2020	112,136	10,364	2,137	60,201	147	184,985	139,714	6,165	145,879	39,106
2021	103,454	10,924	919	982,797	118	1,098,212	160,945	6,820	167,765	930,447
2022	91,623	13,280	1,180	(361,307)	7	(255,217)	171,705	6,955	178,660	(433,877)
2023	90,581	12,809	1,423	268,900	19	373,732	173,583	7,534	181,117	192,615

- (1) Additions related to LACERS Postemployment Health Care 115 Trust and the self-funded Dental Plan established in 2019 and self-funded Vision Plan in fiscal year 2022.
- (2) Excludes investment related administrative expenses but includes third party administrative fees starting in fiscal year 2019. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' postemployment health care benefits and beginning fiscal year 2020, related expenses for the new headquarters building were incurred.
- (3) In fiscal year 2022, a prior period adjustment was made related to implementation of GASB 87 - Leases, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

Statistical Section

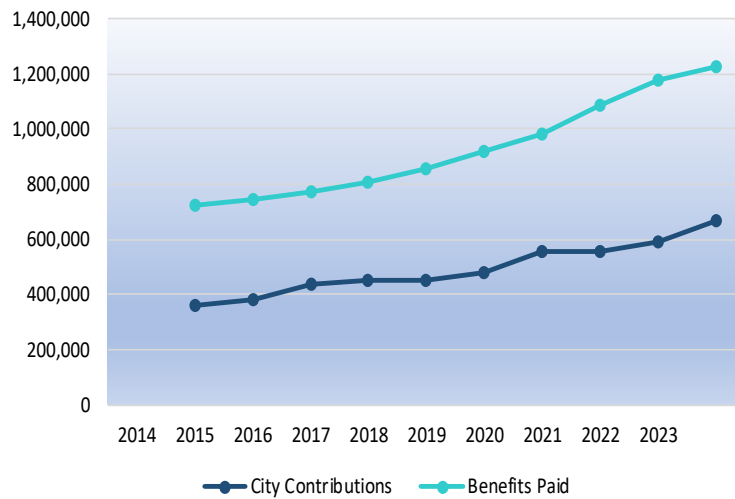
Schedule of Benefit Expenses by Type - Retirement Plan (In Thousands)

Fiscal Year	Benefits						Refunds of Contributions					Total Benefits Paid
	Age & Service Benefits		Death in Service	Disability Benefits		Sub-Total	Separation	Death in Service	Unused Contributions		Sub-Total	
	Retirants	Survivors		Retirants	Survivors				Misc.			
2014	\$ 606,135	\$ 73,477	\$ 2,669	\$ 17,657	\$ 9,018	\$ 708,956	\$ 12,295	\$ 1,509	\$ 1,184	\$ 994	\$ 15,982	\$ 724,938
2015	627,865	76,619	2,537	18,348	9,367	734,736	3,891	1,848	1,342	3,040	10,121	744,857
2016	657,810	78,441	2,315	19,001	9,697	767,264	4,241	1,231	883	1,364	7,719	774,983
2017	686,172	81,250	2,738	18,810	10,251	799,221	4,213	3,015	1,027	1,548	9,803	809,024
2018	731,954	83,387	2,402	18,850	10,438	847,031	5,686	1,653	1,588	1,485	10,412	857,443
2019	794,844	83,072	2,066	18,935	10,237	909,154	6,529	3,302	1,054	799	11,684	920,838
2020	853,719	87,577	1,855	19,432	10,614	973,197	6,839	2,798	1,544	1,151	12,332	985,529
2021	941,144	93,208	2,419	19,468	11,092	1,067,331	8,388	4,259	2,298	2,639	17,584	1,084,915
2022	1,032,404	99,122	1,978	18,496	11,419	1,163,419	6,215	3,362	1,584	469	11,630	1,175,049
2023	1,074,006	104,808	2,015	19,332	11,733	1,211,894	7,740	3,602	2,349	705	14,396	1,226,290

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2014	\$ 357,818	\$ 724,938
2015	381,299	744,857
2016	440,704	774,983
2017	453,504	809,024
2018	450,338	857,443
2019	478,827	920,838
2020	553,222	985,529
2021	554,954	1,084,915
2022	591,305	1,175,049
2023	669,438	1,226,291



Statistical Section

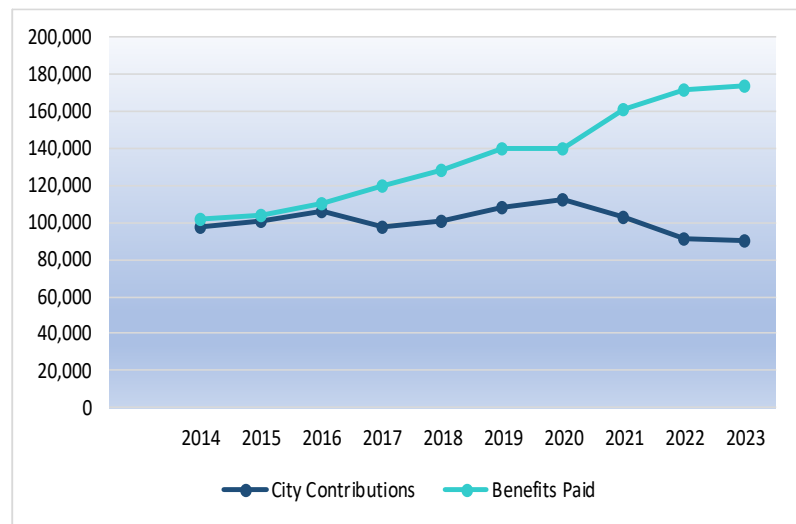
Schedule of Benefit Expenses by Type - Postemployment Health Care Plan (In Thousands)

Fiscal Year	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Total Benefits Paid
	Retirants	Survivors		Retirants	Survivors	
2014	\$ 86,889	\$ 10,533	\$ 382	\$ 2,531	\$ 1,293	\$ 101,628
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129
2020	122,561	12,573	266	2,790	1,524	139,714
2021	141,917	14,055	365	2,936	1,672	160,945
2022	152,369	14,629	292	2,730	1,685	171,705
2023	153,833	15,012	289	2,769	1,680	173,583

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2014	\$ 97,841	\$ 101,628
2015	100,467	103,599
2016	105,983	109,940
2017	97,457	119,616
2018	100,909	128,081
2019	107,927	140,129
2020	112,136	139,714
2021	103,454	160,945
2022	91,623	171,705
2023	90,581	173,583



Statistical Section

Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants ⁽¹⁾	Type of Benefits ⁽²⁾										
		1	2	3	4	5	6	7	8	9	10	11
\$1 to \$1,000	1,615	412	255	11	461	32	124	51	268	-	505	26
\$1,001 to \$2,000	3,134	894	725	37	537	435	106	191	208	-	96	4
\$2,001 to \$3,000	3,120	1,606	642	71	304	279	25	110	83	-	24	1
\$3,001 to \$4,000	2,957	2,219	382	72	180	38	6	24	36	-	8	-
\$4,001 to \$5,000	3,153	2,749	224	58	90	8	1	9	14	-	1	-
\$5,001 to \$6,000	2,534	2,303	156	27	39	3	-	-	6	-	-	-
\$6,001 to \$7,000	1,959	1,813	98	12	32	2	-	-	2	-	-	-
\$7,001 to \$8,000	1,375	1,287	54	10	23	-	-	-	1	-	-	-
\$8,001 to \$9,000	867	815	32	6	14	-	-	-	-	-	-	-
\$9,001 to \$10,000	596	552	26	8	10	-	-	-	-	-	-	-
Over \$10,000	1,181	1,095	45	11	20	4	-	3	3	-	-	-
Total	22,491	15,745	2,639	323	1,710	801	262	388	621	-	634	31

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement	7 - Disability Survivorship
2 - Service Continuance	8 - DRO Lifetime Annuity
3 - Service Survivorship	9 - DRO Term Annuity
4 - Vested Right Retirement	10 - Larger Annuity
5 - Disability Retirement	11 - Larger Annuity Continuance
6 - Disability Continuance	

Statistical Section

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits ⁽³⁾							
		1	2	3	4	5	6	7	
Medical Subsidy									
\$1 to \$200	551	390	34	2	38	61	14	12	
\$201 to \$400	5,519	4,089	986	85	193	94	22	50	
\$401 to \$600	5,468	4,783	380	40	187	44	9	25	
\$601 to \$800	146	96	4	11	22	8	-	5	
\$801 to \$1,000	2,009	1,751	90	41	89	23	5	10	
\$1,001 to \$1,200	1,425	1,352	-	-	59	14	-	-	
\$1,201 to \$1,400	88	69	-	-	17	2	-	-	
\$1,401 to \$5,809 ⁽¹⁾	2,458	2,353	-	-	89	16	-	-	
Total	17,664	14,883	1,494	179	694	262	50	102	
Dental Subsidy									
\$1 to \$10	501	380	-	-	61	60	-	-	
\$11 to \$20	2,748	2,542	-	-	135	71	-	-	
\$21 to \$30	1,199	928	-	-	183	88	-	-	
\$31 to \$40	1,718	1,498	-	-	176	44	-	-	
\$41 to \$132 ⁽²⁾	9,335	9,170	-	-	154	11	-	-	
Total	15,501	14,518	-	-	709	274	-	-	

(1) Maximum medical subsidy for plan year 2023.

(2) Maximum dental subsidy for plan year 2023.

(3) Type of Benefits

1 - Service Retirement	5 - Disability Retirement
2 - Service Continuance	6 - Disability Continuance
3 - Service Survivorship	7 - Disability Survivorship
4 - Vested Right Retirement	

Statistical Section

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit					
	Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	\$ 708	\$ 1,966	\$ 2,459	\$ 3,716	\$ 4,520	\$ 6,204
Average Final Monthly Salary ⁽¹⁾	\$ 4,551	\$ 6,868	\$ 6,343	\$ 7,551	\$ 7,482	\$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	\$ 969	\$ 1,875	\$ 2,775	\$ 3,735	\$ 4,707	\$ 6,307
Average Final Monthly Salary ⁽¹⁾	\$ 5,309	\$ 6,386	\$ 7,040	\$ 7,289	\$ 7,795	\$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	\$ 943	\$ 1,756	\$ 2,514	\$ 3,796	\$ 4,514	\$ 5,498
Average Final Monthly Salary ⁽¹⁾	\$ 5,095	\$ 6,077	\$ 6,786	\$ 7,656	\$ 7,731	\$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit ⁽²⁾	\$ 886	\$ 1,068	\$ 1,388	\$ 1,521	\$ 1,657	\$ 2,568
Number of Continuance Benefit Added ⁽²⁾	79	29	24	41	32	65
Period 7/1/16 to 6/30/17						
Average Monthly Benefit at Retirement	\$ 1,076	\$ 1,764	\$ 2,546	\$ 3,412	\$ 4,789	\$ 5,745
Average Final Monthly Salary ⁽¹⁾	\$ 5,553	\$ 6,326	\$ 6,974	\$ 7,696	\$ 8,053	\$ 8,204
Number of Retirees Added	105	99	104	107	263	271
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,154	\$ 1,022	\$ 1,360	\$ 1,949	\$ 1,869	\$ 2,916
Number of Continuance Benefit Added ⁽²⁾	70	19	30	38	50	55
Period 7/1/17 to 6/30/18						
Average Monthly Benefit at Retirement	\$ 1,291	\$ 1,913	\$ 2,739	\$ 3,922	\$ 5,037	\$ 6,348
Average Final Monthly Salary ⁽¹⁾	\$ 5,869	\$ 6,707	\$ 7,100	\$ 7,896	\$ 8,292	\$ 8,758
Number of Retirees Added	115	115	136	85	247	377
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,012	\$ 1,411	\$ 1,562	\$ 2,076	\$ 2,830	\$ 3,812
Number of Continuance Benefit Added ⁽²⁾	70	25	26	28	49	54
Period 7/1/18 to 6/30/19						
Average Monthly Benefit at Retirement	\$ 1,003	\$ 2,010	\$ 2,756	\$ 3,829	\$ 5,395	\$ 6,834
Average Final Monthly Salary ⁽¹⁾	\$ 5,276	\$ 6,613	\$ 7,103	\$ 7,771	\$ 8,695	\$ 9,219
Number of Retirees Added	123	104	147	82	277	344
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,697	\$ 1,703	\$ 1,586	\$ 2,655	\$ 2,665	\$ 4,184
Number of Continuance Benefit Added ⁽²⁾	65	28	30	29	42	82
Period 7/1/19 to 6/30/20						
Average Monthly Benefit at Retirement	\$ 1,049	\$ 1,922	\$ 3,215	\$ 4,599	\$ 5,825	\$ 6,690
Average Final Monthly Salary ⁽¹⁾	\$ 5,079	\$ 6,449	\$ 8,189	\$ 9,195	\$ 9,267	\$ 9,073
Number of Retirees Added	123	94	142	84	192	321
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,459	\$ 1,412	\$ 1,882	\$ 2,219	\$ 2,747	\$ 4,398
Number of Continuance Benefit Added ⁽²⁾	76	29	24	18	46	60

Statistical Section

Schedule of Average Benefit Payments - Retirement Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit					
	Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/20 to 6/30/21						
Average Monthly Benefit at Retirement	\$ 1,043	\$ 2,128	\$ 2,938	\$ 4,205	\$ 5,787	\$ 6,825
Average Final Monthly Salary ⁽¹⁾	\$ 4,804	\$ 6,819	\$ 7,253	\$ 8,417	\$ 9,198	\$ 9,293
Number of Retirees Added ⁽³⁾	90	184	264	271	342	937
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,386	\$ 1,261	\$ 2,097	\$ 2,447	\$ 3,130	\$ 4,861
Number of Continuance Benefit Added ⁽²⁾	109	25	27	34	64	111
Period 7/1/21 to 6/30/22						
Average Monthly Benefit at Retirement	\$ 979	\$ 2,109	\$ 3,276	\$ 4,133	\$ 6,026	\$ 7,348
Average Final Monthly Salary ⁽¹⁾	\$ 5,409	\$ 6,847	\$ 8,193	\$ 8,494	\$ 9,786	\$ 9,999
Number of Retirees Added ⁽³⁾	138	92	138	100	130	284
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,798	\$ 1,665	\$ 1,895	\$ 2,736	\$ 3,284	\$ 4,698
Number of Continuance Benefit Added ⁽²⁾	116	22	34	32	48	66
Period 7/1/22 to 6/30/23						
Average Monthly Benefit at Retirement	\$ 1,113	\$ 2,545	\$ 3,209	\$ 4,654	\$ 6,046	\$ 8,249
Average Final Monthly Salary ⁽¹⁾	\$ 5,934	\$ 8,283	\$ 8,032	\$ 9,482	\$ 9,861	\$ 11,190
Number of Retirees Added ⁽³⁾	89	66	106	115	83	177
Average Monthly Continuance Benefit ⁽²⁾	\$ 1,702	\$ 1,376	\$ 1,977	\$ 2,709	\$ 3,856	\$ 4,645
Number of Continuance Benefit Added ⁽²⁾	64	27	35	26	56	76

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.

(2) Additional information for Continuance Benefit is provided starting fiscal year 2016.

(3) Large increase in fiscal year 2021 was due to increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit				
	Under 10 yrs ⁽¹⁾	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/13 to 6/30/14					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 447	\$ 619	\$ 831	\$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 15	\$ 20	\$ 30	\$ 27
Number of Retirees Added	2	53	36	91	266

Statistical Section

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit				
	Under 10 yrs ⁽¹⁾	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/14 to 6/30/15					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 543	\$ 700	\$ 914	\$ 1,080
Number of Retirees Added	1	85	40	105	409
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 17	\$ 26	\$ 32	\$ 36
Number of Retirees Added	2	78	35	102	399
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 309	\$ 515	\$ 729	\$ 926	\$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 11	\$ 16	\$ 24	\$ 34	\$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 411	\$ 493	\$ 717	\$ 1,136	\$ 1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 11	\$ 18	\$ 25	\$ 34	\$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 547	\$ 771	\$ 1,082	\$ 1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 5	\$ 17	\$ 27	\$ 31	\$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 716	\$ 560	\$ 714	\$ 1,012	\$ 1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 16	\$ 27	\$ 36	\$ 37
Number of Retirees Added	4	75	113	62	539

Statistical Section

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit				
	Under 10 yrs ⁽¹⁾	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/19 to 6/30/20					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 420	\$ 533	\$ 752	\$ 1,129	\$ 1,176
Number of Retirees Added	15	92	117	73	515
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 18	\$ 27	\$ 35	\$ 36
Number of Retirees Added	10	60	97	66	445
Period 7/1/20 to 6/30/21					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 322	\$ 538	\$ 694	\$ 913	\$ 1,244
Number of Retirees Added ⁽²⁾	27	150	224	248	1,271
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 14	\$ 20	\$ 28	\$ 34	\$ 37
Number of Retirees Added ⁽²⁾	15	131	201	235	1,223
Period 7/1/21 to 6/30/22					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 390	\$ 623	\$ 839	\$ 1,134	\$ 1,273
Number of Retirees Added	47	66	105	95	407
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 14	\$ 20	\$ 27	\$ 35	\$ 37
Number of Retirees Added	25	52	79	77	319
Period 7/1/22 to 6/30/23					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 358	\$ 745	\$ 870	\$ 1,180	\$ 1,339
Number of Retirees Added	56	41	89	102	266
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 17	\$ 29	\$ 33	\$ 37
Number of Retirees Added	10	27	72	94	225

(1) Effective February 21, 2016, retiree health benefits are provided to part-time employees who retired with 10 years of service but less than 10 years of service credit. Previously, they were allowed to enroll in LACERS Health Care Plan at their own cost, but not eligible for health benefits.

(2) Large increase in fiscal year 2021 was due to increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

Direct questions concerning any of the information provided in this report to:

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