Board of Administration Agenda

REGULAR MEETING

TUESDAY, JANUARY 23, 2024

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

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 non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

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, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to 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: Board of Administration Office at ***(213) 855-9348*** and/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. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

III. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR NOVEMBER AND DECEMBER 2023

B. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2023

IV. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON JANUARY 9, 2024

V. CONSENT ITEM(S)

A. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF LATONYA DAWSON AND POSSIBLE BOARD ACTION

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF MICHAEL WARD AND POSSIBLE BOARD ACTION

VI. BOARD/DEPARTMENT ADMINISTRATION

A. TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 1.2 BOARD EDUCATION AND TRAVEL POLICY AND POSSIBLE BOARD ACTION

VII. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS

B. APPROVAL OF 3-YEAR CONTRACT WITH GARCIA HAMILTON & ASSOCIATES, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION

C. APPROVAL OF 3-YEAR CONTRACT WITH INCOME RESEARCH & MANAGEMENT REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION

D. PRESENTATION BY NEPC, LLC ON ACTIVE VERSUS PASSIVE INVESTMENT MANAGEMENT

VIII. OTHER BUSINESS

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

X. ADJOURNMENT

Agenda of:	**JAN. 23, 2024**
Item No:	**III-A**

MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF NOVEMBER 2023)

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		

Agenda of:	**JAN. 23, 2024**
Item No:	**III-A**

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	NOTHING TO REPORT		

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

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

SUBJECT: **ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2023**

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

Recommendation

That the Board receive and file the attached reports.

Executive Summary

Each year, LACERS publishes an Annual Comprehensive Financial Report (ACFR) that contains the System's audited financial statements, investment performance results, and summary of actuarial valuations. The ACFR provides a look back at the fiscal year just ended regarding LACERS' operations and financial condition.

Designed to supplement the ACFR, a Popular Annual Financial Report (PAFR) presents financial information in a short, condensed and easily understood manner. It communicates selected financial information to a broader audience and those who may desire a less detailed overview of LACERS' financial activities.

Following this report, staff will transmit LACERS audited financial statements to the City Council, as is done annually and in accordance with the 115 Trust Fund agreement between the Board and the City.

Discussion

Annual Comprehensive Financial Report (ACFR)

Financial information of interest, as well as a summary of the year's accomplishments, are found in the General Manager's *Letter of Transmittal* in the *Introduction Section*. This is followed by the *Financial Section* which includes financial highlights and analysis in narrative format titled *Management's Discussion and Analysis*, LACERS' audited financial statements, as well as the External Auditor's opinion. The remaining three sections are *Investment* which discusses the investment results and activities; *Actuarial* which includes the condensed actuarial valuations; and *Statistical* which provides financial historical information.

The ACFR is prepared in accordance with the requirements established by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting program. LACERS' ACFR for the Fiscal Year Ended June 30, 2023 was submitted for consideration in the GFOA's Achievement for Excellence in Financial Reporting Award. This award which LACERS has received annually for the last 24 years, recognizes individual governments that succeed in demonstrating a spirit of transparency and full disclosures in their ACFRs.

Popular Annual Financial Report (PAFR)

The PAFR presents information extracted from the ACFR in a readily accessible format and easily understandable to the general public and other interested parties including those without a background in public finance. Selected financial information such as LACERS Fiduciary Net Position, funded ratios, investment allocation and performance, and trends in Membership and benefit payments are presented in an easy-to-follow format in the PAFR.

The web-based version of the document, developed with the Member experience in mind, has dynamic features to make the report more appealing. Staff believes this version provides the true form of how the document is intended to be viewed by interested LACERS Members and the general public. Staff plans to distribute the PAFR to our Members via email blast and newsletters, as well as posting the link on LACERS' social media accounts.

LACERS has been a recipient of GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting since 2019. The PAFR award recognizes an individual government based on an evaluation of the information presented, reader appeal, understandability, distribution, and PAFR's creativity and usefulness. LACERS' PAFR for the Fiscal Year Ended June 30, 2023, was submitted to the GFOA for PAFR award consideration.

<u>Prepared By:</u> Jo Ann Peralta, Departmental Chief Accountant IV

NMG:TB:JP

Attachments: 1. Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023
2. Popular Annual Financial Report for Fiscal Year Ended June 30, 2023

BOARD Meeting: 01/23/24
Item: III - B
Attachment 1

LACERS

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

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

2023

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

Issued by

NEIL M. GUGLIELMO
General Manager

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

P.O. Box 512218, Los Angeles, CA 90051-0218 www.lacers.org

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Table of Contents (Continued)

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Introduction

December 15, 2023

LETTER OF TRANSMITTAL

Dear Members of the Board:

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

LACERS History, Participants, and Services

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

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

Governance

Board of Administration

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

LA CITY EMPLOYEES' RETIREMENT SYSTEM

P.O. Box 512218
Los Angeles, CA
90051-0218

(800) 779-8328
RTT: (888) 349-3996

www.LACERS.org
lacers.services@lacers.org

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

Strategic Plan

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

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

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

Promoting Equity in the Workplace and Beyond

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

Diversity, Equity and Inclusion in the Workplace

LACERS continues with a Diversity, Equity, and Inclusion (DEI) initiative designed to open dialogue between staff and management on mutual needs. This effort focuses on instilling a high development culture – one that values the growth of individuals. Tantamount to this effort is knowledge transfer, seeking to empower staff across the organization and promoting seamless transition as senior staff depart the workforce. As part of LACERS efforts, training programs and paper-based manuals will evolve into web-based learning modules and internal chat-based artificial intelligence. Equal access to resources and training promotes workforce equity in enabling all staff members to succeed and advance in their careers, a benefit that will translate to LACERS Members as well.

Accessibility to LACERS Members

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

Environmental, Social, and Governance Factors in Investing

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

Emerging Investment Managers

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

Funding Status and Progress

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

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

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

Investment Summary

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

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

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

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

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

Financial Reporting

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

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

Awards and Acknowledgements

GFOA Certificate of Achievement

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

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

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

PPCC Standards Award

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

Acknowledgements

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

Respectfully Submitted,

Neil M. Guglielmo

NEIL M. GUGLIELMO
General Manager

JO ANN PERALTA
Chief Accountant

Board of Administration

For the Fiscal Year Ended June 30, 2023

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

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

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

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

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

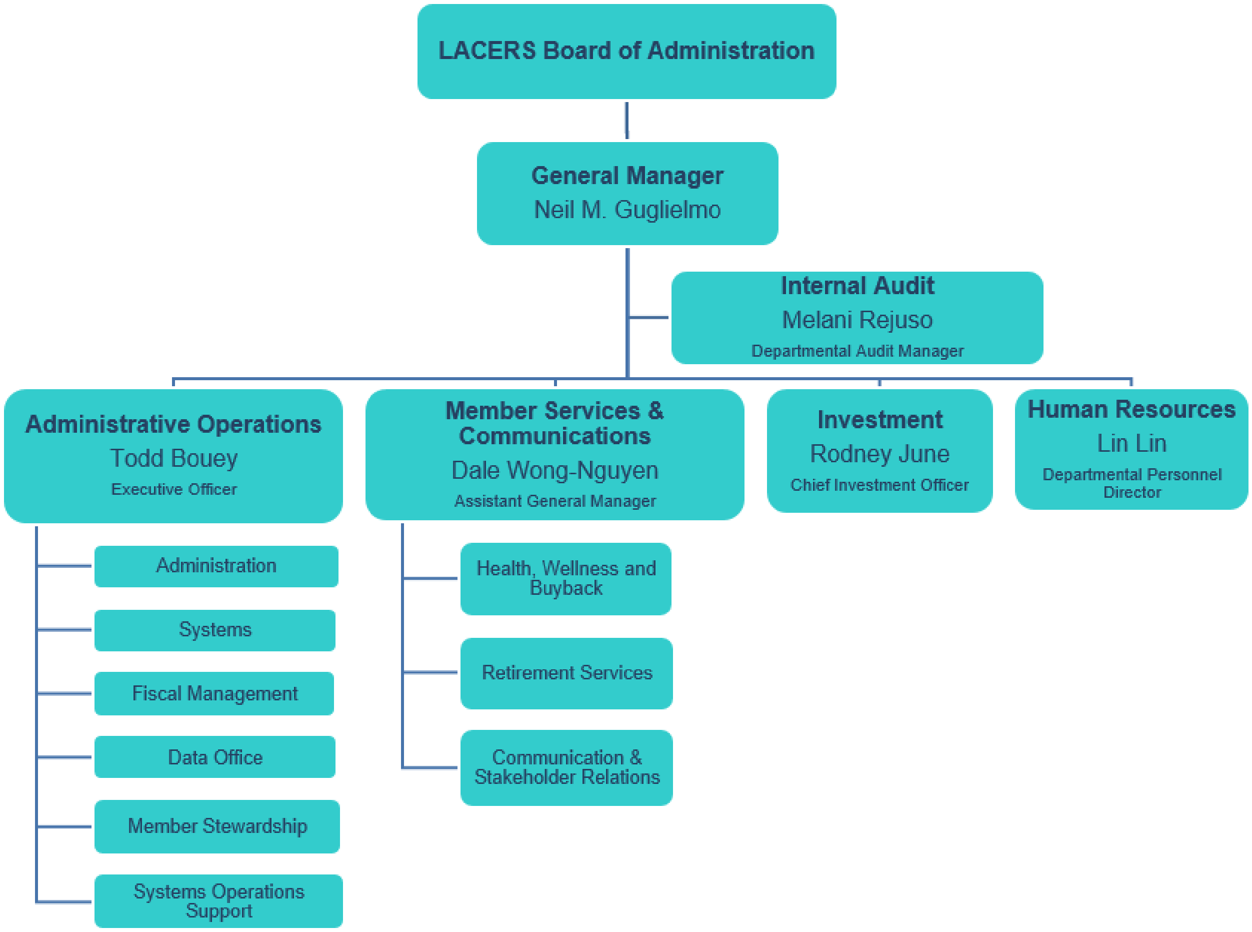
Janna Sidley
Member
Appointed by the Mayor
Term Expires June 30, 2024

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

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

Organization Chart

As of June 30, 2023



Professional Consultants

Actuary

Segal

Independent Auditor

Moss Adams LLP

Investment Consultants

Aksia, LLC
NEPC, LLC
Townsend Holdings, LLC

Health & Welfare Consultant

Keenan & Associates

Legal/Fiduciary Counsel

Danning, Gill, Israel & Krasnoff, LLP
Foley & Lardner LLP
Ice Miller, LLP
Kutak Rock, LLP
Morgan, Lewis & Bockius, LLP
Nossaman, LLP

Pension Administration System

Levi, Ray & Shoup, Inc.

Governance Consultant

Institutional Shareholder Services, Inc.

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City Employees' Retirement System
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

AWARDED 24 CONSECUTIVE YEARS SINCE 1999

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

Presented to

Los Angeles City Employees' Retirement System (LACERS)

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

AWARDED CONSECUTIVELY SINCE 2013

Financial

MOSSADAMS

Report of Independent Auditors

The Board of Administration
Los Angeles City Employees' Retirement System

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Prior-Year Comparative Information

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

Required Supplementary Information

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

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

Supplemental Schedules

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

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

Other Information

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

Moss Adams LLP

El Segundo, California
December 15, 2023

Management’s Discussion and Analysis

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

Financial Highlights

- The Los Angeles City Employees’ Retirement System (LACERS or the System) fiduciary net position as of June 30, 2023 was $21,589,265,000, an increase of $1,135,161,000 or 5.5% year-over-year.

- The total additions to the fiduciary net position of LACERS from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded insurance premium, Members’ portion of premium reserve, building lease and other income, and net investment income were $2,568,327,000 a 363.9% increase from the prior fiscal year.

- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67*, Financial Reporting for Pension Plans,* and No. 68, *Accounting and Financial Reporting for Pensions.*

- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

- The total deductions from the fiduciary net position were $1,433,166,000, a 4.0% increase year-over-year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.

- The System’s Net Pension Liability (NPL) for the Retirement Plan was $7,346,244,000 as of June 30, 2023. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the fair value of the plan’s assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL increased by $280,584,000.

- The System’s Net Other Postemployment Benefits (OPEB) Plan Asset for the postemployment health care benefits was $135,298,000 as of June 30, 2023. Net OPEB Liability is a measure required by GASB Statement No. 74. Net OPEB Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As of June 30, 2023, the plan fiduciary net position exceeded the TOL resulting in a surplus or Net OPEB Asset. Compared with the previous fiscal year, the Net OPEB Liability decreased by $368,223,000.

- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 71.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.

- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 104.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Management's Discussion and Analysis

Overview of the Financial Statements

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

Financial Statements

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Supplemental Schedules

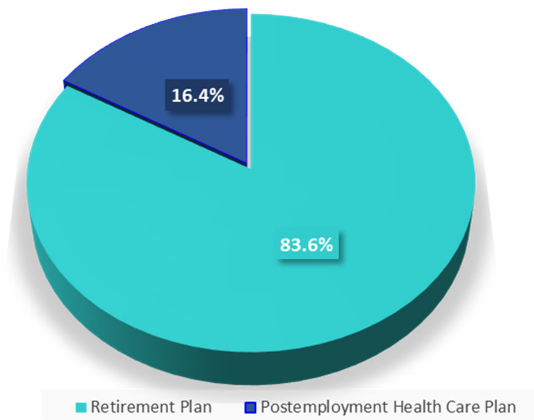
The supplemental schedules, including a Schedule of Additions and Deductions to Fiduciary Net Position for Postemployment Health Care Plan, Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations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

Financial Analysis

Allocation of Fiduciary Net Position

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

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



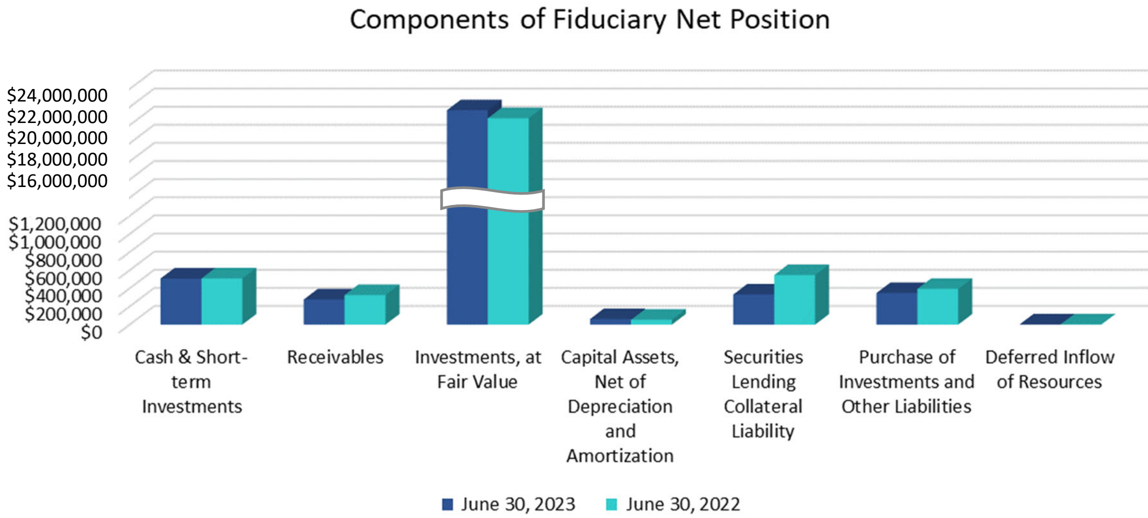
Fiduciary Net Position

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

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

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



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

Net Increase (Decrease) in Fiduciary Net Position

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

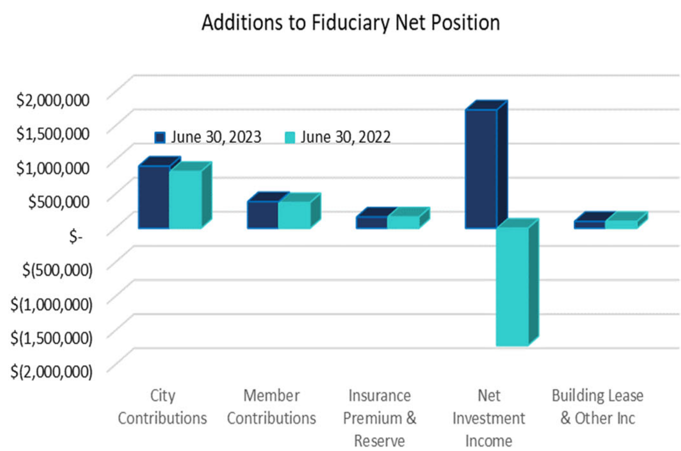
	June 30, 2023	June 30, 2022	Change	
Additions	$ 2,568,327	$ (973,225)	$ 3,541,552	363.9 %
Deductions	1,433,166	1,377,991	55,175	4.0
Net Increase (Decrease) in Fiduciary Net Position	1,135,161	(2,351,216)	3,486,377	148.3
Fiduciary Net Position Beginning of Year	20,454,104	22,805,320	(2,351,216)	(10.3)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

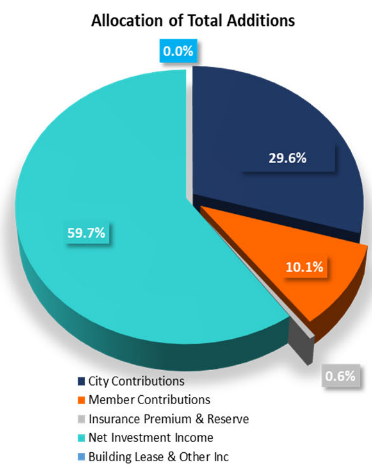
Financial Analysis (Continued)

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

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

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





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

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

Financial Analysis (Continued)

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

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

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

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

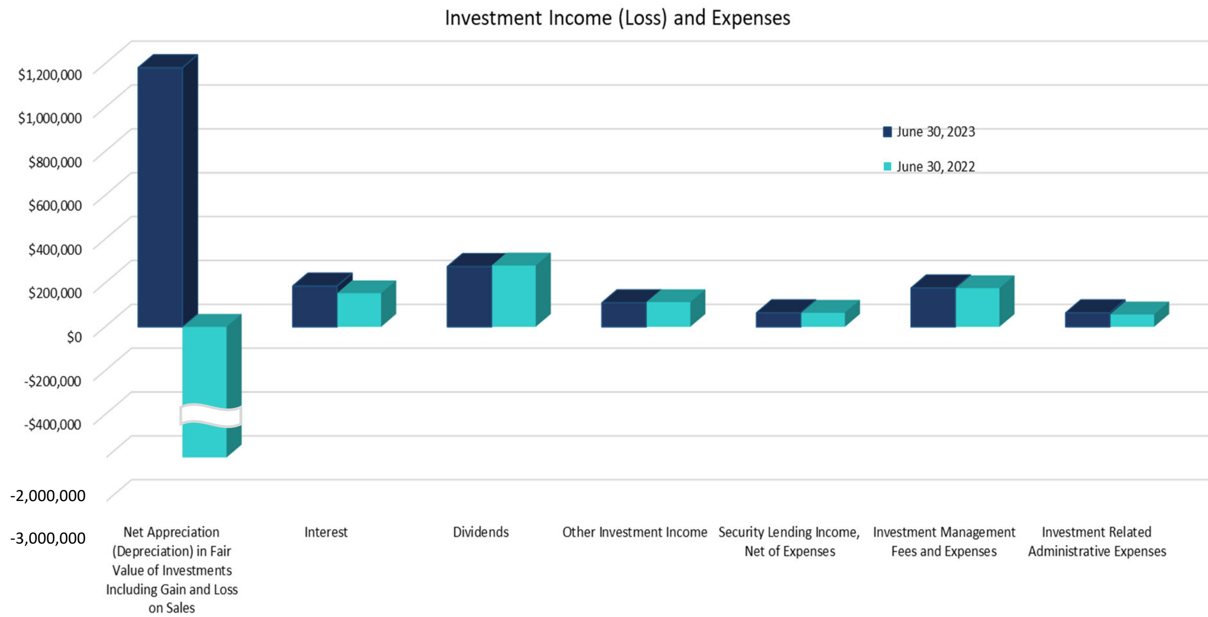
Investment Income (Loss)

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

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

Financial Analysis (Continued)

Investment Income (Loss) (Continued)



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

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

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

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

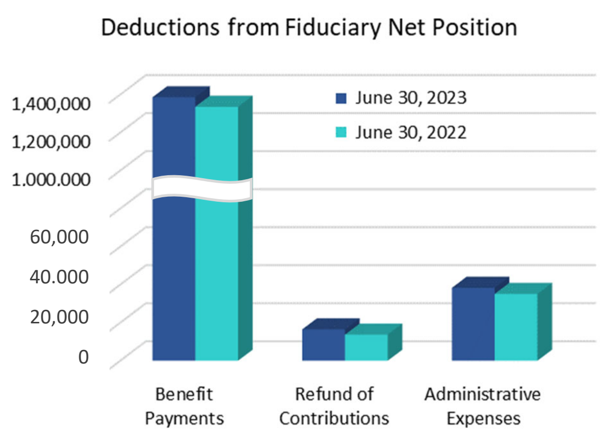
Total investment management fees, expenses, and investment related administrative expenses increased by 0.8% or $1,031,000, from the prior year. This increase corresponded with an increase in LACERS' exposure to private equity and private real estate, which is consistent with LACERS' current target asset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

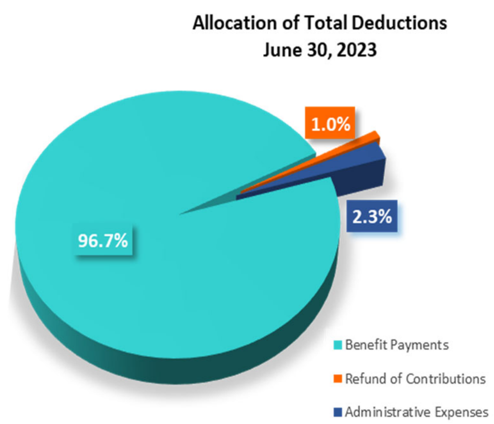
Financial Analysis (Continued)

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

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

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





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

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

Financial Analysis (Continued)

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

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

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

Requests for Information

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies

General Description

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

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

Basis of Accounting and Presentation

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

Investments

Investment policies

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

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

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

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

Fair Value of Investments

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

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

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

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

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

Concentrations

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

Rate of Return on Investments

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

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

Receivables

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

Capital Assets

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

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

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

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

Administrative Expenses

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

Reserves

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

Reserves for the Retirement Plan

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

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

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

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

Reserves (Continued)

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

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

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

Reserves for the Postemployment Health Care Plan

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

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

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

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

Notes to the Basic Financial Statements

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

Comparative Totals

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

Estimates

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

Risk and Uncertainty That May Impact Financial Operations and Performance

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

Adoption of New Accounting Pronouncements

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

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

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

Recent GASB Pronouncements for Future Adoption

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

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

Recent GASB Pronouncements for Future Adoption (Continued)

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

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

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

Note 2. Retirement Plan Description

Plan Administration and Membership

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

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

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

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

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

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided

Tier 1

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

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

Tier 1 – Enhanced Benefits

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

Tier 3

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

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

Tier 3 (Continued)

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

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

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

[2] A reduction factor will be applied based on age at retirement.

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

Cost of Living Adjustment

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

Note 2. Retirement Plan Description (Continued)

Employer Contributions

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

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

Member Contributions

Tier 1 and Tier 1 Enhanced

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

Tier 3

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

Net Pension Liability

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

Total Pension Liability	$ 25,299,537
Less Plan Fiduciary Net Position[1]	17,953,293
Plan's Net Pension Liability	$ 7,346,244
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.0%

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

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Significant Assumptions

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

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

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate and Investment Rates of Return

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

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

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

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

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

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

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

Note 3. Postemployment Health Care Plan Description

Plan Administration and Membership

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

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

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

[1] Total participants including married dependents and dependent children currently receiving benefits are 23,696.
[2] Includes terminated Members due a refund of employee contributions.

Note 3. Postemployment Health Care Plan Description (Continued)

Plan Administration and Membership (Continued)

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

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

Eligibility Requirement and Benefits Provided

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

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

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

Note 3. Postemployment Health Care Plan Description (Continued)

Employer Contributions

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

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

Net OPEB (Asset) Liability

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

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

Significant Assumptions

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

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

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

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

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

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

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

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

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

Dental Premium Trend - 1.50%, then 3.00% thereafter

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

Notes to the Basic Financial Statements

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Discount Rate and Investment Rates of Return

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

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

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

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

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

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

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

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

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

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

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

Note 4. Contributions Required and Contributions Made

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

Note 4. Contributions Required and Contributions Made (Continued)

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

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

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

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

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

Note 5. Historical Trend Information

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

Note 6. Cash and Short-Term Investments and Investments

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

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

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

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

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

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

Credit Risk – Derivatives

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

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

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

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

Credit Risk – Investments

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

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

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

Custodial Credit Risk

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

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

Custodial Credit Risk (Continued)

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

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

Interest Rate Risk

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

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

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

Concentration of Credit Risk

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

Highly-Sensitive Investments

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

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

Foreign Currency Risk

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

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

Foreign Currency Risk (Continued)

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

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

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

Fair Value Measurements

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

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

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

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

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

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

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

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

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

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

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

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

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

(1) Common fund assets - This investment type includes one fund that primarily invests in U.S. bonds. The fair value of the investment has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.

(2) Private equity funds - This investment type includes 319 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 22 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 85.5% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. Thirteen investments, representing approximately 14.5% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99.8% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 0.2% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. The fund is still being liquidated.

Note 7. Securities Lending Agreement

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

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

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

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

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

Note 7. Securities Lending Agreement (Continued)

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

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

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

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

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

Note 8. Future and Forward Contracts

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

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

Note 9. Capital Assets

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

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

Note 10. Leases

LACERS as a Lessee

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

LACERS as a Lessor

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

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

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

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

Note 12. Commitments and Contingencies

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

Required Supplementary Information
Retirement Plan

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

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

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

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

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

Note to Schedule:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

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

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

Schedule of Contribution History
(Dollars in Thousands)

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Amortization Method Level Percent of Payroll.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Amortization Period	Multiple layers – closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases[1]	Ranges from 4.00% to 9.00% based on years of service.
Cost of Living Adjustment	2.75% for Tier 1; 2.00% for Tier 3. Actual increases are contingent upon Consumer Price Index (CPI) increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with sufficient COLA bank, withdrawals from the bank can be made to increase retiree COLA up to 3% per year.
Mortality	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021 Beneficiaries *(currently in pay status)*: Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

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

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

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

Note to Schedule:

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

Required Supplementary Information
Postemployment Health Care Plan

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

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

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

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

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

Note to Schedule:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

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

Schedule of Contribution History

(Dollars in Thousands)

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Schedule of Contribution History (Continued)

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

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

Actuarial Assumptions:

Investment Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases(1)	Ranges from 4.00% to 9.00% based on years of service.
Mortality	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. Disabled: Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Beneficiaries *(currently in-pay status)*: Contingent Survivor Headcount-Weighted Above Median Mortality Tables (separate tables for males and females), with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Beneficiaries *(not currently in-pay status)*: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021

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

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

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

Note to Schedule:

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

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

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

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

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

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

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

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

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

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

Investment

Report on Investment Activity

December 15, 2023

Dear Members of the Board:

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

Market Overview

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

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

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

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

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

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

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

Investment Performance

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

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

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

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

Policies, Procedures and Guidelines

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

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

Responsible Investment Program

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

Public Investment Manager Contract Awards, Renewals, and Terminations

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

Private Investments

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

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

Respectfully submitted,

Rodney L June

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2022-2023

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

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

Investment Results

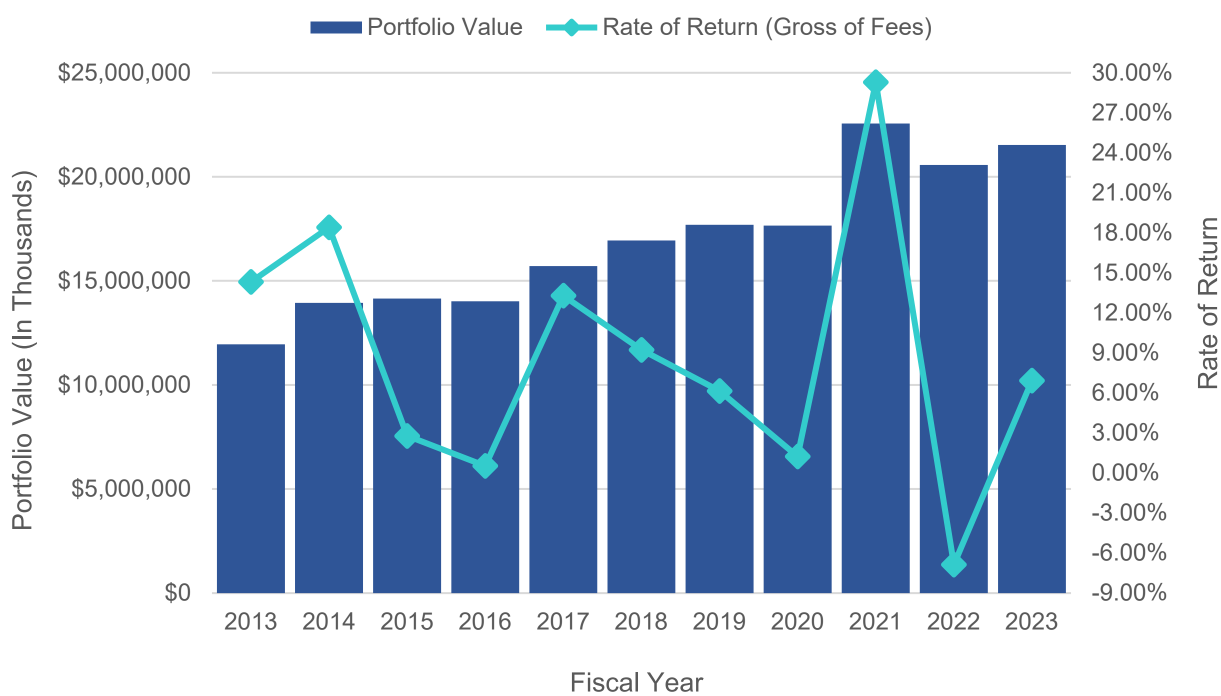
Schedule of Annualized Asset Class Investment Returns
(Compared to Policy Benchmarks)

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

(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) Cambridge Associates Global Private Equity and Venture Capital Index January 1, 2022 to present; Russell 3000 + 3% February 1, 2012 to December 31, 2021; Russell 3000 + 4% inception to January 31, 2012
(3) 18.75% Bloomberg US High Yield 2% Issuer Capped Index, 18.75% Credit Suisse Leveraged Loan Index, 50% Blended Emerging Markets Debt Blend, 12.5% Credit Suisse Leveraged Loan Index One Quarter Lagged
(4) 34.62% Bloomberg US TIPS Index, 23.08% FTSE NAREIT All Equity Index, 42.3% Real Estate Blend; Real Estate Blend – NCREIF ODCE + 0.80% July 1, 2014 to present; NCREIF Property Index Lagged + 1% July 1, 2012 to June 30,2014; NCREIF Property Index Lagged October 1, 1994 to June 30, 2012

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

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



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

Investment Contract Activity

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

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

New private equity and real estate partnerships:

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

Contracts with consultants and vendors awarded/renewed/extended:

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

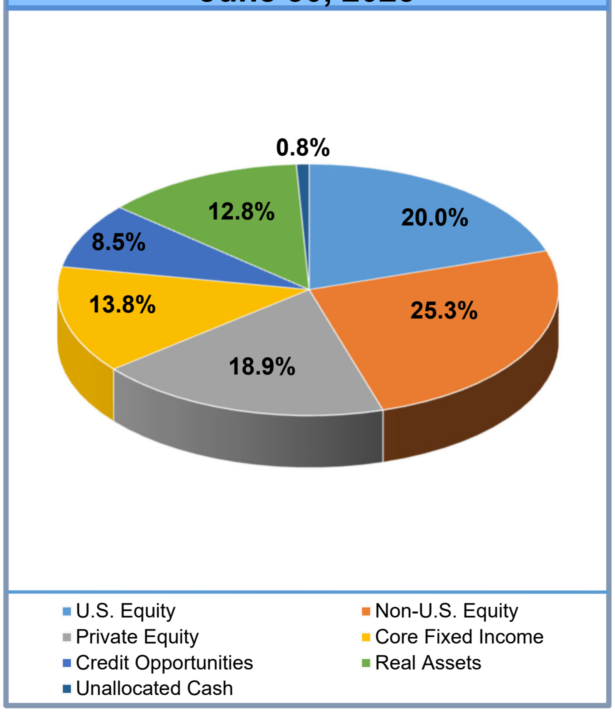
Asset Allocation
As of June 30, 2023

	Actual[1]
U.S. Equity	19.98%
Non-U.S. Equity	25.29
Private Equity[3]	18.86
Core Fixed Income	13.79
Credit Opportunities[4]	8.46
Real Assets[5]	12.80
Unallocated Cash	0.82
Total	100.00%

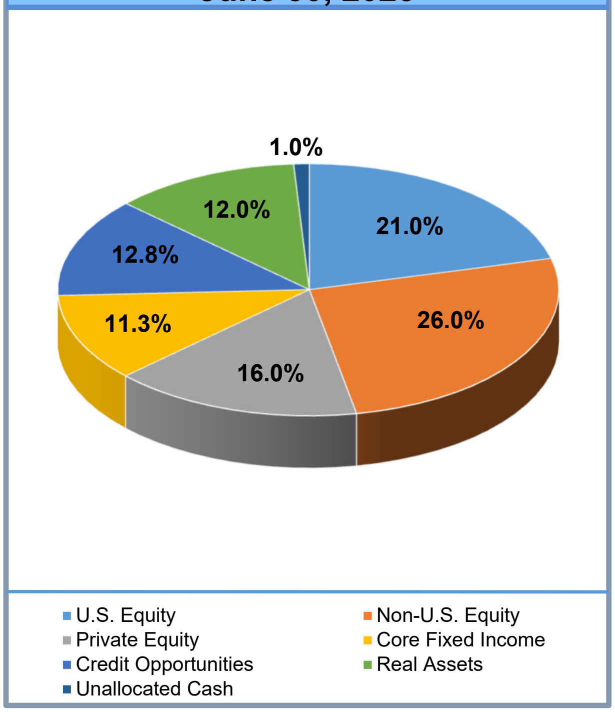
	Target[2]
U.S. Equity	21.00%
Non-U.S. Equity	26.00
Private Equity	16.00
Core Fixed Income	11.25
Credit Opportunities	12.75
Real Assets	12.00
Unallocated Cash	1.00
Total	100.00%

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

Actual Allocation
June 30, 2023



Target Allocation
June 30, 2023



List of Largest Assets Held by Fair Value

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

Largest U.S. Equity Holdings

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

Largest Non-U.S. Equity Holdings

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

(1) Investment in a commingled fund that holds publicly traded equity securities. The share amount represents LACERS ownership interest in the commingled fund.
(2) A complete listing of the System's holdings is available upon request.

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings

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

Largest Non-U.S. Fixed Income Holdings

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

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

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

Schedules of Fees and Commissions

Schedule of Fees
(In Thousands)

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

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

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

Schedule of Top Ten Brokerage Commissions

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

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

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

Investment Summary
As of June 30, 2023

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

[1] Total Fund includes securities lending collateral but excludes cash and cash equivalents and adjustments to cash.

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors

U.S. Equity

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

Non-U.S. Equity

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

Fixed Income

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

Credit Opportunities

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

Public Real Assets

CenterSquare Investment Management LLC
Dimensional Fund Advisors LP

Cash & Short-Term

The Northern Trust Company

Real Estate

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

Private Equity

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

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

Arsenal Capital Partners
Ascribe Capital, LLC
Astorg Group, LLC
Astra Capital Management LLC
Auldbrass Partners
Avance Investment Management
Bain Capital
Baring Private Equity Asia Limited
BC Partners
Biospring Partners
Black Diamond Capital Management
Blackstone Group Inc.
Blue Sea Capital LLC
Brentwood Associates, Inc.
Builders VC
Cardinal Partners
Carlyle Group Inc.
CenterGate Capital, L.P.
Charterhouse Capital Partners LLP
Cinven
Clearlake Capital Group
Coller Capital Limited
Crescent Capital Group
CVC Capital Partners
Defy Partners Management, LLC
EIG Global Energy Partners
Element Management LP
Encap Investments L.P.
Energy Capital Partners
Essex Woodland Health Ventures
FIMI Ltd.
First Reserve Corporation
Fortress Investment Group
Freeman Spogli & Co. Inc.
Frontier Venture Capital
General Catalyst Partners
Genstar Capital
GGV Capital
Gilde Buy Out Partners BV
Glendon Capital Management LP
GTCR LLC
The Halifax Group, LLC
HarbourVest Partners, LLC
Harvest Partners
Hellman & Friedman LLC
Hg Capital, LLC
H.I.G. Capital
High Road Capital Partners, LLC
Hony Capital
Incline Equity Partners
Insight Partners
Institutional Venture Partners
Intermediate Capital Group Inc
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR & Co., Inc.
KPS Capital Partners
L2 Point Management, LLC
Leonard Green & Partners LP
Levine Leichtman Capital Partners, LLC
Longitude Capital
Mayfield Group
MBK Partners L.P.
Menlo Ventures L.P.
Mill Point Capital, LLC
Montagu Private Equity LLP
Nautic Partners, LLC
New Enterprise Associates, LLC
New Mountain Capital, LLC
New Water Capital, L.P.
NGEN Partners, LLC
NGP Energy Capital Management, LLC
New MainStream Capital
Nordic Capital, L.P.
Oak HC/FT Partners, LLC
Oak Investment Partners, L.P.
Oaktree Capital Management, L.P.
OceanSound Partners Fund, L.P.
Orchid Asia Group
P4G Capital Management, LLC
Palladium Equity Partners, L.P.
Permira, L.P.
Pharos Capital Group, LLC
Platinum Equity, LLC
Polaris Partners, L.P.
Providence Equity Partners, LLC
Reverence Capital Partners
Roark Capital Group
Saybrook Capital, LLC
Searchlight Capital Partners, L.P.
Spark Capital
Spire Capital Management, LLC
St. Cloud Capital Partners, L.P.
StarVest Partners
Stellex Capital Management
StepStone Group, L.P.
Sterling Partners
Stripes Group, LLC
Sunstone Partners

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

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

Consultants

NEPC, LLC
Aksia LLC
Townsend Holdings, LLC

Custodian

The Northern Trust Company

Transition Managers

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

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)

Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

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

(1) Includes July COLA.

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

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

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

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

Summary of Significant Valuation Results (Continued)

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

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

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

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

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Actuarial Certification

November 7, 2023

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

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

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

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

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

Financial Section

1. Schedule of Net Pension Liability[1]
2. Schedule of Changes in Net Pension Liability and Related Ratios[1]
3. Schedule of Contribution History[1]

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

Actuarial Certification (continued)

November 7, 2023

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7. Schedule of Funded Liabilities by Type
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net Pension Liability and Related Ratios[1]
12. Projection of Pension Plan Fiduciary Net Position for use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2023[1]

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

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

Andy Yeung

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

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

Segal

Retirement Benefits Valuation

Active Member Valuation Data

Member Population

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

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll[1]

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

(1) Does not include Family Death Benefit Plan beneficiaries. Table is based on valuation data.
(2) Includes the COLA granted in July.

Retirement Benefits Valuation

Schedule of Funded Liabilities by Type

For Years Ended June 30
(Dollars in Thousands)

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

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

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

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

Actuarial Analysis of Financial Experience

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

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

Actuarial Balance Sheet

For Year Ended June 30, 2023

Actuarial Present Value of Future Benefits	
1. Present value of benefits for retired members and beneficiaries	$15,556,003,937
2. Present value of benefits for inactive vested members	666,372,920
3. Present value of benefits for active members	12,985,744,755
4. Total actuarial present value of future benefits	$29,208,121,612
Current and Future Assets	
5. Total valuation value of assets	$18,493,821,018
6. Present value of future contributions by members	2,259,921,414
7. Present value of future employer contributions for:	
a) Entry age normal cost	1,648,663,080
b) Unfunded actuarial accrued liability	6,805,716,100
8. Present value of current and future assets	$29,208,121,612

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

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

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

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

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

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

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

(Dollars in Millions)

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

[1] Mainly attributable to employer contributions to fund each year's annual administrative expenses.

[2] Less than $1 million when rounded.

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

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

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2022 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2031-2048, 2054-2085, and 2091-2105 have been omitted from this table.

4. Column (a): None of the projected beginning Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2023); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2023. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2023 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.17% of the projected beginning Plan Fiduciary Net Position amount. The 0.17% portion was based on the actual fiscal year 2022 - 2023 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.

8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.

9. As illustrated in this Exhibit, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2023 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

10. This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

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

Net Investment Return

7.00%[(1)]

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

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

Discount Rate

7.00%

Employee Contribution Crediting Rate

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

Cost of Living Adjustment (COLA)

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

Payroll Growth

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

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

Increase of 2.50% per year from the valuation date.

Salary Increases

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

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Post-Retirement Mortality Rates (Continued)

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

Pre-Retirement Mortality Rates

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

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

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

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

Disability Incidence

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

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

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

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

Termination

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

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

Retirement Age and Benefit for Inactive Vested Members

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

Other Reciprocal Service

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year.

Unknown Data for Members

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

Form of Payment

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

Percent Married/Domestic Partner

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

Age and Gender of Spouse

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

Actuarial Cost Method

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

Actuarial Value of Assets

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Valuation Value of Assets

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

Amortization Policy

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

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

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

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

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

The amortization policy is described above.

Internal Revenue Code Section 415

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

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

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

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

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

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

Changes in Actuarial Assumptions

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

Employee Contribution Crediting Rate

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

Payroll Growth

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

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

Increase of 2.75% per year from the valuation date.

Salary Increases

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

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

Post-Retirement Mortality Rates

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

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

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

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

Pre-Retirement Mortality Rates

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

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

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

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

Disability Incidence

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

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

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Termination

Termination (< 5 Years of Service)	
Years of Service	Rate (%)
Less than 1	11.50
1 – 2	10.00
2 – 3	8.50
3 – 4	7.75
4 – 5	7.00

Termination (5+ Years of Service)	
Age	Rate (%)
25	7.00
30	6.70
35	5.30
40	3.75
45	3.10
50	3.00
55	3.00
60	3.00

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

Retirement Rates

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

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

Retirement Age and Benefit for Inactive Vested Members

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

Service

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

Actuarial Cost Method

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

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1 (§ 4.1002(a), § 4.1002.1)

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

Summary of Plan Provisions (Continued)

Membership Eligibility (Continued)

Tier 1 Enhanced (§ 4.1002(e))

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

Tier 3 (§ 4.1080.2(a))

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

Normal Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(a))

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

Tier 1

Amount (§ 4.1007(a))

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

Tier 1 Enhanced

Amount (§ 4.1007(a))

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

Tier 3

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

Age & Service Requirement

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

Amount

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

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

Age & Service Requirement

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

Amount

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

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

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

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

Amount (§ 4.1007(a) & (b))

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

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

Tier 3

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

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

Amount (§ 4.1080.5(a)(1))

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

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

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

Summary of Plan Provisions (Continued)

Enhanced Retirement Benefit

Tier 1 & Tier 1 Enhanced
Age & Service Requirement
Not applicable – see Normal Retirement age and service requirement.

Amount
Not applicable – see Normal Retirement amount.

Tier 3
With less than 30 Years of Service (§ 4.1080.5(a)(3)(i))
Age & Service Requirement
Age 63 with 10 years of service, including 5 years of continuous City service.

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

With 30 or more Years of Service (§ 4.1080.5(a)(3)(ii))
Age & Service Requirement
Age 63 with 30 years of service, including 5 years of continuous City service.

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

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

Service Credit

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

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

Final Average Monthly Compensation

Tier 1 & Tier 1 Enhanced (§ 4.1001(b))
Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.[1]

Tier 3 (§ 4.1080.1(b))
Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary and any items of compensation that are designated as pension based.[1]

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

Post-Retirement Cost of Living Benefits

Tier 1 & Tier 1 Enhanced (§ 4.1022)
Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 3 (§ 4.1080.17)
Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 2% per year; excess not banked.

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

Death after Retirement

Tier 1 & Tier 3
(§ 4.1010(c), § 4.1080.10(c), & § 4.1012(c))

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

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

Tier 1 Enhanced
(§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j))
While on service-connected disability

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

[1] If the death occurs within three years of the retiree's retirement, the eligible survivor shall receive 80% of the Final Average Monthly Compensation (adjusted with Cost of Living benefit).
[2] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of Section 4.1010.1(c).

Summary of Plan Provisions (Continued)

Death after Retirement (Continued)

While on nonservice-connected disability or service retirement

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

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

Death before Retirement

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

Option #1:

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

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

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

Tier 1 & Tier 3
Option #2:

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

Tier 1 Enhanced
Service-Connected Death
Option #2:

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

Nonservice-Connected Death
Option #2:

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

Member Contributions

Tier 1 & Tier 1 Enhanced (§ 4.1003)

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

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

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

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

Summary of Plan Provisions (Continued)

Member Contributions (Continued)

Tier 3 (§ 4.1080.3)

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

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

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

Disability

Tier 1 & Tier 3

Service Requirement (§ 4.1008(a) & § 4.1080.8(a))

5 years of continuous service.

Amount(1) (§ 4.1008(c) & § 4.1080.8(c))

1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

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

Tier 1 Enhanced

Service Requirement (§ 4.1008.1)

Service-Connected Disability: None.

Nonservice-Connected Disability: 5 years of continuous service.

Amount(1) (§ 4.1008.1)

Service-Connected Disability: 30% to 90% of the Final Average Monthly Compensation depending on severity of disability, with a minimum of 2% of the Final Average Monthly Compensation per year of service.

Nonservice-Connected Disability: 30% to 50% of the Final Average Monthly Compensation depending on severity of disability.

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

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

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

Tier 3 (§ 4.1080.6)

Age & Service Requirement

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

Amount

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

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 3 (§ 4.1080.6) (Continued)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

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

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

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

Segal

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Actuarial Certification

November 7, 2023

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

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

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

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

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

Financial Section

1. Schedule of Net Other Postemployment Benefits (OPEB) Liability[1]
2. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios[1]
3. Schedule of Contribution History[1]

Actuarial Section

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

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

Actuarial Certification (Continued)

November 7, 2023

8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios[1]
12. Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2023[1]

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

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

Andy Yeung

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

Mehdi Riazi

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

Mary Kirby

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

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

Health Benefits Valuation

Active Member Valuation Data

Member Population

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

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.

Retirees and Beneficiaries Added to and Removed from Health Benefits

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

(1) Also reflects changes in subsidies for continuing retirees and beneficiaries.
(2) Total participants including married dependents currently receiving benefits are 23,696.

Health Benefits Valuation

Member Benefit Coverage Information

For Years Ended June 30
(Dollars in Thousands)

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

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

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

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

Actuarial Analysis of Financial Experience

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

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

Actuarial Balance Sheet

For Year Ended June 30, 2023

Assets

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

Liabilities

5.	Actuarial present value of total projected benefits	$ 4,259,771,685

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

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

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

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

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning OPEB Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2022	$3,348	$91	$159	$8	$270	$3,540
2023	3,540	85	173	9	244	3,688
2024	3,688	83	180	9	254	3,837
2025	3,837	83	190	9	265	3,985
2026	3,985	83	200	10	275	4,133
2027	4,133	80	209	10	284	4,278
2028	4,278	89	219	10	295	4,432
2029	4,432	88	229	11	305	4,585
2030	4,585	86	240	11	315	4,735
2049	6,273	5	440	15	423	6,247
2050	6,247	0[1],[2]	455	15	421	6,198
2051	6,198	0[1],[2]	467	15	417	6,133
2052	6,133	0[1],[2]	480	15	412	6,050
2053	6,050	0[1],[2]	490	15	406	5,950
2086	2,143	0[1],[2]	169	5	144	2,113
2087	2,113	0[1],[2]	153	5	142	2,097
2088	2,097	0[1],[2]	138	5	142	2,095
2089	2,095	0[1],[2]	124	5	142	2,108
2090	2,108	0[1],[2]	110	5	144	2,137
2106	4,558	0[1],[2]	3	11	319	4,863
2107	4,863	0[1],[2]	2	12	340	5,189
2108	5,189	0[1],[2]	1	13	363	5,538
2109	5,538	0[1],[2]	1	14	387	5,911
2110	5,911	0[1],[2]	1	15	413	6,309
2111	6,309	0[1],[2]	0[2]	16	441	6.734
2112	6,734	0[1],[2]	0[2]	17	471	7,188
2113	7,188	0[1],[2]	0[2]	18	503	7,673
2114	7,673	0[1],[2]	0[2]	19	536	8,190
2115	8,190	0[1],[2]	0[2]	20	573	8,743
2116	8,743	0[1],[2]	0[2]	21	611	9,332
2117	9,332	0[1],[2]	0[2]	23	652	9,962
2118	9,962	0[1],[2]	0[2]	24	696	10,634
2119	10,634	0[1],[2]	0[2]	26	743	11,351
2120	11,351	0[1],[2]	0[2]	28	794	12,117
2121	12,117	0[1],[2]	0[2]	30	847	12,934
2122	$12,934					
2122	Discounted: $16[3]					

[1] Mainly attributable to employer contributions to fund each year's annual administrative expenses.
[2] Less than $1 million when rounded.
[3] $12,934 million when discounted with interest at the rate of 7.00% per annum has a value of $16 million as of June 30, 2023.

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

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

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2022 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2031-2048, 2054-2085, and 2091-2105 have been omitted from this table.

4. Column (a): Except for the “discounted value” shown for 2122, none of the projected beginning OPEB Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.

5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2023); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses. Unfunded accrued liabilities are amortized over closed 20 and 15-year periods, depending on the source of the changes. Contributions are assumed to occur halfway though the year, on average. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 43 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2023. The projected benefit payments reflect future health care trends used in the June 30, 2023 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 49 of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.25% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.25% portion was based on the actual fiscal year 2022-23 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.

8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.

9. As illustrated in this Schedule, the OPEB Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan Members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2023 shown in the GAS 74 report, pursuant to paragraph 49 of GASB Statement No. 74.

10. This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

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

Measurement Date

June 30, 2023.

Data

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

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

Pre-Retirement Mortality Rates

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

Disability Incidence

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

Termination

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

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

Retirement Age and Benefit for Inactive Vested Members

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

Unknown Data for Members

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year

Net Investment Return

7.00%[1]

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

Discount Rate

7.00%

Payroll Growth

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

Salary Increases

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

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

Per Capita Cost Development

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Dental Subsidy
2023-24 Fiscal Year

Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	81.5%	$43.37
DeltaCare USA	18.5%	$15.10

Medicare Part B Premium Subsidy	
Actual monthly premium for calendar year 2023	$164.90
Actual monthly premium for calendar year 2024	$174.70
Actual average monthly premium for plan year 2023/2024	$169.80

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

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

Maximum Monthly Medical Subsidy
(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)
Participant Under Age 65 or Not Eligible for Medicare A & B
2023-24 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.3%	$995.44	$1,990.87	$995.44
Anthem BC PPO	21.5%	$1,528.98	$2,074.89	$995.44
Anthem BC HMO	17.2%	$1,221.39	$2,074.89	$995.44

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

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

[1] Rates for CA plan.

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

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

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

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

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

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

Spouse/Domestic Partner Coverage

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

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

Participation

Retiree Medical and Dental Coverage Participation:

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

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

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

Health Care Cost Subsidy Trend Rates

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

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

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

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

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

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

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

Health Care Reform

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

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Actuarial Cost Method

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

Actuarial Value of Assets

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

Valuation Value of Assets

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

Amortization Policy

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

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

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

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

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

The amortization policy is described above.

Assumption Changes since Prior Valuation

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

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

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

Summary of Plan Provisions

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

Membership Eligibility

Tier 1 (§4.1002(a))
All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 3 – Postemployment Health Care Plan Description on page 40 - 41 regarding the Membership).

Tier 3 (§4.1080.2(a))
All employees who became Members of LACERS on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

Benefit Eligibility

Tier 1 (§4.1111(a)) and Tier 3 (§4.1126(a))
Retired age 55 or older with at least 10 years of service (including deferred vested Members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. The health subsidy is not payable to a service or disabled retiree before the Member reaches age 55.

Medical Subsidy for Members Not Subject to Cap

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

Tier 1 (§4.1111(d)) and Tier 3 (§4.1126(c))
Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium).

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

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

Tier 1 (§4.1111(e)) and Tier 3 (§4.1126(d))
For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

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

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))
As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired Members who do not contribute an additional 4.0% or 4.5% of employee contributions to the System.

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

Dependents

Tier 1 (§4.1111(e)(4)) and Tier 3 (§4.1126(d)(4))
An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service credit. The combined Member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired Members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.

Dental Subsidy for Members

Tier 1 (§4.1114(b)) and Tier 3 (§4.1129(b))
The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2023, the maximum dental subsidy is $43.81 per month; decreasing to $42.93 in calendar year 2024.

Summary of Plan Provisions (continued)

Dental Subsidy for Members (continued)

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

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

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

Medical Subsidy for Surviving Spouse

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

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

Under Age 65 or Over Age 65 Without Medicare Part A

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

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

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

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

Changes in Plan Provisions

None.

Statistical

Statistical Section

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

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

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

(1) % of Annual Covered Payroll is an aggregate rate for all tiers based on actual covered payroll.
(2) Includes unrealized gains and losses of investments. Investment-related administrative expenses are deducted from Investment Income pursuant to GASB Statement No. 67.
(3) Building Lease and Other Income from System's new Headquarter Building purchased on October 23, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of Benefit Expenses by Type - Retirement Plan

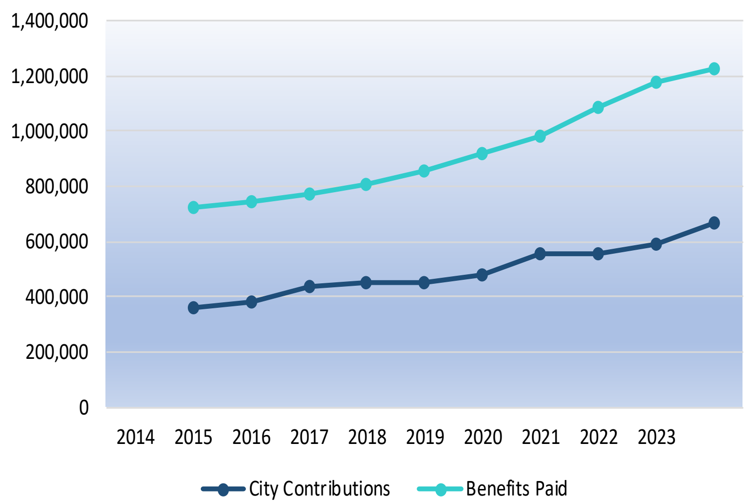
(In Thousands)

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

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

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



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

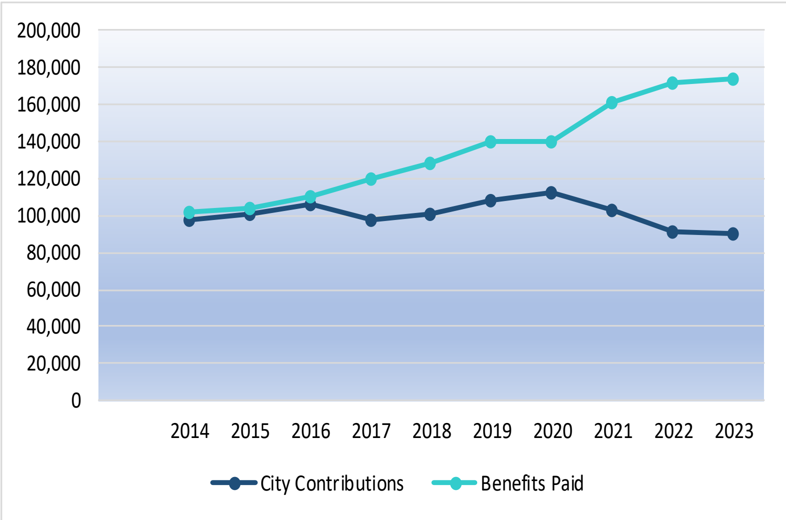
(In Thousands)

Fiscal Year	Age & Service Benefits Retirants	Age & Service Benefits Survivors	Death in Service Benefits	Disability Benefits Retirants	Disability Benefits Survivors	Total Benefits Paid
2014	$ 86,889	$ 10,533	$ 382	$ 2,531	$ 1,293	$ 101,628
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129
2020	122,561	12,573	266	2,790	1,524	139,714
2021	141,917	14,055	365	2,936	1,672	160,945
2022	152,369	14,629	292	2,730	1,685	171,705
2023	153,833	15,012	289	2,769	1,680	173,583

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2014	$ 97,841	$ 101,628
2015	100,467	103,599
2016	105,983	109,940
2017	97,457	119,616
2018	100,909	128,081
2019	107,927	140,129
2020	112,136	139,714
2021	103,454	160,945
2022	91,623	171,705
2023	90,581	173,583



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants (1)	Type of Benefits (2) 1	2	3	4	5	6	7	8	9	10	11
$1 to $1,000	1,615	412	255	11	461	32	124	51	268	-	505	26
$1,001 to $2,000	3,134	894	725	37	537	435	106	191	208	-	96	4
$2,001 to $3,000	3,120	1,606	642	71	304	279	25	110	83	-	24	1
$3,001 to $4,000	2,957	2,219	382	72	180	38	6	24	36	-	8	-
$4,001 to $5,000	3,153	2,749	224	58	90	8	1	9	14	-	1	-
$5,001 to $6,000	2,534	2,303	156	27	39	3	-	-	6	-	-	-
$6,001 to $7,000	1,959	1,813	98	12	32	2	-	-	2	-	-	-
$7,001 to $8,000	1,375	1,287	54	10	23	-	-	-	1	-	-	-
$8,001 to $9,000	867	815	32	6	14	-	-	-	-	-	-	-
$9,001 to $10,000	596	552	26	8	10	-	-	-	-	-	-	-
Over $10,000	1,181	1,095	45	11	20	4	-	3	3	-	-	-
Total	22,491	15,745	2,639	323	1,710	801	262	388	621	-	634	31

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship
8 - DRO Lifetime Annuity
9 - DRO Term Annuity
10 - Larger Annuity
11 - Larger Annuity Continuance

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits [3] 1	2	3	4	5	6	7
Medical Subsidy								
$1 to $200	551	390	34	2	38	61	14	12
$201 to $400	5,519	4,089	986	85	193	94	22	50
$401 to $600	5,468	4,783	380	40	187	44	9	25
$601 to $800	146	96	4	11	22	8	-	5
$801 to $1,000	2,009	1,751	90	41	89	23	5	10
$1,001 to $1,200	1,425	1,352	-	-	59	14	-	-
$1,201 to $1,400	88	69	-	-	17	2	-	-
$1,401 to $5,809 [1]	2,458	2,353	-	-	89	16	-	-
Total	17,664	14,883	1,494	179	694	262	50	102
Dental Subsidy								
$1 to $10	501	380	-	-	61	60	-	-
$11 to $20	2,748	2,542	-	-	135	71	-	-
$21 to $30	1,199	928	-	-	183	88	-	-
$31 to $40	1,718	1,498	-	-	176	44	-	-
$41 to $132 [2]	9,335	9,170	-	-	154	11	-	-
Total	15,501	14,518	-	-	709	274	-	-

(1) Maximum medical subsidy for plan year 2023.
(2) Maximum dental subsidy for plan year 2023.
(3) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit: Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary [1]	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary [1]	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	$ 943	$ 1,756	$ 2,514	$ 3,796	$ 4,514	$ 5,498
Average Final Monthly Salary [1]	$ 5,095	$ 6,077	$ 6,786	$ 7,656	$ 7,731	$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit [2]	$ 886	$ 1,068	$ 1,388	$ 1,521	$ 1,657	$ 2,568
Number of Continuance Benefit Added [2]	79	29	24	41	32	65
Period 7/1/16 to 6/30/17						
Average Monthly Benefit at Retirement	$ 1,076	$ 1,764	$ 2,546	$ 3,412	$ 4,789	$ 5,745
Average Final Monthly Salary [1]	$ 5,553	$ 6,326	$ 6,974	$ 7,696	$ 8,053	$ 8,204
Number of Retirees Added	105	99	104	107	263	271
Average Monthly Continuance Benefit [2]	$ 1,154	$ 1,022	$ 1,360	$ 1,949	$ 1,869	$ 2,916
Number of Continuance Benefit Added [2]	70	19	30	38	50	55
Period 7/1/17 to 6/30/18						
Average Monthly Benefit at Retirement	$ 1,291	$ 1,913	$ 2,739	$ 3,922	$ 5,037	$ 6,348
Average Final Monthly Salary [1]	$ 5,869	$ 6,707	$ 7,100	$ 7,896	$ 8,292	$ 8,758
Number of Retirees Added	115	115	136	85	247	377
Average Monthly Continuance Benefit [2]	$ 1,012	$ 1,411	$ 1,562	$ 2,076	$ 2,830	$ 3,812
Number of Continuance Benefit Added [2]	70	25	26	28	49	54
Period 7/1/18 to 6/30/19						
Average Monthly Benefit at Retirement	$ 1,003	$ 2,010	$ 2,756	$ 3,829	$ 5,395	$ 6,834
Average Final Monthly Salary [1]	$ 5,276	$ 6,613	$ 7,103	$ 7,771	$ 8,695	$ 9,219
Number of Retirees Added	123	104	147	82	277	344
Average Monthly Continuance Benefit [2]	$ 1,697	$ 1,703	$ 1,586	$ 2,655	$ 2,665	$ 4,184
Number of Continuance Benefit Added [2]	65	28	30	29	42	82
Period 7/1/19 to 6/30/20						
Average Monthly Benefit at Retirement	$ 1,049	$ 1,922	$ 3,215	$ 4,599	$ 5,825	$ 6,690
Average Final Monthly Salary [1]	$ 5,079	$ 6,449	$ 8,189	$ 9,195	$ 9,267	$ 9,073
Number of Retirees Added	123	94	142	84	192	321
Average Monthly Continuance Benefit [2]	$ 1,459	$ 1,412	$ 1,882	$ 2,219	$ 2,747	$ 4,398
Number of Continuance Benefit Added [2]	76	29	24	18	46	60

Schedule of Average Benefit Payments - Retirement Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit: Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/20 to 6/30/21						
Average Monthly Benefit at Retirement	$ 1,043	$ 2,128	$ 2,938	$ 4,205	$ 5,787	$ 6,825
Average Final Monthly Salary [1]	$ 4,804	$ 6,819	$ 7,253	$ 8,417	$ 9,198	$ 9,293
Number of Retirees Added [3]	90	184	264	271	342	937
Average Monthly Continuance Benefit [2]	$ 1,386	$ 1,261	$ 2,097	$ 2,447	$ 3,130	$ 4,861
Number of Continuance Benefit Added [2]	109	25	27	34	64	111
Period 7/1/21 to 6/30/22						
Average Monthly Benefit at Retirement	$ 979	$ 2,109	$ 3,276	$ 4,133	$ 6,026	$ 7,348
Average Final Monthly Salary [1]	$ 5,409	$ 6,847	$ 8,193	$ 8,494	$ 9,786	$ 9,999
Number of Retirees Added [3]	138	92	138	100	130	284
Average Monthly Continuance Benefit [2]	$ 1,798	$ 1,665	$ 1,895	$ 2,736	$ 3,284	$ 4,698
Number of Continuance Benefit Added [2]	116	22	34	32	48	66
Period 7/1/22 to 6/30/23						
Average Monthly Benefit at Retirement	$ 1,113	$ 2,545	$ 3,209	$ 4,654	$ 6,046	$ 8,249
Average Final Monthly Salary [1]	$ 5,934	$ 8,283	$ 8,032	$ 9,482	$ 9,861	$ 11,190
Number of Retirees Added [3]	89	66	106	115	83	177
Average Monthly Continuance Benefit [2]	$ 1,702	$ 1,376	$ 1,977	$ 2,709	$ 3,856	$ 4,645
Number of Continuance Benefit Added [2]	64	27	35	26	56	76

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Additional information for Continuance Benefit is provided starting fiscal year 2016.
(3) Large increase in fiscal year 2021 was due to increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit: Under 10 yrs [1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/13 to 6/30/14					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit: Under 10 yrs [1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/14 to 6/30/15					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	1	85	40	105	409
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	2	78	35	102	399
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 309	$ 515	$ 729	$ 926	$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 16	$ 24	$ 34	$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 411	$ 493	$ 717	$ 1,136	$ 1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 18	$ 25	$ 34	$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 547	$ 771	$ 1,082	$ 1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 5	$ 17	$ 27	$ 31	$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 716	$ 560	$ 714	$ 1,012	$ 1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 16	$ 27	$ 36	$ 37
Number of Retirees Added	4	75	113	62	539

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2013 to June 30, 2023	Years of Service Credit: Under 10 yrs (1)	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/19 to 6/30/20					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 420	$ 533	$ 752	$ 1,129	$ 1,176
Number of Retirees Added	15	92	117	73	515
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 18	$ 27	$ 35	$ 36
Number of Retirees Added	10	60	97	66	445
Period 7/1/20 to 6/30/21					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 322	$ 538	$ 694	$ 913	$ 1,244
Number of Retirees Added (2)	27	150	224	248	1,271
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 14	$ 20	$ 28	$ 34	$ 37
Number of Retirees Added (2)	15	131	201	235	1,223
Period 7/1/21 to 6/30/22					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 390	$ 623	$ 839	$ 1,134	$ 1,273
Number of Retirees Added	47	66	105	95	407
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 14	$ 20	$ 27	$ 35	$ 37
Number of Retirees Added	25	52	79	77	319
Period 7/1/22 to 6/30/23					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 358	$ 745	$ 870	$ 1,180	$ 1,339
Number of Retirees Added	56	41	89	102	266
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 17	$ 29	$ 33	$ 37
Number of Retirees Added	10	27	72	94	225

(1) Effective February 21, 2016, retiree health benefits are provided to part-time employees who retired with 10 years of service but less than 10 years of service credit. Previously, they were allowed to enroll in LACERS Health Care Plan at their own cost, but not eligible for health benefits.

(2) Large increase in fiscal year 2021 was due to increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

Direct questions concerning any of the information provided in this report to:

LACERS
Fiscal Management Division
P.O. Box 512218
Los Angeles, CA
90051-0218

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RTT 888-349-3996
FAX 213-473-7297
www.lacers.org

LACERS

BOARD Meeting: 01/23/24
Item: III - B
Attachment 2

2023
POPULAR ANNUAL FINANCIAL REPORT
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

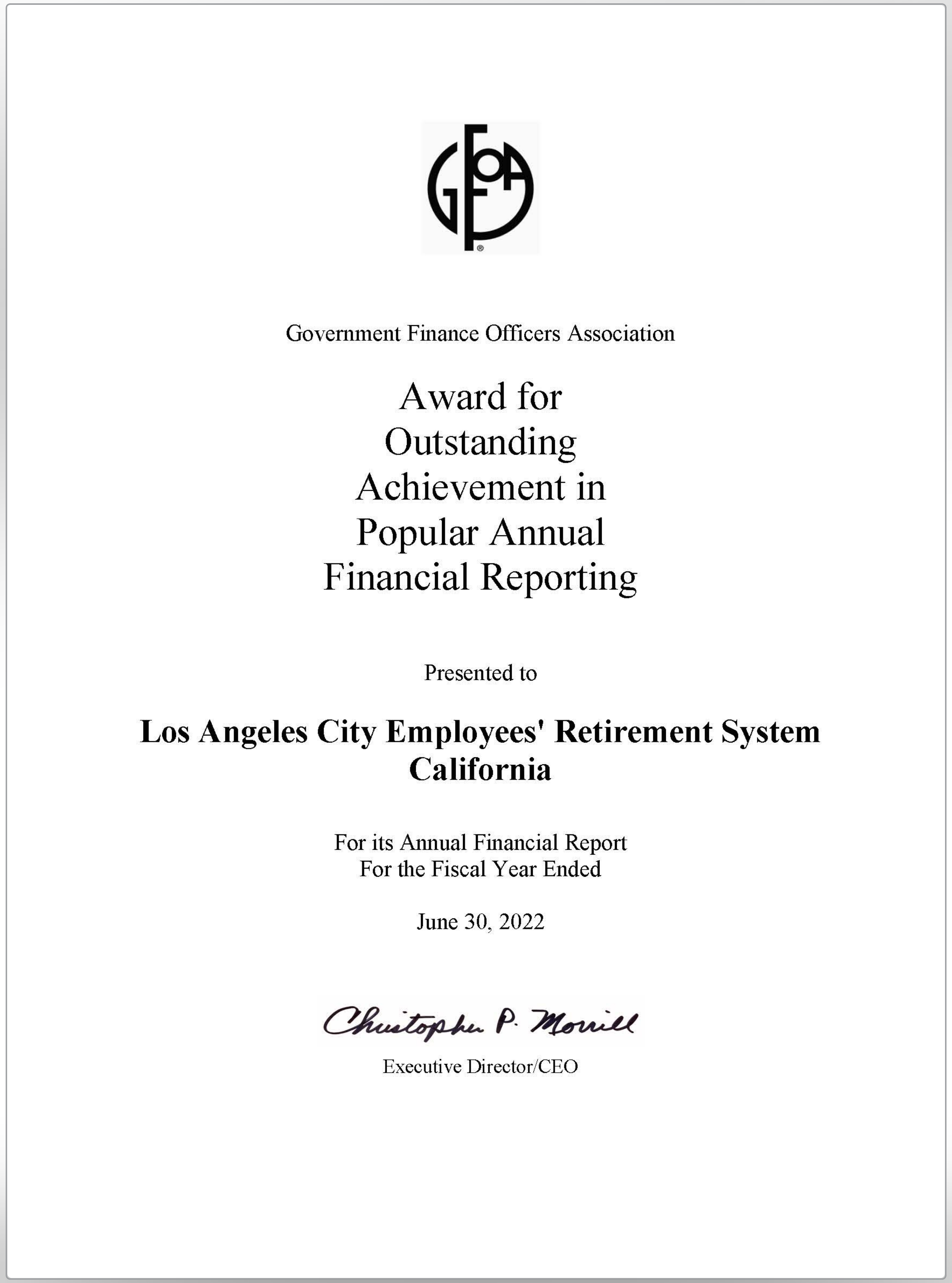
A Component Unit of the City of Los Angeles

Our Popular Annual Financial Report is a summary of the Los Angeles City Employees' Retirement System's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023

Interactive presentation and publication available online at www.lacers.org/financial-reports-and-statistics

Explore LACERS' Annual Comprehensive Financial Report data since fiscal year ended 1990 https://www.lacers.org/lacerstats

LACERS



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Los Angeles City Employees' Retirement System
California

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

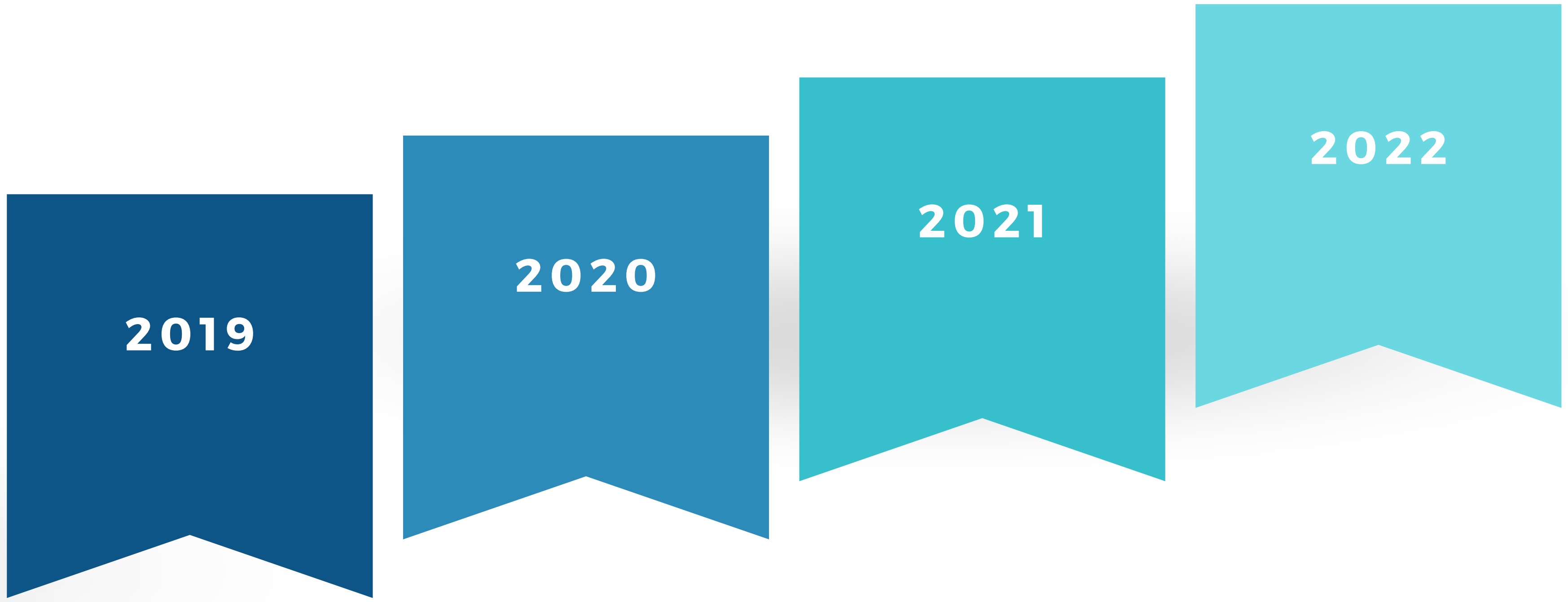
Executive Director/CEO

ABOUT POPULAR ANNUAL FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Los Angeles City Employees' Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.

Los Angeles City Employees' Retirement System has received a Popular Award for the last four consecutive years (fiscal years ended 2019-2022). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



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NEIL M. GUGLIELMO
General Manager

MESSAGE FROM THE GENERAL MANAGER

The Los Angeles City Employees' Retirement System is finally at home. After several years of identifying, purchasing and renovating, the new LACERS headquarters located on the edge of Chinatown in Los Angeles is open for business and situates us to do things a little differently, including wellness initiatives, advanced technology, remote work readiness, emergency preparedness and collaboration. But mostly LACERS new headquarters is about customer service for all City employees, and those already retired and their beneficiaries. The headquarters building is the central spot for the retirement chapter of your life, and the building and staff are ready for you.

LACERS bought the building as a home for Member services, the Board a place to meet, and for staff to have a space to perform their work. Wellness is fundamental to a healthy workforce and for all visiting LACERS headquarters which is why we prioritized Fitwel certification for our new building. Fitwel is a certification system originally created by the U.S. Centers for Disease Control which is committed to implementing a vision for a healthier future where all buildings and communities are enhanced to strengthen health and well-being. It's a program that's also about employee wellness. Fitwel gauges everything from indoor air quality policies, ergonomics, and walkability of the neighborhood to design of the pest control program. The design of this building is motivated to improve the wellness and wellbeing of staff and Members. The headquarters is also adapted to a new age of technology adopted by LACERS as we navigated the pandemic. Flexible work spaces and remote work capabilities coupled with connected collaboration spaces support the ways in which LACERS staff work from anywhere and allow us to connect with our Members everywhere. The headquarters also includes a training area where staff can plug in and learn together along with outfitted audio visual equipment.

For those Members that come to LACERS headquarters, in the reception area they have a place where they can sit down, utilize a computer, interact with staff and go into a private counseling room. And as you progress down the breezeway, there is a conference room, a large lounge area, the multi-purpose room, the boardroom, and then a furnished courtyard space at the back of the property. LACERS utilizes these spaces for Member events, for example planning for retirement, as we can scale the space along with moveable furniture and built-in wall partitions to accommodate a large group, or we could break it up into three separate spaces – a lounge area, a staff training area, and a board meeting area. The boardroom itself is setup with teleconferencing technology to support remote public access to Board meetings as well as remote participation for presenters, complimented by large screen televisions oriented to the audience to follow along.

LACERS new headquarters is built for the future and will serve as our location for many years to come. Welcome home LACERS family!

LACERS

ABOUT LACERS

MISSION

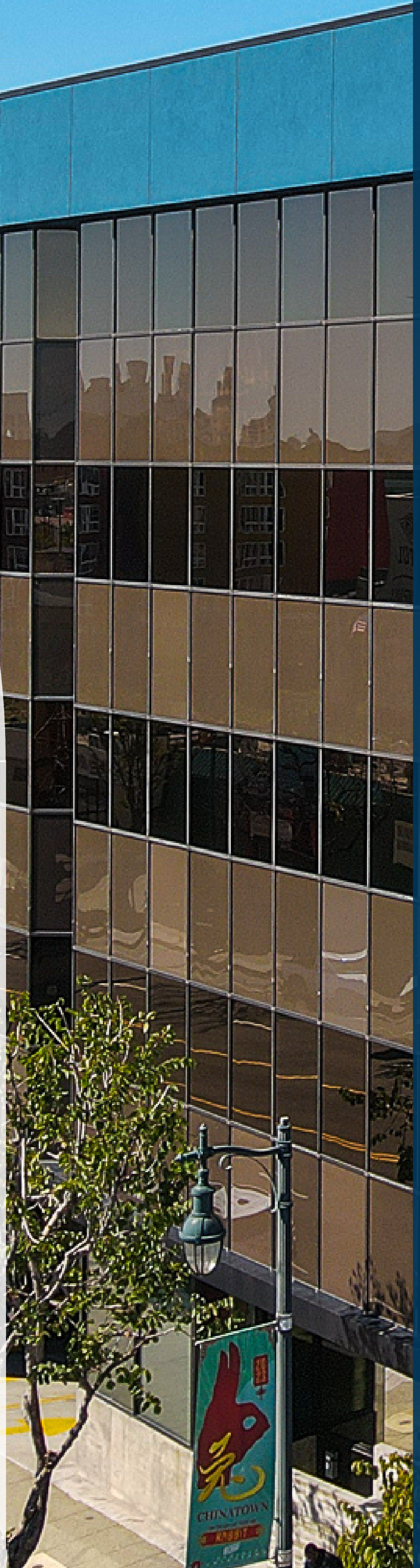
To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members

VISION

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency

GUIDING PRINCIPLES

Innovation
Kindness + Caring
Professionalism
Respect
Teamwork



86 YEARS OF SECURING YOUR TOMORROWS

In 1937, the Los Angeles City Charter established the Los Angeles City Employees' Retirement System (LACERS) as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS membership except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Our fiduciary duty to our Members ensures we prudently manage the pension fund portfolio to offset payment costs of the pension benefits and retiree health care premiums of our Members.

ABOUT OUR MEMBERSHIP

All data herein as of June 30, 2023 unless otherwise noted.

$4,592

AVERAGE MONTHLY PENSION

Change from 2014: +34.8%

59,533

TOTAL MEMBERSHIP

Change from 2014: +25.1%

$260.0

MILLION IN MEMBER CONTRIBUTIONS

Change from 2014: +27.4%

60.8

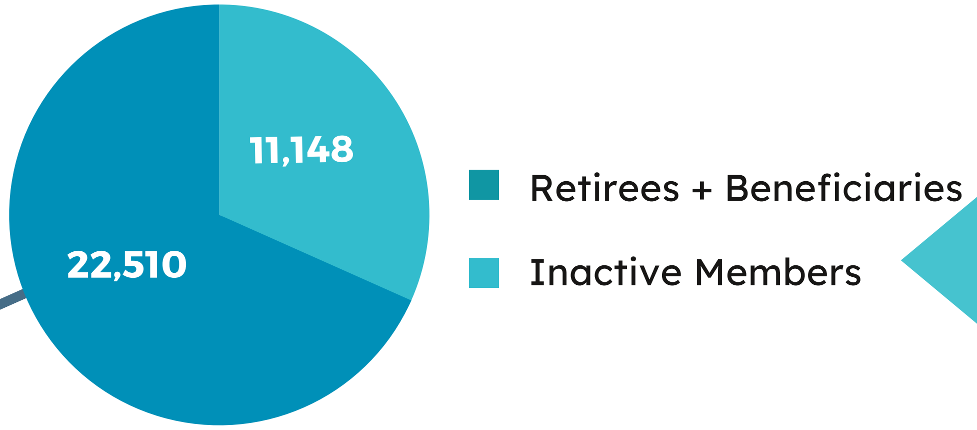
AVERAGE AGE AT RETIREMENT

Change from 2014: +1.2%

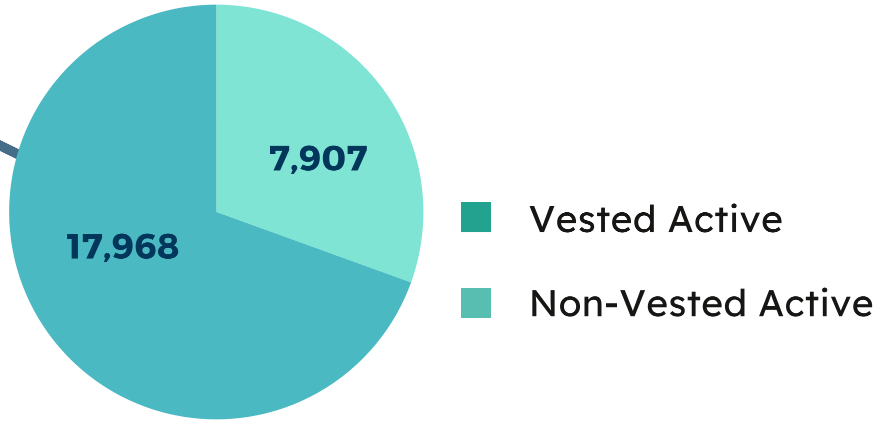
72.1

AVERAGE AGE OF RETIREE

Change from 2014: +0.4%



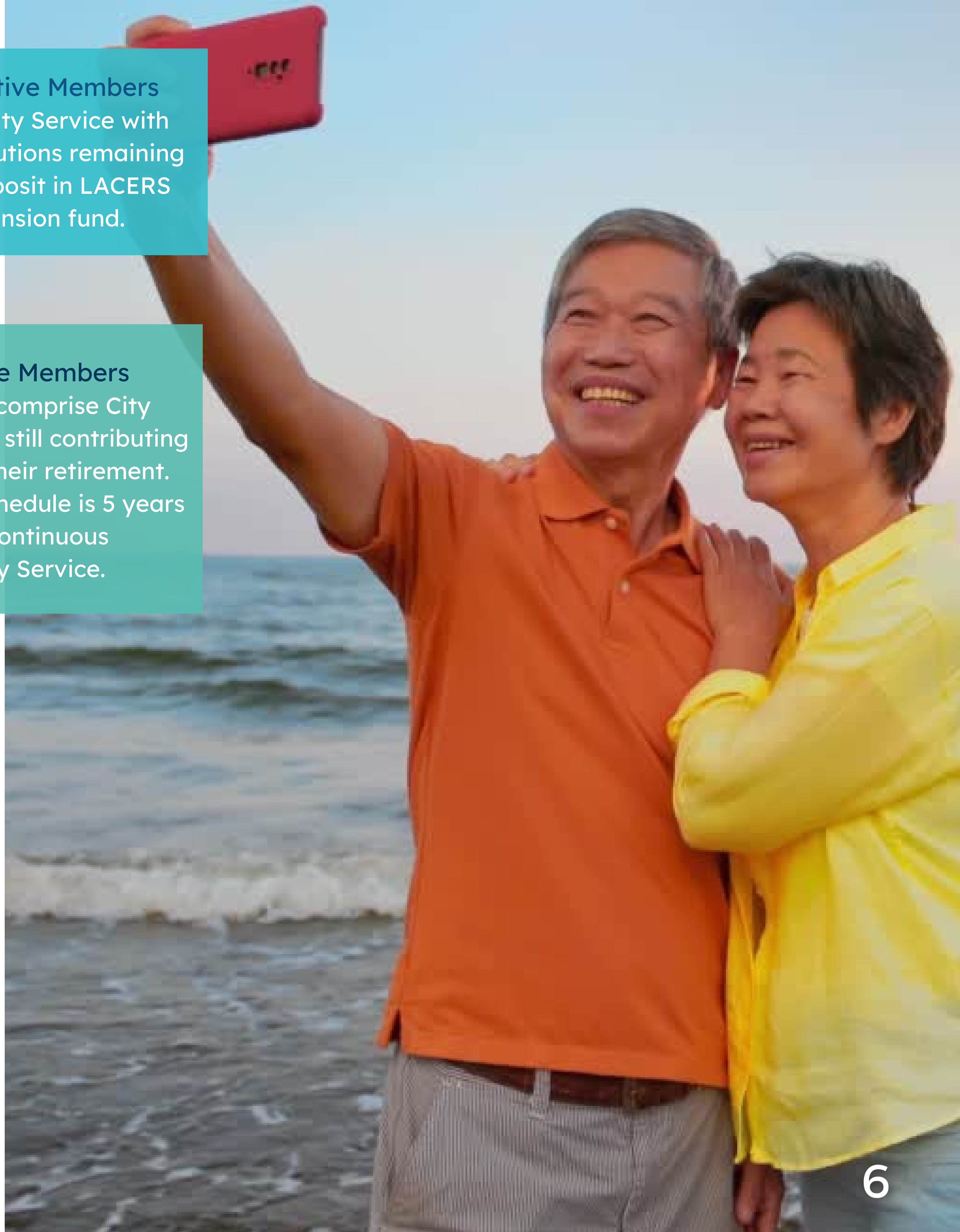
Inactive Members left City Service with contributions remaining on deposit in LACERS pension fund.



Active Members mostly comprise City Employees still contributing prior to their retirement. Vesting schedule is 5 years of continuous City Service.

LACERS is committed to providing the best experience and service for our Members by continuously improving our outreach and engagement programming and striving to ensure delivery of the retirement and health benefits is fulfilled.

Highlights of LACERS initiatives include the implementation of a Language Access Plan (LAP) to bridge the language gap and assist English Language Learners (ELL) through the development of bilingual resources while our LACERS Well program aims to reduce claim costs, minimize premium increases, and promote collaboration between health plan carriers, non-profit organizations, and other agency partners.



FIDUCIARY NET POSITION

The Fiduciary Net Position is the financial position of the System's Retirement and Postemployment Health Care Plans at fiscal year end, documenting the difference between the System's Assets (what is owned) and Liabilities (what is owed).

$ 21,589,265,113

FIDUCIARY NET POSITION

$ 1,135,161,122

NET INCREASE WITHIN THE YEAR

ALLOCATION

The total Fiduciary Net Position is allocated between the Retirement Plan and the Postemployment Health Care Plan.

84% RETIREMENT

16% HEALTH

ADDITIONS AND DEDUCTIONS

(Dollars in Thousands)

	2023	2022	2021	% Change 2023 - 2022	% Change 2022 - 2021
BEGINNING NET POSITION	$ 20,454,104	$ 22,805,320	$ 17,863,324	(10.3%)	27.7%
ADDITIONS					
City Contributions	760,019	682,928	658,408	11.3%	3.7%
Member Contributions	259,977	245,879	259,285	5.7%	(5.2%)
Insurance Premium & Reserve	14,232	14,460	11,843	(1.6%)	22.1%
Net Investment Income (Loss)	1,533,998	(1,916,529)	5,288,787	180.0%	(136.2%)
Other Income	101	37	637	173.0%	(94.2%)
TOTAL ADDITIONS	$ 2,568,327	$ (973,225)	$ 6,218,960	363.9%	(115.6%)
DEDUCTIONS					
Benefit Payments	1,385,477	1,335,124	1,228,276	3.8%	8.7%
Contribution Refunds	14,397	11,630	17,584	23.8%	(33.9%)
Administrative Expenses	33,292	31,237	31,084	6.6%	0.5%
TOTAL DEDUCTIONS	$ 1,433,166	$ 1,377,991	$ 1,276,944	4.0%	7.9%
NET INCREASE (DECREASE) WITHIN YEAR	$ 1,135,161	$ (2,351,216)	$ 4,942,016	148.3%	(147.6%)
Prior Period Adjustment	-	-	(20)	0%	100%
ENDING NET POSITION	$ 21,589,265	$ 20,454,104	$ 22,805,320	5.5%	(10.3%)

ASSETS, LIABILITIES, AND DEFERRED INFLOW

THREE YEAR COMPARISON COMBINED PLANS

(Dollars in Thousands)

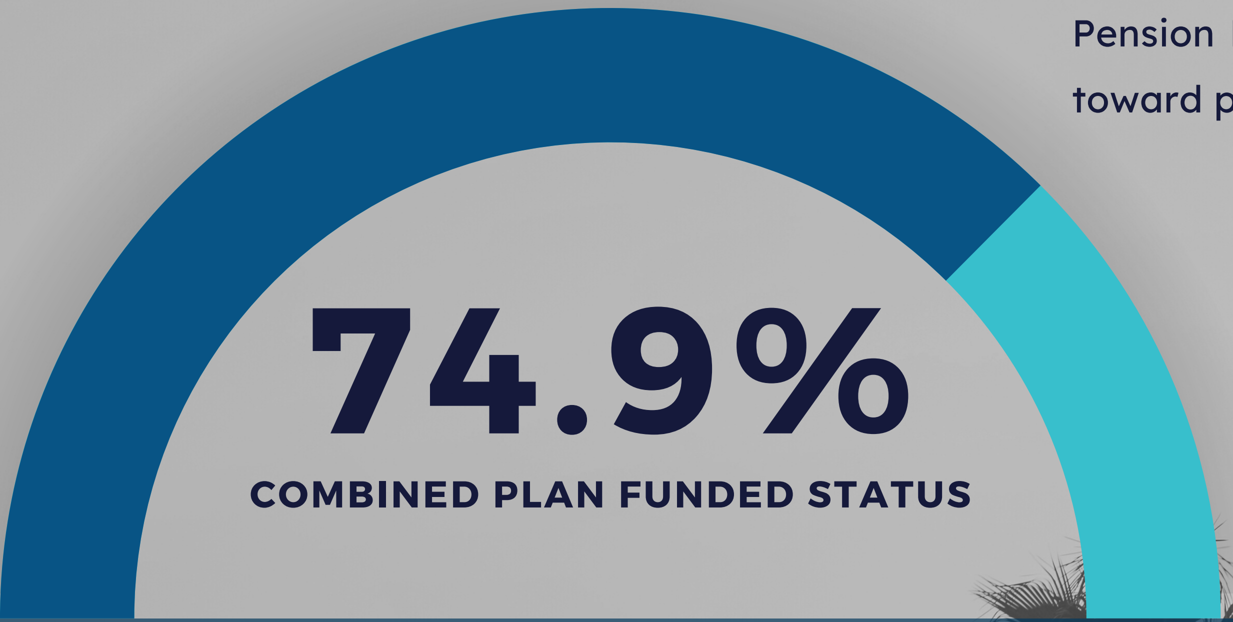
ASSETS	2023	2022	2021
Cash, Short-term Investments & Receivables	$ 623,653	$ 654,103	$ 1,306,824
Investments, at Fair Value	21,363,996	20,576,788	22,235,243
Capital Assets, Net of Depreciation & Amortization	60,727	53,305	44,475
TOTAL ASSETS	$ 22,048,376	$ 21,284,196	$ 23,586,542
LIABILITIES			
Securities Lending Collateral & Other Payables	$ 458,350	$ 829,521	$ 780,624
DEFERRED INFLOW	$ 761	$ 571	$ 598
FIDUCIARY NET POSITION	$ 21,589,265	$ 20,454,104	$ 22,805,320

2023 RETIREMENT AND HEALTH PLANS

(Dollars in Thousands)

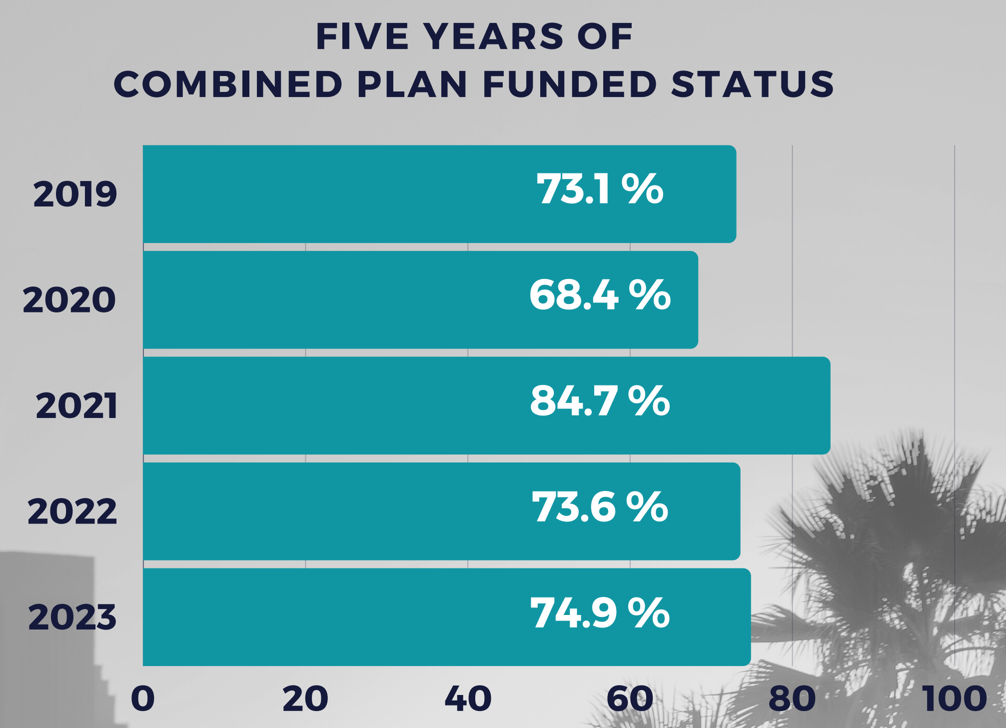
ASSETS	2023 Retirement	2023 Health	2023 Total
Cash, Short-term Investments & Receivables	$ 521,381	$ 102,272	$ 623,653
Investments, at Fair Value	17,860,552	3,503,444	21,363,996
Capital Assets, Net of Depreciation & Amortization	50,768	9,959	60,727
TOTAL ASSETS	$ 18,432,701	$ 3,615,675	$ 22,048,376
LIABILITIES			
Securities Lending Collateral & Other Payables	$ 383,186	$ 75,164	$ 458,350
DEFERRED INFLOW	$ 636	$ 125	$ 761
FIDUCIARY NET POSITION	$ 18,048,879	$ 3,540,386	$ 21,589,265

FUNDED STATUS



WHAT IS THE COMBINED FUNDED STATUS OF THE PLAN?

The Combined Funded Status is the ratio of the System's Fiduciary Net Position to Total Pension Liability. This funding ratio represents the percentage of Plan Assets available toward paying expected benefit obligations of LACERS Members.

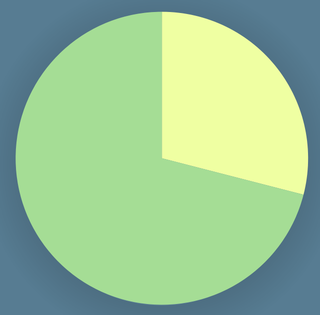


ABOUT THE RETIREMENT PLAN

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits. The Retirement Plan covers all civilian and certain segments of sworn employees of the City who are not covered by other City retirement agencies. Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts.

ABOUT THE HEALTH PLAN

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



71.0%

RETIREMENT PLAN FUNDED STATUS

104.0%

HEALTH PLAN FUNDED STATUS

INVESTMENT PORTFOLIO

ANNUALIZED RATES OF RETURN (GROSS OF FEES)

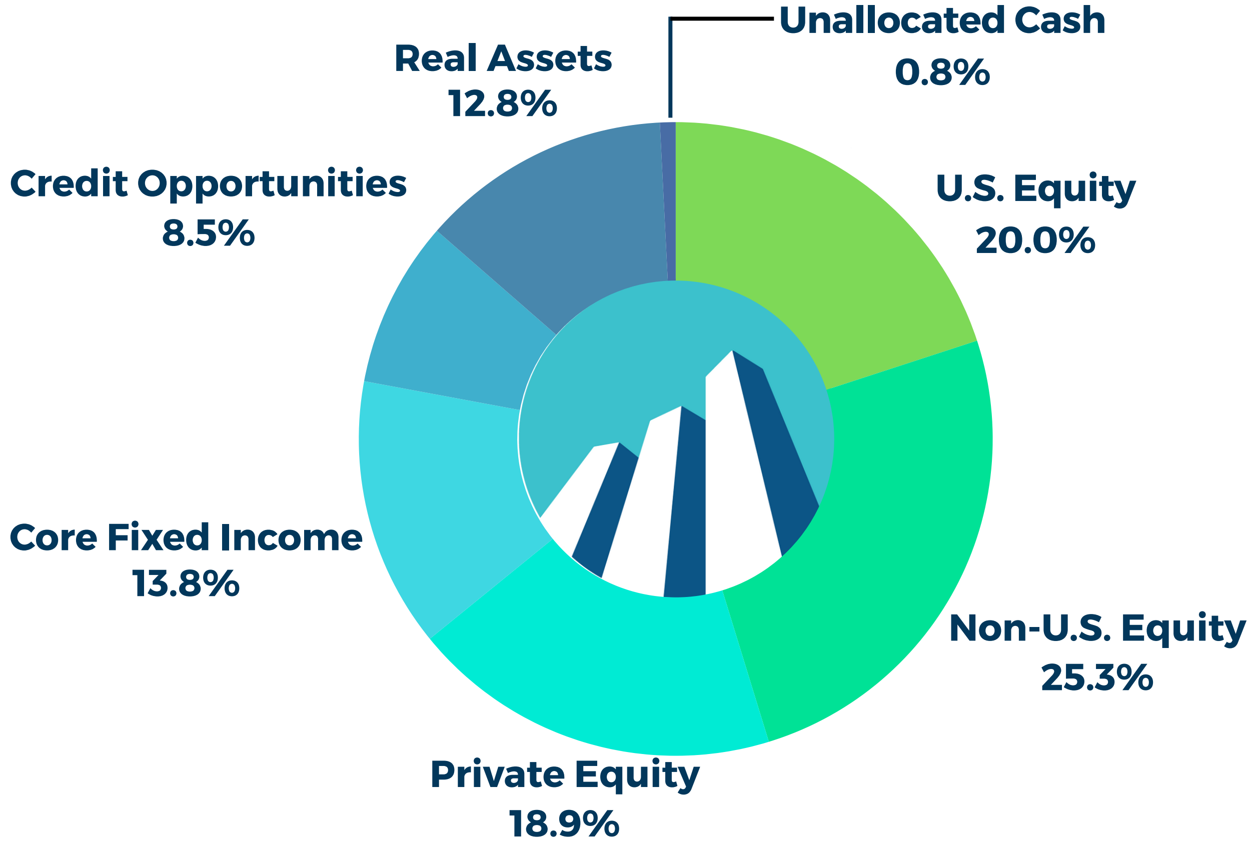
	1 YR (%)	3 YR (%)	5 YR (%)
LACERS TOTAL FUND	**6. 93**	**8.79**	**6.71**
LACERS POLICY BENCHMARK	5.78	7.04	6.41

RODNEY JUNE
Chief Investment Officer

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

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

ACTUAL ASSET ALLOCATION[1]



1. The percentages are on a market value basis. Due to rounding errors, the percentages may not sum to exactly 100%.

HOW DID OUR INVESTMENT PORTFOLIO DO?

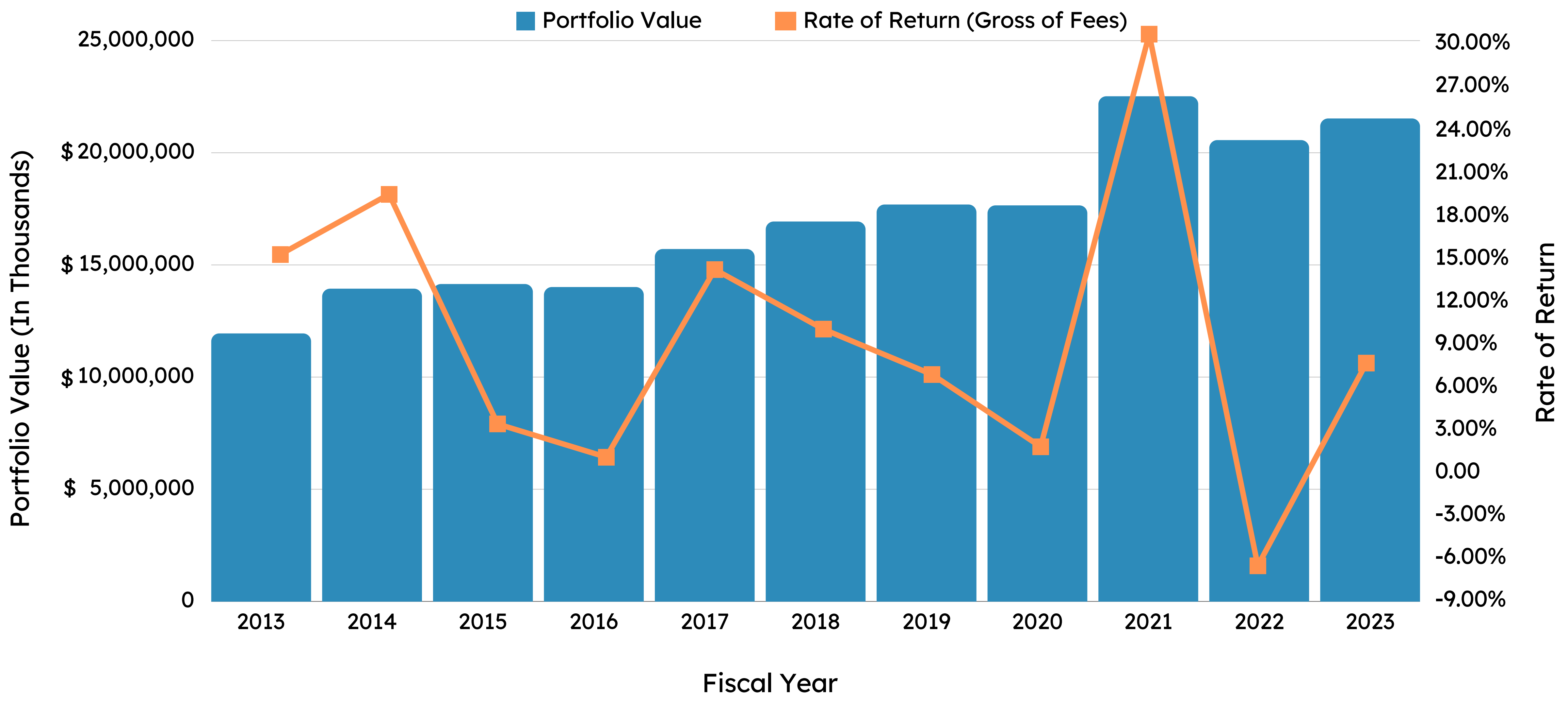
The total portfolio outperformed its policy benchmark by 115 basis points (gross of fees) for the fiscal year, with all of the major asset classes outperforming their respective benchmarks, with the lone exception of U.S. Equity which underperformed its benchmark by just 15 basis points.

$ 21,529,316,000

TOTAL INVESTMENT PORTFOLIO VALUE

PORTFOLIO VALUE RATE OF RETURN

(Gross of Fees) Compared to Total Portfolio Value for ten fiscal years all ending on June 30. Dollars in Thousands.



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

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

LACERS

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Dale Wong-Nguyen
Assistant General Manager

Rod June
Chief Investment Officer

Jo Ann Peralta
Department Chief Accountant

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Ferralyn Sneed, Chief Benefits Analyst

MEETING: JANUARY 23, 2024
ITEM: V - A

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF LATONYA DAWSON AND POSSIBLE BOARD ACTION**

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

Recommendation

That pursuant to Los Angeles Administrative Code § 4.1008(b), the Board approve the disability retirement application for LaTonya Dawson based on her claimed disabling conditions and the supporting medical evidence contained in the administrative record, which includes reports by three licensed, practicing physicians.

Background

LaTonya Dawson (Applicant) is a Security Officer in the Department of Los Angeles World Airports (LAWA) with 16.34845 years of City Service. The Applicant applied for disability retirement on November 10, 2022, within one year of her last day on active payroll, in compliance with Los Angeles Administrative Code § 4.1008(a).

The Applicant's last day on active payroll was October 25, 2022. If approved, the Applicant's retirement effective date will be October 26, 2022.

Accommodation

Because Physicians 1 and 2 opined the Applicant is disabled with no form of accommodation that would allow the Applicant to return to work, no inquiries were made with the employing department.

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately $2,096.00 per month, and a retroactive payment covering approximately 16 months in an estimated amount of $33,536.00.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division
Lady Y. Smith, Senior Benefits Analyst, Retirement Services Division

FS:LYS:cr
Attachment: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR LATONYA DAWSON

PROPOSED RESOLUTION

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 LaTonya Dawson is unable to perform her usual and customary duties as a Security Officer 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 LaTonya Dawson is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing her duties as a Security Officer;

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 LaTonya Dawson based upon her claimed disabling condition.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Ferralyn Sneed, Chief Benefits Analyst

MEETING: JANUARY 23, 2024
ITEM: V - B

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF MICHAEL WARD AND POSSIBLE BOARD ACTION**

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

Recommendation

That pursuant to Los Angeles Administrative Code § 4.1008(b), the Board approve the disability retirement application for Michael Ward based on his claimed disabling conditions and the supporting medical evidence contained in the administrative record, which includes reports by three licensed, practicing physicians.

Background

Michael Ward (Applicant) was a Polygraph Examiner in the Police Department with 10.36092 years of City Service. The Applicant applied for disability retirement on May 9, 2022, within one year of his last day on active payroll, in compliance with Los Angeles Administrative Code § 4.1008(a).

The Applicant's last day on active payroll was May 11, 2021. If approved, the Applicant's retirement effective date will be May 12, 2021.

Accommodation

Because Physician 1 opined the Applicant is disabled with no form of accommodation that would allow the Applicant to return to work, no inquiries were made with the employing department.

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately $3,377.00 per month, and a retroactive payment covering approximately 31 months in an estimated amount of $104,700.00.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division
Lady Y. Smith, Senior Benefits Analyst, Retirement Services Division

FS:LYS:cr
Attachment: Proposed Resolution

BOARD Meeting: 1/23/24
Item: V - B
Attachment 1

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR MICHAEL WARD

PROPOSED RESOLUTION

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 Michael Ward is unable to perform his usual and customary duties as a Polygraph Examiner 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 Michael Ward is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing his duties as a Polygraph Examiner;

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 Michael Ward based upon his claimed disabling condition.

REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee
Janna Sidley, Chair
Sung Won Sohn
Michael R. Wilkinson

MEETING: JANUARY 23, 2024
ITEM: VI-A

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 1.2 BOARD EDUCATION AND TRAVEL POLICY AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Consider the discussion and recommendations of the Governance Committee (Committee) from the November 28, 2023, meeting as they relate to International Travel Approvals, Education and Travel Budgeting, and Pre-approved Seminars;

2. Provide any additional guidance to staff in these three policy areas; and,

3. Direct staff to present a single comprehensive proposed update to the LACERS Board Education and Travel Policy to the Committee for their review, prior to being brought before the Board for final consideration and approval.

Executive Summary

The Board reviews Governance and Administrative policies on a triennial basis. Staff now brings to the Board for its consideration those revisions proposed at Committee to Article II, Section 1.2 Board Education and Travel Policy (Policy) on November 28, 2023. These revisions to the Policy are not comprehensive, rather they are focused on International Travel Approvals, Education and Travel Budgeting, and Pre-approved Seminars.

Discussion

On November 28, 2023, the Committee considered three specific policy topic areas within the Board Education and Travel Policy that were discussed at prior meetings; however, the Committee had not made any final recommendations. During its meeting, the Committee discussed three distinct policy areas; International Travel Approvals, Education and Travel Budgeting, and Pre-approved Seminars.

The Committee's discussions and actions are summarized below:

1. International Travel Approval Process: Discussion began with the question, should international travel for Board members continue to be approved differently than domestic travel, requiring approval by the full Board? However, as discussion continued, there was also focus on whether international travel for Board members is an appropriate expense for LACERS Commissioners to incur as fiduciaries of the Fund.

   Committee Member Sohn moved to keep the international travel policy requirement of approval by the Board as written and the Committee adopted this motion 2 to 1 with Committee Member Wilkinson dissenting.

2. Education and Travel Budgeting: The question was whether the current annual education and travel budget of $10,000 per Board member was still sufficient or if it needed adjustment for inflation. Also discussed was what happens when that budget is exceeded. The staff report indicated that the overall education and travel expenditures for the Board over the past four years have been well under the policy limit, and that a change in policy in 2020 removed the costs of the Wharton School programs from counting towards this $10,000 budget, thus providing additional budgetary headroom for Commissioners.

   Committee Member Wilkinson moved to keep the education and travel budget per Commissioner at $10,000 per fiscal year and the Committee adopted this motion 2 to 1 with Committee Member Sohn dissenting.

   Committee Member Wilkinson also moved to keep the process for approving education and travel costs over $10,000 per Commissioner per fiscal year as currently established and the Committee adopted this motion 3 to 0. Currently, expenditures exceeding the allocation require approval by the Board.

3. Pre-Approved Seminars: The Committee discussed who should approve education requests that are not on the Pre-Approved List of seminars. The current policy requires all such requests to be brought before the Board for approval. In addition, the Committee discussed whether estimated registration costs should be reflected on the Pre-Approved List of seminars.

   Committee Member Sohn moved to assign the General Manager review and approval of all education requests that are not on the Pre-Approved List, but the Committee did not adopt this motion 1 to 2 with Committee Member Wilkinson and Committee Chair Sidley dissenting.

   Committee Member Wilkinson subsequently moved to include registration costs on the Pre-Approved List of seminars and the Committee adopted this motion 3 to 0.

   The Committee and staff discussed changing the process for potential additions and deletions to the annual Pre-Approved List. It was discussed that staff could issue a formal annual solicitation to Commissioners asking for possible additions or deletions to the Pre-Approved List for the coming year including written course descriptions and registration costs for each proposed seminar. Staff then would include this information in a report to be brought before the Board for its consideration and approval of the changes.

This discussion and the adopted motions by the Committee from November 28, 2023, are now being brought before the Board for further input and deliberation. Once the Board acts staff will then compile all of the recommendations received by the Board and Committee into a single proposed update to the LACERS Board Education and Travel Policy for final review by the Committee prior to bringing it to the Board for final consideration and adoption.

Strategic Plan Impact Statement

The triennial review of the Board Governance and Administrative Policies meets the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/EA:jk

Attachment: Report to Governance Committee Dated November 28, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

BOARD Meeting: 01/23/24
Item: VI - A
Attachment 1

REPORT TO GOVERNANCE COMMITTEE **MEETING: NOVEMBER 28, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: III**

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 1.2 BOARD EDUCATION AND TRAVEL POLICY AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

1. That the Governance Committee (Committee) provide direction to LACERS staff on desired updates to the LACERS Board Education and Travel Policy as it relates to International Travel Approvals, Education and Travel Budgeting, and Pre-approved Seminars; and,

2. Direct LACERS staff to present a single proposed update to the LACERS Board Education and Travel Policy for final review by the Committee before submitting it to the Board for final consideration and adoption.

Executive Summary

At its September 26, 2023 meeting, the Committee identified three policy topic areas for further discussion before completing review of the LACERS Board Education and Travel Policy.

Those policy topic areas and requests were as follows:

1. International Travel Approvals: Should international travel continue to be approved differently than domestic travel?
2. Board Education and Travel Budget: Is the current $10,000 annual education and travel budget per trustee adequate, or should it be increased? What happens when that budget is exceeded?
3. Listing of Pre-approved Seminars With Costs: For reference, registration costs have been reflected in the current year pre-approved list as Attachment 2.

Discussion

This discussion continues ongoing discussions of the LACERS Board Education and Travel Policy that have transpired at Committee over the past several months.

International Travel Approvals

The topic of international travel approvals came up early in the general review of the Board Education and Travel Policy, but no final direction was issued at that time. Currently all international travel requires explicit Board approval regardless of cost, and trustees are limited to one conference that involves international travel in any 12-month period. This topic is returning so the Committee can issue a formal direction in this regard. Queries to LACERA and OCERS found that both systems require all international travel requests to go before their boards for approval.

Board Education and Travel Budget

Staff reached out to LACERA, OCERS, and LAFPP and found that none of these pension systems set a budget amount per trustee, but simply appropriate through their budgetary processes a lump sum amount estimated to cover all such expenses anticipated in the upcoming year.

We can trace LACERS' currently established Board education and travel annual budget of $10,000 per trustee as far back as 2014, but then in 2020 there was a policy update that removed the costs of the Portfolio Concepts and Management Program through the Wharton School from being counted against that annual budget allocation, thus providing additional budgetary headroom for Commissioners. Costs have risen since 2014 or even since 2020, and recently staff have observed that the cost of organizational memberships have increased over the past few years almost across the board.

LACERS' current policy states that Board education and travel costs that exceed their annual allocation "shall be the personal responsibility of the Board Member unless the Board approves additional travel and budget allocation prior to the conference." The process to receive Board approval would require a Board action to transfer another Board Member's unused allocation or to increase the total allocation and funding to cover the travel overage. A staff report spelling out the need of the requesting Commissioner together with the conference information and travel costs would be required.

For reference, presented below are the education and travel expenditure budgets for the past four years:

Board Travel & Education	Budget	Actual Year-End Expenditure	
		Amount	Budget %
FY2019-20	$ 20,600	$ 20,650	100.2%
FY2020-21*	$ 30,000	$ 9,435	31.5%
FY2021-22	$ 34,220	$ 10,343	30.2%
FY2022-23	$ 44,220	$ 26,816	60.6%

*NOTE: In FY21, since all travel was suspended due to the pandemic, there were no travel expenditures incurred during this fiscal year. However, more virtual training and conferences have become available and participated in by Board Members.

Typically the Board has not exceeded the budgeted amount for travel, even with the amount budgeted being far below the $70,000 that would be needed if all Board Members were to use their full allotment.

Pre-Approved Seminars List

On the question of how other pension plans present their pre-approved list of seminars (with costs or without costs), none of them present the individual seminar costs on any list contained within their policy documents, but may present the detail of their anticipated costs each fiscal year within their annual budgets. An illustration of the LACERS' proposed list of pre-approved seminars with the seminar costs included has been attached for reference, though some costs are not available at this time.

Staff is now seeking direction from the Committee on these topic areas and any other topic areas of interest. The feedback received will be compiled and incorporated into a final proposed amendment to the Board Education and Travel Policy to be brought before the Committee for final review before being taken to the Board for final approval. Attached for reference purposes is the current revision of the Board Education and Travel Policy with the sections pertinent to today's discussion highlighted for ease of reference.

Strategic Plan Impact Statement

The triennial review of the Board Governance and Administrative Policies meets the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/EA:jk

Attachment: 1.) Article II, Section 1.2 Board Education and Travel Policy
2.) Illustration of Proposed List of Seminars with Costs Included

1.2 BOARD EDUCATION AND TRAVEL POLICY

Adopted: May 26, 2009; Revised: June 22, 2010; December 13, 2011; March 11, 2014; September 23, 2014; February 12, 2019; January 14, 2020

I. STATEMENT OF PURPOSE

Los Angeles City Charter Section 1106(c), consistent with Article XVI, Section 17 of the California Constitution requires the Board to exercise a *Prudent Person Standard*, discharging their duties with respect to its system, with care, skill, prudence, and diligence. It is imperative that LACERS Board Members maintain a broad and current understanding of issues affecting the administration of public pension systems to fulfill their fiduciary duties. This policy recognizes and affirms the role of education in ensuring Trustees have the knowledge to successfully discharge their duties as fiduciaries.

The Board establishes a standard of a minimum of 24 hours of Board Member education within the first two years of assuming office and for every subsequent two-year period in which the Board Members continue to hold membership on the Board. A report detailing the training and education received by the respective Board Members during the two-year periods will be published on the LACERS website.

II. EDUCATIONAL OBJECTIVES

This policy defines a *Prudent Person Standard* for Trustees as a general understanding of:

A. The role of the Board Members and the role of staff
B. The obligations and role of fiduciary and the paramount duties of loyalty and prudence
C. The business model (including knowledge of true measure of success, the driving factors that determine success and the major business risks associated with public pension systems; namely, in the areas of investments and benefit administration).
D. Governance principles
E. The legal and legislative environment
F. Actuarial principles
G. Plan design and other benefit program
H. Investment and asset allocation strategies

III. NEW TRUSTEE ORIENTATION PROGRAM

To ensure that newly appointed and elected LACERS Board Members are securely grounded in their role as fiduciaries at the outset of assuming such an important responsibility, each shall participate in the New Trustee Orientation Program which offers critical background information and education on the Board's governance responsibilities, the knowledge of which is essential for the fullest possible engagement of each Board Member in every aspect of pension fund management.

The structure of the orientation will generally be as follows:

A. Day 1
   Morning
   1. History and overview of LACERS
   2. Fiduciary Responsibility
   3. Ethics Training

   Afternoon
   1. Board Governance

2. Benefits and Services
3. Actuarial Concepts

B. Day 2
1. Investment Concepts
2. Operations
3. Legal Representation and Law
4. Current Topics for LACERS
5. Tour of the offices and boardroom

IV. IN-HOUSE EDUCATION PROGRAM

To provide updates on various issues affecting the administration of public pension systems, in-house education sessions will occur periodically at regular Board meetings or organized as stand-alone sessions. The General Manager will arrange in-house training for the Board based on the schedule below and as-needed:

A. Mentoring

Any new Board Member may request a mentor to assist him or her in becoming familiar with his or her responsibilities on the Board. If a request is made, the Board President will designate an experienced Board Member to be a mentor to the new Board Member for a period of one year.

B. Investment Education

At least once per fiscal year, an investment educational session for all Board Members shall be conducted. The General Manager shall survey the Board to identify specific investment topics of interest.

C. Fiduciary Education Sessions by Fiduciary Counsel

Each year, outside Fiduciary Counsel will provide fiduciary education to the Board.

D. Actuarial Education

Each year, an actuarial education session will be provided to the Board.

E. Healthcare Benefits Education

Each year, a healthcare benefits education session will be provided to the Board.

F. Retirement Benefits

Each year, an update of the issues regarding retirement benefits will be provided to the Board.

G. Ethics Training

Board Members are required to participate or attend the City's Ethics training during the first year of appointment and then once every two years. Refresher ethics training will be provided to the Board annually.

H. Other As-needed Topics

Staff will periodically coordinate educational sessions for the Board on topics of general interest or topics that Board Members may request.

V. EDUCATIONAL CONFERENCES/SEMINARS

The complexities of sound management of the assets and liabilities of a trust fund impose

Section 1.0 GUIDANCE FOR BOARD MEMBERS

a continuing need for all Members of the LACERS Board to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties.

A. Annual Approved List of Educational Seminars

At the beginning of each fiscal year, the General Manager shall prepare for Board adoption a list of recommended conferences, seminars and meetings (Appendix A). The list shall identify recommended conferences for new trustees, and make a concerted effort to reflect educational opportunities at Southern California universities available for pension trust fiduciaries.

Board Members are encouraged to attend a minimum of one educational conference or seminar per fiscal year from this list.

The General Manager will prepare an annual blanket authority for Board approval for conferences included in the Approved List of Educational Seminars.

Every Board Member’s participation in a pre-approved conference shall be noticed on the Board agenda following submission of the Board Travel request.

B. Travel Requiring Explicit Board Approval

Subject to explicit approval of the Board for each conference, the requesting Board Member shall provide appropriate justification to the Board for consideration of:

1. Requests to travel to conferences outside the List of Educational Seminars (Appendix A) will be submitted to the Board for approval, so long as the trustee’s education allocation is not exceeded.
2. Requests for travel outside the United States.

C. Travel Outside the United States

All conferences and seminars which involve travel to a destination outside the United States must be approved by the Board. Each Board Member may attend no more than one conference which involves international travel in any 12-month period.

D. Travel to Washington D.C. or Sacramento

The Mayor requires notification of any travel to Washington D.C. or Sacramento. Staff will process the appropriate forms on behalf of the Trustees.

E. Conference Invitations Received by a Board Member

To provide all the Trustees with the same conference and seminar opportunities, the individual Board Member shall forward invitations they receive to a conference or seminar, to the General Manager or the Board Executive Assistant. LACERS will consult with the Office of the City Attorney or the City Ethics Commission for compliance with gift and disclosure requirements. If the conference or seminar clears the ethics compliance process, the Board Executive Assistant shall disseminate the conference or seminar invitation to all Board Members.

F. This section is intentionally left blank.

G. Board Education and Travel Limitations

Board Member travel shall adhere to the following guidelines:

- Board Members shall attend conferences or seminars that have a solid reputation for quality program content. (see Appendix A); i.e., agendas with a minimum of five hours of substantive educational content. Content shall not be geared toward marketing or the promotion of investment management and related sponsors. Topics covered during the conference or seminar must be related to the pension fund industry.
- The Board education travel budget per Trustee shall not exceed $10,000 per fiscal year for conference fees and travel expenses. Expenses which exceed this annual allocation shall be the personal responsibility of the Board Member unless the Board approves additional travel and budget allocation prior to the conference. Expenses related to the Portfolio Concepts and Management Program offered by the International Foundation of Employee Benefits Plans in partnership with the Wharton School of the University of Pennsylvania (Wharton Executive Education: Investment Management Courses) shall not be counted as part of a Trustee's allotment of the $10,000 per fiscal year. These courses shall be made available to new Trustees within the first two years of their service, as practicable.
- Board Members shall provide notification to the Board Executive Assistant of their interest to attend a conference or seminar at least sixty (60) days prior to the travel date.

H. Reports to the Board

1. Quarterly Travel Expenditure Report

   An educational travel expenditure report shall be provided to the Board on a quarterly basis, covering cumulative Board Member and staff travel for the fiscal year.

2. Monthly Report on Seminars and Conferences Attended by Board Members on Behalf of LACERS

   There may be occasions where a Board Member attends seminars or conferences 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.* Since there is no expense incurred to LACERS, these seminars or conferences do not require Board approval. However, for the purpose of transparency and to avoid the appearance of impropriety, Board Members are required to report to the Board, on a monthly basis at the last Board meeting of each month, such conferences or seminars attended. Monthly reports will include conferences or seminars attended during the period preceding the said Board meeting.

   **Please consult the City Ethics Commission for gift reporting limitations and reporting requirements.*

I. Meeting for Business Purpose in Compliance with the Ralph M. Brown Act

In accordance with the Ralph M. Brown Act, a quorum comprising of majority of the members of the LACERS' Board or Committee to hear, discuss, or deliberate upon any matter which is under the subject matter jurisdiction of LACERS are meetings subject to the Brown Act. Board Members must be cognizant of this requirement and avoid discussing LACERS' business when in meetings or discussions with other Members of the Board.

VI. TRAVEL EXPENSE REIMBURSEMENT POLICIES

A. The LACERS Board of Administration has full authority over the trust fund expenditures including the payment of all education and related travel expenditures which it deems reasonable and appropriate for the conduct of official LACERS business.

The Office of the City Attorney has affirmed the LACERS Board's plenary authority and fiduciary responsibility for investment of trust assets and administration of the System as codified in the California Constitution (Section 17 of Article 16). The position is further strengthened by the Los Angeles City Charter §1110(b): "The board of each pension and retirement system shall have control over their respective funds. Transfers or expenditures shall be drawn upon funds only upon demands signed by the chief accounting employee of the board. All payments from the funds shall be made upon demands prepared and approved in accordance with the provisions of the Charter."

The City's travel policies as set forth in Division 4, Chapter 5, Article 4 of the Los Angeles Administrative Code (LAAC) provide the definitions, parameters, and guidance for the majority of travel circumstances encountered for LACERS travel and will be referenced as LACERS primary travel policy. LACERS departmental travel expense reimbursement policy is meant to be in compliance with the LAAC travel and augment the policy to facilitate LACERS business. LACERS travel reimbursement policy establishes standards of reasonableness, appropriateness, and necessity for the conduct of LACERS business, and applies to all travel expenditures paid by LACERS. Expenditures which are certified as to reasonableness and appropriateness by the Department Head are to be paid by the City Controller upon demand. The Board authorizes by resolution, authority to certify travel expenditures as required by the LAAC, to the Board President for Board Member and General Manager travels; the Board Vice President for Board President travel; and the General Manager for staff, City Attorney-Retirement Benefit Office counsel, and consultant travel.

LACERS acknowledges the Los Angeles City Controller's Travel Policy applies to most other City departments. However, LACERS Board and its designees retain their plenary authority to approve all education and related travel expenditures which are reasonable and appropriate for the conduct of official LACERS business. LACERS will consider the Controller's Travel Policy and will incorporate similar rules if appropriate.

B. Reimbursable Expenses

LACERS Travelers are entitled to reimbursement of travel expenses when on official LACERS business, including reimbursement of all transportation costs, registration or attendance fees, subsistence costs and other costs reasonably and necessarily incurred on official business, subject to the guidelines outlined in this policy and in compliance with the Internal Revenue Service accountable plan rules for travel reimbursements.

A list of reimbursable expenses is included in Appendix B, which includes a summary of allowable reimbursements under the LAAC and the corresponding LACERS policy establishing standards for reasonableness, appropriateness, and necessity.

C. Non-Reimbursable Expenses
Expenditures which are incurred by a Board Member or staff that are not substantive to LACERS' business will not be reimbursed by LACERS. A list of non-reimbursable travel expenses is included in Appendix B.

D. Event Participation Report
Whenever a Trustee attends a conference or other event at the expense of the Fund, it shall be his or her responsibility to complete the Board Members Education Evaluation Form (Appendix D) and to provide the Board information on concerns with the event, which they believe are of significance to the System. The evaluation form must be submitted with the request for reimbursement of expenses associated with each conference attended. A reimbursement will not be made without a completed evaluation form.

E. Travel Activity Summary
Upon the close of the fiscal year, the General Manager shall report to the Board on Trustee (along with staff) travel expenditures throughout that year.

VII. APPENDICES

A. Appendix A – List of Educational Seminar Schedule
B. Appendix B – LACERS Travel Expense Reimbursement Policy
C. Appendix C – Board Travel Reimbursement Checklist
D. Appendix D – LACERS' Board Member Education Evaluation Form

Section 1.0 GUIDANCE FOR BOARD MEMBERS

APPENDIX A
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
LIST OF EDUCATIONAL SEMINARS – FISCAL YEAR 2022-23

Revised: June 28, 2022

*****Local Conference*

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION: TRUSTEE RATING (Rate seminar with: *A* *Excellent*; *B* *Very Good*; *C* *Good*; *D* *Not Beneficial*)		LEVEL (▪ *Introductory* ▪ *Intermediate* ▪ *Advanced*)
California Association of Public Retirement Systems (**CALAPRS**) – General Assembly ▪ March 4, 2023 (Monterey, CA)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A**	(Sohn, 2016) (Wilkinson 2018, 2021) (Chao, Sohn 2020)	Intermediate
CALAPRS – Principles of Pension Governance For Trustees ▪ August 29-September 1, 2022 (TBD)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A**	(Serrano, Wilkinson 2015)	Intermediate
CALAPRS – Advanced Principles of Pension Management For Trustees ▪ TBD	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning			
CALAPRS – Trustees' Roundtable ▪ October 28, 2022 (Virtual)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**B**	(Chao, 2016)	Intermediate
Council of Institutional Investors (**CII**) – Conferences ▪ **Fall Conference:** September 21-23, 2022 (Boston, MA) ▪ **Spring Conference:** March 6-8, 2023 (Washington, D.C.)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A** **B**	(Chao, 2017) (Wilkinson 2015)	Intermediate Advanced

Section 1.0 GUIDANCE FOR BOARD MEMBERS

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION		
		TRUSTEE RATING **Rate seminar with:**		**LEVEL**
		A	*Excellent*	▪ *Introductory*
		B	*Very Good*	▪ *Intermediate*
		C	*Good*	▪ *Advanced*
		D	*Not Beneficial*	
Harvard Business School – Behavioral Economics - Virtual	▪ Public Leadership and Public Policy			
Harvard Kennedy School – Leadership Decision Making: Optimizing Organizational Performance ▪ **Only Online options until further notice from conference website; In-person dates TBD**	▪ Public Leadership and Public Policy		(S. Lee, 2021 Sohn, 2022)	Advanced
Institutional Limited Partners Association (**ILPA**) – Private Equity for the Trustee ▪ September 28-29, 2022 (San Francisco, CA)	▪ Investments			
International Foundation of Employee Benefit Plans (**IFEBP**) – Advanced Trustees and Administrators Institute ▪ Date and Location **TBD**	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – Annual Employee Benefits Conference ▪ October 23-26, 2022 (Las Vegas, NV)	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – Trustees and Administrators Institute ▪ Date and Location **TBD**	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – Health Benefit Plan Basics – Certificate Series ▪ September 21-22, 2022 (Washington, D.C.)	▪ Benefits Admin			

Section 1.0 GUIDANCE FOR BOARD MEMBERS

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B Very Good
C Good
D Not Beneficial</th><th>▪ Introductory
▪ Intermediate
▪ Advanced</th></tr>
<tr><td>International Foundation of Employee Benefit Plans (IFEBP) – New Trustees Institute
▪ Level I: Core Concepts: October 22-24, 2022 (Las Vegas, NV)
▪ Level II: Concepts in Practice: October 22-23, 2022 (Las Vegas, NV)</td><td>▪ Benefits Admin
▪ Investments
▪ Plan Admin</td><td></td><td></td><td></td></tr>
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▪ Corporate Governance</td><td></td><td></td><td></td></tr>
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<tr><td>National Conference on Public Employee Retirement Systems (NCPERS) – Annual Conference & Exhibition
▪ Date and Location TBD</td><td>▪ Benefits Admin
▪ Investments
▪ Corporate Governance</td><td>A

B</td><td>(Wilkinson, 2017, Sohn 2018)

(Ruiz, 2016)</td><td></td></tr>
<tr><td>National Conference on Public Employee Retirement Systems (NCPERS) – Trustee Educational Seminar (TEDS)
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▪ Investments
▪ Corporate Governance</td><td>A</td><td>(Sohn, 2016)</td><td>Intermediate</td></tr>
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▪ Investments
▪ Corporate Governance</td><td></td><td></td><td></td></tr>
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Section 1.0 GUIDANCE FOR BOARD MEMBERS

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Rate seminar with:</th><th>LEVEL</th></tr>
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▪ Intermediate
▪ Advanced</td></tr>
<tr><td>B</td><td>Very Good</td></tr>
<tr><td>C</td><td>Good</td></tr>
<tr><td>D</td><td>Not Beneficial</td></tr>
<tr><td>Nossaman Annual Public Pensions and Investments’ Fiduciaries’ Forum Annual Update
▪ Date and Location TBD</td><td>▪ Legislative Governance</td><td></td><td></td><td></td></tr>
<tr><td>Pension Real Estate Association (PREA) Spring Conference
▪ March 22-23, 2023 (Seattle, WA)</td><td>▪ Investments</td><td>A</td><td>(Chao, 2017)</td><td>Intermediate</td></tr>
<tr><td>Pension Real Estate Association (PREA) Annual Institutional Investor Conference
▪ October 19-21, 2022 (Washington, D.C.)</td><td>▪ Investments</td><td>A</td><td>(Chao, 2017)</td><td>Intermediate</td></tr>
<tr><td>Pacific Pension & Investments Institute (PPI)
▪ Summer Roundtable: July 13-15, 2022 (Vancouver, BC and virtual)
▪ Winter Roundtable: Date and Location TBD</td><td>▪ Investments
▪ Corporate Governance</td><td></td><td></td><td></td></tr>
<tr><td>Robert F. Kennedy (RFK) Human Rights Compass Conference
▪ Date and Location TBD</td><td>▪ Investments
▪ Corporate Governance</td><td></td><td></td><td></td></tr>
<tr><td>State Association of County Retirement Systems (SACRS) Conference
▪ Fall Conference: November 8-11, 2022 (Long Beach, CA)*
▪ Spring Conference: May 9-12, 2023 (San Diego, CA)</td><td>▪ Benefits Admin
▪ Investments
▪ Corporate Governance</td><td>A

B</td><td>(Wilkinson, 2015, 2017, 2018)
(E. Lee, 2021)
(Sohn, 2022)

(Chao, 2017)</td><td>Intermediate</td></tr>
</table>

Section 1.0 GUIDANCE FOR BOARD MEMBERS

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION		
		TRUSTEE RATING Rate seminar with:		LEVEL
		A	*Excellent*	▪ *Introductory* ▪ *Intermediate* ▪ *Advanced*
		B	*Very Good*	
		C	*Good*	
		D	*Not Beneficial*	
State Association of County Retirement Systems (**SACRS**) / **UC Berkeley Program** – Public Pension Investment Management Program ▪ July 17-20, 2022 (Berkeley, CA)	▪ Investments	**A**	(Wilkinson, 2015)	Intermediate
United Nations Principles in Responsible Investing (PRI) in Person ▪ Date and Location **TBD**	▪ Investments ▪ Corporate Governance			
Western Economic Association International – Annual Conference ▪ TBD	▪ Investments			
Women's Alternative Investment Summit ▪ TBD	▪ Investments			
Women's Private Equity Summit ▪ TBD	▪ Investments			

APPENDIX B

LACERS TRAVEL EXPENSE REIMBURSEMENT POLICY AND RELATED PROVISIONS OF CITY TRAVEL POLICY (LAAC Chapter 5, Article 4, §§ 4.242.1-4.242.9)

Approved March 11, 2014;
Revised September 23, 2014; February 12, 2019; November 24, 2020

I. GENERAL GUIDELINES

A copy of the Travel and Education Policy including the Guidelines for Travel and Personal Expenses will be provided to new Board Members and staff before processing their first travel request.

A. LACERS considers an individual traveling if:
   i) the travel is outside the geographic boundaries of Los Angeles County [LAAC §4.242.2]; and more than 50 miles away from both LACERS' offices and the traveler's home; and
   ii) the duties require the individual to be away from the general area of the individual's primary residence substantially longer than an ordinary day's work; or
   iii) the individual needs to sleep or rest to meet the demands of work while away from the primary residence.

B. Costs incurred on travel days which are not conference days are allowable (subject to limitations covered in the applicable sections of the guidelines): (i) on the day before the first educational session of the conference or seminar if transportation on the first conference day would require the traveler to leave his/her point of departure (e.g., home) earlier than 9:00 a.m.; or (ii) on the day after the last educational session of the conference or seminar if transportation on the last conference day would cause the traveler to get to his/her final destination (e.g., home) after 8:00 p.m.

C. Board approval of travel is required prior to payment of any related fees. If a Traveler elects to personally incur travel-related fees prior to the Board's approval, the Traveler assumes personal financial liability that his or her expenses may not be reimbursed.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

II. TRANSPORTATION

A. AIR TRAVEL	
LAAC Requirement	LACERS Policy
Except in the case of official necessity, air travel expenses are allowable only for the lowest regular fare available for regularly scheduled airlines for the date and time selected [§4.242.2(a)(1)] Claims for reimbursement of higher fare or extra charges for transportation by schedule airlines are allowable only if certified by the Department Head[1] that he or she has reviewed and concurs with the facts constituting the official necessity. [§4.242.2(a)(1)]	1. Air travel may be used when it is the most efficient means of travel. 2. Travelers are strongly encouraged to use the City's authorized business travel service, CalTravelStore, to book airline reservations, but may use another travel service or reserve directly with an airline. 3. Purchase of airline tickets outside of CalTravelStore is allowed and will be reimbursed at the lower of the actual cost of the ticket or 150% of the lowest cost one-stop airfare for the same days of travel (personal travel days excluded). Traveler is responsible for the handling of any changes, cancellations, refunds, and credits involving non-CalTravelStore reservations. Purchase of traveler's insurance is recommended for such reservations. Traveler bears this cost, not LACERS. 4. Air travel shall be at coach or economy fare. Coach or economy fare is presumed to be the lowest regular fare available for regularly scheduled airlines. Airfare quotes from several airlines are not necessary. 5. Non-stop flights are permissible if the airline ticket is coach or economy class and if the cost is no more than 50% higher than the lowest cost flight with one stop. 6. If the airline ticket is purchased from a travel service other than CalTravelStore or directly from the airline, the traveler is required to obtain a quote from CalTravelStore generated on the same day the flight was booked or no later than 72 hours after the air travel reservation was made. The quote shall be for a one-stop coach/economy class ticket from any airline for the same days of travel. It will be used for cost comparison purposes as part of the reimbursement process. 7. When the airfare receipt shows an upgrade to business or first class accommodation, a. Without further justification, the traveler

[1] Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

	may be reimbursed at the lower of the lowest regular fare rate available[2] and actual cost, or b. the traveler shall provide a memo stating the case of official necessity, for approval by the Department Head[1]. 8. LACERS will pay directly for airfare booked with the City's authorized business travel service, CalTravelStore. 9. If CalTravelStore is not used, LACERS travelers must use their personal credit card to book flights or other modes of transportation. 10. Consistent with Federal and City travel standards, coupons, or promotional mileage credits earned by the traveler during the course of LACERS business travel may be used for LACERS or personal business. The traveler will not be reimbursed for such coupons or promotional mileage credits used for LACERS travel. 11. Fees for the first checked baggage will be reimbursed. Fees for additional checked baggage may be reimbursed if a justification for an official business need is provided. 12. The cost of air flight insurance is not eligible for reimbursement. 13. With pre-approval of the Department Head[1], refundable airline tickets may be purchased if the traveler provides acceptable justification that the benefit of booking a refundable ticket outweighs the risk of changes in travel plans.

[2] The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

B. PERSONAL VEHICLE OR NON-AIR TRANSPORTATION	
LAAC Requirement	LACERS Policy
In all instances where a mode of transportation other than regularly scheduled airlines is chosen, the Department Head[1] shall authorize such alternate mode of transportation in advance and the allowable cost shall be the actual cost of the alternate mode of transportation or the cost allowable under Subsection (a)1, whichever is less. [§4.242.3.(a)(2)] In the case of travel by modes of transportation other than regularly scheduled airlines, transportation costs shall be the regular fare for the mode of transportation chosen. [§4.242.3(a)]	14. Pre-approval by the Department Head[1] is required for all non-air travel in advance of travel. Travelers must submit the following items for pre-approval: a. For travelers using personal automobiles for business purposes – Provide proof of automobile insurance at minimum coverage levels as follows: $25,000 injury to or death of one person; and, $50,000 injury to or death of more than one person; and, $5,000 property damage for any one accident. b. Cost comparisons are required for all non-air travel, with exceptions listed below: Traveler shall submit: a quote for the lowest regular fare available for regularly scheduled airlines to the destination for the date and time selected; and the cost for regular fare on the alternative mode of transportation. <u>Exceptions</u> (no cost comparison is required): If traveling by vehicle to neighboring counties of Orange, Riverside, San Diego, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo, or to the San Francisco Employees Retirement System to transport sensitive computer equipment for the LACERS emergency hot/warm site. 15. Receipts for alternate modes of travel are required. Reimbursement will be for the lower of the actual cost of transportation or lowest regular airfare verified by Accounting prior to encumbrance of the travel request.

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In the instance of the use of private automobile, mileage shall be in accordance with mileage provisions of Division 4, Chapter 5, Article 2 of the Administrative Code. [§4.242.3.(a)(2)]	16. Mileage reimbursement a. Mileage reimbursement for the Board will be calculated on a roundtrip basis between official's residence and official destination. b. Mileage reimbursement for staff will be based on the distance in excess of home to City office for travels during regular work days; for other days, reimbursement will be based on a roundtrip between staff's residence and official destination. 17. Additional travel time and expenses (such as meals and lodging) incurred in choosing other than the fastest and most direct mode of transportation are at the traveler's own personal time and expense. 18. Claims for repairs, replacements, towage, gas and car insurance are not reimbursable. 19. Ground transportation refers to transportation from home to airport, airport to hotel and/or conference/ meeting/seminar location, and back. This includes taxis, shuttles, limousines, and private vehicles. 20. Mileage reimbursement is provided when personal vehicle is used for ground transportation to/from airport. Commissioner's mileage reimbursement will be computed based on roundtrip miles from residence to airport. Staff mileage reimbursement will be computed based on the distance in excess of home to City office for travels during regular work day; and roundtrip miles from residence to airport on non-work days.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

C. GROUND TRANSPORTATION	
LAAC Requirement	LACERS Policy
The least expensive and most practical form of public transportation shall be used, taking into consideration such factors as time, availability, and personal safety or health. [§4.242.3.(c)]	21. Reimbursement for airport parking is actual amount, not to exceed $20 per day. Pre-approval is not required. Reimbursement for actual amounts in excess of $20 per day requires the traveler submitting a memo to justify the expense based on time, availability, and personal safety or health. 22. Reimbursement for use of taxi, shuttle, private car or limousine service is limited to the lesser of roundtrip taxi fare (http://www.taxifarefinder.com)[2] or shuttle fare (http://www.shuttlefare.com)[2].
D. AUTOMOBILE RENTAL	
LAAC Requirement	LACERS Policy
Such expenses are allowable if traveling by car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus. [§4.242.3.(d)]	23. Pre-approval by the Department Head[1] is required. Travelers must provide written justification that the traveling by car is less expensive or more efficient in conducting LACERS business than by use of taxi or bus. 24. The traveler will not be reimbursed for car rental insurance within the United States. Car rental insurance costs required in foreign countries may be claimed for reimbursement.

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[2] The acceptable amount will be the fare verified by the Accounting staff prior to encumbrance of the travel request.

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III. LODGING, MEALS AND INCIDENTAL EXPENSE ALLOWANCE

A. LODGING	
LAAC Requirement	LACERS Policy

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This section is not intended to preclude an employee or elected official from staying in a hotel where the meeting or convention to be attended is held. [§4.242.3.(b)(1)]	25. Acceptable documentation shall include original itemized hotel receipt marked 'Paid in Full' or showing a zero balance; otherwise, proof of payment is also required. 26. Reimbursement for lodging in a hotel where the meeting or convention to be attended is deemed the most practical accommodation and permissible. 27. A traveler may elect to stay in a hotel sponsored by the conference as it is presumed to be the most practical or convenient. The reimbursement will be limited to the lesser of the actual hotel costs incurred or the conference hotel rate. 28. For any official System travel for training, due diligence trips, meetings with investment managers, or training where hotels are not pre-designated, the traveler should select the most economical lodging taking into consideration the proximity of the selected place to conduct the official System business, traveler's safety, time and transportation costs and other relevant factors. Any of the following methods are acceptable for determining "moderately priced establishments of acceptable quality", "the most economical and practical accommodations", and those which would be presumed not to meet the IRS definition of "lavish and extravagant" accommodations: (i) Lodging does not exceed the highest Federal domestic lodging per diem rate; cost comparison is not necessary; or (ii) The most economical hotel identified using the City traveler provider website (www.concursolutions.com/), with availability, with at least a 3 star rating on a 5 star scale travel, and within walking distance or no less than ½ mile radius of the first business location; or
In the selection of restaurants and hotel rooms, it is expected that individuals will seek moderately priced establishments of acceptable quality. [LAAC §4.242.3.(b)]	(iii) The most practical hotel on the above list with acceptable written justification; or (iv) Any lodging expenses may be reimbursed provided that the expense

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An employee or elected official must consider transportation costs, time, and other relevant factors in selecting the most economical and practical accommodations. [§4.242.3.(b)(1)]	does not exceed 300% of the lodging per diem and traveler must clearly demonstrate no other acceptable alternative lodging was available, as in the event of a state of emergency, or other justifiable reason reviewed and certified by the Department Head[5] as reasonable and proper, and incurred in the pursuit of System business. 29. Reimbursement is limited to single occupancy room rate, as documented on hotel letterhead or the hotel's room rates listing, plus applicable taxes and charges unless additional occupants are LACERS trustees/staff on official LACERS business.
B. MEALS AND INCIDENTAL EXPENSES (M&IE)	
LAAC Requirement	LACERS Policy
Expenses incurred by an employee or elected official for food and beverage served at meals, scheduled receptions, or other functions necessary for the conduct of City business are allowable to a maximum of three meals a day. [§4.242.3.(b)(2)]	30. LACERS intends to be compliant with IRS accountable plan rules, therefore M&IE allowance will be provided only when business travel results in a necessity for lodging. LACERS will provide travelers with a standard meal allowance at the Federal per diem rate per locale. The allowance, in lieu of providing receipts, is acceptable under the IRS accountable plan rules. The IRS (Publication 463) defines meals and incidental expenses include: meals, transportation to acquire meals, fees/tips to porters, baggage carriers, bellhops, hotel maids, wait staff, and other service providers. 31. No meal allowance will be paid when meals are provided throughout the day by the host or at the conference. 32. Prorating the standard meal allowance – The IRS permits LACERS to adopt its own rules for prorating the standard meal allowance on partial days of travel so long

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	as we consistently apply the method in accordance with reasonable business practice. The meal and incidental expense allowance will be prorated from a daily allowance to a per meal period allowance on partial days of travel; and when some meals are prepaid/to be paid by LACERS (complimentary breakfast provided at the hotel, meals at the conference, or pre-paid to comply with the City/LACERS gift restrictions. The M&IE allowance = incidental expense + breakfast allowance (if traveling between 1AM – 9AM) + lunch allowance (if traveling between 9AM – 5PM) + dinner allowance (if traveling between 5PM – 1AM). Utilize the M&IE per travel locale and provide an allowance for each meal period the traveler is away from home (based on the current Federal General Services Agency six tiered M&IE allowance):
Gratuities. Such expenses, not exceeding 15%, are allowable where reasonable and customary. [§4.242.3.(h)]	33. Gratuities are included in the IRS definition of “incidental” expenses and are therefore subject to per diem limits. Reimbursement for restaurant gratuities are calculated as up to 15 percent of the restaurant bill exclusive of taxes, except when the gratuity percentage is required and the amount is added on the bill by the service provider.

Total	Breakfast	Lunch	Dinner	IE
$46	$7	$11	$23	$5
$51	$8	$12	$26	$5
$56	$9	$13	$29	$5
$61	$10	$15	$31	$5
$66	$11	$16	$34	$5
$71	$12	$18	$36	$5

IV. OTHER EXPENSES

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LAAC Requirement	LACERS Policy
(j) Other Expenses. Expenses not specifically set forth in other subsections of this section that are incurred by an employee or an elected official are allowable where deemed necessary in the conduct of City business; provided that such expenses have been reviewed and certified by the Department Head[6] as reasonable and proper and incurred in pursuit of City business. Wherever the type of expenditure is not specifically listed in this section, the employee or elected official should be prepared to absorb the cost as a personal expenditure in the event that such expense is not certified by the Department Head[1]. [§4.242.3.(j)]	34. Other travel expenses are allowable when deemed necessary in the conduct of System business provided such expenses are reviewed and certified by the Department Head[1] as reasonable, proper, and incurred in pursuit of System business. Otherwise, these expenses become personal expenditures. 35. Travel Interruptions – When there is an interruption or deviation from planned travel due to bona fide public emergencies outside of the traveler's control such as weather or shutdown of air travel, travelers may be reimbursed at full cost for emergency lodging, meals, and incidental expenses. 36. Indirect Travel - whether for the traveler's personal leave or for convenience, expenses allowable will not exceed those that would have been incurred for uninterrupted travel utilizing the direct travel route or travel days. Supporting documentation showing the cost for direct travel and the deviation should be provided by the traveler.

[6] Pursuant to Board Resolution 140311-C, Department Head authority to approve and certify travel expenditures is delegated as follows: the Board President approves Board Member and General Manager expenditures ; the Vice President approves Board President expenditures; the General Manager approves staff expenditures.

IV. NON-REIMBURSABLE TRAVEL EXPENSES

LAAC Requirement	LACERS Policy
Expenditures which are incurred by an employee or elected official that are of a purely personal nature will not be reimbursed by the City. a) Auto repairs, replacement or towage to personal vehicle when such use has been authorized (see established City procedures for repair to City vehicle); b) Flight insurance; c) Personal telephone calls (except those specified in Section 4.242.3 (g) of this article); d) Expenses for persons other than the employee or elected official, except as specified in Section 4.242.3 (b) 2. [§4.242.4]	37. Expenditures which are not substantive to LACERS business will not be reimbursed by LACERS, such as: a) Any expenses related to entertainment and recreational activities; b) Flight upgrade fees for seats other than coach or economy: c) Internet usage fees (unless the internet is used for City business); d) Any expenses related to alcohol and tobacco. e) Traveler's insurance. 38. The traveler must submit reimbursement for personal expenditures paid by LACERS. If there are portions of the conference or seminar that are entertainment in nature and not business-related (e.g., golf tournaments, musical performances or concerts, etc.), the traveler is required to reimburse LACERS for the cost of these recreational activities.

V. OTHER RULES AND RESTRICTIONS

A. DOCUMENTATION OF EXPENSES - PERSONAL EXPENSE STATEMENTS	
LAAC Requirement	LACERS Policy
All expenses claimed shall be listed on separate forms provided and used for required documentation of travel expense. Completed travel expense forms shall be forwarded to the Controller within thirty (30) days of the conclusion of the trip. The Department Head[7] shall certify that all expenditures were incurred in pursuit of City business. Falsification of such certification shall be grounds for appropriate disciplinary action and such other sanctions provided by law. Receipts shall be provided for transportation costs incurred under Section 4.242.3(a), lodging, and for any single item of expenditure in excess of $25.00. Receipts for expenditures under $25.00 should be presented when available. [LAAC § 4.242.7]	39. All expenses claimed for reimbursement must be itemized on the Personal Expense Statement (PES - Form Gen. 16). 40. The traveler is responsible for verifying all charges on receipts before making payment. Charges made in error will not be reimbursed. 41. Original receipts are required for any single expenditure in excess of $25. Receipts are not required for a meal and incidental expense allowance, regardless of amount, when the Federal per diem rate per locale is provided to the traveler and prorated in accordance with LACERS' policy.

B. TRAVEL ADVANCES	
LAAC Requirement	LACERS Policy
Requests for an advance for funds shall be submitted to the Controller, where feasible, at least ten (10) days in advance of the beginning of the planned expenditure of funds and such request shall include the persons traveling, period covered, and the destination. In addition, the request should state the purpose of the trip, the nature of the City business to be conducted on the trip, and the proposed total estimated expenditure. Documentation of actual expenses incurred shall be submitted to the Controller in conformance with Section 4.242.7.	42. For trips of one night or more, a travel advance may be requested. The amount advanced is limited to the lodging, meal and incidental expenses per diem. Only 90% of the total travel estimate is advanced. A travel advance will not be issued if this amount is less than $500 in total. 43. Written requests for the travel advance are to be submitted by the Traveler to the CEA/travel coordinator for approval at least fifteen (15) business days prior to the date of travel but no earlier than thirty (30) calendar days prior to travel. The request must include a statement certifying that the traveler has no outstanding cash advance. 44. A cash advance request will be denied if

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	a traveler has an outstanding cash advance for past travel with does not comply with the procedures. 45. Regular travel advances will be released no earlier than one (1) week before travel. 46. Outstanding travel advances not accounted for and delinquent over 120 days will be included as part of an employee's wages on the first payroll period of the subsequent calendar quarter following the end of the 120 calendar days; and, for non-City employees, IRS Form 1099-Misc will be issued per IRS Federal, State, Local Government Taxable Fringe Benefit Guide. Nothing herein eliminates the traveler's obligation to return to the Fund any excess monies that were received that were not used for approved travel expenses. 47. Future travel advances will not be processed for traveler(s) with delinquent PES over 30 days. Requests for reimbursement may be processed in advance of the travel for expenditures such as registration fees, and/or one-night hotel deposit. To ensure timely processing of the reimbursement, such requests along with supporting documents and proof of payment (credit card statement, etc.) must be submitted to the CEA/travel coordinator, in writing, at least fifteen (15) working days before the date of travel. 48. Advanced payment for cancelled travel: Any amount that was paid by department in advance of travel is considered an advance. In the event of the need to cancel the trip, the traveler is responsible for notifying all payees to as soon as possible to avoid/minimize cancellation fees a. If cancellation was due to personal reasons, the traveler must personally reimburse the department for any amount not recovered (net of cancellation fees). If the refund or credit was issued directly to the traveler, traveler must pay LACERS the entire

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	amount of credit received within 14 calendar days from the credit issued date. b. If travel was cancelled due to the business or public reason, traveler is responsible to submit a justification along with the proper documentation to the General Manager within 14 calendar days from the cancelled date. c. Unrecovered amounts are reported as taxable income to the traveler. The traveler may be required to pay for future airfare using their own credit card, and LACERS will reimburse airfare upon completion of the travel.

APPENDIX C
BOARD TRAVEL REIMBURSEMENT CHECKLIST

Adoption Date: May 26, 2009
Revised Dates: June 22, 2010; December 13, 2011; March 11, 2014; November 24, 2020

I. STEPS FOR TRAVEL APPROVAL AND REIMBURSEMENT:

Step 1: Provide details of the educational event to the Commission Executive Assistant (CEA)

Step 2: Submit information on estimated expenses to the CEA

Fees Paid Directly By LACERS:

Step 3: Register for the Conference

- Conference registration and registration fees can be arranged through the CEA prior to the conference date. Registration fees are paid directly by LACERS with no out-of-pocket expenses for the traveler;
  - Under State and City gift laws, complimentary conferences or conference-related events could be considered gifts. LACERS will evaluate the circumstances with the assistance of the City Ethics Commission and may be required to pay a pro-rata share of conference expenses provided by the hosting organization.
- Or, after the fact, submit a receipt showing a zero balance as proof of payment.

Step 4: Book flight

- Provide desired flight numbers, dates, and times to the CEA. The CEA will book the flight. The City's travel service will also provide a flight credit if the traveler is unable to fly and proper notification is given.
- Or after the fact, submit a receipt for the purchase of the airline ticket and, for cost comparison, the CalTravelStore quote for one-stop coach/economy class ticket from any airline and for the same days of travel generated on the same day the flight was booked or no later than 72 hours after the air travel reservation was made. Reimbursement is limited to the lowest regular fare/economy rate.

Items Requiring Pre-Approval for Expenditure Reimbursement:

Step 5: Submit written justification for items requiring pre-approval from the Board President or Vice President. If approval is not secured prior to incurring the expense, reimbursement may not be granted.

- Requests for reimbursement of airfare which is more than 150% of the lowest cost one-stop airfare – justification should demonstrate the official necessity of the selected flight.
- Requests for transportation other than air flight – justification should indicate reasons for use of the alternate mode of transportation.
- Requests for cash advances to cover lodging and per diem for meals must be submitted 15 business days, but no earlier than 30 calendar days, prior to the commencement of travel. See further instructions below.

After the Travel has been completed, submit report and receipts:

Step 6: Submit an Event Evaluation Report within thirty (30) days of the conclusion of the trip

- The report is required prior to reimbursement

Step 7: Submit a Personal Expense Statement (PES) within thirty (30) days of the conclusion of the trip:

- Itemize all reimbursable daily expenses for lodging, transportation, and miscellaneous expenses; list the per diem for meals and incidentals.
- Report expenses paid directly by LACERS as a deduction to the total reimbursable amount
- See further instructions on the following checklist

II. <u>REIMBURSEMENT CHECKLIST</u>:

ALLOWABLE TRAVEL COSTS	REQUIRED DOCUMENTS
AIR TRAVEL	
<u>Air Travel</u> Air travel expenses are only allowable for the lowest regular fare available. If the flight with the lowest regular fare is not booked, reimbursement will only be for the lowest regular fare. If three fare quotes are not submitted, the lowest regular fare will be determined by a quote from the City's travel agent for a direct flight, coach class, 14 days prior to the date of business travel. The CEA will determine the reasonable flights to be quoted which best meet the conference dates and times. Exceptions allowing reimbursement for a higher cost fare may be approved by the General Manager for "official necessity." Official necessity means there is a bona fide benefit to LACERS for taking the selected flight which outweighs the cost of the higher fare.	**<u>Transportation Expenses</u>** ☐ Submit a receipt showing a zero balance as proof of payment for airfare. ☐ If purchasing outside of CalTravelStore, provide the airline ticket receipt and CalTravelStore quote demonstrating that the cost of the booked flight is no more than 50% higher than the quote, for the same days of travel, from CalTravelStore. ☐ Provide written justification of the "official necessity" for any higher cost fare if seeking reimbursement above the lowest fare rate. The General Manager must concur for the expense to be submitted for reimbursement.
OTHER TRANSPORTATION	
<u>Bus or Rail Travel</u> The allowable cost shall be the actual cost for the regular fare for the bus/rail travel.	☐ Submit request for pre-approval from the General Manager for all modes of transportation other than regularly scheduled airlines.
<u>Automobile Rental</u> Automobile rental expenses are allowable if traveling by automobile is less expensive or more appropriate than by other modes of transportation.	☐ Submit request for pre-approval from the General Manager demonstrating that traveling by rental car is less expensive or more appropriate for the efficient conduct of City business than by taxi or bus.
<u>Private Automobile</u>	☐ Submit request for pre-approval from the General Manager, and include a

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The allowable cost shall be the actual total mileage rate allowance as determined by the Internal Revenue Service (IRS).	satisfactory liability insurance policy covering the full use and operation of the vehicle. The limits of liability on any such policy shall not be less than $25,000 in the case of injury to or death of one person, and $50,000 in the case of injury to or death of more than one person; and in the case of property damage, not less than $5,000 in any one accident. ☐ Submit airfare confirmation (provided by CalTravelStore, other travel service, and airline), rail travel confirmation notice or transportation receipt from taxi, shuttle, or private car service.
REGISTRATION FEES	
<u>Registration Fees</u> Reimbursable if paid by the Trustee	☐ Submit a receipt showing a zero balance as proof of payment
LODGING	
Hotels generally offer specially rated room blocks for conference participants. The Trustee may stay at an “off-site” hotel if the room blocks are exhausted. Transportation costs, time, and other relevant factors must be considered in selecting the most economical and practical accommodations. An extra-night stay is allowable if it sufficiently reduces the airfare, or if the conference commences early in the morning or adjourns late in the evening.	☐ Submit receipt showing a zero balance as proof of payment. Personal credit card information must be redacted from the receipt. ☐ If lodging is for other than single occupancy, secure a rate sheet or other documentation of the single occupancy rate.
MEALS & INCIDENTAL EXPENSES	
○ The meal and incidental per diem for domestic travel is currently $71 per day. ○ Incidental expenses are fees and gratuities provided to service workers, and for transportation costs in acquiring meals. ○ The daily allowance is prorated at 75% on days of travel, and if some meals are provided by the hotel or conference.	Receipts for meals and incidental expenses are not required. ☐ Submit justification letter if claiming reimbursement for expenses exceeding the per diem allowance.

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○ No meal allowance is provided when meals are provided throughout the day by the hosting organization. ○ The rate for international travel is in accordance with current Federal per diem rate guidelines.	
MISCELLANEOUS EXPENSES	
<u>Checked Baggage Fees</u> Such expenses are allowable when the Trustee is charged for the first checked bag. **<u>Laundry Service</u>** Such expenses are allowable if the duration of the trip, traveling conditions, or some other special circumstances dictate. **<u>City Business Telephone Calls</u>** Such expenses are allowable if the telephone calls are relevant to appropriate City business. **<u>Personal Telephone Calls</u>** Such expenses are allowable for one call to the Trustee's immediate family if they are located within the locale of their residence. If travel is in excess of three (3) days, one such call is permitted for each successive three (3) days thereafter. Each call should last a reasonable amount of time, such as 10 minutes per call. **<u>Ground Transportation</u>** Transportation between the traveler's residence and airport, and transportation between the airport and conference location.	☐ Baggage fees for second and additional items require a justification memo that it meets a business purpose. ☐ Submit receipts for all miscellaneous expenses.

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

Name of Attendee:	
Title of Conference/Seminar:	
Location:	No. of Education Hours:
Event Sponsor:	Date(s) Held:

Report for:

- ☐ Travel
- ☐ Conference/Seminar Attendance Only

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

II. Significant Information Gained:

III. Benefits to LACERS:

IV. Additional Comments:

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
LIST OF EDUCATIONAL SEMINARS – FISCAL YEAR 2023-24

**Local Conference*

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION		
		TRUSTEE RATING **Rate seminar with:**		**LEVEL**
		A	*Excellent*	▪ *Introductory*
		B	*Very Good*	▪ *Intermediate*
		C	*Good*	▪ *Advanced*
		D	*Not Beneficial*	
California Association of Public Retirement Systems (**CALAPRS**) – General Assembly ▪ March 2-5, 2024 (Rancho Mirage, CA) $250.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A**	(Sohn, 2016) (Wilkinson 2018, 2021) (Chao, Sohn 2020)	Intermediate
CALAPRS – Principles of Pension Governance For Trustees ▪ August 28-31, 2023 (Malibu, CA) $3,000.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A**	(Serrano, Wilkinson 2015)	Intermediate
CALAPRS – Advanced Principles of Pension Management For Trustees ▪ Date and Location **TBD** $3,000.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning			Advanced
CALAPRS – Trustees' Roundtable ▪ October 27, 2023 (Virtual) $500.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**B**	(Chao, 2016)	Intermediate
Council of Institutional Investors (**CII**) – Conferences No registration cost ▪ **Fall Conference:** September 11-13, 2023 (Long Beach, CA) ▪ **Spring Conference:** March 4-6, 2024 (TBD)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance ▪ Audit & Strategic Planning	**A** **B**	(Chao, 2017) (Wilkinson 2015)	Intermediate Advanced
Harvard Business School – Behavioral Economics ▪ October 9-20, 2023 (Cambridge, MA) $10,000.00	▪ Investments ▪ Corporate Governance		(Sohn, 2022)	

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION		
		TRUSTEE RATING Rate seminar with:		LEVEL
		A	*Excellent*	▪ *Introductory* ▪ *Intermediate* ▪ *Advanced*
		B	*Very Good*	
		C	*Good*	
		D	*Not Beneficial*	
Harvard Kennedy School – Leadership Decision Making: Optimizing Organizational Performance ▪ October 1-6, 2023 (Cambridge, MA) $10,600.00	▪ Public Leadership and Public Policy		(S. Lee, 2021 Sohn, 2022)	Advanced
International Foundation of Employee Benefit Plans (**IFEBP**) – Annual Employee Benefits Conference $1,750.00 ▪ Date and Location **TBD**	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – Trustees and Administrators Institute $1,595.00 ▪ Date and Location **TBD**	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – Health Benefit Plan Basics – Certificate Series $1,550.00 ▪ September 22-23, 2023 (Las Vegas, NV)	▪ Benefits Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – New Trustees Institute ▪ **Level I: Core Concepts:** $1,650.00 Sept. 30-Oct. 2, 2023 (Boston, MA) ▪ **Level II: Concepts in Practice:** $1,650.00 Sept. 30-Oct. 1, 2023 (Boston, MA)	▪ Benefits Admin ▪ Investments ▪ Plan Admin			
International Foundation of Employee Benefit Plans (**IFEBP**) – The Wharton School Alternative Investment Strategies ▪ July 18 – July 20, 2023 $4,495.00	▪ Investments ▪ Corporate Governance			
International Foundation of Employee Benefits Plan (**IFEBP**) – The Wharton School Portfolio Concepts and Management Course ▪ Date and Location **TBD** $5,895.00	▪ Investments			

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION TRUSTEE RATING Rate seminar with: *A* *Excellent* *B* *Very Good* *C* *Good* *D* *Not Beneficial*		TRUSTEE EVALUATION LEVEL ▪ *Introductory* ▪ *Intermediate* ▪ *Advanced*
National Conference on Public Employee Retirement Systems (**NCPERS**) – Annual Conference & Exhibition ▪ Date and Location **TBD** $900.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance	**A** **B**	(Wilkinson, 2017, Sohn 2018) (Ruiz, 2016)	
National Conference on Public Employee Retirement Systems (**NCPERS**) – Trustee Educational Seminar (TEDS) ▪ Date and Location **TBD** $485.00	▪ Benefits Admin ▪ Investments ▪ Corporate Governance	**A**	(Sohn, 2016)	Intermediate
National Conference on Public Employee Retirement Systems (**NCPERS**) – Legislative Conference $515.00 ▪ Date and Location **TBD**	▪ Benefits Admin ▪ Investments ▪ Corporate Governance			
Nossaman Annual Public Pensions and Investments' Fiduciaries' Forum Annual Update $425.00 ▪ Date and Location **TBD**	▪ Legislative Governance			
Pension Real Estate Association (**PREA**) Spring Conference (Cost not available yet) ▪ March 22-23, 2023 (Seattle, WA)	▪ Investments	**A**	(Chao, 2017)	Intermediate
Pension Real Estate Association (**PREA**) Annual Institutional Investor Conference ▪ October 18-20, 2023 (Boston, MA) $150.00	▪ Investments	**A**	(Chao, 2017)	Intermediate
Pacific Pension & Investments Institute (**PPI**) ▪ **Summer Roundtable**: $900.00 July 19-21, 2023 (San Francisco, CA) ▪ **Winter Roundtable**: $900.00 Date and Location **TBD**	▪ Investments ▪ Corporate Governance			

CONFERENCE / SEMINAR / MEETING	SUBJECT MATTER	TRUSTEE EVALUATION		
		TRUSTEE RATING **Rate seminar with:**		**LEVEL**
		A	*Excellent*	▪ *Introductory* ▪ *Intermediate* ▪ *Advanced*
		B	*Very Good*	
		C	*Good*	
		D	*Not Beneficial*	
Robert F. Kennedy (**RFK**) Human Rights Compass Conference ▪ Date and Location **TBD** No registration cost	▪ Investments ▪ Corporate Governance			
State Association of County Retirement Systems (**SACRS**) Conference ▪ **Fall Conference**: $120.00 November 7-10, 2023 (Rancho Mirage, CA) ▪ **Spring Conference**: $120.00 May 9-12, 2023 (San Diego, CA)	▪ Benefits Admin ▪ Investments ▪ Corporate Governance	**A** **B**	(Wilkinson, 2015, 2017, 2018) (E. Lee, 2021) (Sohn, 2022) (Chao, 2017)	Intermediate
State Association of County Retirement Systems (**SACRS**) / **UC Berkeley Program** – Public Pension Investment Management Program ▪ July 16-19, 2023 (Berkeley, CA) $2,500.00	▪ Investments	**A**	(Wilkinson, 2015)	Intermediate
United Nations Principles in Responsible Investing (PRI) in Person ▪ Date and Location **TBD** No registration cost	▪ Investments ▪ Corporate Governance			
Western Economic Association International – Annual Conference ▪ TBD (Cost not available yet)	▪ Investments			
Women's Alternative Investment Summit ▪ TBD (Cost not available yet)	▪ Investments			
Women's Private Equity Summit ▪ TBD No registration cost	▪ Investments			

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

ADDITIONAL EDUCATIONAL SEMINARS APPROVED BY THE BOARD FY 2022-23

CONFERENCE TITLE	DATE(S)	LOCATION	COMMISSIONER
95th Intl. Atlantic Economic Conference	March 22-25, 2023	Rome, Italy	Sung Won Sohn

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: <u>Investment Committee</u>
Elizabeth Lee, Chair
Annie Chao
Gaylord "Rusty" Roten

MEETING: JANUARY 23, 2024
ITEM: VII - B

SUBJECT: **APPROVAL OF 3-YEAR CONTRACT WITH GARCIA HAMILTON & ASSOCIATES, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a three-year contract renewal with Garcia Hamilton & Associates, L.P. (GHA) for management of an active core fixed income portfolio.

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

Discussion

On January 9, 2024, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with GHA. The firm has managed an active core fixed income portfolio for LACERS since June 2021; the current contract expires on April 30, 2024. LACERS' portfolio was valued at approximately $376 million as of December 31, 2023. GHA is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid GHA a total of $1.12 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. The Committee inquired about the strategy's top-down orientation, macroeconomic factors that are considered in the portfolio management process, and the strategy's duration relative to the benchmark. Staff disclosed that the manager has proposed a new fee structure that will lower investment management fees by approximately 8%. Following the discussion, the Committee concurred with the staff recommendation.

Strategic Plan Impact Statement

A contract renewal with GHA will allow the fund to maintain a diversified exposure to the active core fixed income market and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachments: 1. Investment Committee Recommendation Report dated January 9, 2024
2. Proposed Resolution

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JANUARY 9, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: IV**

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH GARCIA HAMILTON & ASSOCIATES, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Garcia Hamilton & Associates, L.P. for management of an active core fixed income portfolio.

Executive Summary

Garcia Hamilton & Associates, L.P. (GHA) has managed an active core fixed income portfolio for LACERS since June 2021. LACERS' portfolio was valued at approximately $360 million as of November 30, 2023. GHA's current contract expires on April 30, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with GHA.

Discussion

Background
GHA manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. GHA's investment process is top-down oriented and begins with qualitative research based on analysis of the following factors: sentiment, monetary policy, economic environment, valuation and inflation. The analysis of these indicators helps the team anticipate moves in interest rates and informs sector rotation decisions. The team performs both quantitative and qualitative research to set target ranges for duration, yield curve positioning, sector allocations and sectors' contribution to duration. Managing Partner Gilbert Garcia (38 years industry experience, 21 with GHA), alongside Lead Portfolio Managers Karen Tass (18 years industry experience, 12 with GHA) and Jeffrey Detwiler (27 years industry experience, 15 with GHA), lead a team of nine other portfolio managers, strategists and analysts. LACERS' portfolio was valued at $360 million as of November 30, 2023.

The Board hired GHA through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on May 1, 2021. The current contract expires on April 30, 2024.

Organization

Founded in 1988, GHA is a 100% employee-owned asset management company with a focus on high-quality fixed income strategies. The firm currently has 39 employees and is headquartered in Houston. As of November 30, 2023, GHA managed approximately $19.8 billion of total assets, with $11.5 billion of assets in the Fixed Income - Aggregate Strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at GHA's headquarters on October 5, 2023, that included interviews with key personnel across the organization. Staff determined that GHA's investment philosophy, strategy, and process have not changed materially since contract inception. GHA was placed on watch status in March 2023 following Managing Partner Gilbert Garcia's filing of candidacy for Mayor of the City of Houston; watch status was rescinded on November 16, 2023, based on the outcome of the mayoral election. Representatives of GHA most recently presented a portfolio review to the Investment Committee on July 11, 2023.

Performance

As of November 30, 2023, GHA underperformed its benchmark over the 3-month and 1-Year time periods but maintains positive excess returns over the 2-Year and Since Inception time periods, as presented in the table below.

Annualized Performance as of 11/30/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception[1]
GHA	-0.48	-0.23	-5.69	-4.59
Bloomberg U.S. Aggregate Bond Index	0.26	1.18	-6.09	-4.83
% of Excess Return	*-0.74*	*-1.41*	*0.40*	*0.24*

[1]*Inception date 6/22/2021*

Calendar year performance is presented in the table below.

Calendar Year Performance as of 11/30/2023 (Net-of-Fees)			
	1/1/2023 - 11/30/2023	2022	6/22/2021 - 12/31/2021
GHA	0.51	-11.30	0.00
Bloomberg U.S. Aggregate Bond Index	1.64	-13.01	0.22
% of Excess Return	*-1.13*	*1.71*	*-0.22*

The portfolio outperformed the benchmark by 1.71% in 2022 due to a shorter duration exposure during a period of multi-step interest rate increases. During the latter half of 2022, GHA extended the portfolio's duration. For the year through October 2023, the portfolio underperformed the benchmark by 1.95%, pushing cumulative since inception excess returns negative. This underperformance was largely driven by the portfolio now having a longer duration profile relative to the benchmark as the Federal Reserve continued its hiking cycle through 2023. For the single month of November 2023, the portfolio outperformed the benchmark by 0.95%, pushing cumulative since inception excess returns positive again. The same longer duration profile relative to its benchmark has now positioned the portfolio to benefit from potential interest rate cuts in 2024.

Fees
LACERS pays GHA an effective fee of 13 basis points (0.13%), which is approximately $470,000 annually based on the value of LACERS' assets as of November 30, 2023. The fee ranks in the 5th percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 95% of like-managers have higher fees). Since inception, LACERS has paid GHA a total of $1.12 million in investment management fees.

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with GHA will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: January 9, 2024

Subject: Garcia Hamilton & Associates, L.P. - Contract Renewal

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Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Garcia Hamilton & Associates, L.P. ('GH' and/or 'Garcia Hamilton') for a period of three years from the date of contract expiry.

Background

Garcia Hamilton has been an investment manager for LACERS since June 22, 2021 managing a core fixed income portfolio. As of October 31, 2023, GH managed $341.8 million, or 1.6% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index. The portfolio has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The GH portfolio is currently compliant with LACERS' manager monitoring policy.

Garcia Hamilton & Associates was founded June 1, 1988, to provide investment management services to institutional clients. In 2002, Gilbert A. Garcia joined the firm to manage the firm's fixed income strategies and to build the firm's bond business. In 2008, the firm transitioned management and ownership from its founding partners to the next generation of partner-owners. On June 30, 2010, the firm purchased minority ownership interest held in the firm from its institutional investor partner, Affiliated Managers Group ('AMG'), and became 100% employee owned and operated. The Firm continues to be 100% employee-owned and operated by 17 internal partners; 87% held by minority and women partners and approximately 62% held by minority partners (as of March 31, 2023). GH currently has 39 employees located in its Houston, Texas office. GH is a Principles for Responsible Investment (PRI) signatory, and a Task-Force on Climate-Related Financial Disclosures (TCFD) supporter.

The core fixed income strategy focuses on the preservation of principal while maintaining high current income. The firm's high-quality philosophy prevents it from taking unnecessary or unquantifiable risk.

Implementation is focused on highly liquid and higher quality segments of the markets. The predominant sectors utilized are Treasuries, Agency mortgage-backed securities, and A-rated or better corporates with maturities less than 10 years. GH applies additional filters looking to reduce the risk of negative credit events, such as removing yankees, tobacco and small issuers as examples. This creates portfolios that are liquid with relatively low levels of credit risk. Fairly large active risk levels come from duration management, yield curve management and sector management. GH estimates that 60% of excess return comes from sector rotation and 40% from duration and term structure management. The portfolio focuses on top-down market views as the main driver of active risk and return. Of note, GH's investable universe within credit naturally excludes nearly half of the investment grade credit market. As credit markets have continued to evolve, the BBB-rated cohort has continued to grow. From a credit risk standpoint, the firm's focus on A or better as a limitation is defensive and reduces the risk of idiosyncratic credit mistakes. It also can create higher levels of issuer concentration and may reduce yield in the portfolio, all else being equal.

Mr. Garcia continues to be the driving force at Garcia Hamilton. Mr. Garcia has recruited and developed a devoted team to support him, discuss investment themes and implement/oversee the portfolios on a day-to-day basis. While the talent of the team is not doubted, there was some ambiguity around the anticipated change to the investment process if Mr. Garcia had won the recent mayoral election in Houston. Now that the mayoral race is completed with Mr. Garcia not being elected mayor, the event is behind both the firm and Mr. Garcia. Accordingly, LACERS' Watch status was lifted as of November 16, 2023. Of note, Mr. Garcia is the largest shareholder (29%) in the firm.

Performance

Referring to Exhibit 1, as of October 31, 2023, since the portfolio's performance inception date of July 1, 2021, the portfolio has underperformed its benchmark by 0.1%. Over the past year, the portfolio has underperformed the benchmark by 1.4% and year-to-date the portfolio has underperformed by 1.9%.   Referring to Exhibit 1A, over longer periods of time, GH clients in the Fixed Income- Aggregate product have experienced mixed results over longer periods of time with underperformance over five-years and seven-years and outperformance over 10 years and since the product's inception over 31 years ago.

Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio has outperformed its benchmark's return by 0.20% and ranked in the 36th percentile in its peer group. In the past year, ended September 30, 2023, the portfolio underperformed its benchmark return by 1.14% and ranked in the 98th percentile in its peer group.

Referring to Exhibit 3, the cumulative outperformance over the course of 2022 in a down market was led overwhelmingly by the portfolio's relatively shorter duration exposure in addition to exposures to Treasuries and Corporates. Underperformance in 2023 has managed to pull the since inception cumulative results below benchmark returns as of October 31, 2023. Underperformance in 2023 has been led by the portfolio's longer duration profile relative to its benchmark, yield curve positioning and sectoral positioning in the Mortgage-Backed Securities sector.

Fees

The portfolio has an asset-based fee of 0.13% annually. This fee ranks in the 5th percentile among its peers in the eVestment Core Fixed Income universe. In other words, 95% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

GH has slightly underperformed its benchmark ending October 31, 2023 since inception (July 1, 2021). The portfolio is designed to be a ballast core fixed income holding within the Core Fixed Income asset class. The firm is stable and in good standing according to LACERS' manager monitoring policy. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of October 31, 2023

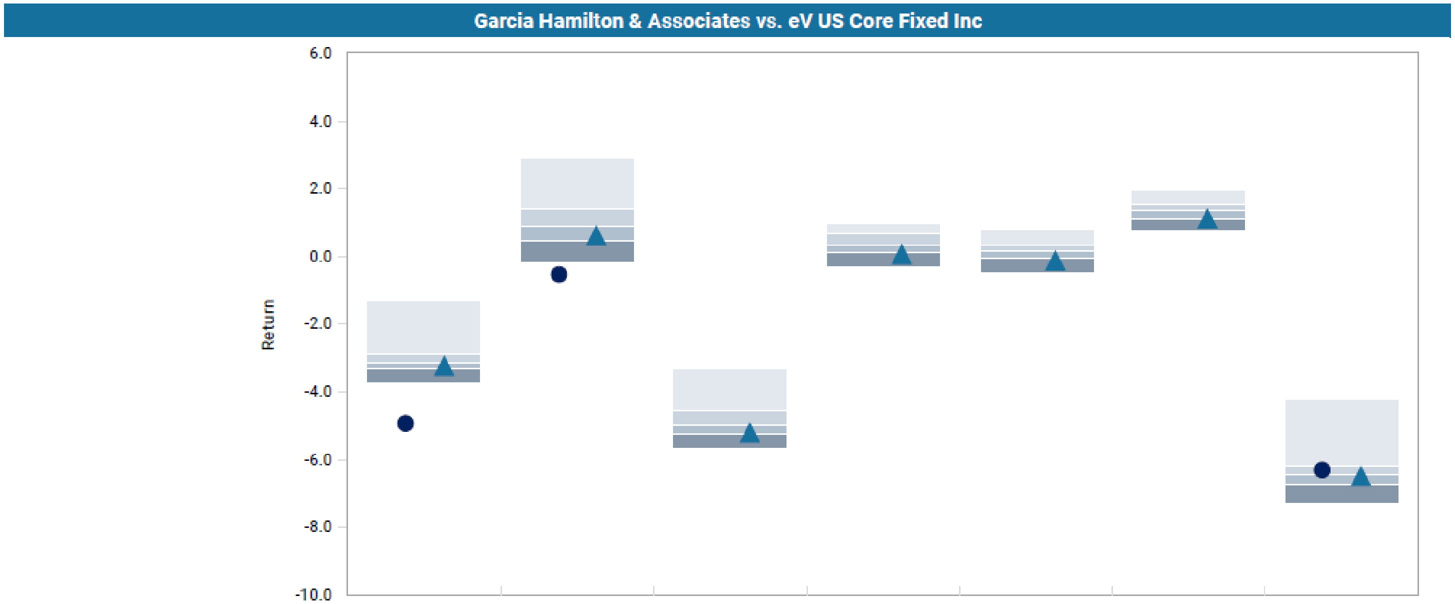
Portfolio Name	1 Month	FYTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Garcia Hamilton & Associates	-2.2	-7.0	-4.7	-1.0	-	-	-	-7.0	7/1/2021
Blmbg. U.S. Aggregate Index	-1.6	-4.8	-2.8	0.4	-	-	-	-6.9	
Over/Under	-0.6	-2.2	-1.9	-1.4	-	-	-	-0.1	

Exhibit 1A: Performance Comparison Net of Fees Garcia Hamilton & Associates, L.P. Separately Managed Accounts Composite as of October 31, 2023

Firm Name	Product Name	Returns - QTD (10/2023)	Returns - YTD (10/2023)	Returns - 1 Year (10/2023)	Returns - 3 Years (10/2023)	Returns - 5 Years (10/2023)	Returns - 7 Years (10/2023)	Returns - 10 Years (10/2023)	Returns - Since Inception 31.83 Years 01/1992 - 10/2023
Garcia Hamilton & Associates, L.P.	Fixed Income - Aggregate	-2.35	-4.76	-1.33	-5.92	-0.64	-0.31	1.04	4.83
Bloomberg Fixed Income Index	Bloomberg US Aggregate	-1.58	-2.77	0.36	-5.57	-0.06	-0.21	0.88	4.42
Over/Under		-0.77	-2.00	-1.69	-0.35	-0.58	-0.11	0.15	0.41

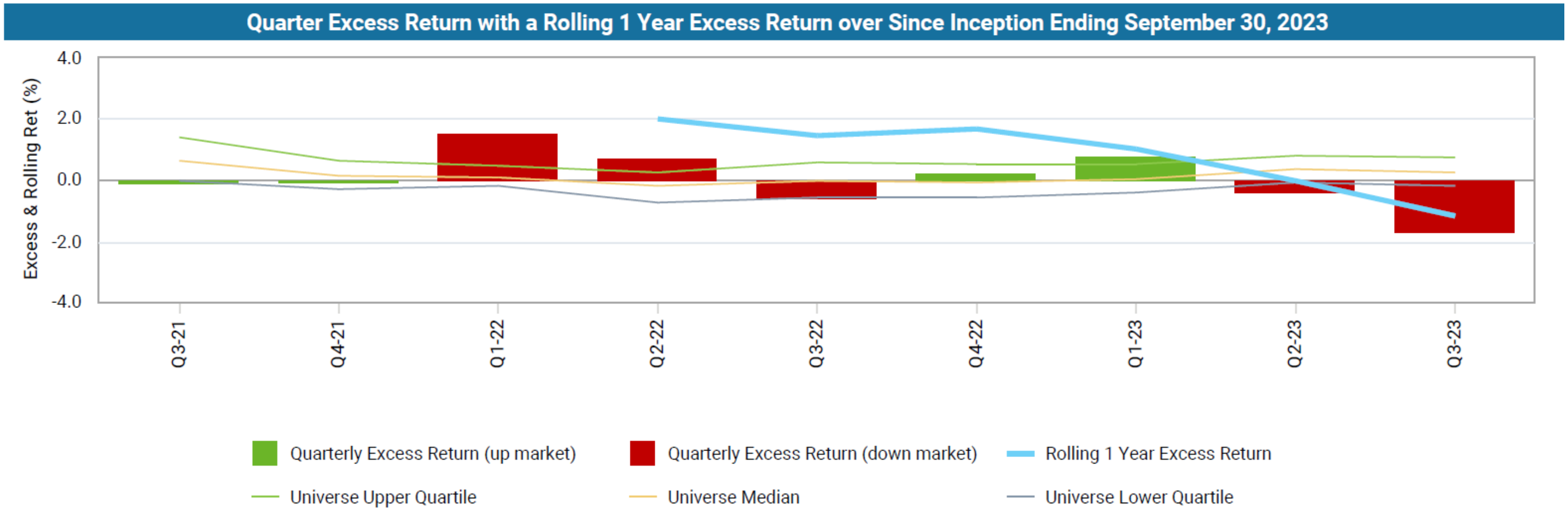
*Source: eVestment

Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)
● Garcia Hamilton & Associates	-4.92 (99)	-0.50 (98)					-6.29 (36)
▲ *Blmbg. U.S. Aggregate Index*	*-3.23 (67)*	*0.64 (70)*	*-5.21 (75)*	*0.10 (78)*	*-0.09 (78)*	*1.13 (79)*	*-6.49 (58)*
5th Percentile	-1.29	2.92	-3.31	0.99	0.80	1.95	-4.19
1st Quartile	-2.86	1.41	-4.53	0.68	0.37	1.56	-6.13
Median	-3.11	0.92	-4.98	0.36	0.18	1.36	-6.43
3rd Quartile	-3.32	0.49	-5.22	0.12	-0.06	1.16	-6.72
95th Percentile	-3.73	-0.16	-5.63	-0.29	-0.48	0.77	-7.29
Population	205	203	193	184	178	168	197

Exhibit 3: Cumulative Excess Performance Net of Fees Ending September 30, 2023



CONTRACT RENEWAL
GARCIA HAMILTON & ASSOCIATES, L.P.
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Garcia Hamilton & Associates, L.P. (GHA) for active core fixed income portfolio management expires on April 30, 2024; and,

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

WHEREAS, a contract renewal with GHA will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on January 23, 2024, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with GHA.

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:	Garcia Hamilton & Associates, L.P.
Service Provided:	Active Core Fixed Income Portfolio Management
Effective Dates:	May 1, 2024 through April 30, 2027
Duration:	Three years
Benchmark:	Bloomberg U.S. Aggregate Bond Index
Allocation as of December 31, 2023:	$376 million

January 23, 2024

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Elizabeth Lee, Chair
Annie Chao
Gaylord "Rusty" Roten

MEETING: JANUARY 23, 2024
ITEM: VII - C

SUBJECT: **APPROVAL OF 3-YEAR CONTRACT WITH INCOME RESEARCH & MANAGEMENT REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a three-year contract renewal with Income Research & Management (IRM) for management of an active core fixed income portfolio.

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

Discussion

On January 9, 2024, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with IRM. The firm has managed an active core fixed income portfolio for LACERS since June 2021; the current contract expires on April 30, 2024. LACERS' portfolio was valued at approximately $452 million as of December 31, 2023. IRM is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid IRM a total of $1.16 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. Staff informed the Committee that IRM's Management Committee experienced personnel changes over the course of the contract period, but none of the changes adversely impacted the day-to-day management of the strategy. Staff also provided an update to the manager's performance through December 31, 2023, which now exhibits positive excess returns for all relevant time periods. Following the discussion, the Committee concurred with the staff recommendation.

Strategic Plan Impact Statement

A contract renewal with IRM will allow the fund to maintain a diversified exposure to the active core fixed income market and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachments: 1. Investment Committee Recommendation Report dated January 9, 2024
2. Proposed Resolution

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JANUARY 9, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: V**

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH INCOME RESEARCH & MANAGEMENT REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Income Research & Management for management of an active core fixed income portfolio.

Executive Summary

Income Research & Management (IRM) has managed an active core fixed income portfolio for LACERS since June 2021. LACERS' portfolio was valued at approximately $435 million as of November 30, 2023. IRM's current contract expires on April 30, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with IRM.

Discussion

Background
IRM manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. IRM's investment process is designed to use bottom-up security selection and constructs portfolios to provide an attractive expected return, reasonable risk exposures, and necessary liquidity. IRM focuses on three key attributes of credit, structure, and price when analyzing every bond for potential investment. The strategy is neutral to the benchmark in terms of duration and yield curve positioning. Portfolio exposures to any particular sector, sub-sector, or specific idea are governed by sector targets and overweight in bond sectors will be the result of capitalizing on market inefficiencies in various spread sectors. CEO and co-CIO William O'Malley (35 years industry experience, 28 with IRM) and co-CIO Jim Gubitosi (19 years industry experience, 16 with IRM) lead the team which oversees the strategy. LACERS' portfolio was valued at $435 million as of November 30, 2023.

The Board hired IRM through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on May 1, 2021. The current contract expires on April 30, 2024.

Organization
IRM is an independent and privately owned fixed income asset management company founded in 1987. The firm has 205 employees and is headquartered in Boston. As November 30, 2023, IRM managed approximately $94.0 billion of total assets, with $16.8 billion of assets in the Aggregate Strategy.

Due Diligence
Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at IRM's headquarters on May 8, 2023, that included interviews with key personnel across the organization. Staff determined that IRM's investment philosophy, strategy, and process have not changed materially since contract inception. Staff noted a number of personnel changes within IRM's Management Committee over the course of the contract period, though none were deemed to have created any adverse impact on the management of the strategy. IRM is in compliance with the LACERS Manager Monitoring Policy.

Performance
As of November 30, 2023, IRM outperformed its benchmark over the 1-Year, 2-Year and Since Inception time periods, but underperformed its benchmark over the 3-month period, as presented in the table below.

Annualized Performance as of 11/30/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception[1]
IRM	0.17	1.72	-5.87	-4.75
Bloomberg U.S. Aggregate Bond Index	0.26	1.18	-6.09	-4.94
% of Excess Return	*-0.09*	*0.54*	*0.22*	*0.19*

[1]Inception date 6/30/2021

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 11/30/2023 (Net-of-Fees)			
	1/1/2023 - 11/30/2023	2022	6/30/2021 - 12/31/2021
IRM	2.10	-12.95	0.03
Bloomberg U.S. Aggregate Bond Index	1.64	-13.01	0.06
% of Excess Return	*0.46*	*0.06*	*-0.03*

Fees
LACERS pays IRM an effective fee of 13 basis points (0.13%), which is approximately $550,000 annually based on the value of LACERS' assets as of November 30, 2023. The fee ranks in the 5th percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 95%

of like-managers have higher fees). Since inception, LACERS has paid IRM a total of $1.16 million in investment management fees.

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with IRM will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: January 9, 2024

Subject: Income Research & Management - Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Income Research & Management ('IR&M') for a period of three years from the date of contract expiry.

Background

IR&M has been an investment manager for LACERS since June 30, 2021 managing a core fixed income portfolio. As of October 31, 2023, IR&M managed $415.9 million, or 2.0% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index. The portfolio has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The IR&M portfolio is currently compliant with LACERS' manager monitoring policy.

IR&M was founded in 1987 by two of the firm's senior leaders, John and Jack Sommers, to specialize in the US dollar-denominated fixed income market. The firm was registered as an investment adviser with the SEC on May 1, 1987, and began managing assets in June 1987. The firm believes in a culture of collaboration, staying true to a disciplined investment process and remaining diligent about security selection. IR&M has been independent and privately owned since its inception in 1987. As of June 30, 2023, the firm is approximately 84.78% employee owned by 68 employees. Two non-employee members of the Sommers family hold 9.75% of firm ownership. For estate planning purposes, John Sommers (Co-Founder, Chairperson Emeritus, and Board Member) transferred a majority of his shares to his son Jack Sommers (Co-Founder, Executive Chairperson, and Board Member) and his other two sons not involved in the business. Three retired employees held the remaining 5.47% of firm ownership and are transitioning their shares in conjunction with their retirements in January 2023. The ownership trend has been and will continue to be to transfer more and more economic ownership to employees while remaining privately owned.

IR&M's investment philosophy is based on the belief that careful security selection and active portfolio risk management will lead to superior returns over the long-term. They believe that predicting the timing, direction, and magnitude of future interest rate changes is very difficult to get right and therefore they keep duration and yield curve exposure neutral to the benchmark.

IR&M's research process combines quantitative and qualitative analysis and is based on fundamentals. The firm does not use black box models, nor does it rely heavily on quantitative modeling to make investment decisions. IR&M has a team of sector-specialized Research Analysts that drive research efforts across the government, securitized, credit, and municipal sectors.

The firm's investment committee, consisting of two Co-Chief Investment Officers, four Portfolio Managers and the Director of Investment Risk, is responsible for overall risk management at the strategy level. The committee determines overall strategy exposures to any particular sector, sub-sector, or specific idea. Using input and ideas from the sector management teams, who are responsible for assessing relative value within sectors, the committee decides on targets based on available opportunities, relative value and portfolio risk factors. The portfolio management team then works within these targeted exposure ranges to incorporate best ideas when building out portfolios.

The strategy is considered benchmark aware. Factors such as duration and rate exposures are closely controlled. Sector exposures may deviate from the index and individual security weights may exceed their respective index weight as the firm prefers to employ meaningful exposures to its best ideas.

Performance

Referring to Exhibit 1, as of October 31, 2023, since the portfolio's performance inception date of July 1, 2021, the portfolio has outperformed its benchmark by 0.2%. Over the past year and year-to-date, the portfolio has outperformed the benchmark by 0.5%. Referring to Exhibit 1A, IR&M clients in the IR&M - Aggregate product have experienced consistent results over longer periods of time with outperformance over five-years, seven-years, 10 years and since the product's inception over 23 years ago.

Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio has outperformed its benchmark's return by 0.22% and ranked in the 35th percentile in its peer group. In the past year, ended September 30, 2023, the portfolio outperformed its benchmark return by 0.91% and ranked in the 38th percentile in its peer group.

Referring to Exhibit 3, the strategy has outperformed consistently quarter after quarter since inception with results outperforming in down markets and in up markets. The strategy's high-quality non-traditional asset-backed securities exposure added excess yield against the benchmark. Overweight sector exposures in Industrials, Utilities and Municipals contributed to excess returns while Security selection within the Corporates sector contributed to excess returns.

Fees

The portfolio has an asset-based fee of 0.13% annually. This fee ranks in the 5th percentile among its peers in the eVestment Core Fixed Income universe. In other words, 95% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

IR&M has consistently outperformed its index and has executed its strategy well since inception. The firm remains stable and has proven that its strategy can add value in down markets as well as up markets. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of October 31, 2023

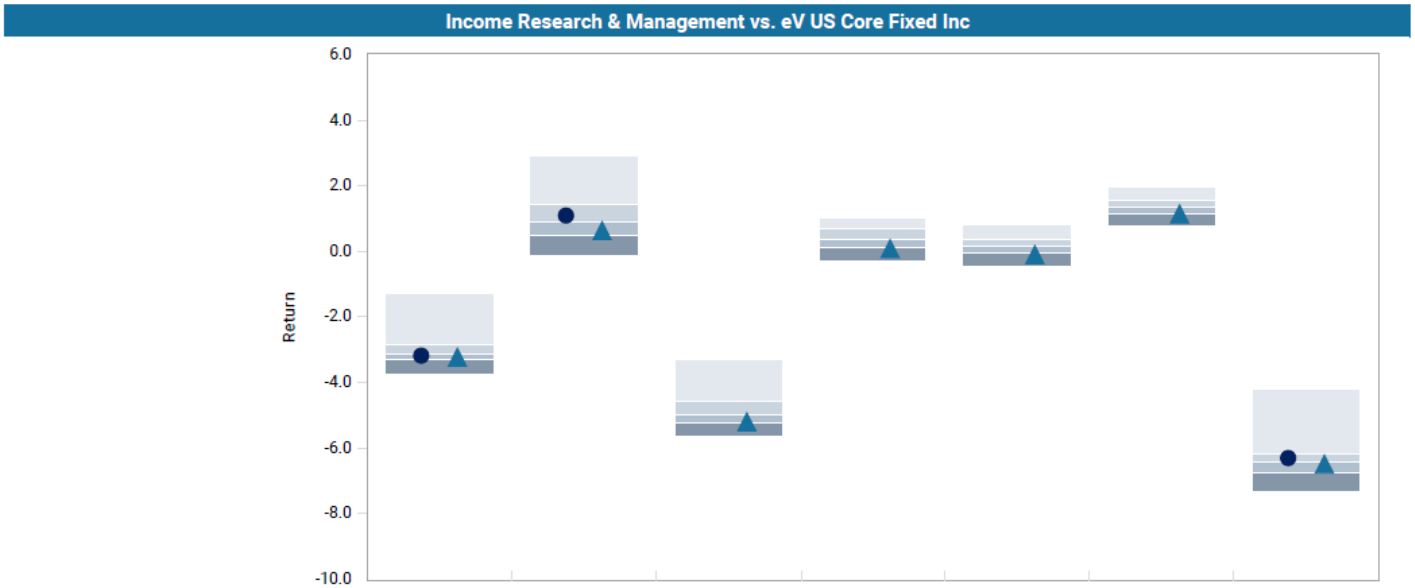
Portfolio Name	1 Month	FYTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Income Research & Management	-1.6	-4.8	-2.3	0.9	-	-	-	-6.7	7/1/2021
Blmbg. U.S. Aggregate Index	-1.6	-4.8	-2.8	0.4	-	-	-	-6.9	
Over/Under	0.0	0.0	0.5	0.5	-	-	-	0.2	

Exhibit 1A: Performance Comparison Net of Fees Income Research & Management Separately Managed Accounts Composite as of October 31, 2023

Firm Name	Product Name	Returns - QTD (10/2023)	Returns - YTD (10/2023)	Returns - 1 Year (10/2023)	Returns - 3 Years (10/2023)	Returns - 5 Years (10/2023)	Returns - 7 Years (10/2023)	Returns - 10 Years (10/2023)	Returns - Since Inception 23.08 Years 10/2000 - 10/2023
Income Research & Management	IR&M Aggregate	-1.64	-2.59	0.66	-5.43	0.26	0.03	1.17	3.88
Bloomberg Fixed Income Index	Bloomberg US Aggregate	-1.58	-2.77	0.36	-5.57	-0.06	-0.21	0.88	3.54
Over/Under		-0.06	0.17	0.30	0.13	0.32	0.23	0.29	0.34

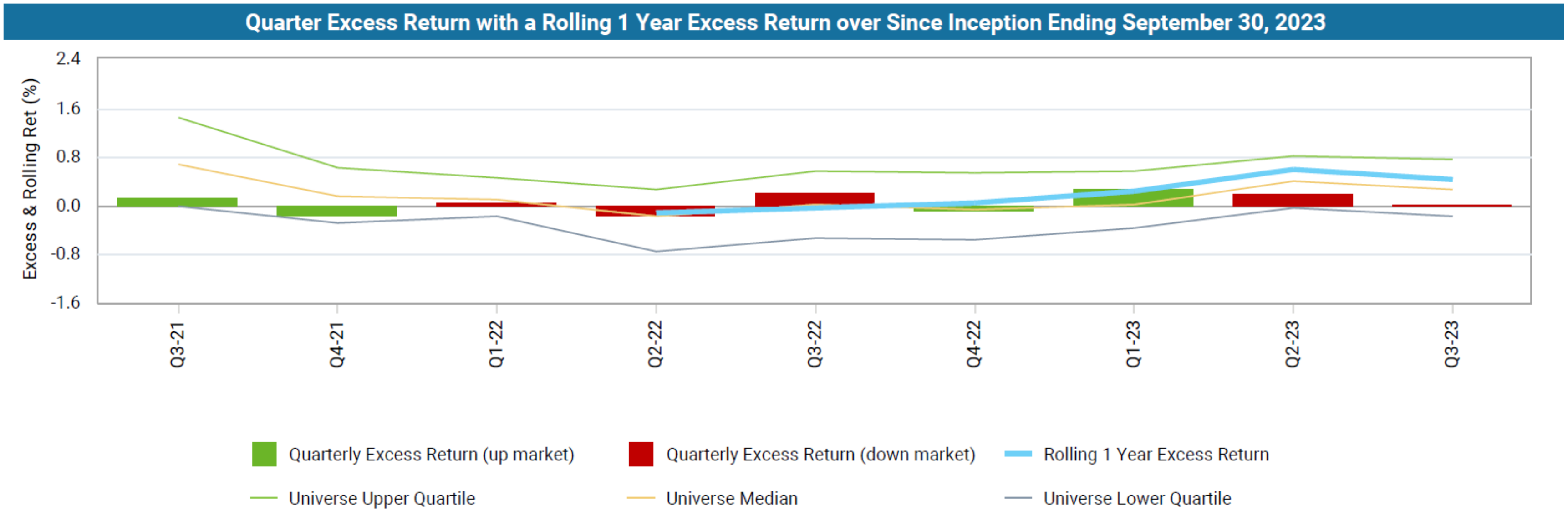
*Source: eVestment

Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)
● Income Research & Management	-3.19 (61)	1.07 (38)					-6.27 (35)
▲ *Blmbg. U.S. Aggregate Index*	*-3.23 (67)*	*0.64 (70)*	*-5.21 (75)*	*0.10 (78)*	*-0.09 (78)*	*1.13 (79)*	*-6.49 (58)*
5th Percentile	-1.29	2.92	-3.31	0.99	0.80	1.95	-4.19
1st Quartile	-2.86	1.41	-4.53	0.68	0.37	1.56	-6.13
Median	-3.11	0.92	-4.98	0.36	0.18	1.36	-6.43
3rd Quartile	-3.32	0.49	-5.22	0.12	-0.06	1.16	-6.72
95th Percentile	-3.73	-0.16	-5.63	-0.29	-0.48	0.77	-7.29
Population	205	203	193	184	178	168	197

Exhibit 3: Cumulative Excess Performance Net of Fees Ending September 30, 2023



CONTRACT RENEWAL
INCOME RESEARCH & MANAGEMENT
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Income Research & Management (IRM) for active core fixed income portfolio management expires on April 30, 2024; and,

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

WHEREAS, a contract renewal with IRM will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on January 23, 2024, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with IRM.

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:	Income Research & Management
Service Provided:	Active Core Fixed Income Portfolio Management
Effective Dates:	May 1, 2024 through April 30, 2027
Duration:	Three years
Benchmark:	Bloomberg U.S. Aggregate Bond Index
Allocation as of December 31, 2023:	$452 million

January 23, 2024

ACTIVE/PASSIVE MANAGEMENT REVIEW

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

January 23, 2024

ACTIVE VS. PASSIVE CURRENT TRENDS

- **Over the past two decades, asset flows into index funds have increased at the expense of actively managed portfolios[1]**
  - *Pension & Investments* reported total index assets of ~$7 trillion ten years ago and today that number is greater than $20 trillion
- **Many studies are regularly conducted to measure the value of passive and active management**
  - Morningstar's U.S. Active/Passive Barometer – Midyear 2023
  - SPIVA® U.S. Scorecard
  - Active Management The Landscape, State Street Global Advisors
- **NEPC annual review to confirm our position on passive management**
  - Review conducted using 6/30/2023 data

[1]Morningstar Direct, Pension & Investments

ACTIVE OR PASSIVE?

NEPC BELIEVES THERE IS NO ONE “RIGHT” ANSWER

- **Depends on investment program characteristics**
  - Available resources – time, active risk, management fees
  - Governance structure in place to:
    - See excess return in all components of plan structure
    - Be patient with short-term underperformance
- **Depends on the asset class**
  - Focus active risk, management fee, and time budget on:
    - Most efficient markets
    - Less constrained mandates
- **Depends on market environments**
  - Active and passive management involve biases that will drive periods of over- and under-performance

LACERS ASSET CLASS SUMMARY

Asset Class	Market Efficiency	Diversity of Opportunity Set	Active Constraints	Excess Return Expectation	Ease of Indexing	Comments/Recommendation
US Large Cap Stocks	High	Low	High	Low	High	Most obvious choice for indexing
US Small Cap Stocks	Moderate	Moderate	Moderate	Moderate	Moderate	In general, seek active; can index core exposure
Non-US Developed Stocks	Moderate	Moderate	High	Moderate	Moderate	In general, seek active; can index core exposure
Emerging Market Stocks	Moderate	Moderate	Moderate	Moderate	Moderate	In general, seek active; can index core exposure
Core Bonds (Gov't/Credit)	High/Moderate	Low/Moderate	High	Low / Moderate	Moderate	Evaluate index components; potentially seek active in less efficient sectors
Emerging Market Bonds	Moderate	Moderate	Moderate	Moderate	Low	Seek active
High Yield/Bank Loans	Low	High	Moderate	Moderate	Low	Seek active
Private Equity	Low	High	Low	High	N/A	Must use active
Private Credit	Low	High	Low	High	N/A	Must use active
Real Estate	Low	High	Low	High	N/A	Must use active

NEPC RESEARCH STUDY

NEPC ACTIVE VS. PASSIVE RESEARCH STUDY

- **NEPC conducts an annual study of the performance of active vs. passive investment strategies in public markets**

- **We evaluate the decision for active management across two tests:**
  - **Test 1** considers whether there is wide dispersion between manager returns across the trailing 10-year period
  - **Test 2** considers whether the median manager outperforms the benchmark, net of fees, on a rolling 3-year basis

- **While this study is meant to be based on our quantitative tests, there are several things that clients should consider as they review the study**
  - The active vs. passive decision should also incorporate the individual goals of clients and the allocation specifically
  - Passive implementation in some asset classes may be costly or may not fully replicate its index

ACTIVE VS. PASSIVE VIEWS

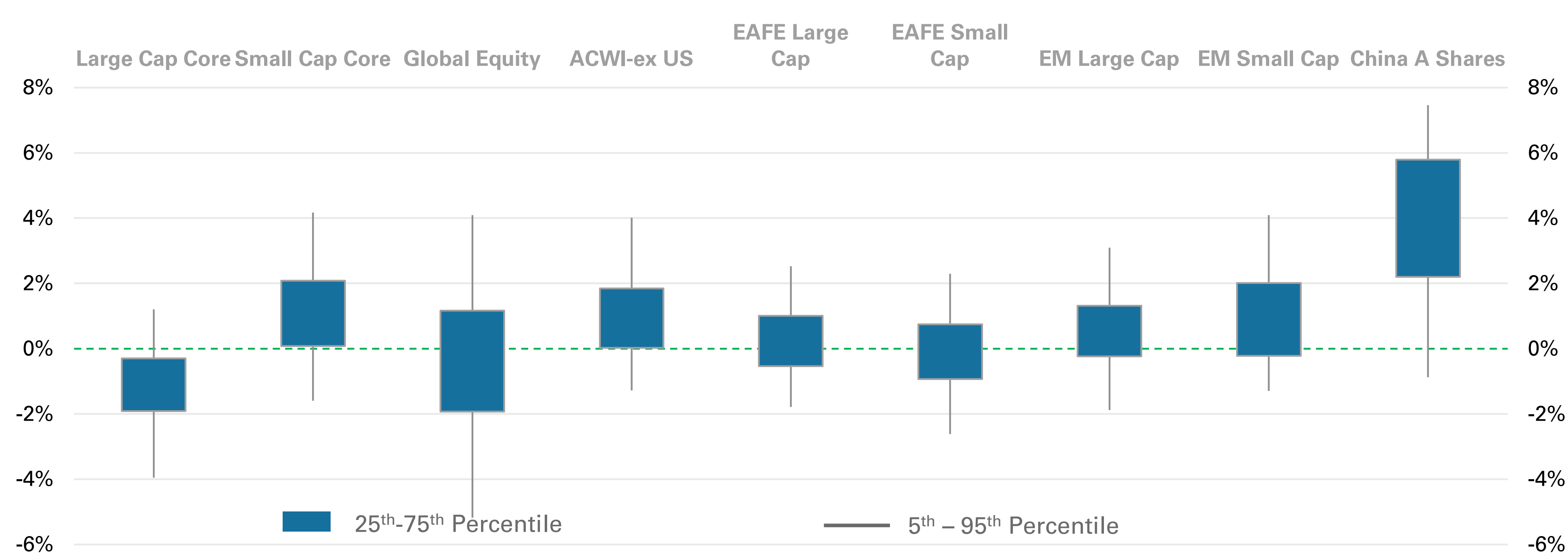
EQUITIES

NEPC

ALL EQUITIES
ACTIVE VS. PASSIVE VIEWS

	Large Core	Small Core	Global Equity	ACWI ex US	EAFE Large Cap	EAFE Small Cap	EM Large Cap	EM Small Cap	China A Shares
Test 1 (Dispersion)	Fail	Pass	Pass	Pass	Fail	Fail	Fail	Pass	Pass
Test 2 (Rolling Outperformance)	Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Efficient Passive Option	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

10 Year Excess Return – Net of Fees



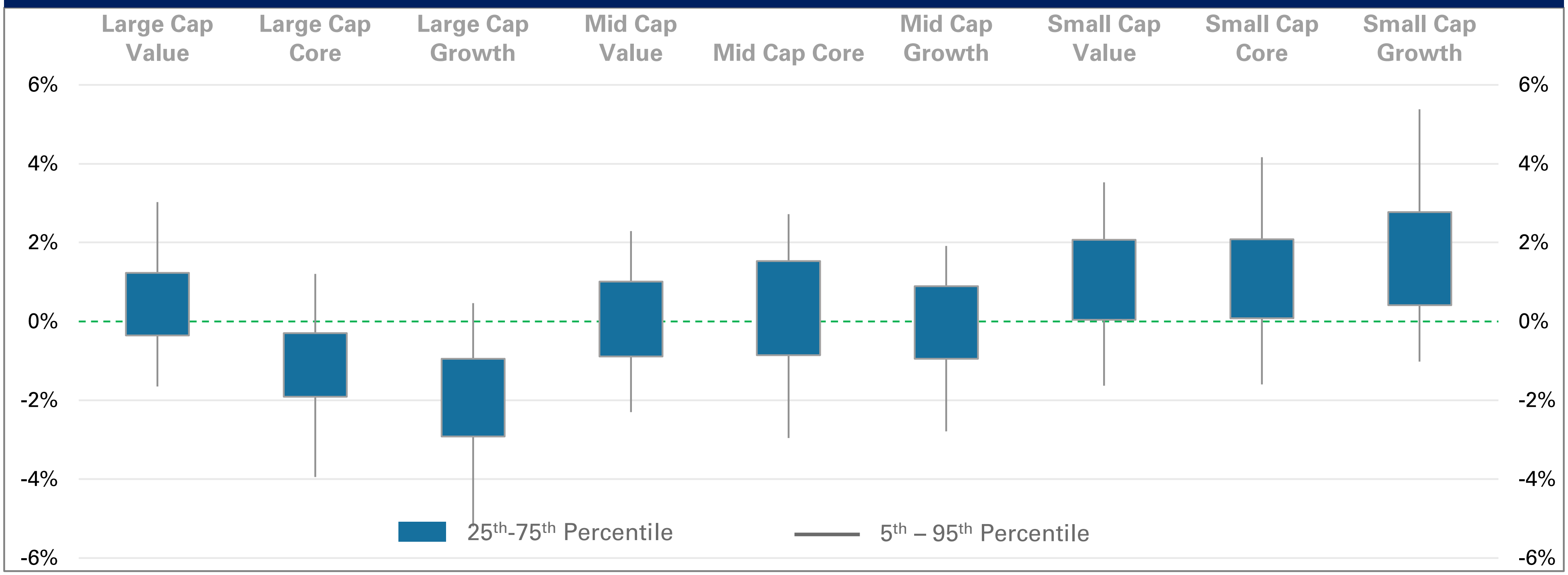
Source: eVestment. Data as of 6/30/2023
*Benchmarks used in the above analysis are detailed within appendix

US EQUITIES

ACTIVE VS. PASSIVE VIEWS

	Large Value	Large Core	Large Growth	Mid Value	Mid Core	Mid Growth	Small Value	Small Core	Small Growth
Test 1 (Dispersion)	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Test 2 (Rolling Outperformance)	Pass	Fail	Fail	Fail	Fail	Fail	Pass	Pass	Pass
Efficient Passive Option	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

10 Year Excess Return – Net of Fees



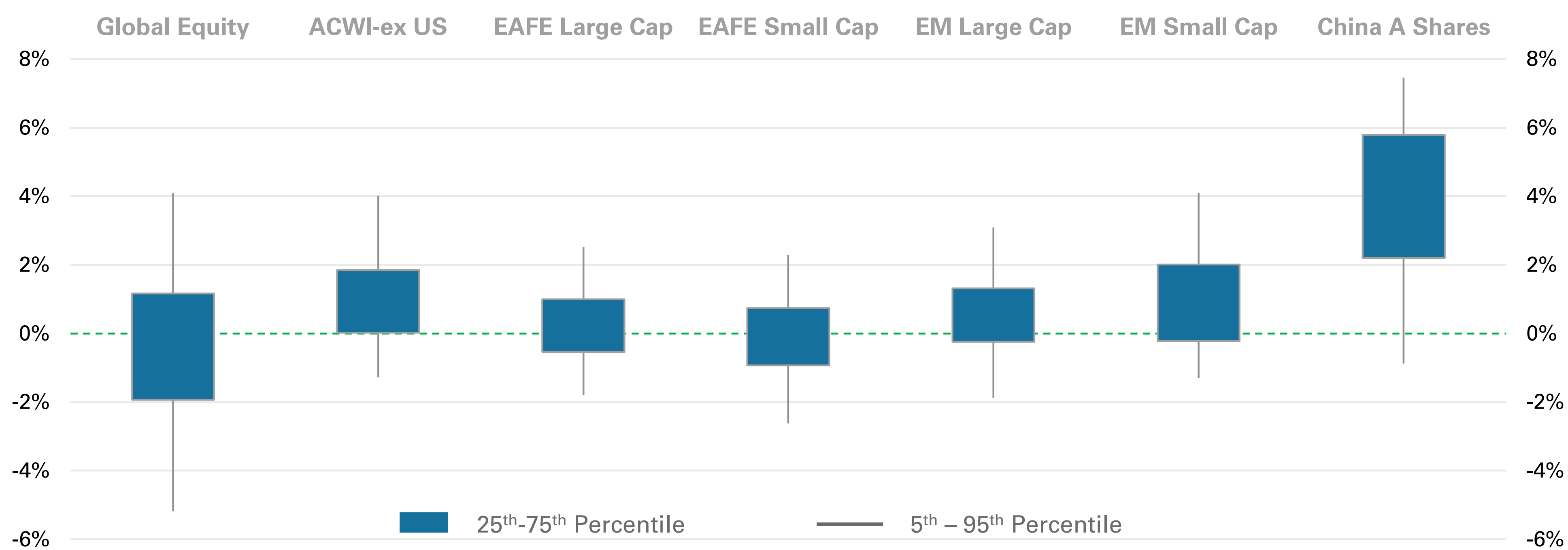
Source: eVestment. Data as of 6/30/2023
*Benchmarks used in the above analysis are detailed within appendix

NON-US EQUITIES

ACTIVE VS. PASSIVE VIEWS

	Global Equity	ACWI ex US	EAFE Large Cap	EAFE Small Cap	EM Large Cap	EM Small Cap	China A Shares
Test 1 (Dispersion)	Pass	Pass	Fail	Fail	Fail	Pass	Pass
Test 2 (Rolling Outperformance)	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Efficient Passive Option	Yes	Yes	Yes	Yes	Yes	Yes	Yes

10 Year Excess Return – Net of Fees



Source: eVestment. Data as of 6/30/2023
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ACTIVE VS. PASSIVE VIEWS

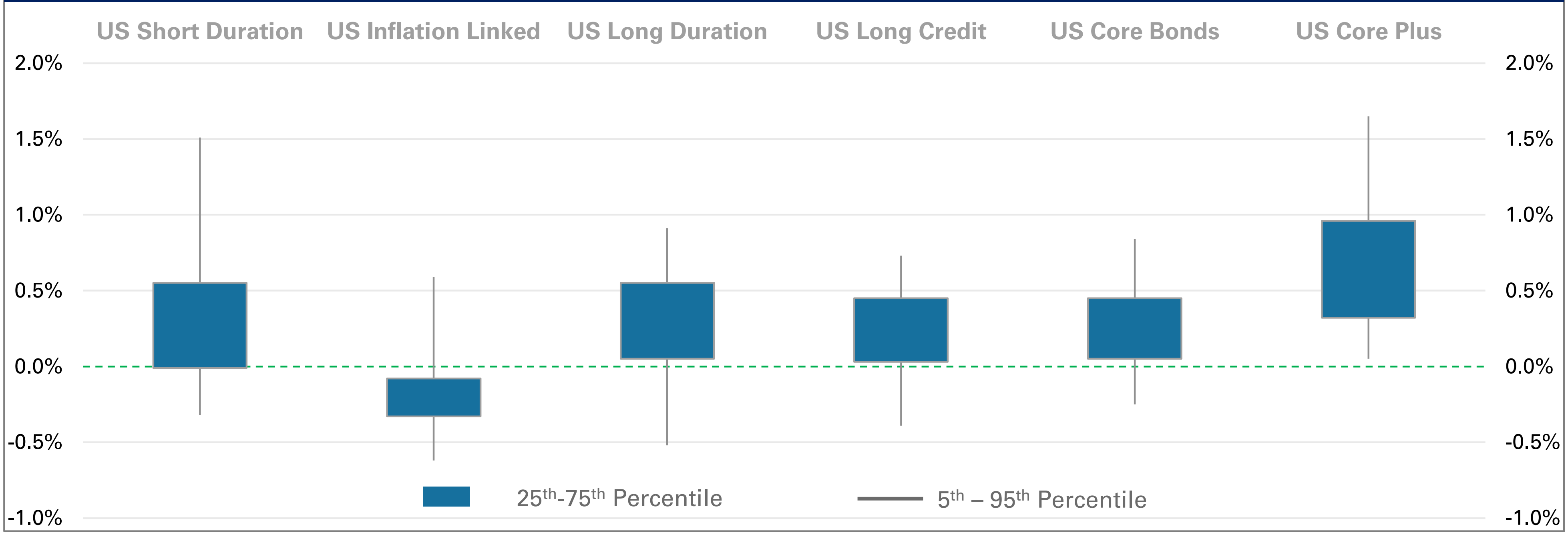
FIXED INCOME

FIXED INCOME: RATES & CORE

ACTIVE VS. PASSIVE VIEWS

	US Short Duration	US Inflation Linked	US Long Duration	US Long Credit	US Core Bonds	US Core Plus
Test 1 (Dispersion)	Pass	Fail	Pass	Fail	Fail	Pass
Test 2 (Rolling Outperformance)	Pass	Fail	Pass	Pass	Pass	Pass
Efficient Passive Option	No	Yes	Yes	Yes	Yes	No

10 Year Excess Return – Net of Fees



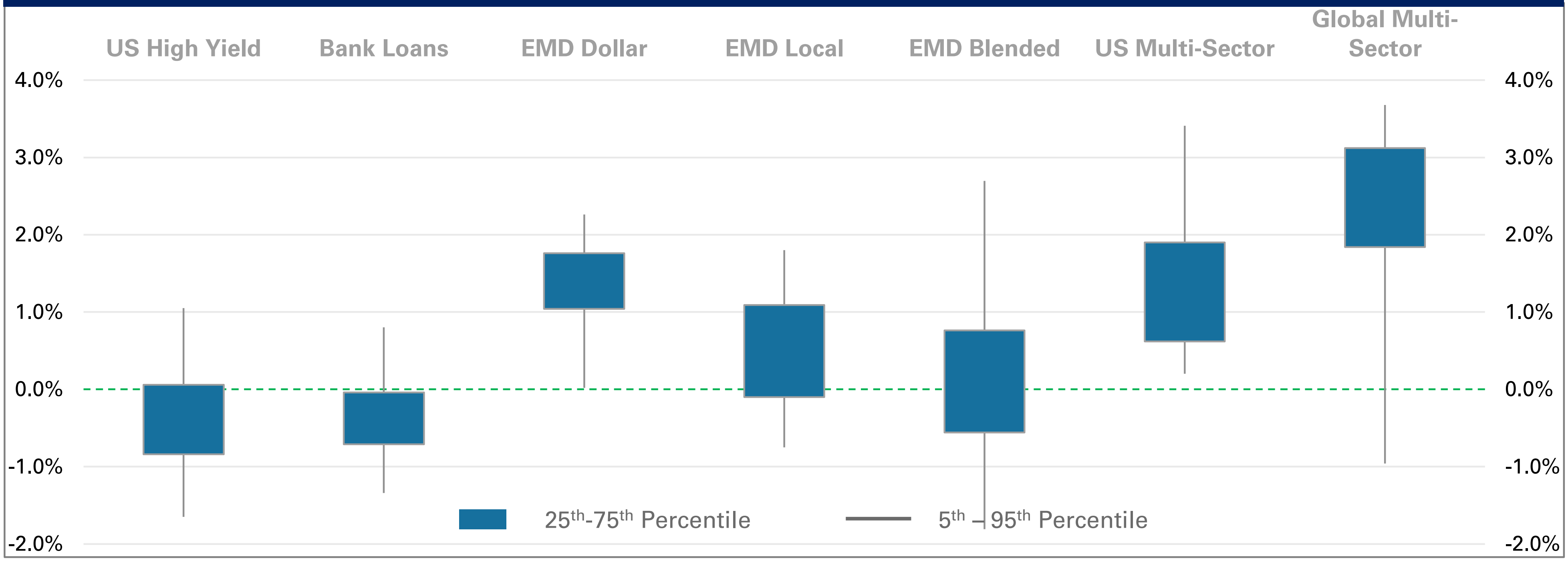
Source: eVestment. Data as of 6/30/2023
*Benchmarks used in the above analysis are detailed within appendix

FIXED INCOME: CREDIT

ACTIVE VS. PASSIVE VIEWS

	US High Yield	Bank Loans	EMD Dollar	EMD Local	EMD Blended	US Multi-Sector	Global Multi-Sector
Test 1 (Dispersion)	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Test 2 (Rolling Outperformance)	Fail	Fail	Pass	Fail	Pass	Pass	Pass
Efficient Passive Option	No	No	No	No	No	No	No

10 Year Excess Return – Net of Fees



Source: eVestment. Data as of 6/30/2023
*Benchmarks used in the above analysis are detailed within appendix

PUBLIC PENSION PLAN INDEX FUND USAGE

LACERS USE OF INDEX FUNDS

- **LACERS current use of index portfolios**
  - Total Plan index exposure is 29.5%
    - 100% of US Large Cap
    - 30.4% of US Mid/Small Cap
    - 46.6% of Non-US Developed
    - 32.5% of Emerging Market Equity
    - 22.4% of Core Fixed Income

- **Risk budgeting exercise, conducted after each asset liability modeling study, determines appropriate allocation to index funds**
  - The termination of active managers has also influenced the use of index funds
    - Current practice is to allocate assets from a terminated manager to an index fund for equity mandates

LACERS data as of 11/30/2024

PUBLIC PENSION PLANS USE OF PASSIVE

- **Each public pension plan is unique with varying governance structures and risk tolerances which can influence the use of index funds**
  - Goals, objectives and funded status can dictate asset allocation structure; higher allocations to publicly traded asset classes are more likely to result in a higher use of passive management
  - A Board's governance structure and tolerance for active manager risk (tracking error) also influences the use of passive mandates
- **To illustrate the broad range of implementation approaches, NEPC compiled the investment structures of current clients included in the Public Pension Plan ($5-$50B) universe**
  - As illustrated on the following slide, the use of passive strategies ranges from 0% up to 50% of Total Plan assets

NEPC CLIENT INVESTMENT STRUCTURES

	LACERS	A	B	C	D	E	F	G	H	I	J
Cash	1%	0%	2%	0%	2%	1%	0%	1%	0%	1%	3%
US Equity	21%	26%	17%	31%	24%	18%	21%	22%	32%	24%	26%
Non-US/Global Equity	26%	18%	13%	19%	16%	11%	14%	15%	17%	24%	16%
Domestic Fixed Income	18%	6%	2%	6%	6%	6%	6%	13%	24%	22%	12%
Other Fixed Income	4%	0%	6%	4%	0%	2%	6%	9%	0%	3%	4%
Alternatives	30%	50%	60%	40%	52%	62%	53%	40%	28%	27%	38%

Expected Return (10 Yrs)	7.2%	7.3%	8.2%	7.1%	7.5%	7.9%	7.4%	6.8%	6.5%	6.8%	7.1%
Standard Deviation	14.9%	14.4%	15.2%	15.6%	14.6%	14.5%	13.8%	12.9%	12.0%	14.0%	14.2%
Sharpe Ratio	0.19	0.20	0.25	0.17	0.21	0.24	0.21	0.19	0.17	0.17	0.19

Active	71%	50%	77%	56%	67%	81%	64%	100%	72%	95%	77%
Passive	30%	50%	23%	44%	33%	19%	36%	0%	29%	5%	23%

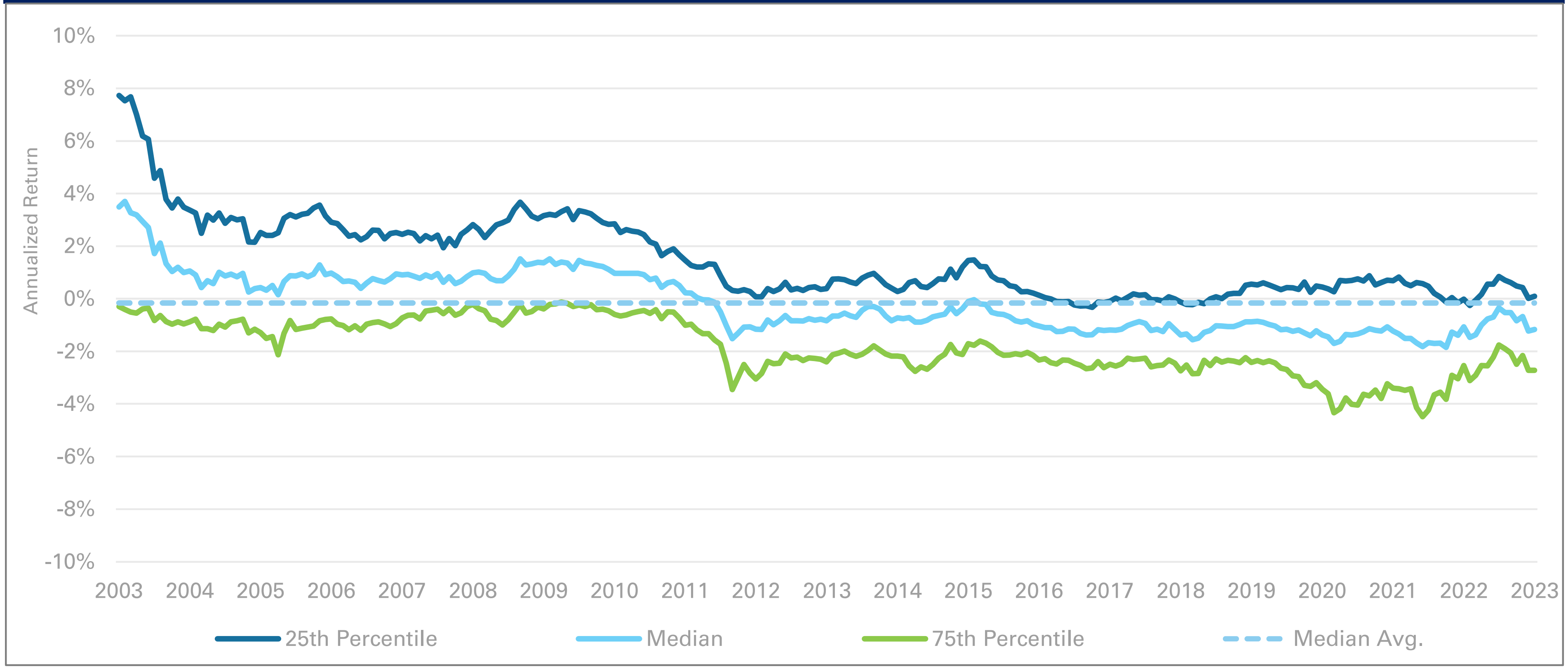
Allocations represent NEPC clients included in the InvMetrics Public DB $5 - $50 B universe as of 9/30/2023
The “Alternatives” category includes: Private Credit, Private Equity, Real Estate, Real Assets, Hedge Funds and other Multi-Asset Strategies
Numbers may not add due to rounding

APPENDIX

US LARGE CAP CORE

NEPC Active Management Views				
Asset Class	**Median Fee**	**Test 1 Dispersion**	**Test 2 Median Outperf**	**Efficient Passive Option**
US Large Cap Core	0.48%	Fail	Fail	Yes

Rolling 3 Year Excess Returns

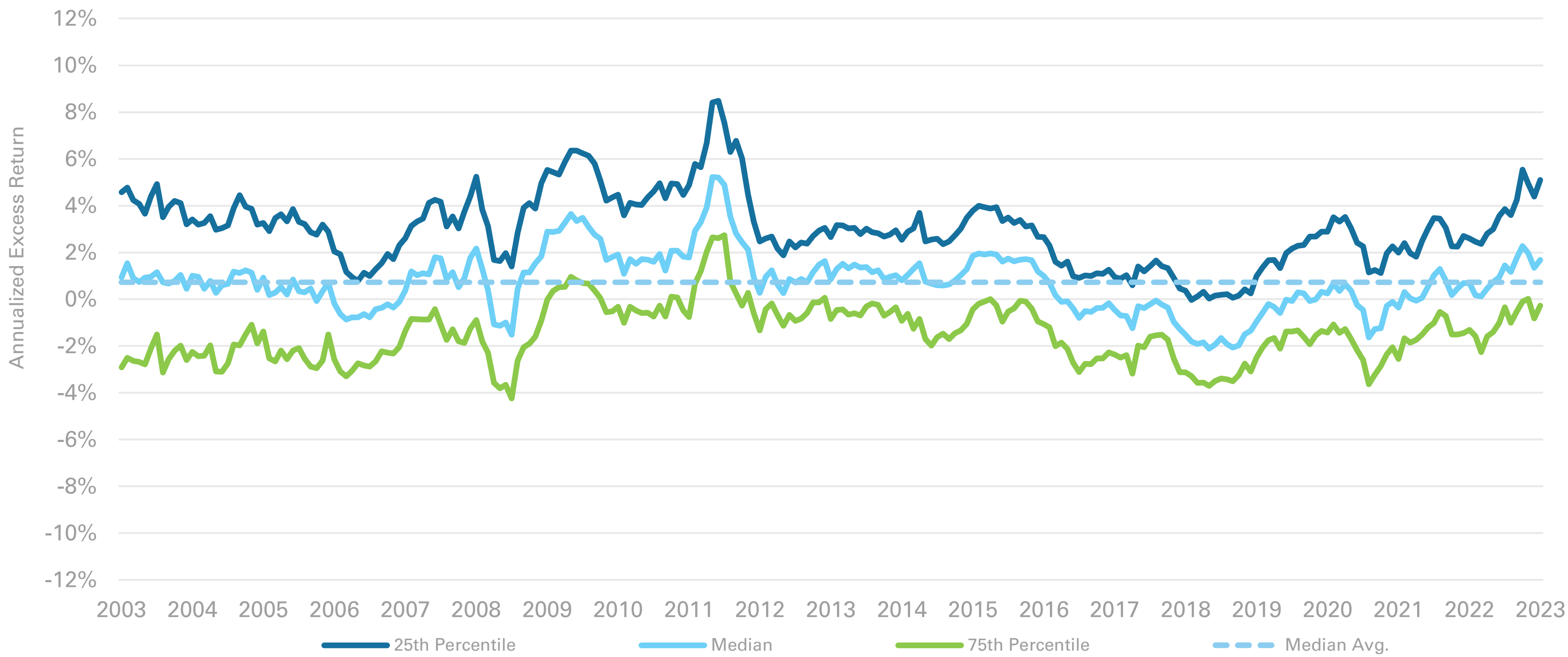


Data is Net-of-Fees. US Large Cap Core Universe vs. S&P 500 Index.
Source: eVestment. Data as of 6/30/2023

US SMALL CAP VALUE

NEPC Active Management Views				
Asset Class	**Median Fee**	**Test 1 Dispersion**	**Test 2 Median Outperf**	**Efficient Passive Option**
US Small Cap Value	0.85%	Pass	Pass	Yes

Rolling 3 Year Excess Returns

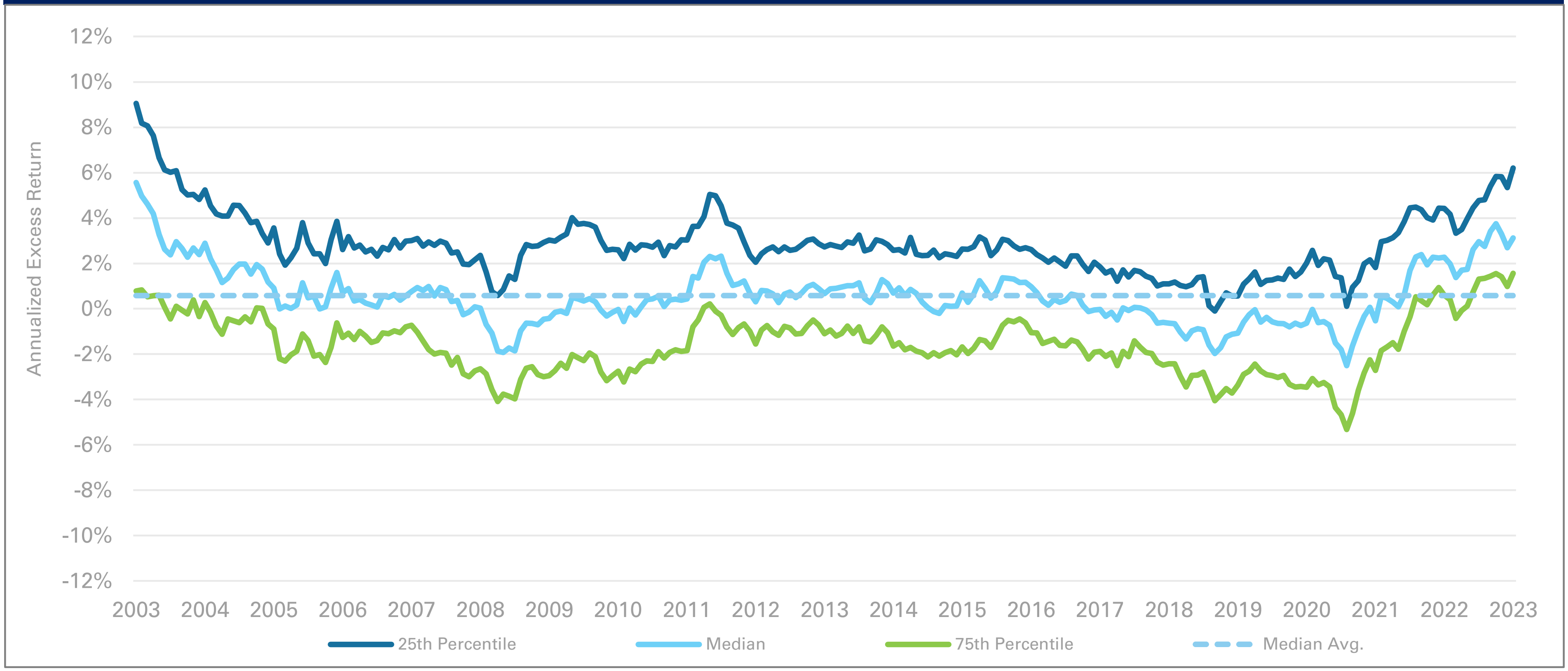


Data is Net-of-Fees. US Small Cap Value Universe vs. Russell 2000 Value Index.
Source: eVestment. Data as of 6/30/2023

US SMALL CAP CORE

NEPC Active Management Views				
Asset Class	Median Fee	Test 1 Dispersion	Test 2 Median Outperf	Efficient Passive Option
US Small Cap Core	0.75%	Pass	Pass	Yes

Rolling 3 Year Excess Returns

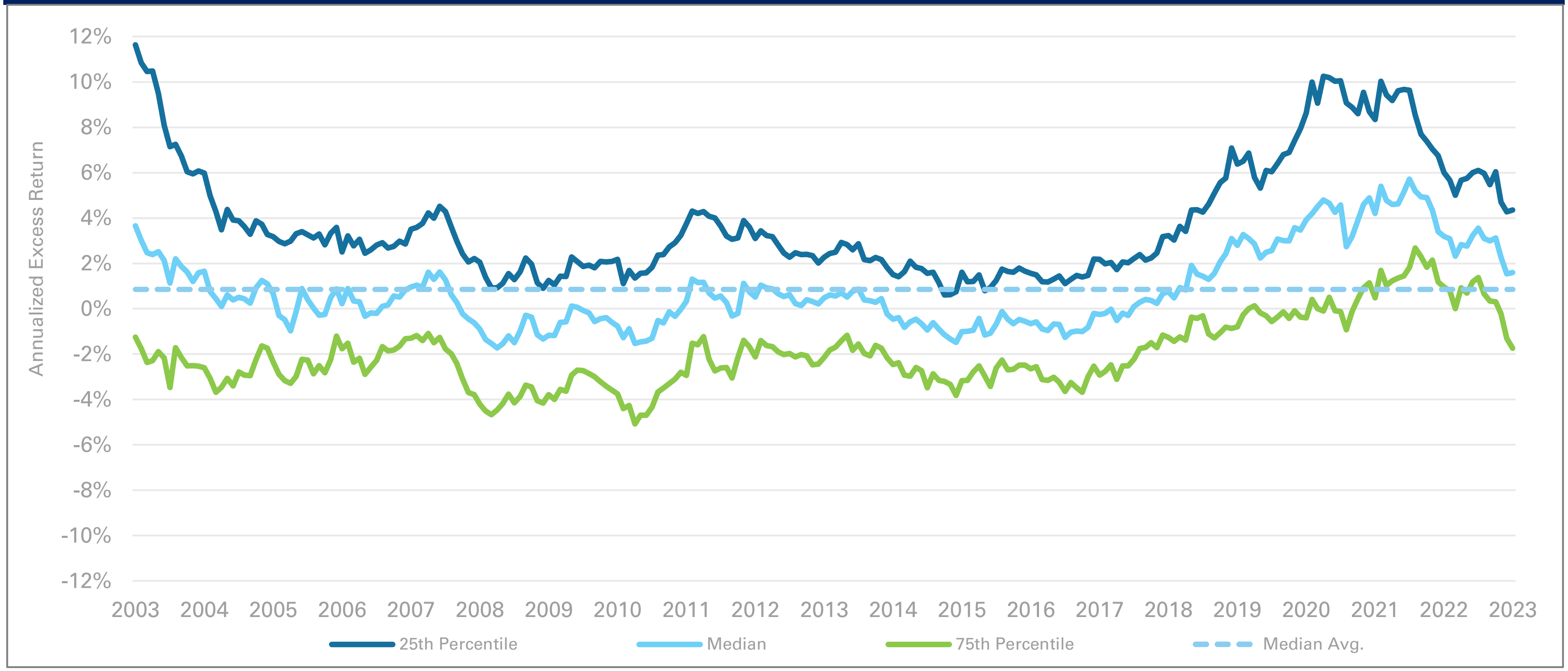


Data is Net-of-Fees. US Small Cap Core Universe vs. Russell 2000 Index.
Source: eVestment. Data as of 6/30/2023

US SMALL CAP GROWTH

NEPC Active Management Views				
Asset Class	Median Fee	Test 1 Dispersion	Test 2 Median Outperf	Efficient Passive Option
US Small Cap Growth	0.80%	Pass	Pass	Yes

Rolling 3 Year Excess Returns

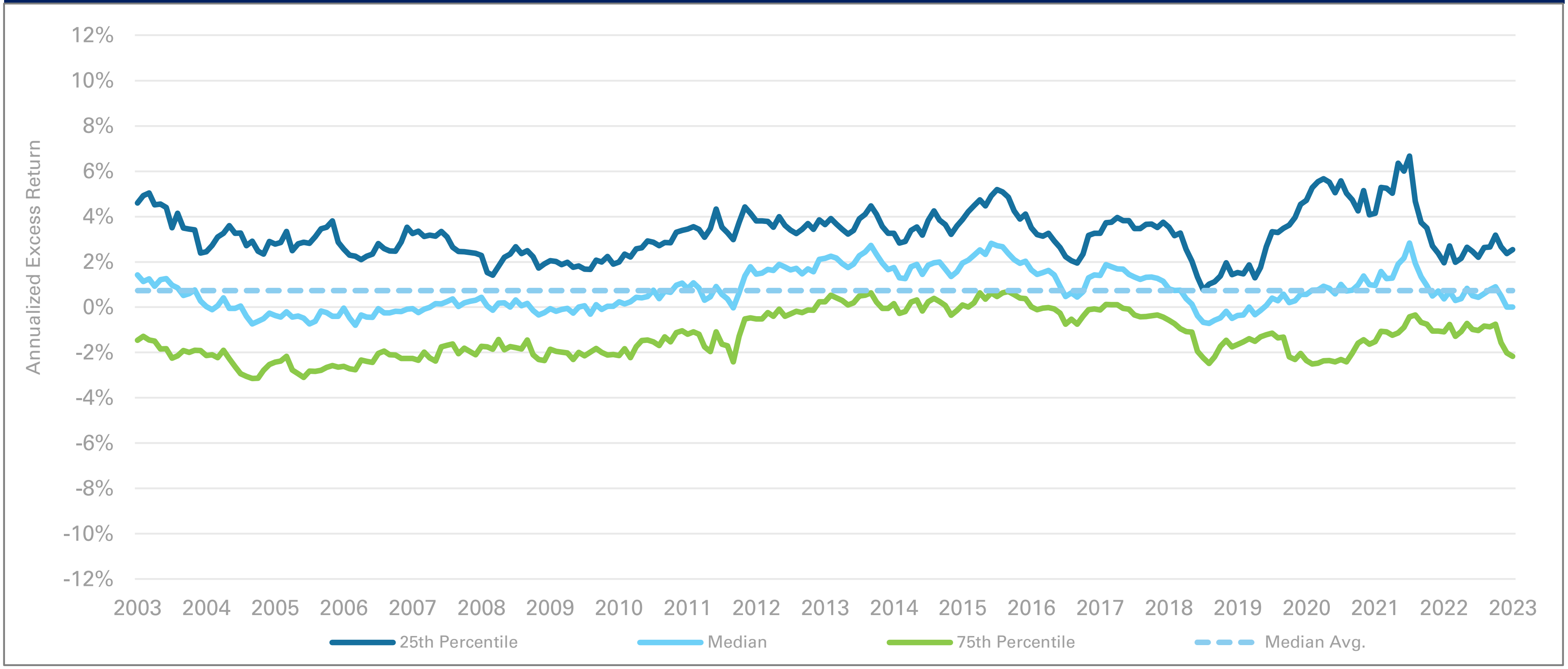


Data is Net-of-Fees. US Small Cap Growth Universe vs. Russell 2000 Growth Index.
Source: eVestment. Data as of 6/30/2023

ACWI EX-US

NEPC Active Management Views				
Asset Class	Median Fee	Test 1 Dispersion	Test 2 Median Outperf	Efficient Passive Option
ACWI ex-US	0.70%	Pass	Pass	Yes

Rolling 3 Year Excess Returns

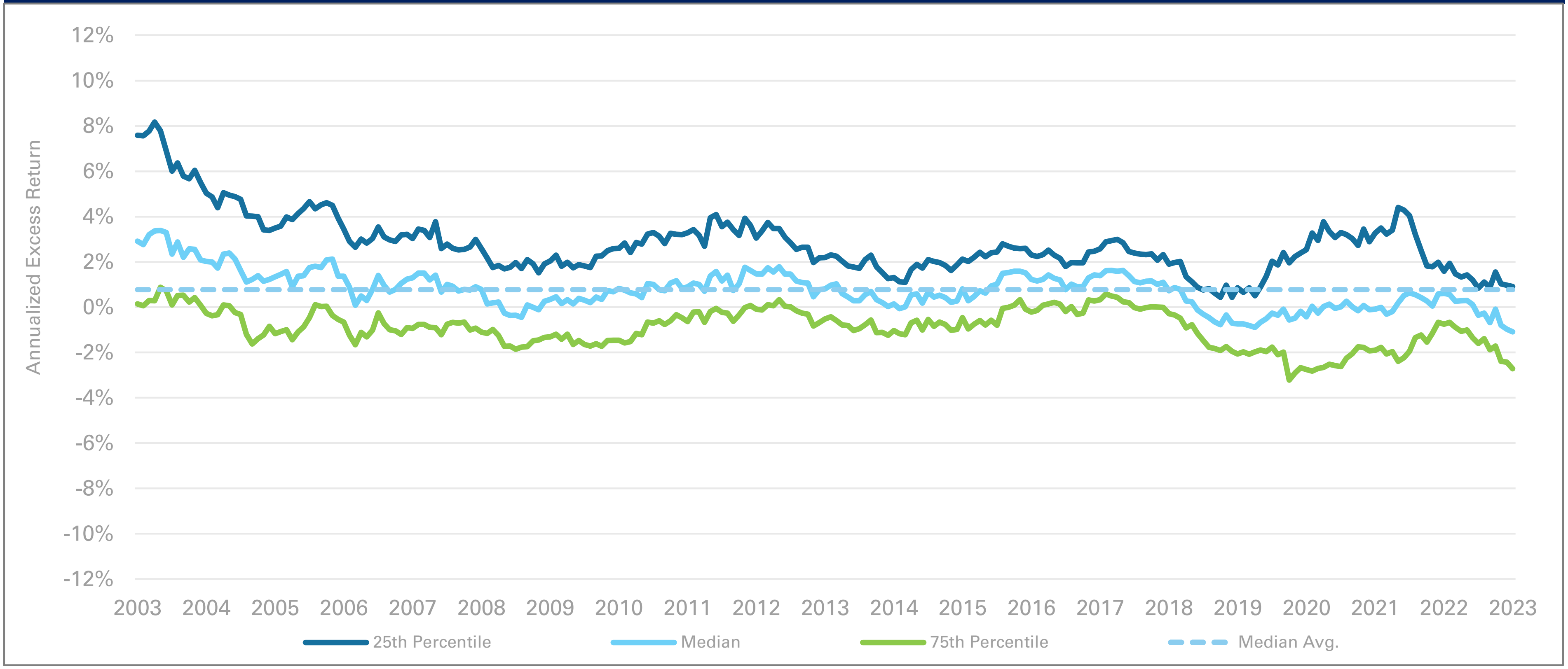


Data is Net-of-Fees. All ACWI ex-US Universe vs. MSCI ACWI ex US Index.
Source: eVestment. Data as of 6/30/2023

EAFE LARGE CAP

NEPC Active Management Views				
Asset Class	**Median Fee**	**Test 1 Dispersion**	**Test 2 Median Outperf**	**Efficient Passive Option**
EAFE Large Cap	0.63%	Fail	Pass	Yes

Rolling 3 Year Excess Returns

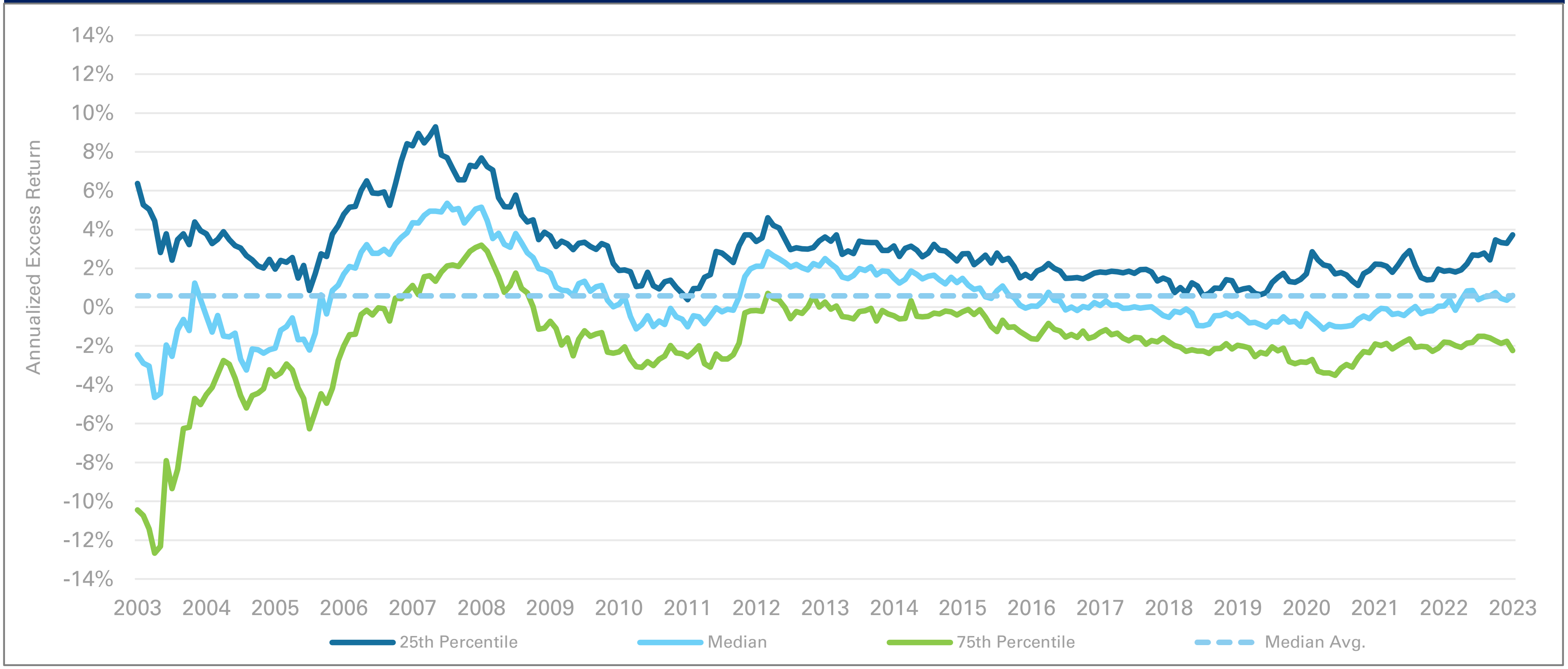


Data is Net-of-Fees. EAFE Large Cap Equity Universe vs. MSCI EAFE Large Cap Index.
Source: eVestment. Data as of 6/30/2023

EAFE SMALL CAP

NEPC Active Management Views				
Asset Class	Median Fee	Test 1 Dispersion	Test 2 Median Outperf	Efficient Passive Option
EAFE Small Cap	0.90%	Fail	Pass	Yes

Rolling 3 Year Excess Returns

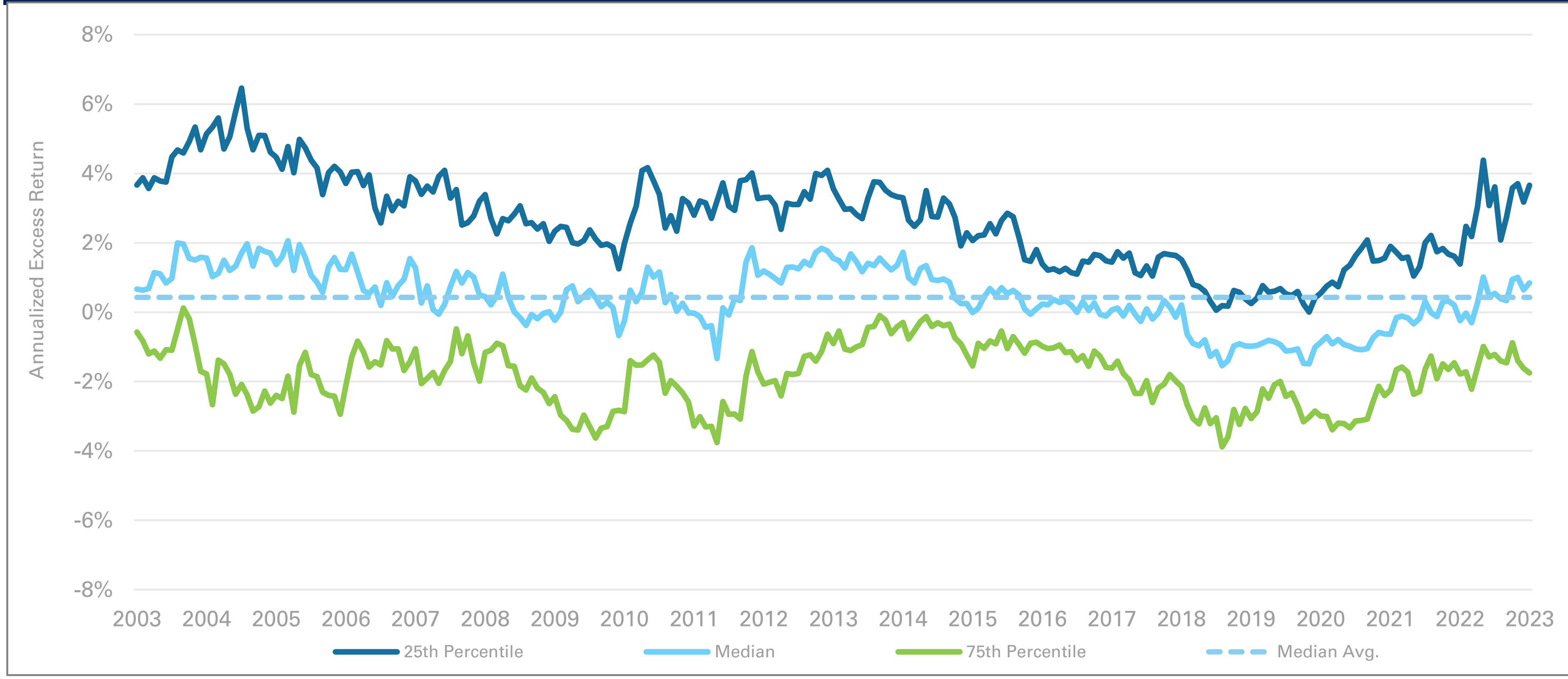


Data is Net-of-Fees. EAFE Small Cap Equity Universe vs. MSCI EAFE Small Cap Index.
Source: eVestment. Data as of 6/30/2023

EMERGING MARKET LARGE CAP

NEPC Active Management Views				
Asset Class	Median Fee	Test 1 Dispersion	Test 2 Median Outperf	Efficient Passive Option
Emerging Mkt. Large Cap	0.80%	Fail	Pass	Yes

Rolling 3 Year Excess Returns

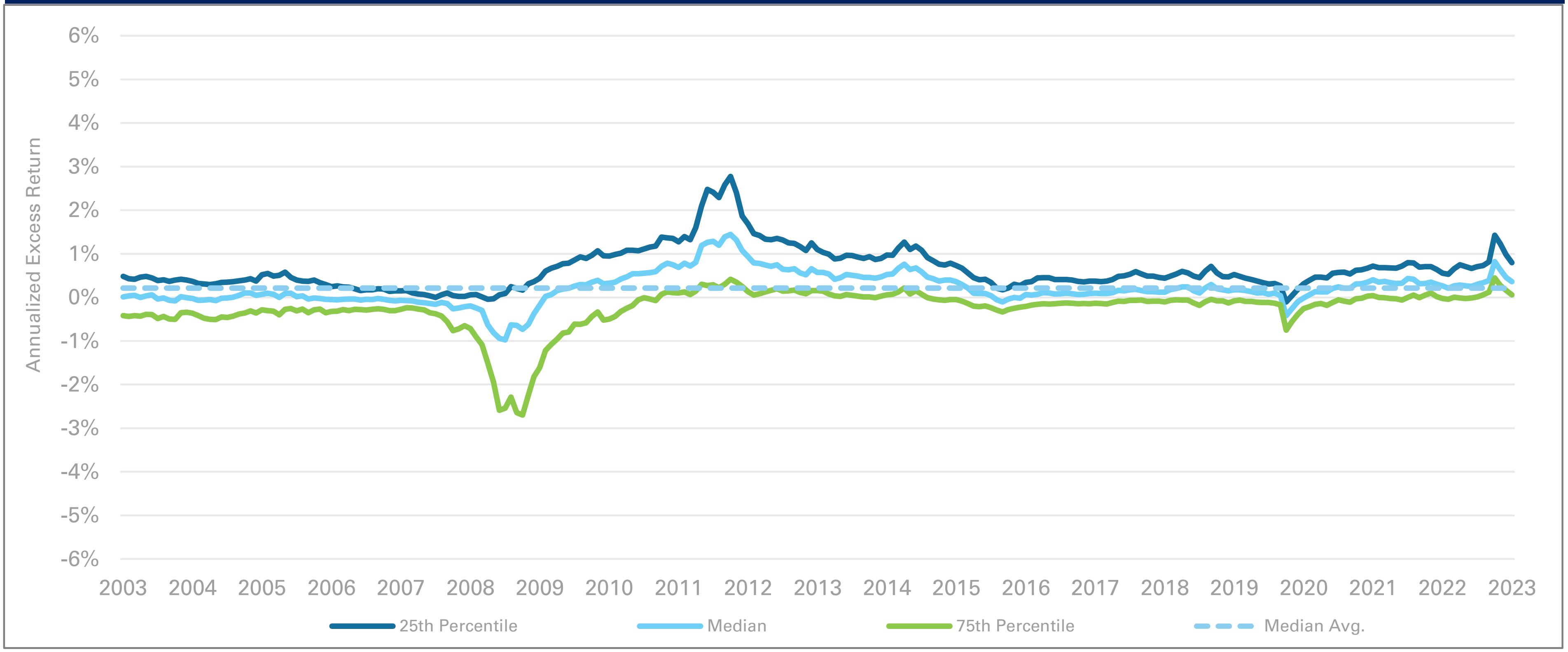


Data is Net-of-Fees. All Emerging Mkt. Equity Universe vs. MSCI Emerging Mkt. Equity Index.
Source: eVestment. Data as of 6/30/2023

US CORE FIXED INCOME

NEPC Active Management Views				
Asset Class	**Median Fee**	**Test 1 Dispersion**	**Test 2 Median Outperf**	**Efficient Passive Option**
US Core Fixed Income	0.27%	Fail	Pass	Yes

Rolling 3 Year Excess Returns



Data is Net-of-Fees. US Core Fixed Income Universe vs. Bloomberg Barclays US Aggregate Index
Source: eVestment. Data as of 6/30/2023

BENCHMARK DISCLOSURE

EQUITY

Asset Class	Index	eVestment Universe
Large Cap Value	Russell 1000 Value	US Large Cap Value Equity
Large Cap Core	S&P 500	US Large Cap Core Equity
Large Cap Growth	Russell 1000 Growth	US Large Cap Growth Equity
Mid Cap Value	Russell Mid Cap Value	US Mid Cap Value Equity
Mid Cap Core	Russell Mid Cap	US Mid Cap Core Equity
Mid Cap Growth	Russell Mid Cap Growth	US Mid Cap Growth Equity
Small Cap Value	Russell 2000 Value	US Small Cap Value Equity
Small Cap Core	Russell 2000	US Small Cap Core Equity
Small Cap Growth	Russell 2000 Growth	US Small Cap Growth Equity
Global Equity	MSCI ACWI	All Global Equity
ACWI-ex US	MSCI ACWI ex US	All ACWI ex US
EAFE Large Cap	MSCI EAFE Large Cap	EAFE Large Cap Equity
EAFE Small Cap	MSCI EAFE Small Cap	EAFE Small Cap Equity
EM Large Cap	MSCI Emerging Mkt. Equity	Global Emerging Mkt. Large Cap Equity
EM Small Cap	MSCI Emerging Mkt. Equity Small Cap	Global Emerging Mkts. Small Cap Equity
China A Shares	MSCI China A	Onshore China A Shares Equity

BENCHMARK DISCLOSURE

FIXED INCOME

Asset Class	Index	eVestment Universe
US Short Duration	Bloomberg US Govt/Credit 1-3 Year	US Short Duration Fixed Income
US Inflation Linked	Bloomberg Barclays US TIPS Index	US TIPS/Inflation Fixed Income
US Long Duration	Bloomberg US Long Govt/Credit	US Long Duration - Govt/Cred Fixed Income
US Long Credit	Bloomberg US Long Credit	US Long Duration - Credit Fixed Income
US Core Bonds	Bloomberg Barclays US Aggregate Index	US Core Fixed Income
US Core Plus	Bloomberg Barclays US Aggregate Index	US Core Plus Fixed Income
US High Yield	Bloomberg Barclays US Corporate High Yield Index	US High Yield Fixed Income
Bank Loans	S&P/LSTA Leveraged Loan Index	US Floating Rate Bank Loan Fixed Income
EMD Dollar	JPMorgan EMBI+ Index	Global Emerging Mkts. Fixed Income - Hard Currency
EMD Local	JPMorgan GBI Global Diversified Unhedged Index	Global Emerging Mkts. Fixed Income - Local Currency
EMD Blended	33% EMBI+, 33% GBI Div, 33% CEMBI Broad Div	Global Emerging Mkts. Fixed Income - Blended
US Multi-Sector	Bloomberg US Universal	US Multi-Sector Fixed Income
Global Multi-Sector	Bloomberg Multiverse	Global Multi-Sector Fixed Income

DATA DISCLOSURES

Universe performance data is shown on a net-of-fee basis

The universe data shown includes only actively managed portfolios

Rolling 3-year annualized excess returns and benchmark rankings have a one month rollback

The median fee shown for each asset class is for a commingled fund at an assumed $50 million mandate size

To account for survivorship bias, eVestment includes inactive accounts in any historical universe calculations. eVestment does not allow for products/vehicles to be deleted from its database.

eVestment classifies universes using a tiered approach so that products can be found in data screens of differing levels of granularity. eVestment offers universe tiers at three levels: Primary, Secondary/Specialty, and Roll-Up.

Primary Universes are typically the most granular and are commonly used as the default comparison peer group in eVestment's analytics modules. A product can only be classified into one Primary Universe. Example: US Large Cap Core Equity and US High Yield.

NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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