LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, JULY 23, 2024

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Commissioner Sung Won Sohn will participate telephonically from:

Resort La Ginabelle
(Lobby)
Vispastrasse 52 CH-3920
Zermatt, Switzerland

Commissioner Elizabeth Lee will participate telephonically from:

Wharton San Francisco
The Hill Brothers' Building
Room GSR 624
2 Harrison Street, Suite 600
San Francisco, CA 94105

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq*. More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communications Access Real-Time Transcription, Assisted Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, please make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days notice is strongly recommended. For additional information, please contact (800) 779-8328 or RTT (888) 349-3996.

Si requiere servicios de traducción, llámenos tres días (72 horas) antes de la reunión o evento al (800) 779-8328.

For additional information, please contact: Board of Administration Office at ***(213) 855-9348*** and/or email at ***lacers.board@lacers.org.***

Important Message to the Public	
An opportunity for the public to address the Board in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Board or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda. Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area). **Disclaimer to Participants** Please be advised that all LACERS Board meetings are recorded. **LACERS Website Address/link:** www.LACERS.org In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.	

CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

II. ELECTION OF BOARD OFFICERS FOR FISCAL YEAR 2024-25 AND POSSIBLE BOARD ACTION

III. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

C. RECEIPT OF THE CITY'S CONTRIBUTION FOR FISCAL YEAR 2023-24

IV. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JUNE 2024

B. COMMISSIONER SUNG WON SOHN EDUCATION EVALUATION ON WESTERN ECONOMIC ASSOCIATION INTERNATIONAL (WEAI) ANNUAL CONFERENCE; JUNE 29 – JULY 3, 2024; SEATTLE, WA

V. CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE MEETING OF JUNE 25, 2024 AND POSSIBLE BOARD ACTION

B. GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION

VI. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. CONTRACT WITH TOWNSEND HOLDINGS LLC, REPLACEMENT OF KEY PERSON AND POSSIBLE BOARD ACTION

VII. BOARD/DEPARTMENT ADMINISTRATION

A. RESPONSE TO COUNCIL MOTION 24-0357 RELATING TO CITY EMPLOYEES RECEIVING MULTIPLE PENSIONS AND POSSIBLE BOARD ACTION

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 13, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X. ADJOURNMENT

LACERS

INTRA-DEPARTMENTAL MEMO

Date: July 15, 2024

To: Neil M. Guglielmo, General Manager

From: Jo Ann Peralta, Department Chief Accountant IV
Fiscal Management Division

SUBJECT: RECEIPT OF CITY'S CONTRIBUTIONS FOR FISCAL YEAR 2024-25

The purpose of this memorandum is to advise you of the receipt of the employer's contribution to LACERS of $849,137,613 and the disposition of those funds by the Fiscal Management Division.

The net payment reflects the City's contribution toward LACERS' Members retirement and postemployment healthcare benefits for the Fiscal Year (FY) 2025, a credit adjustment for a true-up of the advance payment of contributions made for the prior fiscal year, and adjustments shifting the cost of Airport Peace Officers' enhanced benefits to the Los Angeles World Airports (LAWA).

The City has paid in full the required contributions for FY 2025 calculated based on the City's final covered payroll of $1,734,453,754 for Tier 1 and $1,078,744,940 for Tier 3, and applying the contribution rates for payment on July 15, 2024, of 34.34% for Tier 1 and 31.06% for Tier 3 as adopted by the Board. The payment also includes the employer share of other costs consisting of the Family Death Benefit Plan (FDBP), the Limited Term Retirement Plan (LTRP), and the Excess Benefit Plan (EBP).

The five City entities contributed to the full required contributions[1] and the disposition of those funds are as follows:

- On Thursday, July 11, 2024, the Office of the City Administrative Officer (CAO) disbursed $706,024,605 to LACERS from the proceeds of Tax Revenue Anticipation Note (TRAN) issuance. Of this amount, $634,329,074 and $70,574,719 were wired to LACERS' Benefit Payment and Healthcare Trust (115 Trust) accounts in Northern Trust respectively on Friday, July 12, 2024. The balance of $1,120,812 remains with the City Treasury for the administration of the LTRP and EBP.

- On Thursday, July 11, 2024, LAWA paid $99,967,390 to LACERS. Of this amount, $90,614,009 and $9,190,731 were wired to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Friday, July 12, 2024. The balance of $162,650 remains with the City Treasury for the administration of LTRP and EBP.

- On Thursday, July 11, 2024, the Harbor Department paid $31,829,926 to LACERS. Of this amount, $28,614,167 and $3,164,957 were wired to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Friday, July 12, 2024. The balance of $50,802 remains with the City Treasury for the administration of the LTRP and EBP.

- On Thursday, July 11, 2024, the Los Angeles Fire and Police Pensions (LAFPP) paid $4,715,171 to LACERS. Of this amount, $4,245,559 and $461,990 were wired out to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Friday, July 12, 2024. The balance of $7,622 remains with City Treasury for the administration of the LTRP and EBP.

- LACERS' share of the required contribution totals $6,600,521. Of this amount, $647,904 was wired out to LACERS' Healthcare Trust account in Northern Trust on Monday, July 16, 2024. Funds totaling $665 and $10,449 were transferred to LTRP account (Fund 900) and the EBP account (Fund 901), respectively. The remaining amount of $5,941,503 remained in City Retirement fund (Fund 800). The total contribution was recorded as expenditure incurred and revenue earned in FY 2025 excluding the contribution true-up adjustment of $1,047,232 pertaining to the prior fiscal year's contribution, reflected as addition to expenditure and revenue for the FY 2024.

Please refer to the summary attached.

EA:JP

Attachment: Summary of City Contributions and Disposition for Fiscal Year 2024-25

[1] LACERS coordinated with respective departments to streamline the City Contribution process in accordance with the recent changes in banking and process requirements by departments involved in this transaction including Office of Finance and Office of the Controller. For FY 2024, the payment deadline was set on or before Thursday, July 12, 2024 in order to wire out contributions to LACERS' Custodian bank on or before Monday, July 15, 2024 and have the funds available for LACERS' Investment on the next business day.

LACERS
SUMMARY OF CITY CONTRIBUTIONS AND DISPOSITIONS
For the Fiscal Year 2024-25

Description	General Fund (CAO)	Airports (LAWA)	Harbor	LAFPP	LACERS *	Total
Retirement Plan:						
FY 25 Actuarial Contributions	$ 691,950,604	$ 101,445,265	$ 31,839,755	$ 4,771,959	$ 6,902,121	**$ 836,909,704**
Adjustment: Enhanced Benefits	(3,402,424)	3,623,609	(162,457)	(24,285)	(34,443)	**-**
FDBP Contributions	28,994	4,207	1,314	197	288	**35,000**
Total	$ 688,577,174	$ 105,073,081	$ 31,678,612	$ 4,747,871	$ 6,867,966	**$ 836,944,704**
LTRP & EBP Contributions	1,120,812	162,650	50,802	7,622	11,114	**1,353,000**
FY 24 True-Up	(54,248,100)	(14,459,072)	(3,064,445)	(502,312)	(926,463)	**(73,200,392)**
Retirement Contributions Due	**$ 635,449,886**	**$ 90,776,659**	**$ 28,664,969**	**$ 4,253,181**	**$ 5,952,617**	**$ 765,097,312**
Healthcare Plan:						
FY 25 Actuarial Contributions	$ 77,743,070	$ 11,225,403	$ 3,497,682	$ 525,065	$ 768,673	**$ 93,759,893**
Adjustment: Enhanced Benefits	-	-	-	-	-	**-**
Total	$ 77,743,070	$ 11,225,403	$ 3,497,682	$ 525,065	$ 768,673	**$ 93,759,893**
FY 24 True-Up	(7,168,351)	(2,034,672)	(332,725)	(63,075)	(120,769)	**(9,719,592)**
Healthcare Contributions Due	**$ 70,574,719**	**$ 9,190,731**	**$ 3,164,957**	**$ 461,990**	**$ 647,904**	**$ 84,040,301**
Total Contributions Received	**$ 706,024,605**	**$ 99,967,390**	**$ 31,829,926**	**$ 4,715,171**	**$ 6,600,521**	**$ 849,137,613**
Date Received	07/11/24	07/11/24	07/11/24	07/11/24	N/A *	
Disposition of Funds:						
Wired to NT Acct 93688 (Benefit Payment)	634,329,074	90,614,009	28,614,167	4,245,559	N/A *	**757,802,809**
Wired to NT Acct 4483228 (Healthcare Trust)	70,574,719	9,190,731	3,164,957	461,990	647,904	**84,040,301**
Date Wired	07/12/24	07/12/24	07/12/24	07/12/24	07/16/24	
Transfer to Limited Term Retirement Plan	67,099	9,738	3,042	456	665	**81,000**
Transfer to Excess Benefit Plan	1,053,713	152,912	47,760	7,166	10,449	**1,272,000**
Retained in LACERS Fund 800	-	-	-	-	5,941,503	**5,941,503**
Total Fund Disposed	**$ 706,024,605**	**$ 99,967,390**	**$ 31,829,926**	**$ 4,715,171**	**$ 6,600,521**	**$ 849,137,613**

* LACERS wired out Healthcare Plan contributions of $647,904 to LACERS' Healthcare Trust (115 Trust) account with Northern Trust (NT) and processed interfund transfer of $11,114 to LTRP and EBP funds while $5,941,503 of LACERS retirement contributions were recognized as both income and expense and was retained in LACERS' City retirement account.

Agenda of:	July 23, 2024
Item No:	IV-A

MONTHLY REPORT ON SEMINARS AND CONFERENCES ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS (FOR THE MONTH OF June 2024)

In accordance with Section V.H.2 of the approved Board Education and Travel Policy, Board Members are required to report to the Board, on a monthly basis at the last Board meeting of each month, seminars and conferences they attended as a LACERS representative or in the capacity of a LACERS Board Member which are either complimentary (no cost involved) or with expenses fully covered by the Board Member. This monthly report shall include all seminars and conferences attended during the 4-week period preceding the Board meeting wherein the report is to be presented.

BOARD MEMBERS:

President Annie Chao
Vice President Sung Won Sohn

Commissioner Thuy Huynh
Commissioner Elizabeth Lee
Commissioner Gaylord “Rusty” Roten
Commissioner Janna Sidley
Commissioner Michael R. Wilkinson

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	NOTHING TO REPORT		

Board Meeting: 07/23/24
Item: IV-B

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
TRAVEL/CONFERENCE EVALUATION REPORT

Name of Attendee: Sung Won Sohn	
Title of Conference/Seminar: Western Economic Association International	
Location: Seattle, WA	No. of Education Hours: 24
Trustee Rating: (A-Excellent, B-Very Good, C-Good, D-Not Beneficial)	Level: (Introductory, Intermediate, or Advanced) A, Advanced
Event Sponsor: WEAI	Date(s) Held: June 30 - July 3, 2024

Report for:

- [x] Travel
- [ ] Conference/Seminar Attendance Only

I. Nature/Purpose of Travel (if applicable):

Annual conference of Western Economic Association International

II. Significant Information Gained:

The latest economic research related to economics related to investment.

III. Benefits to LACERS:

Investment Technology

IV. Additional Comments:

All together there were 350 sessions to choose from.

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 977 N. BROADWAY, LOS ANGELES, CA WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

Agenda of:	July 23, 2024
Item No:	V-A

MINUTES OF THE REGULAR MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

June 25, 2024

10:10 a.m.

PRESENT:	Vice President:	Sung Won Sohn
	Commissioners:	Thuy Huynh Elizabeth Lee Gaylord "Rusty" Roten Janna Sidley Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Todd Bouey
	Executive Assistant:	Ani Ghoukassian
ABSENT:	President:	Annie Chao

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Vice President Sohn asked if any persons wanted to make a general public comment to which there were no public comment cards received.

II

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Todd Bouey, Executive Officer, advised the Board of the following items:

- Commissioner's New Terms – Commissioner Annie Chao and Commissioner Janna Sidley
- Human Resources and Payroll system update
- Insurance Renewals
- HQ
- Charter Amendment on the November 5, 2024 Ballot
- Benefit Operations Update

B. UPCOMING AGENDA ITEMS – Todd Bouey, Executive Officer, advised the Board of the following items:

- Board Meeting on July 23, 2024: General Manager Designee Signature Authority and Election of Board Officers for Fiscal Year 2024-25
- Board & Benefits Administration Committee – Dental and Vision RFP Reports

III

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR MAY 2024 – This report was received by the Board and filed.

IV

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON JUNE 11, 2024 – Commissioner Lee stated the Committee approved the contract with Polen Capital Credit, LLC and Continued Discussion of Investment Governance and Review Processes Proposed Policy.

B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON JUNE 25, 2024 – Commissioner Wilkinson stated the Committee was presented with Verbal Update on 2025 Health Plan Contract Renewals and Health Management Data Report.

V

Commissioner Sidley moved approval of Consent Agenda Items V-A, V-B, and V-C, seconded by Commissioner Roten, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6. Nays, None.

CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE MEETING OF MAY 28, 2024 AND POSSIBLE BOARD ACTION

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF BRANDON GREEN AND POSSIBLE BOARD ACTION

APPROVAL OF DISABILITY RETIREMENT BENEFIT
FOR BRANDON GREEN

<u>RESOLUTION 240625-A</u>

WHEREAS, the General Manager presented certain medical reports and other evidence, and reported that the application filed was in regular and proper form;

WHEREAS, Physicians 1, 2, and 3 examined and concluded Brandon Green is unable to perform his usual and customary duties as a Warehouse and Toolroom Worker I with the City of Los Angeles;

WHEREAS, after some discussion and consideration of the evidence received, it was the finding and determination of this Board that Brandon Green is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing his duties as a Warehouse and Toolroom Worker I;

WHEREAS, an investigation of the employment record established the age, final compensation, and period of continuous service in accordance with the Los Angeles Administrative Code, and such disability is not the result of the applicant's intemperance or willful misconduct; and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Brandon Green based upon his claimed disabling conditions.

C. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF MARIZALINA MELLENDREZ AND POSSIBLE BOARD ACTION

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR MARIZALINA MELLENDREZ

RESOLUTION 240625-B

WHEREAS, the General Manager presented certain medical reports and other evidence, and reported that the application filed was in regular and proper form;

WHEREAS, Physicians 1, 2, and 3 examined and concluded Marizalina Mellendrez is unable to perform her usual and customary duties as a Senior Management Analyst I with the City of Los Angeles;

WHEREAS, after some discussion and consideration of the evidence received, it was the finding and determination of this Board that Marizalina Mellendrez is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing her duties as a Senior Management Analyst I;

WHEREAS, an investigation of the employment record established the age, final compensation, and period of continuous service in accordance with the Los Angeles Administrative Code, and such disability is not the result of the applicant's intemperance or willful misconduct; and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Marizalina Mellendrez based upon her claimed disabling condition.

VI

BOARD/DEPARTMENT ADMINISTRATION

A. DISCUSSION OF BOARD GOVERNANCE POLICY REGARDING TEMPORARY PRESIDING OFFICERS FOR BOARD MEETINGS AND POSSIBLE BOARD ACTION – Vice President Sohn stated this item will be tabled until President Chao returns.

B. PROPOSED LACERS 2024 STRATEGIC PLAN AND POSSIBLE BOARD ACTION – Todd Bouey, Executive Officer, presented and discussed this item with the Board for 10 minutes. Commissioner Sidley moved approval, seconded by Commissioner Lee, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.

VII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Rod June, Chief Investment Officer, reported on the portfolio value of $23.197 billion as of June 24, 2024; and Volatility Index at 13.37. Rod June discussed the following items:

- VALUATION
  a. Preliminary fiscal year return through last week is 8.8%.
- POLICY
  a. Staff has conducted a thorough review of the Proxy Policy with LACERS proxy voting agent ISS; staff recommends no changes
- OPERATIONAL
  a. Update on real estate consultant's proposed key persons for LACERS account: staff plans to recommend to the Board one of three proposed key persons; have the Board meet the key person in person at a future Board meeting and approve staff's recommended key person; and seek the Board's formal approval in order to amend the contract to remove Chae Hong and add the approved key person.
- GLOBAL ISSUES
  a. Update on exposure to Russia, Ukraine, China/Tech, Israel – no material changes in valuation.
- FUTURE AGENDA ITEMS
  a. Travel Authority for Ellen Chen to attend PRI conference
  b. Investment Governance Processes
  c. Annual Emerging Manager Report
- ANNOUNCEMENTS
  a. Girls Who Investment Intern, Monae Gant, starts next week and will be with LACERS into August 2024. Jeremiah Paras, Investment Officer II, is her supervisor.

Item VII-C taken out of order

C. PRESENTATION BY AKSIA LLC OF THE PRIVATE EQUITY PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2023 – Trevor Jackson, Managing Director, and Jeff Goldberger, Managing Director, with Aksia LLC presented and discussed this with the Board for 45 minutes.

B. INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Lee moved approval of the following resolution:

CONTRACT EXTENSION
POLEN CAPITAL CREDIT, LLC
ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO MANAGEMENT

RESOLUTION 240625-C

WHEREAS, LACERS' current one-year contract extension with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio expires on August 31, 2024; and,

WHEREAS, Polen Credit is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract extension with Polen Credit will allow the LACERS total portfolio to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets; and,

WHEREAS, on June 25, 2024, the Board approved the Investment Committee's recommendation to approve a two-year contract extension with Polen Credit.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Polen Capital Credit, LLC
Service Provided:	Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Portfolio Management
Effective Dates:	September 1, 2024 through August 31, 2026
Duration:	Two years
Benchmark:	50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index
Allocation as of May 31, 2024:	$265 million

Which motion was seconded by Commissioner Roten and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.

D. NOTIFICATION OF COMMITMENT OF UP TO $20 MILLION IN BUILDERS VC FUND III, L.P. – This report was received by the Board and filed.

E. NOTIFICATION OF COMMITMENT OF UP TO $33.34 MILLION IN SPARK CAPITAL GROWTH FUND V, L.P. – This report was received by the Board and filed.

F. NOTIFICATION OF COMMITMENT OF UP TO $16.66 MILLION IN SPARK CAPITAL VIII, L.P. – This report was received by the Board and filed.

G. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN SK CAPITAL VI-A, L.P. – This report was received by the Board and filed.

VIII

OTHER BUSINESS – There was no other business.

IX

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, July 9, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X

ADJOURNMENT – There being no further business before the Board, Vice President Sohn adjourned the Meeting at 11:29 a.m.

Sung Won Sohn
Vice President

Todd Bouey
Manager-Secretary

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: JULY 23, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: V-B**

SUBJECT: **GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION**

ACTION: ☐ CLOSED: ☐ CONSENT: ☒ RECEIVE & FILE: ☐

Recommendation

That the Board adopt the proposed General Manager Designee Signature Authority Resolution, effective upon adoption, superseding prior delegations.

Discussion

The General Manager has the authority to administer the affairs of the department as its Chief Administrative Officer inclusive of certification of expenditures pursuant to the Los Angeles City Charter (LACC) Section 509, and authority to execute contracts delegated by the Board. The Board may also delegate authority, under LACC Section 511(a), to the necessary deputies, assistants, and employees of the department and define their duties. In the event that the General Manager is absent or unable to act, assigning signature authority to General Manager Designees would assure that business transactions are addressed promptly and ensure the continuity of services.

Staffing changes necessitate the update of the General Manager Designee Signature Authority. This resolution reflects the following personnel due to job classification or division assignment changes.

Amelia Herrera-Robles, Public Information Director I
Kevin Hirose, Senior Personnel Analyst II
Dianne Sunico, Senior Personnel Analyst II
Marcel Nguyen, Senior Management Analyst I
Isaias Cantu, Chief Benefits Analyst
Horacio Arroyo, Senior Management Analyst II
James Kawashima, Senior Benefits Analyst II
Ellen Chen, Investment Officer III

Prepared By: Lisa Li, Management Analyst, Administration Division

NMG/TB/EA:LL

Attachment: Signature Authority for General Manager Designees Proposed Resolution

SIGNATURE AUTHORITY
FOR GENERAL MANAGER DESIGNEES

PROPOSED RESOLUTION

WHEREAS, the Board may delegate authority to the necessary deputies, assistants, and employees of the department and define their duties under Los Angeles City Charter (LACC) Section 511(a); and,

WHEREAS, the General Manager is authorized under LACC Section 509 to administer the affairs of the department as its Chief Administrative Officer; and,

WHEREAS, the General Manager determines it is in the best interest of the department to ensure department business is transacted expeditiously on occasions when they are absent or unable to act through the assignment of signature authorities over specific areas of expertise;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the signature authority resolution for the General Manager designees. If practicable, designees shall seek verbal concurrence from the General Manager. Authority is assigned to the position, rather than the individual. This resolution shall be endorsed by the designees, and should there be a change in personnel, a new endorsement certificate may be made and kept on file in the Board office; filed with any other necessary office of City government; or any agencies involved in processing LACERS' investment transactions and custodial responsibilities for the securities of LACERS. The proposed resolution will supersede any previously adopted resolutions related to General Manager Designee signature authority and is effective upon adoption.

1. Assistant General Manager(s) – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures; and approval of benefit payments and related transactions;

2. Chief Management Analyst of Administration Division (AD) – for the approval of contracts in compliance with the contracting limitations established in the LACC; for the approval of expenditures within the authorized AD budget, Performance Management Office budget, and the Actuarial program budget. The Chief Management Analyst may delegate to the Senior Management Analysts I and II in the Administrative Services Office the approval of expenditures within the established thresholds specified in the memorandum submitted to the Chief Accounting Employee of LACERS.

3. Chief Benefits Analyst of Health, Wellness, and Buyback Division (HWABD) – for the approval of retiree health and buyback-related benefits within the limits of Board Rule GMA-1; and approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the HWABD the approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the Service Purchase Section the approval and execution of service purchase transactions including agreements with Members and certifications of service; and delegate to the Senior Benefits Analysts I and II in the Health Benefits Administration the signature authority for transactions related to the payment of approved retiree health benefits.

4. Chief Benefits Analyst of Retirement Services Division (RSD) – for the approval of benefit payments and related transactions; and approval of expenditures within the authorized RSD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the RSD the approval of expenditures within the authorized RSD budget.

5. Chief Benefits Analyst of Communications and Stakeholder Relations Division (CSRD) – for the approval of expenditures within the authorized CSRD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II and Public Information Director in the CSRD the approval of expenditures within the established CSRD budget.

6. Information Systems Manager – for the approval of expenditures within the authorized Systems Division budget.

7. Chief Investment Officer or Investment Officer III – for (1) the approval of investment transactions required within the scope of the contracts approved by the Board, (2) execution of any instrument or document required to effectuate a contract or investment transaction approved by the Board, (3) approval of any other action required to effectuate a contract approved by the Board, (4) approval of any power of attorney, non-disclosure agreement, tax return, tax reclamation form, or similar document or instrument related to an investment transaction approved or under consideration by the Board or Investment staff pursuant to authority delegated by the Board, and (5) approval of expenditures within the authorized Investment Budget.

8. Personnel Director or Senior Personnel Analyst II – for the approval of expenditures within the authorized Human Resources budget. The Personnel Director or Senior Personnel Analyst II may delegate to the Senior Personnel Analyst I or Senior Management Analyst I in Human Resources Unit the approval of expenditures within the established Human Resources budget.

9. Departmental Audit Manager – for the approval of expenditures within the authorized Internal Audit budget.

10. Member Stewardship Section (MSS) Manager or Senior Benefits Analyst II – comprised of Active Member Accounts (AMA), Active Settlement Unit, and Account Settlement Unit (ASU) – for the approval of expenditures within the authorized budget. The MSS Manager or Senior Benefits Analyst II may further delegate to the Senior Benefits Analysts I the approval of expenditures within the established MSS budget.

11. Systems Operations Support Manager (SOS) or Senior Benefits Analyst II – for the approval of expenditures within the authorized SOS budget. The SOS Manager or Senior Benefits Analyst II may delegate to the Senior Benefits Analyst I in the SOS section the approval of expenditures within the established SOS budget.

Endorsed: ______________________________________
Todd Bouey
Executive Officer

Endorsed: ______________________________________
Dale Wong-Nguyen
Assistant General Manager

Endorsed: ______________________________________
Edwin Avanessian
Chief Management Analyst for Administration Division

Endorsed: ______________________________________
Horacio Arroyo
Senior Management Analyst II for Administration Division

Endorsed: ______________________________________
Rodney June
Chief Investment Officer

Endorsed: ______________________________________
Wilkin Ly
Investment Officer III

Endorsed: ______________________________________
Ellen Chen
Investment Officer III

Endorsed: ______________________________________
Karen Freire
Chief Benefits Analyst for Health, Wellness, and Buyback

Endorsed: ______________________________________
James Kawashima
Senior Benefits Analyst II for Health, Wellness, and Buyback

Endorsed: ______________________________________
Margaret Drenk
Senior Benefits Analyst II for Health, Wellness, and Buyback

Endorsed: ____
Ada Lok
Senior Benefits Analyst I for Health, Wellness, and Buyback

Endorsed: ____
Glen Malabuyoc
Senior Benefits Analyst I for Health, Wellness, and Buyback

Endorsed: ____
Lourdes Quintos
Senior Benefits Analyst I for Health, Wellness, and Buyback

Endorsed: ____
Maricel Martin
Senior Benefits Analyst I for Health, Wellness, and Buyback

Endorsed: ____
Taneda Larios
Chief Benefits Analyst for Communications and Stakeholder Relations

Endorsed: ____
Heather Ramirez
Senior Benefits Analyst II for Communications and Stakeholder Relations

Endorsed: ____
Tiffany Obembe
Senior Benefits Analyst I for Communications and Stakeholder Relations

Endorsed: ____
Amelia Herrera-Robles
Public Information Director I for Communications and Stakeholder Relations

Endorsed: ____
Lin Lin
Personnel Director I for Human Resources

Endorsed: ____
Kevin Hirose
Senior Personnel Analyst II for Human Resources

Endorsed: ____
Dianne Sunico
Senior Personnel Analyst II for Human Resources

Endorsed: ____
Marcel Nguyen
Senior Management Analyst I for Human Resources

Endorsed: ____
Ferralyn Sneed
Chief Benefits Analyst for Retirement Services

Endorsed: ____
Isaias Cantú
Chief Benefits Analyst for Retirement Services

Endorsed: ____
Audrey Dymally
Senior Benefits Analyst II for Retirement Services

Endorsed: ____
Brittany Cotton
Senior Benefits Analyst I for Retirement Services

Endorsed: ____
Melani Rejuso
Departmental Audit Manager

Endorsed: ____
Thomas Ma
Information System Manager II

Endorsed: ____
Lauren McCall
Senior Benefits Analyst II for Systems Operations Support

Endorsed: ____
Brian Cha
Senior Benefits Analyst I for Systems Operations Support

Endorsed: ____
Sevan Simonian
Senior Benefits Analyst I for Member Stewardship Section

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Neil M. Guglielmo, General Manager

MEETING: JULY 23, 2024
ITEM: VI - B

SUBJECT: **CONTRACT WITH TOWNSEND HOLDINGS LLC, REPLACEMENT OF KEY PERSON, AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board:

1. Approve Dan Stenger as a replacement to Chae Hong as a named Key Persons with LACERS' Real Estate Consultant, Townsend Holdings LLC.

2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

LACERS' Real Estate Consultant, Townsend Holdings LLC (Townsend), is seeking to replace Chae Hong with Dan Stenger as a named Key Person to the relationship to continue providing consultant coverage and expertise in many key functional areas to include, but not limited to, policy development, investment plans, performance, asset allocation, manager selection and due diligence. Pursuant to the contract between LACERS and Townsend, Chae Hong and Felix Fels are currently named as Key Persons and any replacement of Key Persons requires Board approval.

Staff reviewed the qualifications of three proposed senior-level key persons and conducted appropriate due diligence including formal interviews. Based on its findings, staff recommends that Dan Stenger be added as a Key Person replacement to Chae Hong under the Townsend contract. Staff will be prepared to discuss with the Board the factors that led to the recommendation of Dan Stenger. Additionally, Dan Stenger will be introduced to the Board and be prepared to respond to questions.

Strategic Plan Impact Statement

The Real Estate Consultant assists the Board in matters of policy and strategy; providing results and explaining real estate strategic plan, asset class, and investment manager performance; assisting with investment manager searches; and initiating and providing investment research, which aligns with the

Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared By: Jessica Chumak, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JC:rm

Attachment: 1. Biography of Dan Stenger

Dan Stenger
Partner

Daniel Stenger is a Partner of The Townsend Group and has been with the firm for 22 years. Mr. Stenger's responsibilities include overseeing advisory client relationships and servicing all aspects of those relationships. This includes strategic and investment planning, performance reporting, and due diligence.

Prior to joining The Townsend Group in 2002, Mr. Stenger worked as an income tax preparer and financial planner, providing estate planning, insurance planning, tax planning, and retirement planning for clients. Mr. Stenger is currently a member of The National Council of Real Estate Investment Fiduciaries (NCREIF) and the National Association of Real Estate Investment Trusts.

Mr. Stenger received a BS in Finance from Miami University.

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: JULY 23, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: VII – A**

SUBJECT: **RESPONSE TO COUNCIL MOTION 24-0357 RELATING TO CITY EMPLOYEES RECEIVING MULTIPLE PENSIONS AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board approve transmitting to the City Council the proposed letter (Attachment 1) in response to the City Council's motion (council file 24-0357).

Executive Summary

On April 19, 2024, the Los Angeles City Council requested a report back from the Los Angeles City Employees' Retirement System (LACERS) and the Water and Power Employees' Retirement Plan (WPERP) on: 1) the number of retired City employees receiving a retirement while continuing to work for a City Department without separation from service; 2) a cost study from each pension plan; and; 3) the detail of the process that was followed in agendizing and authorizing through Board action for any change in benefits or plan administration.

On June 11, 2024, the Department of Water and Power (LADWP) submitted its report to City Council. In addition to raising concerns from WPERP and LADWP, several areas of the report discuss the administration of LACERS benefits. To keep the Board apprised of these issues, we provide herein additional context on how LACERS administers permissible in-service distributions, and historical observations on the movement of Members between LACERS and WPERP. Other topics raised by the LADWP Report, such as requirements for benefit design changes and labor relations practices, fall outside the scope of this report.

Discussion

Plan Interpretation

LACERS historically administered Charter Section 1164(a) to prevent a retired LACERS member from returning to paid work for the City or any of its departments, including non-LACERS covered positions. In May 2023, LACERS adopted a new City Attorney interpretation of Section 1164 and processed the retirement of a deferred vested member who met tax compliance requirements for a permissible in-service distribution. Going forward, LACERS Members who are eligible for retirement under their LACERS tier may begin collecting their LACERS pension while simultaneously work in an LADWP position covered by WPERP or a position covered by the Los Angeles Fire and Police Pensions (LAFPP), so long as tax compliance requirements are met for that Member. Since the reinterpretation, twelve (12) LACERS deferred vested Members have met the tax compliance requirements to begin drawing a LACERS retirement benefit while employed by LADWP.

Tax compliance (in-service distributions)

LACERS is a tax-qualified pension plan established and maintained primarily to provide systematically for payment of benefits to employees after retirement. In general, LACERS may not permit in-service distributions — that is, simultaneously receiving a retirement allowance from LACERS and compensation for work for the City — because doing so may jeopardize the tax-qualified status of the retirement plan. See Internal Revenue Code (IRC) § 401(a), Rev. Rul. 60-323. However, the IRC sets out certain exceptions for a Member who reaches age 59½ or normal retirement age. See IRC §401(a)(36) (age 59½), Treas. Reg. § 1.401(a)-1(b)(2) (normal retirement age). If an exception does not apply, then the retired Member must have a bona fide separation from service without a prearrangement to return to work in any City department.

- **All twelve Members who began collecting a LACERS pension while continuing to work for LADWP met this age exception; there is no violation of the in-service distribution rules.**

Verification of Data on WPERP-LACERS Joint Members

The City and LADWP keep payroll records in separate systems. Therefore, LACERS' data regarding movement between the systems is only approximate and does not have the most current information on whether LACERS deferred vested Members who moved to LADWP are retired, separated, or active. At this time LACERS is aware of twelve (12) retirees who were employed at LADWP at the time of their retirement effective date. For the same reason, LACERS is unable to verify WPERP's report of an additional 81 to 253 LADWP employees who are eligible for LACERS benefits, and 1,700 LADWP employees with LACERS service who will become eligible to retire in the future.

WPERP Cost Study

The LADWP Report submitted to City Council includes a WPERP cost study prepared by Segal (attachment 2). In Part 1A, the WPERP cost study addresses the cost impact to WPERP if members who have prior LACERS service work at LADWP longer than anticipated as a result of the new interpretation of Charter 1164(a). While noting that it does not have any empirical data on which to base a particular retirement pattern related to this provision, Segal nonetheless concludes that it would result in cost savings to WPERP ranging from $2.2 million up to $7.8 million per year.

Recommendations

At this time, staff does not recommend that LACERS commission a cost study. Doing so would require reliance on unfounded assumptions absent empirical data and produce unreliable results. This could cause individual Members or the plan sponsor to act on erroneous information and inaccurate conclusions. As LACERS counsels Members in this situation, we continue to conduct a case-by-case analysis for permissible in-service distributions and direct Members who have WPERP service or are considering employment with LADWP to LADWP/WPERP for counseling on their rules and requirements.

We want to assure the Board of LACERS' tax compliance in consultation with tax counsel and the City Attorney Public Pension General Counsel Division.

Movement of employees between the City and LADWP has increased liability to both LACERS and WPERP. In the late 1980s and early 1990s LADWP was going through deregulation and had to reduce its costs and the number of employees resulting in hundreds of LADWP employees taking jobs with the City. In 2012-2013 the City faced significant financial pressure following the Great Financial Crisis. The City worked with LADWP to identify and transfer several hundred employees from City departments to LADWP employment. Under the City-LADWP reciprocity, employee contributions and service credit followed the Member upon transferring from one retirement system to another, but the employer contribution did not. The last agency from which the Member retired, which was more frequently LADWP, paid the Member's retirement for the combined years of service. The increased financial liabilities prompted LADWP/WPERP to suspend its "reciprocal arrangement" with LACERS effective January 1, 2014.

An alternative solution worthy of consideration is to establish a CALPERS-style reciprocity between the City/LACERS and LADWP/WPERP. Under CALPERS-style reciprocity, employees who meet eligibility criteria can transfer employment across public agencies while retaining their retirement benefits. Each agency pays for the retirement allowance based on the accumulated retirement service time the Member served at the respective agency, and each agency uses their own retirement formula. Employees enjoy the portability of their benefits, allowing them to move between participating government agencies and benefiting from the combined retirement service time counting towards eligibility for both systems and the highest final compensation is used for the calculation at all retirement systems with which the Member established reciprocity. LACERS Members currently have reciprocity with the California Public Employees Retirement System (CalPERS), 1937 Act Counties in California, and several California charter city systems. The arrangement among the pension systems has continued to work well. In addition, a special agreement between LACERS and Los Angeles County Retirement Association (LACERA) established retiree health benefit reciprocity whereby the combined retirement service time is used in the health subsidy calculation for each agency, and participating Members may choose which agency provides their health coverage. This reciprocity structure is well-established as a fair and sustainable portability of retirement and health benefits and demonstrates a model that would benefit the joint Members of LACERS and WPERP.

<u>Prepared By:</u> Dale Wong-Nguyen, Assistant General Manager

NMG/DWN

Attachments: 1. Letter to City Council Responding to CF 24-0357
2. WPERP Report to City Council

BOARD Meeting: 07/23/24
Item: VII-A
Attachment: 1

LA CITY EMPLOYEES' RETIREMENT SYSTEM
P.O. Box 512218
Los Angeles, CA
90051-0218
(800) 779-8328
RTT: (888) 349-3996
www.LACERS.org
lacers.services@lacers.org

July 24, 2024

Los Angeles City Council
c/o City Clerk
200 N. Spring Street
Room 395, City Hall
Mail Stop #160

COUNCIL TRANSMITTAL: LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM RESPONSE TO C.F. 24-0357 RELATING TO CITY EMPLOYEES RECEIVING MULTIPLE PENSIONS

Honorable City Council Members:

On April 19, 2024, the City Council requested a report back from the Los Angeles City Employees' Retirement System (LACERS or Plan) and the Water and Power Employees' Retirement Plan (WPERP) on:

- The number of retired City employees receiving a retirement while continuing to work for a City Department without separation from service;
- The process that was followed in agendizing and authorizing through Board action for any change in benefits or plan administration; and
- The City Council also requested that LACERS provide a cost study.

LACERS provides the following response for the items within our purview.

There Are No Retired LACERS Members Under the Normal Retirement Age Who Are Employed in City Departments Without a Separation from Service

The first question raised by City Council concerns a matter of federal tax compliance. LACERS administers the Plan consistent with the Internal Revenue Code (IRC), related tax regulations and guidance, and the advice of tax counsel. As a governmental defined benefit plan, LACERS is established and maintained primarily to provide systematically for the payment of benefits to employees after retirement or reaching normal retirement age. Unless an exception applies, LACERS may not permit in-service distributions—that is, simultaneously receiving a retirement allowance from LACERS and compensation for work for the City—because doing so may jeopardize the tax-qualified status of the pension plan. *See* IRC

§ 401(a), Rev. Rul. 60-323. Two exceptions are carved out by IRC section 401(a)(36) for distributions to members who reach age 59½ or Normal Retirement Age. Accordingly, LACERS members who reach the earlier of the safe harbor age (59½) or Normal Retirement Age for their membership tier may begin collecting retirement benefits while continuing to work for the City. This is not considered an impermissible in-service distribution. Those members who have not reached age 59½ or Normal Retirement Age must have a bona fide separation from service upon retirement from LACERS.

Compliance with the in-service distribution rule and its exceptions has long been incorporated into City practices. For example, a City department requesting the rehire of a LACERS retiree for the limited duration and purposes set out in Charter section 1164(b) must obtain approval of the Mayor in accordance with the Employee Relations Bulletin dated January 6, 2022 (attached). For all retirees under Normal Retirement Age, the Mayor and City Administrative Office (CAO) require a bona fide separation from service of at least 90 days, without any pre-arranged agreement to continue providing services at a later date (certified by the Head of the hiring Department or designee). This procedure, including the requisite separation from service, does not apply to LACERS retirees who have reached Normal Retirement Age for their membership tier.

Based on the City's payroll records, currently, there are 229 LACERS retirees employed by the City under a 120-day contract. (Please note: This is unverified data generated from a Paysr report identifying individuals under "legacy status 04." LACERS does not maintain the records for City departments in Paysr and has no responsibility over verifying the accuracy of this data, except for persons hired by LACERS). There may be additional LACERS retirees employed in non-LACERS covered positions, such as most as-needed positions; however, those records are not accessible to LACERS.

In addition, LACERS is aware of twelve (12) deferred vested Members who were processed for retirement in 2023-2024 while continuing to work for LADWP. They met tax compliance requirements for a permissible in-service distribution, having attained the Normal Retirement Age for their tier, and did not need to have a bona separation from service. (Please note: The City and LADWP keep payroll records in separate systems. Therefore, LACERS' access to unverified data regarding movement between LACERS and WPERP is only approximate and does not have the most current information on whether LACERS deferred vested Members who moved to LADWP are retired, separated, or active. This may explain why WPERP reports and LACERS records are inconsistent.

Board Action to Set LACERS Normal Retirement Age Consistent With the IRC

Under its Charter section 1106(f) authority, the LACERS Board of Administration, at its publicly-agendized regular meeting of January 22, 2019 (https://www.lacers.org/agendas-and-minutes?page=27), adopted Board Rule, IRC 5 (attached) to define the "Normal Retirement Age" for purposes of implementing exceptions to the in-service distribution rule set forth in IRC section 401(a)(36). As stated in the related Board Report, this action was focused on ensuring tax compliance. *See* Board Report dated January 22, 2019, and companion Employee Relations Bulletin dated December 3, 2019. Because the Normal Retirement Age differs between different pension plans, and even between different tiers of the same plan, LACERS adopted this Board Rule to specifically define Normal Retirement Age for LACERS Tier 1 and Tier 3 for IRC section 401(a)(36) purposes.

To the extent the City Council's request relates to the 2023 change in the interpretation of Charter Section 1164(a), please direct your request to the City Attorney. There was no Board action on Charter interpretation. Beginning in May 2023, LACERS implemented the new interpretation of Charter section 1164(a). The General Manager and staff have the authority to make benefits determinations and to administer LACERS benefits consistent with the Charter, the Administrative Code, Board Rules, and other relevant laws. Charter § 1106(f); LACERS Board Rule, GMA 1.

Neither the implementation of IRC section 401(a)(36) nor the new interpretation of Charter section 1164(a) affects a change in benefits. LACERS retirement benefits and conditions of entitlement for Tier 1 and Tier 3 members continue to be governed by Administrative Code sections 4.1000 *et seq.* and 4.1080 *et seq.* LACERS retiree health benefits for LACERS members continue to be governed by Administrative Code section 4.1100 *et seq*.

Cost Study

The estimated cost of deferred vested LACERS Members who become eligible to retire and collect a pension from LACERS is incorporated into LACERS' annual valuation and includes Members who transferred to LADWP. Accordingly, LACERS does not anticipate any measurable cost impact to its actuarial funding status resulting from eligible retirees electing to work for LADWP. The most recent Actuarial Experience study to incorporate this factor is the study dated June 20. 2022. *See* www.lacers.org, LACERS Actuarial Experience Study of 6/30/2022, page 34.

LACERS is available to work with the City Administrative Office to understand the parameters of the requested cost study. If this request seeks a valuation performed by LACERS' consulting actuary, a detailed scope for the study and accompanying participant census data is required. LACERS data is limited to the employees' service with LACERS; therefore, the City would need to obtain data on members' external employment as needed by the actuary. Funding for the cost study would need to be provided by another source because LACERS trust fund uses are restricted to the purpose established by the Plan under Charter sections 1106(e), 1158.

Please contact me at (213) 359-1269 if you have further questions.

Sincerely,

NEIL M. GUGLIELMO, General Manager
Los Angeles City Employees' Retirement System

NMG/DWN/EA

Attachments: 1 Board Report, January 22, 2019
2 Employee Relations Bulletin, December 3, 2019
3 Employee Relation Bulletin, January 6, 2022
4 LACERS Board Rule, IRC 5 and GMA 1

c: Carolyn Webb de Macias, Chief of Staff, Mayor's Office
Jenny Punsalan Delwood, Deputy Chief of Staff, Mayor's Office
Matthew Hale, Deputy Mayor of Finance, Mayor's Office
Matthew Szabo, City Administrative Officer
Janelle Irving, Finance Specialist IV, City Administrative Officer
Sharon Tso, Chief Legislative Analyst
Karen Kalfayan, Executive Officer, Chief Legislative Analyst

ATTACHMENT 1

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Report to Board of Administration

Lita Payne for
From: Neil M. Guglielmo, General Manager

Agenda of: **JANUARY 22, 2019**

ITEM: **VIII - A**

SUBJECT: **BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE BOARD ACTION**

Recommendation

That the Board approve the proposed Board Rules related to Member and Benefits Administration.

Discussion

LACERS' staff regularly reviews the Board Rules related to Member and Benefits Administration to assess the need for additional rules based on substantive changes involving LACERS' plan provisions, case law, the tax code or some other area affecting administration of the retirement benefits. Staff also reviews the Board Rules to determine whether the existing rules are no longer applicable or require revision.

Board Rules work in conjunction with the Administrative Code, Charter, State and Federal law, and the Internal Revenue Code to provide the necessary administrative framework to carry out the delivery of LACERS' retirement benefits. Additionally, Board Rules provide clarification and implementation guidelines for executing administrative procedures not specifically detailed within the aforementioned legislative and authoritative documents. Board Rules are part of the Board Manual.

These proposed rules (Attachment 1) will clarify guidelines related to: (1) the repayment of Survivor Contributions for Members returning to Active Service from a disability retirement; (2) the number of medical evaluations required for a dependent child under the Family Death Benefit Plan; (3) the delegation of authority to the General Manager to enter into agreements pursuant to Board Rule IRC 1(n) - Reduction of Benefits Priority; (4) the establishment of a "Normal Retirement Age" for Tier 1 and Tier 3; (5) defining the election period for a Separate Account; (6) amending the disability retirement application period for Airport Peace Officer Former Members under Tier 1 Enhanced Benefits; (7) the refund of additional contributions paid under Tier 1 Enhanced Benefits; and, (8) establishing the reconsideration period for denied Service-Connected Active Death claims.

The proposed rules have been reviewed by the Office of the City Attorney and Tax Counsel as to form.

Authority to Adopt Rules

The Board is authorized to adopt rules governing the administration of benefits and the Plan under Charter Section 1106 – Powers and Duties of Pension Retirement Boards:

"Consistent with Article XVI, Section 17 of the California Constitution, and any successor constitutional provision, and subject to the limitations set forth elsewhere in the Charter concerning anything other than pension and retirement system administration and control over system investments, each pension and retirement board of the City shall:

. . .

(f) Rules and Regulations. Have the power to adopt any rules, regulations, or forms it deems necessary to carry out its administration of a pension or retirement system or assets under its control."

Strategic Plan Impact Statement:

The adoption of these amended Board Rules is part of the Strategic Plan Goal II – Benefits Delivery. The approval of these recommendations will ensure the accurate and timely delivery of retirement benefits to Members.

This report was prepared by Ferralyn Sneed, Senior Management Analyst, Retirement Services Division.

NG:KF:FS

Attachments: 1) Proposed Board Rules
2) Proposed Resolution

ATTACHMENT 1

SOURCE DOCUMENT – BOARD MANUAL
SECTION 4.0 BENEFITS AND MEMBER ADMINISTRATION
(January 22, 2019)

4.1 BOARD RULES and 4.2 BOARD RULES - ENHANCED BENEFITS

All other Board Rules apply unless superseded by these rules or the Los Angeles Administrative Code.

DISABILITY RETIREMENT (DR)

DR 13: A Disability Retired Member who received a refund of his or her survivor contributions at retirement, who subsequently returns to work and later retires with an eligible spouse or domestic partner, must restore the refunded survivor contributions plus interest in order to leave a continuance.

DR 14: Tier 3 Disability Retired Members returning to active service who are eligible to purchase time spent on a disability retirement must purchase service for the entire duration spent on a disability retirement and restore any survivor contributions that were refunded.

FAMILY DEATH BENEFIT PLAN (FDBP)

FDBP 6: Where the FDBP Dependent Child Applicant's medical records clearly indicate the Applicant is severely impaired or disabled, as determined by the Retirement Services Division Chief, the Applicant shall be required to undergo an examination by only one physician specializing in the medical field of the claimed impairment or disability.

GENERAL MANAGER AUTHORIZATION (GMA)

GMA 2: Pursuant to Internal Revenue Code Section 415, the Board of Administration hereby delegates to the General Manager the authority to determine a different manner and priority of reduction of benefits of a Member, to enter into an agreement with any or all other plans covering such Member, and to create the administrative rules necessary to facilitate different manners for reduction of benefits. Reference Board Rule IRC 1(n) – Reduction of Benefits Priority.

INTERNAL REVENUE CODE (IRC)

IRC 5: This rule defines the "Normal Retirement Age," as the term is used in Treasury Regulation Section 1.401(a)-1(b)(2), for Tier 1 and Tier 3 Members. This rule applies for tax purposes, including for purposes of the in-service distribution rule exception set forth in IRC 401(a)(36).

For members of Tier 1, the Normal Retirement Age shall be the earliest age described in subparts (1) and (2) of Section 4.1005(a) of the Los Angeles Administrative Code, meaning the earliest of (1) age fifty-five (55) with thirty (30) or more years of City service or (2) age sixty (60) with ten (10) or more years of continuous City service.

For members of Tier 3, the Normal Retirement Age shall be the age described in Section 4.1080.5(a)(2)(i) of the Los Angeles Administrative Code, namely age sixty (60) with ten (10) or more years of service, including at least five (5) years of continuous City service.

This rule does not modify the age and service eligibility requirements or retirement factors for Tier 1 and Tier 3 Members, and does not create any vested right under California or Federal law including but not limited to the contracts clause of the California Constitution.

MEMBER CONTRIBUTION (MC)

MC 7: The ex-spouse of a Member granted a Separate Account shall be required to make an irrevocable election to either receive a separate account allowance, a refund, or a rollover of their community property share within six months of notification from LACERS that a Separate Account has been established in their name. If the ex-spouse fails to make an election within the prescribed period, their failure to elect shall be deemed an election to receive a refund of contributions.

ENHANCED BENEFITS – HEARING PROCESS (EB-HP)

EB-HP 1: Thirty (30) days prior to the Enhanced Benefit Eligible Member's scheduled hearing date, LACERS' staff will send the proposed rating recommendation to the Member and, if applicable, the Member's representative. The Member must return the recommendation letter with their signature acknowledging either their agreement or disagreement with the proposed recommendation within ten (days) of the letter date. Failure to submit a response within the prescribed period will be taken as acceptance of the proposed recommendation. Only specified items of disagreement submitted within the prescribed period will be discussed at the LACERS Board Hearing.

EB-HP 2: When an Enhanced Disability Retirement Application is brought before the Board for consideration, the Board may take the following actions:

(a) Grant a Service-Connected or Nonservice-Connected Disability Retirement as recommended;
(b) Grant a Service-Connected or Nonservice-Connected Disability Retirement, notwithstanding the staff recommendation;
(c) Request staff provide further information and bring the case back for further consideration; or
(d) Deny the Disability Application.

ENHANCED BENEFITS – OPTION TO CONVERT A SERVICE RETIREMENT (CSR) TO A DISABILITY RETIREMENT (EB-CSR) (Amended)

EB-CSR 1: Any Airport Peace Officer Former Member, who became such because of termination of his or her employment for any reason including service retirement, who believes they are eligible to receive disability retirement benefits may file his or her written disability retirement application within one (1) year from the service retirement effective date; one (1) year from the resignation or termination date; or, one (1) year from his or her last day on active payroll, whichever occurs first. An open, related and accepted workers' compensation claim may extend the filing period.

ENHANCED BENEFITS – MEMBER CONTRIBUTION (MC) (EB-MC)

EB-MC 1: The mandatory $5,700 in additional contributions paid by sworn Members in connection with the LACERS' Enhanced Benefits plan provisions under the Administrative Code are not refundable in the event the sworn Member converts to a civilian classification. The additional funds will remain a part of the Member's account as regular contributions.

ENHANCED BENEFITS – SURVIVOR BENEFITS (EB-SB)

EB-SB 4: The reconsideration period following an active death, where the service-connected claim has already been denied by the Board, shall be 90 calendar days from the Board's decision.

ATTACHMENT 2

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROPOSED BOARD RULES RELATED TO THE
ADMINISTRATION OF BENEFITS

PROPOSED RESOLUTION

WHEREAS, the proposed Board Rules serve to codify LACERS' administrative practices and provide necessary guidance for effective and efficient Plan administration;

WHEREAS, the Los Angeles Charter Section 1106(f) authorizes the Board of Administration to adopt rules governing the administration of benefits for the Plan; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the proposed Board Rules as presented.

employee relations BULLETIN

December 3, 2019

To: **Heads of All City Departments (excluding DWP)**
Departmental Personnel Directors

Subject: **120-DAY EMPLOYMENT OF RETIREES PER CHARTER SECTION 1164(B)**

In accordance with Charter Section 1164(b), retired members of the Los Angeles City Employees' Retirement System (LACERS) may be rehired for a period not to exceed 120 days in any fiscal year when the member's services are required for an emergency, to prevent a stoppage of public business, or when his or her special skills are needed to perform work of a limited duration.

To ensure continued compliance with Internal Revenue Code (IRC) regulations and City Charter requirements, as well as to maintain the tax qualified status of LACERS in accordance with updated tax counsel advice, this Bulletin serves to provide criteria and procedures for 120-day re-employment request approval. This Bulletin supersedes a previous Mayoral Memorandum dated June 24, 2010, which indicated that modifications and updates to 120-day employment policies would be handled by the Office of the City Administrative Officer (CAO).

Normal Retirement Age Rule

Before a retiree under the Normal Retirement Age (defined as follows) can be re-employed, there must be a clear, bona fide separation from service of at least 90 days from the date of retirement, and there must be a completed and signed certification by the Head of Department or designee that there was no pre-arrangement, prior to retirement, for the re-employment. A bona fide separation from service means a good faith and complete termination of the employment relationship with no pre-arranged agreement to continue providing services at a later date. The bona fide separation of 90 days may be increased in the future, based upon new State legislation or future Internal Revenue Service (IRS) rulings, if any.

Normal Retirement Age

This rule defines the "Normal Retirement Age," as that term is used in Treasury Regulation Section 1.401 (a)-1(b)(2), for Tier 1 and Tier 3 members. This rule applies for tax purposes, including for purposes of the in-service distribution rule exception set forth in IRC 401 (a)(36).

For members of Tier 1, the Normal Retirement Age shall be the earlier of:
(1) Age fifty-five (55) with thirty (30) or more years of City service, or
(2) Age sixty (60) with ten (10) or more years of continuous City service.

For members of Tier 3, the Normal Retirement Age shall be:
(1) Age sixty (60) with ten (10) or more years of service, including at least five (5) years of continuous City service.

These rules do not modify the age and service eligibility requirements or retirement factors for Tier 1 and Tier 3 members under the Los Angeles Administrative Code, and do not create any vested right under California or Federal law including, but not limited to, the contracts clause of the California Constitution.

Retirees under the age of 59½ who do not meet the Normal Retirement Age and who do not have a bona fide separation from service may be subject to a Federal tax penalty on their retirement benefits.

A request for approval to rehire a retiree who has surpassed the age and years of service within the criteria previously listed may be approved without a separation period and without the requisite certification with no tax implications to LACERS or the retiree. However, the Normal Retirement Age must be confirmed by LACERS.

In addition to re-employment in accordance with Charter Section 1164(b), the above criteria also apply to the rehiring of retired City employees through personal services contracts and to requests for retirees to return to work through as-needed employment. In general, the hiring of retirees by other methods is similarly affected and will require approval by the Mayor and CAO to ensure adherence to applicable criteria.

<u>Submission of Requests to the Mayor</u>

All requests to rehire retirees in accordance with Charter Section 1164(b) shall be submitted to the Mayor. The request must, at a minimum, contain: a) the name, date of birth, and date of retirement of the retiree; b) the required certification outlined in the previous Normal Retirement Age Rule section (if the retiree is below the Normal Retirement Age); c) the classification and pay grade the retired member will be rehired in; and d) a clear justification of the need for re-employment.

In accordance with Charter Section 1164(b), all requests for 120-day re-employment are only effective for one fiscal year and therefore expire on June 30 of each year, regardless of the number of days a retiree worked within the fiscal year. If a department desires to continue the re-employment of a retired member in a subsequent fiscal year, a new request must be submitted by the department and approved by the Mayor.

Additionally, the Charter requires that all retired members rehired in accordance with Section 1164(b) occupy a vacant position within the department in which they are rehired. This vacancy may include regular, resolution, substitute, and as-needed employment authority. Departments should work with the CAO prior to submitting a request to the Mayor to ensure an appropriate vacancy exists within which to place the retiree.

Terms of Employment of 120-day Appointments

Rehired retirees are limited to working 120 days within a fiscal year, which can be treated as an hourly limit of 960 hours. Departments must monitor the temporary employment of these individuals to ensure the 960 hour limit is not exceeded within a fiscal year.

Retirees may be rehired in any classification in which he or she had previously been employed, or, subject to the civil service provisions of the Charter, in any other position, and are not required to be rehired at the level at which they retired.

Additionally, retirees rehired in accordance with Charter Section 1164(b) are not entitled to receive any bonuses (including shift differentials coded as BN, UA, and NG in the City's timekeeping system) nor time off benefits (such as time coded as SK, VC, LP, or HO).

In the event a payroll error occurs resulting in overpayment, all reasonable efforts must be made by the employing Department, with the assistance of the Office of the City Controller, to recover the overpayment. Departments should contact the City Attorney's Office for assistance in addressing these issues.

If you have any questions, please contact the CAO's Employee Relations Division at cao.erd@lacity.org.

ATTACHMENT 3

employee relations BULLETIN

January 6, 2022
(Revises ER Bulletin dated 12/3/2019)

To: **Heads of All City Departments (excluding DWP)**
Departmental Personnel Directors

Subject: **120-DAY EMPLOYMENT OF RETIREES PER CHARTER SECTION 1164(B)**

In accordance with Charter Section 1164(b), retired members of the Los Angeles City Employees' Retirement System (LACERS) may be rehired for a period not to exceed 120 days in any fiscal year when the member's services are required for an emergency, to prevent a stoppage of public business, or when his or her special skills are needed to perform work of a limited duration.

To ensure continued compliance with Internal Revenue Code (IRC) regulations and City Charter requirements, as well as to maintain the tax qualified status of LACERS in accordance with updated tax counsel advice, this Bulletin serves to provide criteria and procedures for 120-day re-employment request approval. This Bulletin supersedes a previous Mayoral Memorandum dated June 24, 2010, which indicated that modifications and updates to 120-day employment policies would be handled by the Office of the City Administrative Officer (CAO).

Normal Retirement Age Rule

Before a retiree under the Normal Retirement Age (defined as follows) can be re-employed, there must be a clear, bona fide separation from service of at least 90 days from the date of retirement, and there must be a completed and signed certification by the Head of Department or designee that there was no pre-arrangement, prior to retirement, for the re-employment. A bona fide separation from service means a good faith and complete termination of the employment relationship with no pre-arranged agreement to continue providing services at a later date. The bona fide separation of 90 days may be increased in the future, based upon new State legislation or future Internal Revenue Service (IRS) rulings, if any.

Normal Retirement Age

This rule defines the "Normal Retirement Age," as that term is used in Treasury Regulation Section 1.401 (a)-1(b)(2), for Tier 1 and Tier 3 members. This rule applies for tax purposes, including for purposes of the in-service distribution rule exception set forth in IRC 401 (a)(36).

For members of Tier 1, the Normal Retirement Age shall be the earlier of:
(1) Age fifty-five (55) with thirty (30) or more years of City service, or
(2) Age sixty (60) with ten (10) or more years of continuous City service.

For members of Tier 3, the Normal Retirement Age shall be age sixty (60) with ten (10) or more years of service, including at least five (5) years of continuous City service.

These rules do not modify the age and service eligibility requirements or retirement factors for Tier 1 and Tier 3 members under the Los Angeles Administrative Code (LAAC), and do not create any vested right under California or Federal law including, but not limited to, the contracts clause of the California Constitution.

Retirees under the age of 59½ who do not meet the Normal Retirement Age and who do not have a bona fide separation from service may be subject to a Federal tax penalty on their retirement benefits.

A request for approval to rehire a retiree who has surpassed the age and years of service within the criteria previously listed may be approved without a separation period and without the requisite certification with no tax implications to LACERS or the retiree. However, the Normal Retirement Age must be confirmed by LACERS.

In addition to re-employment in accordance with Charter Section 1164(b), the above criteria also apply to the rehiring of retired City employees through personal services contracts and to requests for retirees to return to work through as-needed employment. In general, the hiring of retirees by other methods is similarly affected and will require approval by the Mayor and CAO to ensure adherence to applicable criteria.

Limitations of Rehiring Separation Incentive Program (SIP) Retirees

Under the SIP terms of agreement, a retiree who retired in either 2020 or 2021 under the SIP may return to City service only under Charter Section 1164 if approved by the Mayor. However, if returning to City service in any class within three years of retiring from the City, or receiving a personal services contract from any City agency, including proprietary departments, the SIP retiree must pay back either a portion or the entire amount of the cash incentive payment received, depending upon the time frame within which the SIP retiree returns to City service. The SIP retiree is required to repay the full amount of the incentive payment received if rehired within 12 months (i.e., 365 days) of his/her separation date; a pro-rated amount will be required to be repaid if rehired between 12 and 36 months (i.e., 366-1,095 days), based on the time elapsed.

The City is not obligated to accept the return of individuals willing to repay their SIP payment. The CAO may waive the repayment provision for employees whose services are needed to respond to a local emergency declared by the Mayor and approved by the City Council.

Submission of Requests to the Mayor

All requests to rehire retirees in accordance with Charter Section 1164(b) shall be submitted to the Mayor. The request must, at a minimum, contain: a) the name, date of birth, and date of retirement of the retiree; b) the required certification outlined in the previous Normal Retirement Age Rule section (if the retiree is below the Normal Retirement Age); c) the classification and pay grade the retired member will be rehired in; and d) a clear justification of the need for re-employment.

In accordance with Charter Section 1164(b), all requests for 120-day re-employment are only effective for one fiscal year and therefore expire on June 30 of each year, regardless of the number of days a retiree worked within the fiscal year. If a department desires to continue the re-employment of a retired member in a subsequent fiscal year, a new request must be submitted by the department and approved by the Mayor.

Additionally, the Charter requires that all retired members rehired in accordance with Section 1164(b) occupy a vacant position within the department in which they are rehired. This vacancy may include regular, resolution, substitute, and as-needed employment authority. Departments should work with the CAO prior to submitting a request to the Mayor to ensure an appropriate vacancy exists within which to place the retiree.

Terms of Employment of 120-day Appointments

Rehired retirees are limited to working 120 days within a fiscal year, which can be treated as an hourly limit of 960 hours. Departments must monitor the temporary employment of these individuals to ensure the 960 hour limit is not exceeded within a fiscal year.

Retirees may be rehired in any classification in which he or she had previously been employed, or, subject to the civil service provisions of the Charter, in any other position, and are not required to be rehired at the level at which they retired. If rehired into a Fair Labor Standards Act (FLSA) exempt (salaried) classification, the employee cannot be paid for more than 80 hours in a two-week pay period. If rehired into an FLSA non-exempt (hourly) classification, the employee will be subject to the FLSA provisions on overtime, if hours worked exceed 40 hours in a work week.

Additionally, retirees rehired in accordance with Charter Section 1164(b) are only entitled to be paid the base salary for the classification in which they are employed, as listed either in the applicable MOU salary appendix for a represented class, or in Schedule "A" of LAAC Section 4.61 for a non-represented classification. Such rehired retirees are not entitled to receive any additional compensation in the form of shift differentials, bonuses (in the LAAC or MOU articles/salary notes including those for possessing professional certifications), assignment pay, uniform allowance, longevity pay, mileage reimbursement, travel expenses, car allowance, time off benefits (such as sick leave, vacation, holiday, or leave with pay), or any other additional flat-rate or premium level compensation. However, rehired retirees may be eligible for COVID-19 related benefits or compensation as required under federal, State, or local statutes.

Note that prior to employment, or continued employment, 120-day rehired retirees must comply with any vaccination requirements, such as Ordinance No. 187134, which addresses the COVID-19 vaccines.

In the event a payroll error occurs resulting in overpayment, all reasonable efforts must be made by the employing Department, with the assistance of the Office of the City Controller, to recover the overpayment. Departments should contact the City Attorney's Office for assistance in addressing these issues.

If you have any questions, please contact the CAO's Employee Relations Division at cao.erd@lacity.org.

BOARD MANUAL
ARTICLE II. BOARD ADMINISTRATIVE POLICIES
https://www.lacers.org/board-manual

LACERS BOARD RULES
IRC 5, GMA 1

INTERNAL REVENUE CODE (IRC):

IRC 5: This rule defines the "Normal Retirement Age," as the term is used in Treasury Regulation Section 1.401(a)-1(b)(2), for Tier 1 and Tier 3 Members. This rule applies for tax purposes, including for purposes of the in-service distribution rule exception set forth in IRC 401(a)(36).

For members of Tier 1, the Normal Retirement Age shall be the earliest age described in subparts (1) and (2) of Section 4.1005(a) of the Los Angeles Administrative Code, meaning the earliest of (1) age fifty-five (55) with thirty (30) or more years of City service or (2) age sixty (60) with ten (10) or more years of continuous City service.

For members of Tier 3, the Normal Retirement Age shall be the age described in Section 4.1080.5(a)(2)(i) of the Los Angeles Administrative Code, namely age sixty (60) with ten (10) or more years of service, including at least five (5) years of continuous City service.

This rule does not modify the age and service eligibility requirement or requirement factors for Tier 1 and Tier 3 Members, and does not create any vested right under California or Federal law including but not limited to the contracts clause of the California Constitution.
(Adopted: January 22, 2019)

GENERAL MANAGER AUTHORIZATIONS (GMA):

GMA 1: Pursuant to its authority under Charter section 1106, unless otherwise provided in these Board Rules, the Board of Administration hereby delegates to the General Manager the responsibility to develop and modify LACERS operating policies, procedures, and guidelines in order to facilitate the provision of retirement and retirement-related benefits and management of member, former member, and nonmember accounts, as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code.

The General Manager is authorized to make benefits determinations as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code; to approve of such benefits that may be granted pursuant to the provisions of the plan; and to enter into member, former member, and nonmember agreements that facilitate the provision of benefits under the plan. This shall include, upon a member or former member with five or more years of service who dies after applying for retirement and after their retirement effective date, but prior to making a continuance election, or a retired member or retired former member who has made an election but dies prior to receiving their first benefit payment. The eligible surviving spouse or eligible domestic partner shall be granted a one hundred percent continuance. Benefits approved by the General Manager shall be reported to the Board in a timely manner.

This limited delegation of the authority granted to the Board of Administration by Charter Section 1106 shall not be construed to delegate to the General Manager the authority to make any decision that the law requires the Board to make based upon findings of fact.

Any request by a member, former member, or nonmember, to rescind, revoke, or cancel a prior election made irrevocable by the Charter, Los Angeles Administrative Code, Board Rules, or any other administrative decision adverse to the request shall be presented to the Board for decision making, provided that the General Manager, in consultation with the City Attorney, determines there is a legal basis upon which to grant the member, former member, or nonmember relief. If the General Manager, in consultation with the City Attorney, determines that no such legal basis exists, the General Manager has the authority to make and communicate a final decision in writing, on behalf of LACERS, to deny the request for relief from the irrevocable election or decision. The denial letter issued by the General Manager shall promptly be copied to all Board Members. This final decision making authority for irrevocable elections and decisions shall not be delegated below the level of General Manager. *(Adopted: June 14, 2016)*

Water and Power Employees' Retirement Plan

May 29, 2024

Ms. Janisse Quiñones
111 North Hope Street
Room 1550

Ms. Quiñones:

Subject: Water and Power Employees' Retirement Plan's Response to the Motion on LACERS In-Service Distribution of Retirement Benefits
(COUNCIL FILE NO. 24-0357)

On April 19, 2024, the City Council approved, as amended, a motion to request a report on (1) the number of retired City employees receiving a retirement while continuing to work for a City Department without a separation from service, (2) a cost study from the pension plan, and (3) detailing the process for approving a change in retirement benefits.

(1) Number of Retired City Employees Receiving a Retirement While Continuing to Work for a City Department Without a Break in Service

As of the date of this writing, WPERP is aware of seven (7) employees, who are currently employed at the LADWP while receiving a LACERS retirement. There are an additional 81 to 253 LADWP employees who are eligible to receive this benefit today. There are also an additional 1,700 LADWP employees who currently have LACERS time and will become eligible in the future. The LADWP experiences an annual rate of transfers from the City on average 300 times per year. As more transfers are made between the City to LADWP, the number of employees who will become eligible for this benefit will continue to increase.

Conversely, WPERP is not aware of any employee who is currently employed in the City while receiving a WPERP retirement without a break in service. **It is a cost prohibitive benefit that is not allowed under WPERP rules and most retirement systems.** It is noted that a WPERP retiree may seek a new City job after separating from LADWP for at least six (6) months, but they do so as new employees to the City with no salary or promotional maintenance of continuing employees and must work five (5) years to vest with LACERS.

(2) Cost study from the WPERP

As detailed in the study, there is a significant cost to the WPERP and the LADWP as a result of this new LACERS benefit.

To summarize the report, the below is noted:

Part 1A – This studies the effect of employees continuing to work for the LADWP, while receiving a retirement benefit from LACERS. There is a cost savings to the WPERP and the LADWP from this change in retirement pattern since WPERP will pay the retirement benefits over a shorter life. The cost savings is $2.2 million per year (employee stays 3 years longer) up to $7.8 million per year (employee stays 10 years longer).

Part 1B – This studies the effect of LACERS participants transferring to the LADWP at a higher rate since the new benefit only allows them to receive a LACERS retirement while working for the LADWP. They cannot receive their LACERS retirement if they continue their employment with the City. **The cost impact for this is $9 million per year to the LADWP.**

Note, while they are receiving their LACERS retirement and continuing to work for LADWP, they will maintain their salary and promotional status, and vest in the WPERP with the years of service that they are drawing from their LACERS retirement.

Part 2 – This studies the impact of LADWP providing the same benefits to WPERP participants. This would be consistent with the various MOUs provided by LADWP to its employees. Depending on the age when WPERP would first allow an in-service distribution, **the cost ranges between $38.7 million per year to $89.1 million per year.**

Note, the actuary has caveated that there is no empirical data to back up the assumptions in the study since the in-service distribution provided by LACERS is **not** a common benefit. Netting out any potential cost savings from Part 1A, the bottom line of this new LACERS benefit is an increased cost to both WPERP and the LADWP. The study reiterates what we have communicated – there is a significant cost. This is not just a re-interpretation of the Charter language. It has an impact to the Trust that is managed by the WPERP Board.

Also note, the WPERP manages separate Trust Funds for Death, Disability and Health. There will be additional costs for these separate Trust Funds, however, in the interest of time, staff did not request to include these in the study.

(3) Process for Approving a Change in Retirement Benefits

Under California Government Code Section 7507, an actuarial report is required before a retirement benefit change is approved, and such report must be provided to the public. Charter Section 1186 further reiterates this requirement and bestows upon the Board of Water and Power Commissioners the authority to approve amendments to the WPERP. (Note, a similar provision is provided in Charter Section 1168 for LACERS, bestowing the power to approve benefits by Ordinance to the City Council.) There is a further requirement in California that requires the employer to "meet and confer" with employee organizations on wages, hours, and other terms and conditions of employment. Retirement benefits are recognized as a "meet and confer" issue and any changes to the WPERP must go through this process.

With the new LACERS in-service distribution benefit, even though it has an impact on LADWP employee benefits, the LADWP and WPERP did not follow the proper process as we were not aware of the change in LACERS benefits design until January 22, 2024, even though it had been implemented in May 2023. Prior to January, the LADWP and WPERP had relied upon a City Attorney's Office interpretation of Charter Section 1164(a) that dates back to 2006 that does not allow LACERS to provide an in-service distribution to employees who remain working for the City, wholly, including the LADWP.

The WPERP respectfully submits the report to the LADWP and City Council.

If you have any questions or require additional information, please contact Linda P. Le, Chief Executive of the Water and Power Retirement System at (213) 367-1689.

Sincerely,

L Le

Linda P. Le
Chief Executive of the Retirement System

LL:lg

Attachment – Segal Cost Study on In-Service Distribution
c: Mr. Richard Katz, President of the Board of Water and Power Commissioners
Mr. Adolfo Felix, President of the DWP Retirement System (WPERP)

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com

Via Email

May 29, 2024

Ann Santilli
Chief Financial Officer
Department of Water and Power - City of Los Angeles
111 North Hope Street, Room 450
Los Angeles, CA 90012

Re: Water and Power Employees' Retirement Plan of the City of Los Angeles (WPERP) Cost Study on in-service Distribution

Dear Ann:

As requested by the Department, we have estimated the cost impact to the Retirement Plan related to the recent change in the City Attorney's office's interpretation of the City Code regarding the in-service distribution provision.

Background

WPERP currently does not allow for an in-service distribution to its members under IRC 401(a)(36). That is, WPERP does not pay a distribution to employees who have not separated from employment at the time of a potential distribution.

We understand from LADWP that based on the long-standing City Attorney's Office's administrative interpretation of Charter Section 1164, retirees from LACERS had been prohibited from receiving paid employment with the City (including City Departments, LADWP and LAFPP covered positions) after retirement. Therefore, retirees of LACERS in the past could not work at LADWP and become members of WPERP after their retirement from LACERS.

LADWP learned recently that there was a change in the administration interpretation of Charter Section 1164. Based on this new administration interpretation, a LACERS retiree is now allowed to work for LADWP and earn retirement benefits as a member of WPERP while receiving retirement benefits from LACERS.

We were requested to estimate the potential cost impact to WPERP that might result from the new administration interpretation regarding in-service distribution in two parts:

Part 1A - Cost impact to WPERP if WPERP members who had prior LACERS' service work at the Department longer than currently anticipated as a result of the new interpretation of in-service distribution at LACERS.

Part 1B - Cost impact of an increase in LACERS members transferring to LADWP (and becoming members of WPERP) because of the ability to receive a LACERS retirement benefit while working and receiving pay from LADWP, to be consistent with the new interpretation of in-service distribution at LACERS.

Part 2 - Cost impact to WPERP if the Department opted to provide in-service distribution to all its members.

Part 1 – Cost impact if members who have Qualifying Service from LACERS work longer with WPERP

1A. Effect of members working longer with WPERP than originally anticipated

To limit this study to Tier 2 members who joined WPERP with prior LACERS membership and are vested in LACERS, we included Tier 2 members with 5 more years of Qualifying Service than service credit.* (We note that out of the 5,857 Tier 2 members in our 7/1/2023 valuation, 722 Tier 2 members have Qualifying Service that is 5 years greater than their service credit.)

Items	Information
Count	722
Average Age	48.2
Average Service Credit	6.1
Average Qualifying Service	17.7
Average Retirement Age	63.3

We do not have empirical data on which to base a particular retirement pattern related to this provision, but it is reasonable to anticipate that some prior LACERS members would generally work for a longer period of time as an active member of WPERP because working at LADWP (and as an active member of WPERP) would no longer preclude them from opting to commence their LACERS benefit as a retiree (and thereby receive both a LACERS retirement benefit and a LADWP paycheck, while accruing WPERP benefits for their continued working service). Therefore, for the 722 members identified above, we have run scenarios assuming that they will on average retire 3 years, 5 years or 10 years later than our current valuation assumption. We believe this should provide a reasonable range of possible results. We have adjusted the retirement rate assumption to reflect these later retirement ages. The baseline and new retirement rates are shown in Exhibits 1 and 2, respectively. The changes in employer normal

* LACERS members with at least 5 years of service is eligible for a retirement benefit when they reaches age 60. While the 722 Tier 2 members is a subset of Tier 2 members with prior LACERS membership, we believe members with very small LACERS service (and hence either are non-vested or have a very small LACERS benefit) may not be as likely to change how long they would remain at WPERP. Therefore we have excluded from this study anyone with less than 5 additional years of qualifying service as compared to their service credit.

cost rate and actuarial accrued liability for the 722 Tier 2 members if they retire 3, 5 or 10 years later than our current assumption are as follows.

722 Tier 2 Members with Qualifying Service 5 years Greater than Service Credit

Items	Baseline (Current Valuation Assumption)	1a - Average Retirement Age 3 Years Later than Baseline	1b - Average Retirement Age 5 Years Later than Baseline	1c – Average Retirement Age 10 Years Later than Baseline
Average Retirement Age	63.3	66.2	68.1	72.6
Employer Normal Cost (NC) Rate of the members included in the study	13.92%	12.32%	11.13%	8.16%
Actuarial Accrued Liability (AAL) of members included in the study	$130.2 million	$121.9 million	$115.9 million	$101.2 million
Change in AAL from Baseline	N/A	($8.3 million)	($14.2 million)	($28.9 million)

The total Plan employer contribution under Baseline and the three scenarios are as follows:

Employer Contribution*	Baseline (Current Valuation Assumption)	1a - Average Retirement Age 3 years Later than Baseline	1b - Average Retirement Age 5 years Later than Baseline	1c – Average Retirement Age 10 years Later than Baseline
Employer NC Rate	16.96%	16.86%	16.79%	16.62%
Amortization of Unfunded Actuarial Accrued Liability (UAAL) Rate	14.44%	14.38%	14.34%	14.23%
Total Employer Rate	31.40%	31.24%	31.13%	30.85%
Total Employer contributions	$453.3 million	$451.1 million	$449.5 million	$445.5 million

Therefore, the estimated cost impact for WPERP for these members to retire 3, 5 or 10 years later than our current assumption are as follows:

Items	1a – Average Retirement Age 3 years Later than Baseline	1b – Average Retirement Age 5 years Later than Baseline	1c – Average Retirement Age 10 years Later than Baseline
Change in Employer NC Rate	(0.10%)	(0.17%)	(0.34%)
Change in UAAL Rate	(0.06%)	(0.10%)	(0.21%)
Change in total Employer Rate	(0.16%)	(0.27%)	(0.55%)
Change in Employer Contributions	($2.2 million)	($3.8 million)	($7.8 million)

* Contributions are assumed to be paid in the middle of the year.

As shown above, the normal cost rate generally decreases as the average retirement age increases. Even though some delays in retirement age could result in a higher benefit factor (for example retiring at age 63 with 30 years of Qualifying Service for a 2.1% benefit factor versus retiring at age 60 with 30 years of Qualifying Service for a 2.0% benefit factor), in most cases the delay in retirement does not provide an increase in the benefit factor and therefore the value of the additional benefit earned by delay retirement diminishes with age to also reflect the shorter time period of receiving the retirement benefit. This also results in a reduction in the normal cost rate as a percentage of payroll with the delayed retirement age.

1B. Effect of LACERS members taking employment with LADWP due to ability to receive both a LACERS retirement benefit and a LADWP paycheck

We do not have empirical data as to the demographic profile of members who would make this election. However, we generally expect that members who have longer careers with the City (LACERS members who are older and with a relatively high number of years of service with LACERS) would benefit the most from this change in administrative practice. We have broken down the normal cost of current Tier 2 members into 3 broad categories (low, middle and high entry age) and summarized the normal cost rate for each of those 3 categories.

Categories	Percentage of Tier 2 Members in Each Category[1]	Tier 2 Employer Normal Cost Rate
Entry age less than age 40	69%	11.10%
Entry age between ages 40 and 55	27%	12.52%
Entry age greater than age 55	4%	15.46%
Total Tier 2 Plan	100%	11.66%
Total Tier 2 Employer Normal Cost in Dollars [2]	N/A	$81 million

To reflect the potential of a higher percentage of new members entering WPERP at older ages, we adjusted the weight for each of the three entry age categories to estimate what a new average normal cost rate could look like. From the above table, the Tier 2 employer normal cost rate is 11.66% of payroll as of the July 1, 2023 valuation (payable middle of the year). For purposes of our estimate, to model more members joining WPERP with older entry ages, we have assessed the scenario where the weight based on payroll of each of the above groups becomes 1/3 each. When those 1/3 weights are applied to the employer normal cost rate for each entry age category, the average employer normal cost rate would increase from 11.66% of payroll to about 13.03% of payroll, or an increase of about 1.37% of payroll. It should be further emphasized that while we are evaluating the cost of this potential scenario, we have no empirical data to support such a strong shift in membership demographics or determine how likely it would be.

1 The percentage in each category is based on the payroll of the members in each category.
2 Based on Tier 2 projected payroll as of July 1, 2023 valuation of $691 million.

The estimated normal cost impact of assuming Tier 2 payroll becomes 1/3 for each entry age category is summarized below:

Categories	Assuming 1/3 in Each Entry Age Category	Assuming 1/3 in Each Entry Age Category Tier 2 Employer Normal Cost Rate
Entry Age Less than Age 40	33.33%	11.10%
Entry Age Between Ages 40 and 55	33.33%	12.52%
Entry Age Greater than Age 55	33.33%	15.46%
Total Tier 2 Plan	100%	13.03%
Total Tier 2 Employer Normal Cost in Dollars[1]	N/A	$90 million
Increase in Employer Normal Cost Rate from Baseline	N/A	1.37%
Increase in Employer Normal Cost Dollars from Baseline	N/A	$9 million

Part 2 – Cost Impact if the Department allows in-service distribution for both Tier 1 and Tier 2 members

In-service distribution is a provision where the retirement plan allows employees who have not separated from employment to elect to take a distribution of their retirement benefits while still working. This is generally not common among plans.

Currently, WPERP does not provide for in-service distribution but does allow for a limited re-employment of retirees. We were requested to estimate the potential cost impact if in-service distributions are allowed under two eligibility requirements:

- Eligibility A - At age 55 with 30 years of service or age 60 with 5 years of service for both Tier 1 and Tier 2 members.[2]
- Eligibility B - At age 60 with 30 years of service or age 60 with 5 years of service for both Tier 1 and Tier 2 members. In practice, we have valued this as age 60 with 5 years of service.

That is, once those eligibility requirements are met, the employees can commence receiving retirement benefits from WPERP while remaining at work at LADWP. However they would no longer accrue any additional retirement benefits or contribute to WPERP.

Members' behavior under such a benefit provision cannot be fully anticipated without some actual experience. However, in general, there would likely be some increases in cost due to the following reasons:

[1] Based on Tier 2 projected payroll as of July 1, 2023 valuation of $691 million.

[2] For purposes of the cost estimate, we assumed in-service distribution at age 55 with 30 years of service would be permissible under the Internal Revenue Code. We recommend the Department review this with tax counsel before implementation as it may be that in-service distribution is only allowed at age 59 ½.

- The member will likely "retire" (i.e., commence benefits) earlier than the current assumption and therefore the benefit will be paid over a longer time period.
- If the member is expected to retire earlier than the current assumption, the benefit would need to be funded over a shorter working life.
- Whenever member choice is added to the plan, members who benefit the most from it are more likely to take that choice, while members that won't benefit likely won't take it. This is called anti-selection, and generally increases the cost of the benefits.
- The reduced covered payroll due to the retirees receiving in-service distribution no longer being WPERP active members could increase the employer UAAL amortization contribution rate. However when that higher rate is collected on the reduced payroll, the dollar amount of UAAL contributions would be essentially the same.

For both Tier 1 and Tier 2, we estimated the cost impact by reflecting a higher retirement rate such that members would be retiring earlier than under the current assumption. The current average retirement age as of the July 1, 2023 valuation is age 63.5 (average age of 63.0 for Tier 1 and average retirement age of 63.9 for Tier 2).

We have included the cost impact under two alternative retirement assumptions:*

Scenario 1 – Additional retirement rate of 30%, 25%, 20%, 15% and 10% for the first 5 years immediately after a member is eligible for in-service distribution are added to the current retirement assumptions. We have included sample retirement rates in Exhibit 3. This has an effect of reducing the average retirement age by about 2.8 years (from 63.5 to 60.7) for Eligibility A and by about 2.2 years (from 63.5 to 61.3) for Eligibility B.

Scenario 2 – The member is assumed to retire immediately (retirement rate of 100%) once a member is eligible for in-service distribution. This is intended to show the most extreme improbable scenario where all members would retire immediately upon reaching the earlier of 60/5 or 55/30 under Eligibility A and the earlier of 60/5 or 60/30 under Eligibility B. This has an effect of reducing the average retirement age by about 4.6 years (from 63.5 to 58.9) for Eligibility A and by about 3.6 years (from 63.5 to 59.9) for Eligibility B.

As emphasized previously, while we are evaluating the cost of these potential scenarios, we have no empirical data to support such a strong shift in membership behavior or determine how likely it would be.

* The original request includes a scenario where members would retire on average 10 years earlier than the current retirement assumptions, Because there is a minimum age/service requirement for in-service distribution to be allowed (age 60/5 or 55/30 under Eligibility A and age 60/5 or 60/30 under Eligibility B), there is a limit on the number of years earlier members could retire with the in-service distribution provision and that limit is close to 5 years under Eligibility A and close to 4 years under Eligibility B, as illustrated in Scenario 2 below. Therefore, we have not included a scenario with 10 years earlier retirement.

Estimated Cost Impact under Eligibility A (60/5 or 55/30 for in-service distribution)

Items	Baseline Tier 1 and Tier 2 Combined (Current assumption)	Scenario 1 Average Retirement Age about 3 years Earlier than Baseline	Scenario 2 100% Retirement when Eligible for in-service Distribution
Average Retirement Age	63.5	60.7	58.9
Active AAL (Tier 1 and Tier 2)	$6,656 million	$7,037 million	$7,263 million
Change in AAL	N/A	$381 million	$607 million
Employer NC Rate (MOY)	16.95%	18.19%	18.78%
UAAL Rate	14.45%	17.16%	18.78%
Total Employer Rate	31.40%	35.35%	37.56%
Change in Total Employer Rate	N/A	3.95%	6.16%
Change in Total Employer Contribution	N/A	$57.0 million	$89.1 million

Estimated Cost Impact under Eligibility B (60/5 or 60/30 for in-service distribution)

Items	Baseline Tier 1 and Tier 2 Combined (Current Assumption)	Scenario 1 Average Retirement Age about 2 years Earlier than Baseline	Scenario 2 100% Retirement when Eligible for in-service Distribution
Average Retirement Age	63.5	61.3	59.9
Active AAL (Tier 1 and Tier 2)	$6,656 million	$6,923 million	$7,093 million
Change in AAL	N/A	$267 million	$437 million
Employer NC Rate (MOY)	16.95%	17.73%	18.13%
UAAL Rate	14.45%	16.35%	17.56%
Total Employer Rate	31.40%	34.08%	35.69%
Change in Total Employer Rate	N/A	2.68%	4.29%
Change in Total Employer Contribution	N/A	$38.7 million	$61.9 million

Impact on Reduced Payroll Base covered by WPERP

We understand that the in-service distribution retirees would be allowed to continue working at LADWP but would no longer be a WPERP active member. For the same amount of UAAL to be funded, this could increase the UAAL contribution rates, but not the dollar amount of UAAL contributions. That is because the UAAL payments for each amortization layer are first determined as a level dollar amount, then the total UAAL payment is divided by projected covered payroll to get the UAAL contribution rate. If the covered payroll for WPERP decreases because the employees receiving in-service distribution are no longer participating active members of WPERP, the UAAL amortization rate could increase in the future so that when applied to the reduced payroll the UAAL contribution amount is essentially the same.

There could also be some annual contribution losses associated only with members who commence in-service distribution in a year. Those losses would not continue because in the next valuation the UAAL contribution rates would be adjusted as just described.

Certification

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President & Actuary

Eva Yum, FSA, MAAA, EA
Vice President & Actuary

cc: Linda Le
Will Feng

Disclaimer

This document has been prepared for the exclusive use and benefit of the client, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

Retirement Rates (%) – Current Assumption

Age	Tier 1 Under 30 Years of Service	Tier 1 30 or More Years of Service	Tier 2 Under 30 Years of Service	Tier 2 30 or More Years of Service
50	0.00	1.50	0.00	0.00
51	0.00	1.00	0.00	0.00
52	0.00	0.00	0.00	0.00
53	0.00	0.00	0.00	0.00
54	0.00	0.00	0.00	0.00
55	4.50	30.00	0.00	26.00
56	2.50	20.00	0.00	14.00
57	3.00	18.00	0.00	13.50
58	3.50	18.00	0.00	13.50
59	3.50	18.00	0.00	13.50
60	5.25	22.00	5.25	17.50
61	6.75	22.00	3.75	12.00
62	7.00	24.00	2.75	12.00
63	8.50	25.00	20.00	25.00
64	9.50	27.00	11.00	25.00
65	11.50	28.00	11.00	27.00
66	13.50	28.00	12.00	27.00
67	13.50	28.00	12.50	27.00
68	13.50	28.00	12.50	27.00
69	19.00	30.00	16.50	28.00
70	22.00	30.00	40.00	40.00
71	22.00	30.00	40.00	40.00
72	22.00	30.00	40.00	40.00
73	22.00	30.00	40.00	40.00
74	22.00	30.00	40.00	40.00
75 & Over	100.00	100.00	100.00	100.00

Part 1A Study
Retirement Rates (%) - Delayed Retirement - Tier 2

Age	Study 1a Under 30 Years of Service	Study 1a 30 or More Years of Service	Study 1b Under 30 Years of Service	Study 1b 30 or More Years of Service	Study 1c Under 30 Years of Service	Study 1c 30 or More Years of Service
50	0.00	0.00	0.00	0.00	0.00	0.00
51	0.00	0.00	0.00	0.00	0.00	0.00
52	0.00	0.00	0.00	0.00	0.00	0.00
53	0.00	0.00	0.00	0.00	0.00	0.00
54	0.00	0.00	0.00	0.00	0.00	0.00
55	0.00	0.00	0.00	0.00	0.00	0.00
56	0.00	0.00	0.00	0.00	0.00	0.00
57	0.00	0.00	0.00	0.00	0.00	0.00
58	0.00	26.00	0.00	0.00	0.00	0.00
59	0.00	14.00	0.00	0.00	0.00	0.00
60	0.00	13.50	0.00	26.00	0.00	0.00
61	0.00	13.50	0.00	14.00	0.00	0.00
62	0.00	13.50	0.00	13.50	0.00	0.00
63	5.25	17.50	0.00	13.50	0.00	0.00
64	3.75	12.00	0.00	13.50	0.00	0.00
65	2.75	12.00	5.25	17.50	0.00	26.00
66	20.00	25.00	3.75	12.00	0.00	14.00
67	11.00	25.00	2.75	12.00	0.00	13.50
68	11.00	27.00	20.00	25.00	0.00	13.50
69	12.00	27.00	11.00	25.00	0.00	13.50
70	12.50	27.00	11.00	27.00	5.25	17.50
71	12.50	27.00	12.00	27.00	3.75	12.00
72	16.50	28.00	12.50	27.00	2.75	12.00
73	40.00	40.00	12.50	27.00	20.00	25.00
74	40.00	40.00	16.50	28.00	11.00	25.00
75	100.00	100.00	100.00	100.00	11.00	27.00
76	100.00	100.00	100.00	100.00	12.00	27.00
77 & Over	100.00	100.00	100.00	100.00	100.00	100.00

Study 1a - Average retirement age 3 years later than Baseline.
Study 1b - Average retirement age 5 years later than Baseline.
Study 1c - Average retirement age 10 years later than Baseline.

Part 2 Study – Eligibility A
Retirement Rates (%) – Earlier Retirement Scenario 1

Age	Tier 1 Under 30 Years of Service	Tier 1 30 or More Years of Service	Tier 2 Under 30 Years of Service	Tier 2 30 or More Years of Service
50	0.00	1.50	0.00	0.00
51	0.00	1.00	0.00	0.00
52	0.00	0.00	0.00	0.00
53	0.00	0.00	0.00	0.00
54	0.00	0.00	0.00	0.00
55	4.50	60.00	0.00	56.00
56	2.50	45.00	0.00	39.00
57	3.00	38.00	0.00	33.50
58	3.50	33.00	0.00	28.50
59	3.50	28.00	0.00	23.50
60	35.25	22.00	35.25	17.50
61	31.75	22.00	28.75	12.00
62	27.00	24.00	22.75	12.00
63	23.50	25.00	35.00	25.00
64	19.50	27.00	21.00	25.00
65	11.50	28.00	11.00	27.00
66	13.50	28.00	12.00	27.00
67	13.50	28.00	12.50	27.00
68	13.50	28.00	12.50	27.00
69	19.00	30.00	16.50	28.00
70	22.00	30.00	40.00	40.00
71	22.00	30.00	40.00	40.00
72	22.00	30.00	40.00	40.00
73	22.00	30.00	40.00	40.00
74	22.00	30.00	40.00	40.00
75 & Over	100.00	100.00	100.00	100.00

The retirement rates are increased 30%, 25%, 20%, 15% and 10% for the first 5 years after member is eligible for in-service distribution (age 60 with 5 years of service or age 55 with 30 years of service). The above table shows the retirement rates if member becomes eligible right at age 60 or age 55, respectively.

Scenario 2 – 100% retirement rates at the earlier of age 60 with 5 years of service or age 55 with 30 years of service.

Part 2 Study – Eligibility B
Retirement Rates (%) – Earlier Retirement Scenario 1

Age	Tier 1 Under 30 Years of Service	Tier 1 30 or More Years of Service	Tier 2 Under 30 Years of Service	Tier 2 30 or More Years of Service
50	0.00	1.50	0.00	0.00
51	0.00	1.00	0.00	0.00
52	0.00	0.00	0.00	0.00
53	0.00	0.00	0.00	0.00
54	0.00	0.00	0.00	0.00
55	4.50	30.00	0.00	26.00
56	2.50	20.00	0.00	14.00
57	3.00	18.00	0.00	13.50
58	3.50	18.00	0.00	13.50
59	3.50	18.00	0.00	13.50
60	35.25	52.00	35.25	47.50
61	31.75	47.00	28.75	37.00
62	27.00	44.00	22.75	32.00
63	23.50	40.00	35.00	40.00
64	19.50	37.00	21.00	35.00
65	11.50	28.00	11.00	27.00
66	13.50	28.00	12.00	27.00
67	13.50	28.00	12.50	27.00
68	13.50	28.00	12.50	27.00
69	19.00	30.00	16.50	28.00
70	22.00	30.00	40.00	40.00
71	22.00	30.00	40.00	40.00
72	22.00	30.00	40.00	40.00
73	22.00	30.00	40.00	40.00
74	22.00	30.00	40.00	40.00
75 & Over	100.00	100.00	100.00	100.00

The retirement rates are increased 30%, 25%, 20%, 15% and 10% for the first 5 years after member is eligible for in-service distribution (age 60 with 5 years of service or age 60 with 30 years of service). The above table shows the retirement rates if member becomes eligible right at age 60.

Scenario 2 – 100% retirement rates at age 60 with 5 years of service.