LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, NOVEMBER 12, 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 public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

President: Annie Chao
Vice President: Janna Sidley

Commissioners: Thuy Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
Public Pensions General Counsel Division

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

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

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

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

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. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD

B. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER

IV. CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF OCTOBER 8, 2024 AND POSSIBLE BOARD ACTION

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF ERIC GEIHM FOR SERVICE-CONNECTED DISABILITY RETIREMENT OF 71% AND POSSIBLE BOARD ACTION

C. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF JEANNE HOLM AND POSSIBLE BOARD ACTION

V. BOARD/DEPARTMENT ADMINISTRATION

A. PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2024 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2025-26 AND POSSIBLE BOARD ACTION

B. RESULTS OF THE 2024-2025 WORKPLAN AUDITS AND POSSIBLE BOARD ACTION

C. TRIENNIAL BOARD POLICY REVIEW: ARTICLE I, SECTION 1.4 MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS, AND ARTICLE II, SECTION 5.2 STRATEGIC PLANNING POLICY AND POSSIBLE BOARD ACTION

D. TRIENNIAL BOARD POLICY REVIEW: PRESIDING OFFICER AMENDMENTS TO ARTICLE I, SECTION 4.1 BOARD PROCEDURES AND POSSIBLE BOARD ACTION

E. TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 2.1 ETHICAL CONTRACT COMPLIANCE AND POSSIBLE BOARD ACTION

F. APPROVAL OF 3-YEAR CONTRACTS WITH BUSINESS CONTINGENCY GROUP, CHLOETA, CONSTANT ASSOCIATES, INC., LMG SECURITY, AND KUMA, LLC,

FOR EMERGENCY TABLETOP EXERCISE SERVICES AND POSSIBLE BOARD ACTION

G. BUDGET REQUEST FOR INFORMATION TECHNOLOGY AGENCY CONTRACTED SERVICES WITH WORKDAY, INC. FOR THE CITY HUMAN RESOURCES PAYROLL SYSTEM POST-IMPLEMENTATION SUPPORT AND POSSIBLE BOARD ACTION

VI. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. PRESENTATION BY TOWNSEND HOLDINGS LLC OF THE PRIVATE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING JUNE 30, 2024

C. PRI BOARD ELECTIONS AND BALLOT MEASURES AND POSSIBLE BOARD ACTION

D. CONTRACT WITH NEPC, LLC REPLACEMENT OF KEY PERSON AND POSSIBLE BOARD ACTION

E. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT IN WCP NEWCOLD III, L.P. AND POSSIBLE BOARD ACTION

VII. LEGAL/LITIGATION

A. CLOSED SESSION PURSUANT TO SUBDIVISIONS (A) AND (D)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, AND/OR RECEIVE ADVICE FROM LEGAL COUNSEL AND POSSIBLE BOARD ACTION REGARDING PENDING LITIGATION IN THE CASE ENTITLED: INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL 18 v. CITY OF LOS ANGELES ET AL., (LOS ANGELES SUPERIOR COURT CASE NO. 24STCP02171)

B. CLOSED SESSION PURSUANT TO SUBDIVISIONS (A) AND (D)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, AND/OR RECEIVE ADVICE FROM LEGAL COUNSEL AND POSSIBLE BOARD ACTION REGARDING PENDING LITIGATION IN THE CASE ENTITLED: THOMAS CRAWLEY v. LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ET AL., (LOS ANGELES SUPERIOR COURT CASE NO. 24STCV14282)

VIII. OTHER BUSINESS

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

X. ADJOURNMENT

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

RESTRICTED SOURCES

The Board's Ethical Contract Compliance Policy was adopted in order to prevent and avoid the appearance of undue influence on the Board or any of its Members in the award of investment-related and other service contracts. Pursuant to this Policy, this notification procedure has been developed to ensure that Board Members and staff are regularly apprised of firms for which there shall be no direct marketing discussions about the contract or the process to award it; or for contracts in consideration of renewal, no discussions regarding the renewal of the existing contract.

Name	Description	Inception	Expiration	Division
Graphic Talent, Inc.	Graphic Design Services	N/A	N/A	Communications + Stakeholders
BC Design Haus Inc.	Graphic Design & Website Services	N/A	N/A	Communications + Stakeholders
TruView BSI, LLC	Investigative Services	October 1, 2021	September 30, 2024	Retirement
BlackRock Institutional Trust Company, N.A.	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
Axiom Investors, LLC	Active Growth Non-U.S. Emerging Markets Equities	January 1, 2023	December 31, 2024	Investments
CEM Benchmarking	Investment Benchmarking Services	N/A	N/A	Investments
The Northern Trust Company	Master Trust / Custodial Services and Securities Lending	N/A	N/A	Investments

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Educational Programs for Older Adults		September 16, 2024	October 16, 2024	Health, Wellness, & Buyback
Insurance Brokers (RFI)	Alliant Insurance Services, Inc., Gallagher, Segal Select Insurance Services, Inc., Willis Towers Watson Insurance Services West, Inc.	August 27, 2024	September 20, 2024	Administration
Tabletop Exercise Consulting Services	AARC Consultants, LLC, Algora Solutions Inc, Business Contingency Group, Chloeta, Constant Associates, Inc., Guidepost Solutions LLC, High Street Consulting, LLC, Kimble & Associates dba Kuma, LMG Security, Norwich University Applied Research Institutes (NUARI), Plante Moran	April 22, 2024	May 13, 2024	Administration

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

SERVICE RETIREMENTS

Member Name	Service	Department	Classification
Brown, Kenneth L	38	Police Dept. - Civilian	Detention Officer
Brown, Dana H	37	Personnel Dept.	General Manager Personnel
Truscott, Danielle Kyvette	36	Police Dept. - Civilian	Systems Analyst
Washington, Kelly D	36	Dept. of Airports	Airport Police Officer
Romanelli, Eric John	35	LA Housing Dept.	Data Base Architect
Gallina, Robert J	34	PW - St. Maint.	Street Services Supervisor
Villorante, Cristine Claudio	34	LA Convention	Exec Admin Assistant
Matsumoto, Angelica Isabel	33	GSD - Finance/Spl Projects	Chief Management Analyst
Morris, Sheryn Lee	33	Library Dept.	Librarian
Tanijiri, Wesley K	31	PW - Engineering	Principal Civil Engineer
Garcia, Edward	30	Dept. of Bldg. & Safety	Sr Bldg Mechanical Inspector
Aguirre, Rico	28	Library Dept.	Administrative Clerk
Phillips, Noriviena M	28	Fire Dept. - Civilian	Program Specialist
Aguirre, Gricelda	26	PW - Sanitation	Administrative Clerk
Azeez, Lasisi	26	LA Housing Dpt.	Finance Development Officer
Musquiz, Richard Manuel	26	Police Dept. - Civilian	Municipal Police Captain
Day, Patrick Timothy	25	Dept. of Bldg. & Safety	Senior Building Inspector
Powell, Lori Ann	25	Police Dept. - Civilian	Police Service Representative
Stagnitta, Robert	25	LA Housing Dept.	Senior Housing Inspector
Blumin, Jeffrey Steven	24	City Attorney's Office	Deputy City Attorney
Ramos, Alfredo	23	Dept. of Rec. & Parks	Recreation Facility Director
Altamirano, Jorge A	22	Dept. of Transportation	Storekeeper
Garvey, Susan Carol	22	Dept. of Transportation	Crossing Guard
Hazuka, Julie Ann	22	Dept. of Bldg. & Safety	Senior Electrical Inspector
Todd, Chet	22	Dept. of Bldg. & Safety	Bldg Mechanical Inspector
Famili, Azadeh	21	Police Dept. - Civilian	Police Psychologist
Lee, Joanne L	21	PW - Sanitation	Data Base Architect
Madden, Lita Belinda	21	Dept. of Airports	Management Analyst
Graham, Marie Anne	20	Police Dept. - Civilian	Detention Officer
Sutherland, Mark Steven	20	GSD - Public Bldgs.	Painter Supvr
Boags, Martin Robert	19	City Attorney's Office	Deputy City Atty
Arriaga, Gloria	18	Personnel Dept.	Correctional Nurse
Mustelier, Manuel G	18	Dept. of Airports	Maintenance Laborer
Perera, Ruchila M	18	Office of Finance	Accounting Clerk
Amini, Behrooz	17	PW - Sanitation	Wastewater Treatment Op
De La Vega, Jaime T	17	Dept. of Transportation	Gen Mgr Dept Of Transp

Provinchain, Brooks Aldon	17	Dept. of Transportation	Painter
Johnson, Daphne L	15	City Attorney's Office	Legal Secretary
Terry, Sandra P	12	LA Housing Dept.	Secretary
Aubin, Michael Edmond	11	Dept. of Airports	Mech Helper
Murphy, Deborah L	10	City Planning	City Planning Associate
Simon Rosales, Eruviel	9	Dept. of Airports	Custodian Airport
Ma, Jinghui	7	PW - Accounting	Accountant
Sweet, Julia Marie	7	Zoo Dept.	Animal Keeper
Donato, Jack	6	PW - Sanitation	Build Operating Engr
Hill, Darryl	6	Dept. of Airports	Sr Security Officer
Hernandez Arceo, Catalina	5	Dept. of Transportation	Crossing Guard
James Hollomon, Sasshua	2	Library Dept.	Admin Clerk

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Abdullah-Hasan, Vickie McCloyn	John A. Abdullah-Hasan for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Adams, Willard	Gloria M. Owens-Adams for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Afford, John A.	Leticia K. Apuya for the payment of the Accrued But Unpaid Larger Annuity Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance
Alatorre, Richard	Angie O. Alatorre for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Amper, Antoinette R.	Janine D. Smith for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Arnold Heon, Glenda E.	Ellen Jacobs for the payment of the Burial Allowance
Bahn, Ronald R.	Geraline M. Bahn for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Bankhead, Shirley Ann	Barbara Bankhead for the payment of the Accrued But Unpaid Larger Annuity Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Bass, Abram	Rachel Bass for the payment of the Burial Allowance
Bowen, Roosevelt	Sandy Stimson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Vanessa S. Gramajo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Brema, Rita A.	Rita A. Brema Living Trust for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Bright, Elnora	Latwan Blackburn for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions Tawanna Blackburn for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Britton, Carla	Brian Britton for the payment of the Accrued But Unpaid Survivorship (Retirement) Allowance
Buck, Donald L.	Sandra M. Buck for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Chap, Arthur	Connie Lee Lenz for the payment of the Accrued But Unpaid Continuance Allowance
Clardy, Charles L	Jacqueline Sparrow for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Davis, Kevin Phillip	Ivy W. Harrell for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions

Dietz, Kenneth F.	John A. Dietz for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Durham, Kathleen	Ryona L. Durham for the payment of the Burial Allowance
Evans, Charles	Harlene A. Evans for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Farias, Irene	Christine Watry for the payment of the Accrued But Unpaid Continuance Allowance
Fernandez, Isabel Z.	Ronald S. Fernandez for the payment of the Accrued But Unpaid Service Retirement Allowance
Figueroa, Olivia S.	Tiburcio M. Figueroa for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Graves, Nancy A.	Kim A. Graves for the payment of the Accrued But Unpaid Continuance Allowance
Haldiman, Peter J.	Renee Haldiman for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance

Hatano, Sachiko	Brian Micho Hatano for the payment of the Accrued But Unpaid Continuance Allowance
Herrin, Ruby J.	James Burns for the payment of the Burial Allowance
Honda, Michael Isao	Jane Setsuko Honda for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Humphrey, Timothy	Timothy D. Humphrey for the payment of the Burial Allowance
Jimenez, Jaime R.	Ciarra M. Jimenez for the payment of the Burial Allowance
Johncox, Judith R.	Kara Lynn Bone for the payment of the Accrued But Unpaid Continuance Allowance
Johnson, David L.	Alexia P. Johnson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Kilgore, Willis J.	Michael Kilgore for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Terri Messenie for the payment of the Accrued But Unpaid Service Retirement Allowance
Kimball, Helen I.	Scott A. Kimball for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kistler, Eva F.	Timothy Stephen Kistler for the payment of the Accrued But Unpaid Continuance Allowance
Kolb, John Charles	Andre Miguel Tenorio for the payment of the Burial Allowance
Kountz, James A.	Ruthie M. Kountz for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Landeros, Silvia J.	Benjamin Ralph Landeros for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lopez, Maria T.	Teresa Villegas for the payment of the Accrued But Unpaid Service Retirement Allowance

Lopez, Rose Marie	Melissa Valenzuela for the payment of the Accrued But Unpaid Service Retirement Allowance
Luistro, Cesar R.	Gemma Amor Luistro McCall for the payment of the Accrued But Unpaid Continuance Allowance
Marfield, George	Carmen G. Marfield for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Merrill, Anna R.	James Stephen Merrill for the payment of the Accrued But Unpaid Continuance Allowance
Minazzoli, Arthur T.	Gerald B. Minazzoli for the payment of the Burial Allowance
Moore, Betty J.	Jacqueline Porter Morris for the payment of the Accrued But Unpaid Continuance Allowance Kamryn S. Morris for the payment of the Accrued But Unpaid Continuance Allowance
Moore, Herbert C.	Harvey Moore for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Ota, Frank M.	Ann Ozaki for the payment of the Burial Allowance
Parker, Alletta Sue	Jeanne Lanterman for the payment of the Accrued But Unpaid Continuance Allowance
Parslow, Elsie C.	Justine M. Amadeus for the payment of the Accrued But Unpaid Continuance Allowance
Pilotin, Arturo A.	Genevieve Pilotin for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Ramirez, Rachel	Debra Ramirez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Rams, Egon A.	Ursula J. Rams for the payment of the Accrued But Unpaid Service Retirement Allowance
Renteria, Connie G.	Jonathan Renteria for the payment of the Accrued But Unpaid Continuance Allowance Michael William Termath for the payment of the Accrued But Unpaid Continuance Allowance Robert Edward Termath for the payment of the Accrued But Unpaid Continuance Allowance

Riggen, William Steven	John P. Riggen for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Roberts, Jonathan R. L.	Frances Leblanc for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Ross, Dewitt E.	Elizabeth Scottie Ross for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Rushing, Ouida L.	Darryl Kenneth Hawkins for the payment of the Accrued But Unpaid Continuance Allowance David Keith Hawkins for the payment of the Accrued But Unpaid Continuance Allowance
Salazar, Jesus F.	Margarita Lopez Salazar for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Sperling, Arlene	Michael S. Lee for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tostado, Hortencia	Pete Tostado for the payment of the Accrued But Unpaid Continuance Allowance Rebecca Kato for the payment of the Accrued But Unpaid Continuance Allowance

Toussant, Florida	Linda Toussant-Leonard for the payment of the Accrued But Unpaid Continuance Allowance
Trujillo, Venceslado L.	Alicia A. Trujillo for the payment of the Accrued But Unpaid Service Retirement Allowance
Wagoner, Steven J.	Patsy A. Wagoner for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Walker, Sherman F.	Kenneth Wayne Walker for the payment of the Burial Allowance
Wiggs, Ruth	Barbara Bradley for the payment of the Accrued But Unpaid Continuance Allowance
Ybarra, Santos R.	Patricia S. Ybarra for the payment of the Burial Allowance Samuel R. Ybarra for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

TIER 3
NONE

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-B

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Active	
De Costo, Caroline M. (Deceased Active)	Noel De Los Santos Decosto for the payment of the Vested Retirement Survivorship Allowance
Mena, Ernesto (Deceased Active)	Christina Mena for the payment of the Vested Retirement Survivorship Allowance
Porras, Raul A. (Deceased Active)	Ricardo Porras for the payment of the Accumulated Contributions
Zepeda, Mike D. (Deceased Active)	Priscilla Diaz for the payment of the Survivor Contributions Death Refund

TIER 3
NONE

Disclaimer: The names of members who are deceased may appear more than once due to multiple beneficiaries being paid at different times.

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

October 8, 2024

10:13 a.m.

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

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD’S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – President Chao asked if any persons wanted to make a general public comment to which there was one public comment card received. Tom Moutes, member of the public, made public comment with respect to CarelonRx, a prescription service provided to LACERS Retirees.

II

GENERAL MANAGER VERBAL REPORT

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

- 977 Front Entry Mural
- HRP Technology
- HRP Onboarding
- LACERS FY 25/26 Budget Development
- Benefit Operations Update

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

- Board Meeting on October 22, 2024, and Governance Committee Meeting: Continuing Board Policy Reviews
- Board Meeting on November 12, 2024: Actuarial Valuations

III

RECEIVE AND FILE ITEMS

A. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.

B. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – This report was received by the Board and filed.

C. GASB 68 AND 75 VALUATIONS BASED ON JUNE 30, 2023 MEASUREMENT DATE FOR EMPLOYER REPORTING AS OF JUNE 30, 2024 – This report was received by the Board and filed.

IV

COMMITTEE REPORT(S)

A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON OCTOBER 8, 2024 – Commissioner Wilkinson stated the Committee approved the Board Rules related to Member and Benefits Administration and LACERS 2023 Anthem Blue Cross Medical, Blue View Vision, and Delta Dental PPO Year-End Accounting. A CarelonRx Pharmacy update was also provided to the Committee.

V

CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF SEPTEMBER 10, 2024 AND POSSIBLE BOARD ACTION - Commissioner Lee moved approval, seconded by Vice President Sidley, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sohn, Wilkinson, Vice President Sidley, and President Chao -7. Nays; None.

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF BRENTON GARDNER FOR SERVICE-CONNECTED DISABILITY RETIREMENT OF 53% AND POSSIBLE BOARD ACTION - Vice President Sidley moved approval of the following Resolution:

APPROVAL OF SERVICE-CONNECTED DISABILITY RETIREMENT BENEFIT FOR BRENTON GARDNER

RESOLUTION 241008-A

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 Brenton Gardner is unable to perform his usual and customary duties as an Airport Police Officer II 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 the clear and convincing evidence demonstrates that the discharge of Brenton Gardner's duties as an Airport Police Officer II is the predominant cause of the incapacity pursuant to the definition in Los Angeles Administrative Code § 4.1008.1(b) and he is not capable of performing his duties as an Airport Police Officer II;

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 Officer's intemperance or willful misconduct;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the Service-Connected disability retirement benefit for Brenton Gardner of 53% of his Final Average Compensation based upon his claimed disabling condition.

Which motion was seconded by Commissioner Roten, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sohn, Wilkinson, Vice President Sidley, and President Chao -7. Nays; None.

C. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF YVES DIDIER FOR SERVICE-CONNECTED DISABILITY RETIREMENT OF 72% AND POSSIBLE BOARD ACTION – Vice President Sidley moved approval of the following Resolution:

APPROVAL OF SERVICE-CONNECTED DISABILITY RETIREMENT BENEFIT FOR YVES DIDIER

RESOLUTION 241008-B

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

WHEREAS, Physicians 1, 2, and 3 examined and concluded Yves Didier is unable to perform his usual and customary duties as an Airport Police Officer III 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 the clear and convincing evidence demonstrates that the discharge of Yves Didier's duties as an Airport Police Officer III is the predominant cause of the incapacity pursuant to the definition in Los Angeles Administrative Code § 4.1008.1(b) and he is not capable of performing his duties as an Airport Police Officer III;

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 Officer's intemperance or willful misconduct;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the Service-Connected disability retirement benefit for Yves Didier of 72% of his Final Average Compensation based upon his claimed disabling conditions.

Which motion was seconded by Commissioner Roten, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sohn, Wilkinson, Vice President Sidley, and President Chao -7. Nays; None.

VI

BOARD/DEPARTMENT ADMINISTRATION

A. BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE BOARD ACTION – Carol Rembert, Benefits Analyst, presented and discussed this item with the Board for three minutes. Vice President Sidley moved approval of the following Resolution:

SOURCE DOCUMENT – BOARD MANUAL
SECTION 4.0 BENEFITS ADMINISTRATION
4.1 PROPOSED BOARD RULE CHANGES AND ADDITIONS

<u>RESOLUTION 241008-C</u>

DISABILITY LOAN (DL):

DL 7: Pursuant to the Los Angeles Administrative Code (LAAC), the purpose of the loan program is to support members through the application process. If it is determined that the member has misused the loan process, and does not intend to retire on disability, future requested disability loans shall be denied.

SURVIVOR BENEFITS (SB):

SB2: In the event an active Member, who is eligible for retirement, dies without submitting a Designation of Beneficiary Form and the surviving spouse, who is eligible to receive the Member's survivor benefits, dies prior to filing the required benefit election packet or Designation of Beneficiary Form, then LACERS will pay the accumulated contributions and any benefits due to the estate of the surviving spouse.

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sohn, Wilkinson, Vice President Sidley, and President Chao -7; Nays, None

B. LACERS 2023 ANTHEM BLUE CROSS MEDICAL, BLUE VIEW VISION, AND DELTA DENTAL PPO YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION – Karen Freire, Chief Benefits Analyst, James Kawashima, Senior Benefits Analyst II, Vi Duong, Senior Benefits Analyst I, and Bordan Darm, Lead Consultant with Keenan Associates, presented and discussed this item with the Board for 19 minutes. Vice President Sidley moved approval of the following Resolution:

ANTHEM BLUE CROSS 2023 YEAR- END ACCOUNTING

<u>RESOLUTION 241008-D</u>

WHEREAS the Los Angeles Administrative Code establishes that the Los Angeles City Employees' Retirement System (LACERS) provide health and welfare programs for retired employees and their eligible dependents;

WHEREAS LACERS contracts with Anthem Blue Cross (Anthem) for its under-65 and Medicare Part B only Commercial HMO plan, under-65 and Medicare Part B only Commercial PPO plan, and 2021 Anthem Life & Health Medicare (Medicare Supplement) plan. These contracts are experience-rated, dividend-eligible participating contracts which means that at the end of each plan year, an accounting is performed to review and compare Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members;

WHEREAS, if the year-end accounting results in a deficit of premium funds, LACERS must pay Anthem the shortfall; if the accounting results in a surplus, those funds may be returned to LACERS;

WHEREAS the 2023 Anthem year-end accounting shows an adjusted premium deficit of $38,346;

WHEREAS the 2023 premium deficit of $38,346 will be subtracted from the interest amount of $72,930 earned in 2023, the remaining interest of $34,584 was added to the Claims Stabilization Fund for 2023, and no excess premiums were returned to LACERS; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board to approve the 2023 year-end accounting of the Anthem Blue Cross medical plan.

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sohn, Wilkinson, Vice President Sidley, and President Chao -7; Nays, None

C. CARELONRX PHARMACY UPDATE – Karen Freire, Chief Benefits Analyst, and James Kawashima, Senior Benefits Analyst II, presented and discussed this item with the Board for six minutes.

VII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value of $24.64 billion as of October 7, 2024; and Volatility Index at 21.9. Rod June discussed the following items:

OPERATIONAL

a. Hurricane Helene – No major hurricane damage to real estate properties; some minor water damage reported.
b. Hurricane Milton – Staff will monitor the situation following the hurricane.

GLOBAL ISSUES

a. No material changes in valuation for Russia, Israel, and China Tech; Slight decline in Ukraine; Slight increase in China

ESG/EMERGING MANAGERS

a. Report on CIO's attendance at the Investment Diversity Advisory Council (IDAC) – September 24 & 25, 2024
b. Report on the Emerging Manager Networking Forum – November 14, 2024

FUTURE AGENDA ITEMS

a. Continue discussion of Asset Allocation
b. Contract with a investment benchmarking vendor to analyze investment costs
c. Private Credit Notifications

VIII

CLOSED SESSION

There was no closed session discussion.

A. CLOSED SESSION PURSUANT TO SUBDIVISIONS (A) AND (D)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, AND/OR RECEIVE ADVICE FROM LEGAL COUNSEL AND POSSIBLE BOARD ACTION REGARDING PENDING LITIGATION IN THE CASE ENTITLED: INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL 18 v. CITY OF LOS ANGELES ET AL., (LOS ANGELES SUPERIOR COURT CASE NO. 24STCP02171)

IX

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 22, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

XI

ADJOURNMENT – There being no further business before the Board, President Chao adjourned the Meeting at 11:24 a.m.

____

Annie Chao
President

____

Todd Bouey
Manager-Secretary

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Ferralyn Sneed, Chief Benefits Analyst
Ferralyn Sneed

MEETING: NOVEMBER 12, 2024
ITEM: IV - B

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF ERIC GEIHM FOR SERVICE-CONNECTED DISABILITY RETIREMENT OF 71% AND POSSIBLE BOARD ACTION**

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

Recommendation

That it be the finding of the Board that:

1. Eric Geihm was incapable of performing the duties of an Airport Police Officer III prior to retirement; and,

2. Eric Geihm's incapacity has been continuous from the date of his service retirement to the present; and,

3. There is clear and convincing evidence that demonstrates that the discharge of Eric Geihm's duties as an Airport Police Officer is the predominant cause of the incapacity; and,

4. Eric Geihm be granted a Service-Connected disability retirement, with a rating of 71%, for his orthopedic impairments.

Background

Prior to his retirement from City service, Eric Geihm (Officer) was employed as an Airport Police Officer III in the Department of Airports (LAWA) with 30.16652 years of City Service. The Officer applied for Service-Connected disability retirement on April 10, 2023.

The Officer's last day on active payroll was March 24, 2023. If approved, the Officer's retirement effective date will be March 25, 2023.

Accommodation

Because all physicians opined the Officer is disabled but could return to work with accommodations, the employing department was contacted. The department indicated the former Officer was assigned to a specialized training unit before his retirement and, in that capacity, they would be able to accommodate the physician's cited restrictions. However, the department noted regardless of the Officer's assignment immediately before his retirement, all sworn members of the LAWA are required to respond to emergency situations, and had he not retired, it is foreseeable that he would be reassigned back to the regular duties associated with his classification as Airport Police Officer III. Under those circumstances, the department would not be able to accommodate the restrictions indicated in the examining physician reports.

Accordingly, because LAWA cannot accommodate Eric Geihm's restrictions if he were assigned to regular duties, he is incapable of performing his duties due to his claimed incapacity.

Basis for Disability Rating Recommendation

Disability Type:	Service-Connected
Percentage:	71%
Limitations:	Limitations fall within the Serious category

Fiscal Impact

Upon approval, the Officer's retirement status will convert from a Service Retirement to a Service-Connected Disability Retirement with a disability retirement allowance of approximately $7,546 per month, which is equal to 71% of his Final Compensation, and a retroactive payment covering approximately 20 months in the amount of approximately $4,445.00.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division
Susann Hernandez, Sr. Benefits Analyst I, Retirement Services Division
FS:IC:SH:cr

Attachment 1: Proposed Resolution

APPROVAL OF SERVICE-CONNECTED DISABILITY RETIREMENT BENEFIT FOR ERIC GEIHM

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 Eric Geihm is unable to perform his usual and customary duties as an Airport Police Officer III 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 the clear and convincing evidence demonstrates that the discharge of Eric Geihm's duties as an Airport Police Officer III is the predominant cause of the incapacity pursuant to the definition in Los Angeles Administrative Code § 4.1008.1(b) and he is not capable of performing his duties as an Airport Police Officer III;

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 Officer's intemperance or willful misconduct;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the Service-Connected disability retirement benefit for Eric Geihm of 71% of his Final Average Compensation based upon his claimed disabling conditions.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 12, 2024**
From: Ferralyn Sneed, Chief Benefits Analyst **ITEM: IV - C**

Ferralyn Sneed

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF JEANNE HOLM AND POSSIBLE BOARD ACTION**

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

Recommendation

That, pursuant to Los Angeles Administrative Code § 4.1008(b), the Board approves the disability retirement application for Jeanne Holm based on her claimed disabling condition and the supporting medical evidence contained in the administrative record, which includes a report by one licensed, practicing physician.

Background

Jeanne Holm (Applicant) is a Deputy Mayor at the Mayor's Office with 7.90010 years of City Service. The Applicant applied for disability retirement on June 7, 2024, 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 March 7, 2024. If approved, the Applicant's retirement effective date will be March 8, 2024.

Accommodation

Because the physician opined no accommodations 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 retirement allowance of approximately $6,412.00 per month, and a retroactive payment covering nine months of approximately $57,700.00.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division
Susann Hernandez, Sr. Benefits Analyst I, Retirement Services Division

FS:IC:SH:cr

Attachment: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR JEANNE HOLM

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, one physician reviewed the medical records and concluded Jeanne Holm is unable to perform her usual and customary duties as a Deputy Mayor 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 Jeanne Holm is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing her duties as a Deputy Mayor;

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 Jeanne Holm based upon her claimed disabling condition.

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

MEETING: NOVEMBER 12, 2024
ITEM: V-A

SUBJECT: **PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2024 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2025-26 AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board adopt the attached actuarial valuation reports of its consulting actuary, Segal, for the period ending June 30, 2024, including:

1) *Actuarial Valuation and Review of Retirement Benefits* and *Actuarial Valuation and Review of Other Postemployment Benefits* which establish the recommended City contribution rates for Fiscal Year 2025-26 (Attachments 2 and 3);

2) *Governmental Accounting Standards (GAS) 67 Pension Valuation* and *GAS 74 Other Post-Employment Benefit Valuation* (Attachments 4 and 5) which provide the financial disclosures to meet LACERS' June 30, 2024 financial reporting requirements of the Governmental Accounting Standards Board; and,

3) Direct staff to complete review of the Larger Annuity Program (LAP) plan design and report back to the Board with recommendations for ensuring cost neutrality of the LAP, with assistance from City Attorney, and in consultation with the System's consulting actuary.

Executive Summary

The Board's consulting actuary, Segal, performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the LACERS' Retirement and Health System (System) based on census data as of June 30, 2024 (See Attachment 1 for summary results). The actuarial valuation determines the System's funded status as of June 30, 2024 and the City's contribution rates for Fiscal Year (FY) 2025-26.

Overall, the System's Assets, Funded Ratios, and Unfunded Actuarial Accrued Liability (UAAL) increased, mainly due to unfavorable investment experience (after asset smoothing), actual contributions less than expected, higher than expected salary increases for active members, and losses from other actuarial experience.

The aggregate employer rate (if received on July 15) calculated in this valuation has decreased from 33.29% of payroll to 31.44% of payroll.

Segal also prepared separate valuation reports in accordance with the requirements of the Governmental Accounting Standards (GAS) Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans*. Information from these valuations will be reported in LACERS' June 30, 2024 financial statements.

Segal also prepared a biennial valuation of the Larger Annuity Program as of June 30, 2024 where the main reason for the increase in UAAL was attributable in large part to not meeting interest expectations.

Discussion

Retirement and Other Post-Employment Benefit (OPEB) Actuarial Valuations

Segal performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the System based on census data as of June 30, 2024 (see Attachments 2 and 3). The actuarial valuation determines the System's funded status as of June 30, 2024 and the City's contribution rates for FY 2025-26. The report also updates actuarial and demographic information about the System and its Members.

Significant Valuation Results

Valuation Ending	June 30, 2024	June 30, 2023	Percent Change
Total System Assets			
A. Actuarial Value	23,404,150,020	$22,239,263,545	5.2%
B. Market Value	23,041,225,445	$21,589,265,113	6.7%
Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	7,046,941,634	$6,805,716,100	3.5%
B. Health Subsidy Benefits	(285,810,920)	($241,889,698)	18.2%
C. Total	6,761,130,714	$6,563,826,402	3.0%
Funded Ratio (Based on Valuation Value of Assets)			
A. Retirement Benefits	73.4%	73.1%	0.3%
B. Health Subsidy Benefits	108.0%	107.1%	0.9%
C. Total	77.5%	77.1%	0.4%

Valuation Highlights

The System's Assets, Funded Ratios, and UAAL increased primarily due to:

a. Unfavorable investment experience (after asset smoothing),

b. Higher than expected salary increases for continuing active members,

c. Losses from other actuarial experience.

These factors are partially offset in OPEB by:

a. 2025 premiums and subsidy levels lower than expected.

The return on the Actuarial Value of Assets for retirement benefits was 6.71% as of June 30, 2024, which resulted in an actuarial loss of $65.1 million when compared to the 7.0% assumed rate of return.

- The ratio of the valuation value of assets to actuarial accrued liabilities for retirement benefits increased year-over-year from 73.1% to 73.4%. On a market value basis, the funded ratio for the retirement benefits increased year-over-year from 71.0% to 72.3%.

- The funded ratio for the retiree health benefits on a valuation value basis increased year-over-year from 107.1% to 108.0%. On a market value basis, the funded ratio for the health benefits increased from 104.0% to 106.3%.

- The actuarial value of total System assets as of June 30, 2024 increased 5.2% over the prior year, from $22.2 billion to $23.4 billion. On a market basis, there was a 6.7% increase in assets from $21.6 billion to $23.0 billion.

- The UAAL for retirement benefits increased 3.5% over the prior year, from $6.8 billion to $7.0 billion. For the retiree health benefits, the UAAL surplus increased 18.2% from $241.9 million to $285.8 million. The total UAAL for both the retirement benefits and the retiree health benefits as of June 30, 2024 is $6.8 billion, an increase of $197.3 million from the previous year.

Actuarially Determined Employer Contributions

The City's contribution is the sum of the Normal Cost plus an amortized payment of the UAAL. The Normal Cost is the portion of the actuarial present value of LACERS' plan benefits which is allocated to a valuation year using LACERS' adopted cost method – Entry Age. The amortization of the UAAL is the payment stream required to fund the difference between the actuarial accrued liabilities and the actuarial value of assets, determined by methods prescribed by LACERS' Amortization Policy. The actuary has calculated contribution rates reflecting decisions made by the Board including the *July 1, 2019 through June 30, 2022 Actuarial Experience Study* adopted by the Board on June 27, 2023 and the retiree health assumptions adopted September 26, 2023, along with other Board policies. Following are the actuarially determined City contribution rates as a percentage of City payroll for FY 2025-26 if received by July 15, 2025, as compared with current rates.

Employer Rates – Tier 1 and Tier 3 Combined

As a Percentage of City Payroll	Recommended Rates FY 2025-26	Current Rates FY 2024-25	Difference
Retirement	28.13%	29.97%	(1.84%)
Health	3.31%	3.32%	(0.01%)
Total	31.44%	33.29%	(1.85%)

The recommended combined employer contribution rate for FY 2025-26 is 1.85% lower than the current year rate.

Segal notes that of the 7% member rate paid by Tier 1 and Tier 1 Enhanced members towards the cost of the Retirement benefit, 1% of that rate will no longer be paid starting July 1, 2026 or until the ERIP Cost Obligation is fully paid, whichever comes first. This means that, everything else being equal, the employer's normal cost rate in the next valuation as of June 30, 2025 will increase by 1% of payroll for members in Tier 1 and Tier 1 Enhanced.

Actuarial Standards of Practice

The Actuarial Standards Board ASOP 51 regarding risk assessment requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Certain risk factors are briefly discussed in the valuation, but a detailed analysis of risk relative to the System's future financial condition will be provided in a stand-alone report in the first quarter of Calendar Year 2025.

GAS 67 and GAS 74

Segal prepared separate valuation reports in accordance with the requirements of the GAS Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans* (see Attachments 4 and 5). Information from these valuations will be reported in LACERS' June 30, 2024 financial statements. Key highlights are identified below.

- As of June 30, 2024, the Net Pension Liability (NPL) increased slightly by $2.2 million, but is still approximately $7.35 billion when compared with last fiscal year. The NPL is a required disclosure in the financial notes of a pension plan pursuant to GAS 67, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 68 – *Accounting and Financial Reporting for Pensions.* The NPL measure differs from the UAAL as it is calculated on a market value basis and reflects all investment gains and losses as of the measurement date. Another required disclosure under GAS 67 is the Plan Fiduciary Net Position as a percentage of Total Pension Liability, which is 72.26% as of June 30, 2024.

- The Net OPEB Liability (NOL) decreased from a surplus of $135.3 million as of June 30, 2023 to a surplus of $226.0 million as of June 30, 2024 for the retiree health benefits. The NOL is a required disclosure in the financial notes of an OPEB plan pursuant to GAS 74, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, GAS 74 requires disclosure of the Plan Fiduciary Net Position as a percentage of Total OPEB Liability, which is 106.33% as of June 30, 2024.

Larger Annuity Program

Segal also prepared the biennially conducted valuation of the Larger Annuity Program (LAP) as of June 30, 2024. The UAAL has increased from $1.40 million on June 30, 2022 to $1.85 million on June 30, 2024. The valuation was performed using the same methodology and actuarial assumptions used to perform the June 30, 2024 valuation of the Retirement Plan,1 with the exception that, based on a Board Rule, a fixed 3% per year benefit increase is applied to all tiers for the LAP. The main reason for the increase in the UAAL for the LAP as of June 30, 2024 is the two years of interest charges on the prior UAAL as of June 30, 2022.

Although Segal does advise considering combining the assets of the LAP with the Retirement Plan in order to ensure funding through the City contribution, this would not be readily accomplished without support of the City and corresponding changes to the Los Angeles Administrative Code which specifies that the LAP is an annuity funded entirely by the Member. Rather, staff believes that plan design needs to be re-evaluated to ensure cost neutrality of the program going forward and proposes to continue work with legal counsel and to engage with LACERS' consulting actuary to bring back recommendations for design changes to achieve cost-neutrality. Staff have commenced efforts in reviewing the LAP and at this juncture are working with City Attorney on options for soliciting external consulting expertise.

Andy Yeung of Segal will present the June 30, 2024 actuarial valuation reports.

Prepared By: Edwin Avanessian, Chief Management Analyst

NG:TB:ea

Attachments:

1. Actuarial Valuation and Review of Retirement, Other Postemployment and Larger Annuity Program Benefits as of June 30, 2024

2. Actuarial Valuation and Review of Retirement Benefits as of June 30, 2024

3. Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024

4. Governmental Accounting Standards Board Statement No. 67 (GAS 67) Actuarial Valuation of Retirement Benefits as of June 30, 2024

5. Governmental Accounting Standards Board Statement No. 74 (GAS 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2024

6. Actuarial Valuation and Review of Larger Annuity Program as of June 30, 2024

BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 1

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement, Other Postemployment and Larger Annuity Program Benefits as of June 30, 2024

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Re: June 30, 2024 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2024 actuarial valuations for the retirement and health plans and the larger annuity program.

As requested by the System, we have attached the following supplemental schedules:

- Exhibit A – Summary of significant results for the retirement and health plans.
- Exhibit B – History of computed contribution rates for the retirement and health plans.
- Exhibit C – Schedule of funded liabilities by type for the retirement plan.[1]
- Exhibit D – Schedule of retirees and beneficiaries added to and removed from the rolls for the retirement plan.[2]

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Segal

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

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

DNA/sm

[1] For the health plan, a similar schedule is provided in Exhibit H of Section 3 of the health valuation report.
[2] For the health plan, a similar schedule is provided in Exhibit C of Section 3 of the health valuation report.

Summary of Significant Valuation Results

Category	June 30, 2024	June 30, 2023	Percent Change
1. Total membership			
a. Active members	26,782	25,875	3.5%
b. Pensioners and beneficiaries	22,763	22,510	1.1%
2. Valuation salary			
a. Total annual projected payroll	$2,730,282,217	$2,512,179,018	8.7%
b. Average projected monthly salary	8,495	8,091	5.0%
3. Benefits to current retirees and beneficiaries[1]			
a. Total annual benefits	$1,301,096,466	$1,240,519,399	4.9%
b. Average monthly benefit amount	4,763	4,592	3.7%
4. Total System assets[2]			
a. Actuarial value	$23,404,150,020	$22,239,263,545	5.2%
b. Market value	23,041,225,445	21,589,265,113	6.7%
5. Unfunded actuarial accrued liability (UAAL)			
a. Retirement benefits	$7,046,941,634	$6,805,716,100	3.5%
b. Health subsidy benefits	(285,810,920)	(241,889,698)	18.2%

[1] Includes July COLA.
[2] Includes assets for Retirement, Health, Family Death, and Larger Annuity Program Benefits.

Summary of Significant Valuation Results

Budget Items[1, 2]	FY 2025–2026:[3] Beginning of Year	FY 2025–2026:[3] July 15	FY 2024–2025: Beginning of Year	FY 2024–2025: July 15	Difference: Beginning of Year	Difference: July 15
Retirement benefits						
a. Normal cost	7.53%	7.58%	7.74%	7.78%	−0.21%	−0.20%
b. Amortization of UAAL	20.49%	20.55%	22.13%	22.19%	−1.64%	−1.64%
c. Total retirement contribution	**28.02%**	**28.13%**	**29.87%**	**29.97%**	**−1.85%**	**−1.84%**
Health subsidy benefits						
d. Normal cost	3.87%	3.89%	3.84%	3.85%	0.03%	0.04%
e. Amortization of UAAL	−0.57%	−0.58%	−0.53%	−0.53%	−0.04%	−0.05%
f. Total health subsidy contribution	**3.30%**	**3.31%**	**3.31%**	**3.32%**	**−0.01%**	**−0.01%**
g. Total retirement and health subsidy contribution (c + f)	**31.32%**	**31.44%**	**33.18%**	**33.29%**	**−1.86%**	**−1.85%**

Funded Ratio	June 30, 2024	June 30, 2023	Difference
Based on valuation value of assets			
a. Retirement benefits	73.4%	73.1%	0.3%
b. Health subsidy benefits	108.0%	107.1%	0.9%
c. Total	77.5%	77.1%	0.4%
Based on market value of assets			
a. Retirement benefits	72.3%	71.0%	1.3%
b. Health subsidy benefits	106.3%	104.0%	2.3%
c. Total	76.3%	74.9%	1.4%

[1] As a percent of pay.
[2] Tier 1 and Tier 3 combined.
[3] Alternative contribution payment schedule for FY 2025–2026:

FY 2025–2026: End of Pay Periods Employer Contribution Rates

Schedule	Retirement	Health	Total
End of Pay Periods	29.01%	3.41%	32.42%

Computed Contribution Rates[1] — Historical Comparison

Valuation Date	Retirement	Health	Total	Projected Valuation Payroll (thousands)
06/30/2002	9.22%	1.85%	11.07%	$1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171
06/30/2010				
Before Additional Employee Contributions	21.19%	7.45%	28.64%	1,817,662
After Additional Employee Contributions	18.67%	6.94%	25.61%	1,817,662
06/30/2011[2]				
Before Additional Employee Contributions	24.31%	4.49%	28.80%	1,833,392
After Additional Contributions	21.64%	4.49%	26.13%	1,833,392
06/30/2012[3]	21.34%	5.74%	27.08%	1,819,270
06/30/2013	22.24%	5.80%	28.04%	1,846,970
06/30/2014	24.05%	5.81%	29.86%	1,898,064
06/30/2015	23.65%	4.90%	28.55%	1,907,665
06/30/2016	22.96%	5.09%	28.05%	1,968,703
06/30/2017[4]	23.81%	5.26%	29.07%	2,062,316
06/30/2018	25.56%	5.07%	30.63%	2,177,687
06/30/2019	25.43%	4.64%	30.07%	2,225,413
06/30/2020	28.84%	4.43%	33.27%	2,445,017
06/30/2021	30.32%	4.04%	34.36%	2,254,165
06/30/2022	30.36%	4.05%	34.41%	2,258,725
06/30/2023	30.91%	3.43%	34.34%	2,512,179
06/30/2024	29.01%	3.41%	32.42%	2,730,282

1 Contributions are assumed to be made at the end of the pay period. For the 6/30/2014 and 6/30/2015 valuations, the contribution rates are the combined rates for Tiers 1 and 2. Beginning with the 6/30/2016 valuation, the contribution rates are the combined rates for Tiers 1 and 3 (Tier 2 was rescinded effective February 21, 2016).

2 Beginning with the 6/30/2011 valuation date, the contribution rates are **before** adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions. Those adjustments no longer apply after the June 30, 2014 valuation.

3 Beginning with the 6/30/2012 valuation date, the contribution rates are after additional employee contributions.

4 Beginning with the 6/30/2017 valuation date, the contribution rates are after reflecting enhanced benefits for Airport Peace Officers effective January 7, 2018.

Schedule of Funded Liabilities[1] by Type for Retirement Benefits for Years Ended June 30
($ in Thousands)

Valuation Date	Aggregate AAL for Member Contributions	Aggregate AAL for Retirees, Beneficiaries and Inactive/ Vested	Aggregate AAL for Active Members	Valuation Value of Assets	Portion of Aggregate AAL Covered by Reported Assets for Member Contributions	Portion of Aggregate AAL Covered by Reported Assets for Retirees, Beneficiaries and Inactive/Vested	Portion of Aggregate AAL Covered by Reported Assets for Active Members
06/30/2002	$950,002	$3,756,935	$2,545,181	$7,060,188	100.0%	100.0%	92.5%
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700[2]	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
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	15,630,103	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
06/30/2024	3,013,000	16,549,811	6,929,707	19,445,577	100.0	99.3	0.0

1 Actuarial accrued liability (AAL).
2 Excludes assets transferred for Port Police.

Retirees and Beneficiaries Added to and Removed from the Rolls for the Retirement Plan[1] for Years Ended June 30

Year Ended	No. of New Retirees and Beneficiaries	Annual Allowances Added[2]	No. of Retirees and Beneficiaries Removed	Annual Allowances Removed	No. of Retirees and Beneficiaries at June 30	Annual Allowances at June 30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
06/30/2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584
06/30/2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2%	38,178
06/30/2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1%	39,301
06/30/2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3%	40,264
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
06/30/2024	1,007	94,946,932	754	34,369,865	22,763	1,301,096,466	4.9%	57,158

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[1] Does not include Family Death Benefit Plan members. Table based on valuation data.
[2] Effective 06/30/2004, also includes the COLA granted in July.

BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 2

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement Benefits as of June 30, 2024

This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

Segal

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November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2024. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal year 2025–2026.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Administration, based upon information provided by the staff of LACERS and the Plan's other service providers.

Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. To the extent we can, however, Segal does review the data for reasonableness and consistency. Based on our review of the data, we have no reason to doubt the substantial accuracy of the information on which we have based this report and we have no reason to believe there are facts or circumstances that would affect the validity of these results.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The actuarial calculations were directed under the supervision of Andy Yeung, ASA, MAAA, FCA and Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board of Administration based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of LACERS and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal

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

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

BTS/elf

Table of Contents

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present a valuation of the Los Angeles City Employees' Retirement System ("the System") as of June 30, 2024. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits.

The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension (or Retirement) Plan, as administered by the Board of Administration;[1]
- The characteristics of covered active members, inactive members and retired members and beneficiaries as of June 30, 2024, provided by the System;
- The assets of the Plan as of June 30, 2024, provided by the System;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board of Administration for the June 30, 2024 valuation;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. adopted by the Board of Administration for the June 30, 2024 valuation; and
- The funding policy adopted by the Board of Administration.

Valuation highlights

Funding measures

1. The funded ratio (the ratio of the valuation value of assets to actuarial accrued liability) is 73.40%, compared to the prior year funded ratio of 73.10%. This ratio is one measure of funding status, and its history is a measure of funding progress. The funded ratio measured on a market value basis is 72.26%, compared to 70.96% as of the prior valuation date. These measurements are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for, or the amount of, future contributions.

[1] Please refer to page 29 for additional discussion regarding Plan Provisions not included in the contribution rate and liability calculations in this valuation.

2. The unfunded actuarial accrued liability (UAAL) as of June 30, 2023 was $6.806 billion. In this year's valuation, the UAAL has increased to $7.047 billion mainly due to unfavorable investment experience (after asset smoothing), actual contributions less than expected, higher than expected salary increases for continuing actives, and losses from other actuarial experience. A reconciliation of the System's UAAL is provided in *Section 2, Subsection E* on page 30.

   A schedule of the current UAAL amortization amounts is provided in *Section 3, Exhibit G* on page 59. Note that a graphical projection of the UAAL amortization bases and payments has been provided in *Section 3, Exhibit H* starting on page 60.

Actuarial experience

3. The net actuarial loss from investment (after smoothing) and contribution experience is $117.2 million, or 0.44% of actuarial accrued liability. The net experience loss from sources other than investment and contribution experience, or $242.4 million, was 0.92% of the actuarial accrued liability. This loss was primarily due to higher than expected salary increases for continuing actives and other miscellaneous actuarial losses.
4. The rate of return on the market value of assets was 8.23% for the July 1, 2023 to June 30, 2024 plan year. The return on the valuation value of assets (Retirement only) was 6.59% for the same period after considering the recognition of current and prior years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.00%. This actuarial investment loss increased the average employer contribution rate by 0.24% of pay.

Contributions

5. The aggregate employer rate (if received on July 15) calculated in this valuation has decreased from 29.97% of payroll to 28.13% of payroll. The annual dollar employer contributions calculated in this valuation increased from about $752.8 million to $767.9 million. The decrease in the employer rate was due to a UAAL amortization layer dropping off, amortizing the prior year's UAAL over a larger than expected projected total payroll, and a decrease in the normal cost rate due, in part, to the enrollment of new employees in Tier 3. These decreases were offset somewhat by higher than expected salary increases for continuing active members, a lower than expected return on the valuation value of assets (after smoothing), and actual contributions less than expected as a result of the anticipated one-year delay in implementing the higher contribution rate in the prior valuation, and other miscellaneous actuarial losses.

   A complete reconciliation of the Plan's aggregate employer rate is provided in *Section 2, Subsection F* on page 32.
6. As we note on page 85 of this report, out of the 7% member rate paid by Tier 1 and Tier 1 Enhanced members towards the cost of the Retirement benefit (we note that there is an additional 4% member rate paid to defray the cost of providing a Retiree Medical Plan premium subsidy, and that rate is increased to 4.5% for certain members), 1% of that rate will no longer be paid starting July 1, 2026 or until the ERIP Cost Obligation is fully paid, whichever comes first. After discussion with LACERS, we have assumed in this June 30, 2024 valuation, which establishes the funding requirements for fiscal year 2025/2026, that Tier 1 and Tier 1 Enhanced

members will continue paying the 1% rate up until June 30, 2026. This means that everything else being equal, the employer's normal cost rate in our next valuation as of June 30, 2025 will be increased by 1% of payroll for members in Tier 1 and Tier 1 Enhanced.

7. As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following schedules:
   a. The beginning of the fiscal year, or
   b. On July 15, 2025, or
   c. Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).

Future expectations

8. As indicated in *Section 2, Subsection B* of this report, the total net unrecognized investment loss as of June 30, 2024 is $362.9 million[1] for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This net investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.00% per year (net of investment and administrative expenses) on a market value basis will result in a net investment loss on the actuarial value of assets after June 30, 2024. Footnote 2 to the chart in *Subsection B of Section 2* shows how the $362.9 million net unrecognized loss will be recognized in the next six years under the asset smoothing method.

   The net deferred loss of $362.9 million represents 1.6% of the market value of assets as of June 30, 2024. Unless offset by future investment gains or other favorable experience, the recognition of the net $362.9 million market loss is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:
   a. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the funded percentage would decrease from 73.40% to 72.26%.

      For comparison purposes, if the net deferred loss of $650.0 million for the retirement plan in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the funded percentage would have decreased from 73.10% to 70.96%.
   b. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the aggregate employer rate (if received on July 15, 2025) would have increased from 28.13% of payroll to about 29.1% of payroll.

      For comparison purposes, if the net deferred loss of $650.0 million for the retirement plan in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the aggregate employer rate (if received on July 15, 2024) would have increased from 29.97% of payroll to about 31.8% of payroll.

[1] For comparison purposes, the total net unrecognized investment loss as of June 30, 2023 was $650.0 million.

Risk

9. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2024. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.
10. Because the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition and that report will be provided at a later date. We have also included a brief discussion of some risks that may affect the Plan in *Section 2, Subsection I*, beginning on page 40.
11. The risk assessment in *Section 2, Subsection I* includes the disclosure of a "Low-Default-Risk Obligation Measure" (LDROM). This disclosure, along with commentary on the significance of the LDROM, is a requirement under Actuarial Standard of Practice No. 4 (ASOP 4) for all pension funding actuarial valuation reports and can be found on pages 42–43.

GASB

12. This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution (ADC) under the Plan's funding policy and measuring the progress of that funding policy. The Net Pension Liability and Pension Expense under GASB Statements No. 67 and No. 68, for inclusion in the Plan's and employer's financial statements as of June 30, 2024, will be provided separately. The accounting disclosures will utilize different methodologies from those employed in the funding valuation, as required by the GASB. However, the ADC in this valuation is expected to be used as the ADC for GASB financial reporting.

Summary of key valuation results

Employer Contribution Rates[1] Calculated as of June 30 (% of Payroll)

Tier and Contribution Timing	2024 Contribution Rate	2023 Contribution Rate
Tier 1		
• At the beginning of the year	29.31%	31.00%
• On July 15	29.40%	31.08%
• At the end of each pay period	30.32%	32.06%
Tier 3		
• At the beginning of the year	25.89%	27.54%
• On July 15	25.97%	27.61%
• At the end of each pay period	26.79%	28.49%
All Categories Combined		
• At the beginning of the year	28.02%	29.87%
• On July 15	28.13%	29.97%
• At the end of each pay period	29.01%	30.91%

1 There is a 12-month delay until the rate is effective.

Section 1: Actuarial Valuation Summary

Valuation Results as of June 30

Line Description	2024	2023
Actuarial accrued liability		
• Total actuarial accrued liability	$26,492,518,234	$25,299,537,118
– Retired members and beneficiaries	16,162,258,157	15,556,003,937
– Inactive members	713,704,715	666,372,920
– Active members	9,616,555,362	9,077,160,261
• Normal cost for plan year beginning June 30	496,465,290	461,843,826
Assets		
• Market value of assets (MVA)[1]	$23,041,225,445	$21,589,265,113
• Actuarial value of assets (AVA)[1]	23,404,150,020	22,239,263,545
• AVA as a percentage of MVA	101.6%	103.0%
• Valuation value of retirement assets (VVA)	$19,445,576,600	$18,493,821,018
• Market value of retirement assets (MVA)	19,144,037,018	17,953,292,567
Funded status		
• Unfunded actuarial accrued liability (UAAL) on VVA basis	$7,046,941,634	$6,805,716,100
• Funded ratio on VVA basis for retirement (VVA/AAL)	73.40%	73.10%
• UAAL on MVA basis	$7,348,481,216	$7,346,244,551
• Funded ratio on MVA basis for retirement (MVA/AAL)	72.26%	70.96%

[1] Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

Key Assumptions as of June 30

Line Description	2024	2023
Key assumptions		
• Net investment return	7.00%	7.00%
• Inflation rate	2.50%	2.50%
• Payroll growth	3.00%	3.00%
• Cost-of-living adjustments	Tier 1: 2.75% Tier 3: 2.00%	Tier 1: 2.75% Tier 3: 2.00%
• Amortization period on VVA basis[1]	15 years	15 years

[1] Changes in UAAL as a result of gains or losses for each valuation are amortized over separate 15-year periods. Details on the funding policy are provided in *Section 4, Exhibit 1*.

Demographic Data as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number of members	26,782	25,875	3.5%
• Average age	46.3	46.5	−0.2
• Average employment service	12.3	12.5	−0.2
• Total projected compensation[1]	$2,730,282,217	$2,512,179,018	8.7%
• Average projected compensation	$101,945	$97,089	5.0%
Retired members and beneficiaries			
• Number of members	22,763	22,510	1.1%
– Service retired	17,697	17,457	1.4%
– Disability retired	786	799	−1.6%
– Beneficiaries	4,280	4,254	0.6%
• Average age	73.1	72.8	0.3
• Average monthly benefit	$4,763	$4,592	3.7%
Inactive members			
• Number of members[2]	11,839	11,148	6.2%
• Average age	45.1	44.8	0.3
Total members	**61,384**	**59,533**	**3.1%**

1 Reflects annualized salaries for part-time members.

2 Includes inactive members due a refund of employee contributions. A breakdown of the inactive members by those who are nonvested and due a refund versus those who are vested and eligible for an annuity at retirement follows.

Non-Vested and Vested Inactive Members as of June 30

Category	2024 Tier 1	2024 Tier 3	2024 Combined	2023 Tier 1	2023 Tier 3	2023 Combined
Non-vested (refund)	4,819	3,560	8,379	4,763	2,996	7,759
Vested (annuity)	3,132	328	3,460	3,176	213	3,389
Total	**7,951**	**3,888**	**11,839**	**7,939**	**3,209**	**11,148**

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	Part of the cost of a plan will be paid from existing assets — the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the System. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if applicable). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by LACERS upon delivery and review. LACERS should notify Segal immediately of any questions or concerns about the final content.

Actuarial certification

November 4, 2024

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, 2024, 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, 2023. 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 Comprehensive Financial Report and certain supporting schedules in the Financial Section, based on the results of the June 30, 2024 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, 2024.

November 4, 2024

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, 2024[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, 2024.

Section 2: Actuarial Valuation Results

A. Member information

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups. More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, and C*.

Member Population

As of June 30	Active Members	Inactive Members[1]	Retired Members and Beneficiaries (Pay Status)	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Pay Status to Actives
2015	23,895	6,507	17,932	24,439	1.02	0.75
2016	24,446	6,895	18,357	25,252	1.03	0.75
2017	25,457	7,428	18,805	26,233	1.03	0.74
2018	26,042	8,028	19,379	27,407	1.05	0.74
2019	26,632	8,588	20,034	28,622	1.07	0.75
2020	27,490	9,207	20,423	29,630	1.08	0.74
2021	25,176	9,647	22,012	31,659	1.26	0.87
2022	24,917	10,379	22,399	32,778	1.32	0.90
2023	25,875	11,148	22,510	33,658	1.30	0.87
2024	26,782	11,839	22,763	34,602	1.29	0.85

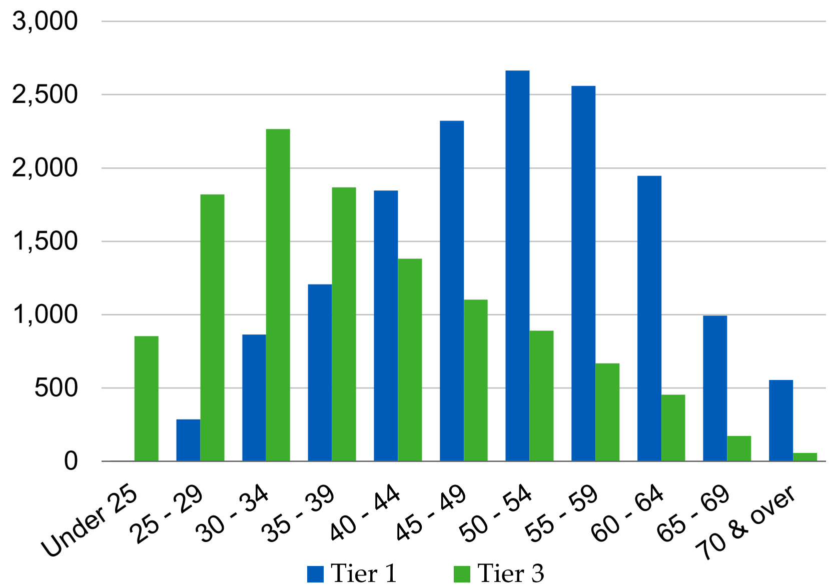
[1] Includes inactive members due a refund of member contributions.

Active members

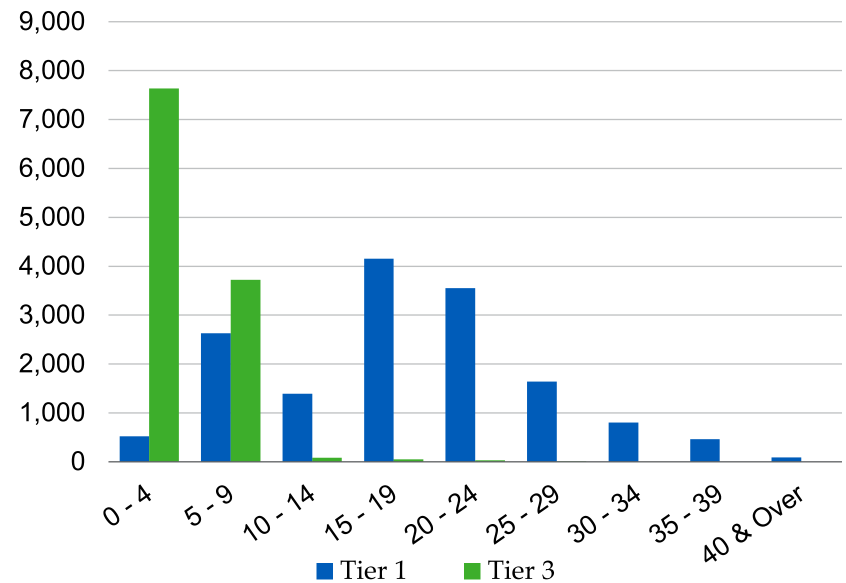
Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Active members	26,782	25,875	3.5%
Average age[1]	46.3	46.5	−0.2
Average years of employment service	12.3	12.5	−0.2
Average compensation	$101,945	$97,089	5.0%

Distribution of Active Members as of June 30, 2024

Actives by Age



Actives by Years of Employment Service



Inactive members

Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Inactive members[2]	11,839	11,148	6.2%

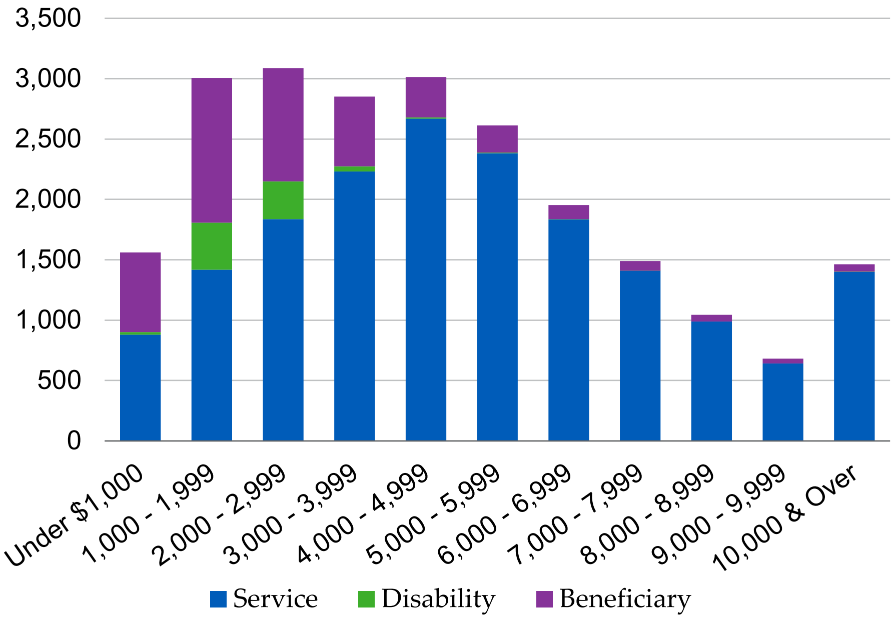
[1] Among the active members, there were none with unknown age information.
[2] Includes inactive members due a refund of member contributions.

Retired members and beneficiaries

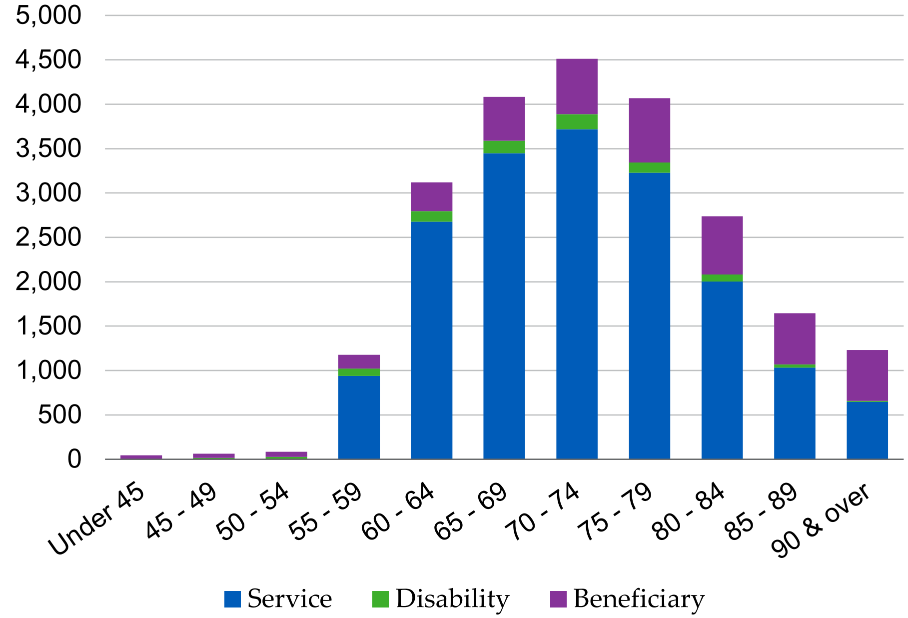
Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Retired members	18,483	18,256	1.2%
Beneficiaries	4,280	4,254	0.6%
Average age	73.1	72.8	0.3
Average monthly amount	$4,763	$4,592	3.7%
Total monthly amount	108,424,705	103,376,617	4.9%

Distribution of Retired Members and Beneficiaries as of June 30, 2024

By Type and Monthly Amount



By Type and Age



Historical plan population

The chart below demonstrates the progression of the active population over the last ten years. The chart also shows the growth among the retired population over the same time period.

Historical Member Data

Active Members versus Retired Members and Beneficiaries (Pay Status)

As of June 30	Active Count	Active Average Age	Active Average Employment Service	Pay Status Count	Pay Status Average Age	Pay Status Average Monthly Amount
2015	23,895	48.8	15.0	17,932	72.5	$3,487
2016	24,446	48.6	14.7	18,357	72.5	3,533
2017	25,457	48.0	14.1	18,805	72.6	3,632
2018	26,042	47.4	13.7	19,379	72.5	3,784
2019	26,632	47.0	13.2	20,034	72.5	3,942
2020	27,490	46.8	12.9	20,423	72.7	4,100
2021	25,176	46.4	12.6	22,012	72.2	4,304
2022	24,917	46.7	12.8	22,399	72.5	4,450
2023	25,875	46.5	12.5	22,510	72.8	4,592
2024	26,782	46.3	12.3	22,763	73.1	4,763

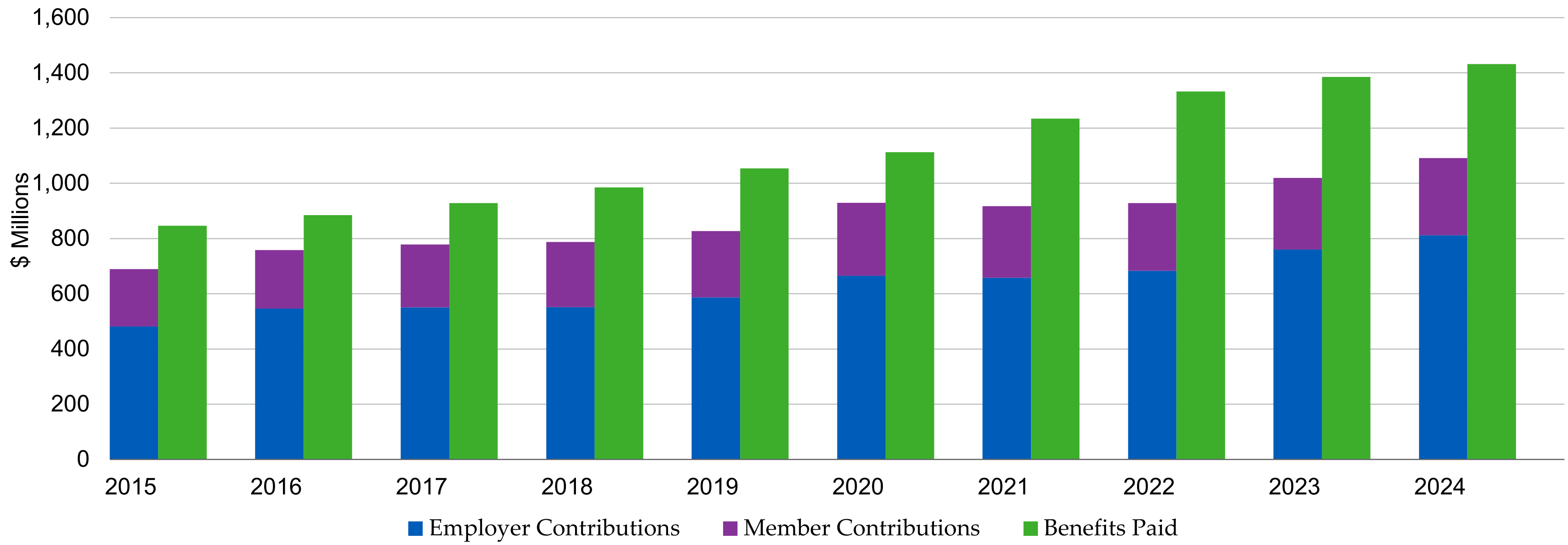
B. Financial information

Retirement plan funding anticipates that, over the long term, both contributions and investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits D, E, and F.*

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Adminstration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the valuation asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Comparison of Contributions Made with Benefits for Years Ended June 30



Determination of Actuarial Value and Valuation Value of Assets for Year Ended June 30, 2024

Step		Actual Return	Expected Return	Investment Gain/(Loss)	Portion Deferred	Amount
1.	Market value of assets					$23,041,225,445
2.	**Calculation of unrecognized return[1]**					
a.	Year ended June 30, 2024	$1,792,784,442	$1,525,354,781	$267,429,661	6/7	$229,225,424
b.	Year ended June 30, 2023	1,500,807,128	1,443,373,615	57,433,513	5/7	41,023,938
c.	Year ended June 30, 2022	(1,947,728,626)	1,604,160,949	(3,551,889,575)	4/7	(2,029,651,186)
d.	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	3/7	(1,713,366,869)
e.	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	2/7	(274,405,724)
f.	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	1/7	(42,483,896)
g.	**Total deferred return[2]**					$(362,924,575)
3.	**Preliminary actuarial value of assets: 1 – 2g**					**$23,404,150,020**
4.	Adjustment to be within 40% corridor					0
5.	**Final actuarial value of assets: 3 + 4**					**$23,404,150,020**
6.	Actuarial value of assets as a percentage of market value of assets: **5 ÷ 1**					101.6%
7.	Market value of retirement assets					$19,144,037,018
8.	**Valuation value of retirement assets: 5 ÷ 1 × 7**					**$19,445,576,600**

[1] Total return minus expected return on a market value basis.

[2] Deferred return as of June 30, 2024 recognized in each of the next six years (for Retirement and Health Plans):

a. Amount recognized on June 30, 2025	$(69,568,239)
b. Amount recognized on June 30, 2026	(27,084,343)
c. Amount recognized on June 30, 2027	110,118,519
d. Amount recognized on June 30, 2028	(461,003,771)
e. Amount recognized on June 30, 2029	46,409,025
f. Amount recognized on June 30, 2030	38,204,237
g. Total unrecognized return as of June 30, 2024	**$(362,924,575)**

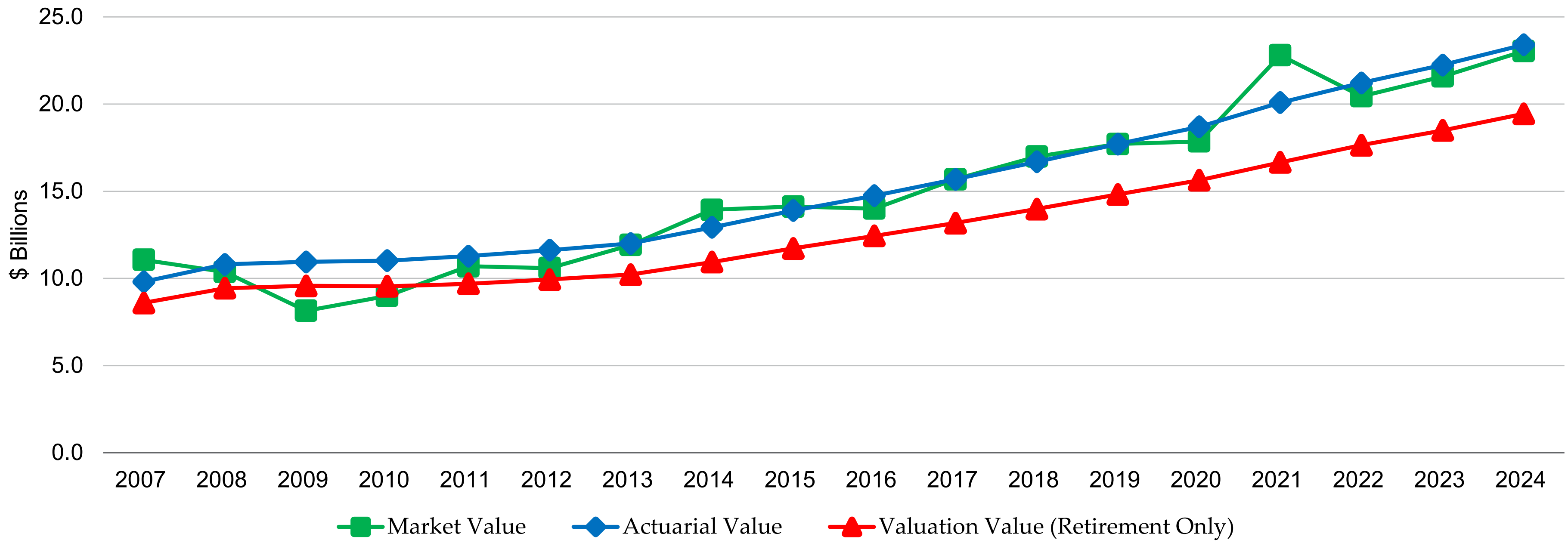
(may not total exactly due to rounding)

Asset history

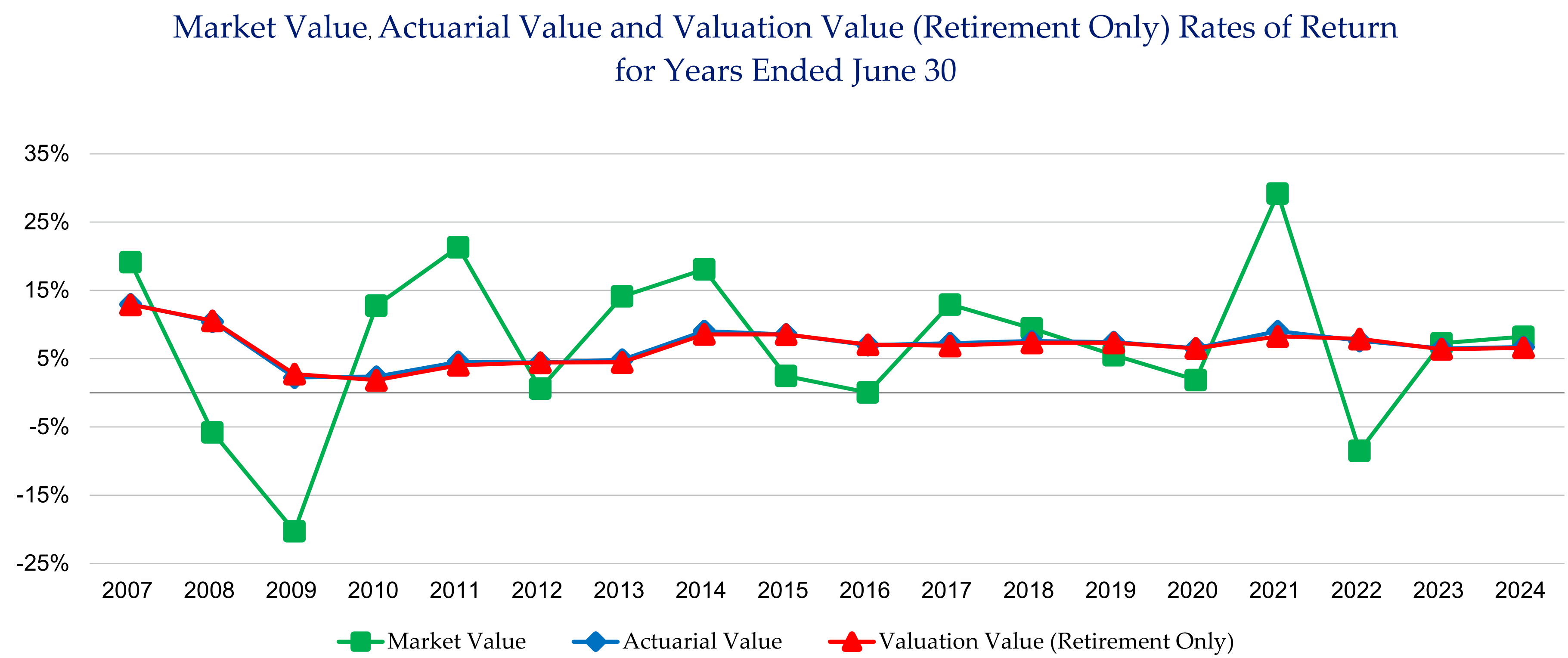
The market value, actuarial value and valuation value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets.

The valuation value of assets is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Market Value, Actuarial Value, and Valuation Value (Retirement Only) of Assets as of June 30



Historical investment returns



Legend	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Market value rate	19.13%	(5.78)%	(20.26)%	12.79%	21.33%	0.62%	14.14%	18.09%	2.47%	0.05%	12.94%	9.46%	5.52%	1.89%	29.20%	(8.50)%	7.28%	8.23%
◆ Actuarial value rate	12.99%	10.44%	2.26%	2.37%	4.54%	4.43%	4.86%	9.05%	8.56%	6.99%	7.27%	7.57%	7.43%	6.53%	9.03%	7.62%	6.48%	6.71%
▲ Valuation value rate	12.91%	10.56%	2.76%	1.86%	4.05%	4.43%	4.48%	8.56%	8.55%	7.05%	6.90%	7.34%	7.34%	6.52%	8.26%	7.90%	6.38%	6.59%
● Assumed rate	8.00%	8.00%	8.00%	8.00%	8.00%	7.75%	7.75%	7.75%	7.50%	7.50%	7.50%	7.25%	7.25%	7.25%	7.00%	7.00%	7.00%	7.00%

Average Rates of Return	Market Value	Actuarial Value	Valuation Value
Most recent five-year geometric average return	6.94%	7.27%	7.13%
Most recent 10-year geometric average return	6.46%	7.42%	7.28%
Most recent 15-year geometric average return	8.65%	6.61%	6.40%

C. Actuarial experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the actuarially determined contribution will decrease from the previous year. On the other hand, the actuarially determined contribution will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. There are no changes in actuarial assumptions reflected in this valuation.

The actuarial experience for the year can be found below and a discussion of the major components can be found on the following pages.

Actuarial Experience for Year Ended June 30, 2024

Source	Amount
1. Net loss from investments[1]	$(75,843,962)
2. Net loss from contributions[2]	(41,351,455)
3. Net loss from other experience[3]	(242,434,298)
4. Net experience loss[4]	**$(359,629,715)**

[1] Details on next page.

[2] The actual contributions were less than expected due to the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2023 valuation for fiscal year 2024. In addition, the actual covered payroll for 2023/2024 was somewhat lower than the payroll projected in the June 30, 2023 valuation. The actual covered payroll for 2023/2024 was provided by LACERS and can be found in Segal's June 30, 2024 GASB 67 valuation report.

[3] See *Subsection E* for further details.

[4] The net loss is attributed to actual liability experience from July 1, 2023 through June 30, 2024 compared to the projected experience based on the actuarial assumptions as of June 30, 2023. Does not include the effect of plan or assumption changes as of June 30, 2024, if any.

Investment experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the LACERS' investment policy.

For valuation purposes, the assumed rate of return on the valuation value of assets is 7.00% based on the June 30, 2023 valuation. The actual rate of return on a valuation basis for the 2023/2024 plan year was 6.59% after recognizing a portion of this year's investment gain and a portion of prior years' investment gains and losses. Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2024 with regard to its investments.

Investment Experience for Year Ended June 30, 2024

Line Description	Market Value[1]	Actuarial Value[1]	Valuation Value[2]
1. Net investment income	$1,792,784,442	$1,505,710,585	$1,231,838,943
2. Average value of assets	21,790,782,587	22,440,781,019	18,681,184,353
3. Rate of return: **1 ÷ 2**	8.23%	6.71%	6.59%
4. Assumed rate of return	7.00%	7.00%	7.00%
5. Expected investment income: **2 × 4**	$1,525,354,781	$1,570,854,671	$1,307,682,905
6. Investment gain/(loss): 1 − 5	**$267,429,661**	**$(65,144,086)**	**$(75,843,962)**

1 Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.
2 Includes assets for Retirement only.

Contributions

When adjusted for timing, contributions for the year ended June 30, 2024 totaled $1,047.6 million compared to the projected amount of $1,089.0 million. This resulted in a loss of $41.4 million for the year.

Other experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- Mortality experience (more or fewer than expected deaths)
- The extent of turnover among members
- Retirement experience (earlier or later than projected)
- The number of disability retirements (more or fewer than projected)
- Salary increases (greater or smaller than projected)
- Cost-of-living adjustments (COLAs; higher or lower than anticipated)

The net loss from this other experience for the year ended June 30, 2024 amounted to $242.4 million, which is 0.92% of the actuarial accrued liability. See *Section 2, Subsection E* for a detailed development of the unfunded actuarial accrued liability.

D. Other changes impacting the actuarial accrued liability

Actuarial assumptions and methods

The Actuarial Accrued Liability as of June 30, 2024 is $26.5 billion, an increase of $1.2 billion, or 4.7%, from the liability as of the prior valuation date. The Actuarial Accrued Liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

There were no changes in actuarial assumptions and methods since the prior valuation.

Details on actuarial assumptions and methods are in *Section 4, Exhibit 1*.

Plan provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit 2*. We understand that there is a ballot measure which when approved by the voters would allow certain LACERS active members to be transferred to the Los Angeles Fire and Police Pension Plan so that those members would receive Safety benefits available under that Plan. However, as that measure has not been approved, we have not reflected the financial impact of the transfer in this report. Furthermore, even though the City has previously approved enhanced pre-retirement death and disability benefits for the above members if those members continue their participation at LACERS, we have not included in this valuation the cost of providing such enhanced benefits (estimated at less than 0.01% of the City-wide payroll based on an actuarial study prepared as of June 30, 2021). We will update both of these plan provision items in our contribution rate and liability calculations accordingly in our next valuation as of June 30, 2025.

E. Unfunded actuarial accrued liability

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2024

	Line Description	Amount
1.	Unfunded actuarial accrued liability at beginning of year	$6,805,716,100
2.	Total normal cost at beginning of year	461,843,826
3.	Expected employer and member contributions at beginning of year	(1,017,735,702)
4.	Interest to end of year	437,487,695
5.	**Expected unfunded actuarial accrued liability at end of year**	$6,687,311,919
6.	Changes due to:[1]	
	a. Investment return less than expected, after asset smoothing	$75,843,962
	b. Actual contributions less than expected under funding policy[2]	41,351,455
	c. Higher than expected salary increases for continuing actives	215,154,474
	d. Higher than expected COLAs for payees	2,620,799
	e. Other net losses on demographic experience	24,659,025[3]
	f. Total changes	**$359,629,715**
7.	**Unfunded actuarial accrued liability at end of year: 5 + 6f**	**$7,046,941,634**

[1] The "net loss from other experience" of $242,434,298 from *Subsection C* is equal to the sum of items 6c through 6e.

[2] The actual contributions were less than expected due to the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2023 valuation for fiscal year 2024. In addition, the actual covered payroll for 2023/2024 was somewhat lower than the payroll projected in the June 30, 2023 valuation. The actual covered payroll for 2023/2024 was provided by LACERS and can be found in Segal's June 30, 2024 GASB 67 valuation report.

[3] Instead of an actuarial loss from other demographic experience, there was a gain of $23.2 million from other demographic experience in the June 30, 2023 valuation.

F. Recommended contribution

The recommended contribution is equal to the employer normal cost payment and a payment on the unfunded actuarial accrued liability. As of June 30, 2024, the average recommended employer contribution is 28.13% of payroll, if received by LACERS on July 15, 2025.

The Board sets the funding policy used to calculate the recommended contribution based on layered amortization periods as a level percentage of payroll. See *Section 4, Exhibit 1* for further details on the funding policy.

The contribution requirement for the June 30, 2024 valuation is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

A reconciliation of the average recommended employer contribution from June 30, 2023 to June 30, 2024 is shown on the next page. A summary of the recommended contributions by tier is shown on pages 33 through 36.

The current funding policy is intended to fully fund the cost of the benefits and to allocate the cost of benefits reasonably and equitably over time while minimizing the volatility of employer contributions. The recommended contribution is expected to remain level as a percent of payroll, except when any current amortization layer is fully amortized and assuming there are no future actuarial gains or losses. Furthermore, the funded ratio is expected to increase as the UAAL is methodically funded by employer contributions. The recommended contribution under the funding policy is a “Reasonable Actuarially Determined Contribution” as required under Actuarial Standard of Practice No. 4 Measuring Pension Obligations and Determining Pension Plan Costs or Contributions.

Reconciliation of average recommended employer contribution rate

Reconciliation from June 30, 2023 to June 30, 2024

Item	Contribution Rate[1]
1. Average recommended employer contribution rate as of June 30, 2023	29.97%
2. Changes due to:	
a. Decrease in employer normal cost due to payroll and demographic changes (including the enrollment of new employees in Tier 3)	(0.20)%
b. Actual contributions less than expected[2]	0.13%
c. Investment return less than expected after asset smoothing	0.24%
d. Higher-than-expected COLAs for payees	0.01%
e. Individual salary increases greater than expected for continuing actives	0.68%
f. Amortizing prior year's UAAL over a larger than expected total payroll	(1.16)%
g. UAAL layer fully amortized	(1.61)%
h. Other net experience losses	0.07%
i. Total change	**(1.84)%**
3. Average recommended employer contribution rate as of June 30, 2024: 1 + 2i	**28.13%**

[1] If received on July 15.

[2] The actual contributions were less than expected due to the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2023 valuation for fiscal year 2024. In addition, the actual covered payroll for 2023/2024 was somewhat lower than the payroll projected in the June 30, 2023 valuation. The actual covered payroll for 2023/2024 was provided by LACERS and can be found in Segal's June 30, 2024 GASB 67 valuation report.

Recommended employer contribution rate

Tier 1 Recommended Employer Contribution Rate (% of Payroll) Calculated as of June 30

Component	2024 Amount	2024 Contribution Rate	2023 Amount	2023 Contribution Rate
Before reflecting increase in contribution rates due to enhanced benefits for APO				
1. Total normal cost	$333,205,953	19.38%	$330,875,045	19.44%
2. Expected employee contributions[1]	182,764,669	10.63%	180,926,015	10.63%
3. Employer normal cost: **1 − 2**	$150,441,284	8.75%	$149,949,030	8.81%
4. Actuarial accrued liability	25,796,442,291		24,792,102,207	
5. Valuation value of assets	17,950,886,863		17,409,718,747	
6. Unfunded actuarial accrued liability: **4 − 5**	$7,845,555,428		$7,382,383,460	
7. Amortization of unfunded actuarial accrued liability	350,672,335	20.40%[2,3]	374,844,316	22.02%[2]
8. Total recommended contribution, beginning of year: **3 + 7**	$501,113,619	29.15%	$524,793,346	30.83%
9. Total recommended contribution, July 15	502,508,901	29.24%	526,254,560	30.91%
10. Total recommended contribution, end of pay periods	518,355,958	30.16%	542,850,458	31.89%
Increase in contribution rates due to enhanced benefits for APO				
11. Employer normal cost, July 15		0.07%		0.06%
12. Unfunded actuarial accrued liability, July 15		0.09%		0.11%
13. Total recommended contribution, July 15		0.16%		0.17%
After reflecting increase in contribution rates due to enhanced benefits for APO				
14. Total recommended contribution, beginning of year	$504,020,521	29.31%	$527,593,819	31.00%
15. Total recommended contribution, July 15	505,423,897	29.40%	529,062,831	31.08%
16. Total recommended contribution, end of pay periods	521,362,881	30.32%	545,747,290	32.06%
17. Projected payroll	**$1,719,328,962**		**$1,702,032,123**	

1 Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.00% for the June 30, 2023 and June 30, 2024 valuations.
2 In developing the UAAL contribution rate, we have combined the UAAL for Tiers 1 and 3 and amortized that total UAAL over the total payroll for Tiers 1 and 3.
3 For purposes of purchasing service with the Water and Power Employees' Retirement Plan (WPERP) for Tier 1, the UAAL rate as of June 30, 2024 is 20.40% before reflecting enhanced benefits for APO, plus an additional 0.09% for the cost increase for the enhanced APO benefits for a total of 20.49%, if received at the beginning of the year. If received on July 15, the total UAAL rate of 20.49% increases to 20.55%.

Tier 3 Recommended Employer Contribution Rate (% of Payroll) Calculated as of June 30

Component	2024 Amount	2024 Contribution Rate	2023 Amount	2023 Contribution Rate
Before reflecting increase in contribution rates due to enhanced benefits for APO				
1. Total normal cost	$162,055,807	16.03%	$129,947,562	16.04%
2. Expected employee contributions[1]	107,464,331	10.63%	86,118,615	10.63%
3. Employer normal cost: **1 − 2**	$54,591,476	5.40%	$43,828,947	5.41%
4. Actuarial accrued liability	676,059,026		486,101,355	
5. Valuation value of assets	1,494,689,737		1,084,102,271	
6. Unfunded actuarial accrued liability: **4 − 5**	$(818,630,711)		$(598,000,916)	
7. Amortization of unfunded actuarial accrued liability	206,192,850	20.40%[2]	178,421,403	22.02%[2]
8. Total recommended contribution, beginning of year: **3 + 7**	$260,784,326	25.80%	$222,250,350	27.43%
9. Total recommended contribution, July 15	261,510,443	25.88%	222,869,176	27.50%
10. Total recommended contribution, end of pay periods	269,757,404	26.70%	229,897,550	28.38%
Increase in contribution rates due to enhanced benefits for APO				
11. Employer normal cost, July 15		0.00%		0.00%
12. Unfunded actuarial accrued liability, July 15		0.09%		0.11%
13. Total recommended contribution, July 15		0.09%		0.11%
After reflecting increase in contribution rates due to enhanced benefits for APO				
14. Total recommended contribution, beginning of year	$261,785,896	25.89%	$223,097,253	27.54%
15. Total recommended contribution, July 15	262,514,802	25.97%	223,718,437	27.61%
16. Total recommended contribution, end of pay periods	270,793,437	26.79%	230,773,593	28.49%
17. Projected payroll	**$1,010,953,255**		**$810,146,895**	

[1] Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.00% for the June 30, 2023 and June 30, 2024 valuations.
[2] In developing the UAAL contribution rate, we have combined the UAAL for Tiers 1 and 3 and amortized that total UAAL over the total payroll for Tiers 1 and 3.

Combined Recommended Employer Contribution Rate (% of Payroll) Calculated as of June 30

Component	2024 Amount	2024 Contribution Rate	2023 Amount	2023 Contribution Rate
Before reflecting increase in contribution rates due to enhanced benefits for APO				
1. Total normal cost	$495,261,760	18.11%	$460,822,607	18.33%
2. Expected employee contributions	290,229,000	10.63%	267,044,630	10.63%
3. Employer normal cost: **1 − 2**	$205,032,760	7.48%	$193,777,977	7.70%
4. Actuarial accrued liability	26,472,501,317		25,278,203,562	
5. Valuation value of assets	19,445,576,600		18,493,821,018	
6. Unfunded actuarial accrued liability: **4 − 5**	$7,026,924,717		$6,784,382,544	
7. Amortization of unfunded actuarial accrued liability	556,865,185	20.40%	553,265,719	22.02%
8. Total recommended contribution, beginning of year: **3 + 7**	$761,897,945	27.88%	$747,043,696	29.72%
9. Total recommended contribution, July 15	764,019,344	27.99%	749,123,736	29.82%
10. Total recommended contribution, end of pay periods	788,113,362	28.87%	772,748,008	30.76%
Increase in contribution rates due to enhanced benefits for APO				
11. Employer normal cost, July 15		0.05%		0.04%
12. Unfunded actuarial accrued liability, July 15		0.09%		0.11%
13. Total recommended contribution, July 15		0.14%		0.15%
After reflecting increase in contribution rates due to enhanced benefits for APO				
14. Total normal cost	$496,465,290	18.16%	$461,843,826	18.37%
15. Expected employee contributions	290,229,000	10.63%	267,044,630	10.63%
16. Employer normal cost: **14 − 15**	$206,236,290	7.53%	$194,799,196	7.74%
17. Actuarial accrued liability	26,492,518,234		25,299,537,118	
18. Valuation value of assets	19,445,576,600		18,493,821,018	
19. Unfunded actuarial accrued liability: **17 − 18**	$7,046,941,634		$6,805,716,100	
20. Amortization of unfunded actuarial accrued liability	559,570,127	20.49%	555,891,876	22.13%
21. Total recommended contribution, beginning of year	$765,806,417	28.02%	$750,691,072	29.87%
22. Total recommended contribution, July 15	767,938,699	28.13%	752,781,268	29.97%
23. Total recommended contribution, end of pay periods	792,156,318	29.01%	776,520,883	30.91%
24. Projected payroll	**$2,730,282,217**		**$2,512,179,018**	

Combined Recommended Employer Contribution Calculated as of June 30, 2024

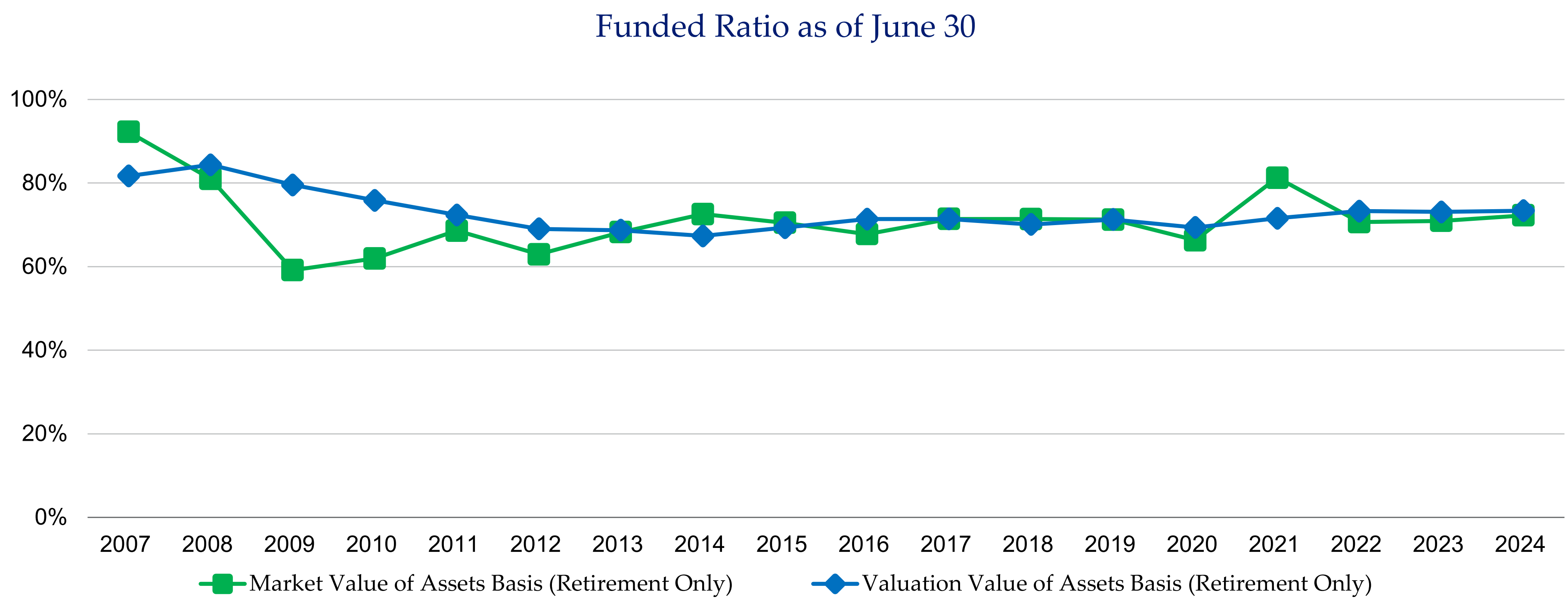
Component	Tier 1	Tier 3	Combined
Before reflecting increase in contribution rates due to enhanced benefits for APO			
1. Total normal cost	$333,205,953	$162,055,807	$495,261,760
2. Expected employee contributions[1]	182,764,669	107,464,331	290,229,000
3. Employer normal cost: **1 – 2**	$150,441,284	$54,591,476	$205,032,760
4. Payment on unfunded actuarial accrued liability	350,672,335	206,192,850	556,865,185
5. Total recommended contribution: beginning of year: **3 + 4**	$501,113,619	$260,784,326	$761,897,945
6. Total recommended contribution: adjusted for July 15 timing	502,508,901	261,510,443	764,019,344
7. Total recommended contribution: adjusted for biweekly timing	518,355,958	269,757,404	788,113,362
8. Item 5 (beginning of year contribution) as a % of projected payroll: **5 ÷ 17**	29.15%	25.80%	27.88%
9. Item 6 (July 15 contribution) as a % of projected payroll: **6 ÷ 17**	29.24%	25.88%	27.99%
10. Item 7 (biweekly contribution) as a % of projected payroll: **7 ÷ 17**	30.16%	26.70%	28.87%
After reflecting increase in contribution rates due to enhanced benefits for APO			
11. Total recommended contribution: beginning of year	$504,020,521	$261,785,896	$765,806,417
12. Total recommended contribution: adjusted for July 15 timing	505,423,897	262,514,802	767,938,699
13. Total recommended contribution: adjusted for biweekly timing	521,362,881	270,793,437	792,156,318
14. Item 11 (beginning of year contribution) as a % of projected payroll: **11 ÷ 17**	29.31%	25.89%	28.02%
15. Item 12 (July 15 contribution) as a % of projected payroll: **12 ÷ 17**	29.40%	25.97%	28.13%
16. Item 13 (biweekly contribution) as a % of projected payroll: **13 ÷ 17**	30.32%	26.79%	29.01%
17. Projected payroll	**$1,719,328,962**	**$1,010,953,255**	**$2,730,282,217**

[1] Discounted to beginning of year.

G. Funded status

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. These ratios compare the market and valuation value of assets to the actuarial accrued liability of the Plan. Higher ratios indicate a relatively well-funded plan while lower ratios may indicate recent changes to actuarial assumptions, funding of the plan below actuarial requirements, poor asset performance, or a variety of other causes.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the market or valuation value of assets is used.



Schedule of Funding Progress

As of June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) − (a)	Funded Ratio (a) ÷ (b)	Projected Compensation (c)	UAAL as a % of Projected Compensation [(b) − (a)] ÷ (c)
2015	$11,727,161,378	$16,909,996,380	$5,182,835,002	69.35%	$1,907,664,598	271.68%
2016	12,439,250,206	17,424,996,329	4,985,746,123	71.39%	1,968,702,630	253.25%
2017	13,178,333,884	18,458,187,953	5,279,854,069	71.40%	2,062,316,129	256.02%
2018	13,982,435,465	19,944,579,058	5,962,143,593	70.11%	2,177,687,102	273.78%
2019	14,818,564,427	20,793,421,143	5,974,856,716	71.27%	2,225,412,831	268.48%
2020	15,630,102,547	22,527,195,295	6,897,092,748	69.38%	2,445,016,587	282.09%
2021	16,660,584,654	23,281,892,854	6,621,308,200	71.56%	2,254,165,029	293.74%
2022	17,649,267,571	24,078,751,303	6,429,483,732	73.30%	2,258,724,771	284.65%
2023	18,493,821,018	25,299,537,118	6,805,716,100	73.10%	2,512,179,018	270.91%
2024	19,445,576,600	26,492,518,234	7,046,941,634	73.40%	2,730,282,217	258.10%

H. Actuarial balance sheet

An overview of the Plan's funding is given by an actuarial balance sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet as of June 30

Line Description	2024	2023
Liabilities		
Present value of benefits for retired members and beneficiaries	$16,162,258,157	$15,556,003,937
Present value of benefits for inactive members	713,704,715	666,372,920
Present value of benefits for active members	13,841,583,571	12,985,744,755
Total liabilities	**$30,717,546,443**	**$29,208,121,612**
Current and future assets		
Total valuation value of assets	$19,445,576,600	$18,493,821,018
Present value of future contributions by members	2,472,241,383	2,259,921,414
Present value of future employer contributions for:		
• Entry age normal cost	1,752,786,826	1,648,663,080
• Unfunded actuarial accrued liability	7,046,941,634	6,805,716,100
Total of current and future assets	**$30,717,546,443**	**$29,208,121,612**

I. Risk

Because the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the Plan.

This report does not contain a detailed analysis of the potential range of future measurements, but does include a concise discussion of some of the primary risks that may affect the Plan's future financial condition. Earlier this year we prepared a stand-alone Risk Assessment report for the Retirement and Health Plans dated March 13, 2024 by using membership and financial information as provided in the actuarial valuations as of June 30, 2023. That report includes various deterministic and stochastic projections of future results under different investment return scenarios based on the assumptions adopted for the June 30, 2023 valuations. A copy of the stand-alone risk assessment report associated with this June 30, 2024 valuation, including the quantitative analyses recommended by Segal in consultation with LACERS staff, will be available in the first quarter of 2025.

This section provides descriptions and basic assessments of the primary risks that are likely to have an ongoing influence on the Plan's financial health, as well as a discussion of historical trends and maturity measures:

Risk assessments

- **Asset/Liability Mismatch Risk** (the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge)

  The most significant asset/liability mismatch risk to the Plan is investment risk, as discussed below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first is evident in annual valuations; when asset values deviate from assumptions they are typically independent from liability changes. The second can be caused when systemic asset deviations from assumptions may signal the need for an assumption change, which causes liability values and contribution rates to move in the opposite direction from any change in the expected experience of asset growth rates.

  Asset/liability mismatch can also be caused by demographic assumption risk such as longevity, which affects liabilities but has no impact on asset levels. This risk is also discussed below.

- **Investment Risk** (the risk that investment returns will be different than expected)

  The investment return assumption is a long-term, static assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. That volatility can cause significant changes in the financial condition of the Plan, affecting both funded status and contribution rates. The inherent year-to-year volatility is reduced by smoothing through the valuation value of assets, however investment experience can still have a sizable impact. As discussed in *Section 2, Subsection J, Volatility ratios*, on page 44, a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.0% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The year-by-year market value rate of return over the last 10 years has ranged from a low of −8.50% to a high of 29.20%.

- **Longevity Risk** (the risk that mortality experience will be different than expected)

  The actuarial valuation includes current life expectancy assumptions and an expectation of future improvement in life expectancy, which are significant assumptions given the relatively long duration of liabilities for pension plans. Emerging plan experience that does not match these expectations will result in increases or decreases in the actuarially determined contribution over time. This risk can be reduced by using tables appropriate for the Plan (public experience tables) that are weighted by benefit levels, and by using generational mortality projections. Effective with the June 30, 2020 valuation, the Board has adopted mortality tables based on public plan experience that are weighted by benefits and include generational mortality projections.

- **Other Risks**

  In addition to longevity, the valuation includes a variety of other assumptions that are unlikely to match future experience exactly. One example is projected salary scales over time. As salary is central to the determination of benefits paid in retirement, deviations from the projected salary scales could have a material impact on the benefits anticipated for each member. Examples of other demographic assumptions include retirement, termination and disability assumptions, and will likely vary in significance for different pension plans.

Some plans also carry significant contribution risk, defined as the potential for actual future contributions deviating from expected future contributions. However, the employers have a proven track-record of making the actuarially determined contributions based on the Board's Actuarial Funding Policy, so contribution risk is minimal.

Evaluation of historical trends

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past ten years:

- The funded percentage on the valuation value of assets basis has increased from 69.35% to 73.40%. This is primarily due to non-investment experience. For a more detailed history see *Section 2, Subsection G, Funded status* starting on page 37.
- The average geometric investment return on the actuarial value of assets over the last 10 years was 7.42%. This includes a high of 9.03% and a low of 6.48% The average over the last five years is 7.27%. For more details see the *Section 2, Subsection B, Historical investment returns* on page 25.
- The primary source of new UAAL was the strengthening of assumptions through multiple assumption changes. For example, the assumption changes in:
  - 2014 changed the discount rate from 7.75% to 7.50% and updated mortality tables, adding $785 million in unfunded liability;
  - 2017 changed the discount rate from 7.50% to 7.25%, adding $341 million in unfunded liability;

- 2018 included the use of generational mortality tables to better reflect future mortality improvement, adding $484 million in unfunded liability;
- 2020 changed the discount rate from 7.25% to 7.00% and updated mortality tables based on public plan experience that are weighted by benefits, adding $531 million in unfunded liability; and
- 2023 changed the inflation rate from 2.75% to 2.50%, subtracting $113 million from the unfunded liability.

For more details on the unfunded liability changes see *Section 3, Exhibit G, Table of amortization bases* on page 59. A graphical representation of historical changes in UAAL by source prior to this valuation was included in the stand-alone risk assessment report as of June 30, 2023.

- The plan's funding policy effectively deals with these unfunded liabilities over time. This can be seen most clearly in *Section 3, Exhibit J, Projection of UAAL balances and payments* starting on page 60.

Maturity measures

In the last 10 years the ratio of members in pay status to active participants has increased from 0.75 to 0.85. An increased ratio indicates that the plan has grown in maturity over time. This is to be expected, but is also informative for understanding plan sensitivity to particular risks. For more details see *Section 2, Subsection A, Member information* on page 18.

As pension plans mature, the cash needed to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities. For the prior year, benefits paid were $280 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return. However, this plan currently has relatively low levels of negative cash flows. For more details on historical cash flows see the Comparison of Contributions Made with Benefits in *Section 2, Subsection B, Financial information* on page 22.

A further discussion of plan maturity measures and how they relate to changes in assets and liabilities is included in *Section 2, Subsection J, Volatility ratios* on page 44.

Low-Default-Risk Obligation Measure (LDROM)

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. One of the revisions to ASOP 4 requires the disclosure of a Low-Default-Risk Obligation Measure (LDROM) when performing a funding valuation. The LDROM presented in this report is calculated using the same methodology and assumptions used to determine the AAL used for funding, except for the discount rate. The LDROM is required to be calculated using "a discount rate…derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future."

The LDROM is a calculation assuming a plan's assets are invested in an all-bond portfolio, generally lowering expected long-term investment returns. The discount rate selected and used for this purpose is the Bond Buyer General Obligation 20-year Municipal Bond Index Rate, published at the end of each week. The last published rate in June of the measurement period, by The Bond Buyer, is 3.93% for use effective June 30, 2024. This is the rate used to determine the discount rate for valuing reported public pension plan liabilities in accordance with Governmental Accounting Standards when plan assets are projected to be insufficient to make projected benefit payments, and the 20-year period reasonably approximates the duration of plan liabilities. The LDROM is not used to determine a plan's funded status or actuarially determined contribution rates. The plan's expected return on assets, currently 7.00%, is used for these calculations.

As of June 30, 2024, the LDROM for the Plan is $39.80 billion.[1] The difference between the Plan's AAL of $26.49 billion and the LDROM can be thought of as the increase in the AAL if the entire portfolio were invested in low-default-risk securities. Alternatively, this difference could also be viewed as representing the expected savings from investing in the Plan's diversified portfolio compared to investing only in low-default-risk securities.

ASOP 4 requires commentary to help the intended user understand the significance of the LDROM with respect to the funded status of the plan, plan contributions, and the security of member benefits. In general, if plan assets were invested exclusively in low-default-risk securities, the funded status would be lower and the actuarially determined contribution would be higher. While investing in a portfolio with low-default-risk securities may be more likely to reduce investment volatility and the volatility of employer contributions, it also may be more likely to result in higher employer contributions or lower benefits.

[1] For comparison purposes, as of June 30, 2023, the LDROM was $39.67 billion based on a discount rate of 3.65%, while the Plan's actuarial accrued liability was $25.30 billion.

J. Volatility ratios

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total projected compensation, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the Plan is subject to a greater level of contribution volatility. This is a current measurement since it is based on the current level of assets.

The current AVR is about 7.0. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.0% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the actuarial accrued liability divided by total projected compensation, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the Plan's assets should track the Plan's liabilities. For example, if a Plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the Plan sponsor should expect contribution volatility to increase over time as the Plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the actuarial accrued liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 9.7. The LVR is about 39% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

Volatility Ratios

As of June 30	Asset Volatility Ratio	Liability Volatility Ratio
2015	6.2	8.9
2016	6.0	8.9
2017	6.4	9.0
2018	6.5	9.2
2019	6.7	9.3
2020	6.1	9.2
2021	8.4	10.3
2022	7.5	10.7
2023	7.1	10.1
2024	7.0	9.7

Section 3: Supplemental Information

Exhibit A: Table of plan demographics

Total Plan — Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number	26,782	25,875	3.5%
• Average age	46.3	46.5	−0.2
• Average years of employment service	12.3	12.5	−0.2
• Total projected compensation[1]	$2,730,282,217	$2,512,179,018	8.7%
• Average projected compensation[1]	$101,945	$97,089	5.0%
• Account balances	$2,686,847,623	$2,486,783,544	8.0%
• Total active vested members	18,643	17,968	3.8%
Inactive members			
• Number	11,839	11,148	6.2%
• Average age	45.1	44.8	0.3
• Average contribution balance for those with under 5 years of service	$9,852	$8,915	10.5%
• Average monthly benefit at age 60 for those with 5 or more years of service	$1,469	$1,436	2.3%

[1] Reflects annualized salaries for part-time members.

Demographic Data by Status	2024	2023	Change
Retired members			
• Number	17,697	17,457	1.4%
• Average service at retirement	26.4	26.4	0.0
• Average age at retirement	60.8	60.8	0.0
• Average age	72.4	72.1	0.3
• Average monthly benefit (includes July COLA)	$5,345	$5,164	3.5%
Disabled members			
• Number	786	799	−1.6%
• Average service at retirement	11.6	11.5	0.1
• Average age at retirement	47.7	47.8	−0.1
• Average age	69.4	69.1	0.3
• Average monthly benefit (includes July COLA)	$2,104	$2,018	4.3%
Beneficiaries			
• Number	4,280	4,254	0.6%
• Average age	76.5	76.5	0.0
• Average monthly benefit (includes July COLA)	$2,847	$2,730	4.3%

Tier 1 — Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number[1]	15,247	16,045	−5.0%
• Average age	51.7	51.1	0.6
• Average years of employment service	18.7	18.1	0.6
• Total projected compensation[2]	$1,719,328,962	$1,702,032,123	1.0%
• Average projected compensation[2]	$112,765	$106,079	6.3%
• Account balances	$2,338,593,315	$2,228,418,586	4.9%
• Total active vested members	14,741	15,369	−4.1%
Inactive members			
• Number[3]	7,951	7,939	0.2%
• Average age	48.0	47.4	0.6
• Average contribution balance for those with under 5 years of service	$7,873	$7,262	8.4%
• Average monthly benefit at age 60 for those with 5 or more years of service	$1,557	$1,498	3.9%

[1] Includes 331 Airport Peace Officers eligible for enhanced benefits as of June 30, 2024 and 331 as of June 30, 2023.
[2] Reflects annualized salaries for part-time members.
[3] Includes 18 Airport Peace Officers eligible for enhanced benefits as of June 30, 2024 and 25 as of June 30, 2023.

Section 3: Supplemental Information

Demographic Data by Status	2024	2023	Change
Retired members			
• Number[1]	17,688	17,451	1.4%
• Average service at retirement	26.4	26.4	0.0
• Average age at retirement	60.8	60.8	0.0
• Average age	72.4	72.1	0.3
• Average monthly benefit (includes July COLA)	$5,347	$5,166	3.5%
Disabled members			
• Number[2]	786	799	−1.6%
• Average service at retirement	11.6	11.5	0.1
• Average age at retirement	47.7	47.8	−0.1
• Average age	69.4	69.1	0.3
• Average monthly benefit (includes July COLA)	$2,104	$2,018	4.3%
Beneficiaries			
• Number	4,278	4,253	0.6%
• Average age	76.5	76.5	0
• Average monthly benefit (includes July COLA)	$2,847	$2,730	4.3%

[1] Includes 103 Airport Peace Officers eligible for enhanced benefits as of June 30, 2024 and 98 as of June 30, 2023.
[2] Includes 12 Airport Peace Officers eligible for enhanced benefits as of June 30, 2024 and 10 as of June 30, 2023.

Tier 3 — Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number	11,535	9,830	17.3%
• Average age	39.3	39.1	0.2
• Average years of employment service	3.7	3.5	0.2
• Total projected compensation[1]	$1,010,953,255	$810,146,895	24.8%
• Average projected compensation[1]	$87,642	$82,416	6.3%
• Account balances	$348,254,308	$258,364,958	34.8%
• Total active vested members	3,902	2,599	50.1%
Inactive members			
• Number	3,888	3,209	21.2%
• Average age	39.0	38.3	0.7
• Average contribution balance for those with under 5 years of service	$12,532	$11,541	8.6%
• Average monthly benefit at age 60 for those with 5 or more years of service	$628	$509	23.4%

[1] Reflects annualized salaries for part-time members.

Demographic Data by Status	2024	2023	Change
Retired members			
• Number	9	6	50.0%
• Average service at retirement	4.3	3.2	1.1
• Average age at retirement	63.6	62.9	0.7
• Average age	65.1	63.9	1.2
• Average monthly benefit (includes July COLA)	$1,166	$560	108.2%
Disabled members			
• Number	N/A	N/A	N/A
• Average service at retirement	N/A	N/A	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Beneficiaries			
• Number	2	1	100.0%
• Average age	53.7	45.0	8.7
• Average monthly benefit (includes July COLA)	$2,224	$2,580	−13.8%

Exhibit B: Distribution of active members

Total Plan

Active Counts & Average Projected Compensation[1] by Age and Years of Service[2] as of June 30, 2024

Age	Total	0–4 Years	5–9 Years	10–14 Years	15–19 Years	20–24 Years	25–29 Years	30–34 Years	35–39 Years	40 Years and Over
Under 25	857	848	9	—	—	—	—	—	—	—
	$61,597	$61,589	$62,269	—	—	—	—	—	—	—
25–29	2,105	1,634	470	1	—	—	—	—	—	—
	$76,171	$74,986	$80,278	$81,987	—	—	—	—	—	—
30–34	3,130	1,585	1,408	126	11	—	—	—	—	—
	$87,284	$78,347	$95,694	$105,511	$89,615	—	—	—	—	—
35–39	3,074	1,210	1,250	315	292	7	—	—	—	—
	$96,847	$84,266	$102,176	$116,443	$105,316	$84,763	—	—	—	—
40–44	3,229	827	932	321	856	279	14	—	—	—
	$108,842	$89,196	$106,945	$120,998	$122,590	$117,403	$105,768	—	—	—
45–49	3,424	676	708	197	845	803	180	15	—	—
	$112,151	$82,917	$104,864	$116,539	$121,780	$127,939	$130,460	$108,583	—	—
50–54	3,555	554	558	158	708	848	527	179	23	—
	$113,443	$81,453	$102,900	$110,500	$112,207	$124,151	$135,363	$134,380	$138,033	—
55–59	3,229	409	442	136	598	697	459	311	174	3
	$112,490	$80,666	$100,186	$98,853	$105,309	$115,741	$133,432	$144,499	$128,801	$89,490
60–64	2,402	267	344	113	471	529	308	190	158	22
	$108,510	$82,113	$94,890	$95,345	$99,807	$111,846	$125,205	$138,938	$136,616	$117,207
65–69	1,164	95	180	63	290	268	93	77	66	32
	$106,163	$89,358	$95,470	$92,308	$97,849	$107,894	$113,550	$132,802	$140,242	$148,474
70 and over	613	49	54	45	132	152	69	35	45	32
	$97,978	$87,540	$85,584	$95,237	$85,144	$95,328	$106,051	$113,010	$126,039	$130,940
Total	**26,782**	**8,154**	**6,355**	**1,475**	**4,203**	**3,583**	**1,650**	**807**	**466**	**89**
	$101,945	**$78,922**	**$99,263**	**$110,938**	**$111,497**	**$118,506**	**$129,689**	**$137,796**	**$133,260**	**$132,452**

1 Limited by Internal Revenue Code Section 401(a)(17) compensation limit.
2 Based on employment service. Average employment service is 12.3 years compared to average benefit service of 11.5 years.

Tier 1
Active Counts & Average Projected Compensation[1] by Age and Years of Service[2] as of June 30, 2024

Age	Total	0–4 Years	5–9 Years	10–14 Years	15–19 Years	20–24 Years	25–29 Years	30–34 Years	35–39 Years	40 Years and Over
Under 25	4	4	—	—	—	—	—	—	—	—
	$52,733	$52,733	—	—	—	—	—	—	—	—
25–29	285	129	155	1	—	—	—	—	—	—
	$62,954	$56,135	$68,506	$81,987	—	—	—	—	—	—
30–34	864	110	625	120	9	—	—	—	—	—
	$91,968	$66,851	$94,012	$104,877	$84,882	—	—	—	—	—
35–39	1,207	75	546	291	288	7	—	—	—	—
	$101,228	$64,711	$97,096	$115,003	$105,053	$84,763	—	—	—	—
40–44	1,847	54	368	295	842	274	14	—	—	—
	$116,204	$78,745	$104,531	$118,054	$122,759	$117,657	$105,768	—	—	—
45–49	2,321	27	287	184	837	796	176	14	—	—
	$121,261	$66,560	$104,804	$115,490	$121,852	$127,796	$131,010	$110,508	—	—
50–54	2,665	32	228	150	691	837	527	177	23	—
	$120,675	$66,366	$104,689	$110,390	$111,230	$124,050	$135,363	$134,721	$138,033	—
55–59	2,560	40	161	131	595	691	455	310	174	3
	$117,742	$58,625	$96,058	$98,165	$105,095	$115,752	$133,488	$144,567	$128,801	$89,490
60–64	1,947	29	132	112	469	528	308	189	158	22
	$112,554	$58,739	$91,178	$95,301	$99,548	$111,886	$125,205	$138,827	$136,616	$117,207
65–69	992	9	96	62	289	268	93	77	66	32
	$107,817	$75,672	$89,711	$91,583	$97,835	$107,894	$113,550	$132,802	$140,242	$148,474
70 and over	555	12	33	45	132	152	69	35	45	32
	$97,920	$57,286	$76,022	$95,237	$85,144	$95,328	$106,051	$113,010	$126,039	$130,940
Total	**15,247**	**521**	**2,631**	**1,391**	**4,152**	**3,553**	**1,642**	**802**	**466**	**89**
	$112,765	**$63,818**	**$96,324**	**$109,464**	**$111,263**	**$118,450**	**$129,752**	**$137,940**	**$133,260**	**$132,452**

1 Limited by Internal Revenue Code Section 401(a)(17) compensation limit.
2 Based on employment service. Average employment service for Tier 1 is 18.7 years compared to average benefit service of 17.6 years.

Tier 3
Active Counts & Average Projected Compensation[1] by Age and Years of Service[2] as of June 30, 2024

Age	Total	0–4 Years	5–9 Years	10–14 Years	15–19 Years	20–24 Years	25–29 Years	30–34 Years	35–39 Years	40 Years and Over
Under 25	853	844	9	—	—	—	—	—	—	—
	$61,638	$61,631	$62,269	—	—	—	—	—	—	—
25–29	1,820	1,505	315	—	—	—	—	—	—	—
	$78,241	$76,602	$86,071	—	—	—	—	—	—	—
30–34	2,266	1,475	783	6	2	—	—	—	—	—
	$85,497	$79,204	$97,037	$118,196	$110,916	—	—	—	—	—
35–39	1,867	1,135	704	24	4	—	—	—	—	—
	$94,015	$85,559	$106,116	$133,910	$124,225	—	—	—	—	—
40–44	1,382	773	564	26	14	5	—	—	—	—
	$99,004	$89,926	$108,519	$154,402	$112,436	$103,483	—	—	—	—
45–49	1,103	649	421	13	8	7	4	1	—	—
	$92,980	$83,597	$104,904	$131,390	$114,269	$144,151	$106,248	$81,625	—	—
50–54	890	522	330	8	17	11	—	2	—	—
	$91,789	$82,378	$101,664	$112,567	$151,897	$131,844	—	$104,217	—	—
55–59	669	369	281	5	3	6	4	1	—	—
	$92,392	$83,056	$102,552	$116,877	$147,685	$114,470	$127,002	$123,654	—	—
60–64	455	238	212	1	2	1	—	1	—	—
	$91,206	$84,961	$97,201	$100,246	$160,444	$90,306	—	$159,976	—	—
65–69	172	86	84	1	1	—	—	—	—	—
	$96,624	$90,790	$102,052	$137,262	$101,694	—	—	—	—	—
70 and over	58	37	21	—	—	—	—	—	—	—
	$98,532	$97,352	$100,611	—	—	—	—	—	—	—
Total	**11,535**	**7,633**	**3,724**	**84**	**51**	**30**	**8**	**5**	**—**	**—**
	$87,642	**$79,953**	**$101,339**	**$135,333**	**$130,488**	**$125,129**	**$116,625**	**$114,738**	**—**	**—**

1 Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

2 Based on employment service. Average employment service for Tier 3 is 3.7 years compared to average benefit service of 3.4 years. We understand that some Tier 3 members entered LACERS with incoming reciprocal (i.e., employment) service. Such service is only used for eligibility determination purposes.

Exhibit C: Reconciliation of member data

Line Description	Active Members	Inactive Members	Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2023	25,875	11,148	17,457	799	4,254	59,533
New members	2,494	0	0	0	270	2,764
Terminations with vested rights	−1,230	1,230	0	0	0	0
Contribution refunds	−50	−168	0	0	0	−218
Retirements	−596	−126	722	0	0	0
New disabilities	−1	−14	−1	16	0	0
Return to work	328	−328	0	0	0	0
Died with or without beneficiary	−38	−30	−481	−29	−238	−816
Data adjustments	0	127[1]	0	0	−6	121
Number as of June 30, 2024	**26,782**	**11,839**	**17,697**	**786**	**4,280**	**61,384**

Note: For the change in the annual benefits from the retirees and beneficiaries added to and removed from the rolls, refer to Exhibit D of the supplemental schedules that accompany this report.

[1] Includes members who were both hired and terminated employment after June 30, 2023.

Exhibit D: Summary of income and expenses on a market value basis for Retirement, Health, Family Death, and Larger Annuity Benefits

Line Description	Year Ended June 30, 2024	Year Ended June 30, 2023
Net assets at market value at the beginning of the year	$21,589,265,113	$20,454,103,991
Contribution income		
• Employer contributions	$811,482,608	$760,019,088
• Member contributions	279,636,124	259,976,824
– **Net contribution income**	**$1,091,118,732**	**$1,019,995,912**
Investment income		
• Investment, dividends and other income	$526,769,335	$484,084,745
• Asset appreciation	1,447,773,805	1,181,447,188
• Less investment and administrative fees	(181,758,698)	(164,724,805)
– **Net investment income**	**$1,792,784,442**	**$1,500,807,128**
Total income available for benefits	**$2,883,903,174**	**$2,520,803,040**
Less benefit payments		
• Benefits paid[1]	$(1,418,341,231)	$(1,371,245,288)
• Member refunds	(13,601,611)	(14,396,630)
– **Net benefit payments**	**$(1,431,942,842)**	**$(1,385,641,918)**
Change in net assets at market value	**$1,451,960,332**	**$1,135,161,122**
Net assets at market value at the end of the year	**$23,041,225,445**	**$21,589,265,113**

Note: Results may be slightly off due to rounding.

[1] Includes offsets related to self-funded dental insurance premium and health insurance premium reserve.

Exhibit E: Summary statement of Plan assets for Retirement, Health, Family Death, and Larger Annuity Benefits

Line Description	Year Ended June 30, 2024	Year Ended June 30, 2023
Cash equivalents	**$537,531,845**	**$427,788,364**
Accounts receivable		
• Accrued investment income	$96,357,208	$89,224,757
• Proceeds from sales of investments	117,623,362	93,978,913
• Other	13,371,173	12,661,960
– **Total accounts receivable**	**$227,351,743**	**$195,865,630**
Investments		
• Fixed income	$5,175,513,954	$5,011,434,541
• Equities	10,987,450,721	10,152,233,548
• Real estate and alternative investment	5,696,101,528	5,416,827,780
• Derivative instruments	(8,076,673)	(1,886,090)
• Other	823,049,394	785,386,148
– **Total investments at market value**	**$22,674,038,924**	**$21,363,995,927**
Capital assets	58,342,124	60,725,661
Total assets	**$23,497,264,636**	**$22,048,375,582**
Accounts payable		
• Accounts payable and accrued expenses	$(91,250,478)	$(93,664,527)
• Accrued investment expenses	(10,195,804)	(8,818,953)
• Purchases of investments	(193,472,367)	(145,060,285)
• Securities lending collateral	(160,397,155)	(210,806,062)
– **Total accounts payable**	**$(455,315,804)**	**$(458,349,827)**
• Deferred inflow of resources	$(723,387)	$(760,642)
Net assets at market value	**$23,041,225,445**	**$21,589,265,113**
Net assets at actuarial value	**$23,404,150,020**	**$22,239,263,545**
Net assets at valuation value	**$19,445,576,600**	**$18,493,821,018**

Note: Results may be slightly off due to rounding.

Exhibit F: Development of the Plan through June 30, 2024 for Retirement, Health, Family Death, and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return[1]	Benefit Payments[2]	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2015	$481,765,868	$207,564,465	$348,113,908	$848,455,864[3]	$14,124,760,375	$13,895,589,227	98.4%
2016	546,687,123	211,344,752	7,190,895	884,923,630	14,005,059,515	14,752,102,625	105.3%
2017	550,961,514	227,531,810	1,834,657,728	928,640,257	15,689,570,310	15,686,973,131	100.0%
2018	551,247,264	236,222,166	1,498,100,177	985,523,573[4]	16,989,616,344	16,687,907,767	98.2%
2019	586,753,902	240,357,396	945,590,839	1,054,408,548	17,707,909,933	17,711,461,636	100.0%
2020	665,358,602	263,935,650	338,862,747	1,112,742,566	17,863,324,366	18,697,966,253	104.7%
2021	658,408,020	259,284,497	5,258,341,258	1,234,018,200	22,805,339,941	20,083,918,240	88.1%
2022	682,928,074	245,878,551	(1,947,748,613)[5]	1,332,293,962	20,454,103,991	21,218,951,507	103.7%
2023	760,019,088	259,976,824	1,500,807,128	1,385,641,918	21,589,265,113	22,239,263,545	103.0%
2024	811,482,608	279,636,124	1,792,784,442	1,431,942,842	23,041,225,445	23,404,150,020	101.6%

Note: Results may be slightly off due to rounding.

[1] On a market value basis, net of investment and administrative expenses.
[2] Includes offsets related to self-funded dental insurance premium and health insurance premium reserve starting with the June 30, 2019 valuation.
[3] Includes transfer of $2,614,765 to Fire and Police Pension for Office of Public Safety.
[4] Includes approximately $3.0 million transferred to LAFPP on January 5, 2018 for the APO who transferred from LACERS to LAFPP on January 7, 2018.
[5] Includes prior period adjustment of $(19,987) for Exhibit F reconciliation purposes only. Note that in the development of the June 30, 2022 actuarial value of assets, this adjustment was treated differently than the rest of the net investment return in that it was fully recognized immediately, as agreed to by LACERS.

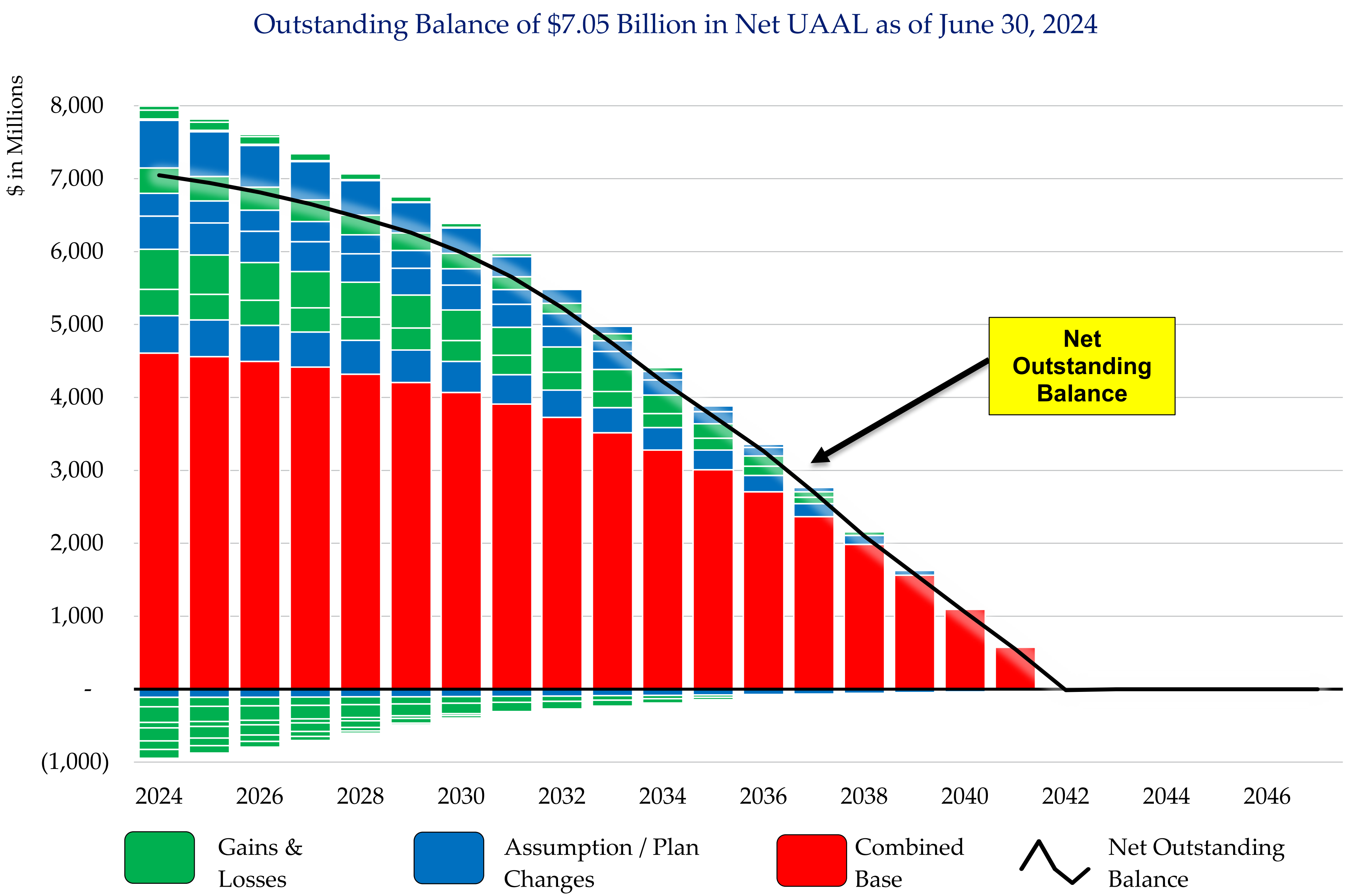
Exhibit G: Table of amortization bases

Base Type	Date Established	Initial Amount	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Combined base	June 30, 2012	$4,173,548,280	30	$4,607,940,408	18	$347,079,322
Experience loss	June 30, 2013	116,022,989	15	54,696,500	4	14,465,233
Experience gain	June 30, 2014	(215,549,892)	15	(119,881,450)	5	(25,837,165)
Change in assumptions	June 30, 2014	785,439,114	20	651,918,674	10	76,922,890
Experience gain	June 30, 2015	(185,473,782)	15	(117,115,611)	6	(21,424,513)
Experience gain	June 30, 2016	(255,444,007)	15	(178,057,914)	7	(28,434,318)
Experience gain	June 30, 2017	(99,814,895)	15	(75,245,243)	8	(10,706,523)
Change in assumptions	June 30, 2017	340,717,846	20	311,869,478	13	29,847,292
Experience loss	June 30, 2018	147,418,362	15	118,768,367	9	15,294,848
Change in assumptions	June 30, 2018	483,717,164	20	453,205,029	14	40,983,520
Plan amendment (APO Tier 1 Enhancement)	January 7, 2018	25,170,149	15	20,016,917	8.5	2,704,942
Experience loss	June 30, 2019	394,012	15	335,099	10	39,540
Experience loss	June 30, 2020	393,785,997	15	350,043,861	11	38,222,147
Change in assumptions	June 30, 2020	530,720,225	20	513,544,100	16	42,060,980
Experience gain	June 30, 2021	(233,981,212)	15	(216,130,825)	12	(22,018,707)
Experience gain	June 30, 2022	(134,440,689)	15	(128,161,975)	13	(12,265,669)
Experience loss	June 30, 2023	564,047,478	15	551,702,602	14	49,890,697
Change in assumptions	June 30, 2023	(112,700,660)	20	(112,136,098)	19	(8,137,586)
Experience loss	June 30, 2024	359,629,715	15	359,629,715	15	30,883,197
Total				**$7,046,941,634**		**$559,570,127**

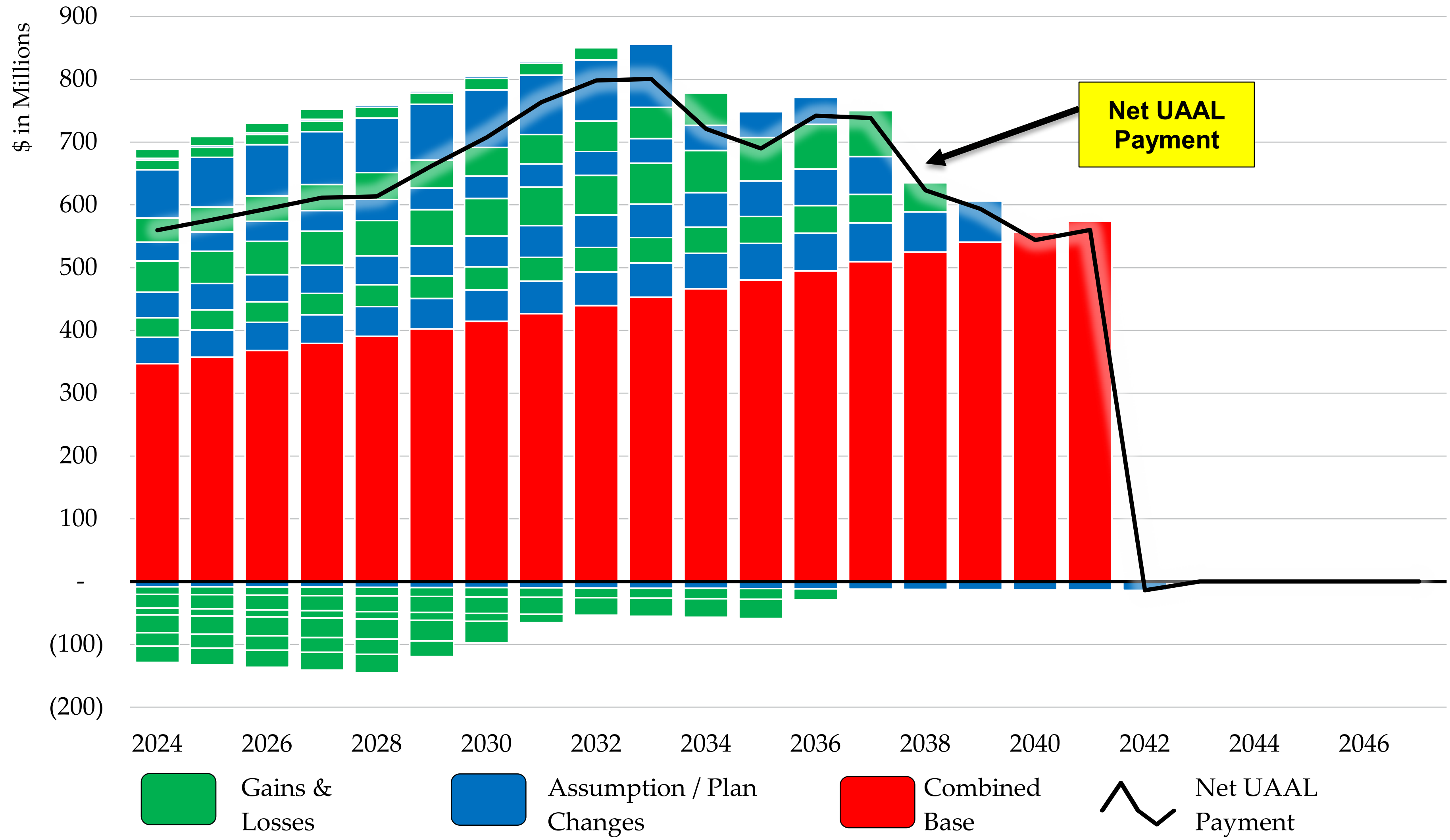
Note: The equivalent single amortization period is about 17 years.

[1] Beginning of year payments, based on level percentage of payroll.

Exhibit H: Projection of UAAL balances and payments



Annual Payments Required to Amortize $7.05 Billion in Net UAAL as of June 30, 2024



Note: Starting in 2034, the contribution rate for the UAAL would be expected to be somewhat non-level due to the pattern of recognition of the various layers of UAAL payments. We intend to bring back to LACERS in the future a proposal that might be considered by the Board to levelize such UAAL payments.

Section 4: Actuarial Valuation Basis

Exhibit 1: Actuarial assumptions, methods and models

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. These assumptions have been adopted by the Board.

Net investment return

7.00%; net of administrative and investment expenses.

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

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 up 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 increase of 0.50% per year, plus
- Merit and promotion increase based on years of service:

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 and over	1.00

Post-retirement mortality rates

The Pub-2010 mortality tables and adjustments as shown below 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.

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.

Beneficiary

- **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.

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.

Pre-Retirement Mortality Rates (%) — Before Generational Projection from 2010

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

Disability Incidence Rates (%)

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:

Service-connected Disability Benefits

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

Termination Rates (%)

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 and over	2.50

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

Retirement rates

Retirement Rates (%)

Age	Tier 1: Non-55/30	Tier 1: 55/30	Tier 1 Enhanced: Non-55/30	Tier 1 Enhanced: 55/30	Tier 3: Non-55/30	Tier 3: 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 and 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 members

Pension benefit 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 and 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 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

Market value of assets (MVA) 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 market 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 MVA, nor greater than 140% of MVA.

Valuation value of assets

The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market 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, were combined and amortized over 30 years effective June 30, 2012.

Employer contributions

The recommended employer contributions are provided in *Section 2, Subsection F*.

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 earning rate. The contribution rate is determined 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 earning 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 on the previous page.

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 seek 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 $275,000 for 2024. 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.

Models

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Justification for change in actuarial assumptions, methods or models

There have been no changes in actuarial assumptions, methods or models since the prior valuation.

Exhibit 2: Summary of Plan provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.

As noted on page 29 of this report, the City has previously approved enhanced pre-retirement death and disability benefits for certain sworn Public Safety Officers (PSO) if those members continue their participation at LACERS, although we have not included those enhanced benefits in this valuation.[1] (The enhanced benefits will be reflected in the next valuation as of June 30, 2025.) For documentation purposes, we have included in this Exhibit 2 the previously approved enhanced benefits for PSO members, which are noted in italics.

Plan year

July 1 through June 30

Census date

June 30

Membership eligibility

Membership Tier	Plan Provision
Tier 1 (§ 4.1002(a)), (§ 4.1002.1)	All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016. Includes Airport Peace Officers who did not pay for enhanced benefits.
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 the System on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

[1] We understand the enhanced benefits are based on an Ordinance #187923 effective date of July 9, 2023, with a benefit retroactive date of March 25, 2022.

Final average monthly compensation and service for benefit determination

Final Compensation and Service	Plan Provision
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]
Sworn PSO	*(a) For purposes of calculating the pre-retirement death and disability benefits, except for the service retirement component of such benefits for current Tier 3 members: Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.[1]* *(b) For purposes of calculating the service retirement component of the disability benefits for current Tier 3 members: 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]*
Service credit	
All Tiers (§ 4.1001(a) & § 4.1080.1(a))	The time component of the formula used by LACERS for purposes of calculating benefits.

Normal retirement benefit

Provision by Tier	Normal Retirement Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced (§ 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 3 — less than 30 years of service (§ 4.1080.5(a)(2)(i))	Age 60 with 10 years of service, including 5 years of continuous City service.
Tier 3 — 30 or more years of service (§ 4.1080.5(a)(2)(ii))	Age 60 with 30 years of service, including 5 years of continuous City service.

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

Provision by Tier	Normal Retirement Plan Provision
Benefit amount	
Tier 1 (§ 4.1007(a))	2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.
Tier 1 Enhanced (§ 4.1007(a))	2.30% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.
Tier 3 — less than 30 years of service (§ 4.1080.5(a)(2)(i))	1.50% per year of service credit at age 60 (not greater than 80%)[1] of the Final Average Monthly Compensation.
Tier 3 — 30 or more years of service (§ 4.1080.5(a)(2)(ii))	2.00% per year of service credit at age 60 (not greater than 80%)[1] of the Final Average Monthly Compensation.

Early retirement benefit

Provision by Tier	Early Retirement Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced (§ 4.1005(b))	• Age 55 with 10 years of continuous City service; or • Any age with 30 years of City service.
Tier 3 (§ 4.1080.5(a)(1))	Prior to age 60 with 30 years of service, including 5 years of continuous City service.
Benefit amount	
Tier 1 (§ 4.1007(a))	2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the Early Retirement benefit adjustment factors in the table below.
Tier 1 Enhanced (§ 4.1007(a))	2.30% per year of service credit, (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the Early Retirement benefit adjustment factors in the table below.
Tier 3 (§ 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 Early Retirement benefit adjustment factors in the table below.

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

Early retirement benefit adjustment factors

Age	Tier 1 and Tier 1 Enhanced Adjustment Factor[1]	Tier 3 Adjustment Factor[2]
45	0.6250	0.6250
46	0.6550	0.6550
47	0.6850	0.6850
48	0.7150	0.7150
49	0.7450	0.7450
50	0.7750	0.7750
51	0.8050	0.8050
52	0.8350	0.8350
53	0.8650	0.8650
54	0.8950	0.8950
55	0.9250	1.0000
56	0.9400	1.0000
57	0.9550	1.0000
58	0.9700	1.0000
59	0.9850	1.0000
60	1.0000	1.0000

[1] Pursuant to (§ 4.1007(b)).
[2] Pursuant to (§ 4.1080.5(a)(1)).

Enhanced retirement benefit

Provision by Tier	Enhanced Retirement Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced	Not applicable.
Tier 3 — less than 30 years of service (§ 4.1080.5(a)(3)(i))	Age 63 with 10 years of service, including 5 years of continuous City service.
Tier 3 — 30 or more years of service (§ 4.1080.5(a)(3)(ii))	Age 63 with 30 years of service, including 5 years of continuous City service.
Benefit amount	
Tier 1 and Tier 1 Enhanced	Not applicable.
Tier 3 — less than 30 years of service (§ 4.1080.5(a)(3)(i))	2.00% per year of service credit at age 63 (not greater than 80%)[1] of the Final Average Monthly Compensation.
Tier 3 — 30 or more years of service (§ 4.1080.5(a)(3)(ii))	2.10% per year of service credit at age 63 (not greater than 80%)[1] of the Final Average Monthly Compensation.

Disability benefits

Tier 1 and Tier 3 disability

Provision by Tier	Disability Plan Provision
Eligibility	
Tier 1 and Tier 3 (§ 4.1008(a) & § 4.1080.8(a))	5 years of continuous service.
Benefit amount[2]	
Tier 1 and Tier 3 (§ 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] Except when benefit is based solely on the annuity component funded by the member's contributions.
[2] 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-connected disability

Provision by Tier	Service-Connected Disability Plan Provision
Eligibility	
Tier 1 Enhanced (§ 4.1008.1) *and Sworn PSO (§ 4.1080.8.1(a))*	None.
Benefit amount[1]	
Tier 1 Enhanced (§ 4.1008.1) *and Sworn PSO (§ 4.1080.8.1(b))*	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.

Tier 1 Enhanced nonservice-connected disability

Provision by Tier	Nonservice-Connected Disability Plan Provision
Eligibility	
Tier 1 Enhanced (§ 4.1008.1) *and Sworn PSO (§ 4.1080.8.1(a))*	5 years of continuous service.
Benefit amount[1]	
Tier 1 Enhanced (§ 4.1008.1) *and Sworn PSO (§ 4.1080.8.1(c))*	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.

Pre-retirement death

Option #1

Provision by Tier	Pre-retirement Death Plan Provision
Eligibility	
All Tiers (§ 4.1010(a), § 4.1010.1(b), & § 4.1080.10(a)) *and Sworn PSO (§ 4.1010.2(b)(5))*	None.
Benefit amount	
All Tiers (§ 4.1010(a), § 4.1010.1(b), & § 4.1080.10(a)) *and Sworn PSO (§ 4.1010.2(b)(5))*	Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid. For each year of service not to exceed six years, the limited pension benefit shall be two monthly payments (not to exceed twelve monthly payments for six more more years of service).[1]

Option #2

Provision by Tier	Pre-retirement Death Plan Provision
Eligibility	
Tier 1 & Tier 3	Duty-related death or after 5 years of continuous service.
Tier 1 Enhanced *and Sworn PSO* service-connected death	None.
Tier 1 Enhanced *and Sworn PSO* nonservice-connected death — less than 5 years of service	Less than 5 years of service.
Tier 1 Enhanced *and Sworn PSO* nonservice-connected death — 5 or more years of service	5 years of service (unless on military leave and killed while on military duties).

[1] Refund only if less than one year of service credit.

Provision by Tier	Pre-retirement Death Plan Provision
Benefit amount	
Tier 1 & Tier 3	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.), or Refund of accumulated contributions. (No survivorship benefit payable with refund.)
Tier 1 Enhanced *and Sworn PSO* service-connected death	80% of member's Final Average Monthly Compensation.
Tier 1 Enhanced *and Sworn PSO* nonservice-connected death — less than 5 years of service	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.
Tier 1 Enhanced *and Sworn PSO* nonservice-connected death — 5 or more years of service	50% of member's Final Average Monthly Compensation.

Post-retirement death

Provision by Tier	Post-retirement Death Plan Provision
Benefit amount	
Tier 1 & Tier 3 (§ 4.1010(c), § 4.1080.10(c), & § 4.1012(c))	1. 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] 2. $2,500 lump sum death benefit paid to a designated beneficiary; and 3. Any unused contributions if the member has elected the cash refund annuity option.
Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), and § 4.1010.1(j)) *and Sworn PSO (§4.1010.2(b)(6), §4.1010(c)(3), and §4.1010(c)(2))* — service-connected disability	1. 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)[2, 3] 2. $2,500 lump sum death benefit paid to a designated beneficiary; and 3. Any unused contributions if the member has elected the cash refund annuity option.
Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), and § 4.1010.1(j)) *and Sworn PSO (§4.1010.2(b)(7), §4.1010(c)(3), and §4.1010(c)(2))* — nonservice-connected disability or service retirement	1. 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] 2. $2,500 lump sum death benefit paid to a designated beneficiary; and 3. 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).

[2] 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).

[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 provision of Section 4.1010.1(c).

Deferred retirement benefit (vested)

Normal retirement

Provision by Tier	Deferred Retirement (Normal Retirement) Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced (§ 4.1006)	• 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.
Tier 3 (§ 4.1080.6(a)(1))	• 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.
Tier 3 (§ 4.1080.6(a)(2))	• 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.
Benefit amount	
Tier 1 and Tier 1 Enhanced (§ 4.1006)	Normal retirement benefit (or refund of contributions and accumulated interest).
Tier 3 (§ 4.1080.6(a)(1))	Normal retirement benefit (benefit based on a Retirement Factor of 1.50%; or refund of contributions and accumulated interest).
Tier 3 (§ 4.1080.6(a)(2))	Normal retirement benefit (benefit based on a Retirement Factor of 2.00%; or refund of contributions and accumulated interest).

Early retirement

Provision by Tier	Deferred Retirement (Early Retirement) Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced (§ 4.1006)	• 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. • Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.
Tier 3 (§ 4.1080.6(a)(4))	Age 55 (but not yet 60) with 5 years of continuous City service and at least 10 years elapsed from first date of membership.
Benefit amount	
Tier 1 and Tier 1 Enhanced (§ 4.1006)	Early retirement benefit (or refund of contributions and accumulated interest), using the Early Retirement benefit adjustment factors in the table below.
Tier 3 (§ 4.1080.6(a)(4))	Early retirement benefit (based on a Retirement Factor of 1.50% and using the Early Retirement benefit adjustment factors in the table below; or refund of contributions and accumulated interest):

Early retirement benefit adjustment factors

Age	Tier 1 and Tier 1 Enhanced Early Retirement Benefit Adjustment Factor	Tier 3 Early Retirement Benefit Adjustment Factor
55	0.9250	0.9250
56	0.9400	0.9400
57	0.9550	0.9550
58	0.9700	0.9700
59	0.9850	0.9850

Enhanced retirement

Provision by Tier	Deferred Retirement (Enhanced Retirement) Plan Provision
Eligibility	
Tier 1 and Tier 1 Enhanced	Not applicable.
Tier 3 (§ 4.1080.6(a)(3))	Age 63 with 30 years of continuous City service and at least 10 years elapsed from first date of membership.
Benefit amount	
Tier 1 and Tier 1 Enhanced	Not applicable.
Tier 3 (§ 4.1080.6(a)(3))	Enhanced retirement benefit (full retirement benefit based on an unreduced Retirement Factor of 2.10%; or refund of contributions and accumulated interest).

Withdrawal of contributions benefit (ordinary withdrawal)

Refund of employee contributions with interest.

Post-retirement cost-of-living benefits

Membership Tier	Post-Retirement Cost-of-Living Benefit Plan Provision
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.

Member contributions

Membership Tier	Member Contribution Plan Provision
Tier 1 and 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).
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).

Changes in Plan provisions

There have been no changes in Plan provisions since the last valuation. We understand that there is a ballot measure which when approved by the voters would allow certain LACERS active members to be transferred to the Los Angeles Fire and Police Pension Plan so that those members would receive Safety benefits available under that Plan. However, as that measure has not been approved, we have not reflected the financial impact of the transfer in this report. Furthermore, even though the City has previously approved enhanced pre-retirement death and disability benefits for the above members if those members continue their participation at LACERS, we have not included in this valuation the cost of providing such enhanced benefits (estimated at less than 0.01% of the City-wide payroll based on an actuarial study prepared as of June 30, 2021). We will update both of these plan provision items in our contribution rate and liability calculations accordingly in our next valuation as of June 30, 2025.

[1] The member contribution rate will drop to 6% afterwards.

Appendix A: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Term	Definition
Actuarial accrued liability for actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial accrued liability for retirees and beneficiaries	Actuarial present value of lifetime benefits to existing retirees and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial cost method	A procedure allocating the actuarial present value of future benefits to various time periods; a method used to determine the normal cost and the actuarial accrued liability that are used to determine the actuarially determined contribution.
Actuarial gain or loss	A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates. To the extent that actual experience differs from that assumed, actuarial accrued liabilities emerge which may be the same as forecasted or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially equivalent	Of equal actuarial present value, determined as of a given date and based on a given set of actuarial assumptions.
Actuarial present value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions. Each such amount or series of amounts is: Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Appendix A: Definition of Pension Terms

Term	Definition
Actuarial present value of future benefits	The actuarial present value of benefit amounts expected to be paid at various future times under a particular set of actuarial assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The actuarial present value of future benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial valuation	The determination, as of a valuation date, of the Normal cost, actuarial accrued liability, actuarial value of assets, and related actuarial present values for a plan, as well as actuarially determined contributions.
Actuarial value of assets	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially determined contribution.
Actuarially determined	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially determined contribution	The employer's contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The actuarially determined contribution consists of the employer normal cost and the amortization payment.
Amortization method	A method for determining the amortization payment. The most common methods used are level dollar and level percentage of payroll. Under the level dollar method, the amortization payment is one of a stream of payments, all equal, whose actuarial present value is equal to the unfunded actuarial accrued liability. Under the level percentage of pay method, the amortization payment is one of a stream of increasing payments, whose actuarial present value is equal to the unfunded actuarial accrued liability. Under the level percentage of pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization payment	The portion of the pension plan contribution, or actuarially determined contribution, that is intended to pay off the unfunded actuarial accrued liability.

Appendix A: Definition of Pension Terms

Term	Definition
Assumptions or actuarial assumptions	The estimates upon which the cost of the Plan is calculated, including: **Investment return** — the rate of investment yield that the Plan will earn over the long-term future; **Mortality rates** — the rate or probability of death at a given age for employees and retirees; **Retirement rates** — the rate or probability of retirement at a given age or service; **Disability rates** — the rate or probability of disability retirement at a given age; **Withdrawal rates** — the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; **Salary increase rates** — the rates of salary increase due to inflation, real wage growth and merit and promotion increases.
Closed amortization period	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See "open amortization period."
Decrements	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined benefit plan	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined contribution plan	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer normal cost	The portion of the normal cost to be paid by the employer. This is equal to the normal cost less expected member contributions.
Experience study	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded ratio	The ratio of the valuation value of assets to the actuarial accrued liability. Plans sometimes also calculate a market funded ratio, using the market value of assets, rather than the valuation value of assets.
GASB 67 and GASB 68	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.

Appendix A: Definition of Pension Terms

Term	Definition
Investment return	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Negative amortization	Negative amortization is a result of an increase in the unfunded actuarial accrued liability when the amortization payment is less than the interest accrued on the unfunded actuarial accrued liability.
Net pension liability	The net pension liability is equal to the total pension liability minus the plan fiduciary net position.
Normal cost	The portion of the actuarial present value of future benefits and expenses, if applicable, allocated to a valuation year by the actuarial cost method. Any payment with respect to an unfunded actuarial accrued liability is not part of the normal cost (see “amortization payment”). For pension plan benefits that are provided in part by employee contributions, normal cost refers to the total of employee contributions and employer normal cost unless otherwise specifically stated.
Open amortization period	An open amortization period is one which is used to determine the amortization payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the amortization period.
Plan fiduciary net position	Market value of assets.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Total pension liability	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded actuarial accrued liability	The excess of the actuarial accrued liability over the valuation value of assets. This value may be negative, in which case it may be expressed as a negative unfunded actuarial accrued liability, also called the funding surplus or an overfunded actuarial accrued liability.
Valuation date or actuarial valuation date	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.
Valuation value of assets	The actuarial value of assets reduced by the value of non-valuation reserves.

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BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 3

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024

Segal

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San Francisco, CA 94105-6147
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November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024. The report summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the Actuarially Determined Contribution (ADC) for the Fiscal Year 2025/2026.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Administration, based upon information provided by the staff of LACERS and the Plan's other service providers.

Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. To the extent we can, however, Segal does review the data for reasonableness and consistency. Based on our review of the data, we have no reason to doubt the substantial accuracy of the information on which we have based this report and we have no reason to believe there are facts or circumstances that would affect the validity of these results.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of

Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board of Administration based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of LACERS and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

Todd Tauzer

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

Andy Yeung

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

Mary Kirby

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

Mehdi Riazi

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

PP/jl/sm

Table of Contents

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose

This report has been prepared by Segal to present our actuarial valuation of the Los Angeles City Employees' Retirement System ("the System") OPEB plan as of June 30, 2024 for funding purposes. The results of the valuation for financial reporting purposes consistent with GASB Statement No. 74 are provided in a separate report.

Valuation highlights

1. The ratio of the valuation value of assets to actuarial accrued liabilities increased from 107.10% as of June 30, 2023 to 108.01% as of June 30, 2024. On a market value of assets basis, the funded ratio increased from 103.97% to 106.33%. The negative unfunded actuarial accrued liability (a surplus of assets over liability) decreased from ($241.9) million to ($285.8) million. Overall, the June 30, 2024 results were very consistent with last year's valuation. The primary reasons for the decrease in UAAL were:
   a. 2025 premiums and subsidy levels were lower than expected.
   b. Favorable demographic and investment experience, coupled with employer contributions that were higher than expected, also produced savings.
   c. Updates to the trend assumptions increased the UAAL. However, the impact of the trend update was offset by the gains mentioned in a. and b. The updates to the trend assumptions were mainly due to higher trend expectations for prescription drugs and Part B premium increases.

   A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 2, Subsection B on page 15.
2. The Actuarially Determined Contribution (ADC) rate, payable on July 15, has slightly decreased from 3.32% of payroll to 3.31% of payroll for Fiscal Year 2025/2026. In dollar terms, the recommended contribution, payable on July 15, increased from $83.4 million to $90.3 million. The changes to the ADC were due to the same factors that affected the UAAL. These factors can have different directional effects on the ADC due to the role of normal cost in the ADC calculation.

   A complete reconciliation of the change in the recommended contribution rate is provided in Section 2, Subsection D on page 17. Rates are shown separately for Tier 1 and Tier 3 in Section 2, Subsection E.
3. Since the June 30, 2023 valuation, the valuation value of assets was more than the total actuarial accrued liability. Therefore, all prior amortization bases are deemed to have been fully amortized. Based on the amortization method described in Exhibit 1 (Summary of Supplementary Information), the actuarial surplus as of June 30, 2024 was amortized over a 30-year open (non-

decreasing) period. As shown in Section 2, Subsection E, the overall contribution rate, payable on July 15, of 3.31% is based on the plan's normal cost of 3.89% and a 0.58% credit related to the funding surplus.

4. As noted above, the GASB 74 report with a measurement date of June 30, 2024 for financial reporting purposes for the Plan is provided as a separate report.
5. The GASB 75 report with a measurement date of June 30, 2024 for financial reporting purposes for the employer (with a reporting date of June 30, 2025) will be provided in the first or second quarter of next year.
6. The actuarial valuation report as of June 30, 2024 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.
7. As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following schedules:
   - The beginning of the fiscal year, or
   - On July 15, 2025, or
   - Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).

Summary of valuation results

Line Description	2024	2023
Actuarial Accrued Liability and Funded Status		
Actuarial Accrued Liability (AAL)	$3,570,147,657	$3,405,088,528
Valuation Value of Assets	3,855,958,577	3,646,978,226
Unfunded Actuarial Accrued Liability (Surplus)	(285,810,920)	(241,889,698)
Funded Ratio on Valuation Value Basis	108.01%	107.10%
Market Value of Assets	$3,796,164,817	$3,540,386,112
Funded Ratio on Market Value Basis	106.33%	103.97%
Actuarially Determined Contribution (ADC)		
• Normal cost (beginning of year)	$105,747,585	$96,467,041
• Amortization of the unfunded actuarial accrued liability	(15,686,289)	(13,275,741)
• Total Actuarially Determined Contribution (beginning of year)	90,061,296	83,191,300
• Total Actuarially Determined Contribution (July 15)	90,312,059	83,422,934
• Total Actuarially Determined Contribution (end of each pay period)	93,160,128	86,053,750
• Total projected compensation[1]	2,730,282,217	2,512,179,018
ADC as a percentage of pay (there is a 12-month delay until the rate is effective)[2]		
• Beginning of year	3.30%	3.31%
• July 15	3.31%	3.32%
• End of each pay period	3.41%	3.43%
Total Participants[3]	**52,315**	**51,320**

1 Reflects amount calculated in the pension valuation.
2 A breakdown of the ADC by tier is provided in Section 2, Subsection E.
3 Includes 113 pensioners and beneficiaries as of June 30, 2024 and 132 pensioners and beneficiaries as of June 30, 2023 entitled but not yet eligible for health benefits.

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of an OPEB plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for LACERS to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	Part of the cost of a plan will be paid from existing assets — the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the System. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

Input Item	Description
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discount to a present value based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Models	Segal results are based on proprietary actuarial modeling software. The valuation models generate a comprehensive set of liability and cost calculations that are presented to meet actuarial standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of LACERS. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. LACERS should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by LACERS upon delivery and review. LACERS should notify Segal immediately of any questions or concerns about the final content.

Actuarial Certification

November 4, 2024

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of the Los Angeles City Employees' Retirement System's other postemployment benefit (OPEB) program as of June 30, 2024, 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, 2023.

The actuarial valuation is based on the plan of benefits verified by LACERS and reliance on participant, premium, claims and expense data provided by LACERS. Segal has not audited the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, has reviewed the data for reasonableness and consistency.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the OPEB Plan'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 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, 2024 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 OPEB Liability[1]
2. Schedule of Changes in Net OPEB Liability and Related Ratios[1]
3. Schedule of Contribution History[1]

[1] Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2024.

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 OPEB Liability and Related Ratios[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 information necessary to fund the Plan with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

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

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

Mary P. Kirby, FSA, FCA, MAAA
Senior Vice President and
Chief Health Actuary

[1] Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2024.

Section 2: Actuarial Valuation Results

A. Actuarial Present Value of Total Projected Benefits and Actuarial Balance Sheet

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

Actuarial Present Value of Total Projected Benefits (APB)

Participant Category	June 30, 2024	June 30, 2023
Current retirees, beneficiaries, and dependents	$1,824,658,592	$1,784,281,066
Current active members	2,610,894,265	2,398,898,826
Terminated members entitled but not yet eligible and retirees and beneficiaries with deferred health benefits	86,360,851	76,591,793
Actuarial present value of total projected benefits	**$4,521,913,708**	**$4,259,771,685**

Actuarial Balance Sheet

Type	June 30, 2024	June 30, 2023
Assets:		
1. Valuation value of assets	$3,855,958,577	$3,646,978,226
2. Present value of future normal costs	951,766,051	854,683,157
3. Unfunded actuarial accrued liability	(285,810,920)	(241,889,698)
4. Present value of current and future assets	**$4,521,913,708**	**$4,259,771,685**
Liabilities:		
5. Actuarial present value of total projected benefits	**$4,521,913,708**	**$4,259,771,685**

B. Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

The actuarial accrued liability shows that portion of the actuarial present value of total projected benefits allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members, and reconciles the unfunded actuarial accrued liability from last year to this year.

Unfunded Actuarial Accrued Liability

Line Description	June 30, 2024	June 30, 2023
Participant Category		
Current retirees, beneficiaries, and dependents	$1,824,658,592	$1,784,281,066
Current active members	1,659,128,214	1,544,215,669
Terminated members entitled but not yet eligible	86,360,851	76,591,793
Total actuarial accrued liability	**$3,570,147,657**	**$3,405,088,528**
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	$3,570,147,657	$3,405,088,528
Valuation value of assets	3,855,958,577	3,646,978,226
Unfunded actuarial accrued liability	**($285,810,920)**	**($241,889,698)**
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2024		
1. Unfunded actuarial accrued liability at beginning of year		**($241,889,698)**
2. Normal cost as of June 30, 2023		96,467,041
3. Expected employer contributions during 2023/2024 fiscal year		(83,191,300)
4. Interest on prior year UAAL, normal cost, and contributions		(15,911,164)
5. Expected unfunded actuarial accrued liability (1 + 2 + 3 + 4)		**($244,525,121)**
6. Change due to investment experience (after smoothing)		(10,615,389)
7. Change due to actual contributions more than expected		(14,592,050)
8. Change due to demographic gains and losses		(38,374,265)
9. Change due to updated 2024/2025 premium, underlying claims estimates and subsidy levels		(73,011,714)
10. Change due to updated trend assumption to project future medical premiums after 2024/2025		95,307,619
11. Unfunded actuarial accrued liability as of June 30, 2024 (5 + 6 + 7 + 8 + 9 + 10)		**($285,810,920)**

C. Table of amortization bases

Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize the unfunded actuarial accrued liability using the following rules: The amortization periods for all unfunded actuarial accrued liability layers as of June 30, 2020 were reset to fixed periods of 21 years beginning with the June 30, 2021 valuation date. Thereafter, 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. An overall actuarial surplus will be amortized over 30 years on an open (non-decreasing) basis.

Since the June 30, 2023 valuation, the valuation value of assets exceeded the total actuarial accrued liability. Therefore, all prior amortization bases are deemed to have been fully amortized and the actuarial surplus as of June 30, 2024 has been amortized over a 30-year period.

Type	Date Established	Initial Balance	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Actuarial Surplus	06/30/2024	($285,810,920)	30	($285,810,920)	30	($15,686,289)
Total				**($285,810,920)**		**($15,686,289)**

[1] Level percentage of payroll.

D. Reconciliation of Recommended Contribution Rate

The chart below details the changes in the Actuarially Determined Contribution (ADC) from the prior valuation to the current year's valuation.

Adjustments From June 30, 2023 to June 30, 2024	Percentage
1. Recommended Contribution Rate as of June 30, 2023[1]	**3.32%**
2. Changes due to:	
a. Change due to investment gain, after smoothing	−0.02%
b. Change due to updated 2024/2025 premiums, underlying claims estimates and subsidy levels	−0.21%
c. Change due to updated trend assumption to project future medical premiums after 2024/2025	0.36%
d. Change due to miscellaneous demographic and contribution gains and losses	−0.14%
e. Total change	**−0.01%**
3. Recommended Contribution Rate as of June 30, 2024[1]	**3.31%**

[1] If received on July 15.

E. Development of Actuarially Determined Contribution (ADC)

Actuarially Determined Contribution (ADC) is the amount calculated to determine the annual cost of the OPEB plan for funding purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment and a payment for administrative expenses separately for each Tier. They are determined as of the start of the period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th.

Tier 1

	Line Description	Amount June 30, 2024	Percentage of Compensation June 30, 2024	Amount June 30, 2023	Percentage of Compensation June 30, 2023
1.	Normal Cost	$65,623,364	3.81%	$64,315,217	3.78%
2.	Amortization of the unfunded actuarial accrued liability[1]	(9,878,060)	−0.57%	(8,994,477)	−0.53%
3.	**Total Actuarially Determined Contribution (beginning of year)**	**$55,745,304**	**3.24%**	**$55,320,740**	**3.25%**
4.	Total Projected Compensation[2]	$1,719,328,962		$1,702,032,123	
5.	Adjustment for timing (July 15)	$155,215	0.01%	$154,033	0.01%
6.	**Total Actuarially Determined Contribution (July 15)**	**$55,900,519**	**3.25%**	**$55,474,773**	**3.26%**
7.	Adjustment for timing (end of pay period)	$1,918,087	0.11%	$1,903,478	0.11%
8.	**Total Actuarially Determined Contribution (end of pay period)**	**$57,663,391**	**3.35%**	**$57,224,218**	**3.36%**

[1] In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 3 and amortized that total UAAL over the total payroll for Tier 1 and Tier 3

[2] Reflects amount calculated in the pension valuation.

Tier 3

	Line Description	Amount June 30, 2024	Percentage of Compensation June 30, 2024	Amount June 30, 2023	Percentage of Compensation June 30, 2023
1.	Normal Cost	$40,124,220	3.96%	$32,151,824	3.97%
2.	Amortization of the unfunded actuarial accrued liability[1]	(5,808,229)	−0.57%	(4,281,264)	−0.53%
3.	**Total Actuarially Determined Contribution (beginning of year)**	**$34,315,991**	**3.39%**	**$27,870,560**	**3.44%**
4.	Total Projected Compensation[2]	$1,010,953,255		$810,146,895	
5.	Adjustment for timing (July 15)	$95,549	0.01%	$77,601	0.01%
6.	**Total Actuarially Determined Contribution (July 15)**	**$34,411,540**	**3.40%**	**$27,948,161**	**3.45%**
7.	Adjustment for timing (end of pay period)	$1,180,746	0.12%	$958,972	0.12%
8.	**Total Actuarially Determined Contribution (end of pay period)**	**$35,496,737**	**3.51%**	**$28,829,532**	**3.56%**

[1] In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 3 and amortized that total UAAL over the total payroll for Tier 1 and Tier 3

[2] Reflects amount calculated in the pension valuation.

Total Plan

	Line Description	Amount June 30, 2024	Percentage of Compensation June 30, 2024	Amount June 30, 2023	Percentage of Compensation June 30, 2023
1.	Normal Cost	$105,747,585	3.87%	$96,467,041	3.84%
2.	Amortization of the unfunded actuarial accrued liability	(15,686,289)	−0.57%	(13,275,741)	−0.53%
3.	**Total Actuarially Determined Contribution (beginning of year)**	**$90,061,296**	**3.30%**	**$83,191,300**	**3.31%**
4.	Total Projected Compensation[1]	$2,730,282,217		$2,512,179,018	
5.	Adjustment for timing (July 15)	$250,763	0.01%	$231,634	0.01%
6.	**Total Actuarially Determined Contribution (July 15)**	**$90,312,059**	**3.31%**	**$83,422,934**	**3.32%**
7.	Adjustment for timing (end of pay period)	$3,098,832	0.11%	$2,862,450	0.12%
8.	**Total Actuarially Determined Contribution (end of pay period)**	**$93,160,128**	**3.41%**	**$86,053,750**	**3.43%**

[1] Reflects amount calculated in the pension valuation.

F. Schedule of employer contributions

The schedule of employer contributions compares actual contributions to the Actuarially Determined Contributions.

Fiscal Year Ended June 30	Actuarially Determined Contributions[1]	Actual Contributions[1]	Percentage Contributed
2015	$100,466,945	$100,466,945	100.00%
2016	105,983,112	105,983,112	100.00%
2017	97,457,455	97,457,455	100.00%
2018	100,909,010	100,909,010	100.00%
2019	107,926,949	107,926,949	100.00%
2020	112,136,429	112,136,429	100.00%
2021	103,454,114	103,454,114	100.00%
2022	91,622,720	91,622,720	100.00%
2023	90,580,892	90,580,892	100.00%
2024	97,093,393	97,093,393	100.00%

[1] Prior to plan year ending June 30, 2018, this amount was the Annual Required Contribution (ARC).

G. Schedule of funding progress

This schedule of funding progress presents multi-year trend information about whether the valuation value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) − (a)	Funded Ratio (a) / (b)	Covered Payroll[1] (c)	UAAL as a Percentageof Covered Payroll [(b) − (a) ÷ (c)]
06/30/2015	$2,108,924,651	$2,646,989,367	$538,064,716	79.67%	$1,907,664,598	28.21%
06/30/2016	2,248,753,480	2,793,688,955	544,935,475	80.49%	1,968,702,630	27.68%
06/30/2017	2,438,458,132	3,005,806,234	567,348,102	81.12%	2,062,316,129	27.51%
06/30/2018	2,628,843,511	3,256,827,847	627,984,336	80.72%	2,177,687,102	28.84%
06/30/2019	2,812,661,894	3,334,298,549	521,636,655	84.36%	2,225,412,831	23.44%
06/30/2020	2,984,423,687	3,486,530,510	502,106,823	85.60%	2,445,016,587	20.54%
06/30/2021	3,330,377,493	3,520,078,454	189,700,961	94.61%	2,254,165,029	8.42%
06/30/2022	3,472,955,743	3,580,696,288	107,740,545	96.99%	2,258,724,771	4.77%
06/30/2023	3,646,978,226	3,405,088,528	(241,889,698)	107.10%	2,512,179,018	−9.63%
06/30/2024	3,855,958,577	3,570,147,657	(285,810,920)	108.01%	2,730,282,217	−10.47%

[1] Reflects amount calculated in the pension valuation.

H. Volatility Ratios

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For LACERS, the current AVR is about 1.39. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 1.39% of one-year's payroll. Since LACERS amortizes actuarial gains and losses over a period of 15 years, there would be a 0.1%[1] of payroll decrease/(increase) in the determined contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. For LACERS, the current LVR is about 1.31. This is about 6% lower than the AVR. Therefore, we would expect that contribution volatility will decrease over the long-term.

s	Asset Volatility Ratio	Liability Volatility Ratio
2015	1.12	1.39
2016	1.08	1.42
2017	1.18	1.46
2018	1.23	1.50
2019	1.26	1.50
2020	1.17	1.43
2021	1.68	1.56
2022	1.48	1.59
2023	1.41	1.36
2024	1.39	1.31

[1] Before taking into account LACERS' Surplus Position as of June 30, 2024. When the System is in surplus, actuarial gains and losses are amortized over a period of 30 years.

I. Member population

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive non-vested members (entitled to a refund of member contributions), inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibit A, B, and C.

Year Ended June 30	Active Members	Inactive Vested Members	Retired Members and Beneficiaries[1]	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2015	23,895	1,032	14,012	15,044	0.63	0.59
2016	24,446	1,119	14,313	15,432	0.63	0.59
2017	25,457	1,280	14,652	15,932	0.63	0.58
2018	26,042	1,401	15,144	16,545	0.64	0.58
2019	26,632	1,474	15,791	17,265	0.65	0.59
2020	27,490	1,526	16,107	17,633	0.64	0.59
2021	25,176	1,554	17,500	19,054	0.76	0.70
2022	24,917	1,537	17,753	19,290	0.77	0.71
2023	25,875	1,617	17,759	19,376	0.75	0.69
2024	26,782	1,651	17,909	19,560	0.73	0.67

[1] Excludes retirees and surviving spouses not yet enrolled in retiree health benefits.

Section 3: Supplemental Information

Exhibit A: Summary of participant data

Total Plan – Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members:			
• Number	26,782	25,875	3.5%
• Average age	46.3	46.5	−0.2
• Average service	12.3	12.5	−0.3
• Total projected compensation	$2,730,282,217	$2,512,179,018	8.7%
Inactive members:			
• Number	1,651	1,617	2.1%
• Average age	51.7	51.3	0.4
Retirees: [1]			
• Number of non-disabled	15,798	15,647	1.0%
• Number of disabled	299	301	−0.7%
• Total number of retirees	16,097	15,948	0.9%
• Average age of retirees	72.5	72.1	0.4
• Number of spouses	5,860	5,937	−1.3%
• Average age of spouses	71.6	71.3	0.3
Surviving Spouses:[1]			
• Number in pay status	1,812	1,811	−0.1%
• Average age	79.8	79.8	0.0

[1] Excludes retirees and surviving spouses not receiving health benefits.

Tier 1 – Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members:			
• Number	15,247	16,045	−5.0%
• Average age	51.7	51.1	0.5
• Average service	18.7	18.1	0.6
• Total projected compensation	$1,719,328,962	$1,702,032,123	1.0%
Inactive members:			
• Number	1,615	1,593	1.4%
• Average age	51.8	51.4	0.4
Retirees: [1]			
• Number of non-disabled	15,798	15,647	1.0%
• Number of disabled	299	301	−0.7%
• Total number of retirees	16,097	15,948	0.9%
• Average age of retirees	72.5	72.1	0.4
• Number of spouses	5,860	5,937	−1.3%
• Average age of spouses	71.6	71.3	0.3
Surviving Spouses:[1]			
• Number in pay status	1,812	1,811	0.1%
• Average age	79.8	79.8	0.0

Includes the following number of Airport Peace Officers (APO) eligible for enhanced retirement benefits:

Participants	June 30, 2024	June 30, 2023
Active Members	340	342
Inactive Members	27	33
Retired Members	116	109

[1] Excludes retirees and surviving spouses not receiving health benefits.

Tier 3 – Demographics as of June 30

Participants	2024	2023	Change From Prior Year
Active members in valuation:			
• Number	11,535	9,830	20.5%
• Average age	39.3	39.1	0.1
• Average service	3.7	3.5	0.1
• Total projected compensation	$1,010,953,255	$810,146,895	32.8%
Inactive members:			
• Number	36	24	33.3%
• Average age	47.6	46.8	−0.1
Retirees:[1]			
• Number of non-disabled	N/A	N/A	N/A
• Number of disabled	N/A	N/A	N/A
• Total number of retirees	N/A	N/A	N/A
• Average age of retirees	N/A	N/A	N/A
• Number of spouses	N/A	N/A	N/A
• Average age of spouses	N/A	N/A	N/A
Surviving Spouses:[1]			
• Number in pay status	N/A	N/A	N/A
• Average age	N/A	N/A	N/A

[1] Excludes retirees and surviving spouses not receiving health benefits.

Exhibit B: Reconciliation of retiree health participant data with pension participant data

Participants	June 30, 2024	June 30, 2023
Active		
• Pension valuation	26,782	25,875
• Health valuation	26,782	25,875
Retirees		
• Pension valuation	17,697	17,457
• Retirees with no subsidy due to service or decision not to enroll	−1,894	−1,797
• Deferred retirees eligible for future health benefits	−5	−13
• Health valuation	15,798	15,647
Disableds		
• Pension valuation	786	799
• Disabled with no subsidy due to service or decision not to enroll	−455	−463
• Deferred disableds eligible for future health benefits	−32	−35
• Health valuation	299	301
Surviving Spouses		
• Pension valuation	4,280	4,254
• Surviving spouses with no subsidy due to service or decision not to enroll	−2,392	−2,359
• Deferred surviving spouses eligible for future health benefits	−76	−84
• Health valuation	1,812	1,811
Inactive Vested		
• Pension valuation	11,839	11,148
• Inactive vesteds with less than 10 years of service	−10,188	−9,531
• Health valuation	1,651	1,617

Exhibit C: Retirees and beneficiaries added to and removed from health benefits

Year Ended 6/30	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	Percent Increase in Annual Subsidies	Average Annual Subsidies
2015	860	$10,844,333	534	$3,174,045	14,012	$112,629,520	7.3	$8,038
2016	837	2,185,058	536	3,102,492	14,313	111,712,086	−0.8	7,805
2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
2021	2,135	25,826,129	742	5,162,633	17,500	168,971,493	13.9	9,656
2022	893	5,631,315	640	4,809,300	17,753	169,793,508	0.5	9,564
2023	699	1,517,839	693	568,742	17,759	170,742,605	0.6	9,614
2024	784	5,382,994	628	555,229	17,909	175,570,370	2.8	9,803

[1] Also reflects changes in subsidies for continuing retirees and beneficiaries.

Exhibit D: Cash flow projections

The ADC generally exceeds the current pay-as-you-go (“paygo”) cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ADC in a well-funded plan. Due to the plan's funding position, the current ADC is well below the benefit payments being made by the plan. The following table projects the paygo cost as the projected payment over the next ten years.

Projected Number of Retirees[1] and Benefit Payments

Year Ending June 30	Current Retirees	Future Retirees	Total Retirees	Current Benefit Payments	Future Benefit Payments	Total Benefit Payments
2025	23,769	1,725	25,494	$161,769,593	$13,795,532	$175,565,125
2026	23,297	2,675	25,972	157,069,995	24,668,267	181,738,262
2027	22,582	3,606	26,188	154,064,792	36,175,229	190,240,021
2028	21,865	4,563	26,428	152,268,264	48,645,048	200,913,312
2029	21,138	5,512	26,650	150,428,026	61,421,842	211,849,868
2030	20,397	6,460	26,857	148,261,828	75,085,299	223,347,127
2031	19,649	7,412	27,061	146,025,486	89,876,222	235,901,708
2032	18,892	8,349	27,241	144,456,461	105,135,301	249,591,762
2033	18,135	9,280	27,415	143,207,553	120,152,798	263,360,351
2034	17,367	10,226	27,593	142,219,583	135,855,442	278,075,025

[1] Includes spouses of retirees, but excludes those not receiving a subsidy from LACERS.

Exhibit E: Summary statement of income and expenses on a market value basis for retirement, health, family death, and larger annuity benefits

Line Description	Year Ended June 30, 2024	Year Ended June 30, 2023
Net assets at market value at the beginning of the year	$21,589,265,113	$20,454,103,991
Contribution income		
• Employer contributions	$811,482,608	$760,019,088
• Member contributions	279,636,124	259,976,824
– **Net contribution income**	**$1,091,118,732**	**$1,019,995,912**
Investment income		
• Investment, dividends and other income	$526,769,335	$484,084,745
• Asset appreciation	1,447,773,805	1,181,447,188
• Less investment and administrative fees	(181,758,698)	(164,724,805)
– **Net investment income**	**$1,792,784,442**	**$1,500,807,128**
Total income available for benefits	**$2,883,903,174**	**$2,520,803,040**
Less benefit payments		
• Benefits paid[1]	$(1,418,341,231)	$(1,371,245,288)
• Member refunds	(13,601,611)	(14,396,630)
– **Net benefit payments**	**$(1,431,942,842)**	**$(1,385,641,918)**
Change in net assets at market value	**$1,451,960,332**	**$1,135,161,122**
Net assets at market value at the end of the year	**$23,041,225,445**	**$21,589,265,113**

Note: Results may not total due to rounding.

[1] Includes offsets related to self funded dental insurance premium and health insurance premium reserve.

Exhibit F: Summary statement of plan assets for retirement, health, family death, and larger annuity benefits

Line Description	Year Ended June 30, 2024	Year Ended June 30, 2023
Cash equivalents	**$537,531,845**	**$427,788,364**
Accounts receivable		
• Accrued interest income	$96,357,208	$89,224,757
• Proceeds from sales of investments	117,623,362	93,978,913
• Other	13,371,173	12,661,960
– **Total accounts receivable**	**$227,351,743**	**$195,865,630**
Investments		
• Fixed income	$5,175,513,954	$5,011,434,541
• Equities	10,987,450,721	10,152,233,548
• Real estate and alternative investment	5,696,101,528	5,416,827,780
• Derivative instruments	(8,076,673)	(1,886,090)
• Other	823,049,394	785,386,148
– **Total investments at market value**	**$22,674,038,924**	**$21,363,995,927**
Capital assets	58,342,124	60,725,661
Total assets	**$23,497,264,636**	**$22,048,375,582**
Accounts payable		
• Accounts payable and accrued expenses	$(91,250,478)	$(93,664,527)
• Accrued investment expenses	(10,195,804)	(8,818,953)
• Purchases of investments	(193,472,367)	(145,060,285)
• Securities lending collateral	(160,397,155)	(210,806,062)
– **Total accounts payable**	**$(455,315,804)**	**$(458,349,827)**
• Deferred inflow of resources	$(723,387)	$(760,642)
Net assets at market value	**$23,041,225,445**	**$21,589,265,113**
Net assets at actuarial value	**$23,404,150,020**	**$22,239,263,545**
Net assets at valuation value (health benefits)	**$3,855,958,577**	**$3,646,978,226**

Note: Results may be slightly off due to rounding.

Exhibit G: Determination of Actuarial Value of Assets as of June 30, 2024

	Step	Actual Return	Expected Return	Investment Gain/(Loss)	Portion Deferred	Amount
1.	Market Value of Assets (for Retirement and Health Subsidy Benefits)					$23,041,225,445
2.	**Calculation of unrecognized return[1]**					
a.	Year ended June 30, 2024	$1,792,784,442	$1,525,354,781	$267,429,661	6/7	$229,225,424
b.	Year ended June 30, 2023	1,500,807,128	1,443,373,615	57,433,513	5/7	41,023,938
c.	Year ended June 30, 2022	(1,947,728,626)	1,604,160,949	(3,551,889,575)	4/7	(2,029,651,186)
d.	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	3/7	(1,713,366,869)
e.	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	2/7	(274,405,724)
f.	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	1/7	(42,483,896)
g.	Total unrecognized return[2]					$(362,924,575)
3.	**Preliminary Actuarial Value of Assets: 1 – 2g**					**$23,404,150,020**
4.	Adjustment to be within 40% corridor					0
5.	**Final Actuarial Value of Assets: 3 + 4**					**$23,404,150,020**
6.	Actuarial Value of Assets as a percentage of Market Value of Assets					101.6%
7.	Market Value of Health Assets					$3,796,164,817
8.	**Valuation Value of Health Assets: (5 ÷ 1) x 7**					**$3,855,958,577**

[1] Total return minus expected return on a market value basis.

[2] Deferred return as of June 30, 2024 recognized in each of the next six years (for Retirement and Health Plans):

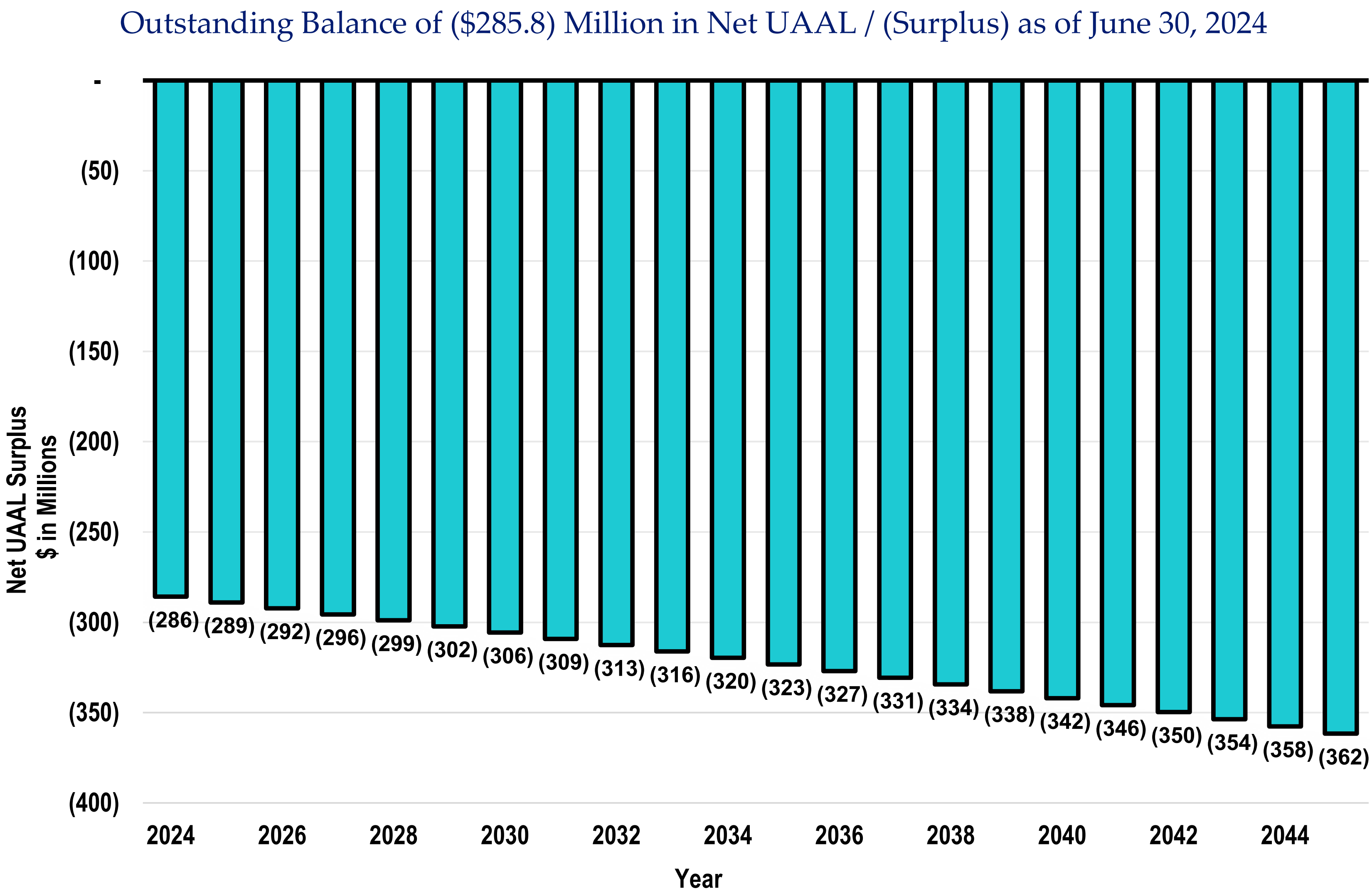
a. Amount recognized on June 30, 2025	$(69,568,239)
b. Amount recognized on June 30, 2026	(27,084,343)
c. Amount recognized on June 30, 2027	110,118,519
d. Amount recognized on June 30, 2028	(461,003,771)
e. Amount recognized on June 30, 2029	46,409,025
f. Amount recognized on June 30, 2030	38,204,237
g. Total unrecognized return as of June 30, 2024	**$(362,924,575)**

(may not total exactly due to rounding)

Exhibit H: Member benefit coverage information for OPEB

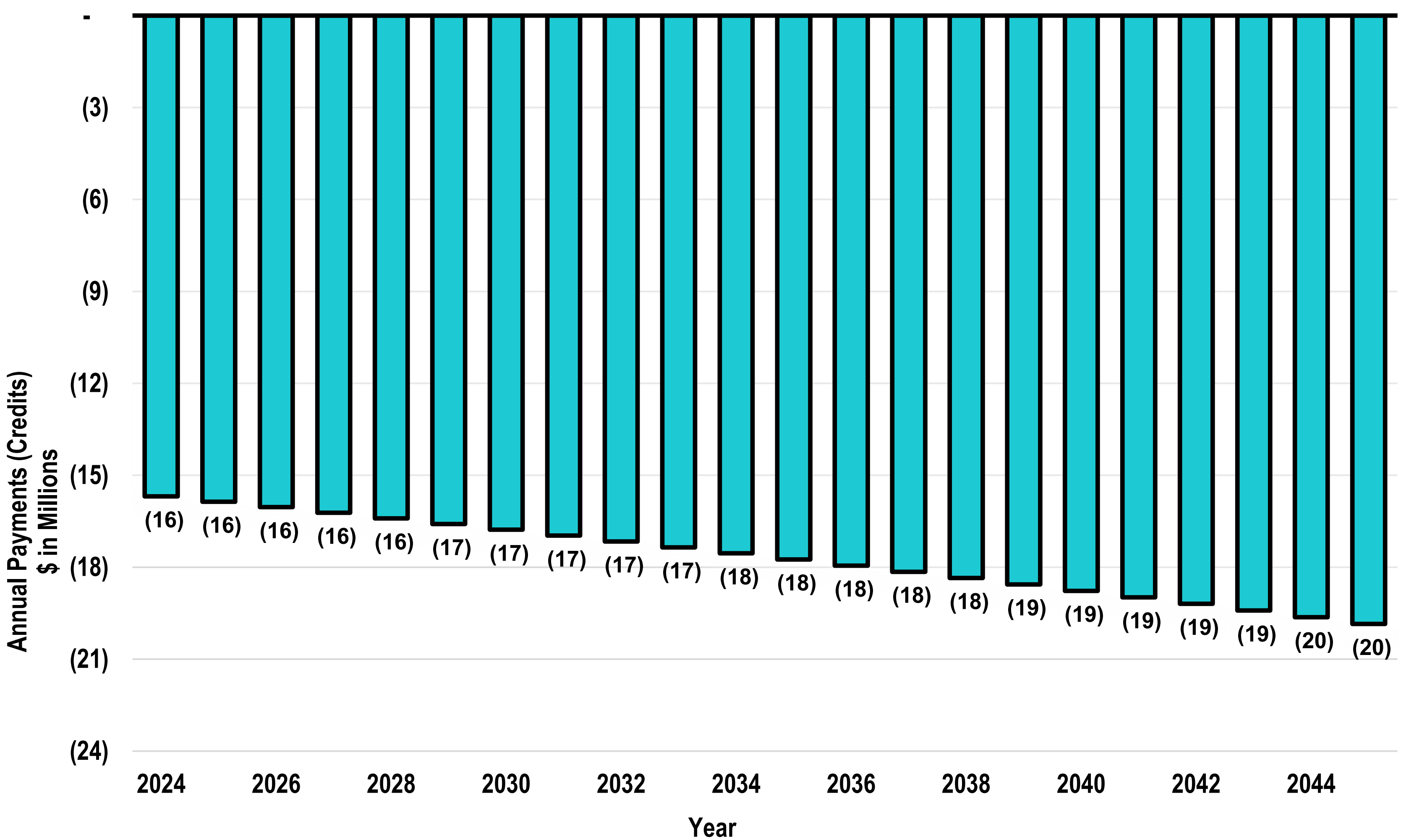
Valuation Date	Aggregate Actuarial Accrued Liabilities for Terminated Members	Aggregate Actuarial Accrued Liabilities for Retirees, Beneficiaries, & Dependents	Aggregate Actuarial Accrued Liabilities for Active Members	Valuation Value of Retiree Health Assets	Portion of Accrued Liabilities Covered by Reported Assets Terminated Members	Portion of Accrued Liabilities Covered by Reported Assets Retirees, Beneficiaries, & Dependents	Portion of Accrued Liabilities Covered by Reported Assets Active Members
06/30/2015	$42,943,089	$1,210,066,527	$1,393,979,751	$2,108,924,651	100%	100%	61%
06/30/2016	50,413,399	1,275,604,225	1,467,671,331	2,248,753,480	100	100	63
06/30/2017	62,252,306	1,379,356,850	1,564,197,078	2,438,458,132	100	100	64
06/30/2018	67,137,848	1,479,370,105	1,692,319,894	2,628,843,511	100	100	63
06/30/2019	65,887,248	1,600,130,890	1,668,280,411	2,812,661,894	100	100	69
06/30/2020	70,327,305	1,677,722,536	1,738,480,669	2,984,423,687	100	100	71
06/30/2021	74,599,941	1,869,444,779	1,576,033,734	3,330,377,493	100	100	88
06/30/2022	74,631,785	1,900,861,299	1,605,203,204	3,472,955,743	100	100	93
06/30/2023	76,591,793	1,784,281,066	1,544,215,669	3,646,978,226	100	100	100
06/30/2024	86,360,851	1,824,658,592	1,659,128,214	3,855,958,577	100	100	100

Exhibit I: Projection of UAAL balances and payments



Note: The funding surplus is expected to slightly increase each year due to the 30-year, open amortization period.

Annual Payments/(Credits) Resulting from ($285.8) Million in Net UAAL/(Surplus) as of June 30, 2024



Note: The Plan's recommended contribution rate includes an offset or credit related to the plan's funding surplus.

Section 4: Actuarial Valuation Basis

Exhibit 1: Summary of supplementary information

Valuation date

June 30, 2024

Actuarial cost method

Entry age normal, level percent of salary

Amortization method

Level percent of payroll – assuming a 3.00% increase in total covered payroll.

Amortization period

Category	Years
2009 ERIP	15 years
Pre-June 30, 2021 layers, starting June 30, 2021	21 years
Actuarial Experience	15 years
Change in non-health related assumptions	20 years
Change in health related assumptions	15 years
Future ERIP	5 years
Valuation Value of Assets in excess of Actuarial Accrued Liability	30 years
Plan Amendment	15 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.

Asset valuation method

Market 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 market 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 market value of assets.

Actuarial assumptions:

- Investment rate of return: 7.00%
- Inflation rate: 2.50%
- Across-the-board pay increase: 0.50%
- Projected salary increases: Ranges from 9.00% to 4.00% based on years of service, including inflation
- **Medical, dental, Medicare Part B trend rates:** See table on page 49.

Plan membership

Member Type	June 30, 2024	June 30, 2023
Current retirees, beneficiaries, and dependents receiving benefits	23,769	23,696
Current active participants	26,782	25,875
Terminated participants entitled but not yet eligible	1,651	1,617
Pensioners and beneficiaries entitled but not yet eligible for health benefits	113	132
Total	**52,315**	**51,320**

Exhibit 2: Actuarial Assumptions

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 retiree health assumptions letter dated September 18, 2024. 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.

Economic Assumptions

Net Investment Return

7.00%, net of OPEB Plan investment expense, including inflation.

Payroll Growth

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

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

Section 4: Actuarial Valuation Basis

- 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

Demographic Assumptions

Mortality Rates — Post-Retirement

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

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.

Beneficiary

Not in Pay Status as of Valuation: 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.

In Pay Status as of Valuation: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Note: 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.

Mortality Rates — Pre-Retirement

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

Age	Male Rate (%)	Female Rate (%)
20	0.04	0.02
25	0.04	0.02
30	0.05	0.03
35	0.08	0.04
40	0.10	0.05
45	0.11	0.06
50	0.14	0.08
55	0.21	0.13
60	0.33	0.20
65	0.46	0.29

Generational projections to the valuation date for each age 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

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 and over	2.50%

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

Retirement Rates (%)

Age	Tier 1: Non-55/30	Tier 1: 55/30	Tier 1 Enhanced: Non-55/30	Tier 1 Enhanced: 55/30	Tier 3: Non-55/30	Tier 3: 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 and 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.

Future Benefit Accruals

1.0 year of service credit per year.

Service

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

Unknown Data for Members

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

Retiree Health Assumptions

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.

Per Capita Cost Development - Maximum Dental Subsidy

Carrier	Election Percent (%)	Monthly 2024/2025 Fiscal Year Subsidy
Delta Dental PPO	82.1	$42.93
DeltaCare USA	17.9	15.40

Per Capita Cost Development - Medicare Part B Premium Subsidy

Category	Single Monthly Premium
Actual monthly premium for calendar year 2024	$174.70
Projected monthly premium for calendar year 2025[1]	185.53
Projected average monthly premium for plan year 2024/2025	180.12

LACERS will not reimburse Medicare Part B premiums for Spouse/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) spouse/domestic partners enrolled in Medicare Parts A and B.

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

[1] Based on calendar year 2024 premium adjusted to 2025 by assumed trend rate of 6.20%.

Per Capita Cost Development – 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

2024–2025 Fiscal Year Carrier	Observed & Assumed Election Rate (%)[1]	Single Party Monthly Premium	Single Party Maximum Subsidy	Single Party Subsidy	Married/With Domestic Partner Monthly Premium	Married/With Domestic Partner Maximum Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Monthly Premium	Eligible Survivor Maximum Subsidy	Eligible Survivor Subsidy
Kaiser HMO	60.2	$1,084.53	$2,253.08	$1,084.53	$2,169.06	$2,253.08	$2,169.06	$1,084.53	$1,084.53	$1,084.53
Anthem Blue Cross PPO	22.2	1,657.12	2,253.08	1,657.12	3,309.20	2,253.08	2,253.08	1,657.12	1,084.53	1,084.53
Anthem Blue Cross HMO	17.6	1,323.59	2,253.08	1,323.59	2,642.14	2,253.08	2,253.08	1,323.59	1,084.53	1,084.53

Participant Eligible for Medicare A&B

2024–2025 Fiscal Year Carrier	Observed & Assumed Election Rate (%)[1]	Single Party Monthly Premium	Single Party Maximum Subsidy	Single Party Subsidy	Married/With Domestic Partner Monthly Premium	Married/With Domestic Partner Maximum Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Monthly Premium	Eligible Survivor Maximum Subsidy	Eligible Survivor Subsidy
Kaiser Senior Advantage HMO	55.9	$262.47	$262.47	$262.47	$524.94	$524.94	$524.94	$262.47	$262.47	$262.47
Anthem Medicare Preferred (PPO)	34.4	435.26	435.26	435.26	865.49	865.49	865.49	435.26	435.26	435.26
UHC California Medicare Advantage Plan	5.5	261.20	261.20	261.20	517.37	517.37	517.37	261.20	261.20	261.20
SCAN Medicare Advantage Plan	4.2	226.93	226.93	226.93	448.83	448.83	448.83	226.93	226.93	226.93

The monthly premiums provided above include vision premiums and are the plan's member rates, which do not necessarily equal the rates charged by the carriers. Differences between member rates and carrier rates are due to LACERS' premium rate stabilization policies and are expected to be short-term. For valuation purposes, the retirees with UHC Medicare Advantage HMO for Arizona and

[1] The observed election percentages are based on raw census data as of June 30, 2024.

Nevada (1.1% of total enrollment) are assumed to have the same costs as the UHC California MAPD plan. Similarly, the retirees electing the Anthem Medicare Supplement Plan (1.1% of total enrollment) are included with the Anthem Blue Cross PPO grouping. These grouping simplifications have a de-minimis impact on the valuation results.

Per Capita Cost Development – Medical Subsidy

Tier 1 Subject to Retiree Medical Subsidy Cap.

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. We understand that no active members are subject to the cap but that some inactive members may be subject to the cap.

Retiree Plan	Single Party	Married/With Domestic Partner	Eligible Survivor
Under 65 – All Plans	$1,190.00	$1,190.00	$593.62
Over 65			
• Kaiser Senior Advantage	$203.27	$308.74	$203.27
• Anthem Medicare Preferred (PPO)	435.26	478.43	435.26
• UHC California Medicare Adv. HMO	219.09	219.09[1]	219.09
• SCAN Medicare Advantage Plan	223.88	223.88[1]	223.88

Per Capita Cost Development – Medical Subsidy

Per capita costs were based on the premiums for the valuation year. Actuarial factors were applied to the premiums to estimate individual retiree and spouse costs by age and by gender in accordance with ASOP 6.

Health Care Cost Subsidy Trend Rates

Trend rates are applied to average premiums for the respective fiscal year to calculate the following fiscal year's projected premiums. The first fiscal year is July 1, 2024 through June 30, 2025 and reflects actual 2025 calendar year premiums.

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

Fiscal Year	Anthem Blue Cross PPO, Under Age 65	Anthem Preferred PPO Medicare Advantage	Kaiser HMO, Under Age 65	Kaiser Senior Advantage	Anthem Blue Cross HMO, Under 65	UHC CA Medicare Advantage	SCAN
2024–2025	7.72%	0.25%	6.88%	0.25%	7.71%	10.20%	0.25%

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

Fiscal Year	Approximate Trend Rate (%) Non-Medicare	Approximate Trend Rate (%) Medicare	Calendar Year	Trend Applied to Calculate Following Year Premium Rate (%) Non-Medicare	Trend Applied to Calculate Following Year Premium Rate (%) Medicare	Trend Applied to Calculate Following Year Premium Rate (%) Medicare Part B
2025–2026	7.37%	3.76%	2025	7.50[1]	0.50[2]	6.20
2026–2027	7.12%	6.87%	2026	7.25	7.00	6.20
2027–2028	6.87%	6.62%	2027	7.00	6.75	6.20
2028–2029	6.62%	6.37%	2028	6.75	6.50	6.20
2029–2030	6.37%	6.12%	2029	6.50	6.25	6.20
2030–2031	6.12%	5.87%	2030	6.25	6.00	6.20
2031–2032	5.87%	5.62%	2031	6.00	5.75	6.20
2032–2033	5.62%	5.37%	2032	5.75	5.50	6.20
2033–2034	5.37%	5.12%	2033	5.50	5.25	6.20
2034–2035	5.12%	4.87%	2034	5.25	5.00	5.75
2035–2036	4.87%	4.62%	2035	5.00	4.75	5.50
2036–2037	4.62%	4.50%	2036	4.75	4.50	5.25
2037–2038	4.50%	4.50%	2037	4.50	4.50	5.00
2038–2039	4.50%	4.50%	2038	4.50	4.50	4.75
2039 and later	4.50%	4.50%	2039	4.50	4.50	4.50

[1] For example, the 7.50% assumption, when applied to the 2025 non-Medicare medical premiums would provide the projected 2026 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium.

[2] On average, the carrier rates for the Medicare plans are roughly 7.30% lower than the member rates. The estimated 0.50% increase to the member rates for calendar year 2025 is based on an assumed 7.80% increase to the carrier rates. Because member premium rates are used for valuation purposes, the trend assumption anticipates the change in the member rate.

Delta Dental PPO Premium Trend	1.50%, then 3.00% thereafter
Deltacare Premium Trend:	3.48%, then 3.00% thereafter

Spouse/Domestic Partner Coverage

For all active and inactive members, 60% of male participants and 35% of female participants 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 4 years older than their female spouses/domestic partners. Female retirees are assumed to be 2 years younger than their male spouses/domestic partners.

Participation

Retiree Medical and Dental Coverage Participation:

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

For deferred vested members, we assume an election percent of 50% of these rates.

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.

Plan Design

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit 3.

Assumption Changes Since Prior Valuation

Per capita costs and associated trend assumptions were updated to reflect 2025 calendar year premiums/subsidies and updated trend assumptions for 2026 and after.

Exhibit 3: Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. 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 the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.

Tier 3 (§4.1080.2(a))

All employees who became members of the System 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. Please note that 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))

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2024, the maximum health subsidy is $2,187.58 per month and will be $2,318.58 per month as of January 1, 2025. 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	Vested Percentage
10–14	75%
15–19	90%
20+	100%

Subsidy Cap for 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 4.00% or 4.50% of employee contributions to the Pension Plan.

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.

Dental Subsidy for Members:

Tier 1 (§4.1111(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, 2024, the maximum dental subsidy is $42.93 per month; remaining the same in calendar year 2025.

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.

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.

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.

Surviving Spouse Medical Subsidy:

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 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 ($1,051.78 as of July 1, 2024 and will be $1,117.28 per month as of January 1, 2025).

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	Vested Percentage
10–14	75%
15–19	90%
20+	100%

Changes in Plan Provisions:

None.

We understand that there is a ballot measure which when approved by the voters would allow certain LACERS active members to be transferred to the Los Angeles Fire and Police Pension Plan so that those members would receive Safety benefits available under that Plan. However, as that measure has not been approved, we have not reflected the financial impact of the transfer in this report.

Note

The summary of major Plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so that both parties can be sure the proper provisions are valued.

Exhibit 4: Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Term	Definition
Assumptions or Actuarial Assumptions	The estimates on which the cost of the Plan is calculated including: • Investment return — the rate of investment yield that the Plan will earn over the long-term future; • Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates; • Retirement rates — the rate or probability of retirement at a given age; • Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Actuarial Present Value of Total Projected Benefits (APB)	Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.
Normal Cost	The amount of contributions required to fund the benefit allocated to the current year of service.
Actuarial Accrued Liability for Actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Retirees	The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.
Valuation Value of Assets (VVA)	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability	Payments made overf a period of years equal in value to the Plan’s unfunded actuarial accrued liability.

Section 4: Actuarial Valuation Basis

Term	Definition
Investment Return (discount rate)	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll	Annual reported salaries for all active participants on the valuation date.
ADC as a Percentage of Covered Payroll	The ratio of the actuarially determined contribution to covered payroll.
Health Care Cost Trend Rates	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Actuarially Determined Contribution (ADC)	The ADC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.
Employer Contributions	An employer has contributed to an OPEB plan if the employer has (a) provided benefits directly to retired plan members or their beneficiaries, (b) paid insurance premiums to insure the payment of benefits, or (c) irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

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BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 4

Los Angeles City Employees' Retirement System

Governmental Accounting Standards Board Statement No. 67 (GASB 67) Actuarial Valuation of Retirement Benefits as of June 30, 2024

Segal

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San Francisco, CA 94105-6147
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November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Actuarial Valuation as of June 30, 2024 for the Los Angeles City Employees' Retirement System ("LACERS" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to LACERS' Actuarial Valuation and Review of Retirement Benefits as of June 30, 2024, dated November 4, 2024, for the data, assumptions, and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Administration (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of LACERS and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

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

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

DNA/jl

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of June 30, 2024. This report is based on:

- The benefit provisions of the Pension (or Retirement) Plan, as administered by the Board of Administration;[1]
- The characteristics of covered active, inactive, and retired members and beneficiaries as of June 30, 2024, provided by LACERS;
- The assets of the Plan as of June 30, 2024, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2024 funding valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2024 funding valuation.

General observations on a GASB 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as LACERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as LACERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

[1] Please refer to page 16 of this report for additional discussion regarding Plan Provisions not included in the TPL calculations in this valuation.

Highlights of the valuation

1. The reporting date for the Plan is June 30, 2024 and the NPL was measured as of the same date. The TPL was determined based upon the actuarial valuation as of June 30, 2024 and the Plan FNP was also valued as of the measurement date.
2. The NPL stayed approximately level from $7.346 billion as of June 30, 2023 to $7.348 billion as of June 30, 2024 primarily due to (a) higher than expected salary increases for continuing active members (a loss of about $215.2 million), (b) actual contributions less than expected due to the scheduled one-year delay in implementing contribution rates and the actual payroll lower than projected (a loss of about $41.4 million), offset almost entirely by (c) the return on the market value of retirement plan assets of 8.29%[1] during fiscal year 2023-2024 that was more than the assumption of 7.00% used in the June 30, 2023 valuation (a gain of about $234.6 million). Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3 - Schedule of changes in Net Pension Liability* on page 21.
3. The discount rate used to measure the TPL and NPL as of June 30, 2024 was 7.00%, following the same assumption used by LACERS in the actuarial funding valuation as of June 30, 2024. The detailed calculations used in the derivation of the 7.00% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.

[1] For the June 30, 2024 valuation, the investment return calculated for the Retirement Plan was 8.29% (net of investment expenses only) which is lower than the 9.09% investment return calculated for the OPEB Plan. (We note that for the June 30, 2023 valuation, the investment return calculated for the Retirement Plan was 7.35% while the investment return for the OPEB Plan was 8.05%.) Both of these returns have been calculated by Segal on a dollar-weighted basis taking into account the beginning of year assets, contributions, and benefit cash flows made during the year. In backing into a rate of return using actual investment income and investment expense as provided by LACERS, we sometimes could come up with a different return for the two Plans if: (a) the timing of the actual cash flows (especially the benefit payments) are different from what we assumed and/or (b) the actual income and expense allocated are different when compared to the proportion of the assets in the two Plans.

Summary of key valuation results[1]

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Disclosure elements		
Service cost[2]	$461,843,826	$412,247,235
Total Pension Liability	26,492,518,234	25,299,537,118
Plan Fiduciary Net Position	19,144,037,018	17,953,292,567
Net Pension Liability	7,348,481,216	7,346,244,551
Schedule of contributions		
Actuarially determined contributions	$714,338,215	$669,391,196
Actual contributions	714,338,215	669,391,196
Contribution deficiency / (excess)	0	0
Demographic data		
Number of retired members and beneficiaries	22,763	22,510
Number of inactive members[3]	11,839	11,148
Number of active members	26,782	25,875
Key assumptions		
Investment rate of return	7.00%	7.00%
Inflation rate	2.50%	2.50%
"Across-the-board" salary increase	0.50%	0.50%
Projected salary increases[4]	9.00% to 4.00%	9.00% to 4.00%
Cost-of-living adjustments	Tier 1: 2.75% Tier 3: 2.00%	Tier 1: 2.75% Tier 3: 2.00%

1 The assets and liabilities throughout this report are for the Retirement Plan only, and exclude amounts for the Health, Family Death Benefit and Larger Annuity Plans.

2 The service cost is based on the previous year's valuation, meaning the service cost as of the June 30, 2024 and June 30, 2023 measurement dates are based on the valuations as of June 30, 2023 and June 30, 2022, respectively. The June 30, 2024 service cost has been calculated using the assumptions shown in the Prior Year column, while the June 30, 2023 service cost has been calculated using the assumptions from the June 30, 2022 valuation. Please refer to the note on the next page for the assumptions used for the June 30, 2023 service cost.

3 Includes inactive members due a refund of member contributions.

4 Includes inflation at 2.50% plus "across-the-board" salary increase of 0.50% plus merit and promotion increases that vary by service.

Note to footnote 2 from prior page

The June 30, 2023 service cost has been calculated using the following assumptions as of June 30, 2022:

- Investment rate of return: 7.00%
- Inflation rate 2.75%
- "Across-the-board" salary increase 0.50%
- Projected salary increases: 9.95% to 4.25%
  - Projected salary increases include inflation at 2.75% plus across-the-board increase of 0.50% plus merit and promotion increases that vary by service
- Cost-of-living adjustments Tier 1: 2.75%
  Tier 3: 2.00%

Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	The valuation is based on the fair value of assets as of the measurement date, as provided by LACERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if any). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Actuarial models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by LACERS upon delivery and review. LACERS should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 67 Information

General information about the pension plan

Plan administration

The Los Angeles City Employees' Retirement System (LACERS) was established by City Charter in 1937. LACERS is a single employer public employee retirement system whose main function is to provide retirement benefits to the civilian employees of the City of Los Angeles.

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. 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 Council;
- Two members shall be active employee members of the System elected by the active employee members; and
- One shall be a retired member of the System elected by the retired members of the System.

Plan membership

At June 30, 2024, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	22,763
Inactive members[1]	11,839
Active members	26,782
Total	**61,384**

[1] Includes inactive members due a refund of member contributions.

Benefits provided[1]

LACERS provides service retirement, disability, death and survivor benefits to eligible retirees and beneficiaries. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership.

Members employed prior to July 1, 2013 are designated as Tier 1. All Tier 2 employees who became members between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016. 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, are designated as Tier 1 Enhanced. *[A member of Tier 1 of the Retirement System who while a City employee and on their retirement date, which shall occur on or after March 25, 2022, was employed by the Police Department, Harbor Department, or Recreation and Parks Department as a peace officer as defined in California Penal Code Section 830.1 or Section 830.31 is designated as a sworn Public Safety Officer (PSO) member. Sworn PSO members shall also include those who elected not to make a one-time lump sum payment of $5,700 on or before January 8, 2019 in exchange for the enhanced benefits provided by Section 4.1007(a), 4.1008.1 and 4.1010.1 as set forth in Section 4.1002(e)(2).]* Those employed on or after February 21, 2016 are designated as Tier 3 (unless a specific exception applies to the employee, providing a right to Tier 1 status).

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, and tier.

Pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned pensionable bonuses or premium pay) for Tier 1 and Tier 1 Enhanced and on the highest average salary earned during a 36-month period (limited to base salary and any items of compensation that are designated as pension based) for Tier 3. *[For purposes of calculating the pre-retirement death and disability benefits for sworn PSO members, except for the service retirement component of such benefits for current Tier 3 members, final average compensation is the equivalent of monthly average salary of the highest continuous 12 months (one year) and includes base salary plus regularly assigned pensionable bonuses or premium pay. For purposes of calculating the service retirement component of the disability benefits for current Tier 3 sworn PSO members, final average compensation is the equivalent of monthly average salary of the highest continuous 36 months (three years) and is limited to base salary and any items of compensation that are designated as pension based.]* The IRC Section 401(a)(17) compensation limit applies to all employees who began membership in LACERS after June 30, 1996.

[1] As noted on page 16, the City has previously approved enhanced pre-retirement death and disability benefits for certain sworn Public Safety Officers if those members continue their participation at LACERS, although we have not included those enhanced benefits in this valuation. (We understand the enhanced benefits are based on an Ordinance #187923 effective date of July 9, 2023, with a benefit retroactive date of March 25, 2022.) The enhanced benefits will be reflected in the next GASB 67 valuation as of June 30, 2025. For documentation purposes, we have included in this subsection the previously approved enhanced benefits for PSO members, which are noted in bracketed italics.

The maximum monthly retirement allowance is 100% of the final average monthly compensation for Tier 1 and Tier 1 Enhanced and is 80% of the final average monthly compensation for Tier 3 (except when the benefit is based solely on the annuity component funded by the member's contributions).

The member may elect an unmodified retirement allowance or choose an optional retirement allowance (the unmodified option provides the highest monthly benefit). For Tier 1 and Tier 3, the unmodified option provides a 50% continuance to an eligible surviving spouse or domestic partner. For Tier 1 Enhanced *[and PSO members]*, the unmodified option provides an 80% continuance to an eligible surviving spouse or domestic partner for members who retired for a service-connected disability and a 70% continuance for members who retired for service or for a nonservice-connected disability. The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

LACERS provides annual cost-of-living adjustments (COLAs) to all retirees. The cost-of-living adjustments are made each July 1 based on the percentage change in the annual average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area - All Items for All Urban Consumers. It is capped at 3.0% for Tier 1 and Tier 1 Enhanced, and at 2.0% for Tier 3.

Tier 1 and Tier 1 Enhanced member benefits

Tier 1 and Tier 1 Enhanced members are eligible to retire for service with a normal retirement benefit once they attain the age of 70, or the age of 60 with 10 or more years of continuous City service, or the age of 55 with 30 or more years of City service. Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Under the Tier 1 Enhanced formula, the monthly service retirement allowance at normal retirement age is 2.30% of final average monthly compensation per year of service credit.

Reduced retirement allowances are available for early retirement for Tier 1 and Tier 1 Enhanced members reaching age 55 with 10 or more years of continuous City service, or with 30 or more years of City service at any age. The Tier 1 and Tier 1 Enhanced early retirement reduction factors, for retirement below age 60, are as follows:

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 1 members are eligible to retire for disability once they have 5 or more years of continuous service. Tier 1 Enhanced members *[and PSO members]* are eligible to retire for service-connected disability without a service requirement, and once they have 5 or more years of continuous service for a nonservice-connected disability.

Tier 3 member benefits

Tier 3 members are eligible to retire for service with a normal retirement benefit at 1.50% of final average monthly compensation per year of service credit once they attain the age of 60 with 10 years of service (but with less than 30 years of service), including 5 years of continuous City service, or at 2.00% of final average monthly compensation per year of service credit once they attain the age of 60 with 30 years of service, including 5 years of continuous City service.

Tier 3 members are eligible to retire with an enhanced retirement benefit at 2.00% of final average monthly compensation per year of service credit once they attain the age of 63 with 10 years of service (but with less than 30 years of service), including 5 years of continuous City service, or at 2.10% of final average monthly compensation per year of service credit once they attain the age of 63 with 30 years of service, including 5 years of continuous City service.

Reduced retirement allowances are available for early retirement for Tier 3 members prior to reaching age 60 with 30 years of service, including 5 years of continuous City service. The Tier 3 early retirement reduction factors, for retirement below age 60, are as follows:

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

Tier 3 members are eligible to retire for disability once they have 5 or more years of continuous service.

Contributions

The City of Los Angeles contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The combined employer contribution rate as of June 30, 2024 was 29.03% of compensation.[1]

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, all Tier 1 members contribute at 11.0% or 11.5% of compensation, and all Tier 1 Enhanced and Tier 3 members contribute at 11.0% of compensation.

[1] Based on the June 30, 2022 funding valuation which established funding requirements for fiscal year 2023/2024. The schedule of contributions in Section 2 of this report provides details on how this rate was calculated.

Exhibit 1 – Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Components of the Net Pension Liability		
Total Pension Liability	$26,492,518,234	$25,299,537,118
Plan Fiduciary Net Position	(19,144,037,018)	(17,953,292,567)
Net Pension Liability	**$7,348,481,216**	**$7,346,244,551**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability[1]	72.26%	70.96%

The NPL for the Plan in this valuation was measured as of June 30, 2024. The Plan FNP was valued as of the measurement date and the TPL was determined based upon the results of the actuarial valuation as of June 30, 2024.

Plan provisions

The plan provisions used in the measurement of the NPL as of June 30, 2024 are the same as those used in LACERS' actuarial funding valuation as of June 30, 2024. We understand that there is a ballot measure which when approved by the voters would allow certain LACERS active members to be transferred to the Los Angeles Fire and Police Pension Plan so that those members would receive Safety benefits available under that Plan. However, as that measure has not been approved, we have not reflected the financial impact of the transfer in this report. Furthermore, even though the City has previously approved enhanced pre-retirement death and disability benefits for the above members if those members continue their participation at LACERS, we have not included in this valuation the cost of providing such enhanced benefits (estimated at $429 thousand in actuarial accrued liability based on an actuarial study prepared as of June 30, 2021). We will update both of these plan provision items in our TPL calculations accordingly in our next GASB 67 valuation as of June 30, 2025.

Actuarial assumptions

The TPL as of June 30, 2024 uses the same actuarial assumptions as the actuarial funding valuation as of June 30, 2024. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period July 1, 2019 through June 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

[1] These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Section 2: GASB 67 Information

Assumption Type	Assumption
Investment rate of return	7.00%, net of pension plan investment expense and including inflation
Inflation rate	2.50%
"Across-the-board" salary increase	0.50%
Projected salary increases	9.00% to 4.00% The above salary increases vary by service and include inflation and "across-the-board" salary increase.
Cost-of-living adjustments	Tier 1: 2.75% Tier 3: 2.00% For Tier 1 members who have COLA banks, we assume they receive up to 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Other assumptions	See analysis of actuarial experience during the period July 1, 2019 through June 30, 2022.

Detailed information regarding all actuarial assumptions can be found in the June 30, 2024 Actuarial Valuation and Review of Retirement Benefits.

Exhibit 2 – Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments[1] 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. Beginning with June 30, 2023, this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses), are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

[1] Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, where it is considered gross of administrative expenses. This results in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.

Section 2: GASB 67 Information

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
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%
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 and 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%**

[1] Arithmetic real rates of return are net of inflation.

Discount rate

The discount rate used to measure the TPL was 7.00% as of June 30, 2024.

The projection of cash flows used to determine the discount rate assumes 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.[1] 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 Plan FNP 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 TPL as of June 30, 2024.

Discount rate sensitivity

The following presents the NPL of LACERS as of June 30, 2024 calculated using the current discount rate of 7.00%, as well as what LACERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

Line Description	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net Pension Liability	$10,817,388,168	$7,348,481,216	$4,479,838,255

[1] For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Exhibit 3 – Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Total Pension Liability		
Service cost[1]	$461,843,826	$412,247,235
Interest	1,758,841,808	1,671,683,353
Change of benefit terms	0	0
Differences between expected and actual experience	242,434,296	469,171,461
Changes of assumptions	0	(112,700,660)
Benefit payments, including refunds of member contributions	(1,270,138,814)	(1,219,615,574)
Net change in Total Pension Liability	**$1,192,981,116**	**$1,220,785,815**
Total Pension Liability — beginning	25,299,537,118	24,078,751,303
Total Pension Liability — ending	**$26,492,518,234**	**$25,299,537,118**
Plan Fiduciary Net Position		
Contributions — employer	$714,338,215	$669,391,196
Contributions — member	275,717,240	257,967,487
Net investment income[2]	1,503,281,316	1,261,073,040
Benefit payments, including refunds of member contributions	(1,270,138,814)	(1,219,615,574)
Administrative expense	(32,453,506)	(28,614,645)
Net change in Plan Fiduciary Net Position	**$1,190,744,451**	**$940,201,504**
Plan Fiduciary Net Position — beginning	17,953,292,567	17,013,091,063
Plan Fiduciary Net Position — ending	**$19,144,037,018**	**$17,953,292,567**
Net Pension Liability — ending	**$7,348,481,216**	**$7,346,244,551**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.26%	70.96%
Covered payroll[3]	$2,460,394,012	$2,307,335,751
Net Pension Liability as percentage of covered payroll	298.67%	318.39%

[1] The service cost is based on the previous year's valuation, meaning the June 30, 2024 and 2023 measurement date values are based on the valuations as of June 30, 2023 and June 30, 2022, respectively. The June 30, 2024 measurement date service cost has been calculated using the actuarial assumptions shown in the June 30, 2023 column on page 7 and the June 30, 2023 measurement date service cost has been calculated using the actuarial assumptions shown in the note on page 8.

[2] Includes building lease and other income.

[3] Covered payroll represents payroll on which contributions to the pension plan are based.

Exhibit 4 – Schedule of employer contributions

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2015	$381,140,923	$381,140,923	$0	$1,835,637,409	20.76%
2016	440,546,011	440,546,011	0	1,876,946,179	23.47%
2017	453,356,059	453,356,059	0	1,973,048,633	22.98%
2018	450,195,254	450,195,254	0	2,057,565,478	21.88%
2019	478,716,953	478,716,953	0	2,108,171,088	22.71%
2020	553,118,173	553,118,173	0	2,271,038,575	24.36%
2021	554,855,906	554,855,906	0	2,276,768,292	24.37%
2022	591,234,354	591,234,354	0	2,155,005,471	27.44%
2023	669,391,196	669,391,196	0	2,307,335,751	29.01%
2024	714,338,215	714,338,215	0	2,460,394,012	29.03%

See accompanying notes to this schedule on next page.

[1] Covered payroll represents payroll on which contributions to the pension plan are based.

Methods and assumptions used to establish the actuarially determined contribution for the year ended June 30, 2024

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (the June 30, 2022 valuation sets the rates for the 2023-2024 fiscal year).

Actuarial cost method

Entry Age Cost Method (individual basis)

Amortization method

Level percent of payroll

Remaining 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 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on 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.

Asset valuation method

The actuarial value of assets is equal to the market value (or fair value) of assets less unrecognized returns from each of the last seven years. The unrecognized return each year is equal to the difference between the actual and expected returns on the market value of assets, recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.

Actuarial assumptions

The actuarially determined contribution for the year ended June 30, 2024 is based on the results of LACERS' June 30, 2022 Actuarial Valuation and Review of Retirement Benefits. The actuarial assumptions used in that valuation are as follows:

Assumption Type	Assumptions Used in the June 30, 2022 Valuation
Investment rate of return	7.00%, net of administrative and investment expense, including inflation
Inflation rate	2.75%
"Across-the-board" salary increase	0.50%
Salary increases	9.95% to 4.25% The above salary increases vary by service and include inflation and "across-the-board" salary increase.
Cost-of-living adjustments	Tier 1: 2.75% Tier 3: 2.00% For Tier 1 members who have COLA banks, we assume they receive up to 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Mortality:	**Healthy:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Other assumptions	Same as those used in the funding actuarial valuation as of June 30, 2022.

Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2024 ($ in millions)

Year Beginning July 1	Beginning Plan Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2023	$17,953	$990	$1,270	$32	$1,503	$19,144
2024	19,144	1,044	1,486	35	1,317	19,985
2025	19,985	1,059	1,466	36	1,378	20,920
2026	20,920	1,071	1,532	38	1,441	21,861
2027	21,861	1,073	1,600	40	1,504	22,799
2028	22,799	1,102	1,665	41	1,568	23,763
2029	23,763	1,139	1,733	43	1,634	24,761
2030	24,761	1,173	1,808	45	1,702	25,783
2031	25,783	1,221	1,883	47	1,772	26,847
2032	26,847	1,247	1,961	49	1,845	27,929
2050	34,248	211	2,895	62	2,290	33,792
2051	33,792	200 [1]	2,919	61	2,256	33,269
2052	33,269	189 [1]	2,940	60	2,218	32,676
2053	32,676	177 [1]	2,956	59	2,176	32,014
2116	1	0 [1,2]	1	0	0	1
2117	1	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
2122	0	0 [1,2]	0 [2]	0	0	0

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.

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

[2] Less than $1 million, when rounded.

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning July 1, 2023 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Various years have been omitted from this table.
4. **Column (a):** None of the Plan FNP amounts shown have been adjusted for the time value of money.
5. **Column (b):** Projected total contributions include member and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2024); plus employer contributions to the UAAL, plus employer 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 and retired members and beneficiaries as of June 30, 2024. The projected benefit payments reflect the cost-of-living increase assumptions used in the June 30, 2024 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.18% of the beginning Plan FNP. The 0.18% was based on the actual fiscal year 2023-2024 administrative expenses as a percentage of the beginning Plan FNP as of July 1, 2023. 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 and reflect the assumed timing of cashflows, as noted above.
9. As illustrated in this appendix, the Plan FNP 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 TPL as of June 30, 2024 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

Appendix B: Definition of terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Appendix B: Definition of terms

Term	Definition
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.

Appendix B: Definition of terms

Term	Definition
Defined contribution pensions	Pensions having terms that: 1. Provide an individual account for each employee; 2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and 3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount rate	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which: a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive employees	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement period	The period between the prior and the current measurement dates.
Multiple-employer defined benefit pension plan	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL)	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-employer contributing entities	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.

Appendix B: Definition of terms

Term	Definition
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Appendix B: Definition of terms

Term	Definition
Special funding situations	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.

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BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 5

Los Angeles City Employees' Retirement System

Governmental Accounting Standards Board (GASB) Statement No. 74 (GASB 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2024

Segal

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November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 74 (GASB 74) Actuarial Valuation as of June 30, 2024 for the Los Angeles City Employees' Retirement System ("LACERS" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Administration (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary P. Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the System.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

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

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

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

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

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required for “Other Postemployment Benefits (OPEB)” plans by Statement No. 74 of the Governmental Accounting Standards Board as of June 30, 2024. This valuation is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and surviving spouses as of June 30, 2024, provided by LACERS;
- The assets of the Plan as of June 30, 2024, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc. that the Board has adopted for the June 30, 2024 valuation.

General Observations on GASB 74 Actuarial Valuation

1. The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for OPEB funding purposes. Employers and plans should develop and adopt funding policies under current practices.
2. When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age) and, for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding. This means that the Total OPEB Liability (TOL) measure for financial reporting shown in this report is determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding. We note that the same is true for the Normal Cost component of the annual plan cost for funding and financial reporting.
3. The Net OPEB Liability (NOL) is equal to the difference between the TOL and the Plan’s Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NOL measure is the same as the Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis. The NOL reflects all investment gains and losses as of the measurement date. This is different from the UAAL calculated on an actuarial value of assets basis in the funding valuation that reflects investment gains and losses over a seven-year period.

Highlights of the valuation

1. The NOLs measured as of June 30, 2024 and 2023 have been determined from the actuarial valuations as of June 30, 2024 and June 30, 2023, respectively.
2. The NOL has decreased from a surplus of ($135.3) million as of June 30, 2023 to a surplus of ($226.0) million as of June 30, 2024. The NOL decrease was mainly due to the overall 2025 premiums, underlying claims estimates and subsidy levels being lower than expected, contributions made by LACERS, and investment gain from actual returns of about 9.09% (compared to the expected investment rate return of 7.00%). These savings were partially offset by the impact of updating the healthcare trend assumptions. The updates to the trend assumptions were mainly due to higher trend expectations for prescription drugs and Part B premium increases.
3. The investment return calculated for the OPEB Plan was 9.09% (net of investment expenses only). This is higher than the 8.29% investment return calculated for the Retirement Plan.[1] Both of these returns have been calculated by Segal on a dollar-weighted basis taking into account the beginning of year assets, contributions, and benefit cash flows made during the year. In backing into a rate of return using actual investment income and investment expense as provided by LACERS, we sometimes could come up with a different return for the two Plans if: (a) the timing of the actual cash flows (especially the benefit payments) are different from what we assumed and/or (b) the actual income and expense allocated are different when compared to the proportion of the assets in the two Plans.
4. The discount rates used in the valuations for financial disclosure purposes as of June 30, 2024 and 2023 are the assumed investment returns on Plan assets (i.e. 7.00% for the funding valuations as of the same dates). As contributions, if any, that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions and current Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make all benefit payments to current members.

[1] We note that for the June 30, 2023 valuation, the investment return calculated for the OPEB Plan was 8.05% while the investment return calculated for the Retirement Plan was 7.35%.

Summary of key valuation results

Valuation Result	Current	Prior
Measurement date	June 30, 2024	June 30, 2023
Disclosure elements for fiscal year ending June 30:		
Total OPEB Liability	$3,570,147,657	$3,405,088,528
Plan Fiduciary Net Position	3,796,164,817	3,540,386,112
Net OPEB Liability	(226,017,160)	(135,297,584)
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	106.33%	103.97%
Service cost at beginning of year[1]	96,467,041	81,027,749
Schedule of contributions for fiscal year ending June 30:		
Actuarially Determined Contributions	$97,093,393	$90,580,892
Actual contributions	97,093,393	90,580,892
Contribution deficiency / (excess)	0	0
Benefit payments	155,101,696	159,351,060
Demographic data		
Retired members or beneficiaries currently receiving benefits[2]	17,909	17,759
Vested terminated members entitled to but not yet receiving benefits	1,651	1,617
Retired members and surviving spouses entitled but not yet eligible for health benefits	113	132
Active members	26,782	25,875

1 The service cost is based on the previous year's valuation, meaning the June 30, 2024 and 2023 values are based on the valuations as of June 30, 2023 and June 30, 2022, respectively.

2 The total number of participants, including married dependents, receiving benefits is 23,769 as of June 30, 2024 and 23,696 as of June 30, 2023.

Section 1: Actuarial Valuation Summary

Valuation Result	Current	Prior
Key assumptions		
Discount rate	7.00%	7.00%
Health care premium trend rates		
• Non-Medicare medical plan	Actual premium increase in first year, then graded from 7.37% to ultimate 4.50% over 12 years	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
• Medicare medical plan	Actual premium increase in first year, then 3.76% and then graded from 6.87% to ultimate 4.50% over 10 years	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
• Dental/Vision	Actual premium increase in first year, then 3.00%	Actual premium increase in first year, then 3.00%
• Medicare Part B	Actual premium increase in the first year then 6.20% for the following 9 years, then graded down to ultimate 4.50% over 6 years	Actual premium increase in the first year then 4.50%

Note to footnote 1 from prior page

The June 30, 2023 service cost has been calculated using the following assumptions as of June 30, 2022:

- Discount Rate: 7.00%
- Health care premium trend rates
  - Non-Medicare medical plan: Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
  - Medicare medical plan: Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
  - Dental/Vision: 3.00%
  - Medicare Part B: 4.50%

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for LACERS to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the measurement date, as provided by LACERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Section 1: Actuarial Valuation Summary

Input Item	Description
Models	Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The blended discount rate used for calculating Total OPEB Liability 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. Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by LACERS. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.

Section 1: Actuarial Valuation Summary

- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by LACERS upon delivery and review. LACERS should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 74 Information

General information about the OPEB plan

Plan administration.

The Los Angeles City Employees' Retirement System (LACERS) was established by City Charter in 1937. LACERS is a single employer public employee retirement system whose main function is to provide retirement benefits to the civilian employees of the City of Los Angeles.

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and surviving spouses. 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 Council;
- Two members shall be active employee members of the System elected by the active employee members;
- One shall be a retired member of the System elected by the retired members of the System.

Plan membership.

At June 30, 2024, OPEB plan membership consisted of the following:

Membership	Count
Retired members or beneficiaries currently receiving benefits[1]	17,909
Vested terminated members entitled to but not yet receiving benefits	1,651
Retired members and surviving spouses entitled but not yet eligible for health benefits	113
Active members	26,782
Total	**46,455**

[1] The total number of participants, including married dependents, receiving benefits is 23,769.

Benefits provided.

LACERS provides benefits to eligible retirees and beneficiaries under the following terms and conditions.

Membership Eligibility:

Tier 1 (§4.1002(a))

All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.

Tier 3 (§4.1080.2(a))

All employees who became members of the System 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. Please note that 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))

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2024, the maximum health subsidy is $2,187.58 per month and will be $2,318.58 per month as of January 1, 2025. 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	Vested Percentage
10 – 14	75%
15 – 19	90%
20+	100%

Subsidy Cap for 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 4.00% or 4.50% of employee contributions to the Pension Plan.

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.

Dental Subsidy for members:

Tier 1 (§4.1111(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, 2024, the maximum dental subsidy is $42.93 per month and will remain unchanged for calendar year 2025.

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.

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.

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.

Surviving Spouse Medical Subsidy:

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 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 ($1,051.78 as of July 1, 2024 and will be $1,117.28 per month as of January 1, 2025).

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	Vested Percentage
10–14	75%
15–19	90%
20+	100%

Note that a new Tier 1 Enhanced Plan providing a higher retirement benefit was adopted pursuant to Ordinance No. 184853. However, other than Segal applying higher retirement rate assumptions to anticipate somewhat earlier retirement, there are no differences between the retiree health benefits paid by LACERS to those members.

Net OPEB Liability

Component	Current	Prior
Measurement date	June 30, 2024	June 30, 2023
Components of the Net OPEB Liability		
Total OPEB Liability	$3,570,147,657	$3,405,088,528
Plan Fiduciary Net Position	3,796,164,817	3,540,386,112
Net OPEB Liability	**$(226,017,160)**	**$(135,297,584)**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	106.33%	103.97%

The NOL was measured as of June 30, 2024 and 2023. The Plan Fiduciary Net Position was valued as of the measurement date, while the TOL was determined from actuarial valuations as of June 30, 2024 and 2023, respectively.

Plan provisions

The plan provisions used in the measurement of the NOL as of June 30, 2024 and 2023 are the same as those used in the LACERS funding valuations as of June 30, 2024 and 2023, respectively. We understand that there is a ballot measure which when approved by the voters would allow certain LACERS active members to be transferred to the Los Angeles Fire and Police Pension Plan so that those members would receive Safety benefits available under that Plan. However, as that measure has not been approved, we have not reflected the financial impact of the transfer in this report.

Actuarial assumptions

The TOL as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2024. The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an experience study for the period from July 1, 2019 through June 30, 2022, dated June 21, 2023, and retiree health assumptions letter dated September 18, 2024. They are the same as the assumptions used in the June 30, 2024 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Section 2: GASB 74 Information

Assumption Type	Assumption
Inflation	2.50%
Salary increases	Ranges from 9.00% to 4.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and including inflation
Healthcare cost trend rates	
Non-Medicare medical plan	Actual premium increase in first year, then graded from 7.37% to ultimate 4.50% over 12 years
Medicare medical plan	Actual premium increase in first year, then 3.76% and then graded from 6.87% to ultimate 4.50% over 10 years
Dental/Vision	Actual premium increase in first year, then 3.00%
Medicare Part B	Actual premium increase in the first year then 6.20% for the following 9 years, then graded down to ultimate 4.50% over 6 years
Other assumptions	Same as those used in the June 30, 2024 funding valuation

The TOL as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an experience study for the period from July 1, 2019 through June 30, 2022, dated June 21, 2023, and retiree health assumptions letter dated September 18, 2023. They are the same as the assumptions used in the June 30, 2023 funding actuarial valuation for LACERS:

Assumption Type	Assumption
Inflation	2.50%
Salary increases	Ranges from 9.00% to 4.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and including inflation
Healthcare cost trend rates	
Non-Medicare medical plan	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
Medicare medical plan	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
Dental/Vision	Actual premium increase in first year, then 3.00%
Medicare Part B	Actual premium increase in the first year then 4.50%
Other assumptions	Same as those used in the June 30, 2023 funding valuation

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension 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, 2024, 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, 2024 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. Beginning with June 30, 2023, this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2024 actuarial valuation. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic 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%
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%**

A 7.00% discount rate was used to measure the TOL as of June 30, 2024 and 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 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 TOL as of both June 30, 2024 and June 30, 2023.

Sensitivity

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability of LACERS as of June 30, 2024, calculated using the discount rate of 7.00%, as well as what LACERS' Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Item	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset) as of June 30, 2024	$253,956,539	$(226,017,160)	$(622,566,552)

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates[1]	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset) as of June 30, 2024	$(662,071,272)	$(226,017,160)	$313,404,595

[1] Current trend rates: Actual premium increase in first year then 7.37% graded down to 4.50% over 12 years for Non-Medicare medical plan costs and actual premium increase in first year, then 3.76% and then graded from 6.87% to ultimate 4.50% over 10 years for Medicare medical plan costs. Actual premium increase in first year, then 3.00% thereafter for Dental. Actual premium increase in the first year then 6.20% for the following 9 years, then graded down to ultimate 4.50% over 6 years for Medicare Part B subsidy cost.

Schedule of changes in Net OPEB Liability – last two fiscal years

Schedule of changes in Net OPEB Liability	Current	Prior
Measurement date	June 30, 2024	June 30, 2023
Total OPEB Liability		
Service cost[1]	$96,467,041	$81,027,749
Interest	239,772,144	250,837,724
Change of benefit terms	0	0
Differences between expected and actual experience	(38,374,265)	(12,047,528)
Changes of assumptions	22,295,905	(336,074,645)
Benefit payments, including refunds of member contributions	(155,101,696)	(159,351,060)
Net change in Total OPEB Liability	**$165,059,129**	**$(175,607,760)**
Total OPEB Liability – beginning	3,405,088,528	3,580,696,288
Total OPEB Liability – ending	**$3,570,147,657**	**$3,405,088,528**
Plan Fiduciary Net Position		
Contributions – employer	$97,093,393	$90,580,892
Contributions – employee	0	0
Net investment income[2]	322,657,796	269,610,945
Benefit payments, including refunds of member contributions	(155,101,696)	(159,351,060)
Administrative expense	(8,870,788)	(8,226,015)
Other	0	0
Net change in Plan Fiduciary Net Position	**$255,778,705**	**$192,614,762**
Plan Fiduciary Net Position – beginning	3,540,386,112	3,347,771,350
Plan Fiduciary Net Position – ending	**$3,796,164,817**	**$3,540,386,112**

[1] The service cost is based on the previous year's valuation, meaning the June 30, 2024 and 2023 values are based on the valuations as of June 30, 2023 and June 30, 2022, respectively.

[2] Includes building lease and other income.

Schedule of changes in Net OPEB Liability	Current	Prior
Net OPEB Liability		
Net OPEB Liability – ending	$(226,017,160)	$(135,297,584)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	106.33%	103.97%
Covered payroll[1]	$2,460,394,012	$2,307,335,751
Plan Net OPEB Liability as percentage of covered payroll	−9.19%	−5.86%

Notes to Schedule:

Benefit changes: None.

Assumption changes: Updates were made to the valuation year starting costs and future trend rates. These changes increased the Total OPEB Liability.

[1] Covered payroll is the payroll on which contributions to an OPEB plan are based.

Schedule of employer contributions – last ten fiscal years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2015	$100,466,945	$100,466,945	0	$1,835,637,409	5.47%
2016	105,983,112	105,983,112	0	1,876,946,179	5.65%
2017	97,457,455	97,457,455	0	1,973,048,633	4.94%
2018	100,909,010	100,909,010	0	2,057,565,478	4.90%
2019	107,926,949	107,926,949	0	2,108,171,088	5.12%
2020	112,136,429	112,136,429	0	2,271,038,575	4.94%
2021	103,454,114	103,454,114	0	2,276,768,292	4.54%
2022	91,622,720	91,622,720	0	2,155,005,471	4.25%
2023	90,580,892	90,580,892	0	2,307,335,751	3.93%
2024	97,093,393	97,093,393	0	2,460,394,012	3.95%

See accompanying notes to this schedule on next page.

[1] Covered payroll is the payroll on which contributions to an OPEB plan are based.

Methods and assumptions used to establish the actuarially determined contribution for year ended June 30, 2024

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (the June 30, 2022 valuation sets the rates for the 2023–2024 fiscal year).

Actuarial cost method

Entry Age Cost Method (individual basis)

Amortization method

Level percent of payroll

Remaining 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

Market 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 market 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 market value of assets.

Actuarial assumptions

The actuarially determined contribution for the year ended June 30, 2024 is based on the results of LACERS' June 30, 2022 Actuarial Valuation of Other Postemployment Benefits.

Assumption Type	Assumptions Used in the June 30, 2022 Valuation
Investment rate of return	7.00%, net of administrative and investment expenses, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Projected salary increases[1]	Ranges from 9.95% to 4.25% based on years of service, including inflation
Healthcare cost trend rates	
Non-Medicare medical plan	Actual premium increase in first year and then 7.12% graded to ultimate 4.50% over 11 years
Medicare medical plan	Actual premium increase in first year and then 6.37% graded to ultimate 4.50% over 8 years
Dental/Vision	3.00%
Medicare Part B	4.50%
Other assumptions	Same as those used in the June 30, 2022 funding valuation

[1] Includes inflation at 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.

Appendix A: Projection of Plan Fiduciary Net Position

Projection of OPEB Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2024 ($ in millions)

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) − (c) − (d) + (e)
2023	$3,540	$97	$155	$9	$323	$3,796
2024	3,796	93	176	10	263	3,967
2025	3,967	101	182	10	274	4,151
2026	4,151	98	190	10	287	4,335
2027	4,335	96	201	11	299	4,519
2028	4,519	93	212	11	312	4,700
2029	4,700	90	223	12	324	4,879
2030	4,879	87	236	12	336	5,053
2031	5,053	84	250	13	347	5,222
2050	6,883	25	481	17	465	6,876
2051	6,876	21	495	17	464	6,849
2052	6,849	18	509	17	462	6,802
2053	6,802	14	522	17	458	6,735
2054	6,735	11	535	17	453	6,647
2087	3,369	0[1]	193	8	229	3,397
2088	3,397	0[1]	176	9	231	3,444
2089	3,444	0[1]	159	9	235	3,511

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

Appendix A: Projection of Plan Fiduciary Net Position

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) − (c) − (d) + (e)
2090	3,511	0[1]	142	9	241	3,601
2091	3,601	0[1]	126	9	247	3,713
2107	8,555	0[1]	3	21	598	9,128
2108	9,128	0[1]	2	23	638	9,741
2109	9,741	0[1]	2	24	681	10,396
2110	10,396	0[1]	1	26	727	11,096
2111	11,096	0[1]	1	28	776	11,843
2112	11,843	0[1]	0	30	828	12,641
2113	12,641	0[1]	0	32	884	13,493
2114	13,493	0[1]	0	34	943	14,402
2115	14,402	0[1]	0	36	1,007	15,373
2116	15,373	0[1]	0	39	1,075	16,409
2117	16,409	0[1]	0	41	1,147	17,515
2118	17,515	0[1]	0	44	1,225	18,696
2119	18,696	0[1]	0	47	1,307	19,956
2120	19,956	0[1]	0	50	1,395	21,301
2121	21,301	0[1]	0	53	1,489	22,737
2122	22,737	0[1]	0	57	1,590	24,269
2123	$22,737[2]					
2123	Discounted: $30					

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.

[1] Mainly attributable to employer contributions to fund each year's annual administrative expenses.
[2] $22,737 million when discounted with interest at the rate of 7.00% per annum has a value of $30 million as of June 30, 2024.

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2023 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Years 2032–2049, 2055–2086, and 2092–2106 have been omitted from this table.
4. **Column (a):** Except for the “discounted value” shown for 2123, none of the projected beginning Plan's 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, 2024); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses. Unfunded accrued liabilities are amortized over closed 20 and 15-year periods, depending on the source of the changes. Contributions are assumed to occur halfway through the year, on average. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis. Zeros represent dollar amounts less than $1 million, when rounded.
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, 2024. The projected benefit payments reflect future health care trends used in the June 30, 2024 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. Zeros represent dollar amounts less than $1 million, when rounded.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.25% of the projected beginning Plan's Fiduciary Net Position amount. The 0.25% portion was based on the actual fiscal year 2023 - 2024 administrative expenses as a percentage of the beginning Plan's Fiduciary Net Position amount as of July 1, 2023. 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's 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, 2024 shown earlier in this report, pursuant to paragraph 49 of GASB Statement No. 74.

Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement 75. The terms may have different meanings in other contexts.

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or actuarial assumptions:	The estimates on which the cost of the Plan is calculated including: a. Investment return — the rate of investment yield that the Plan will earn over the long-term future; b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates; c. Retirement rates — the rate or probability of retirement at a given age; d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered payroll:	The payroll of the employees that are provided OPEB benefits
Discount rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and b. the actuarial present value of projected benefit payments that are not included in (a) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Entry age actuarial cost method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age
Health care cost trend rates:	The rate of change in per capita health costs over time
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position
Plan Fiduciary Net Position:	Market Value of Assets
Real rate of return:	The rate of return on an investment after removing inflation
Service cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 75.

Appendix B: Definition of terms

Term	Definition
Valuation date:	The date at which the actuarial valuation is performed

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BOARD Meeting: 11/12/24
Item: V-A
ATTACHMENT 6

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Larger Annuity Program as of June 30, 2024

Segal

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San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

November 4, 2024

Board of Administration
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

Dear Board Members:

As requested, we have performed an actuarial valuation of LACERS' Larger Annuity Program (LAP) as of June 30, 2024, to determine if the balance in the larger annuity reserve would be sufficient to pay future benefits to those who chose to annuitize their self-paid account balance in the LAP when they retired from LACERS. The valuation was based on the LAP retired member and beneficiary census data that LACERS supplied with the June 30, 2024 valuation data for the Retirement Plan and on the reported asset reserves for the LAP as of that date. The valuation was performed using the same methodology and actuarial assumptions used to perform the June 30, 2024 valuation of the Retirement Plan,[1] with the exception that, based on a Board rule, a fixed 3% per year benefit increase is applied to all tiers for the LAP.[2]

We have determined that if all the actuarial assumptions used in the June 30, 2024 valuation were to be met and assuming no changes in those assumptions, there is a shortfall in the LAP to pay the future benefits of $1,845,199. We note that at the prior study of the LAP as of June 30, 2022, there was a shortfall of $1,403,393. Consistent with discussions we included in our prior LAP studies, we have included in the Additional Discussions section what course of action might be considered by the Board to bring the LAP back into actuarial balance.

LAP overview

LACERS offers an optional LAP whereby members can make voluntary post-tax or pre-tax rollover contributions during City employment in order to receive a larger annuity upon retirement (the City does not contribute to the program). There are two

[1] The benefit purchased by the retired members in the LAP would not impact the amount of subsidy available to the retiree from the retiree health plan.
[2] For the Retirement Plan, COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3 are assumed. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA under the Retirement Plan to 3% per year until their COLA banks are exhausted.

investment options for the member contributions; that is, contributions can earn interest based on the same rate that is credited to regular member contributions (i.e., based on the five-year treasury note), or they can receive the actual rate of return for the publicly-traded portion of the LACERS investment portfolio. The larger annuity benefit at retirement is based only on the voluntary member contributions, plus any interest or investment returns thereon, and any rollover amounts from other qualified retirement funds.

We understand that on October 8, 2013, the Board adopted a fixed annual increase of 3% to the Larger Annuity benefits, prospectively, regardless of the actual change in the Consumer Price Index. Furthermore, based on a Board rule, the fixed 3% per year benefit increase is applied to all tiers, as noted in footnote 2 on the previous page.

Census data

In the main payee census data file provided by LACERS for the June 30, 2024 Retirement Plan valuation, there were 42 records coded by LACERS as benefit type of “ACONT” (“Larger Annuity Continuance,” i.e., beneficiary records) and 636 records coded as “ADDAN” (“Larger Annuity,” i.e., retired member records), for a total of 678 LAP records.[1] When we were performing the Retirement Plan valuation, out of the 636 retired member LAP records, one of these records was indicated as a disability retirement in the Retirement Plan valuation data, so we have treated that record as a disability retirement for purposes of the LAP valuation as well. In addition, there were four beneficiary LAP records that did not also have a record in the Retirement Plan valuation data we were provided with. LACERS confirmed in the prior LAP study that these four beneficiary records were entitled to LAP benefits but not Retirement Plan benefits, and we have included those four records in the LAP valuation results.

Overall, the number of retired member and beneficiary records included in our June 30, 2024 valuation of the LAP is as follows:

Counts of LAP Retired Member and Beneficiary Records as of June 30, 2024

Status	Count
Service Retirements	635
Disability Retirements	1
Beneficiaries	42
Total	**678**

[1] Some members have multiple LAP records.

These 678 retired member and beneficiary records were receiving total annual LAP benefits of about $5.9 million, after applying the July 1, 2024 benefit increase rate of 3% to the benefits we received in the June 30, 2024 LAP valuation data.[1]

Methods and assumptions

As noted above, the LAP valuation was performed using the same methodology and actuarial assumptions used to perform the June 30, 2024 valuation of the Retirement Plan, with the exception of a fixed 3% per year benefit increase applied to all tiers for the LAP. In particular, the main assumptions we utilized in this valuation are as follows:

Main Actuarial Assumptions for LAP as of June 30, 2024

Category	Assumption
Interest	7.00%
Cost-of-living benefit increases	3.00% per annum, for all tiers
Mortality	
– 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 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

Results

Based on the information presented above, the results of the June 30, 2024 valuation of the LAP are as follows:

[1] The LAP data we received did not contain the July 1, 2024 3% increase, similar to the Retirement Plan valuation data we received.

LAP Valuation Results as of June 30, 2024

Line Description	Results Based on Smoothed Actuarial Value of Assets (for Determining Sufficiency)	Results Based on Market Value of Assets (for Informational Purposes only)
1. Actuarial accrued liability[1]	$74,001,586	$74,001,586
2. Larger annuity reserve (Acct. 253)[2]	-72,156,387	-71,037,469
3. Unfunded actuarial accrued liability (UAAL/(Surplus))	**$1,845,199**	**$2,964,117**
4. For reference purposes only: UAAL/(Surplus) as of June 30, 2022	$1,403,393	$3,909,861

The main reason for the increase in the UAAL for the LAP as of June 30, 2024 is the two years of interest charges on the prior UAAL as of June 30, 2022.

Additional discussions

As we discussed in our June 30, 2022 report, there is an area of plan design on funding within the framework of the LAP that should be monitored and discussed with the stakeholders. On the other hand, it is our understanding that when a member chose to annuitize their self-paid account balance in the LAP when he/she retired from LACERS, the annuity amount had to be "*determined by the actuary to be cost-neutral.*" The basis for the cost-neutral calculation, as recommended by Segal (the actuary), has been the same investment return assumption and mortality assumptions used by the System in the funding valuation for the Retirement Plan under the presumption that all of those assumptions would be met. However, unlike the funding valuation, if actual experience in the future were to come in worse than expected or changes were made to strengthen the assumptions after annuitization, then assets might no longer be sufficient, as is the case for this June 30, 2024 LAP valuation. (We noted that the LAP has had a surplus until the June 30, 2022 valuation.)

As it is our understanding that the System might not be allowed to subsequently change the amount of the Larger Annuity Program benefit, the Board might need to consider a strategy such as combining the assets and the liabilities of both the Larger Annuity Program and the Retirement Plan so that any resultant liabilities (or surplus) in the LAP would be included in the UAAL rate

[1] For retirees and beneficiaries in payment status as of the valuation date.
[2] Excludes the Reserve for Larger Annuity Contributions established for current active members (Acct. 256).

determination for the Retirement Plan. (We note that if the $1.8 million UAAL for the LAP were to be included in the June 30, 2024 Retirement Plan valuation, the contribution rate determined in that valuation would have increased by less than 0.01% of payroll if contributions are to be received on July 15, 2025, or by $158,898 per year based on the June 30, 2024 projected payroll.) However, before considering such strategy, the Board would need to confirm if this would be permissible under the Administrative Code.

We are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein. As we cannot give legal advice, any understanding of the Administrative Code expressed above should be reviewed by legal counsel.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax, and other advisors before taking, or refraining from taking, any action.

Please let us know if you have any questions.

Sincerely,

Segal

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

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

DNA/sm

5904811v4/05806.002

REPORT TO BOARD OF ADMINISTRATION
From: Melani Rejuso, Departmental Audit Manager
Maria Melani Rejuso

MEETING: November 12, 2024
ITEM: V-B

SUBJECT: **RESULTS OF THE 2024-2025 WORKPLAN AUDITS AND POSSIBLE BOARD ACTION**

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

Recommendations

That the Board review and approve Internal Audit's Findings and Recommendations resulting from its recently completed audits, where LACERS management controls over fiscal and health operations were assessed and evaluated.

Executive Summary

Background

Internal Audit has completed a total of four audits- *three of its seven planned Special Audits and one of its periodic or Quarterly Audits. The Special Audits were:*

- Refund of Contributions
- Net Appreciation (Depreciation) in Fair Value of Investments, including gains/losses
- Health Subsidies

And the Quarterly Audit was called:

- Changes in Members' Direct Deposit Bank information.

These audits were part of Internal Audit's approved 2024/2025 Workplan, to address potential risks identified in the 2023 Operational Risk Assessment Survey. The survey was participated by both staff and the Board members, where their views about LACERS management controls over its operations, were considered and prioritized for future audits.

The primary objective of these audits was to determine whether management controls are in place, adequate, and working as intended. While the review scope, covered activities and transactions that transpired during fiscal years 2021 through 2023.

Audit Results

Overall, the audits found that controls are generally in place and working but may be further enhanced. Specifically, opportunities for improvement were noted in the areas of:

A. Refund of Contributions

Document and retain the calculations for manually posted contributions and related interest income to support the accuracy of refunded contributions.

B. Net Appreciation (Depreciation) in Fair Values of Investments

Spot check the valuations reported by LACERS custodian bank for the different asset classes by verifying information with other outside public exchange sites.

C. Health Subsidies

Improve files organization and retention of supporting documents to improve workflow and help future reviews. It also helps determine whether LACERS remains compliant with applicable policies and procedures. Lastly, it ensures preservation of knowledge for easy transfer and access when new staff step into a role.

D. Changes in Members' Direct Deposit Bank Information

Implement an additional identity-verification step by calling the member before processing any changes in member's bank information and request proofs of identity to ensure changes were initiated by the member.

Audits' findings and recommendations were discussed with LACERS key staff and their responses were incorporated into the reports.

For more details about the audits' findings and recommendations, individual audit reports are attached in this cover memo.

<u>Strategic Impact Statement</u>

The Board Governance Goal is to "uphold good governance practices which affirm transparency, accountability and fiduciary duty." Internal Audit helps management and the Board in meeting this goal by providing an independent and objective assessment of the effectiveness of risk management, internal control, and governance processes.

Prepared by: Melani Rejuso, Departmental Audit Manager, Internal Audit Section.

MFR/NMG

Attachments:

1. Refund of Contributions Audit
2. Audit of Net Appreciation (depreciation) in Fair Values of Investments
3. Health Subsidies Audit
4. Review of Changes in Members' Direct Deposit Bank Information

LACERS

INTER-DEPARTMENTAL MEMO

Date: November 12, 2024

To: Isaias Cantu, Chief Benefits Analyst
Ferralyn Sneed, Chief Benefits Analyst
JoAnn Peralta, Departmental Chief Accountant
Sevan Simonian, Senior Benefits Analyst

From: Melani Rejuso, Departmental Audit Manager

SUBJECT: AUDIT OF REFUND OF CONTRIBUTIONS

Attached is our report on the "Audit of Refund of Contributions". We discussed the results of this audit with the key staff of Benefits Determination Unit (BDU), Survivors Benefit Unit (SBU), Service Retirement Unit (SRU), Active Member Accounts (AMA) and Fiscal Management in August 2024. Comments from all groups were considered in finalizing the report.

Internal Audit staff would like to thank you and your staff for your cooperation and assistance during the audit. If you have any questions or comments, please contact me or Colin Tran.

cc: Neil Guglielmo, General Manager
Todd Bouey, Executive Officer
Dale Wong-Nguyen, Assistant General Manager
Audit Committee

Audit of Refund of Contributions

November 12, 2024

Internal Audit Section

Melani Rejuso, CPA
Departmental Audit Manager
Colin Tran, CPA
Internal Auditor III

I. Summary

The Internal Audit Section has completed the review of "Refund of Contributions", one of the control areas identified in the last risk assessment survey conducted in late 2023, and part of the recently approved Audit Work Plan.

In Fiscal Year (FY) 2022-23, LACERS reported a total of $14.4 million in refund of contributions, broken down into the following types of refunds:

Type of Refund	Tier 1	Tier 3	FY23 Total
Termination Refund of Contributions	$3,534,188.01	$2,612,706.28	$6,146,894.29
Accumulated Contributions Paid to Beneficiary	$3,490,511.79	$111,286.09	$3,601,797.88
Unused Contributions	$2,386,206.12	$0	$2,386,206.12
Survivor Contributions Refund	$928,690.93	$0	$928,690.93
Larger Annuity Refund	$395,563.39	$5,328.47	$400,891.86
DRO (Domestic Relations Order) Lump Sum	$287,094.11	$0	$287,094.11
Survivor Contributions Death Refund	$47,769.21	$0	$47,769.21
Miscellaneous Refund	$9,300.90	$5,009.36	$14,310.26
Manual Disbursements and Adjustments	$(21,093.46)	$604,067.80	$582,974.34
Total	**$11,058,231**	**$3,338,398**	**$14,396,629**

The Los Angeles Charter and Administrative Code provides that LACERS members are required to pay contributions through salary deductions to help fund for their retirement benefits. When the member leaves the City, all or any remaining retirement contributions paid for by the member, along with its accumulated interest earnings, may be refunded as long as certain criteria are met.

The primary objective of this audit was to assess LACERS' internal controls over refunds of contributions. Specifically, to determine whether refunded contributions and related interest earnings were properly authorized and have reasonable assurance they were paid accurately. The audit focused on the largest types of refunds as well as refunds that were out of the ordinary (*e.g., contributions made in error or calculated incorrectly*).

II. Overall Assessment

Overall, the audit found that internal controls for refunded contributions are generally in place and working effectively. Opportunities for improvement in the areas of documentation retention and organization were also identified. We are proposing recommendations to help address these issues, which will be discussed in detail, later in this report.

III. Background

Refunds can be initiated by or for members upon termination, separation, retirement, or death. We have further described the different types of refunds as follows:

- Termination Refund of Contributions – Upon termination or separation from the City and meeting certain criteria (*e.g., having worked for the City for at least 5 years*), Members have the option of receiving their accumulated contributions and interest as a refund. By doing so, members must waive the rights to benefits such as the retirement pension.

- Accumulated Contributions Paid to Beneficiary – When an active member passes away before retirement, their beneficiaries have the option of receiving the member's accumulated contributions and related interest earnings as a refund. If the Member is eligible for retirement at the time of their passing, the beneficiary may have to waive their rights to other retirement benefits to receive the refund.

- Unused Contributions – When a retired member passes away, their beneficiaries have the option of receiving any unused contributions and interest at the time of death as a refund. By doing so, members may have to waive their rights to other benefits such as the continuance allowance.

- Survivor Contributions - Upon retiring, members with a single filing status may get a refund of the survivor portion of their contributions. Survivor contributions make up 0.5% of the total 11% contribution rate as of FY24.

- Miscellaneous Refunds – Miscellaneous refunds can include a variety of things that fall outside of the common types mentioned above. Typically, miscellaneous refunds are when a member has had contributions over collected from them. For example, there was a case where a member that was on emergency leave still had contributions being collected from them. A refund of contributions was given for these collections and recorded as a miscellaneous refund.

- Manual Disbursement and Adjustments - Manual disbursements and adjustments are made when errors are identified after the lump sum payroll has been posted but before the lump sum check is cashed. This is possibly due to issues such as incorrect tax withholdings or checks needing to be voided.

There are other refunds that we did not include as they have similar processes with the ones described above.

IV. Objectives, Scope, and Methodology

The primary objective of this audit was to assess internal controls over refund of contributions.

For purposes of this review, we focused on the most material refunds in terms of dollar amounts paid. These refunds included the following types:

- Termination Refunds
- Accumulated Contributions Paid to Beneficiary
- Unused Contributions
- Miscellaneous Refunds
- Survivor Contributions Refund
- Manual Disbursements and Adjustments

These refunds made up $13.7M out of $14.4M of refunds of contributions as of FY23. We focused on transactions that occurred in FY23 as these were the transactions that were reported in the last published Annual Comprehensive Financial Report and controls being assessed were fairly current.

Test of Internal Controls

To assess controls surrounding Refund of Contributions, we performed the following:

1. We gained an understanding of the overall process for refunds by interviewing staff members working most closely with refunds. This includes the Benefits Determination Unit (BDU), Survivors Benefit Unit (SBU), and Service Retirement Unit (SRU) who all process the requests for refund of retirement contributions, and Accounting/Payroll who finalize the payments and record the entries for refunds.

2. We selected samples within each type of refund previously mentioned. We chose both Tier 1 and Tier 3 members as well as a random selection of large and small amounts.

3. For each sample, we tested different attributes of internal controls to see if they were in place and working effectively. This included the following:

    a. Reviewed if there was a complete set of necessary documents for each member with proper signature and notarization where needed.

    b. Cross-matched information within documents such as the Form 41, W9, and election forms with records on PGold.

    c. Checked existence of members as City employees by confirming pay stubs on PaySR which is the City’s payroll system.

d. Reviewed images of all cleared checks to ensure payments were made to the authorized payee for the correct amounts.

e. Examined notes for special cases to see if they are reasonable and properly authorized.

f. Determined that refunds were paid out in a timely manner.

g. Validated that there were multiple levels of review for documents submitted.

h. For any samples we encountered discrepancies, we investigated each discrepancy by communicating with staff members who worked on the refunds.

After we performed the tests mentioned above, we were able to reasonably determine that the internal controls related to refunds were in place and working effectively. The tests covered multiple aspects of controls including completeness, accuracy, existence, and segregation of duties.

Recalculation of contribution and interest amounts

Per inquiry of involved staff, we were able to determine that contribution and interest amounts were system-calculated and reported into the members individual accounts in LACERS retirement system (PGold) starting in 1999. To test the reasonableness of the system calculations, we performed the following:

1. We exported the contribution data to Excel and recalculated the contribution amounts by multiplying the member’s salary by the appropriate contribution rate. We then compared our calculation to that of PGold to see if our calculations matched what was on the system.

2. We manually recalculated interest amounts by pulling historical US 5-Year Treasury Bond interest rates from FRED and Bloomberg and multiplying the interest rates to the total accumulated contribution amounts shown for each period. We compared our calculations to that of PGold to see if the system calculations were reasonable.

Through our recalculations of contribution and interest amounts, we were able to determine that contributions and interest amounts were reasonably calculated within the system. We also found that the interest rates within the system consistently followed the rates set by the US 5-Year treasury bonds.

The remainder of this report discusses the audit’s findings, recommendations for improvements, and auditees’ comments.

V. Detailed Audit Results

Finding #1:

Files uploaded onto OnBase for refund requests were not consistent. The set of documents being uploaded onto OnBase had varying documents and were missing documents in some cases. For 40 sample refunds that were reviewed, 16 samples did not have consistent documentation or had missing documentation. Files could eventually be found when requested from the staff within each group, but they were missing when initially searching within OnBase.

LACERS currently uses the OnBase system as a document repository to archive files related to each of our members. For each of our samples, we reviewed the set of documents uploaded to OnBase by BDU/SBU/SRU. These sets of documents were also used by Payroll Accounting to process payments. The documents we reviewed included the following:

1. Distribution Election Form or Affidavit and Claim Form
2. W9 and Income Tax Withholding
3. Form 41, Retirement Documents, and/or Death Report
4. Waiver of benefits (if applicable)
5. Rollover application form (if applicable)
6. Form of Identification
7. Uploaded file with “PAID” stamp
8. Support for legacy contributions and corresponding interest earnings

For each of the documents, we inquired SBU, BDU, and SRU on the criteria of their review. Their review included matching information between the forms and PGold, checking for proper signature and notarization, confirming the correct status of the member (retired, deceased, terminated, etc.), confirming designated beneficiaries, and confirming the identity of the member requesting the refund. This process allows SBU, BDU, and SRU to ensure that members or survivors requesting the refund are authorized to receive it.

During our audit, we were able to reperform SBU, BDU, and SRU’s review of the refund documents without any issues. However, for documents uploaded onto OnBase, there were often missing documents. Most notably, we found death reports or waiver of benefits to be missing the most. BDU, SBU, and SRU staff explained that these missing documents were reviewed as part of the initial processing of the full set of documents, but there were instances when the documents would be uploaded inconsistently due to lack of staff or training. However, staff members of each of the groups also stated that the files were being retained by staff members outside of OnBase and could be accessed upon request. We requested the missing documents from each of the groups and they were able to provide the documents without further issues. Staff members also noted that there is an internal review process within PGold that requires them to present documentation to a supervisor for approval for the refunds to get processed. However, this review was not apparent during our audit as the approval process cannot be seen externally.

Recommendation #1:

BDU and SBU should have a checklist of documents for each type of refund that is signed off by a supervisor. The signed checklist along with all the documents will then be uploaded to OnBase to help ensure that all required documents are there and there is consistency with how the documents are uploaded and reviewed. This would also help with efficiency as any staff can review documentation as long as they have the checklist. The checklist and the supporting documents should be sent to Fiscal at least 3 days prior to the lump sum payroll processing to allow Fiscal to be another layer for review. Fiscal will then review the checklist and the supporting documents to ensure the check sent is properly authorized and supported.

Based on our discussions with staff members working in the refund of contributions, we have suggested the following checklists to promote consistency in uploading documents/files onto the repository system (OnBase) and eventually help the review process by supervisors in the BDU, SRU, SBU, and Fiscal Management sections.

BDU Checklist

1. Distribution Election From
    a. Form is notarized
    b. Proper signature
    c. Member information is filled out completely and accurately

2. W9/Income Tax Withholding form (if applicable)
    a. Proper signature
    b. Member information is filled out completely and accurately

3. From 41/Retirement Documents
    a. Status matches what is on PGold (Member is shown as terminated or retired)

4. Waiver of benefits (if applicable)

5. Rollover application (if applicable)

6. Form of identification

SBU/SRU Checklist

1. Affidavit and Claim Form
    a. Form is notarized
    b. Proper signature
    c. Member information is filled out completely and accurately

2. W9/Income Tax Withholding form (if applicable)

   a. Proper signature
   b. Member information is filled out completely and accurately

3. From 41/Death Certificate
   a. Status matches what is on PGold (Member is shown to be deceased and confirmed through death certificate/report)

4. Waiver of benefits (if applicable)

5. Rollover application (if applicable)

6. Distribution election form

7. Form of identification

For each refund request, we recommend that each checklist is filled out with the attached documents which is then signed off by a supervisor within BDU, SBU, or SRU. The signed checklist will then be sent to Fiscal Management to process payment. Fiscal Management will have to approve the paid-out amount and the payee as shown in the checklist. Once reviewed, the check will be issued as part of the lump sum payroll and Fiscal Management will return the checklist and the attached documents with a "Paid" stamp.

View of Responsible Manager and Planned Corrective Actions

Per discussion with management and staff within BDU, SBU, and SRU, all groups have agreed to implement the use of the checklist. We talked about what will be included in the proposed checklist and their purposes to align with the intent of our recommendations. As mentioned by each group, there is already some form of review to process the refunds however the checklist would give additional reassurance and help standardize the process across different groups. The agreed new control process will have one cover sheet listing all the cases in the patch of refunds with check boxes for each type of required document instead of having a checklist for every single case. Fiscal also mentioned this would help them process the refunds as they often have to process the refunds on short notice.

Finding #2:

Manually uploaded entries for contributions and interest amounts did not have supporting documentation to substantiate the posted amounts when PGold system was initially implemented in 1999. We inquired Systems, SOS, AMA, Fiscal, and SPS about supporting documents for the manually posted contribution and interest earning amounts but each group was not able to locate the documents. We tested 40 samples in total and found that 16 samples had manually posted contribution and interest earning amounts. Manually posted amounts ranged from under $100 up to $42,340.54 each for our samples.

Currently, contribution and interest amounts are both automatically calculated through the PGold system which pulls information from PaySR. Once a refund of contributions is authorized, the member is paid out for the contribution and interest amount that is automatically calculated by the PGold system. However, for contributions and interest amounts that were accumulated prior to the system conversion into PGold, these amounts had to be manually posted based on prior HR/Payroll system documentation.

For each of our samples, we extracted the contribution and interest data from PGold and manually recalculated the contribution and interest earnings to see if it agrees to the refunded amount. We were able to confirm the automatically calculated amounts in PGold without any issues, but we were not able to find supporting documentation for manually posted contribution and interest amounts. It should be noted that these manually posted amounts served as beginning balances for members individual accounts in PGold, as such we placed high importance on its accuracy and documentation.

Having inaccurate posted amounts can lead to a potential material overpayment or underpayment of refunded retirement contributions and interest earnings due to the compounding nature of these accounts. Per our inquiry of Systems, most of these manually posted amounts were part of the data conversion process when LACERS converted the retirement system from mainframe to PGold. This data conversion occurred in 1999 and was handled by LACERS' pension vendor, LRS. We also inquired SOS, AMA, Fiscal, and SPS about the manually posted amounts and they were unable to provide supporting documentation for these amounts.

Because supporting documentations were lacking, we performed reasonable tests to obtain assurance of the questioned posted amounts. However, we encountered several issues that did not allow us to recalculate as planned:

1. Salary information within both PaySR and PGold only goes as far back as 1999. For salary information prior to 1999, we looked through scanned documents showing the members' salaries for each time period. As these documents were in paper format and difficult to read due to scanning and handwriting issues, salary amounts used may not have been exact in our reasonable tests.

2. For some samples, the members were part-timers. This meant that their hours worked varied on a weekly basis. In these instances, we made assumptions of their hours based on the average of hours worked in that year.

3. Prior to 1999, members had varying contribution rates depending on the MOU at the time and their age. We were able to mostly determine the employee's contribution rates based off tables provided by AMA, but there were cases when there were differences between the tables and the scanned paper support documents we found within OnBase.

Even with the difficulties we encountered in recalculating the manually posted contribution and interest amounts, we were able to determine that the manually posted amounts were reasonable as our calculations were within 10% above or below of the posted amounts.

Recommendation #2:

All manually posted amounts of contributions and interest should be approved by a supervisor after review of supporting documentation. Supporting documentation should also be properly maintained. This would ensure that all postings going forward are accurate and have the proper authorization and approval.

Recommendation #3:

Develop a formal record retention policy that requires staff to maintain supporting documentation (e.g., calculation of interest income for employees' contributions, payroll records, calculation of retirement contributions) for all benefits paid, including refund of contributions. This supporting documentation should be retained for as long as possible even with the implementation of a new system.

View of Responsible Manager and Planned Corrective Actions

We discussed our recommendations with all groups with the ability to post manual contribution and interest amounts and also groups that were familiar with the calculation of the contribution and interest amounts. All groups unanimously agreed to develop going forward, measures to retain proper documentation for all types of benefits paid including refund of contributions. It was also mentioned that there are already more measures in place now to document these paid benefits as files are all being saved on either Box or OnBase.

Finding #3:

We observed that tracking and reviewing supporting documentation in OnBase can be difficult at times, as some files are duplicated, disorganized and out of order.

As previously mentioned, LACERS uses OnBase as the main document repository throughout all departments. As part of our audit procedures, we utilized OnBase to obtain supporting documents related to refund of contributions and also to complete our testing procedures. While using OnBase, we noted that documents were sometimes out of place, haphazardly organized, or even duplicated throughout the system. This makes it difficult for staff members to access documents if they ever need to do so. Having OnBase correctly describe, categorize, and organize documents would allow for staff members to more efficiently find documents and prevent duplicated work as all staff would know what type of documents are available within the system.

Recommendation #4:

Training protocols will be established for staff members with responsibilities of uploading documents to ensure documents are being uploaded into the proper folders and categories. This will also help establish a standard of which folder to upload files across all departments.

View of Responsible Manager and Planned Corrective Actions

Similar to Recommendation #2 and #3, all groups agreed to implement additional training protocols to ensure that files were more accessible and organized going forward. According to these groups, OnBase currently has categories for staff members to upload files but lacks standardization as to where to upload files and which folders. The training protocol would cover these issues going forward.

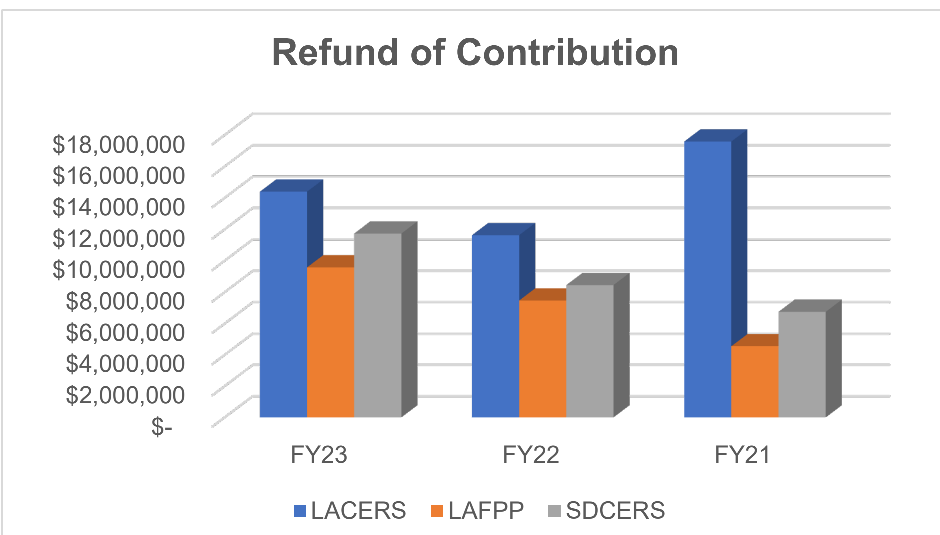
VI. Analysis of Total Refund Amounts

As part of our audit procedures, we also performed a trend analyses of total refund amounts to see if the refund amounts were reasonable year over year. This is to determine as to whether LACERS is paying reasonable refunds for its' size.

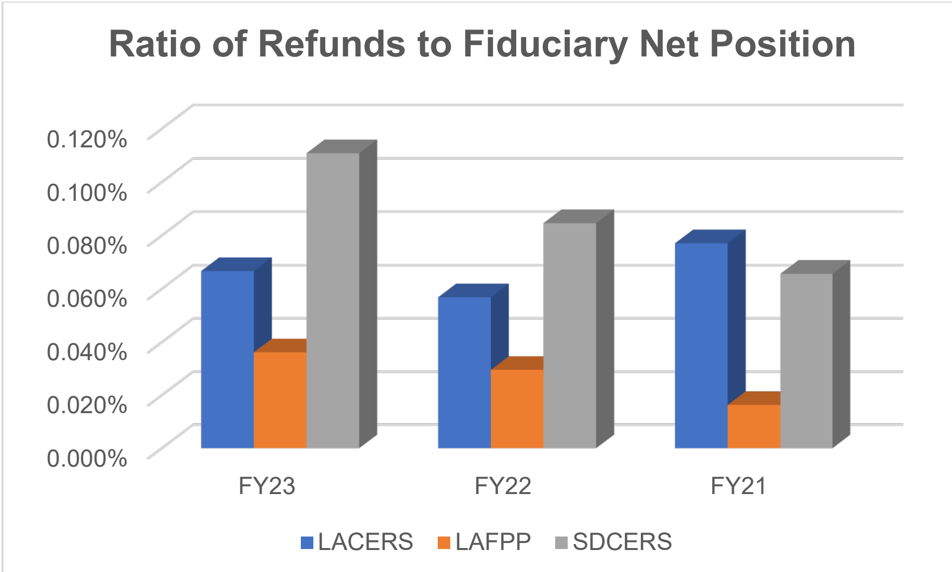
We also evaluated any out of the ordinary fluctuations in LACERS total refund amounts in the recent years and compared these extraordinary changes with other two similarly sized funds, LAFPP and SDCERS to understand how we fared compared to these other organizations.

Results of these comparisons for FY 21, 22, and 23, as well as explanations are shown below:

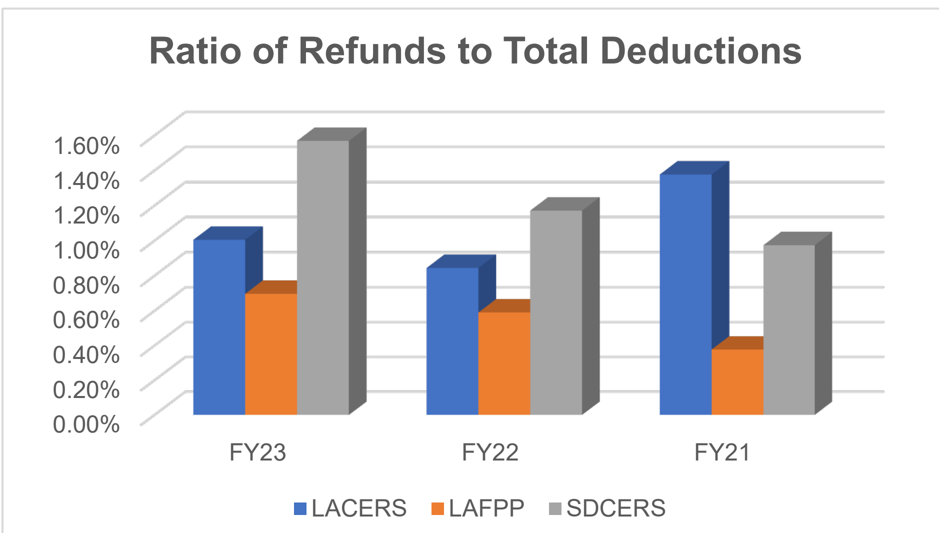
Comparison of Total Refund of Contribution:



Comparison of Ratio of Refunds to Fiduciary Net Position:



Comparison of Ratio of Refunds to Total Deductions:



Based on our analysis, LACERS had a ratio of refunds to both fiduciary net position and total deduction that was close to the average of the three funds that we examined in FY23 and FY22. Ratio of refunds to fiduciary net position for LACERS was 0.067% and 0.057% which was very similar compared to the average of the three which was 0.071% and 0.057% for FY23 and FY22, respectively. In FY21, ratio of refunds to fiduciary net position for LACERS was 0.077% compared to the average of the three which was 0.053% which was higher than the average amount.

We further investigated the higher amount of refunds in FY21 and noted that the increase was due to an increase in death refunds as well as survivor contributions refunds to eligible Members upon retirement. This increase was due largely to the effects of COVID-19 as well as a new program introduced by the City. In FY21, the City introduced a Separation Incentive Program (SIP) to incentivize members to retire earlier. During FY21, 1,372 City employees as well as 334 LAWA employees retired under their respective SIP program. As such we found the increase in refunds in FY21 to be reasonable due to this program as well as COVID-19.

Audit of Refund of Contributions			
Table of Recommendations			
Finding #	**Finding**	**Recommendations**	**Responsible Divisions**
1	Files uploaded to OnBase for refund requests were not consistent. The set of documents being uploaded onto OnBase had varying documents and were missing documents in some cases. For 40 sample refunds that were reviewed, 16 samples did not have consistent documentation or had missing documentation. Files could eventually be found when requested from the staff within each group, but they were missing when initially searching within OnBase.	1. BDU and SBU should have a checklist of documents for each type of refund that is signed off by a supervisor. The signed checklist along with all the documents will then be uploaded to OnBase to help ensure that all required documents are there and there is consistency with how the documents are reviewed and uploaded. This would also help with efficiency as any staff can review documentation as long as they have the checklist. The checklist and the supporting documents should be sent to Fiscal at least 3 days prior to the lump sum payroll processing to allow Fiscal to be another layer of review. Fiscal will then review the checklist and the supporting documents to ensure the check sent is properly authorized.	Benefits Determination Unit (BDU) Survivors Benefit Unit (SBU) Service Retirement Unit (SRU) Fiscal Management
2	Manually uploaded entries for contributions and interest amounts did not have supporting documentation to substantiate the entered amounts. We inquired Systems, SOS, AMA, Fiscal, and SPS about supporting documents for the manually posted contribution and interest amounts but each group was not able to locate the documents. We tested 40 samples in total and found that 16 samples had manually posted contribution and interest amounts. Manually posted amounts ranged from	2. All manually posted amounts of contributions and interest should be approved by a supervisor after review of supporting documentation. Supporting documentation should also be properly maintained. This would ensure that all postings going forward are accurate and have the proper authorization and approval. 3. Develop a formal record retention policy that requires staff to maintain supporting documentation (e.g., calculation of interest income for employees' contributions, payroll records, calculation of retirement contributions) for all benefits paid, including refund of contributions.	Benefits Determination Unit (BDU) Survivors Benefit Unit (SBU) Service Retirement Unit (SRU)

	under $100 up to $42,340.54 for our samples.	This supporting documentation should be retained for as long as possible even with the implementation of a new system.	Fiscal Management
3	We observed that tracking and reviewing supporting documentation in OnBase can be difficult due to files being scattered and not fully organized.	4. Training protocols will be established for staff members with responsibilities of uploading documents to ensure documents are being sent to the correct folders and categories. This will also help to establish a standard of which folder to upload files across all departments.	Benefits Determination Unit (BDU) Survivors Benefit Unit (SBU) Service Retirement Unit (SRU) Fiscal Management

LACERS

INTER-DEPARTMENTAL MEMO

Date: November 12, 2024

To: JoAnn Peralta, Departmental Chief Accountant
Rodney June, Chief Investment Officer

From: Melani Rejuso, Departmental Audit Manager

SUBJECT: AUDIT OF NET APPRECIATION (DEPRECIATION) IN FAIR MARKET VALUE OF INVESTMENTS

Attached is our report on the “Audit of Net Appreciation (Depreciation) in Fair Market Value of Investments”. We discussed the results of this audit with the key staff of Fiscal Management and the Investment Division in October 2024. Comments from all groups were considered in finalizing the report.

Internal Audit staff would like to thank you and your staff for your cooperation and assistance during the audit. If you have any questions or comments, please contact Colin Tran.

cc: Neil Guglielmo, General Manager
Todd Bouey, Executive Officer
Wilkin Ly, Investment Officer III
Audit Committee

Audit of Net Appreciation (Depreciation) in Fair Market Value of Investments

November 12, 2024

Internal Audit Section

Melani Rejuso, CPA
Departmental Audit Manager
Colin Tran, CPA
Internal Auditor III

I. Summary

LACERS' net appreciation (depreciation) in fair market value of investments is the total change resulting from both realized and unrealized gains/losses on investments net of management fees. This includes both changes in market valuations of held assets and gain/losses on sold investments. Changes in fair value of investments directly affect the reported investment income at the end of the period.

As of fiscal year ended June 30, 2023, net appreciation (depreciation) in fair value (FV) of investments amounted to $1,181,447,000. We represented the net appreciation (depreciation) in fair value of investments for the prior three fiscal years below:

	FY23	**FY22**	**FY21**
Net Appreciation (Depreciation) in FV of Investments	$1,181,447,000	$(2,245,698,000)	$5,013,637,000

The primary objective of this audit was to assess LACERS' internal controls over net appreciation (depreciation) in FV of investments. More specifically, we wanted to determine whether net appreciation (depreciation) in FV of investments were properly recorded and have reasonable assurance they were reported accurately within the statements provided by LACERS' custodian bank, Northern Trust.

II. Overall Assessment

Overall, the audit found that internal controls for net appreciation (depreciation) in FV of investments are generally in place and working effectively. However, opportunities for improvement were also identified related to documentation of investment accounting entries and performing spot checks on the reported numbers seen within the reports from Northern Trust. We are proposing recommendations to help address these issues, which will be discussed in detail, later in this report.

III. Background

Overview of Investments

Funds of LACERS are invested pursuant to the LACERS' investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. LACERS has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. LACERS' 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.

Investments are made by appointed investment managers for the different types of investments in the portfolio mentioned above. LACERS Investment team reviews and supervises the investment managers along with investment consultants. The Investment team performs due diligence on investment managers prior to appointment and gives recommendations to the Board, who ultimately gives the approval to hire the investment managers. Once appointed, the Investment team with the help of consultants provides agreed upon guidelines to each investment manager depending on which part of the portfolio they are managing. Guidelines include standards for investing such as limits on which investment grade stocks to buy, thresholds for a single investment, diversification, and risk management.

LACERS investment team and consultants regularly check-in with investment managers and consultants on a monthly and quarterly basis to discuss performance and are consistently checking the investment portfolio to ensure investments are being made in line with the agreed upon guidelines and are meeting the expectations for rate of returns. Investment managers also provide a monthly reconciliation of their performance numbers to the actual performance numbers reported by the custodian bank to ensure they are consistent and reported correctly.

As previously mentioned, net appreciation (depreciation) in fair value of assets consists of realized and unrealized gains/losses on investments net of management fees. We have further described what makes up these amounts as follows:

Unrealized and Realized Gain/Loss – Unrealized and realized gain/loss represents the market value change and sale of LACERS' assets and investments within the custodian bank, Northern Trust. These assets and investments include equities, fixed income, venture capital and partnerships, cash and cash equivalents, liabilities, and derivatives. On a monthly basis, Investment Accounting receives a Portfolio Statement from Northern Trust showing the change in market value and sales for all LACERS' investments. Investment accounting records unrealized gain/loss from change in market value and also realized gain/loss from sale of investments based on the portfolio statement.

As amounts are being recorded directly from the Northern Trust Portfolio Statement, Investment Accounting performs a spot check on the income received from assets to ensure it is accurate. This spot check is performed on a quarterly basis and covers both Domestic and International securities. However, this spot check does not include Cash & Cash Equivalents, Real Estate, Private Equity, and Sukuk which typically do not have public exchanges or markets to compare prices. As a part of this spot check, Investment Accounting compares income received based on the Northern Trust Portfolio Statement to their manually calculated amounts, using Bloomberg's information, for comparison. In addition to this testing, Investment Accounting also records a true up expense for any differences between the Northern Trust portfolio statement and the statements directly from the general partners and funds

IV. Objectives, Scope, and Methodology

The primary objective of this audit was to assess internal controls over processes involving recording and reporting of net appreciation (depreciation) in fair value of investments including gains/losses from sale of investments.

For purposes of this review, we reviewed both unrealized and realized gains and losses for FY2023. We focused on transactions that occurred in FY2023 as these were reported in the last published audited Annual Comprehensive Financial Report and controls being assessed, were fairly current. We also focused on the recording of these entries rather than the initial diligence and communication with investment managers of the investments, as these areas were tested as part of the external auditors' procedures.

Test of Internal Controls

To assess controls surrounding net appreciation (depreciation) in fair value of investments, we performed the following:

1. We gained an understanding of the overall process for net appreciation (depreciation) in fair value of investments by interviewing staff members working most closely with investments. This includes the Investment Division who oversee and influence the investment portfolio for LACERS and Accounting who analyze the Northern Trust statements and record the related entries based on unrealized and realized gain/loss in the statements provided.

2. We obtained the Portfolio Statements from Northern Trust that summarizes all unrealized and realized gains/losses for LACERS' investments for a monthly period. In addition, we also obtained a listing of all journal entries that make up the reported net appreciation (depreciation) amount for the FY23. Using both of these documents, we selected samples as described in Test of Internal Controls Procedures 3 and 4.

3. Net Appreciation (Depreciation) of FV of Investments as reported on the LACERS Financial Statement consists of 5 GL Accounts:

    1. 405-0000-000 GAIN/LOSS - FINANCIAL FUTURES
    2. 406-0000-000 GAIN/LOSS - COMMISSION RECAP.
    3. 407-0000-000 REALIZED GAIN/LOSS
    4. 408-0000-000 UNREALIZED GAIN/LOSS CHANGE
    5. 409-0000-000 UNREALIZED GAIN/LOSS ON DERIVATIVES

    To ensure that journal entries are being recorded accurately, we randomly selected 8 periods and reconciled the ending balances of the 5 accounts to the ending balances within the Northern Trust portfolio statements. We also performed a walkthrough of all entries related to net appreciation (depreciation) with Investment accounting to ensure that entries are also complete.

4. Using the Northern Trust portfolio statements, we selected 10 unrealized gains/losses and 10 realized gains/losses to test. For each of these samples we tested different attributes of internal controls to see if they were in place and working effectively. This included the following:

    a. Confirmed the accuracy of the stated market value of each samples by comparing the stated market value to published amounts on sources such as Charles Schwab and Yahoo Finance.

    b. Recalculated the total market value of each sample based on amount of shares owned by LACERS.

    c. Investigated differences to see if differences were reasonable.

    d. Examined notes and supports for adjusting entries.

    e. Validated whether there were multiple levels of review for journal entries submitted.

After we performed the tests mentioned above, we were able to reasonably determine that the internal controls related to net appreciation (depreciation) in fair value of investments were in place and working effectively. The tests covered multiple aspects of controls including completeness, accuracy, existence, and segregation of duties.

The next section will provide details about the results of procedures taken and described above.

V. Detailed Audit Results

Finding #1:

Journal entries related to net appreciation (depreciation) in Fair Value of investments can be vague or complicated to understand. This makes journal entries difficult to review for staff members, especially supervisors that do not work as closely with investments. This is important as multiple levels of review for accuracy is a key factor to strong internal controls.

As part of our review, we obtained supporting documentation for journal entries made by Fiscal Management. Typically for net appreciation (depreciation) in FV of investments, the supporting documents would be the Portfolio Statement from Northern Trust. This statement has over 2,000 pages of information which can make it very difficult for someone who does not work closely with these statements to trace back the sources for all journal entries.

In addition, we found that some supporting adjusting entries such as reversal for true-ups only display the actual entries without supporting documentation. As there are multiple sign-offs, the reviewers involved should be able to easily understand the nature of the entries in order to authorize them. We inquired with Fiscal Management for the supporting documentation related to these entries and they were able to provide these documents upon further research.

Recommendation #1:

All journal entries should have attached supporting documentation and rationale behind each of the entries. This will allow reviewers or supervisors to have a full understanding of the nature of the entries and to check if the entries were accurate. In addition, external auditors typically request journal entries supports as part of their Financial Statement Audit and having this support documentation will also help them facilitate their review.

View of Responsible Manager and Planned Corrective Actions

Per discussion with management and staff within Fiscal Management, the group has agreed to begin implementing a more detailed description and support of their journal entries. As mentioned by the group, they keep some form of supporting documentation for their journal entries which were provided later during our review. However, we noted that the supporting documentation can be organized and elaborated on to make the intention of the journal entries more understandable. Moving forward, Fiscal Management agreed to provide a description, rationale, and sources for their accounting entries to help those unfamiliar with the process get a better understanding of their entries.

Finding #2:

Journal entries to record investment transactions are based on the Custodian Bank's Portfolio Statements without indication of further verification of the reported Funds' valuation numbers.

As previously mentioned, LACERS records entries directly from unrealized and realized gain/loss as reported in the NT Portfolio Statements. No indications of verifications are being performed on the numbers reported by NT related to the valuation.

It will be beneficial if an additional layer of internal control is in place to check whether the numbers being reported by NT are reasonable, rather than recording the numbers as is.

Based on our testing procedures, where we checked the fair market values from reputable outside sources, we found the entries to be reasonably recorded based on NT's reported numbers. We encountered differences typically due to difference in closing dates or small transaction costs being included in the market value. As such we waived differences under 5%.

Recommendation #2:

On a monthly basis, Investment Accounting and/or the Investment Division should perform a spot check of the numbers being reported in the custodian bank's Portfolio Statements to confirm its' reasonableness. On a higher level, a trend analysis can be performed to determine whether changes in the overall net appreciation (depreciation) of investment values seemed reasonable based on staff's direct knowledge of overall investment performance.

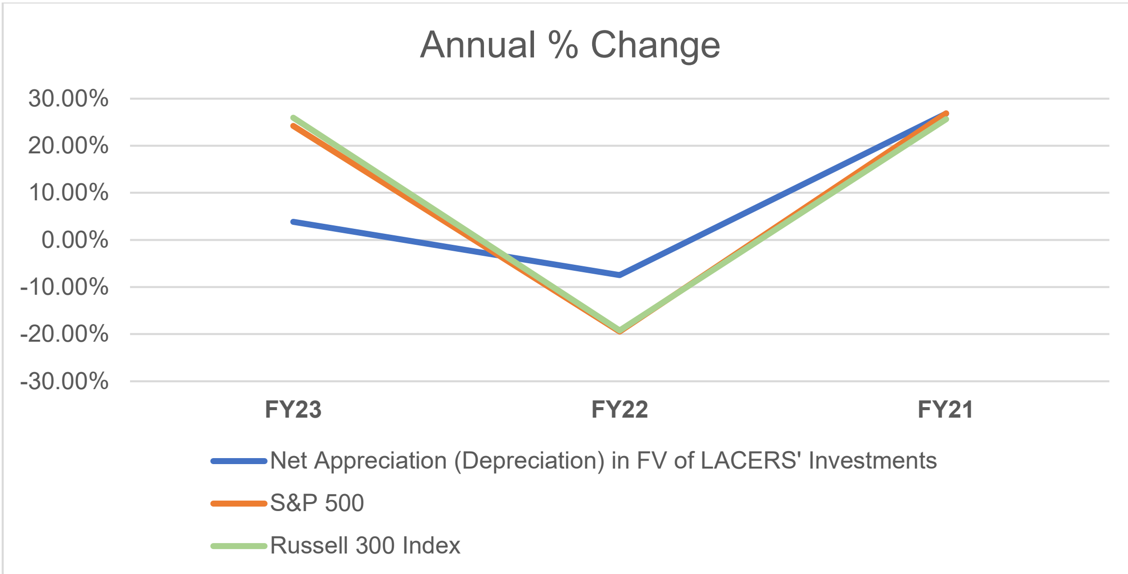
View of Responsible Manager and Planned Corrective Actions

Per discussion with management and staff within the Investment group and Investment accounting, a spot check of the valuations reported within the Northern Trust portfolio statements will be implemented. Investment Accounting as part of their current procedures, performs a test to determine if dividend and fixed income received from Northern Trust were accurate based on the statement. In addition, Investment Accounting agreed to also compare the valuations reported within Northern Trust portfolio statements with publicly stated exchange rates within Bloomberg (or other similar public exchange sites). This will cover domestic and international equities as well as fixed income assets. Investment division also stated that the group works closely with Aksia, an investment consultant of LACERS, to regularly review the valuations reported by the general partners for private equity and real estate investment funds.

VI. Analysis of Change in Fair Value of Investments

As part of our audit procedures, we also performed a trend analysis of net appreciation (depreciation) in fair value of investments to see if changes were reasonable year over year. This is to determine as to whether LACERS growth in investments is in line with overall expectations.

In order to do this, we compared the annual percentage change of LACERS' investments to the performance of the S&P500 and Russell 3000 Index for FY23, FY22, and FY21. We selected these two indexes as they typically are used to track the overall growth and change of broad market stocks and equities. We represented the year-over-year change in the table below:



As mentioned before, investments of LACERS should track close to or outperform the overall stock market. Based on our comparison to both the Russell 300 Index and the S&P 500, LACERS' investments tracked closely to both of these indexes but with less volatility as LACERS has a more long-term investment horizon. Overall we found the year-over-year changes in investments to be reasonable.

Audit of Net Appreciation (Depreciation) in Fair Value of Investments			
Table of Recommendations			
Finding #	**Finding**	**Recommendations**	**Responsible Divisions**
1	Journal entries related to net appreciation (depreciation) in Fair Value of investments can be vague or complicated to understand. This makes journal entries difficult to review for staff members, especially supervisors that do not work as closely with investments. This is important as multiple levels of review for accuracy is a key factor to strong internal controls.	1. All journal entries should have attached supporting documentation and rationale behind each of the entries. This will allow reviewers or supervisors to have a full understanding of the nature of the entries and to check if the entries were accurate. In addition, external auditors typically request journal entries supports as part of their Financial Statement Audit and having this support documentation will also help them facilitate their review.	Fiscal Management
2	Journal entries to record investment transactions are based on the Custodian Bank's Portfolio Statements without indication of further verification of the reported Funds' valuation numbers.	2. On a monthly basis, Investment Accounting and/or the Investment Division should perform a spot check of the numbers being reported in the custodian bank's Portfolio Statements to confirm its' reasonableness. On a higher level, a trend analysis can be performed to determine whether changes in the overall net appreciation (depreciation) of investment values seemed reasonable based on staff's direct knowledge of overall investment performance.	Investment Division Fiscal Management

LACERS

INTER-DEPARTMENTAL MEMO

Date: November 12, 2024

To: Karen Freire, Chief Benefits Analyst

From: Melani Rejuso, Departmental Audit Manager

SUBJECT: LACERS Health Subsidy Audit Report

Attached is our report on “LACERS Health Subsidy Audit.” The results of this audit and related recommendations were discussed with the Health Unit in October 2024. Comments from the health unit were considered in finalizing the report.

Internal Audit staff would like to thank the staff for their cooperation and assistance during the audit. If you have any questions or comments, please contact Mina Habib.

Cc: Neil M. Guglielmo, General Manager
Dale Wong-Nguyen, Assistant General Manager
Audit Committee

LACERS Health Subsidy Audit Report

November 12, 2024

Internal Audit Section

Melani Rejuso, CPA
Departmental Audit Manager
Mina Habib, CPA
Internal Auditor II

I. Summary

The Internal Audit Section has completed the health subsidies audit that covered fiscal years 2021 through 2023. Health insurance subsidies paid for fiscal years ended June 30, 2024 and June 30, 2023, amounted to $160.6 million and $162.5 million, respectively. These amounts do not include claims made by members, averaging $11 million per annum, as shown in the self-funded health accounts.

The results of Internal Audit Section's risk assessment survey conducted in late 2023, identified Health Subsidies as one of the high-risk areas in LACERS operations, and consequently this area was approved by the Board and included in Internal Audit's Work Plan for the next two years (2024 and 2025).

The primary objective of this audit was to assess LACERS' management controls (internal controls) over health subsidies. Specifically, the audit determined whether controls are adequate and effectively working in the areas of Member Enrollment, Subsidy Monitoring, Billing and Reporting.

II. Overall Assessment

Overall, the audit found that LACERS internal controls over health subsidies and other related processes are generally in place and functioning as intended. We also determined that health providers' billings and payments were accurately processed, including any adjustments, and properly reflected into the members and beneficiaries accounts within the Pension Administration System (PAS or PGold).

However, opportunities for improvement in the areas of files organization and retention of supporting documents related to members enrollment were identified. Having complete and organized documentation can improve workflow and help future reviews/audits. It also helps determine whether LACERS remains compliant with applicable policies and procedures. And lastly it preserves knowledge for easy transfer or when new staff step into a role.

Details of our audit and corresponding recommendations are discussed in the latter part of this report.

III. Background Information

The City of Los Angeles through LACERS offers health subsidy benefits to eligible members to assist with the costs of their medical and dental plans. The subsidy amount is determined by factors such as the member's years of service and retirement tier.

During pre-retirement counseling, LACERS members are presented with health plan options to help them choose the right health plans (health and dental) for their needs. Members are apprised of the necessary documentation and information for enrollment, e.g., health and dental plan enrollment forms, proof of age, and, if applicable, proof of Medicare enrollment for members over 65.

Members submit these documents to LACERS via a secure electronic portal or by mail. The Health unit stamps and logs these documents, reviews submitted documents to verify completeness and that members’ eligibility aligns with LACERS' policies and members service records.

After completing the verification process, the member's information and selected plan/s are recorded in LACERS retirement system, often referred to as PGOLD. Following this, members receive confirmation of their enrollment, detailing their health plan coverage and corresponding subsidy amount, along with any further required actions.

Post-enrollment, health unit staff confirms that members are correctly placed in their chosen health plan and receiving the correct and/or updated subsidy. It also monitors any changes in members’ status that could affect their subsidy (e.g., eligibility with Medicare upon turning 65 and/or moving to out-of-area locations, age of dependents), ensuring timely adjustments to health plans and subsidies.

The following explains the health benefits provided by the City to members and their dependents:

For Retired Members Who Are Under Age 65, or Age 65 or older with Medicare Part B only.

- **Full-time employees** receive 4% of the maximum medical subsidy for each whole year of service credit.

- **Part-time Employees** A minimum of 10 years of Service to be eligible to receive 40% of the maximum medical subsidy. For each year of service credit, above ten years, a member receives an additional 4% of the maximum medical subsidy.

For Retired Members Who Are age 65 or older with Medicare Parts A & B.

- For Retired Members who are enrolled in Medicare Parts A & B, eligible for medical subsidy, and enrolled in a senior medical plan, the member’s maximum medical subsidy is based on whole years of service/service credit (beginning at 10 whole years), and the one-party premium of the LACERS Senior Plan in which the member is enrolled.

Service Credit	% of Maximum Subsidy
10-14	75% of one-party Monthly Premium
15-19	90% of one-party Monthly Premium
20+	100% of one-party Monthly Premium

➢ The table below shows the subsidy amounts according to years of service.

Service Years	Percentage	2021 Subsidy Amount	2022 Subsidy Amount	2023 Subsidy Amount
10	40%	$ 716.32	$ 753.80	$784.88
11	44%	$ 787.95	$ 829.18	$863.37
12	48%	$ 859.58	$ 904.56	$941.86
13	52%	$ 931.22	$ 979.94	$1,020.34
14	56%	$ 1,002.85	$ 1,055.32	$1,098.83
15	60%	$ 1,074.48	$ 1,130.70	$1,177.32
16	64%	$ 1,146.11	$ 1,206.08	$1,255.81
17	68%	$ 1,217.74	$ 1,281.46	$1,334.30
18	72%	$ 1,289.38	$ 1,356.84	$1,412.78
19	76%	$ 1,361.01	$ 1,432.22	$1,491.27
20	80%	$ 1,432.64	$ 1,507.60	$1,569.76
21	84%	$ 1,504.27	$ 1,582.98	$1,648.25
22	88%	$ 1,575.90	$ 1,658.36	$1,726.74
23	92%	$ 1,647.54	$ 1,733.74	$1,805.22
24	96%	$ 1,719.17	$ 1,809.12	$1,883.71
25	100%	$ 1,790.80	$ 1,884.50	$1,962.20

IV. Objectives, Scope, and Methodologies

The primary objective of this audit was to assess LACERS internal controls over health subsidies and other related processes. The audit covered transactions, activities, and trends during fiscal years 2021 through 2023. And, for sampling purposes, transactions tested transpired during fiscal year 2023.

<u>Methodologies or Procedures Performed</u>

Test of Internal Controls

To determine the adequacy and effectiveness of LACERS internal controls over its health subsidy and other related processes, we performed the following test of control procedures:

- Interviewed key staff in the Enrollment Unit, Compliance Unit, and the Billing processing team to gain an understanding of the health benefit processes. We also engaged with personnel responsible for maintaining LACERS retirement system and processing payments to health providers. Our test procedures were designed to identify key control points based on the information we gathered.

- Selected a representative sample of transactions covering a range of subsidy amounts. For each sample, we performed detailed testing to determine whether internal controls are adequate and effective. The attributes tested included:

  1. **Document Verification:** We reviewed each sample to ensure the necessary documents were on file, complete, and properly signed. This included verifying health enrollment applications and documentations, as well as dependent's eligibility documentations, and for retirees over 65, proofs of Medicare applications and Medicare-issued cards.

  2. **Cross-Referencing Data:** For each member, we cross-checked information from various documentations on file, including health enrollment forms and Medicare verification documents, with the data shown in LACERS retirement system. Specifically, we verified that key data points—*such as members' service years, health plan selections, and eligibility for Medicare or non-Medicare plans*—were consistent and appropriate across all records.

  3. **Existence of Members:** We validated the existence of each retiree and their eligible dependents by confirming active enrollment status through external sources, including health plan providers and Medicare. This process ensured that only eligible individuals were receiving health subsidies.

  4. **Accuracy of Subsidy Calculations:** We reviewed the subsidy amounts calculated by LACERS retirement system to ensure that it adhered to Board-approved rates and policies. This involved confirming that the subsidies were correctly calculated based on the member's years of service, health plan choice, and any applicable dependent coverage. We recalculated a subset of the transactions to verify the system's accuracy.

  5. **Review of Disbursements:** We examined payment records to confirm that subsidies were disbursed to the correct health plans and in the proper amounts. This included reviewing electronic records of cleared payments to verify that payments were made to the correct recipient and that the disbursement amounts matched the approved subsidy amounts.

  6. **Timeliness of Payments:** For each sample, we assessed whether health subsidy payments were made within the established timelines. This included reviewing the time that elapsed between member enrollment, document submission, and payment processing to ensure there were no undue delays in the disbursement of health benefits.

  7. **Multi-Level Review and Approval:** We tested whether subsidy payments have gone through the appropriate levels of review and approval before being processed. This involved verifying that each payment was reviewed in accordance with LACERS' policies and procedures, before final approval and disbursement.

For any samples where we identified issues—such as missing documentation, inconsistencies in member data, or inaccuracies in the subsidy calculation—we engaged directly with the responsible staff members to investigate the issues. The issues were investigated in detail, and corrective actions were identified and documented where necessary.

Manual Recalculation of Health Subsidy Amounts

As indicated above, we performed detailed recalculations of health subsidy amounts shown within PGOLD. Procedures taken included the following procedures:

1. **Data Export and Comparison:** We exported the relevant health subsidy data from the PGOLD system (*through an ancillary system called Sharepoint*) and manually recalculated the subsidy amounts for a sample of members. This involved applying the appropriate service credits and health plan rates, then comparing our manual calculations to the amounts generated by PGOLD to confirm consistency.

2. **Verification of Medicare Subsidies:** For retirees eligible for Medicare, we reviewed the Medicare reimbursement rates and confirmed that the correct amounts were applied in the subsidy calculation. This included verifying that Medicare Part B premiums were accurately reflected in the reimbursement amounts and that any adjustments for dependent coverage were properly handled.

3. **System Accuracy Validation:** Through our manual recalculation of health subsidies, we validated as to whether PGOLD system was accurately applying the correct health plan rates and service credits in accordance with LACERS' guidelines. In a small number of cases, manual adjustments were made to correct for discrepancies, and we verified that these adjustments were properly documented and authorized.

The remaining section of this report discusses the audit findings, auditee's comments (if any), and recommendations for improvements.

V. Detailed Audit Results

A. Subsidies Monitoring

Premiums and Subsidies in PGold

Internal Audit's objective is to determine whether premium amounts and subsidy percentages, as well as PGold's calculated subsidy amounts, were accurate. To accomplish this, we sampled 99 cases to verify:

- Whether PGold system is calculating the Subsidy Percentage (%) accurately based on relevant factors, including age and city service credits; Manual calculations were also performed to cross-verify the system's output.

- Whether Maximum Subsidy Amount Allowed ($) was properly set in PGold, consistent with LACERS approved maximum amounts; and,

- Whether PGold system was successfully updated with the correct premium amounts for all health plans across all vendors.

- Whether sampled members met the established criteria for receiving subsidies, such as:
  - Receiving pension from LACERS
  - At least 55 years old, except for disability retirement (regardless of age)
  - Have at least 10 years of City service to receive a partial subsidy, or 25 or more years for maximum subsidy.
  - Enrolled in a LACERS-sponsored health plan (e.g., medical, dental, or vision insurance plans).
  - Dependents meet certain criteria (e.g., age)
  - Enrolled in Medicare upon reaching 65 years of age. LACERS reimburse members, in the form of a subsidy, as repayment of the basic/standard Medicare Part B premium (*which members paid either directly to CMS or was deducted from member's Social Security check*). Neither Survivors nor dependents are eligible to receive Medicare Part B premium reimbursement.

Based on our testing of 99 samples, we found that the PGOLD system's calculation of Subsidy Percentage (%), Maximum Subsidy Amount Allowed ($) and the premium amounts are accurate.

Dependents Eligibility Verification:

When members enrolled a dependent, the process involves verifying the dependent's relationship to the member, date of birth, and other necessary certifications. This includes verifying disability status for dependents over the age of 25, proof of legal guardianship for grandchildren, and verification of domestic partnerships. These verifications ensure that only eligible dependents are enrolled under the member's health or dental plan.

We sampled 20 cases and performed the following audit steps:

- **For eligible Dependents**, we checked the relationship to members and date of birth.
- **Overage Child,** for dependent children over age 25, the only exception allowed is when the child is disabled. In this regard, we checked for any disability certification on file.
- **Domestic Partner,** we verified the Declaration of Domestic Partnership.
- **Spouse,** we verified the Marriage Certification.
- **Grandchildren,** we checked the documents on file related to legal guardianship of child of enrolled children.

Based on our review of dependents subsidy eligibility, we concluded that controls are in place when members' dependents are no longer eligible for subsidies. Specifically, the testing confirmed that the health unit identified non-compliance in a timely manner and took appropriate actions to cease subsidies for dependents who failed to meet the subsidy criteria and requirements.

Medicare Compliance for Continued Health Coverage and Subsidy

Medicare's Initial Enrollment Period (IEP) is a critical timeframe for individuals becoming eligible for Medicare for continued health coverage and subsidy. It is the period during which a person first becomes eligible to enroll in Medicare Part B (and, if at no cost, Medicare Part A), typically around their 65th birthday. The IEP spans seven months: it includes the three months before the month of the individual's 65th birthday, the month of the birthday itself, and the three months following the birthday month.

During the IEP, individuals can sign up for Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance). If the individual is receiving Social Security benefits before turning 65, they are automatically enrolled in Parts A and B. However, if they are not automatically enrolled, they need to sign up during their IEP to avoid late enrollment penalties, unless they have qualifying coverage elsewhere.

Enrolling during the IEP ensures that coverage starts without unnecessary delays. If an individual misses the IEP and does not have other qualifying coverage, they may have to wait for the General Enrollment Period (January 1 to March 31 each year) to enroll, which could result in a gap in coverage and potential penalties.

Special Enrollment Period (SEP): its a time outside of the annual Open Enrollment Period when members can sign up for health insurance, based on certain life events such as:

- Retirement
- Getting married
- Having a baby
- Adopting a child

We sampled 26 cases, the focus was to ensure LACERS appropriately applied the IEP and SEP criteria, and that eligible individuals were enrolled in a timely manner. The tests considered the following:

- If the birthday is not on the 1st of the month: The IEP begins three months before the 65th birthday, includes the birthday month, and ends three months after.
- If the birthday is on the 1st of the month: The IEP begins four months before the 65th birthday month, includes the birthday month, and ends two months after.
- We also examined the end date for Medicare's Initial Enrollment Period (IEP) and cross-checked the dates when the proof of Medicare enrollment was received.

- We assessed the processes in place to verify whether sampled individuals met the criteria for SEP, ensuring that life events such as retirement (and others) or loss of other health coverage were properly documented and validated.

- We reviewed cases to determine whether members and dependents eligible for SEP were enrolled within the appropriate timeframe to avoid delays or lapses in coverage.

The results of our tests showed that the health unit provided adequate guidance and support to members approaching retirement age related to IEP, SEP and the necessary steps for Medicare Part B enrollment. The staff's efforts included workshops, informational packets, and one-on-one counseling sessions. Compliance with Medicare enrollment assures members of continued Health coverage and subsidy.

B. Other Observations

Health Enrollment Process

We conducted a walkthrough of the documentation process for communications that transpired between health unit staff and members/dependents.

Each time the member contacted LACERS or LACERS staff reached out to member, the health staff documents and posts their conversations into the contact log kept within PGold, along with the date and time of contact, reasons for call, documents requested and/or received, and name of staff that made/received the call.

We sampled a member that retired in 2023, the contact log documented the member's call who inquired about medical enrollment forms. Based on our walk-through, the contact log adequately documented communications with this member.

Sample Screen shot:

Contact Type	Log Date	Recorded By	Reason	Comments
Phone	2/9/2023 9:29	Megan Herbold	Premiums and Deductions + 1 More	Member thinking of retiring after 4/20 (did not specify date) and purpose of his call was to confirm deductions for himself and spouse- briefly explained Medicare requirements/SEP- Member seemed to already know this- confirmed deductions for 2 party plans for Kaiser/ABC- reviewed HBG and advised- Member then asked about adding his two kids under 26 to plan- transferred call to AOD Terry for further assistance

We also observed how the staff follows up with members for missing documents during enrollment. Using our sampled cases, we pulled and checked the enrollment forms and other submitted documentations in Onbase, for completeness.

We also checked if all required fields are filled in, such as signatures, health carrier selection, and Medicare documentation. Lastly, we cross-checked the provided information against PGOLD. This included confirming the member's personal details, member's zip code area, and Social Security Number, to name a few.

The results of these tests found that out of 20 sampled members, 19 have the required documentations and showed indications of staff's review of the following:

a. Certificate of Birth
b. Certificate of Adoption/ Guardianship
c. Copy of SSN Card or document showing proof of SSN
d. Marriage Certificate
e. Copy of Medicare Card with Medicare Part A and B or Part B only
f. Medicare Entitlement Letter showing proof of Medicare Beneficiary Identifier (MBI) number with Medicare Part A and B or Part B only

There was one exception pertaining to a dependent missing Proof of the Medicare eligibility (Medicare part B Card or Letter). We inquired staff and they explained that although the Medicare card cannot be located in Onbase, the dependent has been compliant as confirmed by the Health Provider.

Based on the results of our sampling, the health unit's enrollment process appears to be generally working but may be improved.

Auditor's Recommendations:

To address inconsistencies in enrollment documentation, we are recommending:

1. Establish standardized procedures for document management within the OnBase system. This includes clear guidelines on document naming conventions, indexing, and categorization to promote consistency across all records.

2. For supervisor to review a sample of records periodically to ensure adherence to the standardized procedures and correct any inconsistencies promptly.

3. If feasible, consider enhancing the OnBase system's capabilities to include automated checks for consistency and completeness of records. This would help reduce any errors related to uploading documentation into Onbase and improve overall organization of files.

View of Responsible Manager and Planned Corrective Actions

Finding #1- HWABD agrees with the recommendation and shared the findings with the Administrative Services Office (ASO) to determine if such a recommendation is acceptable to the overall department policy related to document retention. Background: When Health staff prepares documents for retention, Health prepares the OnBase coversheet and documents, then submits them to ASO to scan into OnBase. ASO verifies that the documents are scanned. Although this audit recommendation was specific to the Health Benefits Administration, the policy related to document retention is under the management of ASO. Health reached out and shared this recommendation. ASO responded that there are already standardized index values that LACERS staff uses when sending documents for scanning into OnBase. In the future, ASO and Health will review additional index values when the document database is updated with a new technology to make search easier.

Finding #2- Although it appears that the recommendation could provide control and standardization, the ratio of monthly Health enrollment documents submitted to Health in relation to staffing and supervisors that would be required to conduct this review would not allow Health to accommodate this recommendation. A unit in Health would have to be created to conduct document verification. In addition, LACERS' primary fiduciary responsibility is timely delivery of benefits. The addition of this extra step may impede in the timely benefits delivery. Rather, Health shared this recommendation to ASO since the verification of scanned documents is within their purview. Please note that during the specific period audited, several events occurred that significantly increased LACERS workload, including but not limited to: staff shortage in both Health and ASO, City Separation Incentive Program (CSIP), pandemic, and relocation to the current LACERS home at 977, and would not have allowed the time for a Health supervisor to conduct periodic review. Lastly, in the future, Health is exploring online enrollment that would reduce the amount of paperwork that will be inputted and scanned, which could also free up resources for verification.

Finding #3- Health agrees with this recommendation and shared the audit findings and recommendation with ASO, who manages document retention. ASO responded that they will discuss this finding with the OnBase vendor to explore additional functionality with future upgrades if funds are available.

"New Medicare Flag" in PGold

Pursuant to the Los Angeles Administrative Code (Sec. 4.1111(f)) and LACERS Board Rules (HBA 2(d)), members and/or their dependents must enroll in and maintain Medicare insurance upon reaching age 65 to qualify for a medical subsidy and participate in a LACERS senior medical plan. Furthermore, all applicable parts of Medicare (A & B, B only, and D) for these members and dependents must be compatible with their respective LACERS medical plans.

In the course of our audit, we noted a "New Medicare Flag" notification was added into PGOLD system for members approaching age 65. This functionality sends timely notifications reminding members to enroll in Medicare Parts A and/or B, in accordance with applicable rules and regulations.

Using 26 samples, we reviewed the retirement system's (PGOLD) ability to effectively flag members approaching age 65. For each sample, we checked the Member's screen within PGOLD under the Benefit and Insurance Deductions sections to confirm the presence of this flag.

Based on our sampling, we found that PGOLD system effectively identifies and flags members approaching the age of 65, enabling the health unit to send timely Medicare enrollment reminders.

Health Benefits Reference Manual

During our audit, we referred to the Department's Manual on Health operations on a number of occasions to understand the different processes involved, related to medical and other retirement benefits, that the City provides to its employees and their beneficiaries.

In the course of our review, we noted that some key terms were not clearly defined, and procedures lacked explanations as to its purpose. For example, the following process, terms and acronyms were not clearly and fully described:

Example 1: Taxable Subsidy Process

Retired Member Charles W. Lorence with 30+ years of service credit. According to newly submitted Certification of Dependent/Survivor Status For Health Coverage Form, Domestic Partner is not Member's tax dependent. As a result, the portion of the Retired Member's medical subsidy which is used to cover his domestic partner's medical insurance coverage must be reported to the IRS as taxable income.

To calculate the Member's new Taxable Subsidy Amount, I will access the 2017 Taxable Subsidy Spreadsheet:

O: \ HEALTH \ Private_Health Operations \ Certification of Dependent Status \ Taxable Subsidy Calculations \ 2017 Taxable Subsidy

Example 2: Duplicate Part B Procedures manual

Report Option (s)

Group By: Adjustment

month

6 **Runtime Description:** Dup Part B Research FebFinal or Final

7 **Format Report As:** Microsoft Office Excel (*.xls) must be Excel format

8 Submit Report | Reset

y & Shoup, Inc. All rights reserved. Disclaimers | Attributions | Privacy | PensionGold Client Portal

Sort Option(s)

Sort By: Payee Name

Version: 3.9.4.14

Moreover, we noticed that the Manual has not been updated since 2017 and handwritten notes were visible throughout the manual.

<u>Auditor's Recommendations:</u>

4. Update the Health Manual regularly as LACERS operations evolve and change, to ensure it remains accurate and up to date.

5. Have clear definitions of terminologies and acronyms used in the Health Manual and include detailed instructions possibly with diagrams and flowcharts, to promote

consistency in execution. This will help reduce errors and increase efficiency across the organization.

View of Responsible Manager and Planned Corrective Actions

Finding #4- Health agrees with this recommendation. Health started a procedures review and update project in 2023 to finalize draft procedures. We are still in the process reviewing division-wide procedures and creating a periodic review schedule. Out of 57 procedures that have been identified, 22 have been completed and 35 are in the process of being reviewed. In addition, 11 new procedures were identified in 2024. The newly identified 11 procedures include the Kaiser Premium Buydown and Anthem Medical Loss Ratio (MLR), which are in the draft stage. This is an ongoing project for Health that is being completed as time and staffing allows.

Finding #5- Health agrees with this recommendation. Health has several units' procedures formatted in the department-approved template that includes the purpose of the procedure along with the list of terminologies and acronyms. We will further clarify and add on, as needed. This is being completed as time and staffing allows.

Generating Health Reports

During our assessment of the SharePoint reporting system (an ancillary application of PGold), we observed and evaluated the following areas:

- **Data Synchronization:** We generated health reports and reviewed whether SharePoint's data synchronization is functioning properly, and data across various reports remain consistent and aligned with source systems.

- **Consistency and Updated Data:** We generated health reports and assessed the timeliness and accuracy of data reflected in the SharePoint reports, verifying that updates are applied promptly and consistently.

- **Access Authorization:** We examined access controls to ensure that only authorized personnel can generate, modify, or access the reports, preventing unauthorized access to sensitive information.

- **Health Premium Rates:** We generated health reports and assessed how health rates are integrated into reports and whether these rates are accurately reflected.

- **Accuracy of Data**: We generated health reports, and noted cases where some health benefits were omitted as a result of using wrong parameters, which can lead to inaccuracies in reporting data.

Based on our testing of SharePoint functionality used for generating and modifying reports, we found that the system generally functions as intended for its purposes. The platform allows users to create, edit, and store reports efficiently, supporting day-to-day operations.

However, we identified a potential issue when incorrect parameters are selected while generating a health report. For example, if fiscal year 2023 is set to run from July 2022 to June 2023, this creates a misalignment or incorrect reporting of data since health plans change in January each year. If we choose the rate parameters for 2022, it can distort the 2023 data, and vice versa, choosing 2023 parameters could affect the 2022 health report, potentially leading to omissions of certain plans. This emphasizes the need for careful parameter selection when generating reports to ensure accuracy and completeness of the information.

Auditor's Recommendation:

6. It will be helpful for users to have a procedures manual on hand that explains how to create, edit, and store SharePoint reports. This manual should be collaboratively developed with the health unit to ensure that users understand the parameters required to develop and generate meaningful reports. For example, how to set the correct date parameters (e.g., effective date), so as not to miss any important health data.

View of Responsible Manager and Planned Corrective Actions

Finding #6- HWABD agrees with the recommendations and will share the findings with the Systems Division. HWABD will create a procedures manual on how to run and use SharePoint reports created for HWABD. However, Systems controls the SharePoint reports and only they may create or modify an existing report's fields and parameters. FYI - Health Insurance enrollment, premiums, subsidies are based on a Calendar Year. Many reports only allow a monthly parameter. Those are the reasons that Health's SharePoint reports cannot be generated with a Fiscal Year parameter.

Internal Audit also discussed this issue with the Systems. It will work with the Systems and Health Section to implement this recommendation by giving them pointers on what to include in developing the procedures manual for generating reports using Sharepoint.

Monthly Discrepancy Reports Submitted by Vendor

On a monthly basis, vendors send discrepancy reports to LACERS to account for differences noted between what was paid by LACERS and what vendors have as "payments due" in their system. Health unit staff reviews these differences and reconciles with LACERS retirement system.

Our review of Kaiser's December 2023 and January 2024 discrepancy report revealed that some differences noted in the reports were vaguely described. Kaiser listed the reason for the discrepancy as "Rate Variance," making it difficult for the health team to research and confirm the nature of the differences.

For example, a member's published health plan rate was $628,38, but Kaiser claimed that the rate should have been $600.39. Although, this means that LACERS has gotten a credit or reduction in the member's rate, it is still not clear what the credit was for. According to Health unit, it is possible that the variance was for a low-income subsidy credit.

Our review of Kaiser's billing discrepancy reports highlighted LACERS staff difficulty in verifying differences noted in these reports. The reports did not provide clear descriptions or reasons for the differences. Since reconciliation has to be completed on a monthly basis, between what LACERS has paid and what Kaiser's system showed as payments due to/from, it is important to address this "reporting issue" the earliest possible.

Auditor's Recommendations:

7. If necessary, ask vendor to improve its reporting format by providing clear descriptions and reasons for discrepancies- such as low-income subsidies and other rate variances, to improve the payments reconciliation process.

8. Set a periodic schedule with vendors to sit down and talk about questionable discrepancies to ensure these are resolved in a timely manner.

9. Document meetings and follow-ups with the vendor for easy review and tracking of agreed resolutions.

10. Require vendors to discuss with LACERS beforehand any plans for changes in "Report's Formats" to ensure that these changes are acceptable to LACERS.

View of Responsible Manager and Planned Corrective Actions

Finding #7- Health is in agreement with this recommendation. A significant number of the discrepancies that the Kaiser Team has listed on the billing discrepancy reports have been misidentified or mis-labeled on their side, and LACERS has brought this to their attention in the past. One of the responsibilities of the LACERS Account Reconciliation Unit is to review and verify premium discrepancy reasons listed on the reports and respond with corrections to the reasoning labels. This is an ongoing effort on our part that will require additional meetings with the Kaiser Team to improve and fine-tune details of the shared report.

Finding #8- Health already has a regularly scheduled monthly meeting on the last Wednesday of the month with both the Kaiser Account Management team and our Health and Wellness Consultant, Keenan, to address and resolve any questionable discrepancies and elevated Member/account enrollment and/or payment issues. Additionally, the Kaiser Team is also available to LACERS for any scheduled as-needed meetings to spend extra time to go over any reporting challenges and provide clarity on plan enrollment effective dates and termination reasons.

Finding #9- Health agrees with the recommendation. The Health team already takes informal meeting notes for agendized items discussed, and emails appropriate Kaiser and LACERS staff on items requiring follow-up.

Finding #10- Health agrees with the recommendation. During the initial months of the pandemic, Kaiser experienced significant staffing challenges that limited their resources to produce timely monthly premium discrepancy reports for LACERS' review. As a result, the Kaiser team was forced to immediately pivot to a quarterly reporting format, which included cumulative discrepancies, totaled from up to 3 previous months or more. This created significantly more sizable reports, impacting the LACERS Account Reconciliation Unit's ability to review the increased volume of discrepancies. The cumulative reporting continued into the early part of 2023, until Kaiser was finally able to stabilize their staffing needs. Once they were able to get their side trained, they were able to transition back to providing a monthly report, that currently both Kaiser and the LACERS Account Reconciliation Unit continue to work collaboratively to verify and resolve.

C. Trend Analysis

Trends in Plan Payouts and Membership Counts:

We noted a decrease in total payouts alongside an increase in membership counts. Specifically, while our membership expanded from 16,680 in June 2021 to 16,835 in June 2022, the total monthly payout decreased from $11,989,222.83 to $11,774,357.52 over the same period. This decrease is particularly significant given the rising number of members. We tried to understand the underlying causes for these disproportional trends.

We inquired with the Health Unit's Chief if there were specific policy changes, adjustments in benefit structures, or other external factors that might explain the out of ordinary movements in monthly payouts and membership. The following table depicts the health subsidies for the month of June, in the last three years.

	June 30, 2023	June 30, 2022	June 30, 2021
Medicare			
Retiree	4,873,366.47	4,732,671.15	5,138,403.06
Survivor	513,986.00	508,790.09	547,514.29
Not Medicare			
Retiree	5,223,067.39	5,299,809.02	6,151,794.09
Survivor	137,960.96	150,737.89	151,511.39
Grand Total	**$ 11,871,416.93**	**$ 11,774,357.52**	**$ 11,989,222.83**

Provider	Count of Plan 2023	Count of Plan 2022	Count of Plan 2021
Kaiser Senior Adv.	7,431	7,385	7,194
Anthem Med. Suppl.	3,912	3,671	3,442
Kaiser HMO	2,304	2,501	2,672
Anthem PPO	1,123	1,135	1,160
Anthem HMO	895	923	944
UHC HMO	677	727	752
SCAN HMO	487	493	516
Grand Total	**16,829**	**16,835**	**16,680**

Health Unit Explanation:

According to the Health Chief, there were various explanations why there was a reduction in payouts, even with the increase in membership. Some of which are due to plan experience (impacts of claims) and Health, Wellness, and Buyback Division (HWABD) adopting various strategies to prudently manage retiree healthcare costs. HWABD, with the support of the Board and Executive staff, has adopted various strategies to manage the cost of providing retiree health insurance to our members.

- Plan Experience
  - Members aging-in into Medicare- Members have moved from under-65 plan to over-65 Medicare plans, which decreased the premium costs, since Medicare premiums are much less than that of under-65 plans.

  - During the 2020 Pandemic, medical hospitals and doctors' offices were mandated to close, which reduced Member claims and impact payouts through 2021. However, after 2021, there was an increase in Member claims costs, possibly due to increase in doctors' office visits to compensate for delayed visits in the past.

  - By 2022, claim costs started rising. The cost of providing healthcare could also be attributed to rising inflation, supply chain disruptions, and costs of providing labor. Premiums for under 65 plans slowly started to increase by 2023-24; however, premiums for over 65 plans had remained steady.

- To ensure that retiree healthcare costs are prudently managed, HWBAD has adopted various strategies to mitigate higher healthcare costs, including:
  - Self-funding – HWABD has two self-funded contracts with our Delta Dental PPO (2019) and Anthem Blue View vision (2022).

  - Experience-rated contracts with Anthem – premiums not used to payout claims are refunded to LACERS.

- In 2022, HWABD introduced the Anthem Medicare Advantage Plan, which replaced the Anthem Supplement Plan, estimated to reduce premium costs by $4.5 million.

- In 2023, HWABD went out to bid for its medical (Medicare and non-Medicare) plans. The results kept the same plans; however, due to Member demands, the Anthem Supplement Plan was added. The result of the bid also generated a negotiated cost reduction of approximately $2.8 million.

- LACERS Wellness Program – the program's goal is to influence Members to live a healthier lifestyle. Although there were no reports that directly corelates claims and payouts, HWABD has observed that increases in claims are attributable to specific cost drivers, such as high blood pressure, diabetes, mental health, sepsis, etc.

Internal Audit's Analysis of Disproportional Trends:

We conducted an analysis of health data trends to fully understand the reasons behind the anomalies noted in its movements- and to answer the question- *Why health benefit payments were going down while membership counts were going up?*

We started by getting the breakdown of membership count- *Medicare and Non-Medicare-* and observed that while **Medicare** membership count was consistently going up, **non-Medicare** membership count was also consistently going down between fiscal years 2021 and 2022. Though these movements did not affect the overall count of membership as changes were merely from one type to another- *Non-Medicare to Medicare-* it did affect the payments side.

Year	Medicare Count	Non-Medicare Count	Total
2021	11,904	4,776	16,680
2022	12,803	4,032	16,835
2023	13,025	3,804	16,829

The membership changes from Non-Medicare to Medicare resulted in the reduction of health benefit payouts, which partly accounted for the downward trends in benefit payments despite of increase in membership count. It is important to note that Medicare premium costs are significantly lower than non-Medicare premium costs.

To account for membership increase, we expanded our review and found that between 2021 to 2022, there was an uptick in the membership because of the City's Separation Incentive Programs which started as early as 2020. The Pandemic also drove more employees to retire during the same period. These events accounted for the upward trend in membership count during those times.

One can argue that if membership count had increased, the associated benefit costs should also increase. In this case, the increase in benefit costs that came along with the increase in membership was outweighed by the reduction in overall premium costs, with Medicare taking over most of the costs, plus the cost-cutting strategies undertaken by the Health Unit to manage and keep the costs down over those years.

For dental, since the trends showed that the increase in dental membership was directly proportional to the increase in dental payouts/payments, we opted not to do additional analysis on this area.

The results of our analyses coupled with Health Unit's explanation provided adequate justifications for disproportional trends in health data.

For additional information, you may refer to the following tables. It depicted the Insurance Premiums and corresponding Subsidies paid, for the month of June for the last three years, as well as membership count during the same period:

Health Benefit Subsidies (Medicare/Non-Medicare) for the Month of June

	Insurance Premium	Insurance Subsidy
Medicare 2021		
Retiree	5,572,979.83	5,138,403.06
Survivor	570,587.23	547,514.29
Not Medicare 2021		
Retiree	6,578,914.53	6,151,794.09
Survivor	184,200.88	151,511.39
Grand Total	$ 12,906,682.47	$ 11,989,222.83

	Insurance Premium	Insurance Subsidy
Medicare 2022		
Retiree	5,116,826.69	4,732,671.15
Survivor	530,540.23	508,790.09
Not Medicare 2022		
Retiree	5,652,362.48	5,299,809.02
Survivor	181,865.98	150,737.89
Grand Total	$ 12,590,577.01	$ 11,774,357.52

	Insurance Premium	Insurance Subsidy
Medicare 2023		
Retiree	5,285,695.25	4,873,366.47
Survivor	534,206.69	513,986.00
Not Medicare 2023		
Retiree	5,624,069.51	5,223,067.39
Survivor	166,893.29	137,960.96

Grand Total	$ 12,768,208.12	$ 11,871,416.93

Health Membership Count by Provider (for month of June)

Provider	Count of Plan 2021	Count of Plan 2022	Count of Plan 2023
Kaiser Senior Adv.	7,194	7,385	7,431
Anthem Med. Suppl.	3,442	3,671	3,912
Kaiser HMO	2,672	2,501	2,304
Anthem PPO	1,160	1,135	1,123
Anthem HMO	944	923	895
UHC HMO	752	727	677
SCAN HMO	516	493	487
Grand Total	16,680	16,835	16,829

Dental Benefit Payouts (for the month of June)

Dental 2021	Insurance Premium	Insurance Subsidy
Retiree	971,507.50	546,141.21
Survivor	73,359.38	
Grand Total	$ 1,044,866.88	$ 546,141.21

Dental 2022	Insurance Premium	Insurance Subsidy
Retiree	983,521.93	554,945.21
Survivor	76,185.46	
Grand Total	$ 1,059,707.39	$ 554,945.21

Dental 2023	Insurance Premium	Insurance Subsidy
Retiree	989,464.63	549,514.01
Survivor	76,588.42	
Grand Total	$ 1,066,053.05	$ 549,514.01

Dental Membership Count by Provider (for the month of June)

Dental Count	Count of Plan 2021	Count of Plan 2022	Count of Plan 2023
Delta PPO	13,536	13,879	14,053
DeltaCare HMO	3,452	3,397	3,271
Grand Total	16,988	17,276	17,324

Health Subsidy Audit				
Table of Recommendations				
Finding #	**Findings**	**Recommendations**		**Responsible Divisions**
1	Inconsistencies in Health Enrollment documentation	1. Establish standardized procedures for document management within the OnBase system. This includes clear guidelines on document naming conventions, indexing, and categorization to promote consistency across all records.		HWABD
		2. For supervisor to review a sample of records periodically to ensure adherence to the standardized procedures and correct any inconsistencies promptly.		HWABD
		3. If feasible, consider enhancing the OnBase system's capabilities to include automated checks for consistency and completeness of records. This would help reduce any errors related to uploading documentation into Onbase and improve overall organization of files.		HWABD
	Some key terms in the Health Manual were	4. Update the Health Manual regularly as LACERS		HWABD

2	not clearly defined, and procedures lacked explanations as to its' purpose. Moreover, the Manual has not been updated since 2017 and handwritten notes were visible throughout the manual.	operations evolve and change, to ensure it remains accurate and up to date.		
		5. Have clear definitions of terminologies and acronyms used in the Health Manual and include detailed instructions possibly with diagrams and flowcharts, to promote consistency in execution. This will help reduce errors and increase efficiency across the organization.		HWABD
3	LACERS staff has been having difficulty generating Sharepoint reports. Sharepoint is an ancillary application of LACERS retirement system (PGold) that helps users generate reports out of the information stored in PGold.	6. It will be helpful for users to have a procedures manual on hand that explains how to create, edit, and store SharePoint reports. This manual should be collaboratively developed with the health unit to ensure that users understand the parameters required to develop and generate meaningful reports. For example, how to set the correct date parameters (e.g., effective date), so as not to miss any important health data.		HWABD/Systems
4	The Health Vendor's Monthly Discrepancy reports did not provide	7. If necessary, ask vendor to improve its reporting format by providing clear descriptions and reasons for discrepancies- such as low-income subsidies and other rate variances, to improve the payments		HWABD

	clear descriptions or reasons for the differences being reported to LACERS, making it difficult for LACERS staff to complete its monthly reconciliation between what was already paid by LACERS and what the vendor was claiming as due to/from LACERS.	reconciliation process.		
		8. Set a periodic schedule with vendors to sit down and talk about questionable discrepancies to ensure these are resolved in a timely manner.		HWABD
		9. Document meetings and follow-ups with the vendor for easy review and tracking of agreed resolutions.		HWABD
		10. Require vendors to discuss with LACERS beforehand any plans for changes in “Report’s Formats” to ensure that these changes are acceptable to LACERS.		HWABD

LACERS

INTER-DEPARTMENTAL MEMO

Date: November 12, 2024

To: Ferralyn Sneed, Chief Benefits Analyst
Isaias Cantu, Chief Benefits Analyst

From: Melani Rejuso, Departmental Audit Manager

SUBJECT: Changes Related to Member's Direct Deposit Information

Attached is our audit report on the "Audit of Changes to Member's Direct Deposit Bank information." Preliminary findings and related recommendations were discussed with Retirement Services Division (RSD) last June 13, 2024.

Formal response and implementation plan were received from RSD last August 30, 2024, which were considered in finalizing this report.

Internal Audit staff would like to thank RSD and MSC staff for the help and cooperation extended to us while conducting this audit.

If you have any questions or comments, please contact Mina Habib.

Cc: Neil M. Guglielmo, General Manager
Dale Wong-Nguyen, Assistant General Manager
Audit Committee

Audit of Changes to Members' Direct Deposit Bank Information

November 12, 2024

Internal Audit Section

Melani Rejuso, CPA
Departmental Audit Manager
Mina Habib, CPA
Internal Auditor II

I. Summary

The Internal Audit (IA) has completed its review of Changes in Members' Direct Deposit Bank Account Information. The scope covered the period July 2023 to November 2023.

The primary objective of the review was to assess the adequacy and effectiveness of controls surrounding this area. Specifically, we determined whether bank account changes, initiated by Members and/or Beneficiaries, were properly validated by requiring and verifying the necessary justifications and other related supports.

The results of this audit were discussed with Member Processing Unit (MPU) of the Retirement Services Division (RSD), last June 13, 2024.

II. Overall Assessment

The audit found that although there were processes in place to verify the validity of Member-initiated bank account changes, controls may be improved.

Recommendations were proposed by Internal Audit to improve RSD's verification process, which were accepted by the auditee (RSD). Additional enhancements were also implemented by RSD to further strengthen their controls in this area, demonstrating a collaborative approach to improving their processes.

III. Background

The RSD's MPU is responsible for ensuring that any direct deposit changes, initiated by Members and/or its Beneficiaries, are processed accurately and securely to protect the integrity of members' financial information.

Below is a summary of the responsibilities of RSD's MPU.

<u>Responsibilities:</u> MPU must ensure that changes to members' direct deposit bank account information are processed thoroughly into the LACERS Pension Administration System (PAS). This includes requiring and reviewing support for requested changes such as a voided check, bank verification letter, and proof of ownership for the account. They must also ensure that these changes are processed securely into the PAS to protect the members' financial information from any fraudulent activity. MPU works collaboratively with Member Services Center (MSC) when interacting with Members. MSC serves as the initial contact for Members requesting direct deposit bank information changes. MSC then routes Members' requests to MPU.

IV. Objectives, Scope, and Methodology

The primary objective of this audit was to assess internal controls over any changes related to members' Direct Deposit information like bank account numbers.

Test of Internal Controls

To ensure that MPU properly manages member-initiated changes in their bank accounts, the Internal Audit unit (IA) performed detailed testing on 20 samples with bank change requests. The IA documented each step of the verification process as described by the MSC and MPU and assessed the adequacy of identity verification steps.

Internal Audit examined the supporting documentation attached to the Direct Deposit Authorization (DDA) forms and verified as to whether MPU staff had thoroughly reviewed the forms on file to ensure it contained the following information:

1. Full Legal Name
2. Social Security Number
3. Type of Change Requested (initiation, change, or cancellation)
4. Type of Account (checking or savings)
5. Routing and account numbers
6. Proof of ownership for the checking or savings account (voided check or bank verification letter)
7. Member's signature or Power of Attorney/Conservator signature

In order to confirm as to whether changes were accurately reflected into the system and that proper security measures were followed, Internal Audit cross-checked the details from the DDA forms with the information entered into the Pension Administration System (PAS) or PGold.

IA also confirmed as to whether DDA forms were submitted by the 12th of each month for processing to meet the established payroll deadlines.

V. Detailed Audit Results.

Finding:

The Internal Audit (IA) generated a report showing Bank Account changes processed between July 2023 and November 2023. IA then sampled 20 requests for bank account changes and documented the verification process involved, as described by MSC and MPU.

Based on our review, we found that control processes were generally in place related to receiving, reviewing, and processing the change requests. However, these processes may be improved. MSC and MPU described their processes, as follows:

- When a member contacts LACERS to request a change in their direct deposit information, the Member Services Center (MSC) answers the call and verifies the member's identity by confirming the last four digits of their Social Security Number (SSN), date of birth (DOB), and address.

- The MSC unit then directs the member to download a 'Direct Deposit Authorization Form' from our website (www.lacers.org) to fill out and return, either by USPS Mail, or by email to LACERS.Services@lacers.org, or by visiting LACERS at 977 N Broadway to drop off the completed form.

- Upon receipt of the completed form, LACERS' Member Processing Unit (MPU) processes the changes.

Further inquiries revealed that MSC unit verifies the identity of members only when members directly contact them for change requests. If a member visits the LACERS website, completes a form, and sends it directly to LACERS.Services@lacers.org—an email controlled by MSC—the form is then forwarded to the MPU without any further verification.

It's important to note that the MSC's verification is limited to direct phone interactions with members, and there is no verification process for forms received via **email** before they are forwarded to MPU. This process poses a potential risk, as it allows a potential fraudster to submit change requests using stolen member information without being detected. We also noted that proofs of identity were lacking in the reviewed DDA forms.

Auditor's Recommendations:

To mitigate the risk of fraud in these situations, we recommend implementing an additional identity-verification step along with requesting proofs of identity.

Additional Verification by Calling- Continue the existing practice of verifying the member's identity during the initial call. Additionally, the member should be informed that a follow-up verification call will be made once their forms and proofs of identity are received. The verification call will be made to confirm the request before processing any changes in the member's direct deposit bank account information.

The proposed additional step verification process along with submission of proofs of identity will significantly enhance security by ensuring that the member's identity is confirmed both at the initial request stage and upon receipt of the corresponding documentation, thereby reducing the likelihood of unauthorized changes to members' accounts.

Management's Response:

LACERS Retirement Services Division (RSD) Management and Member Processing Unit (MPU) supervisory staff reviewed Internal Audit (IA) Unit's Testing Workpaper on the Review and Evaluation of the Bank Account Change Request Verification Procedures at LACERS and evaluated its procedures for Direct Deposit Authorization (DDA) forms. MPU staff is committed to protecting all LACERS' Member benefits and addressing areas that are vulnerable to fraudulent activity. MPU is prepared to make the following DDA procedural enhancements effective immediately:

1. ***Enhancement #1*** *- Require Members to include a form of identification (Driver's License, State ID, Passport, etc.) when submitting a DDA form. This will allow Members to self-identify themselves without putting additional strain on current staff. Incorporating the additional identification instruction on the DDA form could be made quickly and would have minimal disruption on operations.*

2. ***Enhancement #2*** *- Develop a temporary notification process whereby a confirmation email is sent to Members notifying them that a DDA change has been made to their account. If the Member does not recognize the change request, they will be instructed to contact LACERS immediately.*

   RSD and MPU staff are working with LACERS' Systems Operations Support Unit (SOS) on future enhancements to the MyLACERS portal and have identified short-term web-based enhancements shown under items 3 and 4 below.

3. ***Enhancement #3 -****Member driven self-updates for DDA and tax withholdings. The MyLACERS portal already has built-in security features such as multi-factor authentication and confirmation emails that make account sign-ins safer and secure.*

4. ***Enhancement #4*** *– Contacting Members within three days of receiving a DDA form before processing the change into LACERS' Pension Administration System (PAS).*

RSD is receptive to IA's recommendation that staff engage in a follow-up verification with Members when DDA forms are received. MPU is prepared to make the procedural changes to DDA forms in the latter half of Fiscal Year 2024-25.

<u>Glossary:</u>

- Retirement Services Division (RSD)
- Member Processing Unit (MPU)
- Member Services Center (MSC)
- Direct Deposit Authorization (DDA) forms
- Pension Administration System (PAS)
- Internal Audit (IA)

Audit of Changes to Members' Direct Deposit Bank Information				
Table of Recommendation				
Finding #	**Finding**	**Recommendation**		**Responsible Division**
1	Members' requests to change Direct Deposit Bank Information lacked the necessary verification process. We also noted that proofs of identity were lacking in the reviewed DDA (Direct Deposit Authorization) forms.	Implement an additional identity-verification by calling Members before processing any bank information changes along with requesting proofs of identity. Continue the existing practice of verifying the member's identity during the initial call. Additionally, the member should be informed that a follow-up verification call will be made once their forms and proofs of identity are received. The verification call will be made to confirm the request before processing any changes in the member's direct deposit bank account information. The proposed additional step verification process along with submission of proofs of identity will significantly enhance security by ensuring that the member's identity is confirmed both at the initial request stage and upon receipt of the corresponding documentation, thereby reducing the likelihood of unauthorized changes to members' accounts.		MPU

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee
Michael R. Wilkinson, Chair
Janna Sidley
Sung Won Sohn

MEETING: NOVEMBER 12, 2024
ITEM: V – C

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE I, SECTION 1.4 MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS, AND ARTICLE II, SECTION 5.2 STRATEGIC PLANNING POLICY, AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board of Administration (Board) take the following action as recommended by the Governance Committee (Committee):

1. Adopt the proposed amendments to the Board Governance and Administrative Policies, Article I, Section 1.4 Mission, Vision, Guiding Principles, Strategic Goals, and Article II, Section 5.2 Strategic Planning Policy.

Executive Summary

The Board reviews Governance and Administrative policies on a triennial basis. Staff now bring proposed revisions to Section 1.4 and Section 5.2 to the Board for its consideration.

Discussion

On October 22, 2024, the Committee continued the policy review process with the consideration of minor revisions recommended by staff to Article I, Section 1.4 Mission, Vision, Guiding Principles, Strategic Goals, and Article II, Section 5.2 Strategic Planning Policy. The Committee approved the staff report for referral to the Board for its consideration.

Prepared By: Lisa Li, Management Analyst

NMG/TB/EA/CK/LL

Attachments: Report to Governance Committee Dated October 22, 2024

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO GOVERNANCE COMMITTEE **MEETING: OCTOBER 22, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: III**

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE I, SECTION 1.4 MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS, AND ARTICLE II, SECTION 5.2 STRATEGIC PLANNING POLICY, AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Governance Committee (Committee):

1. Approve the proposed amendments to the Board Governance and Administrative Policies, Article II, Section 1.4 Mission, Vision, Guiding Principles, Strategic Goals, and Section 5.2 Strategic Planning Policy.
2. Upon Committee approval, send the entire revised policy sections to the Board of Administration (Board) for final review and adoption.

Executive Summary

The Committee reviews Governance and Administrative policies on a triennial basis. Staff now presents proposed revisions to Section 1.4 and Section 5.2, to the Committee for its consideration.

Discussion

As a best practice, LACERS performs a comprehensive review of its Board Governance Policies every three years. In November 2022, the Board adopted the Committee's recommended schedule for the current review of these policies.

In accordance with that schedule, staff has completed its review of Section 1.4 Mission, Vision, Guiding Principles, Strategic Goals, and Section 5.2 Strategic Planning Policy of the Board Governance Manual and is now presenting proposed changes to the Committee for its consideration.

Only minor updates and revisions are proposed for these policy sections since the last update, primarily for the purpose of updating information to reflect LACERS most recently adopted Strategic Plan. Upon the Committee's finalization of the proposed revisions, staff will present the changes to the Board for further consideration and approval.

Prepared By: Chhintana Kurimoto, Management Analyst

NMG/TB/EA/LL/CK

Attachments: 1. Article I, Section 1.4 Mission, Vision, Guiding Principles, Strategic Goals – Redline Version
2. Article II, Section 5.2 Strategic Planning Policy – Redline Version

Section 1.0 GOVERNANCE PRINCIPLES

1.4 Mission, Vision, Guiding Principles, Strategic Goals

Adopted: March 12, 2013; Revised: February 12, 2019; October 22, 2024

Mission Statement

Provide retirement and healthcare benefits to all Members by securing and growing the trust fund~~Trusted by our Members and partners for excellence, innovation, professionalism, and transparency~~.

Vision Statement

A forward-thinking organization and industry leader in financial strength and service excellence to our Members~~To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement service to our Members~~.

~~**Motto**~~

~~*"Securing Your Tomorrows"*~~

Guiding Principles

Professionalism, Culture of Innovation, Respect, Kindness~~ & Caring~~, and Teamwork

Strategic Goals

I. Customer Service – ~~To p~~Provide outstanding customer service that meets Members' needs
II. Benefits Delivery – ~~To d~~Deliver accurate and timely Member benefits
III. Health and Wellness – Improve value and minimize costs of Members' health and wellness benefits
IV. Investment – ~~To o~~Optimize long-term risk adjusted returns through superior investments
V. Governance – ~~To u~~Uphold good governance practices which affirm transparency, accountability, and fiduciary duty
VI. Organization – ~~To i~~Increase organizational effectiveness, efficiency, and ~~resilience~~resiliency
VII. Workforce – ~~To r~~Recruit, retain, mentor, empower, and promote a high-performing workforce

Related Policy: Strategic Planning Policy

Section 5.0 OTHER

5.2 STRATEGIC PLANNING POLICY

Adopted: March 12, 2013; Revised: October 22, 2024

The Board and executive management of LACERS recognize that the best way to be efficient and orderly in fulfilling the legal responsibilities and Mission of the organization is through strategic planning. By adopting this policy, the Board states its intention to engage with management in a regular, systematic planning process to continually improve benefits administration, assess customer service, enhance investment performance, and evaluate new opportunities to fulfill the Mission of LACERS.

The purpose of this policy is to establish a framework for long~~- range~~ term strategic planning that will guide short~~er~~ term (annual) business plans of the organization. ~~Establishment of T~~The strategic plan establishes general parameters for administrative and managerial decisions ~~within which decisions will be made~~ while the business plan focuses resources on high value activities within those parameters.

The principles that the Board has adopted for strategic planning are:

- The Board and executive management work together through cooperative efforts to develop ~~the resulting~~ LACERS strategic plan document every three to five years. ~~is developed through the cooperative efforts of the Board and management consisting of a strategic planning process and the resulting written strategic plan document.~~
- The strategic plan will be a rolling ~~three~~multi-year plan which is initially established but allows for updates annually or as needed ~~within the said three year period~~.
- The Board and management will engage in a strategic planning session ~~*triennial strategic planning session*~~ which includes an environmental scan (SWOT analysis), and establishing/reaffirming the LACERS mission, vision, guiding principles, and multi-~~three~~ year goals.
- Input from staff, stakeholders, and other interested parties will be solicited throughout the process.
- The General Manager will provide a~~A~~n annual business plan review ~~*annual strategic plan review* will be brought by the General Manager~~ to the Board for ~~review~~ its consideration and evaluation and will consist of:
  1. A written progress report under the plan
  2. Discussions of new initiatives
  3. Discussions of significant changes in direction of the System
- ~~Input from staff, stakeholders, and other interested parties will be solicited throughout the year.~~
- When the strategic plan has been updated, it will be communicated to the entire staff of LACERS and to other stakeholders.
- The Board's consensus view of progress under the plan will be one factor among others in the performance assessment of the General Manager.

The Board is responsible for:

- Reaching consensus and adopting the multi-year strategic plan ~~*triennial strategic plan*~~ for LACERS, including the vision, mission, guiding principles and goals.
- Assessing the System's strengths and weaknesses as well as the opportunities and threats in the LACERS environment through a strategic planning session facilitated preferably by a consultant/third party.

Section 5.0 OTHER

- Reviewing and reaching consensus on priorities under each goal and i~~I~~nitiative.
- Approving an operational budget that takes into account the upcoming year's initiatives under the strategic plan.
- Ensuring proper management of the system, by ~~M~~monitoring the impact and progress of initiatives toward achieving the strategic plan goals through various ~~methods of reporting~~reporting methods. ~~or review which satisfy the Board's responsibility to ensure proper management of the System.~~ This could include the Board establishing a schedule for detailed reports on individual initiatives, assigning oversight to committees for regular review, and reporting the progress of each initiative.~~to receive detailed reports on each individual initiative on a rotating basis; assigning oversight of goals to committees and requesting their regular view of initiatives under their goal; adding a statement at the conclusion of every Board report which indicates how the item relates to a strategic plan goal; and if the item is an initiative, that its progress as an initiative also be reported.~~
- The Board will review the Strategic Plan ~~*Strategic Planning Policy*~~ at least every three to five years to ensure that it remains relevant ~~and~~ and applicable.~~appropriate.~~

The General Manager is responsible for:

- Preparing for or engaging a consultant to facilitate the multi-year strategic planning session ~~*triennial strategic planning session*~~ for the Board and management.
- Drafting the initial long-~~range~~ term strategic plan that reflects the consensus view of the Board as to mission, vision, guiding principles, and goals.
- Developing and managing the annual business plan to include strategies/initiatives for the achievement of the strategic plan goals.
- Closely monitoring progress under the plan by assigning responsibility to staff, consultants, and others, to develop detailed action plans that include timelines and budgets for the purpose of determining progress on the initiatives.
- Preparing progress reports for the Board annually and as needed.
- Preparing a timely written report to the Board to keep them apprised of any major issues with progress on a strategic initiative.
- Surveying the Board periodically to ensure they are receiving a satisfactory level of reporting on the strategic plan. Scheduling an annual business planning review ~~*annual strategic planning review*~~ for the purpose of adopting an annual business plan and updating the vision, mission, guiding principles, and goals, if needed.
- Seeking input from staff and stakeholders about key strategic issues prior to the multi-year strategic planning session and annual strategic business plan review ~~*triennial strategic planning session* and *annual strategic plan review*~~.
- Identifying critical issues, business risks, opportunities, and needs of LACERS
- Recommending to the Board any modifications that should be made to the plan

The Strategic Planning Policy ~~*Strategic Planning Policy*~~ shall be reviewed by the Board at least every three to five years to ensure that it remains relevant and appropriate.

REPORT TO BOARD OF ADMINISTRATION

From: **Governance Committee**
Michael R. Wilkinson, Chair
Janna Sidley
Sung Won Sohn

MEETING: NOVEMBER 12, 2024
ITEM: V - D

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: PRESIDING OFFICER AMENDMENTS TO ARTICLE I, SECTION 4.1 BOARD PROCEDURES AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve the proposed amendments to the Board Governance Statement, Article 1, Section 4.1 Board Procedures discussed in the Governance Committee (Committee) that incorporate language to determine a temporary presiding officer, and,
2. Approve the Committee's recommendation for the selection of committee vice chairs to serve as temporary presiding officers.

Executive Summary

The Board has discussed various options for selecting a temporary presiding officer should the Board President and Vice-President be absent. At the August 27, 2024 Board Meeting, the Board approved a process where the temporary presiding officer would be the first available Committee Chair present of the Audit, Benefits Administration, Governance, or Investment Committee, in this alphabetical order.

Staff also presented options to the Committee for determining a temporary presiding officer for committees if the appointed Committee Chair is unavailable. The Committee discussed the various options and recommended to the Board the selection of Vice Chairs as part of the nomination process by the Board President each fiscal year.

Discussion

On October 22, 2024, the Committee discussed and approved the following revisions to the existing Board Governance Statement Policy in Section 4.1, Board Procedures:

Section 4.1.C: Board Meeting Presiding Officer

Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the first available chairperson of the following committees, in alphabetical order, will serve as the temporary presiding officer: Audit, Benefits Administration, Governance, or Investment Committee. Should the last presiding officer need to leave an open meeting, the next available Committee Chair present, in the aforementioned order, shall be designated as the succeeding presiding officer.

For Committee meetings, the Committee Chair shall convene and preside over the meeting. In the Chair's absence, they shall designate a succeeding officer by notifying the Commission Executive Assistant or the General Manager in advance of the meeting at which they will be absent. If the Chair needs to leave before a Committee meeting ends, they shall designate a succeeding officer. (Amended 10/22/24)

Upon the Board's approval of this first recommendation, staff will implement the adopted changes and publish an updated policy document.

<u>Committee Temporary Presiding Officer</u>

The Committee considered three options to determine a temporary presiding officer for committees that included:

Option 1: Designation based on Seniority/Tenure and Last Name Alphabetical Order

- The temporary presiding officer would be designated based on seniority within the Board.
- This option acknowledges experience and familiarity with committee procedures.
- Should two committee members have the same seniority/tenure, the temporary presiding officer would be selected based on alphabetical order of last names.

Option 2: Designate Committee Vice Chairs

- Vice Chairs are selected by the Board Chair or Board President.
- Selection/nomination can occur concurrently with the selection of Committee Chairs and Members.
- Ensures that committee meetings can still take place with a majority present.

Option 3: Designation based on Committee Chair Hierarchy

- The temporary presiding officer would be selected based on a hierarchy of other Committee Chair assignments, for example: Audit, Benefits Administration, Governance, or Investment Committee, in this alphabetical order.
- This option ensures that individuals with experience leading committees assume responsibility.
- This is consistent with the selection of the temporary Board Meeting Presiding Officer.

The Committee recommends Option 2 for Board Consideration. This recommendation would allow the Board President to nominate a vice chair for all committees at the beginning of each year alongside appointment of the committee chairs. Committee vice chairs will serve as the temporary presiding officer should the committee chair be unavailable.

Upon Board approval, staff will work with City Attorney to draft revisions to relevant Board Manual policies to present to the Committee before requesting Board consideration.

Prepared By: Horacio Arroyo, Senior Management Analyst II

NMG/TB/EA:ha

Attachments: 1. Report to Governance Committee Dated October 22, 2024

REPORT TO GOVERNANCE COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: OCTOBER 22, 2024
ITEM: IV

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: PRESIDING OFFICER AMENDMENTS TO ARTICLE I, SECTION 4.1 BOARD PROCEDURES AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Governance Committee (Committee):

1. Approve the proposed amendments to the Board Governance Statement, Article I, Section 4.1 Board Procedures;
2. Upon Committee approval, send the entire revised policy section to the Board for final review and adoption; and
3. Provide guidance to staff on determining a temporary presiding officer in all committees based on proposed options.

Executive Summary

Over the past few months, the Board has discussed various options for selecting a presiding officer if both the Board President and Vice-President are absent. At the August 27, 2024 Board Meeting, the Board approved a process where the temporary presiding officer would be the first available Committee Chair present of the Audit, Benefits Administration, Governance, or Investment Committee, in this alphabetical order.

Staff has incorporated the proposed language to formalize this in the attached 4.1 Board Procedures document. These amendments are also detailed in the discussion section below.

Additionally, staff are presenting options to identify a temporary presiding officer for a committee if the appointed Committee Chair is unavailable.

Discussion

The proposed policy changes to the Board Governance Statement Policy in Section 4.1 – Board Procedures are as follows:

Section 4.1.C: Board Meeting Presiding Officer

Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the first available chairperson of the following committees, in alphabetical order, will serve as the temporary presiding officer: Audit, Benefits Administration, Governance, or Investment Committee. Should the last presiding officer need to leave an open meeting, the next available Committee Chair present, in the aforementioned order, shall be designated as the succeeding presiding officer.

For Committee meetings, the Committee Chair shall convene and preside over the meeting. In the Chair's absence, they shall designate a succeeding officer by notifying the Commission Executive Assistant or the General Manager in advance of the meeting at which they will be absent. If the Chair needs to leave before a Committee meeting ends, they shall designate a succeeding officer. (Amended 10/22/24)

Upon the Committee's approval of this report and the amended policy document (attached), staff ask that the proposed amendment be taken to the Board for final review and approval.

Committee Temporary Presiding Officer

To determine a temporary presiding officer for committees, staff have prepared the following options for consideration:

Option 1: Designation based on Seniority/Tenure and Last Name Alphabetical Order

- The temporary presiding officer would be designated based on seniority within the Board.
- This option acknowledges experience and familiarity with committee procedures.
- Should two committee members have the same seniority/tenure, the temporary presiding officer would be selected based on alphabetical order of last names.

Option 2: Designate Committee Vice Chairs

- Vice Chairs are selected by the Board Chair or Board President.
- Selection/nomination can occur concurrently with the selection of Committee Chairs and Members.
- Ensures that committee meetings can still take place with a majority present.

Option 3: Designation based on Committee Chair Hierarchy

- The temporary presiding officer would be selected based on a hierarchy of other Committee Chair assignments, for example: Audit, Benefits Administration, Governance, or Investment Committee, in this alphabetical order.
- This option ensures that individuals with experience leading committees assume responsibility.
- This is consistent with the selection of the temporary Board Meeting Presiding Officer.

Discussion and direction of the Committee are requested to determine the preferred method for selecting a temporary presiding officer for committees.

<u>Prepared By:</u> Horacio Arroyo, Senior Management Analyst II

NMG/TB/EA:ha

Attachment: 1. Article I, Section 4.1 Board Procedures-General - Redline Version

Section 4.0 BOARD PROCEDURES

4.1 GENERAL

Section Affirmed: October 22, 2013; Revised: May 14, 2013, February 25, 2014, June 14, 2016, August 28, 2018, December 11, 2018, February 12, 2019, July 11, 2023, October 22, 2024

A. **Procedural Standard**
The Board and its Committees shall operate under Robert's Rules of Order unless statutes or Board action provide otherwise.

B. **Board Actions**
Actions of the Board require four votes. The Los Angeles City Charter §503(c) requires that "Each board shall exercise the powers conferred upon it by the Charter by order or resolution adopted by a majority of its members. Action of the board shall be attested by the signatures of the President or Vice President, or two members of the board, and by the signature of the secretary of the board."

C. **Board Meeting Presiding Officer**
Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the first available chairperson of the following committees, in alphabetical order, will serve as the temporary presiding officer: Audit, Benefits Administration, Governance, or Investment Committee. ~~the General Manager/Manager-Secretary will open the meeting and call for nominations of a President Pro Tempore from the members present to serve for the duration of the meeting.~~ Should the last presiding officer need to leave an open meeting, the next available Committee Chair present, in the aforementioned order, ~~they~~ shall be designated as the~~a~~ succeeding presiding officer.

For Committee meetings, the Committee Chair shall convene and preside over the meeting. In the Chair's absence, they shall des
ignate a succeeding officer by notifying the Commission Executive Assistant or the General Manager in advance of the meeting at which they will be absent. If the Chair needs to leave before a Committee meeting ends, they shall designate a succeeding officer. (Amended 10/22/24)

D. **Committee Assignments**
Committee assignments are to be determined by the President or Acting President, who shall also name the Committee Chair. An alternate will be appointed for each Committee to serve in the absence of Committee Members. Additional alternates may be appointed on an as-needed basis by the Board President.

E. **Committee Meeting Schedule and Attendance**
All Committee meetings of the Board shall be open to all Board members, but only Committee Members may vote. Committee meetings shall be scheduled to occur on the same day as regular Board meetings whenever possible.

F. **Closed Sessions**
Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board.

G. **Closed Session Discussions and Decisions**
Pursuant to Section 54957.2, Chapter 9 of the California Government Code (The Ralph M. Brown Act), the legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record

of topics discussed and decisions made at the meeting. The Executive Assistant to the Board of Administration shall be designated to serve in this capacity; and the General Manager/Manager-Secretary is designated as the alternate.

H. **Board Member Compensation**

Members of the Board shall be compensated for attendance at all Regular and Special meetings of the Board at a rate of $50 per meeting with a maximum of $250 per month, except when such Special meeting is concurrently scheduled as a meeting of a Committee of the Board.

I. **Board Meeting Schedule and Location**

The Board hereby approves the official meeting time for Regular Meetings of the LACERS Board of Administration as 10 a.m. on the second and fourth Tuesdays of each month, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012, as the official place for Regular Meetings. All Board and Committee meetings are open to the public, with the exception of “closed session” meeting items.

J. **Public Comment**

The Board shall provide a member of the public the opportunity to address the Board or Committee on any item under its jurisdiction as follows:

1. <u>Agenda Items</u> – With respect to any item which is already on the agenda, the public shall be allowed the opportunity to comment at the commencement of the Board or Committee meeting. The Board/Committee Meeting Presiding Officer may request to have the speaker give their public comment prior to the agenda item to be addressed. The public shall also be given an opportunity to comment on closed session items prior to adjournment into closed session.
2. <u>Non-Agenda Items</u> – Members of the public shall have the right to address the Board on items which are within the subject matter jurisdiction of the Board. Except as otherwise permitted by the Ralph M. Brown Act, no deliberation of action may be taken by the Board concerning a non-agenda item, except that members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a question for clarification; or (3) provide a reference to staff for factual information. Furthermore, the Board may take action to direct staff to place a matter of business on a future agenda.

Each speaker giving a public comment shall be allotted two minutes per agenda item or new matter which is to be enforced by the Board/Committee Meeting Presiding Officer. The allotted time may be adjusted at the discretion of the Presiding Officer.

Written public comment addressing items on the meeting agenda shall be distributed to members of the Board or Committee prior to the beginning of the meeting but shall not be read out loud into the record by Board Members or LACERS’ staff during the meeting as a matter of course. All submitted public comments, including public comment cards, shall be posted with the Board meeting documents on LACERS’ website.

REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee
Michael R. Wilkinson, Chair
Janna Sidley
Sung Won Sohn

MEETING: NOVEMBER 12, 2024
ITEM: V - E

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 2.1 ETHICAL CONTRACT COMPLIANCE AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve the amended Ethical Contract Compliance Policy as reviewed and approved by the Governance Committee (Committee) on October 22, 2024.

Executive Summary

The Board reviews Governance and Administrative policies on a triennial basis. Staff completed the review of the Ethical Contract Compliance Policy (Policy) and prepared minor revisions that were presented to and approved by the Committee.

Discussion

On October 22, 2024, the Committee discussed and approved revisions to the existing Policy that includes minor revisions to named terms, grammar, and other clarifications.

This discussion and the adopted motion by the Committee from October 22, 2024, are now being brought before the Board for approval. Once the Board acts, staff will implement the Policy changes and publish an updated Policy document.

Prepared By: Horacio Arroyo, Senior Management Analyst II

NMG/TB/EA:ha

Attachments: 1. Report to Governance Committee Dated October 22, 2024

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO GOVERNANCE COMMITTEE | **MEETING: OCTOBER 22, 2024**
From: Neil M. Guglielmo, General Manager | **ITEM: V**

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 2.1 ETHICAL CONTRACT COMPLIANCE POLICY AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Governance Committee (Committee) recommend to the Board adoption of minor revisions to Article II, Section 2.1 Ethical Contract Compliance Policy.

Executive Summary

In accordance with the Triennial Board Review Policy, staff has completed its review of the Ethical Contract Compliance Policy and has prepared the minor revisions for Committee review.

Discussion

On September 28, 2021, the Board approved edits to this policy to enhance provisions for a transparent and fair contracting process; renamed the policy to more clearly convey it's intended purpose; and added language to expand on the parties affected by this document.

Staff recommends only minor revisions to this policy that largely includes correcting named terms, grammatical improvements, and other clarifications. These revisions are detailed in the attached Ethical Contract Compliance Policy document.

Upon the Committee's approval of this report and the amended policy document (attached), staff ask that these proposed revisions be taken to the Board for final review and approval.

Prepared By: Horacio Arroyo, Senior Management Analyst II

NMG/TB/EA:ha

Attachment:
- Article II, Section 2.1 Ethical Contract Compliance Policy - Redline Version

Section 2.0 CONTRACT ADMINISTRATION

2.1 ETHICAL CONTRACT COMPLIANCE POLICY

Adopted: April 24, 2007; Revised June 10, 2014; September 28, 2021, October 22, 2024

Purpose
The purpose of this policy is to support a transparent and fair contracting process ~~which~~ that provides equal information and opportunity to all parties interested in contracting with LACERS. The policy primarily concerns the conduct of those seeking a new contract or contract extension/renewal. It aims to prevent, and avoid the appearance of, undue influence on the Board, individual Board Members, LACERS Staff, and City Consultants in the award of investment-related and other service contracts, by placing restrictions on communications between parties seeking contracts and those involved in awarding contracts and the contracting process.

This policy is intended to align with the city's Governmental Ethics Ordinance, Section 49.5.11(A) which states "Except at a public meeting, a member of a City board or commission shall not participate in the development, review, evaluation, or negotiation of or the recommendation process for bids, proposals, or any other requests for the award or termination of a contract, amendment, or change order involving that board, commission, or agency. This does not preclude individual [Board] members from reviewing documents and other information provided by agency staff [or consultants] when preparing for a public meeting at which the matter will be considered."

Parties Affected
Any firm or representative seeking a contract or contract extension/renewal with LACERS is a "Restricted Source" as defined by the City's Governmental Ethics Ordinance~~,~~ and is subject to this policy.

Any Board Member, Staff member, City Attorney, LACERS consultant, or anyone working on LACERS' behalf which has any privileged information about the potential contract is subject to this policy and to the City's Governmental Ethics Ordinance. The ethical contract compliance ~~marketing cessation~~ period applies to all aforementioned entities in all communications with potential or current contractors ~~who~~ that participate in either traditional Request for Proposals or private market opportunities, except when Staff, City Attorneys, or LACERS consultants are engaged in necessary communications as allowed under *Communication Restrictions: Exceptions – Permitted Communications.*

Notification
All firms responding to a Request for Proposal are notified of the Department's Ethical Contract Compliance Policy through the Request for Proposal solicitation. Additionally, ~~A~~all firms whose contracts are approaching expiration are ~~additionally~~ notified of the Ethical Contract Compliance Policy through their contract provisions.

Restricted Period
Restrictions apply from the time the Request for Proposal is released until a contract is executed. All Restricted Sources will be listed on the Ethical Contract Compliance Policy Report, which is to be updated and presented monthly to the Board. ~~on a monthly basis.~~

Restrictions:

Section 2.0 CONTRACT ADMINISTRATION

Communication Restrictions
During the Restricted Period, all firms that are potential candidates for the award of a contract or extension of an existing contract are prohibited from engaging in any direct or indirect marketing of their services except through the process set forth in the Request for Proposal. This prohibition includes all conversations about the contract or the process to award it, unless exception is permitted herein.

Exceptions – Permitted Communications:

- Board ~~of~~ or staff conversations with restricted sources about ~~generic~~ general topics at group social events, educational seminars, conferences, or charitable events.
- Communications between staff with firms ~~who~~ that currently have contracts with LACERS are acceptable when ~~they are~~ related to the performance of the existing contract.
- Communications initiated by staff with firms when related to the due diligence process or research.
- Communications initiated by staff with firms that were not subject to a competitive proposal process where contract negotiations are necessary prior to execution of a final agreement.
- Communications initiated by staff with a firm that is actively negotiating a contract with LACERS for the purpose of collecting documentation necessary for the execution of the final agreement.

Gift Restrictions
In addition to all other applicable gift restrictions, Board Members, Staff, and LACERS consultants will not accept entertainment or gifts of any kind from any Restricted Source, nor any intermediary or affiliate, during the restricted period. An incumbent firm is also restricted from providing any type of gift or entertainment to Board Members, Staff, or other LACERS consultants during the three months prior to renewal of the existing contract or during the restricted period, whichever is longer. Courtesies offered to staff during due diligence office visits, such as working meals and beverages, may be accepted by staff if consistent with all applicable ethics laws, including but not limited to the City Ethics Ordinance and Political Reform Act.

Proposer Disclosure

All Proposers shall provide the following disclosures with their RFP response. All recommendations to the Board to award a contract shall include a copy of such disclosures:

1. All ~~respondents~~ proposers are required to submit a statement listing all contacts with LACERS Board Members, Staff, and Consultants during the restricted period.
2. All ~~respondents~~ proposers shall provide information regarding any personal or business relationship between their personnel and any LACERS Board Members, Staff, or Consultants~~Member of the Board, Staff of LACERS, or Consultants~~ ~~who~~ that are designated as Form 700 filers in the Department's Conflict of Interest Code.
3. All ~~respondents~~ proposers shall disclose any payments for marketing or placement services to any person, firm, or entity to assist in seeking the LACERS contracting opportunity.

Section 2.0 CONTRACT ADMINISTRATION

Penalties

Any failures to disclose, or false disclosures, are a violation of this policy and shall result in an automatic disqualification of the firm involved.

This policy shall be reviewed by the Board every three years or earlier if necessitated by a change in local, State, or Federal statutes.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

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

MEETING: November 12, 2024
ITEM: V-F

SUBJECT: **APPROVAL OF 3-YEAR CONTRACTS WITH BUSINESS CONTINGENCY GROUP, CHLOETA, CONSTANT ASSOCIATES, INC., LMG SECURITY, AND KUMA, LLC, FOR EMERGENCY TABLETOP EXERCISE SERVICES AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve three-year contracts with Business Contingency Group, Chloeta, Constant Associates, Inc., LMG Security, and Kuma, LLC, for Tabletop Exercise Consulting Services for a contract term of three years and not to exceed $75,000; and,

2. Direct and authorize the General Manager to negotiate and execute the necessary documents subject to City Attorney review.

Executive Summary

Presently, LACERS has a comprehensive Department Emergency Plan (DEP) and Business Continuity Plan (BCP). To train, practice, and enhance the application of its plans, LACERS regularly conducts tabletop exercises featuring diverse scenarios, including but not limited to earthquake simulations, active shooter events, cybersecurity breaches, and incidents of civil unrest. The exercises stress-test the plans and organizational response, identifying opportunities to refine existing procedures in advance of emergency situations.

LACERS' previous contract for tabletop exercise services concluded in 2022, necessitating a Request for Qualifications (RFQ) for continuity of the tabletop practices. Creating a bench of multiple firms is recommended, as:

1. Not all firms are guaranteed to have availability when LACERS seeks their services;

2. Unique and advanced qualifications are necessary for cybersecurity and IT-related tabletop exercises; and,

3. It will allow LACERS to issue a task order based on a given topic and assign the exercise to the firm with the best fit and the most experience.

After reviewing submissions, LACERS staff have identified five firms to create a varied roster of available subject matter experts to fulfill Tabletop Exercise services on an as-needed basis.

Discussion

LACERS released the Request for Qualifications (RFQ) for Tabletop Exercise Consulting Services on Monday, April 22, 2024, on both lacers.org and the City's notification service, Regional Alliance Marketplace for Procurement (RAMP). Potential respondents were provided with the initial deadline of Monday, May 3, 2024, to submit all questions in writing concerning the RFQ, and a final deadline of Monday, May 13, 2024, to submit all the required documents for the RFQ. To ensure sufficient response, the RFQ was extended an additional two weeks with an addendum on Monday, May 13, 2024.The submission period concluded on Friday, May 24, 2024, with a total of 11 submissions.

The submissions were reviewed by three members of the LACERS staff, including two who have participated in the coordination and design of prior tabletop exercises for the department. Each submitted proposal was rated in three categories: (1) Professionalism; (2) Proposed Scope of Services Description and Methodology; and (3) Qualifications, Experience, and Accomplishments. Submissions were scored individually and then combined to determine ranking of proposals. References were then contacted for the top five scoring proposals to vet the experiences of their former clientele, including if they would or have rehired the firm, with all responsive references responding positively.

The recommended firms have previous experience working with technology businesses, pension funds, healthcare benefits organizations, or governmental agencies.

Staff recommends awarding contracts to the following three (3) vendors for general emergency tabletop exercises and two (2) vendors specializing in cybersecurity:

Contractor	Service Specialty
Business Contingency Group	General
Chloeta	General
Constant Associates, Inc.	General
LMG Security	Cybersecurity
Kuma, LLC	Cybersecurity

Prepared By: Kristen Szanto, Sr. Management Analyst I, Administration Division

NMG/TB/EA/HA:ks

Attachments: 1. Proposed Board Resolution

BOARD Meeting: 11/12/24
Item: V-F
ATTACHMENT 1

AUTHORIZATION TO CONTRACT WITH BUSINESS CONTINGENCY GROUP, CHLOETA, CONSTANT ASSOCIATES, INC., LMG SECURITY, AND KUMA, LLC, FOR EMERGENCY TABLETOP EXERCISE CONSULTING SERVICES

PROPOSED RESOLUTION

WHEREAS, on May 28, 2024, the Board adopted LACERS' proposed budget, personnel, and annual resolutions for Fiscal Year 2024-25 that authorized a budget of $50,000 for emergency tabletop exercise services;

WHEREAS, on April 22, 2024, a Request for Qualifications was issued to identify qualified tabletop exercise consulting services providers;

WHEREAS, on May 24, 2024, eleven firms responded to the Tabletop Exercise Consulting Services Request for Qualifications; and,

WHEREAS, on November 12, 2024, based on the staff's recommendation, after evaluating the submitted written proposals, the Board approves contracting Business Contingency Group, Chloeta, Constant Associates, Inc., LMG Security, and Kuma, LLC, to form a contractor bench to provide Emergency Tabletop Exercise Consulting services;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the General Manager to negotiate and execute agreements with the Business Contingency Group, Chloeta, Constant Associates, Inc., LMG Security, and Kuma, LLC, for Emergency Tabletop Exercise Consulting Services for a term of three years from the date of execution, not to exceed $75,000, subject to satisfactory legal review by the City Attorney.

November 12, 2024

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

MEETING: NOVEMBER 12, 2024
ITEM: V-G

SUBJECT: **BUDGET REQUEST FOR INFORMATION TECHNOLOGY AGENCY CONTRACTED SERVICES WITH WORKDAY, INC. FOR THE CITY HUMAN RESOURCES PAYROLL SYSTEM POST-IMPLEMENTATION SUPPORT AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve an appropriation increase in the amount of $125,000 in account 163040 – Contractual Services for Fiscal Year 2024-25 to cover an additional three months of Human Resources Payroll system contractual support to LACERS.

Executive Summary

The City's Human Resources and Payroll (HRP) Project has caused major changes to LACERS' prior business processes and has required a shift of resources to minimize the impact to Members and operations. Despite best efforts, there are a number of unresolved and ongoing issues that require additional assistance. LACERS entered into an agreement with Accenture through the Information Technology Agency's contract with Workday, Inc. to provide a certified Support Analyst dedicated to LACERS' technical needs, including but not limited to correcting interface errors, interface development, and providing an alternate view of the payroll results, associated with the City's transition from the legacy City payroll system, PaySR, to HRP. Staff requests the Board's approval in obtaining additional support from Accenture through January 31, 2025.

Background

The City's Human Resources and Payroll (HRP) project commenced in March 2020,, to replace the City's legacy payroll system, PaySR, which was utilized for the last twenty years by City departments. Subsequent to a Request for Proposals, the City selected Workday as its modernized software platform for human resource management and payroll. As referenced in the November 2021 Council File # 20-0313, the HRP project would be delivered as a two-phase implementation with the early phase to onboard new employees and the final phase to process payroll.

City Payroll is Vital to Retirement Administration

Active LACERS Members are required to contribute 11% to the Plan through biweekly payroll deductions to help fund retirement benefits. LACERS relies on the City’s payroll processes and data to administer retirement benefits for approximately 27,000 Active Members, which includes:

- maintaining each Member's individual member account of contributions; and
- projecting each Member's future retirement benefits to assist members to plan for retirement; and,
- ultimately calculating Members' actual retirement benefits at the time of retirement.

LACERS has no independent access to payroll information about Active Members--that data resides on the City's payroll system. Under the current paradigm, the City transmits this information to LACERS to be loaded into the pension administration system, Pension Gold (PG).

Discussion

Phase 2 of the HRP project, implementation of the payroll processing phase, went live on June 16, 2024. From the outset, the City’s transmission of payroll data from the new system included increased exceptions, calculation issues, late payments/emergency checks, late enrollment into the LACERS plan, amongst other newly encountered issues. The City receives and transmits data using three integration files as related to deductions, excess benefits, and Member payroll. The Accenture contractor assists LACERS with improvements and fixes to all the integration files.

LACERS currently accepts the incoming integration file (INT046) from HRP that provide key data elements such as employee information, salary details, contributions, and deductions. This file is loaded into PG, resulting in exceptions that must be cleared by staff before the end of the subsequent pay period. The exceptions generated from the integration files increased from approximately 100 in PaySR to over 2,000 after the first payroll cycle in Workday. After review and validation, LACERS staff manually clear each exception resulting from the data upload. After many Service Now (SNOW) tickets with HRP and months of work with our Accenture contractor, LACERS has reduced the number of exceptions to less than 300 per payroll cycle. Additionally, there have been many issues with generating and providing LACERS with the integration file on time, resulting in delayed processing of pertinent payroll information. Therefore, more work to this file is needed, including converting the account adjustments record type into pay period adjustments record type that will reduce the manual workload for staff and provide accurate/timely reporting.

LACERS sends an outbound file (INT123) to Workday to initiate the collection process for contracts created within PG. Current issues with this file include eliminating retro deductions for current and future pay periods, timely stopping deductions, and the inability to process deductions for a specific LACERS deduction code. LACERS staff monitor deductions in Workday and manually enter adjustments via an Enterprise Interface Builder (EIB) to ensure Members deductions are accurate.

Lastly, LACERS utilizes the INT093 integration file to initiate payroll for excess benefit Retirees. Some current issues include stopping or terminating excess benefits, properly notifying of payments, setting up default state and federal tax withholding elections, and updating addresses for international payees.

An extension of this LACERS contract with Accenture will help to ensure that these issues get resolved to prevent any additional issues from persisting in the future. Subsequently, the responsibility of the integration files will fall to the Information Technology Agency department after the contract with Accenture is completed.

Prepared By: Sevan Simonian, Sr. Benefits Analyst I, Member Stewardship Section

NMG/TB/EA/ss

Attachments: 1. Proposed Board Resolution

BUDGET APPROPRIATION INCREASE FOR INFORMATION TECHNOLOGY AGENCY CONTRACTED SERVICES WITH WORKDAY, INC. FOR THE CITY HUMAN RESOURCES PAYROLL SYSTEM POST-IMPLEMENTATION SUPPORT

PROPOSED RESOLUTION

WHEREAS, the Board approved the Fiscal Year 2024-25 Budget which included a $600,000 appropriation for the Human Resources Payroll (HRP) Contractual Support Services;

WHEREAS, LACERS has decreased the number of exceptions from over 2,000 to less than 300, there is a need to shift the record type from account adjustment to pay period adjustment on the integration file from HRP to LACERS' Pension Gold system;

WHEREAS, while LACERS has made drastic improvements on the integration file, the file is reaching a maximum run time limit allowed in the HRP system and will require more streamlining of the programming code; and,

WHEREAS, while LACERS worked with Accenture contractors through the Information Technology Agency's contract with Workday, Inc. to fix issues since July 2024, there are still outstanding issues that need to be resolved;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Approve the appropriation increase of $125,000 for an additional three months of Human Resources Payroll contractual support by increasing Appropriation 163040 – Contractual Services for Fiscal Year 2024-25; and,
2. Authorize the General Manager to correct any clerical or typographical errors in this document.

November 12, 2024

Board Meeting: 11/12/24
Item VI-B

TOWNSEND® GROUP

Real Estate Portfolio

Performance Review

SECOND QUARTER 2024
November 12, 2024

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Portfolio Funding Status

- The following slides provide a review of key information pertaining to the Los Angeles City Employees' Retirement System ("LACERS") Real Estate Portfolio (the "Portfolio") through June 30, 2024. A detailed performance report is also provided as **Exhibit A.**
- LACERS is below its 7.0% target allocation to Real Estate as of quarter-end on a funded basis, but unfunded commitments will bring the exposure towards the target over the near-term.

	Market Value ($ millions)*	% LACERS Plan*
LACERS Total Plan Assets	23,075	
Real Estate Target	1,615	7.0%
RE Market Value:		
Core	761	
Non-Core	482	
Timber	20	
Total RE Market Value	1,262	5.5%
Unfunded Commitments	356	1.5%

*Figures may not add due to rounding.

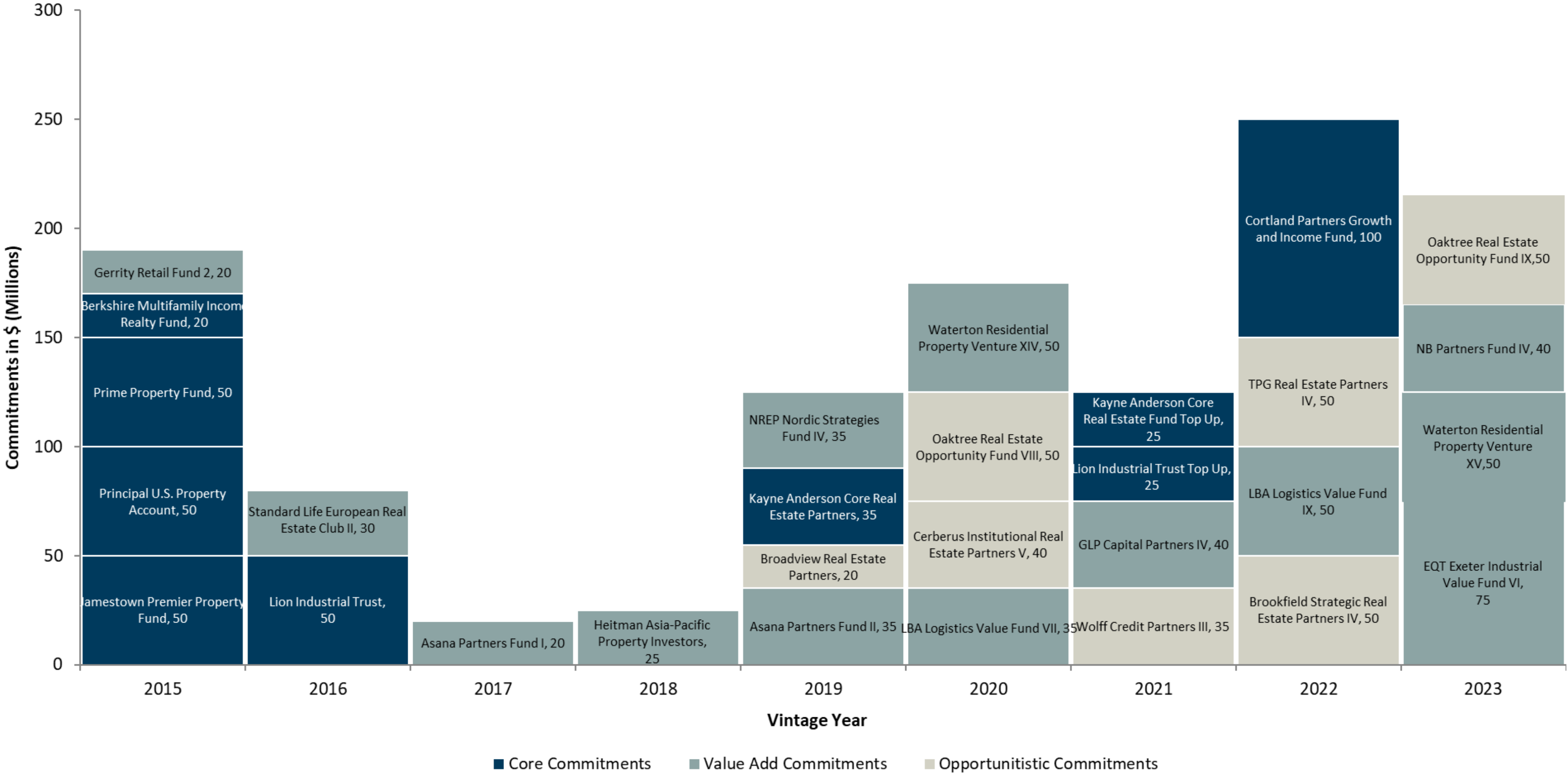
Real Estate Portfolio Composition

	Strategic Targets		*Portfolio Composition (6/30/2024)**	
	Target Allocation	**Tactical Range**	**Market Value**	**Projected 3-Year**
Core	**60%**	**40% - 80%**	**60.3%**	**59.5%**
Non-Core	**40%**	**20% - 60%**	**38.2%**	**39.9%**
Value Add Portfolio	*N/A*	*N/A*	*23.4%*	
Opportunistic Portfolio	*N/A*	*N/A*	*14.8%*	
Timber	**N/A**	**N/A**	**1.6%**	**0.6%**

- The portfolio composition by risk profile is in line with the target allocation.
- Non-Core exposure has increased over recent years after being below target.
- The Core Portfolio utilizes 35.3% leverage, measured on a loan-to-value (LTV) basis, below the 40.0% constraint.
- The Non-Core Portfolio utilizes 48.3% leverage, well below the 75.0% constraint.

*Figures may not add due to rounding.

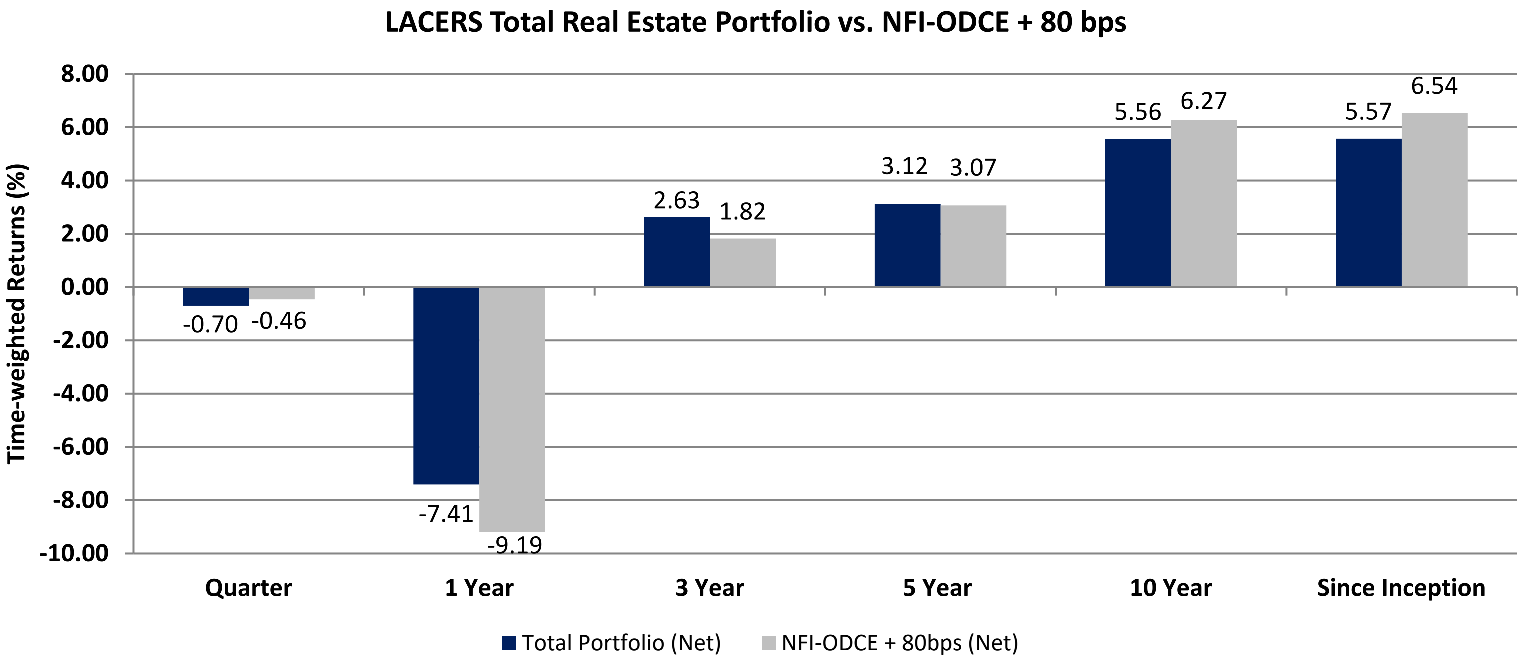
LACERS Commitment Activity Under Townsend Advisory – Since 2015



- LACERS has committed $1.2 billion since 2015, all of which has been Townsend-initiated activity.
- Four Non-Core commitments since 2015 (Gerrity II, Asana I, Broadview, and NB Partners Fund IV) met LACERS' Emerging Manager guidelines at the time of commitment.
- Vintage year classifications are based on LACERS' first capital call (or expected capital call), though commitments may have been approved in prior years.

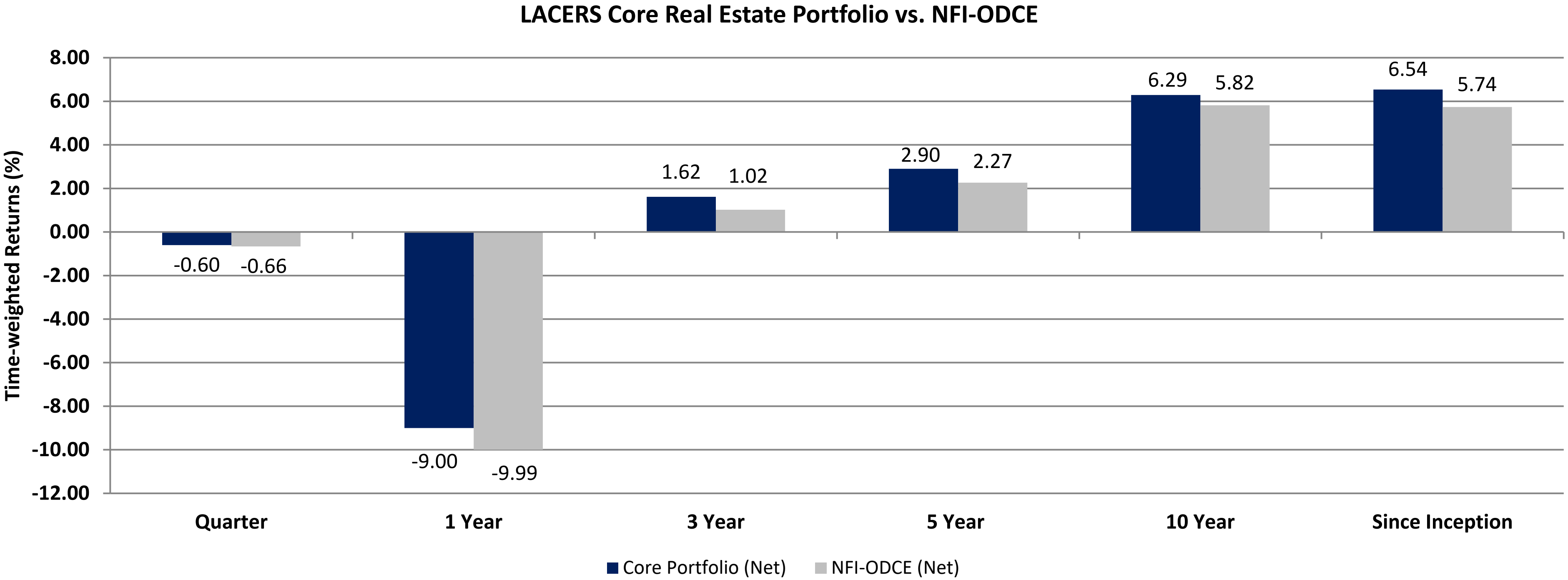
Total Portfolio Performance

TOWNSEND® GROUP



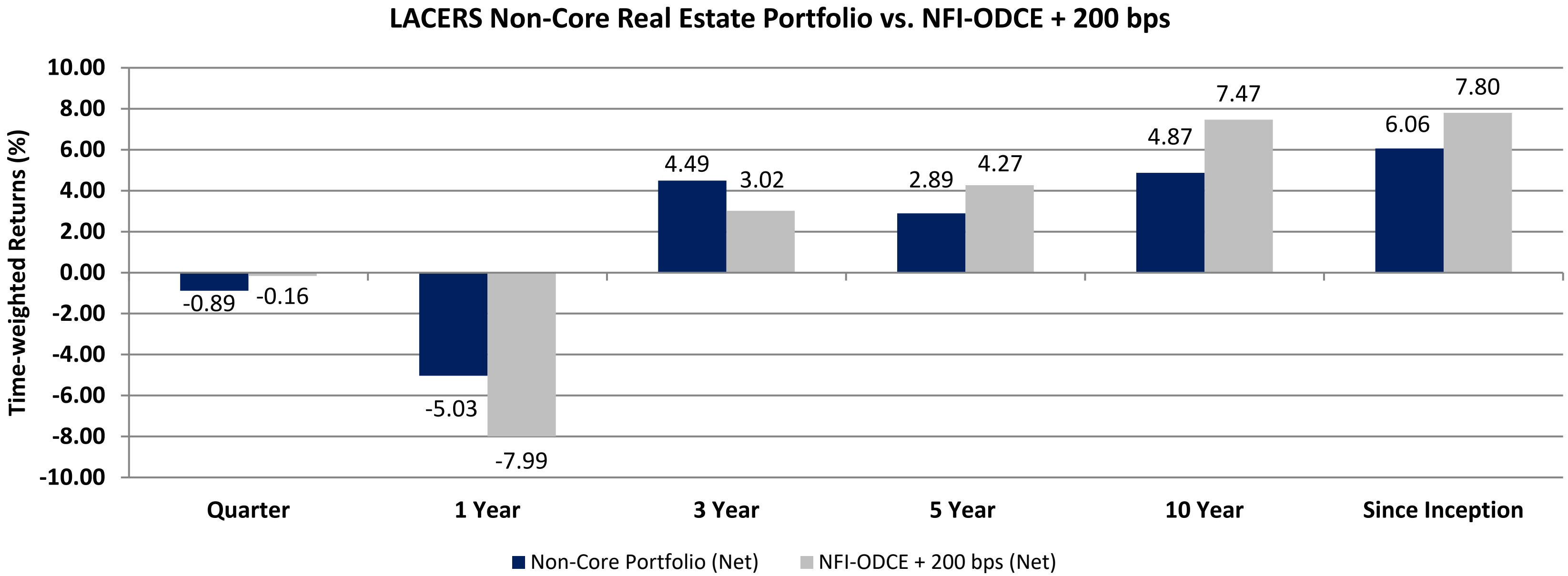
- The benchmark for the LACERS Total Real Estate Portfolio is the NCREIF Fund Index of Open-End Diversified Core Equity funds (NFI-ODCE) + 80 basis points ("bps"), measured over 5-year time periods, net of fees (defined below).
- LACERS outperformed the benchmark over the 1-year, 3-year and 5-year periods. The portfolio underperformed over the quarter and longer annualized periods, mostly due to weak performance of legacy Opportunistic funds.
- The NFI-ODCE is a Core index that includes Core open-end diversified funds with at least 95% of their investments in US markets. The NFI-ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical (back to 1978) and current basis (25 active vehicles), utilizing approximately 27.2% leverage.
  - The 80 basis point ("bps") premium is a reflection of the incremental return expected from Non-Core exposure in the Portfolio, which is not included in the NFI-ODCE.

Relative Performance by Strategy: Core



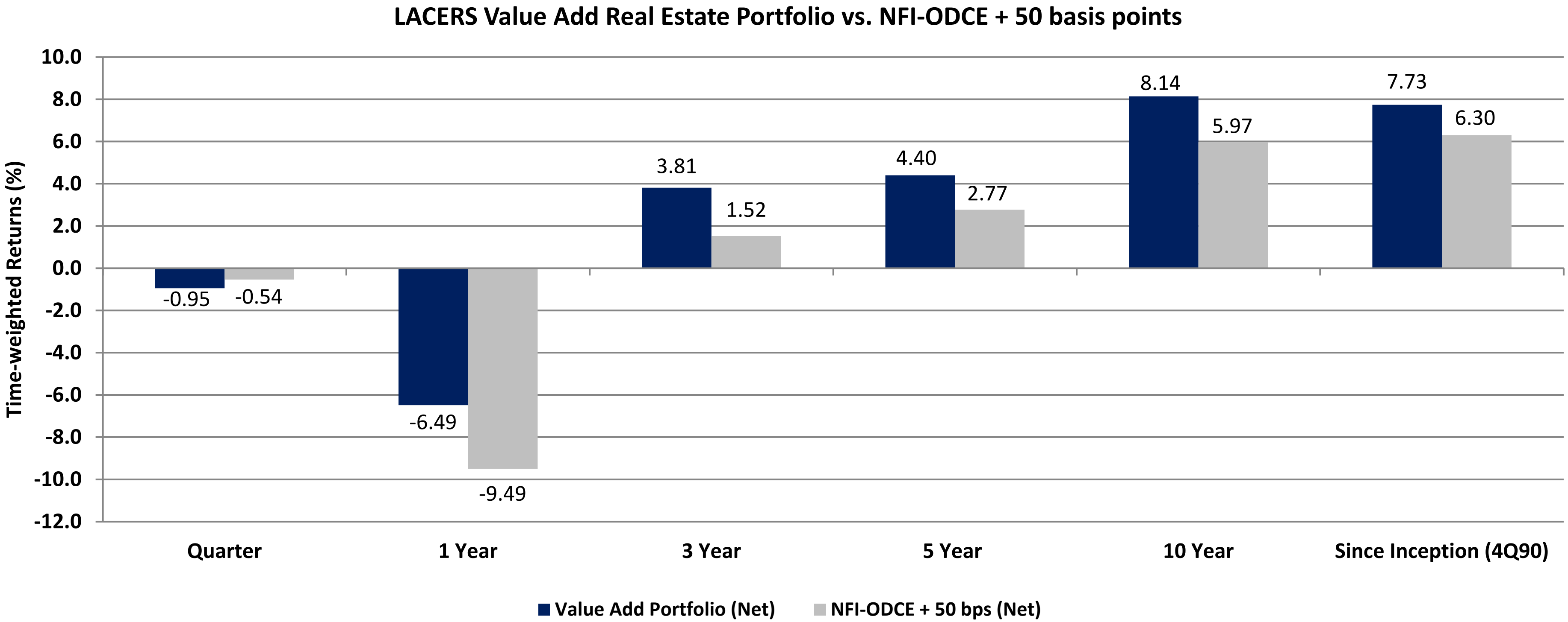
- The LACERS Core benchmark is the NFI-ODCE, measured over 5-year time periods, net of fees.
- The Core Portfolio has outperformed the benchmark over all time periods.
- Kayne Anderson Core Real Estate Fund, Lion Industrial Trust, and Prime Property Fund led outperformance over the trailing year.
- CIM VI (Urban REIT) was the weakest performer over the Quarter and trailing year, producing net returns of -6.4% and -26.8%, respectively.

Relative Performance by Strategy: Non-Core



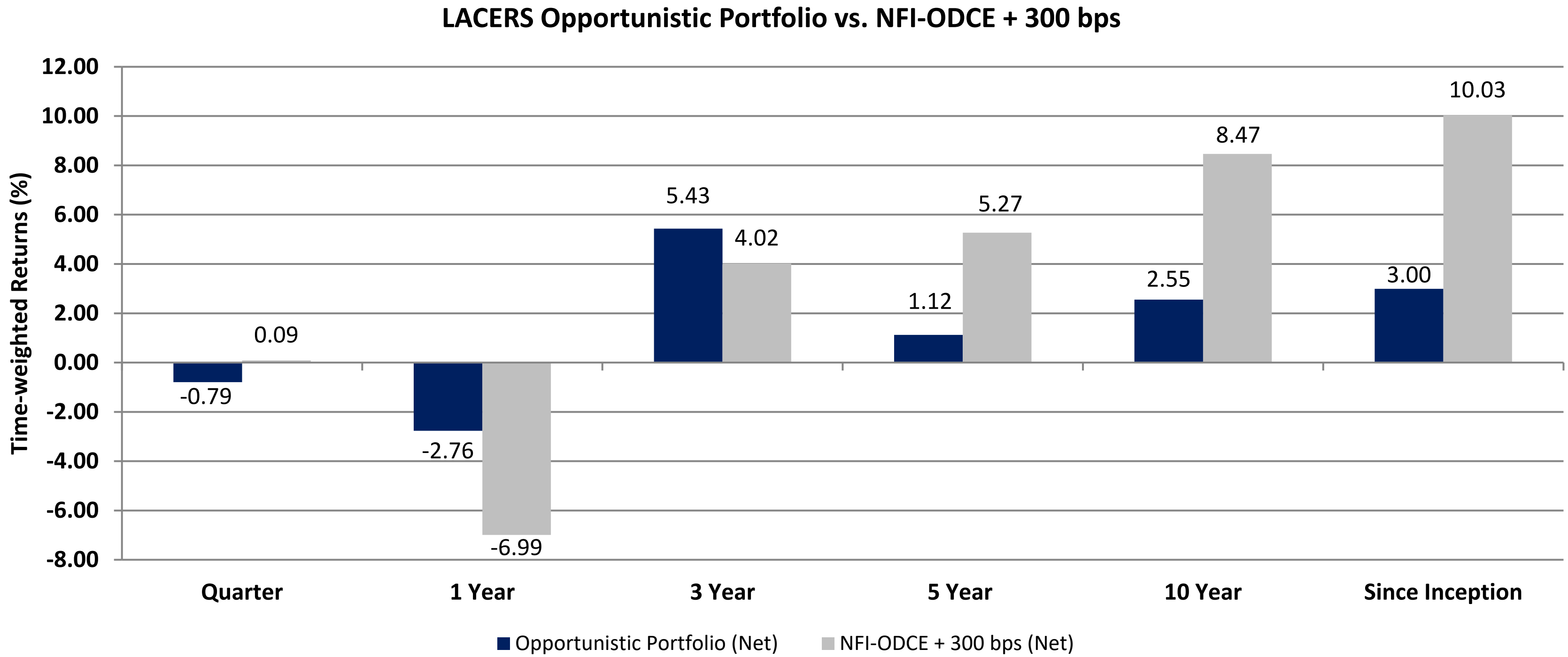
- The LACERS Non-Core benchmark is the NFI-ODCE + 200 bps, measured over 5-year time periods, net of fees. The 200 bps premium is a reflection of the incremental return expected from the additional risk inherent in Non-Core strategies.
- The Non-Core Portfolio outperformed the NFI-ODCE + 200 bps benchmark over the 1-year and 3-year periods, but underperformed over the quarter and longer time periods.
- The Value Add Portfolio has achieved strong relative annualized returns. Opportunistic Portfolio performance has been mixed, with strong performance over the last few years but underperformance over the long-term. Both are discussed in more detail on the following pages.

Relative Performance by Strategy: Non-Core — Value Add



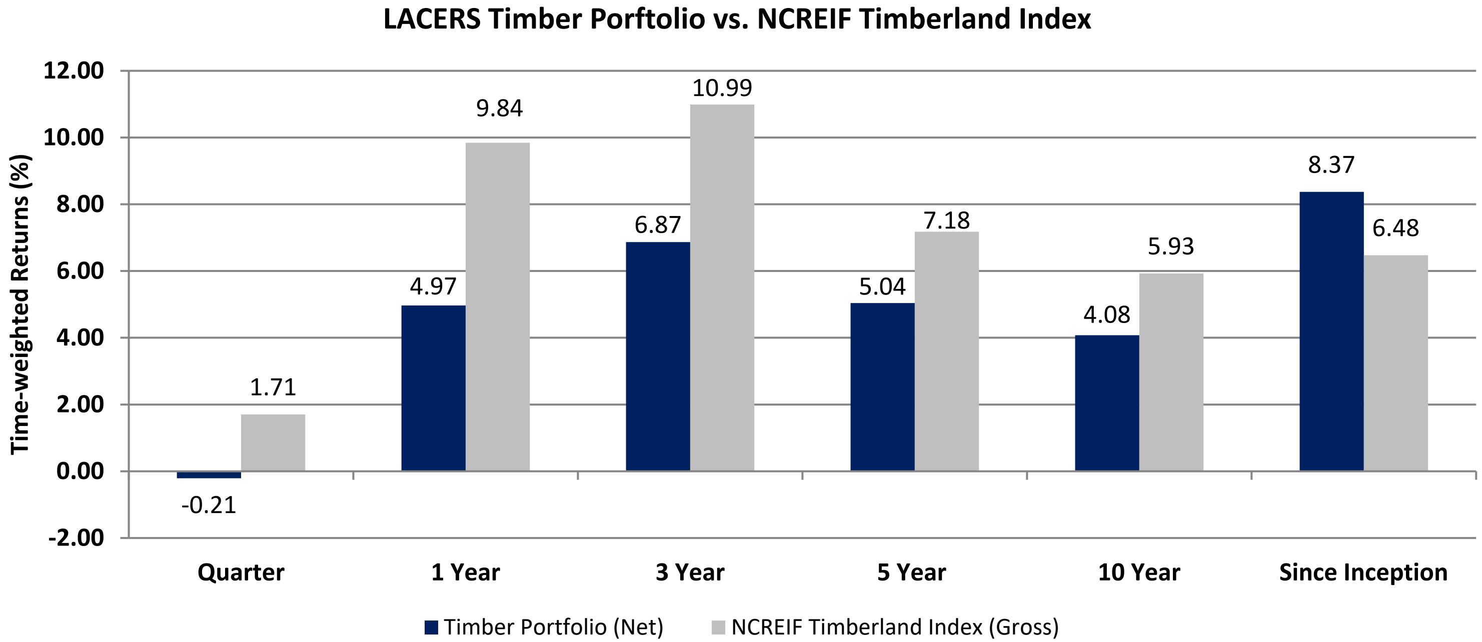
- The LACERS Value Add benchmark is the NFI-ODCE + 50 bps, measured over 5-year time periods, net of fees. The 50 bps premium is a reflection of the incremental return expected from additional risk inherent in Value Add strategies.
- The Value Add Portfolio outperformed the NFI-ODCE + 50 bps benchmark over all time periods except for the quarter.
- Asana Partners Fund I was the strongest performer over the trailing year, followed by LBA Logistics Value Fund VII (4.4% and 1.8% net, respectively).
- Over the medium term, outperformance has been driven by Asana Partners Fund I and II, LBA Logistics Value Fund VII, and GLP Capital Partners IV.

Relative Performance by Strategy: Non-Core — Opportunistic



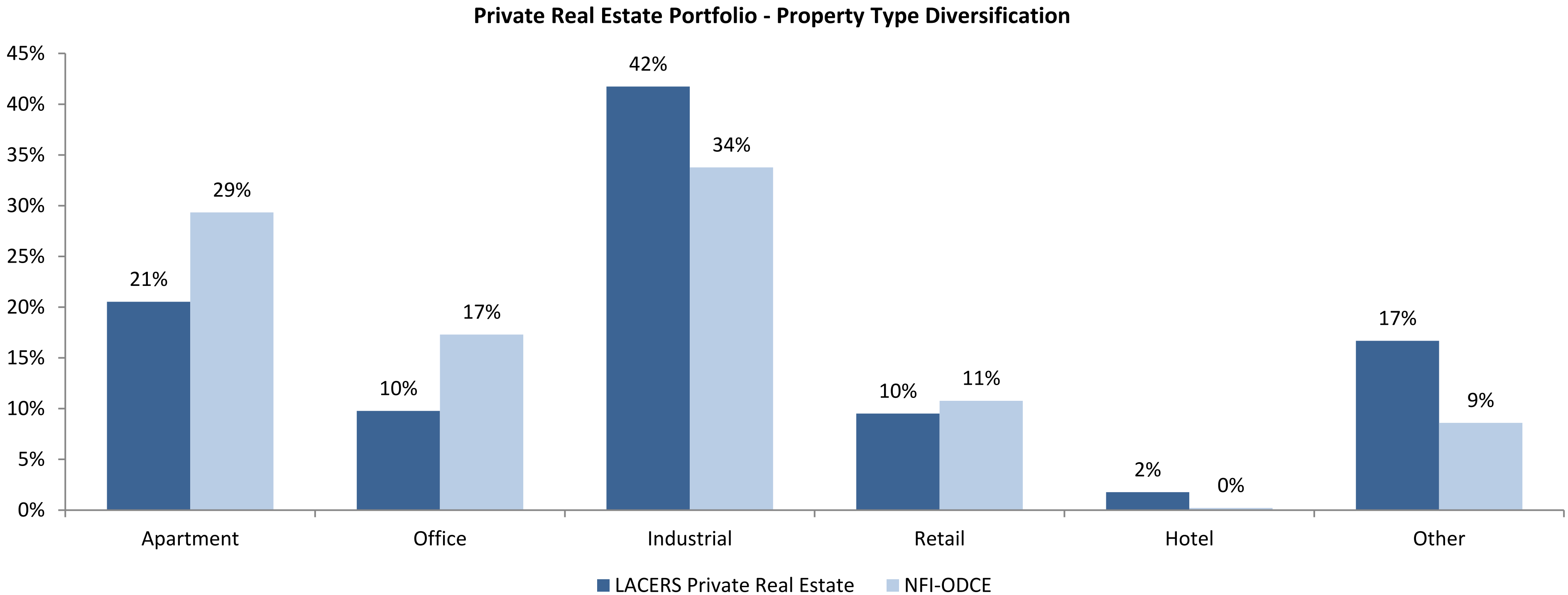
- The LACERS Opportunistic benchmark is the NFI-ODCE + 300 bps, measured over 5-year time periods, net of fees. The 300 bps premium is a reflection of the incremental return expected from additional risk inherent in Opportunistic strategies.
- The Opportunistic Portfolio outpaced the NFI-ODCE + 300 bps benchmark over the 1-year and 3-year time periods but underperformed over the quarter and longer time periods. Underperformance over long time periods is mostly due to legacy funds that are due to liquidate over the next few years.
- Recent outperformance has been driven by commitments recommended over the last few years: Broadview Real Estate Partners, Cerberus Institutional Partners V, Oaktree Real Estate Opportunity Fund VII, and Wolff Credit Partners III have all been positive contributors to performance.

Relative Performance by Strategy: Timber



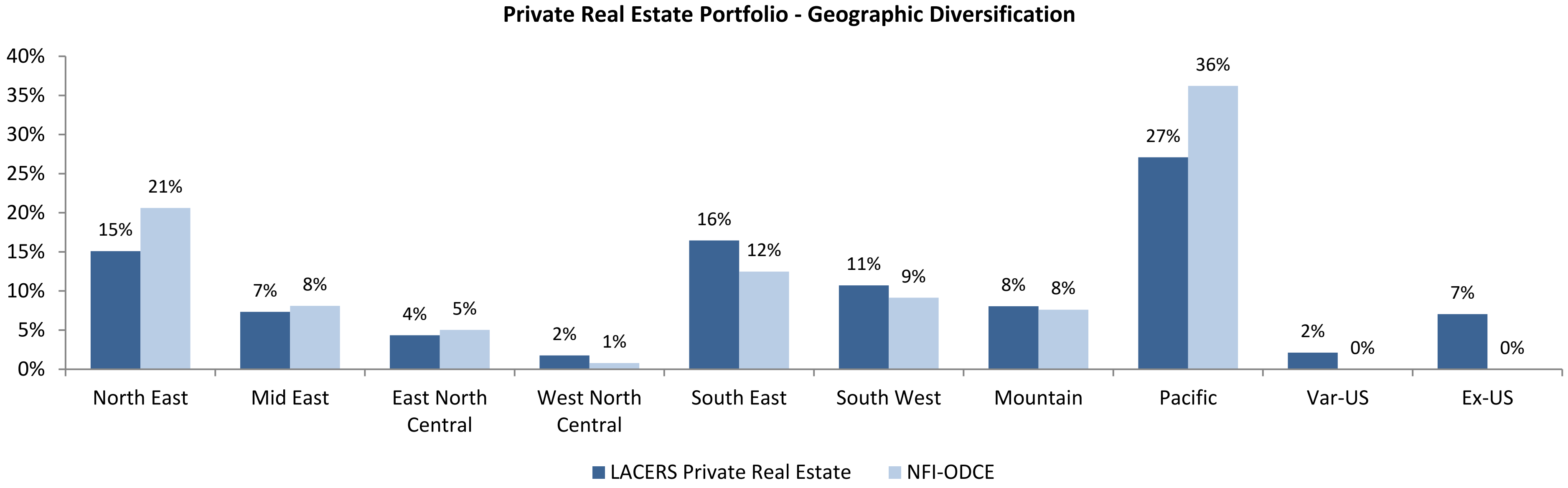
- The Timber Portfolio, net of fees, outperformed its benchmark, the NCREIF Timberland Index, gross of fees, during the since inception period, but underperformed over all other time periods.
- Outperformance over the long-term is mostly related to strong performance of Hancock ForesTree V, which was fully liquidated by year-end 2015.
- LACERS' only current timberland investment is Hancock Timberland XI. The Fund's assets are located in the United States (split between the South and the Northwest) and Chile (7.56%).
- Income returns for timber investments tend to be infrequent and are realized through harvest. To date, there has been no meaningful income from the fund due to limited harvest activity during a period of lower timber prices. This has impacted total returns.
- Further, all assets in Hancock Timberland IX are appraised at year-end, which is why appreciation usually remains relatively flat from the first quarter through the third quarter of each year. The effect of year-end appraisals is demonstrated in the annualized returns.

Real Estate Portfolio Diversification



- The diversification of the Private Real Estate Portfolio is measured against the diversification of the NFI-ODCE ± 10.0%. Currently, the "Other" category includes investments in alternative property types including Medical Office, Self Storage, Student Housing, Senior Housing, For Sale Residential, and Land.
- Among the "Other" property types, LACERS' portfolio has the greatest exposure to Medical Office (4.9%), Self-Storage (2.6%), Senior Housing (1.5%) and Student Housing (1.4%). Other smaller exposures include Land, Data Centers and Entertainment.

Real Estate Portfolio Diversification



- The diversification goal of the Private Real Estate Portfolio is to be well diversified across the US. The only constraint is a 30.0% maximum allocation to Ex-US investments. NFI-ODCE diversification is provided as a benchmark.
- The Portfolio currently has an aggregate exposure to the Los Angeles metropolitan area of approximately 10.7%, with approximately 4% exposure to Los Angeles City. The NFI-ODCE's exposure to the Los Angeles metropolitan area is approximately 11.8%.
- The Ex-US exposure is composed primarily of two large regional exposures: Europe (5.0%), Asia (1.5%).

*Var-US includes any investments that are not directly tied to specific regions, such as real estate debt investments through Torchlight or entity-level investments through Almanac.

Exhibit A: Performance Flash Report

Portfolio Composition ($)								
Total Plan Assets	Target Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
$23,074,595,443	1,615,221,681	7.0%	1,262,015,952	5.5%	356,369,319	1.5%	-3,163,590	0.0%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
LACERS	-0.5	-0.7	-6.6	-7.4	4.0	2.6	4.6	3.1
NFI-ODCE + 80 basis points	-0.2	-0.5	-8.5	-9.2	2.7	1.8	4.0	3.1

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core Portfolio	**1989**	**548,867,553**	**657,254,692**	**0**	**216,702,301**	**760,689,446**	**60.3**	**47.0**
Non-Core Portfolio	**1990**	**1,153,977,156**	**825,262,722**	**354,971,170**	**467,381,604**	**481,657,507**	**38.2**	**51.7**
Value Added Portfolio	1990	578,969,813	395,417,619	188,514,866	186,824,162	295,475,611	23.4	29.9
Opportunistic Portfolio	1996	525,007,343	429,845,099	166,456,304	280,557,442	186,181,893	14.8	21.8
Timber Portfolio	**1999**	**20,000,000**	**18,601,851**	**1,398,149**	**7,801,796**	**19,668,999**	**1.6**	**1.3**
LACERS	**1989**	**1,722,844,709**	**1,501,119,263**	**356,369,319**	**691,885,702**	**1,262,015,952**	**100.0**	**100.0**

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core								
Berkshire Multifamily Income Realty Fund	2015	20,000,000	20,000,000	0	16,572,439	13,325,924	1.1	0.8
CIM VI (Urban REIT), LLC	2012	25,000,000	25,000,000	0	19,371,618	10,205,930	0.8	0.6
Cortland Partners Growth and Income Fund	2022	100,000,000	105,524,316	0	5,868,985	69,833,405	5.5	4.3
INVESCO Core Real Estate	2004	63,867,553	140,334,978	0	91,985,895	191,422,458	15.2	11.8
Jamestown Premier Property Fund	2015	50,000,000	51,842,675	0	27,947,699	12,733,265	1.0	0.8
JP Morgan Strategic Property Fund	2005	30,000,000	30,421,882	0	2,860,209	71,916,738	5.7	4.4
Kayne Anderson Core Real Estate Fund	2019	85,000,000	90,685,847	0	10,254,979	91,391,204	7.2	5.6
Lion Industrial Trust - 2007	2016	75,000,000	88,115,326	0	22,410,147	160,544,761	12.7	9.9
Prime Property Fund	2015	50,000,000	55,329,669	0	19,430,331	63,681,401	5.0	3.9
Principal U.S. Property Account	2015	50,000,000	50,000,000	0	0	75,634,359	6.0	4.7
Total Core	**N/A**	**548,867,553**	**657,254,693**	**0**	**216,702,302**	**760,689,445**	**60.3**	**47.0**
Timber								
Hancock Timberland XI	2012	20,000,000	18,601,851	1,398,149	7,801,796	19,668,999	1.6	1.3
Total Timber	**N/A**	**20,000,000**	**18,601,851**	**1,398,149**	**7,801,796**	**19,668,999**	**1.6**	**1.3**
Value Added								
Almanac Realty Securities VI	2012	25,000,000	15,475,571	0	17,184,560	2,438,855	0.2	0.2
Asana Partners Fund I	2017	20,000,000	18,301,629	2,015,220	6,081,663	27,033,802	2.1	1.8
Asana Partners Fund II	2019	35,000,000	30,931,250	4,068,750	0	34,504,143	2.7	2.4
DRA Growth and Income Fund VII	2011	25,000,000	25,505,352	0	59,979,891	22,865	0.0	0.0
DRA Growth and Income Fund VIII	2014	25,000,000	29,576,071	518,518	31,479,571	2,835,611	0.2	0.2
EQT Exeter Industrial Value Fund VI	2023	75,000,000	18,750,000	56,250,000	0	17,624,859	1.4	4.6
Gerrity Retail Fund 2	2015	20,000,000	20,077,854	0	7,716,497	15,142,787	1.2	0.9
GLP Capital Partners IV	2021	40,000,000	34,410,775	13,120,733	11,871,158	32,302,346	2.6	2.8
Heitman Asia-Pacific Property Investors	2018	25,000,000	23,431,707	2,582,393	9,940,167	12,862,079	1.0	1.0
LBA Logistics Value Fund IX	2022	50,000,000	32,692,308	17,307,692	0	31,037,365	2.5	3.0
LBA Logistics Value Fund VII	2020	35,000,000	31,338,360	3,661,640	1,270,028	43,611,345	3.5	2.9
NB Partners Fund IV LP	2023	40,000,000	10,181,803	30,324,820	589,849	8,516,232	0.7	2.4
NREP Nordic Strategies Fund IV	2019	35,437,928	24,493,483	10,782,148	0	22,094,047	1.8	2.0
Standard Life Investments European Real Estate Club II	2015	28,531,885	28,134,410	0	40,663,116	0	0.0	0.0
Waterton Residential Property Venture XIV, L.P.	2020	50,000,000	45,912,079	4,087,921	32,432	39,684,961	3.1	2.7
Waterton Residential Property Venture XV	2023	50,000,000	6,204,969	43,795,031	15,230	5,764,315	0.5	3.1
Total Value Added	**N/A**	**578,969,813**	**395,417,621**	**188,514,866**	**186,824,162**	**295,475,612**	**23.4**	**29.9**

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Opportunistic								
Apollo CPI Europe I	2006	25,533,001	22,385,238	1,593,422	11,762,746	215,068	0.0	0.1
Bristol Value II, L.P.	2012	20,000,000	25,491,739	0	18,527,556	15,749,146	1.2	1.0
Broadview Real Estate Partners Fund, L.P.	2019	20,000,000	12,341,471	7,390,288	3,271,875	12,734,569	1.0	1.2
Brookfield Strategic Real Estate Partners IV	2022	50,000,000	34,747,658	18,770,784	3,518,445	33,193,373	2.6	3.2
Bryanston Retail Opportunity Fund	2005	10,000,000	4,271,584	0	20,029,229	58,002	0.0	0.0
California Smart Growth Fund IV	2006	30,000,000	31,522,663	33,153	38,422,919	71,136	0.0	0.0
Cerberus Institutional Real Estate Partners V	2020	40,000,000	30,510,727	10,141,449	652,175	40,160,917	3.2	3.1
CIM Real Estate Fund III	2007	15,000,000	16,674,075	0	21,301,769	4,031,801	0.3	0.2
Latin America Investors III	2008	20,000,000	20,686,689	0	3,886,924	-3,172,410	-0.3	-0.2
Lone Star Real Estate Fund II	2011	15,000,000	13,291,475	0	20,586,004	19,383	0.0	0.0
Oaktree Real Estate Opportunities Fund VIII L.P.	2021	50,000,000	35,174,118	18,500,000	4,897,538	34,245,159	2.7	3.3
Oaktree Real Estate Opportunities Fund IX L.P.	2023	50,000,000	0	50,000,000	0	0	0.0	3.1
RECP Fund IV, L.P.	2008	40,000,000	53,279,662	750,435	40,820,385	12,238,167	1.0	0.8
Stockbridge Real Estate Fund II	2006	30,000,000	30,000,000	0	13,779,370	355,202	0.0	0.0
Torchlight Debt Opportunity Fund IV	2013	24,474,342	24,483,106	0	32,784,486	1,315,847	0.1	0.1
TPG Real Estate Partners IV	2022	50,000,000	9,842,537	40,157,463	0	7,623,367	0.6	3.0
Walton Street Real Estate Fund V	2006	25,000,000	25,000,001	0	17,350,398	490,084	0.0	0.0
Walton Street Real Estate Fund VI	2009	25,000,000	22,161,966	609,663	25,894,104	10,078,931	0.8	0.7
Wolff Credit Partners III, LP	2022	35,000,000	17,980,392	18,509,647	3,071,519	16,774,153	1.3	2.2
Total Opportunistic	**N/A**	**575,007,343**	**429,845,101**	**166,456,304**	**280,557,442**	**186,181,895**	**14.8**	**21.8**
Private Real Estate Portfolio Only (ex. Timber)	**N/A**	**1,702,844,709**	**1,482,517,415**	**354,971,170**	**684,083,906**	**1,242,346,952**	**98.4**	**98.7**
Non-Core Portfolio	**N/A**	**1,153,977,156**	**825,262,722**	**354,971,170**	**467,381,604**	**481,657,507**	**38.2**	**51.7**

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year			
		INC[1]	APP[1]	TGRS[1]	TNET[1]	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Core													
Berkshire Multifamily Income Realty Fund	13,325,924	0.9	-2.8	-1.9	-2.0	4.0	-18.3	-14.8	-15.5	3.6	-3.8	-0.3	-1.1
CIM VI (Urban REIT), LLC	10,205,930	0.5	-6.6	-6.1	-6.4	1.7	-27.2	-25.9	-26.8	2.0	-13.8	-12.0	-13.1
Cortland Partners Growth and Income Fund	69,833,405	0.6	0.0	0.7	0.4	2.4	-13.4	-11.2	-12.1				
INVESCO Core Real Estate	191,422,458	0.9	-2.2	-1.3	-1.4	3.5	-13.7	-10.5	-10.9	3.3	-2.4	0.9	0.5
Jamestown Premier Property Fund	12,733,265	-0.6	-4.2	-4.9	-5.0	1.3	-27.4	-26.3	-26.8	2.0	-27.7	-26.2	-26.6
JP Morgan Strategic Property Fund	71,916,738	0.9	0.4	1.4	1.1	3.7	-17.2	-14.0	-14.9	3.4	-3.6	-0.3	-1.2
Kayne Anderson Core Real Estate Fund	91,391,204	1.4	-0.5	0.9	0.7	5.3	-6.9	-1.9	-2.5	5.0	0.1	5.2	4.5
Lion Industrial Trust - 2007	160,544,761	1.0	-1.7	-0.7	-0.7	3.7	-7.1	-3.6	-3.2	3.5	11.7	15.5	13.1
Prime Property Fund	63,681,401	1.0	-0.9	0.1	-0.2	3.9	-6.5	-2.8	-3.9	3.7	1.9	5.7	4.5
Principal U.S. Property Account	75,634,359	1.1	-1.8	-0.7	-0.9	4.4	-12.0	-8.0	-8.7	4.1	-1.8	2.3	1.5
Total Core	**760,689,445**	**1.0**	**-1.4**	**-0.5**	**-0.6**	**3.7**	**-11.9**	**-8.5**	**-9.0**	**3.5**	**-0.9**	**2.5**	**1.6**
Timber													
Hancock Timberland XI	19,668,999	0.0	0.0	0.0	-0.2	0.5	5.4	5.9	5.0	0.5	7.3	7.8	6.9
Timber	**19,668,999**	**0.0**	**0.0**	**0.0**	**-0.2**	**0.5**	**5.4**	**5.9**	**5.0**	**0.5**	**7.3**	**7.8**	**6.9**
Value Added													
Almanac Realty Securities VI	2,438,855	-0.1	-10.0	-10.1	-10.4	-0.3	-20.4	-20.6	-21.7	0.2	-7.3	-7.2	-8.3
Asana Partners Fund I	27,033,802	0.2	0.2	0.4	1.5	0.9	-2.7	-1.8	4.4	2.1	5.0	7.1	7.4
Asana Partners Fund II	34,504,143	-0.4	0.1	-0.4	-0.6	-1.3	-3.4	-4.7	-4.9	-0.6	8.4	7.7	6.0
DRA Growth and Income Fund VII[2]	22,865												
DRA Growth and Income Fund VIII	2,835,611	-1.5	-8.4	-9.9	-10.6	-5.3	-44.0	-47.2	-48.5	1.3	-22.8	-22.0	-23.2
EQT Exeter Industrial Value Fund VI, L.P.	17,624,859	-0.8	5.7	5.0	2.1								
Gerrity Retail Fund 2	15,142,787	0.5	0.0	0.5	0.2	2.9	-11.2	-8.5	-9.7	4.4	-3.4	1.0	-0.4
GLP Capital Partners IV	32,302,346	1.9	-5.0	-3.1	-3.3	5.0	-5.3	-0.4	-0.8	12.0	5.8	18.2	17.5
Heitman Asia-Pacific Property Investors	12,862,079	0.1	-7.5	-7.5	-7.7	1.1	-13.6	-12.6	-13.4	2.2	-6.7	-4.6	-5.4
LBA Logistics Value Fund IX	31,037,365	-0.4	4.1	3.6	3.1	-2.5	4.3	1.7	-0.7				
LBA Logistics Value Fund VII	43,611,345	0.5	0.3	0.8	0.6	2.2	0.4	2.6	1.8	2.7	9.7	12.6	11.3
NB Partners Fund IV LP	8,516,232	-0.1	0.0	-0.1	-2.1	-5.9	12.3	6.0	-2.2				
NREP Nordic Strategies Fund IV	22,094,047	0.9	-0.3	0.6	0.0	1.5	-8.7	-7.3	-9.5	-7.0	10.8	4.7	0.1
Standard Life Investments European Real Estate Club II[2]	0												
Waterton Residential Property Venture XIV, L.P.	39,684,961	0.4	-3.6	-3.1	-3.5	1.7	-16.7	-15.3	-16.6	0.5	5.4	6.0	2.2
Waterton Residential Property Venture XV	5,764,315	-0.2	5.6	5.5	2.5								
Total Value Added	**295,475,612**	**0.3**	**-0.9**	**-0.6**	**-0.9**	**0.8**	**-6.0**	**-5.3**	**-6.5**	**2.3**	**3.7**	**6.0**	**3.8**
Total Portfolio[3]													
LACERS	**1,262,015,951**	**0.7**	**-1.2**	**-0.5**	**-0.7**	**2.8**	**-9.1**	**-6.6**	**-7.4**	**3.1**	**0.9**	**4.0**	**2.6**
Indices													
NFI-ODCE (Core)		1.0	-1.5	-0.4	-0.7	3.9	-12.8	-9.3	-10.0	3.7	-1.8	1.9	1.0
NFI-ODCE + 80 bps (Total Portfolio)				-0.2	-0.5			-8.5	-9.2			2.7	1.8
NFI-ODCE + 200 bps (Non-Core Portfolio)				0.1	-0.2			-7.3	-8.0			3.9	3.0
NFI -ODCE + 50 bps (Value Add)				-0.3	-0.5			-8.8	-9.5			2.4	1.5
NFI -ODCE + 300 bps (Opportunistic)				0.3	0.1			-6.3	-7.0			4.9	4.0
NCREIF Timberland Property Index "NTI"		0.5	1.2	1.7		2.3	7.4	9.8		2.8	8.0	11.0	

* Net IRR and Equity Multiple may be missing due to hard coded data.

[1] INC: Income Return; APP: Appreciation Return; TGRS: Total Gross Return; TNET: Total Net Return. Please refer to Exhibit C for more detailed definitions.

[2] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[3] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/2024.

Returns (%)	Market Value ($)	5 Year				Inception				TWR Calculation Inception	Net IRR*	Equity Multiple*
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Core												
Berkshire Multifamily Income Realty Fund	13,325,924	3.6	-1.5	2.0	1.2	3.9	0.1	3.9	3.2	1Q16	6.4	1.5
CIM VI (Urban REIT), LLC	10,205,930	2.2	-9.6	-7.6	-8.7	3.1	-1.0	2.1	0.8	3Q12	2.1	1.2
Cortland Partners Growth and Income Fund	69,833,405					2.4	-17.3	-15.2	-16.0	3Q22	-17.2	0.7
INVESCO Core Real Estate	191,422,458	3.4	-1.1	2.3	2.0	4.7	1.9	6.7	6.3	4Q04	6.3	2.0
Jamestown Premier Property Fund	12,733,265	2.0	-20.5	-18.8	-19.2	2.9	-9.3	-6.6	-7.7	3Q15	-5.6	0.8
JP Morgan Strategic Property Fund	71,916,738	3.5	-1.9	1.6	0.6	4.8	1.1	5.9	4.9	4Q05	5.1	2.5
Kayne Anderson Core Real Estate Fund	91,391,204	5.0	0.8	5.8	5.2	5.0	1.2	6.3	5.7	1Q19	4.6	1.1
Lion Industrial Trust - 2007	160,544,761	4.0	12.4	16.7	14.1	4.5	11.7	16.6	14.0	1Q16	13.4	2.1
Prime Property Fund	63,681,401	3.7	1.9	5.7	4.5	3.8	3.3	7.2	6.1	1Q16	6.2	1.5
Principal U.S. Property Account	75,634,359	4.1	-0.4	3.7	2.8	4.4	1.6	6.1	5.1	4Q15	5.0	1.5
Total Core	**760,689,445**	**3.6**	**0.3**	**3.9**	**2.9**	**6.0**	**1.5**	**7.5**	**6.5**	**1Q89**	**5.1**	**1.4**
Timber												
Hancock Timberland XI	19,668,999	0.7	5.3	6.0	5.0	0.1	5.5	5.5	4.7	2Q12	4.4	1.5
Timber	**19,668,999**	**0.7**	**5.3**	**6.0**	**5.0**	**3.9**	**5.5**	**9.6**	**8.4**	**4Q99**	**9.1**	**1.9**
Value Added												
Almanac Realty Securities VI	2,438,855	1.7	-11.3	-9.6	-10.6	5.5	-3.1	2.3	0.8	1Q13	7.8	1.3
Asana Partners Fund I	27,033,802	2.6	6.0	8.6	7.8	2.2	11.7	14.1	11.0	2Q17	11.3	1.8
Asana Partners Fund II	34,504,143					-2.9	4.9	1.6	-5.0	4Q19	4.3	1.1
DRA Growth and Income Fund VII[2]	22,865									1Q12	21.6	2.4
DRA Growth and Income Fund VIII	2,835,611	2.9	-15.9	-13.6	-14.8	7.3	-7.8	-1.1	-3.0	4Q14	4.6	1.2
EQT Exeter Industrial Value Fund VI, L.P.	17,624,859					-1.6	9.2	7.6	0.4	1Q24	-12.6	0.9
Gerrity Retail Fund 2	15,142,787	5.1	-5.4	-0.5	-1.8	6.4	-1.3	5.0	3.2	4Q15	2.3	1.1
GLP Capital Partners IV	32,302,346					12.0	5.8	18.2	17.5	3Q21	13.0	1.3
Heitman Asia-Pacific Property Investors	12,862,079	3.0	-3.1	-0.1	-0.9	2.2	-3.6	-1.5	-2.3	3Q18	-0.7	1.0
LBA Logistics Value Fund IX	31,037,365					-3.1	1.5	-1.6	-6.0	2Q22	-4.1	0.9
LBA Logistics Value Fund VII	43,611,345					3.1	15.7	19.2	17.1	4Q20	12.7	1.4
NB Partners Fund IV LP	8,516,232					-6.7	9.9	2.8	-5.6	2Q23	-14.3	0.9
NREP Nordic Strategies Fund IV	22,094,047					-14.4	22.3	6.7	N/A	1Q20	-4.8	0.9
Standard Life Investments European Real Estate Club II[2]	0									1Q16	15.5	1.4
Waterton Residential Property Venture XIV, L.P.	39,684,961					0.4	16.6	17.2	10.5	1Q21	-7.9	0.9
Waterton Residential Property Venture XV	5,764,315									1Q24	-9.9	0.9
Total Value Added	**295,475,612**	**2.9**	**4.4**	**7.4**	**4.4**	**6.9**	**2.8**	**9.9**	**7.7**	**4Q90**	**6.9**	**1.3**
Total Portfolio[3]												
LACERS	**1,262,015,951**	**3.2**	**1.4**	**4.6**	**3.1**	**5.7**	**1.5**	**7.2**	**5.6**	**1Q89**		
Indices												
NFI-ODCE (Core)		3.8	-0.6	3.2	2.3	6.3	0.4	6.7	5.7	1Q89		
NFI-ODCE + 80 bps (Total Portfolio)				4.0	3.1			7.5	6.5	1Q89		
NFI-ODCE + 200 bps (Non-Core Portfolio)				5.2	4.3			8.8	7.8	4Q90		
NFI -ODCE + 50 bps (Value Add)				3.7	2.8			7.3	6.3	4Q90		
NFI -ODCE + 300 bps (Opportunistic)				6.2	5.3			11.0	10.0	4Q96		
NCREIF Timberland Property Index “NTI”		2.8	4.3	7.2		3.2	3.2	6.5		4Q99		

Net IRR and Equity Multiple may be missing due to hard coded data.

[1] INC: Income Return; APP: Appreciation Return; TGRS: Total Gross Return; TNET: Total Net Return. Please refer to Exhibit C for more detailed definitions.

[2] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[3] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/2024.

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Opportunistic													
Apollo CPI Europe I [1]	215,068												
Bristol Value II, L.P.	15,749,146	0.7	-15.1	-14.4	-14.4	3.3	-21.1	-18.4	-18.4	4.5	-2.5	1.8	0.9
Broadview Real Estate Partners Fund, L.P.[2]	12,734,569	-0.2	15.3	15.0	12.1	-1.3	23.4	21.9	17.7	-0.9	20.7	19.7	14.3
Brookfield Strategic Real Estate Partners IV	33,193,373	0.0	1.8	1.7	1.2	0.1	1.9	2.0	1.2				
Bryanston Retail Opportunity Fund[1]	58,002												
California Smart Growth Fund IV[1]	71,136												
Cerberus Institutional Real Estate Partners V	40,160,917	-0.3	0.7	0.5	0.1	-0.9	9.6	8.6	5.7	-1.4	21.9	20.4	14.5
CIM Real Estate Fund III[2]	4,031,801	0.0	5.6	5.6	5.6	-2.3	-25.1	-26.9	-28.5	-1.4	-7.9	-9.3	-10.8
Latin America Investors III[1]	-3,172,410												
Lone Star Real Estate Fund II[1]	19,383												
Oaktree Real Estate Opportunities Fund VIII L.P.	34,245,159	0.9	0.9	1.8	1.4	0.9	2.3	3.4	3.0				
RECP Fund IV, L.P.	12,238,167	0.4	-8.3	-7.9	-7.9	4.1	-28.9	-25.6	-25.6	2.5	-13.9	-11.6	-10.9
Stockbridge Real Estate Fund II[1]	355,202												
Torchlight Debt Opportunity Fund IV	1,315,847	-0.2	2.4	2.3	1.7	1.7	-26.7	-25.2	-37.7	2.2	-14.1	-12.1	-15.7
TPG Real Estate Partners IV	7,623,367	-1.7	-0.7	-2.4	-4.8	-23.8	2.5	-23.3	-47.0				
Walton Street Real Estate Fund V[1]	490,084												
Walton Street Real Estate Fund VI	10,078,931	2.5	-6.6	-4.1	-4.1	10.9	-13.3	-3.5	-3.7	11.2	-2.5	8.6	8.3
Wolff Credit Partners III, LP	16,774,153	3.4	0.2	3.6	2.5	15.0	0.4	15.5	10.0				
Opportunistic	**186,181,894**	**0.5**	**-0.7**	**-0.2**	**-0.8**	**1.8**	**-2.5**	**-0.7**	**-2.8**	**3.1**	**5.4**	**8.6**	**5.4**
Private Real Estate Portfolio Only (ex. Timber)[3]	**1,242,346,951**	**0.7**	**-1.2**	**-0.5**	**-0.7**	**2.8**	**-9.4**	**-6.8**	**-7.6**	**3.2**	**0.8**	**4.0**	**2.6**
Non-Core Portfolio	**481,657,506**	**0.4**	**-0.8**	**-0.4**	**-0.9**	**1.2**	**-4.6**	**-3.5**	**-5.0**	**2.7**	**4.4**	**7.0**	**4.5**
Total Portfolio[3]													
LACERS	**1,262,015,951**	**0.7**	**-1.2**	**-0.5**	**-0.7**	**2.8**	**-9.1**	**-6.6**	**-7.4**	**3.1**	**0.9**	**4.0**	**2.6**
Indices													
NFI-ODCE (Core)		1.0	-1.5	-0.4	-0.7	3.9	-12.8	-9.3	-10.0	3.7	-1.8	1.9	1.0
NFI-ODCE + 80 bps (Total Portfolio)				-0.2	-0.5			-8.5	-9.2			2.7	1.8
NFI-ODCE + 200 bps (Non-Core Portfolio)				0.1	-0.2			-7.3	-8.0			3.9	3.0
NFI -ODCE + 50 bps (Value Add)				-0.3	-0.5			-8.8	-9.5			2.4	1.5
NFI -ODCE + 300 bps (Opportunistic)				0.3	0.1			-6.3	-7.0			4.9	4.0
NCREIF Timberland Property Index "NTI"		0.5	1.2	1.7		2.3	7.4	9.8		2.8	8.0	11.0	

* Net IRR and Equity Multiple may be missing due to hard coded data.

[1] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[2] Broken time-weighted return since inception

[3] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/2024.

Returns (%)	Market Value ($)	5 Year				Inception				TWR Calculation Inception	Net IRR*	Equity Multiple*
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Opportunistic												
Apollo CPI Europe I [1]	215,068									4Q06	-9.0	0.5
Bristol Value II, L.P.	15,749,146	3.7	1.5	5.2	4.1	3.2	6.5	9.8	8.3	1Q13	7.1	1.3
Broadview Real Estate Partners Fund, L.P.[2]	12,734,569					-4.1	134.1	N/A	N/A	4Q19	13.7	1.3
Brookfield Strategic Real Estate Partners IV	33,193,373					0.3	7.2	7.5	4.6	4Q22	4.7	1.1
Bryanston Retail Opportunity Fund[1]	58,002									2Q05	79.6	4.7
California Smart Growth Fund IV[1]	71,136									1Q07	3.0	1.2
Cerberus Institutional Real Estate Partners V	40,160,917					-2.1	24.5	22.1	14.4	1Q21	12.1	1.3
CIM Real Estate Fund III[2]	4,031,801	-1.6	-8.1	-9.5	-11.1	-6.8	N/A	N/A	N/A	1Q08	7.3	1.5
Latin America Investors III[1]	-3,172,410									1Q09	0.0	0.0
Lone Star Real Estate Fund II[1]	19,383									3Q11	26.3	1.6
Oaktree Real Estate Opportunities Fund VIII L.P.	34,245,159					2.9	2.9	5.9	3.1	4Q21	8.3	1.1
RECP Fund IV, L.P.	12,238,167	2.1	-13.8	-11.9	-12.0	3.0	-8.5	-5.8	-8.3	4Q08	-0.1	1.0
Stockbridge Real Estate Fund II[1]	355,202									4Q06	-6.7	0.5
Torchlight Debt Opportunity Fund IV	1,315,847	2.5	-12.5	-10.3	-10.2	6.1	-4.4	1.4	0.1	4Q13	8.6	1.4
TPG Real Estate Partners IV	7,623,367					-20.2	1.8	-19.7	-44.6	1Q23	-31.4	0.8
Walton Street Real Estate Fund V[1]	490,084									4Q06	-3.7	0.7
Walton Street Real Estate Fund VI	10,078,931	8.4	-3.8	4.4	3.8	-3.5	7.7	3.1	-0.3	3Q09	8.1	1.6
Wolff Credit Partners III, LP	16,774,153					53.1	0.2	53.3	27.7	2Q22	11.0	1.1
Opportunistic	**186,181,894**	**2.0**	**1.6**	**3.6**	**1.1**	**3.8**	**2.5**	**6.3**	**3.0**	**4Q96**	**2.0**	**1.1**
Private Real Estate Portfolio Only (ex. Timber)[3]	**1,242,346,951**	**3.2**	**1.3**	**4.5**	**3.1**	**5.7**	**1.4**	**7.2**	**5.5**	**1Q89**		
Non-Core Portfolio	**481,657,506**	**2.4**	**3.2**	**5.6**	**2.9**	**5.9**	**2.7**	**8.6**	**6.1**	**4Q90**		
Total Portfolio[3]												
LACERS	**1,262,015,951**	**3.2**	**1.4**	**4.6**	**3.1**	**5.7**	**1.5**	**7.2**	**5.6**	**1Q89**		
Indices												
NFI-ODCE (Core)		3.8	-0.6	3.2	2.3	6.3	0.4	6.7	5.7	1Q89		
NFI-ODCE + 80 bps (Total Portfolio)				4.0	3.1			7.5	6.5	1Q89		
NFI-ODCE + 200 bps (Non-Core Portfolio)				5.2	4.3			8.8	7.8	4Q90		
NFI -ODCE + 50 bps (Value Add)				3.7	2.8			7.3	6.3	4Q90		
NFI -ODCE + 300 bps (Opportunistic)				6.2	5.3			11.0	10.0	4Q96		
NCREIF Timberland Property Index "NTI"		2.8	4.3	7.2		3.2	3.2	6.5		4Q99		

* Net IRR and Equity Multiple may be missing due to hard coded data.

[1] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[2] Broken time-weighted return since inception

[3] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/2024.

Returns (%)	Market Value ($)	2024		2023		2022		2021		2020		2019		2018	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core															
Berkshire Multifamily Income Realty Fund	13,325,924	-2.0	-2.5	-23.1	-23.6	10.9	9.9	25.7	24.9	1.9	1.0	5.0	4.2	6.2	5.6
CIM VI (Urban REIT), LLC	10,205,930	-12.9	-13.4	-18.8	-19.7	-3.3	-4.5	-0.7	-2.0	-5.0	-6.3	5.3	3.9	10.4	8.9
Cortland Partners Growth and Income Fund	69,833,405	0.2	-0.3	-24.6	-25.4	-4.7	-5.1								
INVESCO Core Real Estate	191,422,458	-4.6	-4.8	-12.2	-12.5	7.7	7.3	21.1	20.7	-1.6	-1.9	6.6	6.2	9.4	9.0
Jamestown Premier Property Fund	12,733,265	-11.0	-11.3	-50.7	-51.0	-11.7	-12.1	-0.5	-1.1	-9.3	-9.4	3.0	2.4	9.7	7.7
JP Morgan Strategic Property Fund	71,916,738	-4.2	-4.7	-14.3	-15.2	4.6	3.7	20.9	19.8	1.4	0.4	4.4	3.4	8.0	7.0
Kayne Anderson Core Real Estate Fund	91,391,204	1.7	1.3	-1.9	-2.6	8.7	8.0	13.2	12.8	4.0	3.5	9.6	9.0		
Lion Industrial Trust - 2007	160,544,761	-1.5	-1.4	-3.9	-3.5	25.7	21.6	49.7	41.5	13.7	11.6	16.5	13.9	18.7	15.9
Prime Property Fund	63,681,401	-1.0	-1.5	-4.7	-5.8	7.4	6.1	22.9	21.5	2.1	1.3	7.4	6.2	9.1	8.0
Principal U.S. Property Account	75,634,359	-2.4	-2.8	-10.0	-10.7	5.1	4.2	23.7	22.6	1.6	0.6	7.0	6.0	9.1	8.1
Total Core	**760,689,445**	**-2.5**	**-2.7**	**-12.2**	**-12.6**	**9.0**	**7.8**	**23.0**	**21.2**	**1.2**	**0.4**	**7.2**	**6.3**	**9.8**	**8.7**
Timber															
Hancock Timberland XI	19,668,999	0.3	-0.1	5.7	4.7	8.0	7.0	10.9	9.9	0.6	-0.3	4.9	3.9	3.9	2.9
Total Timber	**19,668,999**	**0.3**	**-0.1**	**5.7**	**4.7**	**8.0**	**7.0**	**10.9**	**9.9**	**0.6**	**-0.3**	**4.9**	**3.9**	**3.9**	**2.9**
Value Added															
Almanac Realty Securities VI	2,438,855	-8.0	-8.6	-17.9	-18.8	-0.1	-1.2	17.2	15.9	-32.1	-32.9	-2.5	-3.2	2.0	1.3
Asana Partners Fund I	27,033,802	-1.5	2.2	-3.9	-1.0	7.4	5.2	53.1	35.3	-13.0	-7.1	28.7	21.3	26.4	18.7
Asana Partners Fund II	34,504,143	-5.4	-5.9	-3.4	0.3	1.8	0.7	63.7	49.9	-36.4	-45.7	11.1	1.5		
DRA Growth and Income Fund VII[1]	22,865														
DRA Growth and Income Fund VIII	2,835,611	-28.5	-29.4	-42.0	-43.9	-1.1	-1.5	32.7	31.9	-16.6	-17.1	11.0	8.6	14.1	11.3
EQT Exeter Industrial Value Fund VI, L.P.	17,624,859	7.6	0.4												
Gerrity Retail Fund 2	15,142,787	1.4	0.7	-8.3	-9.5	6.6	5.2	7.4	5.9	-11.5	-12.7	6.7	5.3	12.4	10.6
GLP Capital Partners IV	32,302,346	0.0	-0.3	-3.2	-3.7	13.8	13.3	49.8	49.0						
Heitman Asia-Pacific Property Investors	12,862,079	-10.3	-10.7	-6.5	-7.3	-0.3	-1.1	4.7	4.0	5.2	4.3	4.1	3.3	-4.7	-5.2
LBA Logistics Value Fund IX	31,037,365	3.1	2.1	-4.8	-8.0	-1.9	-7.3								
LBA Logistics Value Fund VII	43,611,345	1.2	0.7	2.0	1.2	9.2	7.7	52.3	48.5	12.4	11.0				
NB Partners Fund IV LP	8,516,232	5.2	1.7	-1.6	-8.6										
NREP Nordic Strategies Fund IV	22,094,047	-3.4	-4.5	-13.8	-13.2	0.6	-6.4	30.9	10.3	22.1	-121.4				
Standard Life Investments European Real Estate Club II[1]	0														
Waterton Residential Property Venture XIV, L.P.	39,684,961	-6.1	-6.9	-15.9	-16.3	15.3	11.7	91.3	63.1						
Waterton Residential Property Venture XV	5,764,315	17.1	9.0												
Total Value Added	**295,475,612**	**-1.9**	**-2.5**	**-7.5**	**-8.5**	**6.4**	**4.3**	**39.1**	**31.2**	**-4.8**	**-6.8**	**18.9**	**13.9**	**14.1**	**11.0**
Total Portfolio[2]															
LACERS	**1,262,015,951**	**-2.0**	**-2.4**	**-9.3**	**-10.1**	**8.5**	**6.8**	**25.3**	**22.4**	**-0.8**	**-1.8**	**7.6**	**6.2**	**8.4**	**7.0**
Indices															
NFI-ODCE (Core)		-2.8	-3.2	-12.0	-12.7	7.5	6.5	22.2	21.0	1.2	0.3	5.3	4.4	8.3	7.4
NFI-ODCE + 80 bps (Total Portfolio)		-2.0	-2.4	-11.2	-11.9	8.3	7.3	23.0	21.8	2.0	1.1	6.1	5.2	9.1	8.2
NFI-ODCE + 200 bps (Non-Core Portfolio)		-0.8	-1.2	-10.0	-10.7	9.5	8.5	24.2	23.0	4.0	3.1	8.1	7.2	11.1	10.2
NFI-ODCE + 50 bps (Value Add)		-2.3	-2.7	-11.5	-12.2	8.0	7.0	22.7	21.5	1.7	0.8	5.8	4.9	8.8	7.9
NFI-ODCE + 300 bps (Opportunistic)		0.2	-0.2	-9.0	-9.7	10.5	9.5	25.2	24.0	4.2	3.3	8.3	7.4	11.3	10.4
NCREIF Timberland Index (Timber)		3.9		9.5		12.9		9.2		0.8		1.3		3.4	

1 Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

2 Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/24.

Returns (%)	Market Value ($)	2017		2016		2015		2014		2013	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core											
Berkshire Multifamily Income Realty Fund	13,325,924	5.4	4.7	10.4	9.5						
CIM VI (Urban REIT), LLC	10,205,930	5.2	3.7	2.6	2.4	13.4	11.0	15.0	13.5	6.8	5.4
Cortland Partners Growth and Income Fund	69,833,405										
INVESCO Core Real Estate	191,422,458	8.4	8.0	9.2	8.9	14.7	14.3	12.4	11.9	14.3	13.8
Jamestown Premier Property Fund	12,733,265	18.0	14.2	6.7	5.4	8.5	7.0				
JP Morgan Strategic Property Fund	71,916,738	7.2	6.2	8.4	7.3	15.2	14.1	11.1	10.1	15.9	14.8
Kayne Anderson Core Real Estate Fund	91,391,204										
Lion Industrial Trust - 2007	160,544,761	14.4	12.3	14.9	12.8						
Prime Property Fund	63,681,401	9.9	8.8	10.4	9.2						
Principal U.S. Property Account	75,634,359	9.1	8.1	10.1	9.0	3.0	2.8				
Total Core	**760,689,445**	**9.2**	**8.1**	**8.7**	**7.9**	**13.4**	**12.7**	**11.8**	**11.3**	**13.3**	**12.5**
Timber											
Hancock Timberland XI	19,668,999	2.1	1.2	3.5	2.6	5.4	4.6	5.2	4.6	9.9	8.9
Total Timber	**19,668,999**	**2.1**	**1.2**	**3.5**	**2.6**	**5.4**	**4.5**	**8.1**	**4.5**	**20.9**	**17.8**
Value Added											
Almanac Realty Securities VI	2,438,855	0.4	-0.3	15.2	14.3	23.5	21.2	15.2	12.8	31.6	26.1
Asana Partners Fund I	27,033,802	18.1	10.8								
Asana Partners Fund II	34,504,143										
DRA Growth and Income Fund VII[1]	22,865										
DRA Growth and Income Fund VIII	2,835,611	14.2	11.7	14.7	11.8	16.0	12.9	2.7	2.1		
EQT Exeter Industrial Value Fund VI, L.P.	17,624,859										
Gerrity Retail Fund 2	15,142,787	9.8	7.6	21.4	17.7	1.7	0.6				
GLP Capital Partners IV	32,302,346										
Heitman Asia-Pacific Property Investors	12,862,079										
LBA Logistics Value Fund IX	31,037,365										
LBA Logistics Value Fund VII	43,611,345										
NB Partners Fund IV LP	8,516,232										
NREP Nordic Strategies Fund IV	22,094,047										
Standard Life Investments European Real Estate Club II[1]	0										
Waterton Residential Property Venture XIV, L.P.	39,684,961										
Waterton Residential Property Venture XV	5,764,315										
Total Value Added	**295,475,612**	**18.6**	**15.9**	**14.6**	**12.1**	**14.5**	**11.7**	**12.6**	**10.9**	**9.5**	**7.9**
Total Portfolio[2]											
LACERS	**1,262,015,951**	**10.0**	**8.6**	**8.1**	**6.8**	**11.2**	**9.5**	**13.7**	**11.8**	**13.5**	**11.4**
Indices											
NFI-ODCE (Core)		7.6	6.7	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9
NFI-ODCE + 80 bps (Total Portfolio)		8.4	7.5	9.6	8.6	15.8	14.8	13.3	12.3	14.7	13.7
NFI-ODCE + 200 bps (Non-Core Portfolio)		10.4	9.5	11.6	10.6	17.8	16.8	15.3	14.3	16.7	15.7
NFI-ODCE + 50 bps (Value Add)		8.1	7.2	9.3	8.3	15.5	14.5	13.0	12.0	14.4	13.4
NFI-ODCE + 300 bps (Opportunistic)		10.6	9.7	11.8	10.8	18.0	17.0	15.5	14.5	16.9	15.9
NCREIF Timberland Index (Timber)		3.6		2.7		5.0		10.5		9.7	

1 Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[2] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 6/30/24.

Returns (%)	Market Value ($)	2024 TGRS	2024 TNET	2023 TGRS	2023 TNET	2022 TGRS	2022 TNET	2021 TGRS	2021 TNET	2020 TGRS	2020 TNET	2019 TGRS	2019 TNET	2018 TGRS	2018 TNET
Opportunistic															
Apollo CPI Europe I[1]	215,068														
Bristol Value II, L.P.	15,749,146	-14.0	-14.0	-2.4	-2.5	9.6	7.1	16.9	15.9	10.1	8.7	8.5	6.9	6.7	5.1
Broadview Real Estate Partners Fund, L.P.	12,734,569	18.2	14.7	9.8	8.2	13.4	8.8	60.3	40.2	82.4	35.2	-158.5	-158.5		
Brookfield Strategic Real Estate Partners IV	33,193,373	1.2	0.2	4.7	3.3	7.1	4.5								
Bryanston Retail Opportunity Fund[1]	58,002														
California Smart Growth Fund IV[1]	71,136														
Cerberus Institutional Real Estate Partners V	40,160,917	3.8	2.6	12.0	8.2	24.0	17.1	39.5	23.4						
CIM Real Estate Fund III	4,031,801	-9.0	-10.2	-24.9	-26.1	-2.5	-3.9	11.0	9.0	-17.2	-18.5	0.3	-1.1	5.9	4.5
Latin America Investors III[1]	-3,172,410														
Lone Star Real Estate Fund II[1]	19,383														
Oaktree Real Estate Opportunities Fund VIII	34,245,159	-1.6	-0.5	5.5	2.8	4.7	0.5	7.8	5.8						
RECP Fund IV, L.P.	12,238,167	-13.9	-13.9	-15.9	-15.9	-14.6	-14.6	10.4	12.9	-23.0	-25.1	2.3	2.1	2.1	1.6
Stockbridge Real Estate Fund II[1]	355,202														
Torchlight Debt Opportunity Fund IV	1,315,847	0.9	-0.1	-27.3	-38.5	-14.7	-7.6	10.7	7.9	-12.3	-4.0	-2.2	1.5	14.8	10.7
TPG Real Estate Partners IV	7,623,367	13.5	6.4	-36.7	-61.3										
Walton Street Real Estate Fund V[1]	490,084														
Walton Street Real Estate Fund VI	10,078,931	-2.0	-2.1	1.7	1.5	14.7	14.3	19.8	19.2	-10.0	-11.0	2.0	1.0	4.2	3.1
Wolff Credit Partners III, LP	16,774,153	7.1	4.9	20.5	10.4	102.8	49.5								
Total Opportunistic	**186,181,895**	**-0.1**	**-0.9**	**2.1**	**-0.7**	**8.4**	**4.3**	**22.7**	**19.8**	**-11.2**	**-12.8**	**0.1**	**-0.8**	**-1.1**	**-2.5**
Private Real Estate Portfolio Only (ex. Timber)[2]	**1,242,346,952**	**-2.0**	**-2.4**	**-9.5**	**-10.3**	**8.5**	**6.8**	**25.6**	**22.7**	**-0.8**	**-1.9**	**7.7**	**6.3**	**8.6**	**7.1**
Non-Core Portfolio	**481,657,507**	**-1.2**	**-1.9**	**-3.9**	**-5.5**	**7.1**	**4.3**	**32.8**	**26.9**	**-7.6**	**-9.3**	**9.0**	**6.2**	**5.8**	**3.7**
Total Portfolio[2]															
LACERS	**1,262,015,951**	**-2.0**	**-2.4**	**-9.3**	**-10.1**	**8.5**	**6.8**	**25.3**	**22.4**	**-0.8**	**-1.8**	**7.6**	**6.2**	**8.4**	**7.0**
Indices															
NFI-ODCE (Core)		-2.8	-3.2	-12.0	-12.7	7.5	6.5	22.2	21.0	1.2	0.3	5.3	4.4	8.3	7.4
NFI-ODCE + 80 bps (Total Portfolio)		-2.0	-2.4	-11.2	-11.9	8.3	7.3	23.0	21.8	2.0	1.1	6.1	5.2	9.1	8.2
NFI-ODCE + 200 bps (Non-Core Portfolio)		-0.8	-1.2	-10.0	-10.7	9.5	8.5	24.2	23.0	4.0	3.1	8.1	7.2	11.1	10.2
NFI-ODCE + 50 bps (Value Add)		-2.3	-2.7	-11.5	-12.2	8.0	7.0	22.7	21.5	1.7	0.8	5.8	4.9	8.8	7.9
NFI-ODCE + 300 bps (Opportunistic)		0.2	-0.2	-9.0	-9.7	10.5	9.5	25.2	24.0	4.2	3.3	8.3	7.4	11.3	10.4
NCREIF Timberland Index (Timber)		3.9		9.5	0.0	12.9		9.2		0.8		1.3		3.4	

[1] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[2] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 3/31/24.

Returns (%)	Market Value ($)	2017		2016		2015		2014		2013	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic											
Apollo CPI Europe I[1]	215,068										
Bristol Value II, L.P.	15,749,146	17.1	15.3	11.0	9.1	8.2	6.1	12.4	10.6	35.0	33.0
Broadview Real Estate Partners Fund, L.P.	12,734,569										
Brookfield Strategic Real Estate Partners IV	33,193,373										
Bryanston Retail Opportunity Fund[1]	58,002										
California Smart Growth Fund IV[1]	71,136										
Cerberus Institutional Real Estate Partners V	40,160,917										
CIM Real Estate Fund III	4,031,801	8.0	6.4	5.4	4.0	8.3	7.1	11.0	9.8	11.1	9.9
Latin America Investors III[1]	-3,172,410										
Lone Star Real Estate Fund II[1]	19,383										
Oaktree Real Estate Opportunities Fund VIII	34,245,159										
RECP Fund IV, L.P.	12,238,167	14.6	12.4	6.9	5.3	8.3	6.2	6.4	4.6	8.5	6.7
Stockbridge Real Estate Fund II[1]	355,202										
Torchlight Debt Opportunity Fund IV	1,315,847	15.2	11.3	11.8	9.8	12.0	9.8	13.9	10.4	3.6	3.0
TPG Real Estate Partners IV	7,623,367										
Walton Street Real Estate Fund V[1]	490,084										
Walton Street Real Estate Fund VI	10,078,931	9.2	7.9	-5.4	-6.6	13.5	12.2	14.8	13.4	16.0	14.3
Wolff Credit Partners III, LP	16,774,153										
Total Opportunistic	**186,181,895**	**7.5**	**5.8**	**2.8**	**1.3**	**7.2**	**5.3**	**15.7**	**12.9**	**15.3**	**12.2**
Private Real Estate Portfolio Only (ex. Timber)[2]	**1,242,346,952**	**10.2**	**8.8**	**8.2**	**6.9**	**11.3**	**9.6**	**13.8**	**12.0**	**13.4**	**11.3**
Non-Core Portfolio	**481,657,507**	**12.1**	**10.0**	**7.5**	**5.6**	**9.8**	**7.6**	**14.7**	**12.2**	**13.6**	**10.9**
Total Portfolio[2]											
LACERS	**1,262,015,951**	**10.0**	**8.6**	**8.1**	**6.8**	**11.2**	**9.5**	**13.7**	**11.8**	**13.5**	**11.4**
Indices											
NFI-ODCE (Core)		7.6	6.7	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9
NFI-ODCE + 80 bps (Total Portfolio)		8.4	7.5	9.6	8.6	15.8	14.8	13.3	12.3	14.7	13.7
NFI-ODCE + 200 bps (Non-Core Portfolio)		10.4	9.5	11.6	10.6	17.8	16.8	15.3	14.3	16.7	15.7
NFI-ODCE + 50 bps (Value Add)		8.1	7.2	9.3	8.3	15.5	14.5	13.0	12.0	14.4	13.4
NFI-ODCE + 300 bps (Opportunistic)		10.6	9.7	11.8	10.8	18.0	17.0	15.5	14.5	16.9	15.9
NCREIF Timberland Index (Timber)		3.6		2.7		5.0		10.5		9.7	

[1] Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

[2] Excludes Integrated Capital Hospitality Fund, which did not provide data as of 3/31/24.

Quarterly Cash Flow Activity ($)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core									
Berkshire Multifamily Income Realty Fund	13,653,248	0	59,012	0	127,519	7,358	-388,473	13,325,924	48.4
CIM VI (Urban REIT), LLC	12,967,271	0	1,937,118	0	60,517	32,501	-852,239	10,205,930	0.0
Cortland Partners Growth and Income Fund	69,197,149	694,162	344,669	0	438,654	172,839	20,948	69,833,405	54.4
INVESCO Core Real Estate	195,509,893	203,773	1,537,005	0	1,847,133	203,773	-4,397,563	191,422,458	30.5
Jamestown Premier Property Fund	13,414,143	19,640	29,800	0	-83,183	19,640	-567,894	12,733,265	64.5
JP Morgan Strategic Property Fund	71,133,787	0	192	0	672,242	180,077	290,977	71,916,738	30.7
Kayne Anderson Core Real Estate Fund	90,720,365	949,346	949,346	0	1,300,268	143,113	-486,316	91,391,204	35.7
Lion Industrial Trust - 2007	161,623,421	257,684	257,684	0	1,560,992	-115,451	-2,755,105	160,544,761	33.5
Prime Property Fund	63,794,589	629,225	629,225	0	635,921	186,172	-562,936	63,681,401	26.2
Principal U.S. Property Account	76,312,600	0	0	0	865,875	152,127	-1,391,988	75,634,359	25.7
Total Core	**768,326,467**	**2,753,830**	**5,744,051**	**0**	**7,425,938**	**982,149**	**-11,090,589**	**760,689,447**	**35.3**
Timber									
Hancock Timberland XI	19,802,512	0	0	92,300	4,546	45,735	-24	19,668,999	0.0
Total Timber	**19,802,512**	**0**	**0**	**92,300**	**4,546**	**45,735**	**-24**	**19,668,999**	**0.0**
Value Added									
Almanac Realty Securities VI	2,722,034	0	0	0	-2,162	9,034	-271,983	2,438,855	0.0
Asana Partners Fund I	26,622,340	0	0	0	55,993	-305,375	50,094	27,033,802	42.7
Asana Partners Fund II	32,967,485	1,750,000	0	0	-144,484	93,595	24,736	34,504,143	44.9
DRA Growth and Income Fund VII	19,516	0	0	0	3,349	0	0	22,865	98.0
DRA Growth and Income Fund VIII	4,016,530	0	262,605	533,691	-53,365	27,291	-303,967	2,835,611	72.1
EQT Exeter Industrial Value Fund VI, L.P.	6,178,507	11,250,000	0	0	-73,127	262,500	531,978	17,624,859	51.1
Gerrity Retail Fund 2	15,115,029	0	0	0	80,304	52,546	0	15,142,787	40.5
GLP Capital Partners IV	33,505,917	0	116,233	0	636,460	44,877	-1,678,921	32,302,346	50.6
Heitman Asia-Pacific Property Investors	15,045,457	280,036	2,413	1,333,634	12,699	32,685	-1,107,381	12,862,079	54.0
LBA Logistics Value Fund IX	26,276,547	3,846,154	0	0	-122,562	143,750	1,180,976	31,037,365	46.9
LBA Logistics Value Fund VII	43,354,539	0	0	0	216,555	84,498	124,748	43,611,345	37.3
NB Partners Fund IV LP	7,243,636	1,987,694	83,226	506,623	-5,766	117,401	-2,081	8,516,232	50.6
NREP Nordic Strategies Fund IV	20,492,177	1,594,470	0	0	191,179	116,336	-67,443	22,094,047	57.0
Standard Life Investments European Real Estate Club II	89,884	0	90,460	0	0	0	576	0	0.0
Waterton Residential Property Venture XIV, L.P.	39,391,632	1,724,040	0	0	172,411	165,272	-1,437,850	39,684,961	60.6
Waterton Residential Property Venture XV	4,731,379	918,376	0	15,230	-8,421	156,250	294,461	5,764,315	62.8
Total Value Added	**277,772,610**	**23,350,770**	**554,937**	**2,389,178**	**959,062**	**1,000,658**	**-2,662,057**	**295,475,612**	**48.7**
Total Portfolio									
LACERS	**1,250,209,939**	**31,649,527**	**7,532,940**	**3,437,056**	**9,309,180**	**3,147,819**	**-15,034,881**	**1,262,015,950**	**40.7**

Quarterly Cash Flow Activity ($)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Opportunistic									
Apollo CPI Europe I	217,095	0	0	0	-498	0	-1,529	215,068	0.0
Bristol Value II, L.P.	16,930,230	1,359,113	0	0	127,576	0	-2,667,773	15,749,146	34.4
Broadview Real Estate Partners Fund, L.P.	11,467,757	236,162	334,564	0	-27,435	331,186	1,723,835	12,734,569	0.0
Brookfield Strategic Real Estate Partners IV	32,818,057	1,028,312	103,698	955,578	-9,734	162,555	578,569	33,193,373	59.0
Bryanston Retail Opportunity Fund	58,264	0	0	0	-1,155	-1,180	-287	58,002	0.0
California Smart Growth Fund IV	76,166	0	0	0	-5,030	0	0	71,136	0.0
Cerberus Institutional Real Estate Partners V	38,522,272	1,579,878	0	0	-117,350	119,988	296,105	40,160,917	61.2
CIM Real Estate Fund III	3,818,122	0	0	0	4	0	213,675	4,031,801	39.8
Latin America Investors III	-3,129,005	0	0	0	-58,391	12,842	27,828	-3,172,410	76.5
Lone Star Real Estate Fund II	19,966	0	0	0	-942	-359	0	19,383	0.0
Oaktree Real Estate Opportunities Fund VIII L.P.	33,830,129	0	62,500	0	291,526	122,121	308,125	34,245,159	0.0
RECP Fund IV, L.P.	13,290,726	0	0	0	53,142	0	-1,105,702	12,238,167	62.2
Stockbridge Real Estate Fund II	352,799	0	0	0	2,403	0	0	355,202	0.0
Torchlight Debt Opportunity Fund IV	1,293,501	0	0	0	-2,152	6,789	31,287	1,315,847	0.0
TPG Real Estate Partners IV	6,648,810	1,341,463	0	0	-128,173	182,746	-55,987	7,623,367	81.8
Walton Street Real Estate Fund V	497,684	0	0	0	-39,768	0	32,168	490,084	0.0
Walton Street Real Estate Fund VI	10,513,569	0	0	0	261,485	4,101	-692,022	10,078,931	29.9
Wolff Credit Partners III, LP	17,082,208	0	733,190	0	574,125	178,488	29,497	16,774,153	0.0
Total Opportunistic	**184,308,350**	**5,544,928**	**1,233,952**	**955,578**	**919,633**	**1,119,277**	**-1,282,211**	**186,181,893**	**47.8**
Private Real Estate Portfolio Only (ex. Timber)	**1,230,407,427**	**31,649,528**	**7,532,940**	**3,344,756**	**9,304,634**	**3,102,084**	**-15,034,857**	**1,242,346,952**	**41.1**
Non-Core Portfolio	**462,080,959**	**28,895,698**	**1,788,890**	**3,344,756**	**1,878,694**	**2,119,935**	**-3,944,268**	**481,657,505**	**48.3**
Total Portfolio									
LACERS	**1,250,209,939**	**31,649,527**	**7,532,940**	**3,437,056**	**9,309,180**	**3,147,819**	**-15,034,881**	**1,262,015,950**	**40.7**

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core						
Berkshire Multifamily Income Realty Fund	100.0	-	-	-	-	-
CIM VI (Urban REIT), LLC	13.0	63.7	-	23.3	-	-
Cortland Partners Growth and Income Fund	100.0	-	-	-	-	-
INVESCO Core Real Estate	22.2	17.1	33.1	13.3	-	14.4
Jamestown Premier Property Fund	-	44.5	-	36.4	-	19.1
JP Morgan Strategic Property Fund	28.2	16.0	34.1	19.5	-	2.1
Kayne Anderson Core Real Estate Fund	-	-	-	-	-	100.0
Lion Industrial Trust - 2007	-	-	100.0	-	-	-
Prime Property Fund	25.6	16.0	32.5	8.6	-	17.3
Principal U.S. Property Account	28.7	15.2	37.4	10.6	-	8.1
Total Core	**22.9**	**9.8**	**43.0**	**7.5**	**-**	**16.9**
Timber						
Hancock Timberland XI	-	-	-	-	-	100.0
Timber Timber	**-**	**-**	**-**	**-**	**-**	**100.0**
Value Added						
Almanac Realty Securities VI	38.3	-	-	-	60.8	0.9
Asana Partners Fund I	1.0	17.4	-	81.5	-	0.1
Asana Partners Fund II	0.7	39.6	-	57.5	-	2.2
DRA Growth and Income Fund VII	-	-	-	100.0	-	-
DRA Growth and Income Fund VIII	18.9	56.0	-	25.1	-	-
EQT Exeter Industrial Value Fund VI, L.P.	-	-	100.0	-	-	-
Gerrity Retail Fund 2	-	-	-	100.0	-	-
GLP Capital Partners IV	-	-	100.0	-	-	-
Heitman Asia-Pacific Property Investors	-	52.3	-	15.0	-	32.6
LBA Logistics Value Fund IX	-	-	92.7	-	-	7.3
LBA Logistics Value Fund VII	-	-	92.4	-	-	7.6
NB Partners Fund IV LP	-	-	100.0	-	-	-
NREP Nordic Strategies Fund IV	26.9	4.5	33.2	4.0	5.7	25.7
Standard Life Investments European Real Estate Club II	-	-	-	-	-	-
Waterton Residential Property Venture XIV, L.P.	96.8	-	-	-	-	3.2
Waterton Residential Property Venture XV	67.4	-	-	-	-	32.6
Total Value Added	**15.7**	**8.1**	**49.9**	**18.6**	**1.0**	**6.6**
Total Portfolio						
Los Angeles City Employees' Retirement System	**20.3**	**9.6**	**41.2**	**9.4**	**1.7**	**17.8**
Indices						
NFI-ODCE*	**29.3**	**17.3**	**33.8**	**10.8**	**0.2**	**8.6**

*NCREIF changed the basis of diversification for the NFI-ODCE from Net Real Estate Assets to Gross Real Estate Assets effective 1Q2020.

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Opportunistic						
Apollo CPI Europe I	-	-	-	-	-	-
Bristol Value II, L.P.	-	39.6	-	-	-	60.4
Broadview Real Estate Partners Fund, L.P.	-	-	21.1	-	-	78.9
Brookfield Strategic Real Estate Partners IV	22.5	33.3	24.0	-	6.4	13.9
Bryanston Retail Opportunity Fund	-	-	-	100.0	-	-
California Smart Growth Fund IV	-	-	100.0	-	-	-
Cerberus Institutional Real Estate Partners V	-	0.3	47.9	0.0	15.7	36.1
CIM Real Estate Fund III	-	38.2	-	3.9	34.8	23.1
Latin America Investors III	-	100.0	-	-	-	-
Lone Star Real Estate Fund II	-	-	-	-	-	100.0
Oaktree Real Estate Opportunities Fund VIII L.P.	32.2	8.0	28.0	17.5	12.9	1.4
RECP Fund IV, L.P.	11.5	-	-	-	58.2	30.4
Stockbridge Real Estate Fund II	-	-	-	-	-	-
Torchlight Debt Opportunity Fund IV	-	-	-	-	53.7	46.3
TPG Real Estate Partners IV	-	9.5	18.9	-	-	71.7
Walton Street Real Estate Fund V	-	-	-	-	-	100.0
Walton Street Real Estate Fund VI	0.7	-	-	3.4	-	95.9
Wolff Credit Partners III, LP	100.0	-	-	-	-	-
Total Opportunistic	**17.7**	**12.5**	**22.4**	**3.5**	**11.1**	**32.7**
Private Real Estate Portfolio Only (ex. Timber)	**20.5**	**9.8**	**41.7**	**9.5**	**1.8**	**16.7**
Non-Core Portfolio	**16.5**	**9.8**	**39.7**	**13.0**	**4.7**	**16.3**
Total Portfolio						
Los Angeles City Employees' Retirement System	**20.3**	**9.6**	**41.2**	**9.4**	**1.7**	**17.8**
Indices						
NFI-ODCE*	**29.3**	**17.3**	**33.8**	**10.8**	**0.2**	**8.6**

*NCREIF changed the basis of diversification for the NFI-ODCE from Net Real Estate Assets to Gross Real Estate Assets effective 1Q2020.

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var-US	Ex-US
Core										
Berkshire Multifamily Income Realty Fund	8.5	5.5	9.4	-	10.7	29.1	-	36.8	-	-
CIM VI (Urban REIT), LLC	56.2	13.0	-	-	-	-	-	30.8	-	-
Cortland Partners Growth and Income Fund	-	14.3	4.8	1.4	43.3	14.7	21.5	-	-	-
INVESCO Core Real Estate	15.3	6.2	0.2	0.0	5.1	14.3	11.5	47.3	-	-
Jamestown Premier Property Fund	27.2	28.2	-	-	12.4	-	-	32.2	-	-
JP Morgan Strategic Property Fund	13.0	6.5	1.9	0.2	6.4	11.5	4.4	56.1	-	-
Kayne Anderson Core Real Estate Fund	9.8	8.0	14.3	6.5	34.9	14.3	7.6	4.6	-	-
Lion Industrial Trust - 2007	18.5	3.3	5.2	0.8	13.8	13.8	7.5	37.1	-	-
Prime Property Fund	30.0	5.5	8.4	0.8	14.0	8.6	6.4	26.3	-	-
Principal U.S. Property Account	9.2	9.6	1.8	1.8	12.4	16.9	15.1	33.2	-	-
Total Core	**15.3**	**6.9**	**4.5**	**1.3**	**15.2**	**13.7**	**9.7**	**33.4**	-	**-**
Timber										
Hancock Timberland XI	-	-	-	-	-	-	-	23.6	68.9	7.6
Total Timber	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23.6**	**68.9**	**7.6**
Value Added										
Almanac Realty Securities VI	24.6	-	-	15.9	7.4	51.2	-	0.9	-	-
Asana Partners Fund I	6.7	35.1	-	-	29.6	24.8	-	3.8	-	-
Asana Partners Fund II	17.6	18.4	-	7.3	19.1	7.5	22.1	8.0	-	-
DRA Growth and Income Fund VII	-	-	-	-	-	-	-	100.0	-	-
DRA Growth and Income Fund VIII	30.4	15.0	26.5	-	28.1	-	-	-	-	-
EQT Exeter Industrial Value Fund VI, L.P.	7.6	6.7	11.2	22.2	18.7	10.3	5.7	17.6	-	-
Gerrity Retail Fund 2	-	-	-	-	-	-	-	100.0	-	-
GLP Capital Partners IV	23.3	2.5	3.8	-	12.2	6.6	-	51.7	-	-
Heitman Asia-Pacific Property Investors	-	-	-	-	-	-	-	-	-	100.0
LBA Logistics Value Fund IX	8.8	17.0	7.0	-	33.5	8.6	7.0	18.2	-	-
LBA Logistics Value Fund VII	16.6	16.3	9.9	1.6	22.2	5.5	11.6	16.4	-	-
NB Partners Fund IV LP	74.3	15.5	-	-	10.2	-	-	-	-	-
NREP Nordic Strategies Fund IV	-	-	-	-	-	-	-	-	-	100.0
Standard Life Investments European Real Estate Club II	-	-	-	-	-	-	-	-	-	100.0
Waterton Residential Property Venture XIV, L.P.	5.0	-	13.8	-	26.9	9.1	6.1	39.0	-	-
Waterton Residential Property Venture XV	45.4	-	40.2	-	3.8	-	-	10.6	-	-
Total Value Added	**12.9**	**10.8**	**6.1**	**3.3**	**18.6**	**8.0**	**6.0**	**21.9**	**-**	**12.7**
Total Portfolio										
LACERS	**14.9**	**7.2**	**4.3**	**1.7**	**16.2**	**10.6**	**7.9**	**27.0**	**3.0**	**7.1**
Indices										
NFI-ODCE*	**20.6**	**8.1**	**5.0**	**0.8**	**12.5**	**9.2**	**7.6**	**36.2**	**-**	**-**

*NCREIF changed the basis of diversification for the NFI-ODCE from Net Real Estate Assets to Gross Real Estate Assets effective 1Q2020.

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var-US	Ex-US
Opportunistic										
Apollo CPI Europe I	-	-	-	-	-	-	-	-	100.0	-
Bristol Value II, L.P.	49.5	-	-	-	34.4	-	16.1	-	-	-
Broadview Real Estate Partners Fund, L.P.	-	3.4	-	-	96.6	-	-	-	-	-
Brookfield Strategic Real Estate Partners IV	12.6	6.3	2.8	1.1	4.9	6.5	1.3	12.9	-	51.8
Bryanston Retail Opportunity Fund	-	-	100.0	-	-	-	-	-	-	-
California Smart Growth Fund IV	-	-	-	-	-	-	-	100.0	-	-
Cerberus Institutional Real Estate Partners V	-	-	-	-	4.7	-	6.9	2.1	46.3	40.0
CIM Real Estate Fund III	25.2	-	3.9	-	17.3	15.4	-	38.3	-	-
Latin America Investors III	-	-	-	-	-	-	-	-	-	100.0
Lone Star Real Estate Fund II	-	-	-	-	-	-	-	-	100.0	-
Oaktree Real Estate Opportunities Fund VIII L.P.	-	5.1	-	-	3.0	-	1.6	19.5	28.9	42.0
RECP Fund IV, L.P.	33.6	16.7	-	-	-	-	-	2.1	-	47.7
Stockbridge Real Estate Fund II	-	-	-	-	-	-	-	-	100.0	-
Torchlight Debt Opportunity Fund IV	-	-	-	-	-	-	-	-	100.0	-
TPG Real Estate Partners IV	41.3	-	-	8.0	13.5	1.2	-	-	-	36.0
Walton Street Real Estate Fund V	-	-	-	-	-	-	-	-	-	100.0
Walton Street Real Estate Fund VI	97.4	0.7	-	1.9	-	-	-	-	-	-
Wolff Credit Partners III, LP	10.3	-	3.6	6.0	68.2	5.1	6.8	-	-	-
Total Opportunistic	**17.8**	**3.3**	**0.8**	**1.5**	**18.7**	**1.9**	**3.9**	**7.1**	**15.3**	**29.7**
Private Real Estate Portfolio Only (ex. Timber)	**15.1**	**7.3**	**4.3**	**1.8**	**16.5**	**10.7**	**8.1**	**27.1**	**2.1**	**7.0**
Non-Core Portfolio	**14.7**	**8.0**	**4.1**	**2.6**	**18.6**	**5.7**	**5.2**	**16.4**	**5.7**	**19.0**
Total Portfolio										
LACERS	**14.9**	**7.2**	**4.3**	**1.7**	**16.2**	**10.6**	**7.9**	**27.0**	**3.0**	**7.1**
Indices										
NFI-ODCE*	**20.6**	**8.1**	**5.0**	**0.8**	**12.5**	**9.2**	**7.6**	**36.2**	**-**	**-**

*NCREIF changed the basis of diversification for the NFI-ODCE from Net Real Estate Assets to Gross Real Estate Assets effective 1Q2020.

Advisory Disclosures and Definitions

Disclosure
Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly[1] from the investment managers via a secure data collection site.

[1]In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

Benchmarks
The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

Exhibit B: Real Estate Market Update

Global Economic Conditions

TOWNSEND® GROUP

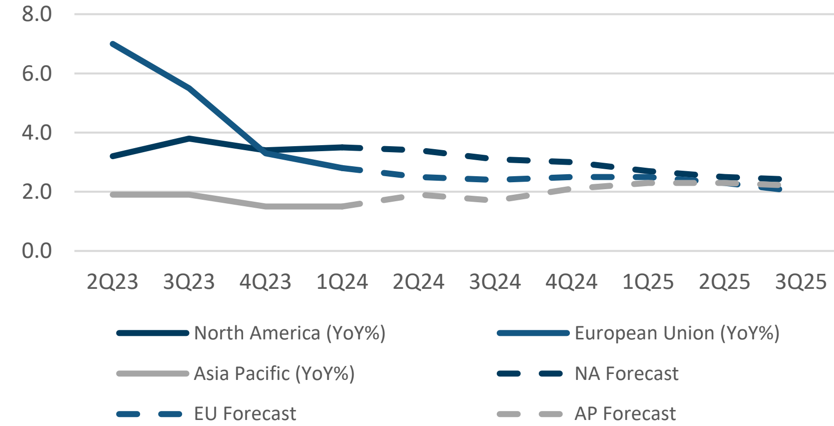
ECONOMIC GROWTH OUTLOOK REMAINS POSITIVE

Real GDP Forecasts (YoY%) – 6/13/2024

Major Regions	2023	2024	2025	2026
North America	2.5	2.3	1.8	2.0
European Union	0.5	1.0	1.7	1.8
Asia Pacific	4.3	4.3	4.1	3.9
Selected Markets	**2023**	**2024**	**2025**	**2026**
United States	2.5	2.4	1.8	2.0
United Kingdom	0.1	0.6	1.2	1.4
Germany	-0.2	0.2	1.2	1.3
China	5.2	4.9	4.5	4.2
Japan	1.9	0.4	1.1	0.9
Australia	2.0	1.3	2.2	2.5

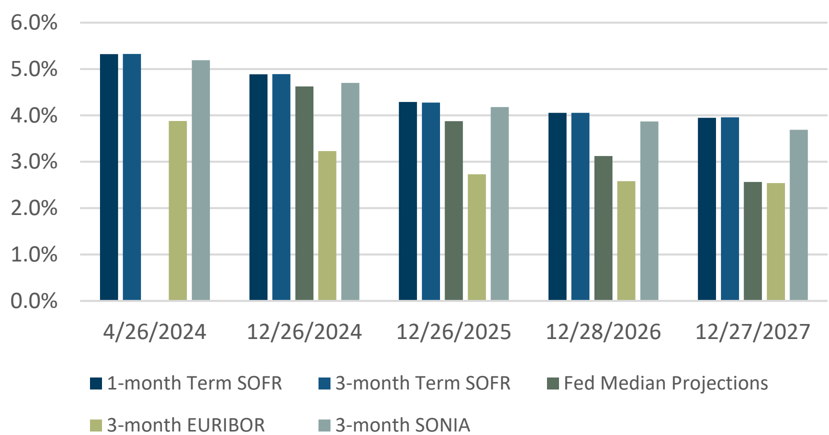
INFLATION IS PROJECTED TO STABILIZE

CPI Quarterly



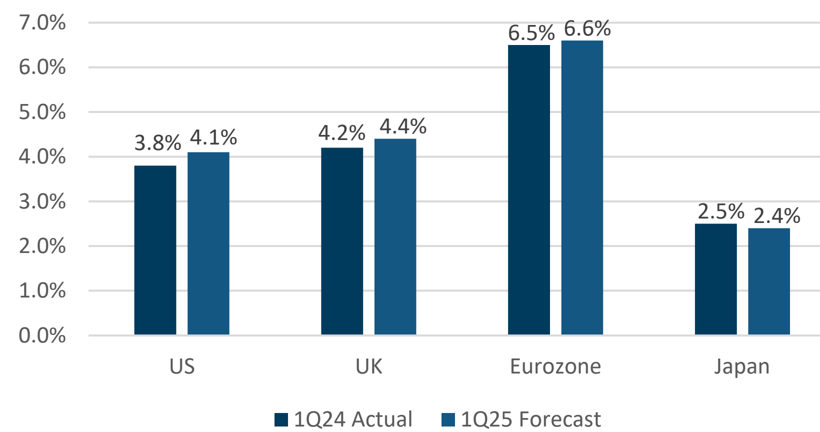
FORWARD CURVES INDICATING DECLINE IN RATES

Forward Curves



UNEMPLOYMENT RATES REMAIN LOW

Unemployment Rate (%)

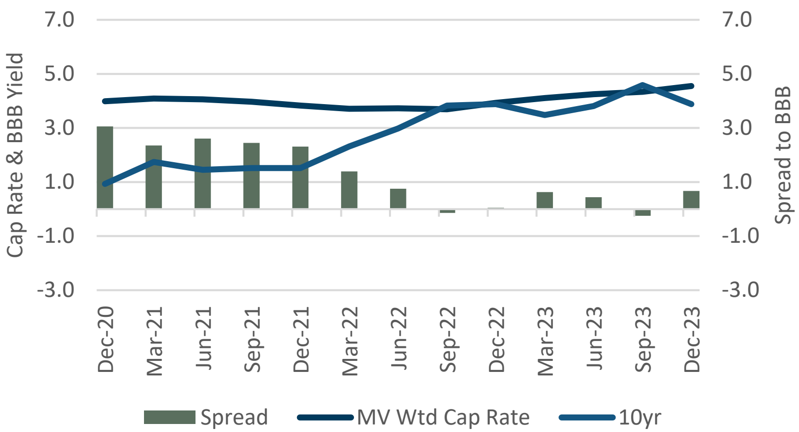


Source: The Townsend Group, Bloomberg, Chatham Financial.

US Real Estate Market Conditions

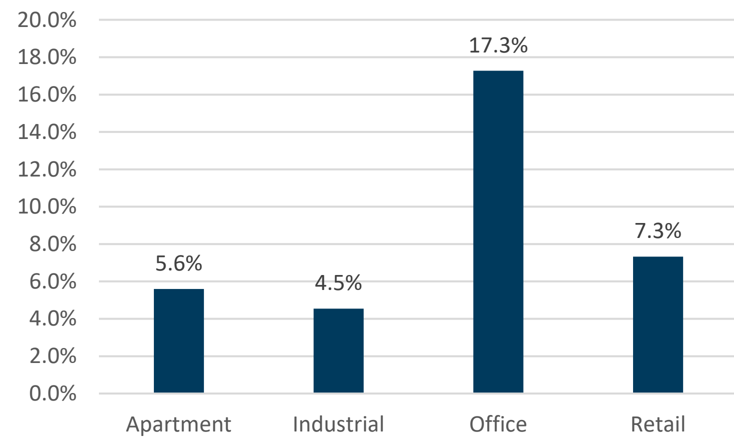
PRIVATE REAL ESTATE SPREADS COMPRESSING

NPI Current Value Cap Rate versus 10yr Treasury



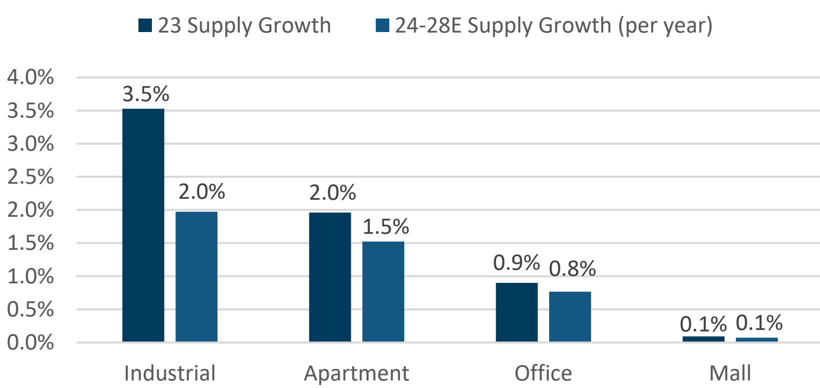
BUT VACANCY RATES REMAIN LOW

Vacancy Rates by Property Sector



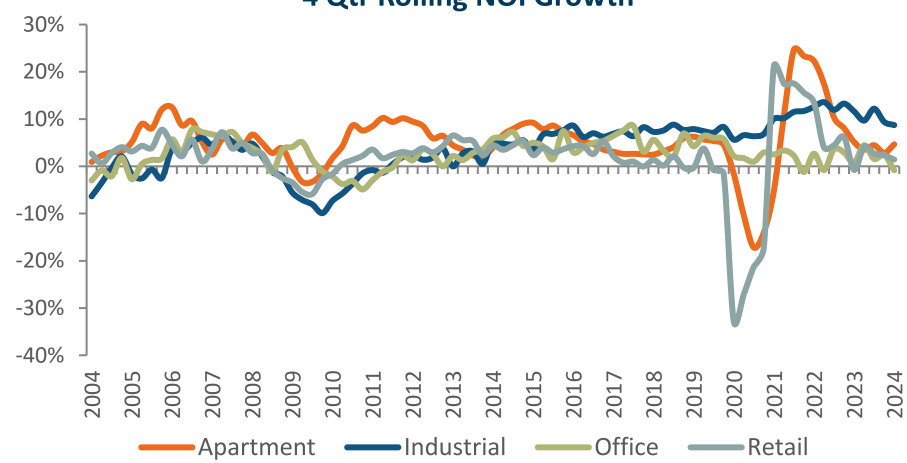
SUPPLY GROWTH CONTRACTING MEANINGFULLY

Annual Completions as % of Existing Stock



NCREIF NOI GROWTH

4 Qtr Rolling NOI Growth



Source: The Townsend Group, MSCI Real Assets, NCREIF.

United States Property Matrix (2Q24)

TOWNSEND® GROUP

INDUSTRIAL

- In 2Q24, industrial properties returned 0.20% and outperformed the NPI by 46 bps.
- Transaction volumes increased to $21 billion in the second quarter of the year, resulting in a 12% decrease year-over-year. Individual asset sales decreased 12% year-over-year, while portfolio purchases turned in a year-over-year volume decrease of 30%. At $21 billion, the industrial sector decreased by $3.6 billion quarter-over-quarter.
- The industrial sector turned in NOI growth of 8.7% over the past year. NOI continues to reach all time highs for the sector.
- Vacancy increased by 110 bps year-over-year to 2.9%. Vacancy in the sector increased 31 bps from the prior quarter. E-commerce continues to drive demand across the sector.
- Industrial cap rates expanded approximately 27 bps from a year ago, to 4.2%. Industrial overall fundamentals still top all property sectors.

MULTIFAMILY

- The apartment sector delivered a 0.15% return during the quarter, outperforming the NPI by 41 bps.
- Transaction volume in the second quarter of 2024 increased to $40 billion, resulting in an increase of 25% year-over-year. Transaction volume for the sector increased from the first quarter by $19 billion. This volume continues to make multifamily the most actively traded sector for the twenty-fifth straight quarter.
- Cap rates increased to 4.4% quarter-over-quarter, increasing 42 bps year-over-year. Multifamily cap rates remain at low levels relative to prior years, driven by continued investor demand.
- The multifamily sector saw increasing vacancy rates throughout the entirety of 2020 due to the global pandemic. Throughout 2021 and 2022, the sector appeared to have shaken that trend although vacancy rates remained steady. Vacancy rates decreased quarter over quarter to 6.0% as of the second quarter of 2024. The aging millennials have begun shifting their desires to suburban living, but continued home price appreciation has deterred the full effect of this migratory trend.

OFFICE

- The office sector returned -2.36% in 2Q24, 210 bps below the NPI return over the period.
- Transaction volumes decreased by 15% year-over-year in the second quarter. Transaction volume equated to $12 billion for the quarter, slightly decreasing quarter-over-quarter. Office transaction levels have regressed since 4Q21 and are at levels seen during the COVID-19 pandemic.
- Office sector vacancy rates have expanded since the beginning of the pandemic due to a shift to work-from-home and resulting uncertainty revolving around the future of office space. Office continues to be the highest vacancy property type at 14.8%, increasing by 50 bps from last quarter.
- NOI growth in the office sector decreased quarter-over-quarter by 370 bps to -1.4% and is still experiencing volatility given the current market environment.
- Office cap rates expanded from a year ago, sitting at approximately 6.2%. Office-using job growth was stunted significantly throughout 2020 due to work-from-home orders. Though we are observing a slow but steady flow back to in-office work, there is still uncertainty in the sector.

RETAIL

- As of 2Q24, the retail sector delivered a quarterly return of 0.89%, outperforming 115 bps compared to the NPI.
- Transaction volumes totaled $11 billion in the second quarter, decreasing 1% year-over-year. Single asset transactions accounted for just over 87% of all sales volume for the quarter.
- Cap rates have remained fairly steady within the sector over the last year but have slightly increased as of the second quarter at 5.6%. Current valuation cap rates slightly expanded quarter-over-quarter by 1 bps due to valuation adjustments made across the sector in general.
- NOI growth decreased from the prior quarter to -3.4% as of the second quarter. Retail has begun its slow recovery but has continued to experience volatility due to the current market environment.
- Retail vacancy rates remained steady over the quarter at 7.6%, remaining flat over the past year. Many big box stores have closed as the need for retail space shrinks, translating to a negative outlook for rent growth. Paired with the global economic crisis, which has had a significant negative impact on this sector.

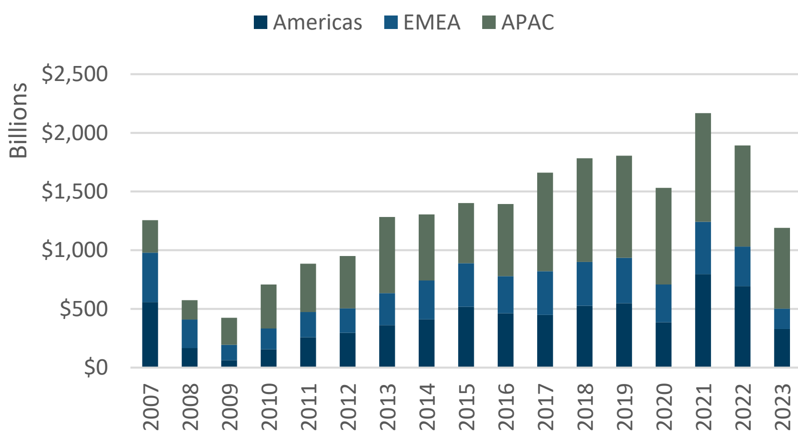
Sources: Real Capital Analytics, Green Street, NCREIF

Global Real Estate Market Conditions

TOWNSEND® GROUP

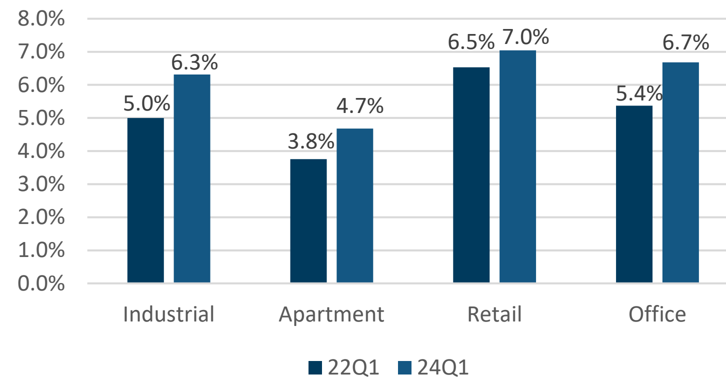
TRANSACTION VOLUME DOWN BUT SIGNS OF PICKUP

Global Commercial Real Estate Transaction Volume



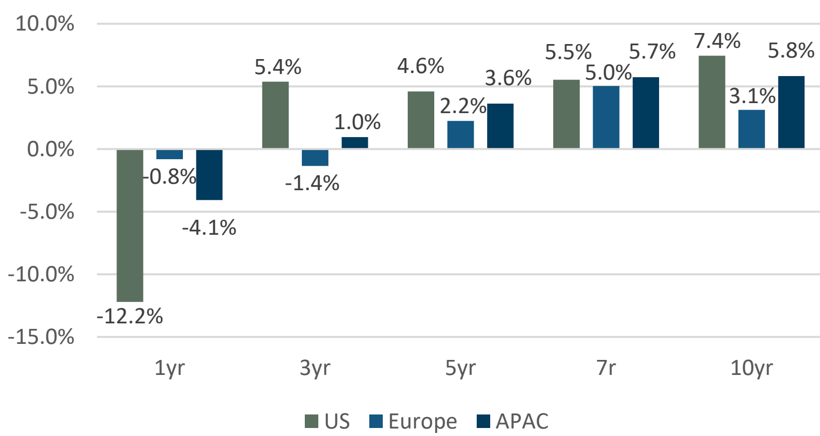
VALUATIONS HAVE RESET CONSIDERABLY FROM '22 LOWS

Europe Average Cap Rate



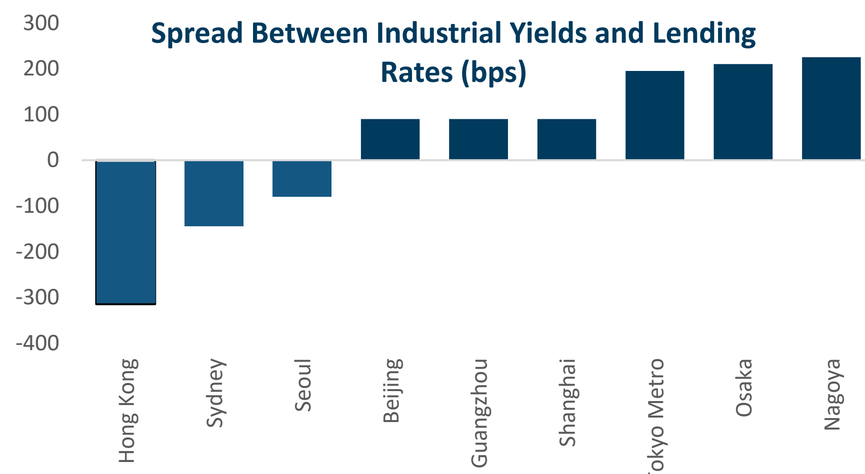
REAL ESTATE RETURNS DECLINED GLOBALLY IN 2023

Regional Returns Annualized (Net of Fees)



INDUSTRIAL SPREADS POSITIVE IN JAPAN; NEGATIVE IN AUSTRALIA

Spread Between Industrial Yields and Lending Rates (bps)



Source: The Townsend Group, NCREIF, MSCI Real Assets, St. Louis Fed, CBRE (June 2024), DWS (June 2024), Dexus Research (June 2024).

Townsend's views are as of the date of this publication and may be changed or modified at any time and without notice. Past performance is not indicative of future results. Actual results and developments may differ materially from those expressed or implied herein.

Exhibit C: Glossary

TOWNSEND GROUP

Cash Flow Statement

Beginning Market Value:	**Value of real estate, cash and other holdings from prior period end.**
Contributions:	Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).
Distributions:	Actual cash returned from the investment, representing distributions of income from operations.
Withdrawals:	Cash returned from the investment, representing returns of capital or net sales proceeds.
Ending Market Value:	The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV).
Unfunded Commitments:	Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers.
Remaining Allocation	The difference between the ending market value + the unfunded commitments and the target allocation. This figure represents dollars available for allocation.

Style Groups

TOWNSEND GROUP

The Style Groups consist of returns from commingled funds with similar risk/return investment strategies. Investor portfolios/investments are compared to comparable style groupings.	
Core:	Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).
Value-Added:	Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage (typically between 40% and 65%).
Opportunistic:	Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage (typically between 50% and 65% or higher), distressed properties.

Indices

TOWNSEND® GROUP

Stylized Index:	**Weights the various style group participants so as to be comparable to the investor portfolio holdings for each period.**
Open-End Diversified Core Equity Index (“ODCE”):	A core index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (25 active vehicles). The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.
NCREIF Timberland Index (“NTI”):	National Index comprised of a large pool of individual timber properties owned by institutions for investment purposes.
NCREIF Property Index (“NPI”):	National Property Index comprised of core equity real estate assets owned by institutions.

Performance

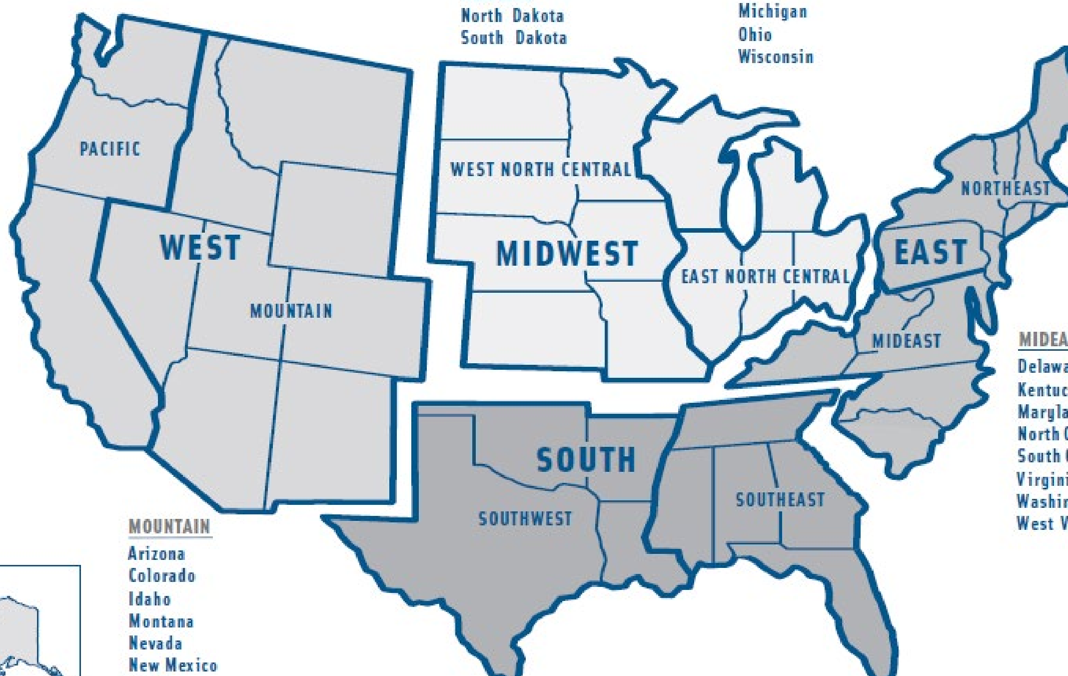
TOWNSEND® GROUP

Income Return ("INC"):	**Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.)**
Appreciation Return ("APP"):	Increase or decrease in investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value or uncollectible accrued income, or realized gain or loss from sales.
Total Gross Return ("TGRS"):	The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.
Total Net Return ("TNET"):	Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows.
Inception Returns[1]:	The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio.
Net IRR:	IRR after advisory fees, incentive and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date.
Equity Multiple:	The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote.

[1] Portfolio level returns include historical returns of managers no longer with assets under management.
All returns are calculated on a time-weighted basis.

TOWNSEND® GROUP

GEOGRAPHIC REGIONS and DIVISIONS



PACIFIC
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WEST NO. CENTRAL
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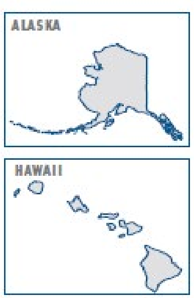

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Arizona
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New Mexico
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Wyoming

SOUTHWEST
Arkansas
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Texas

SOUTHEAST
Alabama
Florida
Georgia
Mississippi
Tennessee

NCREIF

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 12, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: VI - C**

SUBJECT: **PRI BOARD ELECTIONS AND BALLOT MEASURES AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board consider the Principles for Responsible Investment (PRI) 2024 Asset Owner Ballot and cast votes for the following ballot items:

1. Elect three asset owner signatory representatives for the PRI Board election;
2. Receive the PRI Annual Report and Accounts for year ended March 31, 2024;
3. Approve the 2024 Signatory General Meeting (SGM) Minutes; and
4. Approve the appointment of the auditor.

Executive Summary

As a signatory of the PRI, LACERS may participate in the 2024 election to vote for three asset owner candidates, receive the PRI Annual Report and Accounts, approve the 2024 SGM Minutes, and approve the appointment of the auditor.

Discussion

LACERS regularly participates in all areas of PRI governance. The PRI Articles aim to balance real delegation from signatories to the PRI Board who act in a fiduciary capacity, with accountability and effective mechanisms provided to signatories to escalate critical issues and influence the strategic direction of the PRI.

2024 PRI Board Election

Each asset owner signatory is granted up to three votes for the three asset owner positions. The list below are candidates who seek an asset owner Board seat; the term is for a three-year term beginning January 1 immediately following the election. Staff is prepared to help guide the Board towards a selection of three candidates.

Asset owner candidates
Leong Cheung, Chief Strategy Office, Hong Kong Monetary Authority (Hong Kong)
Xolisa Dhlamini, Head: Sustainability Operations & Impact, Sanlam Ltd (South Africa)

Sharon Hendricks, Board Member, CalSTRS (USA)
Bertrand Millot, Head of Sustainability, CDPQ (Canada)
Wilhelm Mohn, Global Head of Active Ownership, Norwegian Government Pension Fund Global (Norway)
Laetitia Tankwe, Union Trustee, CFDT (France)

The PRI Board should have the appropriate balance of skills, diversity, experience, independence and knowledge of its organization to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture; and gender diversity. The following link provides the current composition of the PRI Board: https://www.unpri.org/about-us/governance/board-members.

The PRI Board encourages the election of candidates with proven leadership and governance experience. The candidates' statement (Attachment 1) highlights all the candidates' demonstrated leadership within responsible investment, ESG expertise, and other experience relevant to PRI's long-term success. The election voting period ends on November 26, 2024.

2024 Annual Report and Accounts

Signatories have the right to receive PRI's Annual Report and Accounts. PRI must present to signatories at each SGM the organization's latest annual accounts, any required accompanying reports, and the auditor's report. The PRI Board is asking all signatories to receive and vote for the 2024 Annual Report and Accounts. The following links provide access to the reports:

Annual Report
https://www.unpri.org/download?ac=21536

Audited Accounts
https://dwtyzx6upklss.cloudfront.net/Uploads/h/v/s/pri_association_ltd_financial_statements_march_2024_641723.pdf

2024 Signatory General Meeting Minutes

Signatories have the right to approve the SGM minutes (Attachment 2). All signatories (including LACERS) had the opportunity to attend the 2024 SGM either in-person or via webcast or listen to the meeting recording at a later date. Staff participated virtually at the most recent 2024 SGM on September 10, 2024. Staff is prepared to provide a summary of significant action and notification items contained in the 2024 SGM minutes for the Board's edification.

Approve the Auditor

Signatories must vote to confirm the appointment of a new auditor, MHA. Following a thorough selection process, the PRI board's Finance, Audit and Risk committee is proposing that signatories vote to confirm the appointment of MHA. Additional information about MHA is provided in Attachment 3. Staff supports the appointment of the new auditor.

Staff Recommendation

Staff recommends that the Board elect three candidates to the PRI Board, receive the 2024 Annual Report and Accounts, approve the 2024 SGM minutes, and vote to confirm the appointment of the auditor.

Prepared By: Ellen Chen, Director of Private Markets, ESG Risk Officer, Investments Division

NMG/RJ/WL/EC:rm

Attachments:
1. PRI Board Candidate Statements
2. PRI 2024 Signatory General Meeting Minutes
3. MHA Firm Profile

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: Leong CHEUNG

Job title: Chief Strategy Officer (Exchange Fund Investment Office)

Signatory organisation name: Hong Kong Monetary Authority

Signatory organisation(s) seconding your candidacy:
De Nederlandsche Bank NV

CANDIDATE STATEMENT (*400 words maximum*)

As the Chief Strategy Officer of the Exchange Fund Investment Office at the Hong Kong Monetary Authority (HKMA), I am pleased to submit my candidacy for the PRI board election.

The HKMA, the central bank of Hong Kong, has been a solid advocate for the development of green and sustainable finance. We lead by example and pioneered responsible investment (RI) in 2016 for Hong Kong's Exchange Fund, investing initially in renewable energy infrastructure and green bonds, and expanding to a wide range of ESG opportunities across various asset classes.

Our commitment to RI is further demonstrated by our joining the PRI as one of the earliest central bank signatories in 2019. Acknowledging the unique mandates and investment objectives of central banks, I am keen to bring these perspectives to the table.

With over US$500 billion in assets under management, the HKMA is also one of the largest universal asset owners rooted in Asia. We have a wide network and are well-positioned to support PRI's strategic focus on extending and deepening its reach in the vibrant Asian markets. If elected, I will be devoted to bolstering the RI ecosystem by sharing our experiences as a responsible investor and promoting PRI within our network in support of the region's sustainable development.

In light of Asia being the region with the fastest growth in the signatory base, we also hope to convene a collaborative platform, such as an Asia ex-Japan Advisory Committee, for the approximately 400 signatories to discuss, develop, and adapt the tools and knowledge needed to better suit the RI progress of Asian and emerging market signatories.

With decades of experience in the world of public service, philanthropy, business, and finance and investment, I can bring a wealth of leadership and strategic yet innovative thinking to the role. Having co-chaired the Hong Kong Chapter of the UN Sustainable Development Solutions Network and served on the boards of government-related entities, listed companies, and university, I am confident in my ability to contribute meaningfully to the PRI.

BIOGRAPHY (*300 words maximum*)

Mr. Leong CHEUNG is an accomplished leader in finance, public service, and philanthropy with a steadfast commitment to sustainability. As the Chief Strategy Officer of the Exchange Fund Investment Office at the HKMA since July 2023, he drives the integration of ESG factors into the investment decision-making processes of the Exchange Fund, aligning investment strategies with the net-zero transition goals.

Before joining the HKMA, Leong was the Executive Director of Charities & Community at the Hong Kong Jockey Club (HKJC), managing an annual donation budget of around US$550 million. Under his leadership, the HKJC developed a philanthropic portfolio that initiated high-impact projects. A standout achievement is “Tai Kwun”, the revitalisation of the Central Police Station compound, which earned the highest recognition Award of Excellence in the 2019 UNESCO Asia Pacific Award for Cultural Heritage Conservation. Many of other HKJC initiatives have been adopted as government policies, delivering scalable and sustainable impacts.

As the founding co-chair of the Hong Kong Chapter of the United Nations’ Sustainable Development Solutions Network, Leong led the chapter to achieve the highest growth in membership among its global peers, reflecting his ability to inspire stakeholders around sustainable practices.

Prior to his tenure at HKJC, Leong was an Operating Partner at Bain Capital and served as the Managing Director of Global Sourcing & Supply Chain at Esquel Group. He also founded an education-focused internet venture, and worked as a senior consultant at the Boston Consulting Group.

Beyond his professional commitments, Leong co-founded “RunOurCity”, an innovative social enterprise dedicated to transforming lives through running.

Leong holds a BBA from The Chinese University of Hong Kong and an MBA from Harvard Business School.

SIGNATORY ORGANISATION INFORMATION (*300 words maximum*)

The HKMA is Hong Kong's central banking institution with four main functions:

- maintaining currency stability within the framework of the Linked Exchange Rate System;
- promoting the stability and integrity of the financial system, including the banking system;
- helping to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure; and
- managing the Exchange Fund.

The HKMA is dedicated to positioning Hong Kong as a leading green and sustainable finance hub, channelling international investments to accelerate sustainability and the green transition in the Asia region. Currently, over one-third of Asia's green and sustainable bond issuances are arranged in Hong Kong. By leveraging its roles as a bank supervisor, market enabler, and asset owner, the HKMA actively bolsters the ecosystem through a combination of policy and taxonomy development, technology, capacity building, and regional and international collaboration.

The Exchange Fund

The Exchange Fund, managed by the HKMA, is Hong Kong's official reserves with the statutory purpose of maintaining the monetary and financial stability of Hong Kong. With around US$500 billion in total assets, the Fund invests in a diversified portfolio to manage risks and enhance returns under the principle of "Capital Preservation First while Maintaining Long-Term Growth".

As a responsible investor since 2016, the HKMA has integrated ESG factors into its investment processes. Underpinned by the guiding principle of prioritising sustainable investments with similar long-term risk-return profile, it has invested in green, social, and sustainability bonds as well as various ESG-themed mandates in public and private markets. Apart from the PRI, the HKMA is an active member of the Network of Central Banks and Supervisors for Greening the Financial System and a supporter of the TCFD. In 2022, it set a 2050 net-zero emissions target for the Fund's Investment Portfolio.

COMPARATIVE CANDIDATE INFORMATION

As part of the commitment to strengthen the rigour and accountability of the election process, the PRI is providing guidance and information to candidates and signatories in advance of their vote.

The Board should have the appropriate balance of skills, diversity, experience, independence, and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

The Board needs to be appropriately representative of the diversity of the PRI signatories in order to generate effective debate and discussion around the key issues that the board considers, and to deliver the broadly founded leadership that the initiative requires. The PRI is a global organisation, and aims for global representation on its board, particularly within the asset owner positions.

The PRI Board is encouraging:

- candidates with governance skills and demonstrated leadership in responsible investment;
- global representation and expertise to enable the Board to appropriately represent the diverse signatory base.

Candidates are asked to elaborate leadership and governance experience, and demonstrated leadership in responsible investment, in their candidate statement. This information as well as information on the nominating signatory, the candidate biography, statement, and candidate video will enable the signatory electorate to easily compare the skills, experience, and diversity of the respective candidates.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

As a seasoned governance professional, Leong has a unique blend of experiences across corporate, university, and government-related boardrooms, excelling in strategic planning, oversight, governance, and stakeholder communication.

Leong has served as a non-executive director for a diverse range of organisations, representing the public's interest to provide oversight on strategy and governance:

- **University**: He was on the Council and Court (Deputy Chairman) of the Lingnan University of Hong Kong for 6 years.
- **Public bodies**: He served for 6 years as a Non-Executive Director at the Hong Kong Mortgage Corporation (HKMC) which had a net loan portfolio of around US$10 billion, and also sat on the boards of its two subsidiaries, HKMC Annuity Limited and HKMC Insurance Limited.
- **Government advisory committee**: Since 2021, he has been the chairperson of the Hong Kong Special Administrative Region Government's Committee on Reduction of Salt and Sugar in Food tasked with promoting public health by lowering salt and sugar levels in food products.
- **Listed company**: He was an Independent Non-Executive Director at Kerry Properties Limited, a Hong Kong-listed company.
- **Other commercial companies**: During his 6-year tenure as Operating Partner at Bain Capital, Leong sat on the boards of multiple portfolio companies.

Leong also has demonstrated his leadership skills with ~20 years of executive experience at the HKMA, the Hong Kong Jockey Club (a non-profit organisation) and Esquel Group (a private company).

Throughout his career, Leong has effectively collaborated with diverse stakeholders in the commercial and public sectors, driving positive change at an industry and society level. His extensive governance and leadership experiences position him as a highly competent candidate for PRI's board.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI *(300 words maximum)*

Throughout his career, Leong has consistently demonstrated his commitment to driving positive changes and promoting sustainable development. With extensive experience and track record in sustainability, impact measurement, framework development, network expansion, and engagement, Leong stands ready to contribute to the long-term success of the PRI, if elected.

- **Impact framework development**: As the largest community benefactor in Hong Kong, the Hong Kong Jockey Club (HKJC) proactively identifies, funds and develops projects that address social issues and pressing needs. During Leong's 8-year tenure, he pioneered the development of an Outcome Evaluation-Approach called "BACK", which enables the HKJC to systematically evaluate and select projects eligible for philanthropic funding. "BACK" measures projects in terms of behaviour change, attitudinal shifts, condition improvements, and knowledge transfer, providing a framework to assess and aggregate impact performances across thematic lines.

- **Network expansion and engagement**: Leong proactively initiated the United Nations' Sustainable Development Solutions Network in Hong Kong and founded the Hong Kong Chapter. He brought together universities, research centres, civil society organizations, and businesses to focus on knowledge generation and capacity building in support of the Sustainable Development Goals. His ability to expand the network quickly helped the Hong Kong Chapter achieve the highest growth in membership compared to its global peers.

- **Engagement with the government and policy advisory**: Leong has been serving as the chairperson of the Hong Kong Special Administrative Region Government's Committee on Reduction of Salt and Sugar in Food for 3 years, working with the government on policy development, and corporate and community engagement. This role has instilled him a strong understanding of the interplay of business practices and government policies.

EXECUTIVE EMPLOYEE INFORMATION

If an applicant is an executive employee of a signatory in a role where his or her immediate line manager is a CEO, CIO or most senior investment professional, they must provide a brief job description *(100 words maximum)* and indicate the number of years employed in an executive position.

Job description: Chief Strategy Officer (CSO) is a senior leadership role responsible for overseeing and providing strategic guidance for the investments and operations of the Exchange Fund. Working closely with various Chief Investment Officers, CSO offers strategic advice to investment and asset allocation decisions, oversees the business operations of the Exchange Fund, and stewards the Fund at a strategic level particularly by leading the work of sustainable investing and digitalisation. On sustainable investing, he oversees the development of the Fund's Responsible Investment policy and transition strategies, and engages with external stakeholders to support development of the green and sustainable finance ecosystem. Number of years employed in an executive position: 25 ☒ Please tick if you accept the PRI's privacy policy.

VIDEO STATEMENT LINK

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: Xolisa Dhlamini

Job title: Head: Sustainability Operations & Impact

Signatory organisation name: Sanlam Ltd
Signatory organisation(s) seconding your candidacy: GEPF (South Africa)

CANDIDATE STATEMENT (*400 words maximum*)

I am a finance professional with 19 years of industry experience; ten of those years being in sustainable finance. I have worked with investment consultants, asset owners, investment managers and academic institutions in different capacities. My professional experience includes working as the first Head of Africa for PRI from 2013 to 2015. I have since built an extensive network in addition to enhancing my professional & academic experience in the African RI field. This includes 5 years' experience as a non-executive director & chairperson of the board at Just Share; a non-profit shareholder activism organisation leveraging responsible investment and sustainable finance to influence sustainable corporate behaviour.

In my daily role I advise Sanlam's operating entities in implementing Sanlam's sustainability strategy, which includes driving responsible investing and sustainable insurance practices where Sanlam operates. I serve on the investment committee of the Sanlam Umbrella Provident Fund (Sanlam's commercial umbrella retirement fund) and serve as a member-elected representative (trustee) on the Sanlam staff's retirement plan. I have been a trustee and chairperson of investment committee of the UCT Retirement Fund prior to Sanlam. My experience within asset owner governance structures coupled with my experience as a former investment consultant position me to contribute practical insights to support PRI's strategic goal of driving signatory progression along the investment value chains.

Sanlam and Sanlam's Chief Sustainability Officer are fully committed to support my service on the PRI Board. I am also seconded by the GEPF, Africa's largest and founding asset owner signatory of the PRI. Sanlam as a diversified non-bank financial services institution and the largest insurer in Africa recognises the importance contributing to the development of RI and sustainable economies globally. Sanlam's geographical footprint, specifically in emerging markets, comprises of 28 economies in Africa in Partnership with Allianz as well as operations in Malaysia and India. My role and work at Sanlam expose me to emerging markets beyond South Africa where PRI first gained traction in Africa. This positions me to contribute practical insights regarding RI in these frontier markets and support PRI's 2024-2027 strategic objectives to strengthen regional responsible investment ecosystems

I believe I bring valuable experience, knowledge, networks and market access to contribute to Board's delivery of PRI's renewed strategic objectives. In addition, I enjoy Sanlam's full backing because this aligns well with Sanlam's objective as Africa's largest insurer to deepen participation in and engagement with the PRI

BIOGRAPHY (*300 words maximum*)

I am Head of sustainability operations and impact at Sanlam serving as a sponsor-appointed member of the Sanlam Umbrella Fund (SUF) investment committee and a member-elected representative (trustee) on the Sanlam staff umbrella management committee. I serve as the non-executive chairperson of Just Share (NPC). I have previously served as trustee and investment committee chairperson at the UCT Retirement Fund, where I led the sustainable investment efforts of the Fund.

I was the PRI's first Head of Africa focusing on growing the network beyond Southern Africa. I was responsible for strategy, coordination and managing activities of the PRI in Sub-Saharan African. I also represented PRI at industry working groups including the CRISA committee, the ASISA RI committee and IFC-led Sustainable Returns for Pensions & Society working committee.

Prior to joining the PRI, I was an institutional investment consultant at leading consulting firms such as Alex Forbes, Absa Consultants & Actuaries as well as Independent Actuaries & Consultants (IAC). It was in 2011 where I began incorporating ESG in my consulting and advisory approach at Absa; continuing at IAC thereafter.

I was the lead researcher for the African Investing for Impact Barometer from which insights of the African RI markets were generated and featured in the Global Sustainable Investment Alliance trends reports. I have co-authored a chapter on investing for Impact in Africa for the book: "Sustainable and Responsible Investment in Developing Markets" published in 2023. I continue to contribute to capacity building in sustainable finance as a guest lecturer to finance professionals at the UCT Graduate School of Business and the Chartered Institute for Development Finance. I am privileged to have witnessed professionals that I have taught and supervised driving RI in their work.

I hold Certified Development Finance Analyst (CDFA), certified ESG analyst (CESGA) and Licentiate Trustee (LT) designations.

SIGNATORY ORGANISATION INFORMATION (*300 words maximum*)

Sanlam is a diversified non-banking financial services institution offering insurance, retirement, health, advisory and investment management services in Africa, Asia and the UK. Sanlam became a PRI signatory in 2009 and remains one of the few large private sector asset owner signatories in Africa. Our approach to investments is underpinned by our understanding of the multiple roles we play in the African investment value chain (as asset owner, Investment advisor/consultant and responsible investor). Investment management is largely delegated to our subsidiary, Sanlam Investment Holdings (SIH) which is also a PRI signatory. A small amount of balance-sheet assets is delegated to external fund managers. Sanlam thus strives to delegate according to principles of responsible investing as articulated by the PRI and local codes which are relevant to the markets in which we operate (e.g. CRISA in South Africa and the Kenya Stewardship code in Kenya).

As such, Sanlam continually works to improve the governance of investments delegated to investment managers. This includes improving how investment managers are selected, appointed, monitored and engaged according to responsible investment principles. Sanlam also sponsors a commercial umbrella fund enabling multiple employers to provide retirement benefits through the Sanlam Umbrella Fund (SUF). The SUF is managed by a board of trustees who work to create an enabling platform for participating employers to deliver on their fiduciary obligations to their beneficiaries (workers). A recent development in the SUF has been the introduction of ESG ratings of the institutional portfolios available to participating employers on the SUF to support RI-related engagements with the investment managers and investment consultants.

Sanlam has been intentional in elevating depth of engagement with the PRI and PSI to improve internal investment governance practices and to move the business into a position of Sustainable Finance leadership.

COMPARATIVE CANDIDATE INFORMATION

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- global representation and expertise to enable the Board to appropriately represent the diverse signatory base.

Candidates are asked to elaborate leadership and governance experience, and demonstrated leadership in responsible investment, in their candidate statement. This information as well as information on the nominating signatory, the candidate biography, statement, and candidate video will enable the signatory electorate to easily compare the skills, experience, and diversity of the respective candidates.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

Below is a summary of my leadership and governance experience demonstrating skills in

- Sustainability Leadership and ESG Analysis
- Sustainable Finance training & capacity building
- ESG Strategy, directing and governance
- Sustainable finance and development finance knowledge
- Sustainable Finance regulatory frameworks
- Business acumen and independence of mind

Governance experience

April 2022 – present: Sponsor-appointed member of Sanlam Umbrella Fund investment committee.

May 2019 – present: Non-executive director and current chair of the Board (Just Share)

April 2022 – present: Member of the Advisory Council at Chartered Institute for Development Finance

Jan 2020 – March 2022: Member-elected Trustee and Chair of the IC at UCT Retirement Fund

Leadership experience

April 2023 – present: Head of Sustainability Operations and Impact (Sanlam)

- Guiding and supporting Sanlam Life & Savings (SLS), Sanlam Allianz (SAZ), and Sanlam FinTech (SFT) clusters to operationalise Sanlam's sustainability strategy
- Strategic support to Chief Sustainability Officer • Ensuring alignment of impact finance activities to Sanlam's priority SDGs
- Managing the sustainability office's internship programme

April 2022 – March 2023: Managing executive for Distribution at Sanlam Corporate

- Formulating and driving the distribution strategy for institutional business
- Leading the direct and intermediated sales of Sanlam Corporate capabilities
- Member of Sanlam Corporate Exco

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI *(300 words maximum)*

Current: Head of Sustainability Operations and Impact (Sanlam)

- Primary contact/liaison in engagements with key stakeholders such as PRI, GRI and pension industry associations such Batseta
- Advise Sanlam business leaders (including the investment consulting business on navigating and understanding PRI resources for RI implementation across geographies.
- Member of a panel of sustainable finance experts invited to conceptualise the Climate Change Response fund (CCRF) launched by the South African President in early 2024
- Regular speaker at sustainable finance training seminars and conferences

April 2013 – Mar 2015: Head of Africa at Principles for Responsible Investment (PRI)

- Formulating and executing the PRI strategy in Africa.
- Advising investment managers and pension funds in enhancing implementation of the PRI principles.
- Representing the PRI at industry working committees and forums including the CRISA committee, the ASISA & the IFC-led Sustainable Returns for Pensions and Society working committee.

Feb 2016 – March 2022: Researcher and lecturer of Sustainable & Responsible Investment (UCT GSB)

- Lecturer in Sustainable Responsible Investment (SRI) on the MCom in Development Finance programme.
- Lecturer in Environmental Finance and Sustainable Responsible Investment on the PGDip in Development Finance programme.
- Supervision of MCom in Development Finance student research (Focus on RI and impact investing)
- Lead researcher for the African Investing for Impact Barometer in partnership with Riscura.

2016 - 2023 – Researcher (impact research) and author

- Lead researcher and author for 4 editions of the African Investing for Impact Barometer
- Co-author of book chapter "An overview of investing for Impact in Africa" for the book "Sustainable and Responsible Investment in Developing Markets" published in 2023
- Conference content advisor, speaker and research partner to MN Capital for Africa ESG forum series of conferences across Africa.

April 2022 to present Guest Lecturer and speaker

- Lecturer in innovative finance elective on the UCT GSB
- Driving RI in my duties on the Sanlam Umbrella Fund
    - Successfully proposed and drove the generation of Transformation and ESG ratings of SUF institutional investment portfolio in 2023.
    - Leading engagement with fund managers and appointed investment consultant on their RI processes, performance against PRI assessments during report-backs.

EXECUTIVE EMPLOYEE INFORMATION

If an applicant is an executive employee of a signatory in a role where his or her immediate line manager is a CEO, CIO or most senior investment professional, they must provide a brief job description *(100 words maximum)* and indicate the number of years employed in an executive

Job description: **N/A**

Number of years employed in an executive position:

☒ Please tick if you accept the PRI's privacy policy.

VIDEO STATEMENT LINK

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Sharon Hendricks**

Job title: **Vice-Chair, Investment Committee – CalSTRS Board**

Signatory organisation name: California State Teachers Retirement System (CalSTRS)

Signatory organisation(s) seconding your candidacy: Norges Bank Investment Management

CANDIDATE STATEMENT (*400 words maximum*)

I am honored to stand for re-election to the PRI Board, driven by a deep commitment to advancing responsible investment practices globally. My journey in the investment world has been shaped by a belief that universal owners like CalSTRS can be a force for good, capable of driving positive social and environmental outcomes while meeting our pension promise to California's educators. With extensive experience in fiduciary responsibilities, stakeholder engagement, and sustainable investing, I am eager to contribute my expertise to furthering the mission of the PRI.

As a trustee for one of the largest public pension funds in the United States, I have seen firsthand the power of integrating environmental, social, and governance (ESG) factors into investment strategies. This experience has solidified my belief that responsible investment is not just an ethical imperative but also a financial one. I have been instrumental in advancing initiatives that prioritize long-term value creation while addressing the systemic risks posed by climate change, social inequality, and governance challenges.

My work has involved collaboration with a diverse range of stakeholders, including investment managers, policymakers, and advocacy groups. I have successfully championed the inclusion of ESG considerations in our investment policies, ensuring that our portfolio aligns with both our fiduciary duties and our commitment to sustainability. This has not only enhanced the resilience of our investments but also positioned us as leaders in responsible investment within the public pension sector.

On the PRI Board, I have helped strengthen our governance structures and would continue bring a strong focus on transparency, accountability, and signatory engagement. I have urged more regional signatory educational opportunities. .

I am committed to leveraging my experience and passion for responsible investing to contribute to the continued success and impact of the PRI. Together, we can drive meaningful change in the financial sector, ensuring that it serves the long-term interests of all stakeholders and contributes to a more just and sustainable world. Thank you for considering my candidacy.

BIOGRAPHY (*300 words maximum*)

I currently serve as an elected board member and fiduciary on the California State Teachers Retirement System (CalSTRS) Board. Since joining the board in 2011, I have served in several leadership roles including Chair of the Board and Chair of the Investment Committee – currently serving as Vice-Chair of the Investment Committee. I have also served on CalSTRS CEO and CIO search committees – successfully participating in leading a succession process after the retirement of two long standing (20+ years each) executives.

I am committed to sustainable investment practices and best in class governance to ensure we meet the CalSTRS mission of providing a secure retirement to California educators.

Concurrent to my leadership with CalSTRS, I have served on the Principles for Responsible Investment (PRI) Board for the past 5 years. I have chaired the Governance and People & Culture Committees – chairing the Independent Chair search. In this role I have spoken at the PRI in Person conferences related to ESG backlash in the US and other sustainable investment issues.

Recently, I joined the MSCI Sustainability Institute board as an advisor to promote academic research in the sustainable finance space.

I previously served as the Treasurer for the Los Angeles College Faculty Guild – AFT 1521, a Los Angeles based union serving over 4,000 community college educators and provided stewardship over an $8 Million budget on behalf of faculty. I participated in the hiring of personnel including the Executive Director, Chief Grievance Officer and other executive positions and developed governance policies and procedures.

Throughout these roles, I have maintained my tenured Professor role at Los Angeles City College, teaching communication studies courses to a diverse student population. In my spare time, I enjoy trail running with my two hounds in the mountains of Los Angeles.

SIGNATORY ORGANISATION INFORMATION (*300 words maximum*)

The California State Teachers' Retirement System was established by law in 1913 to provide retirement benefits to California's public-school educators from prekindergarten through community college.

Today, CalSTRS is the largest educator-only pension fund in the world serving over 1 million members and beneficiaries, and the second largest pension fund in the U.S.

The market value of the CalSTRS investment portfolio was approximately $344.9 billion as of July 31, 2024.

CalSTRS administers a hybrid retirement system consisting of a traditional defined benefit plan, cash balance plans and a voluntary defined contribution plan (CalSTRS Pension2) for California's public school educators prekindergarten to community college. We also provide disability and survivor benefits. CalSTRS is governed by the Teachers' Retirement Law, part of the California Education Code.

CalSTRS advances sustainability practices that promote long-term value creation, responsible investment strategies, stewardship of our natural resources and engagement with our stakeholder community.

CalSTRS business and investment decisions consider environmental, social and governance implications, also referred to as ESG issues.

CalSTRS is a signatory to the United Nations Principles for Responsible Investment, was part of the UN Global Compact expert working group Investment in Conflict Areas and is a founding member of the Conflict Risk Network. The Teachers' Retirement Board also endorses the Principles for Responsible Investment. More than 20 years ago, CalSTRS developed a Statement of Investment Responsibility to help define the role of sustainable investment decisions.

Consistent with its fiduciary responsibilities to CalSTRS members, The Teachers' Retirement Board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates PRI and other ESG principles into its investment policies and practices.

COMPARATIVE CANDIDATE INFORMATION

As part of the commitment to strengthen the rigour and accountability of the election process, the PRI is providing guidance and information to candidates and signatories in advance of their vote.

The Board should have the appropriate balance of skills, diversity, experience, independence, and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

The Board needs to be appropriately representative of the diversity of the PRI signatories in order to generate effective debate and discussion around the key issues that the board considers, and to deliver the broadly founded leadership that the initiative requires. The PRI is a global organisation, and aims for global representation on its board, particularly within the asset owner positions.

The PRI Board is encouraging:

- candidates with governance skills and demonstrated leadership in responsible investment;
- global representation and expertise to enable the Board to appropriately represent the diverse signatory base.

Candidates are asked to elaborate leadership and governance experience, and demonstrated leadership in responsible investment, in their candidate statement. This information as well as information on the nominating signatory, the candidate biography, statement, and candidate video will enable the signatory electorate to easily compare the skills, experience, and diversity of the respective candidates.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

Sharon Hendricks has demonstrated strong leadership and governance capabilities throughout her career, particularly as a CalSTRS trustee. Elected by her peers, four times, to serve on the CalSTRS board. Sharon’s board peers have elected her to lead in various capacities including Chair of the Board, Investment Committee Chair and Governance Committee Chair.

She served on the CalSTRS’ CIO and CEO hiring committees, replacing two executives each with 20+ years of experience. As Governance Committee Chair, board policies were updated and revised.

Sharon has been at the forefront of integrating Environmental, Social, and Governance (ESG) principles into the fund's investment strategies. Her leadership includes collaborating with investment managers, policymakers, and advocacy groups to ensure that ESG considerations are included and prioritized in decision-making processes. The result is a more resilient and forward-looking investment portfolio that addresses systemic risks such as climate change and social inequality.

Sharon's governance experience is further highlighted by her board-level decision-making and strongly advocating for transparency, accountability, and ethical practices. She successfully championed adopted policies aligning fund operations with long-term sustainability goals, balancing the need for financial returns with the imperative to contribute positively to society.

In addition, Sharon has held leadership positions with the American Federation of Teachers (AFT) and her local union, the Los Angeles College Faculty Guild. She has a proven record of driving change and fostering collaboration among diverse stakeholders, enhancing the impact and credibility of these organizations.

For PRI, Sharon chaired the Independent Chair search committee, replacing an experienced Chair with nine+ years of experience. She also worked with the board on governance policies to ensure the diversity, equity and inclusion of the board, staff and signatory base.

Overall, Sharon Hendricks' experience positions her as a highly effective and forward-thinking leader, capable of guiding organizations toward sustainable and responsible growth.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI *(300 words maximum)*

My passion for responsible investing came together after combining my interest in the wilderness and trail running, labor leadership and my fiduciary responsibility on the CalSTRS board. Issues like climate change and how it impacts labor began to be larger conversations we had at the board level.

At CalSTRS, I helped integrate climate change as one of our boards' core investment beliefs. I am currently working with our staff and board to develop labor principles that will ensure we consider how workers and their treatment impact risk and returns in our portfolio.

My experience working with our Sustainable Investment and Stewardship Strategies team at CalSTRS has informed my work on integrating ESG principles into both our investment policies and our strategic plan. I have been able to leverage that knowledge on governance into my work on the PRI Board.

For the PRI, I have strengthened the voice of asset owner signatories by ensuring that we create more regional educational events and have places (like the Asset Owner breakfast roundtable) at the PRI in Person for Asset Owners to convene to discuss common challenges related to sustainable investment. On the board, I have sought to have the PRI focus on a few core initiatives such as better, more streamlined reporting and progression pathways that provide our signatories with accountability and strategies that can be customized to their unique organization.

I believe the PRI and sustainable investing is at a critical juncture now – we need better tools to provide clear data to enhance our ability to achieve returns on behalf of our members while mitigating the climate, labor and governance risks so apparent in our world right how. I look forward to continuing to contribute my time and energy to making the PRI a more effective organization for all our signatories.

VIDEO STATEMENT LINK

PRI | Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Bertrand (Marie Olivier) Millot**

Job title: **Head of Sustainability**

Signatory organisation name: CDPQ

Signatory organisation(s) seconding your candidacy: Public Sector Pension Investment Board

CANDIDATE STATEMENT (*400 words maximum*)

The PRI have had, and continue to play, a key role in the definition, promotion and adoption of sustainable investment practices. Furthermore, they are a valuable platform through which to share best practice and define approaches to emerging issues. This sets the stage for a common understanding of issues and collective action by like minded investors, the largest lever of change in sustainability matters.

This collective action aims to unlock attractive future orientated investment opportunities, create or protect value within existing investments with the added benefit of addressing systemic issues. In this context, the mission of PRI is of utmost importance. I believe that I am ideally suited to make valuable contributions the organisation.

I am head of sustainability at CDPQ, a global investment group managing over CAD 434 billion for the benefit of over 6 million Quebecers and have always been involved in sustainability matters. I began my career as a greenfield infrastructure investor, a field where sustainability has always been crucial with both environmental impact assessments and social considerations being key to obtaining the required legitimacy and permits. I then joined the European Bank for Reconstruction and Development, a Development Finance Institution (DFI) and later ran a fund of private debt investments in emerging markets in co-investment structures with DFIs. This has honed my investments skills and appreciation for sustainability matters as the topic is critical to DFIs and embraces the notion of developmental impact.

At CDPQ, I am one of principal architects of its groundbreaking climate strategy (2017) and have worked to broaden and deepen the organisation's sustainability strategy across all asset classes. I am also a founding father of the Net-Zero Asset Owner Alliance having been involved since its conceptualisation.

From investor in infrastructure and emerging markets to sustainability expert, my career has given me a depth of practical experience enabling me to deploy sustainability ambition within an investment context firmly grounded in the key principles of fiduciary responsibility and value creation. I am a good listener and a critical thinker known for my open and frank approach, focus on practical workable solutions and integrity.

I am currently on the Boards of Ceres (www.ceres.org), the Sustainable Infrastructure foundation (www.sif-source.org), the Datamars Sustainable Agriculture Foundation (www.datamars.foundation) and have been taking an active role in the governance of the Net-Zero Asset Owner Alliance as Representative (a group that has an executive function).

BIOGRAPHY (*300 words maximum*)

Bertrand Millot leads the Sustainability team, which is responsible for defining and implementing CDPQ's strategic directions, including integrating ESG factors into all activities and deploying the climate strategy. His responsibilities have three aspects: helping investment teams structure impactful investment opportunities (particularly with regard to social, climate and energy transition investments); managing risks related to ESG, climate change and reputation and contributing to the organization's outreach in collaboration with the CDPQ Global team.

Mr. Millot is one of the architects of CDPQ's climate change strategy and a seasoned investor in infrastructure and corporate debt in emerging markets, fields where ESG considerations have historically been at the forefront. At CDPQ since 2015, he previously held various positions in risk management and sustainability, including Business Unit Risk Manager for the Fixed Income, Capital Solutions and Infrastructure portfolios, Head of Climate Risk and Issues and led the Stewardship Investing team.

Before joining CDPQ, Mr. Millot was CEO and CIO at Cordiant Capital, an emerging market corporate debt fund manager. Earlier in his career, he was active in infrastructure project finance with the European Bank for Reconstruction and Development in London, U.K. and with BNP Paribas in Paris, France.

Mr. Millot holds an MBA from McGill University, a Master's in Engineering from École Nationale Supérieure d'Arts et Métiers in Paris and is a member of the Institute of Corporate Directors (ICD.D designation).

SIGNATORY ORGANISATION INFORMATION (*300 words maximum*)

CDPQ was created in 1965 to manage the funds of the Québec Pension Plan, a then newly-created universal retirement plan. It has grown to serve 48 public sector clients and currently manages 434 billion CAD as at 31 dec 2023. As a global investment group managing funds for public pension and insurance plans, we work alongside our partners to build enterprises that drive performance and progress. We are active in the major financial markets, private equity, infrastructure, real estate and private debt. About 85% of our assets are internally managed and equity represents about 70% of the total.

We invest constructive capital to generate sustainable returns over the long-term knowing that performance and progress go hand in hand. By directing capital toward a greener and more equitable transition, we can generate growth while contributing to a more sustainable world.

We have had a proxy voting policy grounded in solid governance principles since 1994 and are a founding member of the PRI. In 2017, we announced a fully fledged climate strategy with targets covering the entire portfolio and a link to remuneration. We founded the Net-Zero Asset Owner Alliance in 2019. We are one of the few institutional investors to have a policy on fair taxation. In 2022, the World Benchmarking Alliance gave CDPQ the highest score among the 59 global pension plans it assessed in its Financial System Benchmark.

CDPQ is a firm believer in the power of collective investor action and an active member of investor organisations.

In addition to its sustainable investment activities, CDPQ has strong sustainability advocacy practices through senior position in a number of global investor groupings such as the Investor Leadership Network, the Sustainable Markets Initiative, the Global Investors for Sustainable Development initiative, the B20, FCLT and others.

COMPARATIVE CANDIDATE INFORMATION

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SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

Leadership:

- Chief Investment Officer and later CEO of Cordiant capital, a fund manager of emerging market debt that grew from a start-up in 2002 to managing 2 billion USD from very large global institutional investors. I was involved in all aspect of the strategy, fund raising and relationship with key partners among which most global Development Finance Institutions
- When I joined CDPQ, I created the practice of cross-sectoral risk management (holistic view of risk that affects all asset classes), established a geopolitical risk unit and in that context took the lead on our initial climate work (Jan 2016) which resulted in a fully-fledged climate strategy that was announced in October 2017. I played a key role in gaining acceptance of this novel cross-asset class emphasis. This is also particularly true of the climate strategy at a time when no other large AO had such a framework with targets and carbon budgets covering the entirety of the portfolio. In 2021, under my leadership, CDPQ created a Transition Envelope designed to decarbonise high emitters, a novel concept that made such investments possible while operating under carbon budgets and medium term decarbonisation targets.

Governance

- I hold the designation ICD.D indicating that I completed an executive level course from Canada's Institute of Corporate Directors.
- As Head of sustainability at CDPQ, I oversee the implementation of our proxy voting policy which details CDPQ's governance expectations.
- As CIO and CEO of Cordiant Capital, I raised funds from some of the largest institutional investors and created a solid governance structure, important to attract funds from such demanding investors. This involved setting up a compliance practice, independent valuation of an illiquid portfolio, conflict of interest mitigation, etc.
- At CDPQ, I am a member of the operational risk committee which oversees a variety of governance related issues in investment, cybersecurity, reporting and corporate matters.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI *(300 words maximum)*

I currently lead a 38 person sustainability team at one of the largest global Asset Owners and one of the leaders in sustainability. CDPQ has a long-established sustainability practice (1994) and has been very active in Corporate governance (Canadian Coalition for Good Governance), Climate, DEI and advocacy. Over the last few years, we have taken an active role in influential work on blended finance and the mobilisation of concessional capital required to fund certain aspects of the Transition particularly in Emerging Markets.

We have a hands-on approach with portfolio companies working with them through engagement and the influence that comes with large shareholdings to effect change and implement best sustainability practices.

My team and I are active contributors to collective investor initiatives, particularly through Climate Action 100+, Nature Action 100, SPING, Advance, FAIRR, NZ-AOA thematic tracks, engaging with regulators and stakeholders.

What is most relevant to my additionality to the PRI Board is my profile which combines (i) honed investing experience, a large share of which in emerging and frontier markets, (ii) sustainability leadership, and (iii) having held senior positions at both an asset manager and asset owner. I am very pragmatic always seeking solutions that will be implementable in an investment context, that are sufficiently user friendly to be adopted by investment colleagues while being ambitious from a sustainability point of view.

EXECUTIVE EMPLOYEE INFORMATION

If an applicant is an executive employee of a signatory in a role where his or her immediate line manager is a CEO, CIO or most senior investment professional, they must provide a brief job description *(100 words maximum)* and indicate the number of years employed in an executive position.

Job description:
Head of sustainability

- Design and implement CDPQ's sustainability strategy across all asset classes
    - Lead a team of 38
    - Influence investment teams
    - Play a key role in ESG and reputational risk identification and mitigation
    - Interact with supporting functions regarding systems, data and processes pertinent to sustainability
- Interact with clients on sustainability matters
- Co-Lead with Communications reporting linked to sustainability
- Represent the organisation through public speaking engagements and other forum
- Engage with stakeholders such as government and civil society

Number of years employed in an executive position: at CDPQ 9, before at Cordiant 12

☒ Please tick if you accept the PRI's privacy policy.

VIDEO STATEMENT LINK

PRI Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Wilhelm Mohn**

Job title: **Global Head of Active Ownership**

Signatory organisation name: Norwegian Government Pension Fund Global (Norwegian Ministry of Finance and Norges Bank Investment Management)

Signatory organisation(s) seconding your candidacy: Canada Pension Plan Investment Board

CANDIDATE STATEMENT

I am thrilled to seek re-election to the PRI board and motivated to continue contributing to responsible investment as the Principles approach their third decade. I aspire to serve as an engaged, approachable board member, using my experience to benefit signatories and our organisation.

Through my board experience, including on the Finance, Audit and Risk and the People and Culture Committees, I have gained insights into PRI's operations and path forward. I have been privileged to contribute to PRI's strategy and the value offered to our diverse signatories.

Representing Norges Bank, a founding signatory, I am proud of our commitment to the six Principles. My vision for PRI is that of a strong, asset-owner led coalition – a 'big tent' – retaining and welcoming signatories of varied types, sizes, and geographies, united in advancing responsible investment (RI). Extending PRI’s global reach, not least in emerging markets, is a key ambition.

RI is at a juncture, with a world facing serious challenges, but also offering significant opportunities. This environment underscores the importance of grounding RI in sound principles, centred around long-term value creation and effective risk management. The economic motivation for RI is clear.

My work involves engagement with standard setters, companies and experts in governance and sustainability, as well as civil society. I lead teams in Asia, Europe and North America. PRI's convening power - bringing signatories together for practice sharing - is invaluable. As board member, I aim to foster engagement with signatories globally on sustainable outcomes and long-term value creation.

It is important that diverse signatory views are heard by the board. A focus of mine has been the revision of PRI reporting. In line with signatory input, reporting must serve a clear purpose, avoid unnecessary burdens, and align with other frameworks, facilitating a supportive global policy environment for PRI's mission. We are developing an improved, relevant, and simplified reporting model that supports signatory progression while maintaining accountability to the Principles.

Since 2006, the world and PRI have changed, with the last three years intensifying our focus and responding to new challenges. Our new strategy will give clear direction. Now, PRI will work on implementing this strategy while looking ahead to the future of RI. With practical experience and an ear to the ground, I aim contribute as PRI heads into the next decade of RI – with ambitions and relevance matching the challenges we face. I hope for your support.

BIOGRAPHY

I am an economist with a strong interest in sustainability. As Global Head of Active Ownership at Norges Bank Investment Management (NBIM), I lead teams handling policy engagement, stewardship, voting and ESG analytics. My responsibilities include the fund's governance and sustainability principles, making data and analysis available for our portfolio managers, the fund's climate action plan, company interaction and responsible investment reporting.

Contributing to global standards and practice development is an important focus of my work. I regularly speak at public events on stewardship, sustainable finance and responsible business conduct. I have experience from many advisory groups and committees, led by international organisations such as OECD, IFSWF, PRI and WEF, and in secretariats of Norwegian public committees.

I have been involved in the development and operationalisation of the responsible investment strategy of the fund since 2009, both at NBIM and the Norwegian Ministry of Finance. I have previously also worked at Storebrand ASA, including as a trainee portfolio manager covering banks during the financial crisis. My experience spans economics, asset management and insurance.

I aim to be knowledge based, I appreciate ambiguity and I enjoy learning. I value people and people development, and impressive individuals motivate me. I believe in continuous improvement and I have a fundamental belief in change and in challenging assumptions. I bring these interests and this approach to the PRI board discussions.

I hold an MPhil in Economics from the University of Oxford. In my studies, I focussed on financial economics, economic history, development, and environmental economics. My thesis looked at companies' green performance and economic returns - at that time a new field in economics. More recently, I have been lucky enough to engage with leading finance scholars on topics like climate change and governance through research grants provided by NBIM.

SIGNATORY ORGANISATION INFORMATION

Norges Bank manages the Government Pension Fund Global. The fund is owned by the Norwegian people. The Ministry of Finance sets the overall investment strategy and any major changes to this strategy require the approval of the Norwegian parliament. Long-term management of the fund ensures that current and future generations of Norwegians can benefit from the nation's wealth.

The fund invests globally, with total assets of NOK 17,719 billion as of Q1 2024. The objective of the fund is to obtain the highest possible return and to manage the investment portfolio responsibly, as laid out in the investment mandate. The fund invests in listed equities, bonds, unlisted real estate and unlisted renewable infrastructure. 72.8% of the fund was invested in listed equities at year end 2023. The fund's investments spanned 72 countries and 439 currencies. About 52% of the fund was invested in North America, 29% in Europe, 17% in Asia-Pacific, 1% in Latin America, 0.5% in the Middle East and 0.3% in Africa. The fund invested in 8,859 companies, with an average holding in the world's listed companies of 1.5% at the end of the year.

Responsible investment is an integral part of fund management. The fund is a founding PRI signatory. The fund's framework for responsible investment has been developed over 20 years. The fund's long-term return depends on sustainable economic, environmental, and social development, and well-functioning, legitimate and efficient markets. The long-term goal for the responsible investment activities of the fund is that the companies in the portfolio have operations compatible with global net zero emissions in accordance with the Paris Agreement. Certain companies are excluded from the fund based on ethical criteria and an independent assessment. Extensive reporting, an informative website and high media availability ensure a high transparency about the management of the fund.

COMPARATIVE CANDIDATE INFORMATION

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SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

- PRI Board Member 2021-2024. Chair of Finance, Audit Risk Committee. Member of People and Culture committee, Reporting and Assessment committee (2021-2023) and Progression and Accountability Oversight Committee (2024-present)
- Global Head of Active Ownership at Norges Bank Investment Management. Leading a department of around 35 people, spread across 5 teams in Europe, North America and Asia.
- Previously Head of Sustainability at NBIM (from 2016). Established the team, defined its operational remit and put in place associated processes.
- Representing NBIM from 2014 and, before that, the Norwegian Ministry of Finance from 2009, in various external contexts, committees and initiatives (e.g. with OECD, PRI, TPI, Shift and ISSB). Regularly speaking about responsible investment and governance at a high, global level.
- Part of the core group setting up NORSIF in 2012 (i.e. formulating its governing documents).
- Represented Ministry of Finance on committees of the International Forum for Sovereign Wealth Fund (IFSWF) from 2011-2014. Part of the working group setting up the Secretariat.
- Held management positions at Storebrand ASA (2008-09) (member of the Leader Group and working on digital business development, compliance and operational risk at Storebrand Skade, a P&C insurance start-up).

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI *(300 words maximum)*

Leading NBIM's ownership and responsible investment efforts, with global reach and recognition.

Oversee NBIM's reporting and publications on responsible investment, which are recognised for thought leadership, innovation and transparency.

Wide-ranging strategic and operational experience within responsible investment, sustainable finance and responsible business conduct, including participation in committees and initiatives since 2009.

Selected examples below:
- Member of ISSB, previously SASB, Investment Advisory Group (2018 onwards), Transition Pathway Initiative Steering Committee (2019-2022) and Shift's Valuing Respect Project International Advisory Group (2017-2020).
- Member of the Secretariat of the Norwegian Public Committee Report "Values and Responsibility — The Ethical Framework for the Norwegian Government Pension Fund Global" (2019-2020).
- Contributed to drafting the One Planet Sovereign Wealth Fund Climate Risk Framework (2017).
- Part of the OECD advisory group drafting "Responsible business conduct for institutional investors, key considerations for due diligence under the OECD Guidelines for Multinational Enterprises" (2016-17).
- Secretary for the external Norwegian Expert Group report "Fossil-fuel investments in the Norwegian government pension fund global: Addressing climate issues through exclusion and active ownership" (2014).
- Working group member for WEF report "Accelerating the Transition towards Sustainable Investing" (2011) and Tomorrow's Company report "Tomorrow's value, achieving long-term financial returns, a guide for pension fund trustees" (2012).
- Coordinated the Norwegian Ministry of Finance's work on responsible investment for the fund (2012-2014).
- Worked on the implementation of changes to the Government Pension Fund Global's mandate and guidelines for exclusion of companies in 2009, following a public consultation.
- Master's thesis "Green and profitable? The potential returns to good environmental management", Oxford University (2006).

EXECUTIVE EMPLOYEE INFORMATION

If an applicant is an executive employee of a signatory in a role where his or her immediate line manager is a CEO, CIO or most senior investment professional, they must provide a brief job description *(100 words maximum)* and indicate the number of years employed in an executive position.

Job description:
I report to the Chief Governance and Compliance Officer (CGCO), an “equivalent top officer” for the purposes of the eligibility criteria.

As Global Head of Active Ownership, I am responsible for the development and implementation of Norges Bank Investment Management’s ownership work, policy engagement, responsible investment principles and responsible investment reporting. I also play a central role in the overall coordination of NBIM’s responsible investment practices and oversee NBIM’s climate action plan. I also have responsibility for peer initiatives and civil society interaction and the coordination of our work with the external Council on Ethics.

Number of years employed in an executive position:
8

☒ Please tick if you accept the PRI's privacy policy.

VIDEO STATEMENT LINK

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Full name: Laetitia Tankwe
Click or tap here to enter text.

Job title: Union trustee Click or tap here to enter text.

Signatory organisation name: CFDT

Signatory organisation seconding your candidacy: FRR

CANDIDATE STATEMENT (*400 words maximum*)

As far as I remember, I have always wanted finance to be meaningful. I always believed it was absolutely necessary to reconcile economy, finance and the greater goals of society.

The UN PRI contributes to shape this new finance. The work has started almost 20 years ago and I am proud to have been involved at the launch of the initiative in 2006 as the delegate[1] to the board. The PRI has become the major RI association. With this development comes great expectations. The UN PRI challenge is now to be global and think local when necessary to really be able to address the various needs of its signatories. The PRI will have to reinforce its presence and finetune its actions in areas such as the emerging or the French speaking countries. PRI also has to evolve in a context of geopolitical instability, growing regulatory reporting requests and a risk of fragmented markets. Thanks to my different roles within sustainable finance, I believe that during my first 2 mandates as PRI Board member I helped the PRI address this challenge.

There is still a lot to do as PRI signatories told us in the 2024 consultation. I am confident that my background, my current position and network – especially in the French speaking community – as well as my personality is of great value to the PRI.

The responsible investment world is made up of a variety of visions and approaches. Different actors use different terminology to define their activities. Despite our differences, we achieve better results working together. The PRI is a great association because it gathers and allows for

[1] I was then working at Bâtirente whose CEO was one of the Board members representing North America.

this diversity. Having lived in different countries, worked at various levels of the RI value chain, with different stakeholders (unions, companies, NGO, religious communities, board members), I think that as PRI board member, I bring my grit to this ambition and I am very keen to pursue the job.

BIOGRAPHY (*300 words maximum*)

I have 20 years of experience in the financial sector. I am currently head of advocacy and Assurance for HSBC AM. I am member of CFDT, a French union and as union trustee, I sit on behalf of CFDT on FRR supervisory board. Both CFDT and FRR are long tenure PRI AO signatories. I previously was advisor to the president of Ircantec's board. I joined Ircantec in 2017 from Banque Populaire Méditerranée (BPCE) where I was advisor to the CEO for 3 years. I had joined BPCE financial group in 2011. From 2004 to 2010, I had worked for Bâtirente, a Canadian labour-sponsored pension system, as extra-financial risks manager. During that period I was involved in different working groups (WG) of the UN PRI such as the assessment and reporting WG or the small size AO WG

Throughout my career, I've had the opportunity to work in mainstream finance as well as in the RI industry. Besides technical expertise, I developed a wide range of skills: such as strategy, risks management, project development, public relations.

Allow me to give you details about my positions in the RI industry

I helped shape RI strategy of pension funds, originated and developed partnerships. I have been involved in the design and growth of many initiatives such as Climate action 100+ as member of the steering committee and the PRI Francophone Advisory Committee. I co-chair working groups on topics such as impact investing or just transition. I contribute to the development of the French Responsible Investment label as member of the RI label Committee.

I hold a MBA with honors from HEC Montréal, a Master 2 in finance and economics from Paris IX Dauphine University and a Master 2 in Political Science from Paris 1 Sorbonne University.

SIGNATORY ORGANISATION INFORMATION (*300 words maximum*)

CFDT is the 1st French union by its number of members (623 802) .This is the first union of the private sector and the 2nd in the public sector as per the results of the last professional elections. CFDT supports unions across the world and is therefore affiliated to the CSI (Confédération Syndicale International international union confederation).

CFDT has a long history with Responsible Investment with one of its previous General Secretary having created one of the first Responsible Investment rating agency in France (Vigeo). The union strives to have union trustees with solid RI expertise sitting in the boards of the different French pensions schemes. It is also involved in most of the French RI associations / taskforces dealing with RI topics.

COMPARATIVE CANDIDATE INFORMATION

As part of the commitment to strengthen the rigour and accountability of the election process, the PRI is providing more guidance and information to candidates and signatories in advance of their vote.

The board should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

The board needs to be appropriately representative of the diversity of the PRI signatories in order to generate effective debate and discussion around the key issues that the board considers, and to deliver the broadly-founded leadership that the initiative requires. The PRI is a global organisation, and aims for global representation on its board, particularly within the asset owner positions.

The PRI Board is encouraging candidates:

- with governance skills and senior leadership experience; and
- with demonstrated leadership in responsible investment.

Candidates are asked to elaborate, in their candidate statements, on their leadership and governance experience, and demonstrated leadership in responsible investment. This information – as well as information on the nominating signatory, the candidate biography and statement – will enable the signatory electorate to more easily compare the skills, experience and diversity of the respective candidates.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE *(300 words maximum)*

I am running for a third mandate as PRI board member. During my first mandate, I sat on the Financial, Audit and Risk Committee and Policy Committee. During my second mandate, the board decided to create a Reporting and Assessment committee to address the challenges encountered during the 2021 exercise and I was nominated to act as chair of this committee (now Progression and Accountability committee which I continue to Chair). I also sit in the Strategy and Policy committees. The work of the PRI board be it the full board or the committees is of course the result of a collective commitment to the PRI purpose and I do think I contribute positively to the board effectiveness.

I have had the opportunity to demonstrate my leadership and ability to contribute to high level committees as a member and rotating chair of the Climate Action 100+ steering committee, as a member of the PRI Francophone advisory committee and as a member of different working groups in France and abroad. I have also been board member of the French responsible investment association (Frenchsif).

My current job involves working with board members and participating to board committees. I also participated to the workings of the RAIR (Réseau des Administrateurs pour l'investissement responsable), the French association of trade union trustees promoting RI.

I have always been truly involved in those different committee and working groups. It was reflected in my excellent attendance rate and my active participation ahead, during and after meetings.

Having advised the CEO of a Bank for 3 years and Ircantec's Chair of the board of trustees over 5 years and being now member of FRR supervisory board, I am totally aware of the importance of a board and make no confusion with the role and responsibilities of the Executives.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI. *(300 words maximum)*

As the extra financial risks manager at Bâtirente, I co-designed and developed the RI philosophy, guidelines and implementation processes.

I started from scratch with an incremental approach, made of collaborative work with our CEO, board members, investments managers, partners, with religious communities and NGOs. Bâtirente turned out to be a very active fund in the local and global RI world despite its relative small size.

This success was the demonstration that all institutional investors can contribute to the RI agenda. I also demonstrated leadership while engaging companies, filing resolutions, leading working groups with different stakeholders or being interviewed by all type of media.

In 2009, Ircantec decided to invest its reserves according to socially responsible principles.
When I joined in June 2017, I reviewed all its actions to identify where the scheme could improve.
As a result, the scheme has made significant progresses on all the pillars of responsible investment.
Under my leadership, its notoriety increased both in France and abroad.

Upon my arrival, Ircantec reinforced its presence in French and international organizations. I am indeed convinced institutional investors must collaborate inside and outside their national borders to tackle the incredible number of challenges lying ahead.

As a CFDT union trustee, I am eager to share my RI expertise with other trustees so that it can be a source of value for the different schemes / pensions funds CFDT is involved in.

EXECUTIVE EMPLOYEE INFORMATION

If an applicant is an executive employee of a signatory in a role where his or her immediate line manager is a CEO, CIO or most senior investment professional, he or she must provide a brief job description *(100 words maximum)* and indicate the number of years employed in an executive position.

n/a

☒ X Please tick if you accept the PRI's privacy policy.

VIDEO STATEMENT LINK

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2024 SIGNATORY GENERAL MEETING MINUTES

Contents

10 September 2023 08:00 – 09:30 BST and 17:00 – 18:30 BST

In attendance:

- Conor Kehoe, Chair, PRI Board (meeting Chair)
- David Atkin, Chief Executive Officer
- Cambria Allen-Ratzlaff, Co-Chief RI Ecosystems Officer
- Tamsin Ballard, Chief Investor Initiatives & Collaboration Officer
- Nathan Fabian, Chief Sustainable Systems Officer
- Esther Teeken, Chief Operating Office

WELCOME, PRI BOARD REPORT AND RI LANDSCAPE FROM THE CHAIR

Conor Kehoe, Chair of the PRI Board, welcomed signatories attending via webcast to the 2024 Signatory General Meeting (SGM) and introduced the other five speakers from the PRI Executive Team. Conor Kehoe noted that this was his first SGM and provided an overview of the agenda, question and answer session and housekeeping items.

Board priorities for this year
An overview of the of the Board priorities was provided.

This year the Board's biggest task was to develop and agree PRI's strategy for the next three years in consultation with signatories. Signatories agreed that a year long process every three years might not be responsive enough to our changing world, so there will be an annual strategy 'refresh' as part of the three year process.

The second focus was the organisation structure. The Board supported David Atkin and the Executive Team implemented a management infrastructure to match the size of the organisation and to deal with the heightened levels of risk with the emergence of anti-ESG. The following examples were provided:

- Risk Management: The Executive and the Policy Committee will review sensitive publications to weigh up their benefit and the risks to the Mission, to signatories and to the PRI.
- Managing by Key Performance Indicators / objectives: a system for translating the strategy into individual and team objectives and measuring progress.

Finally, the Board and Executive managed a range of questions as part of the new Chair's induction and learning. Conor Kehoe noted his engineer's excessive curiosity about how things work and thanked the team for their patience.

After a successful year, Conor Kehoe reflected on the need to look forward at where to take RI – longer term and tomorrow. It was noted that David Atkin, CEO would also reflect on the present, the next three-years and longer-term future of RI. Conor Kehoe then provided some historical context and noted that from the past there would be some questions for the future. Twenty years ago, a constitution was written by the UN team proposing the formation of the PRI – a quote from this was provided "*The PRI aim to help investors integrate consideration of environmental, social and governance (ESG) issues by institutional investors into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries*". At the time ESG risk factors were known but investors were ignoring them.

Conor Kehoe noted his congratulations for the progress over the past year 20 years which included: identifying gaps and that practices were inconsistent with RI; defining these as ESG and educating investor to integrate them into their thinking; and encouraging companies and policymakers to provide the information needed to integrate into investor decision making.

These results have been very positive. Specialist ESG teams are now installed in all significant investment organisations and large corporations; mandatory reporting of ESG factors is in place or arriving to most major economies and jurisdictions.

Conor Kehoe provided his reflections on the documents from the formation from the PRI and considered if ESG was the only material topic responsible investors were thinking about at that time and concluded both then and now the answer is no. Twenty years ago, the drafters of the PRI mission decided to ignore some important and financially material topics as they were too divisive.

A quote from James Gifford's book (the former CEO and one of the founders of the PRI) was provided: "*however, currently, short-term thinking is embedded in the financial system through compensation structures tied to short-term financial results. The issue of long-termism was certainly on the table when the PRI was being drafted. It was debated by the investors involved, but the lack of a clear commitment to long-termism reflected investors' views at the time that their short-term investment strategies (in particular, hedge funds) were legitimate and shouldn't be seen as 'irresponsible'*." It was noted that at that time hedge funds had more of a role in resolving issue of market inefficiencies which was vital but could be short-term in nature, however, now hedge funds have a wide array of long-term responsible strategies.

Positively, ESG made it onto the RI agenda, however, aligning investor organisations with beneficiaries' time horizons was too challenging at that time.

It was considered what RI could mean in the future, given that ESG asks us to factor in things happening around us, the people and the planet. Conor Kehoe posed the following questions:

- Might responsible investors now look more closely into ourselves and:
    - do something to match our organisations' time horizons with that of the beneficiary
    - ask whether the public Boards we elect, as currently resourced, can govern large complex institutions well and with that same beneficiary time horizon in mind
    - ask have we integrated it into investors thinking and their tools – or just into the specialist ESG support function.
- Might we as responsible investors look closely to ourselves, and the social contract granted to us by the State. States are under pressure to use long term pensions pots for projects that public funds can't afford. Should Responsible Investors have a view and take a stand?
- Might we continue to address new blind spots from the world around us not yet integrated into investor thinking – this could be considered ESG mark 2. The following examples were considered:
    - Do investors think enough about the impact of demographic changes – Japan being the most notable example.
    - Do investors do enough about the confluence of risks hitting us, for example, migration caused by climate change.

Following these questions Conor Kehoe handed over to David Atkin to look to RI today, the next 3 years and longer-term.

WELCOME & STRATEGY: DAVID ATKIN, CEO

David Atkin, reiterated, a warm welcome to signatories and thanked signatories for joining. David welcomed the new Chief Responsible Investment Solutions Officer, Kate Webber, who joined the PRI in August 2024.

Further to Conor Kehoe's comments, David Atkin, highlighted that as the PRI approach's the 20-year mark, since the idea of the PRI was first conceived, it's clear that we now operate in a very different environment. Whether viewed through the responsible investment lens or from a wider perspective, the world simply is not where it was 20 years ago.

Whilst there are challenges, and it can feel that there isn't cause for much optimism – particularly based on news headlines. From climate change to social inequality, geopolitics to biodiversity loss, human rights abuses to cost-of-living crises, the RI community has grown used to an almost relentless drumbeat of negativity. It is a complicated world, and society is largely not dealing effectively with the issues at hand.

It was highlighted that despite this challenging context, investors are still managing to achieve important progress. However, there is a great deal of frustration, even fatigue and it is a difficult time to be a responsible investor. Whilst this could easily lead to inaction, which some critics would prefer, beneath these issues there might be a different way of looking at this – and that there are reasons to be cheerful. This does not minimise the scale of the challenges faced, and "cheerful" doesn't mean "complacent". Although there is still an enormous amount of work to do, two powerful forces to utilise in the face of this adversity were highlighted:

- The first was unity – it is important to work together to navigate these complex times.
- The second was optimism, which is truly critical to catalysing the action needed so urgently.

By working together, harnessing the power of unity and optimism, and refusing to be distracted from the task – results will be achieved. The work responsible investors are doing is making a real-world difference – for returns, beneficiaries, and for future generations. The PRI therefore hopes signatories will continue on this journey.

Given the upcoming 20th anniversary of the PRI, the PRI's sees this as an opportune milestone for the stocktake that Conor Kehoe referenced. As a signatory-centric organisation, it's vital that signatories play a central role in helping to shape the next two decades.

David Atkin noted that between now and the anniversary, Conor Kehoe, and the PRI Executive Team will reach out to signatories leading the way in our industry to capture their views – including challenges, opportunities or new ways of thinking and action. This will help to define the path forward. David Atkin encouraged signatories with views about where signatories and the PRI should take RI next to reach out to the PRI via info@unpri.org.

It was highlighted that whilst the PRI is excited about the prospect of what can be delivered together over the next 20 years, there is also a need to think about the steps to take in the more immediate future to lay the foundations for a successful journey.

During the last strategy cycle, spanning 2021 to 2024, the focus was on building a bridge between financial risk, opportunities and real-world outcomes. This was guided by three strategic drivers:

1. The big tent approach, with an emphasis on welcoming a diverse and global signatory base.
2. Accountability, recognising this was critical for signatory credibility and driving progress.
3. Scalability, aiming to support signatory learning and collaboration at scale.

This strategy worked well when the main purpose was to build the movement, recruit new signatories, and instil RI into organisations around the world. Whilst these three pillars are still at the core of who the PRI is and what the PRI does, as we began to look to the future it was clear that this new era of responsible investment demanded going further. Therefore, it was crucial that the next strategy recognised and responded to the changing world and empowers signatories with the tools and agility to navigate it successfully. To address this the PRI embarked on an in-depth listening journey to understand what responsible investment means in the current context, and the PRI can do to create an enabling environment to deliver sustainable outcomes that align with fiduciary duties. Signatory insights clearly outlined the path ahead.

In response, in August 2024 the PRI launched the new strategy plan. Two overarching objectives were identified:

- To maximise the value the PRI delivers to signatories – in a rapidly evolving environment,
- To deliver on the PRI's mission to create a sustainable financial system that benefits the environment and society as a whole.

To meet these objectives, the strategy will shift the PRI's programme priorities to focus on four specific areas:

1. Driving signatory progression on responsible investment while streamlining mandatory PRI Reporting;
2. Strengthening regional responsible investment ecosystems in both mature markets and emerging and developing economies;
3. Amplifying signatory impact by supporting and leading collaborative initiatives; and
4. Strengthening the enabling environment for responsible investment by influencing government and multilateral policy and financial market practices.

David Atkin explained that he hoped that in the new strategy signatories feel heard, and supported to face whatever comes next and that the PRI looks forward to working with signatories on the implementation of the new strategy in the months and years ahead.

David Atkin, finished by thanking signatories for continuing to trust, support and challenge the PRI, in what is a new and exciting chapter for responsible investment. David Atkin then handed over to the Executive Team to share some key successes over the past year as well as future plans under the new strategy.

RI ECOSYSTEMS UPDATE, CAMBRIA ALLEN-RATZLAFF, CO-CHIEF RESPONSIBLE INVESTMENT ECOSYSTEMS OFFICER

On behalf of Rose Easton and herself, the co-leads of the Responsible Investment Ecosystems, Cambria Allen-Ratzlaff provided an overview of the team's work.

Cambria Allen-Ratzlaff explained that she is based in Michigan and covers the Americas and Asia Pacific, while Rose Easton, based out of London, covers the UK, Europe, India, the Middle East, and Africa.

The RI Ecosystem (RIE) team's work represents the second pillar of the PRI strategy: strengthening regional responsible investment ecosystems in both mature markets and emerging and developing economies. The team represents an evolution of PRI's operating model, brought together to support local priorities and enable effective engagement with signatories.

Three regularly asked questions were highlighted:

1. What are responsible investment ecosystems?
2. Why did you create this team?

3. And what is it that you <u>*do*</u>?

Cambria Allen-Ratzlaff answered each in turn

It was explained that "*responsible investment ecosystems*" represents the interconnected network of local and regional actors that support the markets in which signatories operate. This puts signatories at the centre of your ecosystem, surrounded by the investors, intermediaries, academic institutions, advocacy groups, market regulators and supervisors, governments, and other key stakeholders that function around you.

The RI ecosystems team was created in direct response to signatory feedback. Responsible investment has grown and matured since PRI launched nearly 20 years ago, and with it signatory needs have also evolved. For the PRI to continue to be effective over the next 20 years and beyond, it needs to meet signatories where they are now, and to better anticipate where they will be in the future.

On the third point, what we do for signatories it was explained that the team serves signatories and the wider PRI mission through three key functions:

1. **Convening signatories and stakeholders** in individual markets through communities of practice, locally within ecosystems, and across ecosystems;
2. **Supporting signatories** in their RI progression by connecting them with resources and advice; and
3. **Supporting meaningful policy outreach** within ecosystems.

Cambria Allen-Ratzlaff then provided further detail on each of the three points.

First, the PRI has unparalleled *global reach* in the investor community, and with this, the power to convene like no other organisation. Signatories told the PRI that you want more spaces to connect with peers both within markets and increasingly worldwide, so the regional teams have been busy building opportunities for signatories. Examples included local communities of practice, high-value networking opportunities, and forums where the PRI can help signatories tackle RI issues that are top-of-mind, like shareholder rights and engagement, and the just energy transition. Two upcoming opportunities were highlighted: a signatory networking event during NYC Climate Week; and the first-ever regional finance day at COP 16 in Colombia. Signatories were encouraged to look out for emails or reach out to the RIE team for more information about these and other events.

Signatories also asked the PRI to magnify our reach and influence by working collaboratively with partners on the ground. To address this the PRI recently signed our first formalised agreement with four key RI organizations in Australia to codify opportunities for coordination and collaboration. There are over a dozen more planned in markets around the world.

Second, on how supporting your progression, structural changes were highlighted including the creation of a new Stakeholder Services Team to provide day-to-day signatory servicing in local languages from regional staff. This shift to a centralized support model better-positions the RIE teams to activate, resource, and engage local markets at scale. Recently, the RIE team partnered with local IFRS representatives on an ISSB capacity-building program in Brazil. The PRI also co-hosted educational seminars for signatories in Japan and Australia interested in system-level investing, and in the U.S. Midwest, the PRI joined PRI signatories, corporates, academics, and state administrators to discuss the global workforce transition in the face of climate risk mitigation strategies and the rapid adoption of machine learning and AI.

Finally, the PRI regionalized policy work, shifting from a single, central policy team to local teams acting through a local lens to better capture the nuances of local markets. This model enables the PRI to remain strategically aligned with the global priorities while injecting market-specific insights at the regional level. For example, the Canada team is completing a portfolio of robust pro-RI policy reforms to present to the Canadian government during PRI in Person, while the policy teams in China, Japan, and Kenya have submitted comments on critical market structure and disclosure proposals in those countries. The U.S. team continues to champion responsible investment at all levels of government, including sharing PRI views on investor responses to state anti-ESG laws before the U.S. Senate Climate Change Task Force.

Cambria Allen-Ratzlaff, highlighted focussing on the PRI's work in emerging markets and developing economies, which offer the PRI and our signatories unparalleled opportunities to shape responsible investment, often from the ground up. The PRI already includes 640 signatories spanning 46 countries across Asia, Sub-Saharan Africa, Latin America, Central and Eastern Europe and the Middle East, representing $12.4 trillion in assets under management. The PRI plans to grow its footprint and signatory base in emerging markets substantively over the next three years.

In terms of the global view with signatory recruitment reaching saturation point in many developed markets, global signatory numbers are now levelling off after several years of rapid growth. At the end of March 2024, the PRI had 5,345 signatories to the Principles, including 384 new signatories. That was roughly in line with numbers from the previous year, although an increase in the growth rate is expected as the PRI penetrates deeper into emerging markets. The total signatory AUM remains strong and up from the previous reporting period at over $128 trillion.

Cambria Allen-Ratzlaff noted that she and Rose Easton were looking forward to working closely with signatories to advance the priorities in developed markets, propel RI in emerging markets, and drive the next chapter in responsible investment. Noting that we go further when we travel together!

Cambria Allen-Ratzlaff handed over to Nathan Fabian.

RI SOLUTIONS & SUSTAINABLE SYSTEMS UPDATE, NATHAN FABIAN, CHIEF SUSTAINABLE SYSTEMS OFFICER

Nathan Fabian explained that providing signatories with the resources and support needed to advance responsible investment practices is a core part of what the PRI does. To this end, the PRI published new guidance over the past year, including on writing an RI policy, new introductory guides on human rights, biodiversity and corporate governance, and case studies on implementing net-zero commitments.

The PRI also completed an in-depth analysis of your responses to the annual Reporting Framework. This provided insights into the changing RI market, including an increased focus on sustainability outcomes and more frequent commitments to net zero across all signatory types.

The team also undertook a full review of the governance and membership of asset class advisory committees. This resulted in membership better reflecting the broad signatory base, including welcoming a larger number of emerging market signatories.

Something leant from leading signatories is that ESG expertise needs to extend beyond dedicated, specialist teams. To support the growing demand in upskilling investment teams, this year the PRI Academy developed new on-line courses and made them easier to use. In addition, some of the most popular courses were redesigned to reflect the latest PRI content and industry insight and a more engaging style - this included updating the *Understanding ESG* and *Applied RI* courses. The hope is that this will better support signatories in addressing issues such as the anti-ESG sentiment.

Newly launched products were highlighted, this included the first blended learning programme which brings together in-person teaching and e-learning. The impact of the Academy courses remains strong, with over two-thirds of users reporting they have gained new knowledge and skills they would apply in their work.

Nathan Fabian, then provided an update on Reporting and Assessment, which is of great value to many signatories. This year there was a big focus on improving the reporting experience. The questions and assessment methodology remained stable and consistent with 2023. Pre-filling was introduced to make the experience quicker and more seamless. Several changes in the Reporting Tool were made to improve its performance and avoid the loading and server capacity issues faced last year. The PRI was pleased to hear that many signatories had an improved reporting experience as a result and were delighted to see high submission levels again this year – with 92% of mandatory and 52% of voluntary reporters responding.

The 2024 reporting was voluntary for those that reported publicly in 2023 and met the minimum requirements. For the 2025 reporting cycle, all investment manager and asset owner signatories that have passed their grace period will be required to report on a revised version of the Senior Leadership Statement (SLS) module, and to indicate if they have any other reporting obligations. The latter will help the PRI to better understand the growing requirements signatories are subject to and will inform the future design of Foundational Reporting in the Progression Pathways framework.

Completing the remainder of the Reporting Framework, which will closely mirror that of 2024, will be voluntary for most – except for a small cohort that have not yet publicly reported to the PRI; or those that have not previously met the minimum requirements. Reporting remains completely voluntary for signatories in the grace period.

Progression Pathways

Looking ahead to the longer term, Nathan Fabian shared further detail on Progression Pathways and highlighted, as David Atkin explained, that supporting signatory progression is one of the four focus areas in the new organisational strategy.

This follows recognition that the signatory base has grown both in size and diversity in recent years, creating a need to support different objectives, approaches, and levels of advancement.

Progression Pathways has been co-designed directly with signatories, through the strategy consultation and focus groups with hundreds of signatories. It will be a blueprint to support signatories in advancing responsible investment practices in a more tailored way. Signatories will be able to find guidance, education and collaboration opportunities that are most relevant to them.

The approach will encompass mandatory Foundational Reporting for all signatories, but Progression Reporting will be voluntary.

Nathan Fabian explained that although work on Progression Pathways will continue into next year, to give a preview of how things are starting to take shape an early prototype demonstration of the framework was provided.

Progression pathways demonstration

Nathan Fabian, showed the PRI home page of the website which will be the starting point for Progression Pathways. The website will have a new functionality enabling signatories to sign in and access a tailored experience.

It was explained that signatories will then be able to access a personalised dashboard that reflects signatories own individual pathway, with all functionalities available at a glance. The idea is that this central platform will bring most, of PRI's various offerings together in one place, and the ability to direct signatories to the tools and resources that are most relevant based on signatories goals and current responsible investment stage. Examples included: suggested resources, reporting status and events.

An overview of the pathways was then provided. As a reminder it was explained that the framework will have three types of responsible investment objectives that signatories can align their progression to – those seeking to incorporate ESG factors, those who are aiming to address drivers of sustainability financial risks, and those who are seeking to have positive impact. The pathways were described as A, B and C. The leading practices for investors are being compiled for each of the objectives. The practices are being mostly sourced from existing frameworks, initiatives and policy tools - these will to help investors navigate the complexity of the current landscape.

It was explained that these have been grouped into different practice areas or pillars so that signatories can focus on the areas of most interest. Signatories will be able to see the relevant activities that can be performed under each and present them by level of advancement and pathway.

Importantly, signatories have a choice of which pathway they wish to follow, and are not locked into one. The PRI understands that things change, especially in such a rapidly-evolving landscape, and the PRI wants to support flexibly as a result.

As part of the demonstration an example of an investor that is on Pathway B was shown. The resources available under the Policies & Governance pillar were explored. It showed Incentives, and then Resources, and a number of tools relevant to the specific practice area were accessed. This included links to other relevant PRI tools, like the collaboration Platform and the PRI Academy courses.

Recognising that there is so much content being generated within the RI community. It is increasingly specialised and high quality, but difficult to keep track of. The demonstration showed how the Progression Pathways framework will enable signatories to gain a deeper understanding of different practice areas for different asset classes and ESG issues. Content from both the PRI and other organisations would be available to bring everything together in one user-friendly place.

It was highlighted that how to bring in the Reporting framework and relevant questions into the progression framework was also being considered.

Nathan Fabian hoped that signatories found the whistle-stop tour helpful, and importantly, that it responds to signatories' needs. Signatories will be kept updated as the design progresses.

Sustainable Systems

Nathan Fabian then shared an update on our Sustainable Systems work and explained that this is the work to drive change in the pursuit of a more sustainable financial system – one that enables and rewards responsible investors.

Work from the past year was highlighted:

- The PRI continued to support the development and adoption of global and regional corporate sustainability disclosure requirements.
- Work on addressing barriers to ambitious stewardship by collaborating with the Thinking Ahead Institute to research the level and adequacy of stewardship resources within the industry.
- The PRI's work expanded to focus on wider actors across the financial system, other than investors, for example, research on the role of proxy advisors.
- It was an important year for Global Policy at the PRI. This year there was a focus on engaging with multilateral stakeholders, including the OECD, World Bank and G7, to pursue global policy alignment.
- Work continued to analyse and compare financial regulation globally, using evidence and insights on policy progress in G20 countries to improve regulatory harmonisation for global investors.
- Climate work also continued and last year the PRI accepted an invitation to act as the secretariat to the Taskforce on Net Zero Policy, which will publish a landmark report on net zero policy formation at COP29.
- In March 2024 the policy collaboration was launched to help signatories keep on top of global policy developments, as a direct response to the feedback received in the strategy consultation process.

Nathan Fabian concluded that whatever path signatories are on as responsible investors, there is agreement that environmental, societal and governance changes are continuing at pace. And in the process, they are shaping our economy and financial systems, which informs how we respond to these changes.

Over the past year, the PRI has led work across all three ESG pillars, aimed at helping signatories to better understand and navigate related issues, including the interdependencies between these issues and within investor portfolios. The following examples were provided:

- The launch of three new reference groups, one on Human Rights, one on the Circular Economy, and one on Nature.
- At COP28, co-hosting the Sustainable Finance Forum with UNEP FI and Climate Action, and an investor agenda side event on accelerating climate action with UNEP FI, IIGCC, AIGCC, Ceres and CDP.
- Developing PRI capacity building work in regional markets, such as the climate risk capacity building series in APAC region; and a biodiversity series (webinar/global).

Whilst noting the headwinds this year, it was hoped that signatories agree that in collaboration we continue to make great strides towards the mission of achieving a sustainable financial system.

Nathan Fabian handed over to Tamsin Ballard.

INVESTOR INITIATIVES & COLLABORATION UPDATE: TAMSIN BALLARD, CHIEF INVESTOR INITIATIVES & COLLABORATION OFFICER.

Tamsin Ballard explained that it was both an exciting and challenging year for the Investor Initiatives & Collaboration team at the PRI. The PRI was delighted to see nearly 1,000 signatories participate in investor initiatives led or supported by the PRI over the past year, with many signatories participating in more than one. Despite political headwinds in some markets, there has been a strong and sustained demand for participation in initiatives. There is a shared understanding among signatories that collaboration through investor initiatives strengthens responsible investment practices, enabling investors to both preserve and create long-term value for your clients and beneficiaries. Crucially, this is all aligned with fiduciary duties.

An overview of the progress of investor initiatives and collaborative engagements have managed to achieve in the past year across a range of thematic priorities – including climate, nature and social issues was provided.

Spotlight on climate

On climate, the PRI's longest running collaborative engagement, Climate Action 100+ (or CA100+), formally launched its second phase in June 2023, unveiling an updated strategy that now extends through to 2030. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change in order to mitigate financial risk and to maximize the long-term value of assets. Since unveiling the new strategy, Climate Action 100+ has welcomed new investor members to its steering committee, published lead investors for engagement with over 120 focus companies, and outlined thematic engagement priorities by region for the upcoming year. The initiative also launched the third iteration of its Net Zero Company Benchmark and published two net zero sector standards, one for diversified mining and another for oil and gas.

Despite this success, the small number of investors leaving CA100+ in the past year were acknowledged. It was noted whilst we cannot ignore the undue politicisation of the initiative, which is understood to be a factor in some of these departures, the PRI is reassured to see that the majority of investors continue to support and back this important work, valuing its role in helping them to manage real financial risks to their portfolios. Demand for CA100+ remains high among its existing member base, and the PRI was delighted to have had more than 85 new signatories join the initiative since the launch of its second phase – this far outweighed the number of departures seen. It was emphasised that the PRI and our partners remain wholly committed to supporting investor climate stewardship activity through CA100+, that the work of the initiative continues unabated, and significant resources are being deployed to support those of you targeted by these political attacks.

Spotlight on Collaborative Sovereign Engagement on Climate Change initiative

The work supporting governments to act on climate change was highlighted, this included the PRI-led Collaborative Sovereign Engagement on Climate Change initiative. Since July 2022, the initiative has undergone a pilot phase, helping signatories engage with Australian federal and state governments. It involved 25 investors from Asia, Australia, Europe and North America, representing US$8 trillion. In June of this year, the PRI published the first progress report on the pilot, summarising key successes, challenges and learnings. Recognising the value investors reported they had gained from participating in the initiative, as well as the positive results of the pilot more broadly, we look forward to continuing to engage in the Australian system, as well as assessing the potential for expanding to further markets. Further developments to follow.

Spotlight on Net Zero initiatives

Another area where the PRI was delighted to partner with organisations from across the financial services spectrum is around accelerating the decarbonisation of the economy. Through four investment sector initiatives that the PRI leads or supports, we've expanded the number of signatories committed to achieving net zero emissions and supported their learning journey in this space. There is tangible progress as a result. This includes through the Net Zero Asset Owners Alliance's call to action on asset management engagement, sending a clear message to the asset management industry that serving asset owner clients requires climate stewardship. The target-setting frameworks across all groups in the Net Zero Financial Service Providers Alliance were finalised, meaning that all members are getting to work on their own net zero targets or reporting against these. The increased number of asset managers within the Net Zero Asset Managers initiative who have set and disclosed targets was highlighted as the final example - 98% have now set interim targets for 2030 or earlier – with over a quarter targeting as early as 2025.

The highlights demonstrate that there is huge appetite across the sector to be engaging in collaborative initiatives in the climate space. There was insufficient time to highlight all initiatives during the SGM, however, the Initiative Climat International (iCI) was highlighted, this is a PRI-supported practitioner-led community aiming to better understand and manage climate change risks. This year, iCI notably produced new resources, including the Private Markets Decarbonisation Roadmap. This community now brings together nearly 280 private markets investors, including general partners and limited partners, who together represent US$4.3 trillion.

Spotlight on Nature and Social initiatives

Regarding nature, Spring released its first investor statement at the 2023 PRI in Person conference in Tokyo. Spring provides an opportunity for signatories to address the system-level risks stemming from global nature loss. The initiative opened applications to investors in February of this year, before officially launching at London Climate Action Week in June 2024. In its first three months, Spring was endorsed by 128 investors, representing a total of US$10 trillion. Since then, the PRI is delighted that the initiative's membership has grown to over 200 members together representing $15 trillion USD.

Finally, beyond environment and climate, the PRI has supported signatories to protect and enhance risk-adjusted returns by encouraging progress on human rights, including through the PRI-led stewardship initiative, Advance. This year, the initiative published its assessment framework, laying out how it will track progress against its objectives in three parts - monitoring investor efforts and activities, assessing the progress of engagement with focus companies, and monitoring developments in sector-level engagement. The PRI is delighted to report that 265 investors, representing US$35 trillion, now endorse Advance.

The future

Looking to the future, collaboration will continue to be a central pillar of the PRI offering, always keeping in line with investors' duties and mandates. The PRI is satisfied that the initiatives are structured in a way that complies with all relevant laws, including antitrust laws, and the PRI takes active steps to ensure that the activities of these initiatives are subject to suitable guardrails.

Opportunities to collaborate play a crucial role in changing financial markets, mainstreaming RI, and influencing the behaviour of investees. This was clearly demonstrated through engagement with the PRI Collaboration Platform over the past year, which saw a 74% increase in new users and a total of 119 collaborations, up from 99 last year. Based on feedback, signatories value these opportunities to collaborate, which is why the PRI decided to prioritise them as part of our new strategy. We look forward to amplifying signatory impact through PRI-led and PRI-supported initiatives.

Tamsin Ballard handed over to Esther Teeken.

OPERATIONS AND PEOPLE & CULTURE UPDATE: ESTHER TEEKEN, CHIEF OPERATING OFFICER

Esther Teeken provided an update on the Operations function, including some brief updates on behalf of Lian Hillier, Chief People & Culture Officer.

Financial update

Starting with a financial update, it was reported that in the financial year ending 31st March 2024, the PRI generated a surplus of £0.05 million after interest, tax and depreciation. This is down from last year's £0.45 million surplus, primarily due to costs associated with the internal restructure, as part of the implementation of the PRI's new target operating model. This reorganisation has set up the organisation for success in achieving operational excellence and will be critical to enabling the delivery of the new strategy.

Further detail on those numbers was then provided. £37.1 million income was generated during the 2023/2024 financial year. This represented an additional £2.3 million compared to the previous year. Signatory fees remain the main source of income, accounting for 76% of the total. Of these fees, the largest contributors geographically are the US and the UK & Ireland.

Restricted funding income, was slightly behind prior year due to slower spend, but there was an increase in our events income. This was driven primarily by our annual PRI in Person and Online event, which generated revenue of £3.3 million through ticket and sponsorship sales. There were lower revenues from the PRI Academy with income of £1.3 million compared to £1.8 million in 2022/2023. This was mainly due to reductions in learning and development budgets across the financial services industry.

Expenditure for the 2023/2024 financial year, saw an increase of circa £3 million compared to the previous year, this broadly matched our income, delivering a break-even position. Again, this was largely due to reinvestment into the organisation to set us up for the future and help deliver the new strategy. The highest spending went towards our enabling functions. Within this category, people costs – including contractors – remains the largest expenditure item, accounting for 78% of the total amount. This included people investments that will support the new strategy, including the recruitment of our first US-based Executive Team member, of local RI managers, and an expansion of our signatory support services into local regions. We also introduced local policy and stewardship initiatives roles.

Looking at the balance sheet, overall net assets are broadly in line with the previous year, with year-end reserves within the PRI's minimum required reserves policy of three times monthly expenditure. Overall, cash balances at the end of 2023/2024 amounted to £28 million, which is significantly higher than the previous year, due to the earlier invoicing of 2024/2025 fees.

2024/2025 budget

The budget for the financial year 2024/2025 was approved by the Board and is expected to deliver an overall break-even position. 75% of funding is budgeted from signatory fees, which is broadly in line with last year's figures. However, income diversification and long-term funding is an area of focus to reduce our reliance in this area.

For the2024/2025 budget the PRI is aiming to align expenditure and investment with the four focus areas of the new PRI strategy. A slide showed the activity to deliver in the 2024-25 financial period.

Next chapter

Esther Teeken concluded that following the updates and plans outlined it is hoped that signatories understand that the PRI has great ambitions for the next chapter.

In the nearly 20 years since the PRI was conceived, we've come an incredibly long way already. The 20 investors that came together in early 2005 have grown to more than 5,000 global signatories, representing over half the world's institutional assets under management. What was once a niche idea is now a mainstream activity around the world. But as you heard from Conor Kehoe, in what is an increasingly complex and ever-changing environment, we are now readying ourselves for the next phase of responsible investment, and of the PRI.

To ensure that the PRI can focus on delivering against the four focus areas of our new strategy, and in doing so help strengthen the value proposition of the PRI, we require funding that will match these ambitions. The last significant adjustment to fees beyond inflation was nearly 10 years ago. Since then, the PRI has expanded our operations to better meet the needs of a rapidly changing and fast-maturing responsible investment landscape, while also making some major operational changes to streamline the organisation to better deliver value for a signatory base that has nearly doubled since 2019.

This year the PRI introduced a modest increase in fees for most signatories and, after consultation, introduced higher fee bands for the largest asset owners and investment managers. Ahead of introducing these increases, the PRI conducted a direct comparison to similar organisations, as well as non-RI membership organisations. In a benchmarking exercise against peer organisations, the PRI's fees sit at the middle level of the cohort reviewed.

The adjusted fees will enable the PRI to invest in the medium-to-long term to deliver the PRI's new strategy. To name just a few, the revenue will help the PRI deliver streamlined mandatory reporting, invest in the building and delivery of Progression Pathways, expand our footprint globally to further support regional RI Ecosystems, establish policy positions and influential relationships with policy makers and regulators in additional markets, invest in platforms to enable better collaboration between signatories, and modernise our internal systems to deliver an improved signatory experience. The new fees also ensure signatory fees are more equally distributed across the diverse signatory base and are more proportionate to fund size.

The PRI understands that these changes have come at a challenging time, but we appreciate the trust signatories have placed in the PRI and your support as we work together to ultimately create a sustainable financial system that benefits the environment and society as a whole.

As the PRI enters a new chapter for the organisation, we remain committed to maintaining financial stability and maximising value for our signatories. Whilst signatory fees will be a key enabler for realising the next phase of our strategy, we recognise that the value proposition has to support us in achieving the long-term mission we have set out. In order to do so, we must become less reliant on signatory fees and pursue more diverse income streams.

To maximise our impact and make the best use of signatory fees, we are beginning to consider the broader funding model. This includes a review of peer organisations' funding models and reviewing income from grants, investor education, events, partnering and other services.

As a signatory-based organisation, signatory input will be critical to shape the operating model and deliver on our shared objectives. We therefore plan to engage with signatories on the future of the PRI funding model through a variety of forums in the months ahead.

Convening update

A convening update was provided – which was highlighted as something the PRI has heard signatories particularly value. PRI in Person remains the premier global event for responsible investment professionals. Our Tokyo conference saw over 1,300 delegates from 51 countries come together under the theme "*Moving from Commitments to Action".* Evidence of this theme in action came in the form of a commitment from the Prime Minister of Japan, who announced that seven public pension funds would start preparations to become signatories to the PRI. The Prime Minister also highlighted his support of sustainability outcomes in his address, which set a new benchmark for government commitment to responsible investment at PRI in Person.

With thanks to our lead sponsor Nippon Life Insurance Company, the PRI brought together industry leaders, policy makers and experts from around the world to discuss the latest trends, challenges and opportunities in sustainable finance. With 40 conference sessions and 50 side events, we also heard from the former Executive Secretary of the United Nations Framework Convention on Climate Change, Christiana Figueres.

To maximise participation and reach, there were a number of digital sessions throughout the year. One example was highlighted; the "*Moving from Principles to Practice*" digital forum which welcomed just under 2,000 attendees from 76 countries, accumulating over 10,000 views live and on-demand across 2023 and 2024. This five-part series was the first time that the PRI has secured sponsorship for a digital forum, with generous support from BB Asset Management in Brazil.

Looking to 2024, PRI in Person will be heading to Canada for the first time in a decade. The 16th annual conference will be taking place between the 8th and 10th of October in Toronto, supported by the lead sponsor Mackenzie Investments. We'll be bringing attendees together across 35 breakouts and plenary sessions under the theme of "*Progressing global action on responsible investment*", building on the outcomes of the 2023 Tokyo conference. With over 1,100 delegates already registered, and 145 speakers already confirmed, signatories have until 16 September to register to attend in-person. Digital tickets will be available to secure right up until the event.

Finally, looking ahead, the PRI is looking forward to organising a regional event in Europe in May 2025. Please look out for further details.

People & Culture update

An update on people and culture was then provided. At the PRI, we think it is critical that we set the right example, living and breathing the values we stand for. The PRI's work in Diversity, Equity and Inclusion (or DEI) was highlighted.

There has been substantial progress in tracking and improving our DEI efforts. As of the end of March 2024, the PRI had 253 employees, representing 43 different nationalities and based in 21 countries worldwide. The employee networks, now each benefitting from an executive-level sponsor, have been championing DEI in practice. For example, the Disability Network developed guidance for requesting disability-related adjustments and organising disability-inclusive events. The 2024 DEI data and pay gap report showed a reduction in both gender and ethnicity pay gaps, and steady progress in growing the Black, Indigenous and People of Colour and LGBTQ+ employee populations.

Esther Teeken, handed back over to Conor Kehoe.

GOVERNANCE: CONOR KEHOE, CHAIR

Conor Kehoe explained that the last agenda item before the Q&A was governance including information on signatory voting and timelines, and announcement of the 2024 PRI Board election candidates.

The PRI Board

A reminder on the Board composition was provided. The Board includes:

- One independent Chair
- Seven directors elected by asset owner signatories
- Two directors elected by investment manager signatories
- One director elected by service provider signatories
- And two permanent UN advisors

Since taking up the role of Chair at the start of the year, Conor Kehoe highlighted that he felt fortunate to have gotten to know such an engaged Board. Earlier Esther Teeken talked about living and breathing our values, and we're proud that our Board is gender-balanced and globally representative.

Signatory voting and PRI Board Director elections

Signatory voting, will open next week, on 17 September, and close on 26 November 2024– lasting a total of 10 weeks.

Signatories will be asked to:

- Vote to receive the PRI Annual report and accounts.
- Vote to approve the signatory general meeting minutes.

- And – according to your signatory category – to vote for you representatives on the PRI Board, three asset owner representatives and one investment manager representative.
- Vote to confirm the appointment of a new auditor – MHA – which the PRI Board's Finance, Audit and Risk committee has selected following a thorough process.

Regarding the PRI Board annual elections, this year there are positions open for three asset owner representatives, and one investment manager representative. Throughout the process we encouraged candidates with governance skills and demonstrated leadership in responsible investment; global representation and expertise to enable the Board to appropriately represent our diverse signatory base.

Conor Kehoe was pleased to see the diversity of candidates that applied, and would like to thank all of them for taking the time to prepare and submit their nominations.

Asset owner election

For the asset owner election, which asset owner signatories will vote for, there are six candidates for three positions:

- Leong Cheung, Chief Strategy Officer, Hong Kong Monetary Authority (China)
- Xolisa Dhlamini, Head: Sustainability Operations & Impact,Sanlam Ltd (South Africa)
- Sharon Hendricks, Board member, CalSTRS (USA)
- Bertrand Millot, Head of Sustainability, CDPQ (Canada)
- Wilhelm Mohn, Global Head of Active Ownership, Norges Bank (Norway)
- Laetitia Tankwe, Union trustee, CFDT (France)

Investment manager election

For the investment manager election, which investment manager signatories will vote for, there are two candidates for one position:

- Wendy Cromwell, Vice Chair and Head of Sustainable Investment, Wellington Management Company (USA)
- Pia Gisgård, Head of Sustainability & Corporate Governance, Swedbank Robur (Sweden)

All nominated candidates have submitted statements and videos, which are available to view on the PRI website. For both elections, the candidates who receive the highest number of votes for the available positions in each category will be elected.

Future of the Board

Looking to the future, the Board has agreed that considering the addition of one further investment manager representative to the Board should be a governance priority for 2025. The Board strongly believes that the PRI should remain an asset owner led organisation, however it also recognises that adding one additional investment manager representative on the Board would have the following benefits:

- Better represent the signatory base - in 2014 for example when the last governance review was conducted, investment managers represented 63% of the signatory base and in 2024 that has grown to 77%;
- Reflect the increasingly important role and diversity of investment managers in the investment chain;
- Enable investment managers to be represented on all Board committees, and

- Ensure the investment manager perspective is better represented in PRI's Policy work.

This will not affect the upcoming signatory voting period. The Board will engage with signatories, particularly asset owner signatories, before determining the next steps.

Online signatory voting

The online signatory voting will open on Tuesday 17 September and all *main contacts* of signatory organisations will receive a voting ballot via email, signatories were requested to look out for this.

As a signatory-centric organisation, signatory views are important to the PRI, and critical to ensuring the PRI continues to deliver value for signatories. So the PRI encourages signatories to take an active role in the signatory voting and PRI Board Director elections.

Conor Kehoe thanked everyone for their attention so far and noted it is so encouraging to look back on the past year of progress we've managed to achieve together, and look forward to the opportunities – as well as challenges – that lie ahead. Conor Kehoe expressed thanks to all signatories for giving him the opportunity and privilege to lead signatories along the way in his role as Board Chair, in partnership with the Executive Team.

Question and answer

The SGM presentation was concluded, and it was explained that the Q&A portion of the session would start. It was also explained how to post questions and if questions cannot be answered due to time constraints that these would be provided after the SGM in the minutes.

SIGNATORY QUESTION AND ANWSER

Signatories asked questions on a range of topics across both SGMs. The following questions and responses have been ordered and grouped by topic to increase legibility for the readers.

STRATEGY

Could you share the PRI's agenda in emerging markets like India or South Asia, where the signatory list has been growing, yet the local ESG market remains rather stagnant. Where can I find the engagement outcome details with governments and organisations if any in the region? For context the objective of the strategy was provided. The objective is to make a significant and enduring real-world impact on the sustainable development of emerging and developing economies - this will mean more global capital is aligned with the PRI Principles. The PRI work on the barriers and priority conditions for a sustainable financial system will be applied to the emerging markets context. This will improve responsible investment practices in the markets and effectively use this framework along with the PRI's own global perspectives to drive better financial flows from developed markets to emerging markets. Common market challenges such as sustainable development, climate resilience, social equity and regulatory frameworks will be the focus of the guidance – these are relevant for all signatories.

In terms of India specifically, David Atkin, CEO has a planned trip to India in November 2024 and will meet with signatories, policy makers and key stakeholders. The PRI has been working with the CFA Institute and the CFA Society of India on this visit. The PRI has also been working with several partners on capacity building events that we hope to be able to announce soon.

Regarding the rest of Asia, James Robertson, the PRI's Head, Asia (ex-China & Japan), has a planned trip to Singapore and Thailand where he will be running collaborative events with local stakeholders on different topics such as climate change and stewardship. There has also been an Academy training event, and we have been working capital markets, Malaysia.

The PRI is supporting signatories on their progression and policy outreach including working with regulators and policy makers.

Given the unique context that PRI signatories in the Global South (i.e., South Arica) operate in, where issues of data accessibility and availability for ESG integration are pertinent, how is the PRI supporting signatories within this context overcome such challenges? In May 2024 the PRI published a joint statement calling for regulatory adoption of the International Sustainability Standards Board (ISSB) standards across all jurisdictions. This was done in collaboration with the PRI, London Stock Exchange Group (LSEG), the United Nations Sustainable Stock Exchanges Initiative (UN SSE) and the World Business Council for Sustainable Development (WBCSD) and alongside 120 different investors, companies and other organisations.

The PRI spends a lot of time convening signatories to share insights, challenges and solutions around the adoption of ISSB. This is because this harmonisation and global interoperability is so important.

The Glasgow Financial Alliance for Net Zero (GFANZ) have also recently helped with the provision of free data for emerging market signatories' markets.

David Atkin provided some recent reflections from his recent trip to South Africa. It is a sophisticated marketplace and has expertise particularly on social inclusion challenges, and this could be showcased in other markets. South Africa has historically had progressive regulatory sustainability standards. The challenge is moving from a good principles based regulatory environments to a practice-based system. The PRI can support with this transition. There are about 75 signatories in the South African market with another 75 in the rest of the African continent. There is the opportunity to grow this further if the PRI works in a deliberate and active way. The PRI is excited by the opportunities in the global south.

What is the strategy in the US and what are the numbers of US signatories? Around a fifth of signatories are based in the US and they account for just under half the assets under management. Even though it is a large market it operates a slightly differently to some of the other markets. Firstly, it is one of our most mature markets and has been so since the PRI was launched. US signatories have continued to provide critical support and direction to the PRI.

The fund dynamics often depend on the politics and the operating environment, especially at public funds. This was the case well before anti ESG and will continue to be the in the future. At funds where there are more frequent shifts in priorities or they have always operated in a more challenging environment, sometimes it's been a challenge for these investors to commit to responsible investment in the way that we expect of signatories. Currently about 29 out of the top 50 pension funds are in these kinds of environments and elections will have a significant impact. So, growth has stalled until the elections have taken place.

Much of the PRI's recent US growth in terms of numbers of signatories is largely among smaller asset owners. These smaller signatories can have resourcing challenges and that is one of the top reasons for attrition because of the reporting burden. The PRI is looking reduce the barriers by streamlining Reporting and Assessment, it is also hoped that Progression Pathways will be more suited to the diversity of investors. There is increasingly robust engagement in our policy environment and the US policy team has grown to strengthen support and relationships with signatories. The US signatory base is very active and so we launched the North American asset owner community of practice series. Engagement with US signatories facing less political sensitivity such as endowments and foundations continues.

The PRI is focussing on pockets of growth, for example, there has been an increased interest in responsible investment from insurers.

What is the impact of anti-ESG, what do you see behind it and how do you see it evolving? (Question from Conor Kehoe, Chair, whilst awaiting questions from signatories). Anti-ESG has become a growing challenge for signatories, particularly in the US market. This appears to be driven by those who are pushing back against efforts to get companies to think about their carbon footprint, particularly fossil fuel companies who are high carbon emitters. They are pushing back because their business models are being impacted by investors asking how they are delivering long-term value and dealing with issues like climate change.

Those pushing back are funding deliberate political processes and campaigns, they seek to stop investors from being able to work in this space, particularly on a collaborative basis. The PRI is providing support to signatories and as Tamsin Ballard explained in the presentation all PRI collaborative initiatives are built on strong foundations and comply with all relevant laws.

The PRI recognises that the transition of our economy to deal with a decarbonised environment is going to create friction because it's a change process. However, the just transition is critical. The issue of stranded assets and stranded communicates was highlighted – investors need to understand the impact on these.

There is a fiduciary risk for investors if they no longer factor in climate change and other ESG issues into their decision-making processes. Positively this isn't happening as despite small numbers of investors leaving some collaborations, they are continuing to work on sustainability issues.

Noting that as part of the PRI's 20th anniversary plans the PRI will ask investors what responsible investing might mean over the next 10 years, Conor Kehoe, Chair, asked David Atkin, CEO, what he expects to come out of the interviews (this question was asked whilst awiating signatory questions). David Atkin explained that it is important to use the opportunity of the 20th anniversary to not only acknowledge the significant achievements of the signatory base to create the responsible investment momentum that is now mainstream, but also to look forward. There is a need to keep an open mind about the future, however, as noted in the presentation the time horizon and being focussed on the long-term remains a challenge.

Systemic risks are not being dealt with appropriately enough, there is market failure with systemic risk issues that are going to impact the ability to deliver returns over the short, medium and long term. The hurdles or barriers that are preventing progress were highlighted. For example, the lack of global pricing on carbon is an impediment to being able to properly price this into investment decision making processes.

The 20th anniversary interviews are expected to generate common interests and ambitions as well as other ideas and thinking to move the dial on responsible investment and better integrate ESG into mainstream investment decision making. The feedback will form the new vision statement of the PRI for the next 20 years. Signatories were encouraged to send feedback to David Atkin by contacting info@unpri.org.

What are the intentions for service provider signatories (like investment consultants/advisors) in terms of evolving guidance and reporting? Recent updates and focus appears to be very much focused on asset owners and asset managers? Are there any plans to increase the involvement of service providers, such as consultants? If so, what would be the timeline, also concerning foundational reporting and progression pathways? A summary of existing opportunities for service providers was provided. There are opportunities through the net zero initiatives - this includes the Net Zero Financial Service Providers Alliance and also the Net Zero Investment Consultants Initiatives. Both now have target setting frameworks and are open for more members to join.

At PRI in Person 2024 a side event is being organised, focussed on service providers and climate scenario modelling and there is also a dedicated event that the PRI is co convening at COP 29.

More broadly across the PRI service providers are involved in various reference groups. For example, the global policy reference group and activity in some other collaborative engagements such as Climate Action 100+ where they have a clear mandate to engage on behalf of their clients.

Looking into the future and opportunities for further involvement, the PRI is in the process of exploring more opportunities for service providers as part of the new strategy. In term of Reporting both as part of Foundational Reporting and Progression Pathways, the PRI is working on the scope and purpose. This will be discussed at upcoming Board meetings. At this stage, service providers aren't proposed to be in scope for Foundational Reporting in 2026. However, it is hoped that service providers will benefit from investor signatories following their responsible investment objectives and pathways in a clearer way.

As a follow-up question Conor Kehoe asked if there is a need to do more for service providers or the balance is right at this time. It was explained that this is currently being scoped. Opportunities are also dependent on how engaged service providers want to be. Different levers are being considered under the new strategy to identify where service providers can play a valuable role. It was noted there are a wide range of different service providers, from stock exchanges through to the investment consultants, so opportunities are being explored with signatories to identify and develop further. Signatories were encouraged were encouraged to provide any suggestions or ideas for opportunities to: info@unpri.org.

Can you address how you are improving integration of private real estate unique issues, approaches and collaboration into PRI activities and reporting? The PRI is starting to expand activities in private equity, which we recognise as necessary because of the growing number of private equity signatories. It is also hoped to provide the same level of asset class coverage that we have in other asset classes in the months ahead.

On private real estate specifically, the PRI has not yet announced the focus areas of the new private equity guidance areas – so watch out for further details on this.

PROGRESSION AND ACCOUNTABILITY

Whilst noting that the PRI's work on progression pathways is continuing, do you have an indication of when this will be released to signatories and when they will have the opportunity? Subject to Board approval and consultation with signatories it is projected that the pathways will be available for signatories to use in 2025. Foundational reporting will become available to asset owner and investment manager signatories in 2026, and progression reporting would be available within a year to two years after that. There are still some outstanding questions such as what will be included foundational and progression reporting but there will be continuing opportunities for signatories to feedback. Signatories were encouraged to join the progression pathways event at PRI in Person 2024 in Toronto.

The Chair, Conor Kehoe, asked the Executive for further clarity on the design principles noting that more complex questions have additional costs for signatories and asked if the design will be able to take into account the impact on signatories to gather the data and the cost to them. The Executive explained that they have listened and are mindful that signatories experience with reporting has changed over the years. Although many signatories find value in reporting and receiving a rating because they use it in their business activities, some of the questions are costly and require a lot of internal review to provide answers. The new framework will provide the accountability that's required for implementing the Principles, but in a more streamlined and cost-effective way for signatories. Given that many signatories still want to receive feedback and assessment on their activities the PRI is trying to find the right design and approach to serve the signatory base. Especially in this time of additional legal review which can add significant cost.

Conor Kehoe also asked for clarity on the equivalency of reporting requirements. The Executive explained that as part of 2025 Reporting and Assessment all signatories will be asked to provide details on regulatory and substantial voluntary reporting obligations. The purpose is to obtain a picture of total reporting obligations. The PRI will then use this information to inform future PRI reporting, avoid duplication and provide more useful feedback to signatories. The PRI is considering equivalency, as well as jurisdictional differences across markets, and how to provide greater recognition of the reporting that signatures are already do.

On Progression Pathways - how will PRI ensure this will not turn into a labelling method (similar to what essentially happened with Sustainable Finance Disclosure Regulation (SFDR), Article. 6, 8 and 9 established by the European Union)? The origin of Progression Pathways comes from the practices that investors say they have and the intentions they have on responsible investment. This is typically what they think of in terms of their organisational approach and practices. Whereas SFDR, is a product level tool which is different to an organisational level tool.

The European Commission is a market supervisor which through SFDR provides performance benchmarks in environmental terms for financial products. The PRI has a different role and approach. Whilst there is diversity in the signatory base the pathways are designed for investors who have some commitment to responsible investment. Through considering long-term risk adjustment returns and impact and the pathways will encourage, promote and hopefully support all signatories on their own journey.

PRI Principles for Responsible Investment

Is it going to be available for asset owners to report voluntarily on direct investments in PRI Report 2025? It will not be possible for an asset owner to report on direct investments in 2025 Reporting and Assessment in the asset class modules. Asset Class reporting for asset owners was removed in 2023 in response to feedback received. The PRI is actively reviewing this in the context of Foundation and Progression Reporting.

Will PRI give consideration to its reporting window in 2025? The change for 2024 was provided with only a few months of notice for a new deadline that was moved to nearly 2 months earlier than in prior years. For PRI signatories that had both their PRI assessment and Global Real Estate Sustainability Benchmark (GRESB) assessment(s) to complete in 2024, PRI's timing change made things especially difficult. GRESB reporting window spans 2Q of every year (this doesn't change), with their submission deadline July 1st. This affects your signatories who are real estate and infrastructure asset managers as well as investors who may choose to report to GRESB. The 2025 reporting cycle be the same as it was in 2024, with signatories having a 12-week reporting window opening in May 2025. We aim to release the Reporting Framework and associated guidance in the first quarter of the year and to deliver reporting outputs in the fourth quarter and will confirm exact dates in due course to aid signatories with their planning.

The PRI is actively considering signatory feedback in the development on Progression Pathways including varying reporting windows.

POLICY

How do you plan to reconcile a range of views among signatories as you increase policy engagements? Both in the US and outside, especially in emerging markets? As the PRI has grown and the signatory base has become larger and more diverse, these questions become more pertinent. Some reflections were shared: most signatories care about some market fundamentals such as transparency on ESG factors and sustainability risks. It's seen as being part of a well-functioning market and there's common views so limited contradiction. However, there are differences of views at the margin, for example, how standards might be designed and processes, but it was felt these could be resolved.

The bigger questions are generally on which economic policy tools different regions will use to support the transition; whether a market will rely on a lot of regulation; if there will be target setting for private actors; whether they'll be economic stimulus or fiscal / trade measures. These are challenging points, and the PRI does not encourage signatories to form one view but instead works with signatories in their markets. The PRI has implemented this through changing its policy approach, previously there was a central policy team located in London. This changed earlier in 2024 to diversify and spread the policy teams into country-based teams working with signatories in their market and ecosystem to try and build the dialogue with local signatories to understand better their priorities. This allows the PRI to better shape, target and prioritise work in those markets.

In terms of the more challenging question about what role the PRI has where harmonisation is needed for global investors, the PRI will work with signatories and international forums and institutions like the Financial Stability Board, the G20, and the G7. The Organisation for Economic Co-operation and Development (OECD) is working with these groups to try and share views on how to harmonise and reduce the transaction cost for signatories on sustainability related policies.

The PRI will continue discussions with signatories through the Global Policy Reference Group, Regional Policy Reference Group and increasingly local investor policy organisations in markets.

As a follow-up question Conor Kehoe asked about managing the challenge of a policy position in one market being picked up in another. The Executive explained that the PRI has tried to prioritise signatories based in their home market or contributing substantially to a policy view in that market. This is how the PRI works with the regional policy groups. However, given the external challenges the PRI is getting more feedback and undertaking more checking and testing of policy reforms. This can include asking one market about any unintended impacts it could have on other markets.

As a broader point at a time of significant change in financial regulation and policy, these policies don't always work as intended so there is a cost of for signatories. Signatories want to know that new policies and improvements to existing policies will increase efficiency this is why dialogue between jurisdictions is important.

There's been concern on diverging approaches in addressing social and governance issues in different markets and this might create increasing difficulty for PRI to bridge the gap in policy engagement initiatives or in signatories' expectations. How to do plan to tackle this in future work? The PRI starts from the point of principle that signatories are interested in a sustainable system. This means incorporating ESG and sustainability factors into investing and the way financial actors consider risk and opportunity in markets. However, how countries will do that varies as there are different political traditions.

Other types of market regulation, competitive positioning and the transition are going to be competitive. The PRI believes its role is to have good local dialogue and to listen to signatory priorities - this is why the PRI now has local policy teams. The second thing the PRI is uniquely placed to do as a global platform is to bring all of those perspectives together. This exchange brings learning and builds understanding to help form views on what the most efficient and best approaches. This information is then be played back to signatories. One way the PRI is doing this is through its role as the secretariat for the Net Zero Policy Task Force. The taskforce has most of the large financial, economic, global institutions steering the programme and 25 experts from around the world so is geographically diverse. The taskforce is reporting to the United Nations Secretary General on net zero policy. These types of forums enable the PRI to support signatories to understand these policies, identify best practice and make the experience better for the market.

In summary, the PRI looks at the data and sees what's working whilst being aware of the context. This is then used to feedback and have informed policy decisions that are adapted for local circumstances.

Does the PRI board agree that this year's International Accounting Standards Board (IASB) board decision regarding IAS is 37 and company net zero commitments is a positive step towards that to the shared goal of a sustainable global financial system? The PRI supports the IASB decision and believes that this provides important clarification to the market that climate related commitments like net zero commitments can create a constructive obligation to be recognised in financial statements. This should give investors better information to consider in their decision making. The PRI supports the decision and the recent illustrative examples on climate accounting and proposes to engage regulators on how to better enforce these accounting rules, as they relate to climate change.

The IASB decision provides important clarification on how accounting requirements should be better applied to accurately reflect the financial indications of net commitments. However, ultimately it is up to investors to make their own decisions on how to use this information alongside other financial and sustainability reporting.

Does "the joule is mightier than the dollar" resonate with PRI? If so, how, please? We know that climate risk is badly priced by financial markets. We need a more fundamental construct, energy which obeys physics laws in a way that money does not. Noting the ambiguity of the question the Chair interpreted as a question about scenario-based decision making and if investors are thinking hard enough about the confluence of risks faced such as demographics, climate change and migration of people. The Executive responded that the investment community has done a lot of work to bring scenario planning into risk management, for example, on climate driven migration. However, using these long-term models to deal with complex problems can give false certainty as we don't fully understand how these environmental and natural systems will evolve. The question is thoughtful as it encourages us to think more about complex uncertainties in these systems and where our economy and finance system interacts with the natural economy.

Bringing science into decision making is a prudent fiduciary consideration to achieve returns for clients. This is already happening as investors are dealing with environmental targets on nature and climate, and as they grapple with how transition plans might influence capital expenditure judgments and whether companies are going to be well placed on their emissions exposure in the years ahead. So, the joule is an important consideration to incorporate.

INITIATIVES

Initiatives such as the PRI Advance have a waiting list due to limited capacity. Will the be launching more of these initiatives in the future? The PRI welcomes the demand from signatories for more opportunities for engagement on social and other issues. Early in 2024 Spring was launched as a new initiative focussed on nature and there has been a lot of interest from signatories so we hope to add some additional companies and sectors next year. This will be explored with the advisory groups.

When scoping potential new initiatives that the PRI leads or supports we assess what is already in the market to avoid duplication. The PRI is one part of the ecosystem, so signatories are also signposted to other initiatives. Next year there will be potentially more opportunities to participate in Advance.

Is the PRI or its partner organisations planning counter defensive measures against the criticisms of Climate Action 100+ (CA100+) etc from fossil fuel lobby groups? The pushback of these groups is a sign of the initiatives' success. CA100+ is an investor initiative that's seeking to engage companies around decarbonising their business models, so it is seeing a response. This can be challenging particularly for the US market. It is therefore important that the PRI continues to provide the support required. Despite the challenges, growth continues and the number of signatories joining the CA100+ has increased by about 75 in the last 12 months and there are still over 100 US headquartered signatories in the membership.

Initiatives are structured in a way that complies with all relevant laws, including antitrust laws. It is important that the work of CA100+ continues because it is having a positive impact. It plays a valuable role in addressing the systemic risks that that investors are facing. Climate risk is financial risk and the aim of CA100+ is to help investors to navigate and manage that risk using stewardship activity.

In terms of wider PRI support around anti-ESG actions the PRI does this through its policy work and continues to support signatories with their engagement through CA100+ and offers more tailored support if required.

GOVERNANCE

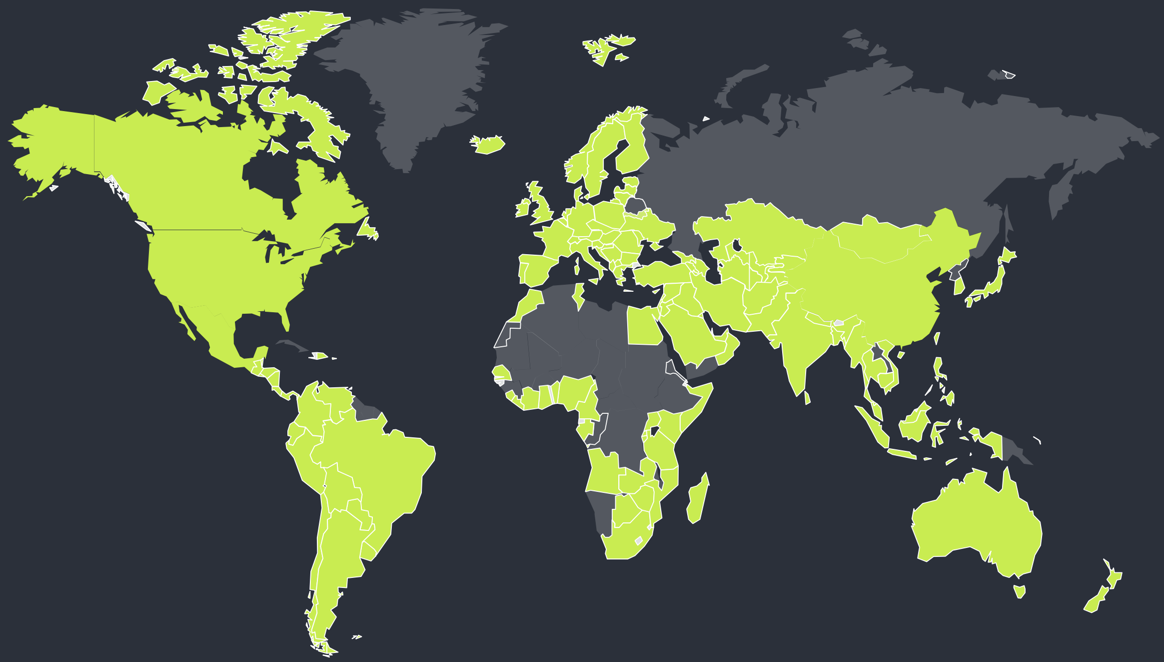
This year, there are elections for new members of the PRI board, specifically for asset owners and investment managers. Could you please clarify when elections for new service providers will be held? The next election for service providers on the PRI board will be in late 2025, with the new term starting in 2026.

There is mention in the Annual Report of the Board receiving regular signatory sentiment reporting coming out of the review in 2023. How is this sentiment gathered and presented to the Board? Outside of formal consultations, how is this sentiment measured? The report is developed from a range of interactions across the whole of the PRI, including direct feedback, meetings, conversations and events and any surveys to signatories which includes strategy consultations and the reporting tool survey. There is also a geographic focus which shows how PRI is being received across markets. This information is aggregated to provide the Board with insights and helps inform decisions around how to better support our signatories.

Signatories were encouraged to provide any further feedback by contacting info@unpri.org or via their PRI contact.

From a governance perspective, I find it strange that non-elected advisors can serve on Board Committees and in the case of UNEP FI, they actually Chair the Policy Committee. These individuals are not accountable to signatories and I am wondering if this will be reviewed as part of the next governance review or next SGM? Conor Kehoe explained that being relatively new to the role (having started in January 2024) he has been looking back at how the PRI was formed. The United Nations led the formation of the PRI and invited a group of the world's largest institutional investors to join the process to develop the PRI. The PRI maintaining this close working relationship with the UN enables the PRI to work closely with the world's finance ministries. This is particularly important at a time when some cash strapped states are wondering if they should have say in asset allocations of pension funds.

The two UN advisors Sanda Ojiambo, UN Global Compact, and Eric Usher, UNEP FI, both make outstanding contributions and add value to the Board. They are, however, conscious that they are not elected and contribute appropriately.



MHA and Baker Tilly International

Working Globally

MHA is the UK member firm of the Baker Tilly International network.

Baker Tilly International ('BTI') is a network of integrated accountancy and business advisory firms. BTI is one of the world's leading networks of Assurance Advisory & Specialised Consulting firms united by a commitment to provide exceptional client service.

Every day, 43,000 people in 140 territories share experiences and expertise to help public interest entities and privately held businesses meet challenges and proactively respond to opportunities. International capability and global consistency of service are central to the way we work. BTI is structured as a global network of independent firms owned and operated locally in countries worldwide.

With experts across a wide range of industry and business sectors, each BTI member firm combines high quality services and in-depth local knowledge.

Our people are more than just Accountants or Advisors. They make it their business to know and understand their clients' long-term ambitions, anticipating and responding to challenges as their clients pursue opportunities.

This model provides a platform that allows members to share knowledge, skills and resources to deliver global services of a consistently high standard to international and local clients, whilst maintaining the personal attention and partner involvement upon which we pride ourselves.

INTERNATIONAL ACCOUNTING · 2023 · NETWORK OF THE YEAR WINNER FORUM & AWARDS 2023

658
offices

$5.3bn
2023 worldwide revenue (US$)

43,000
people

Over
140
territories

Services we provide

We offer a full range of advisory services provided internationally including:

- Corporate finance
- Tax planning
- Audit and accounts
- Business strategy
- Outsourcing
- ESG

Our partners have decades of professional and personal commitment to the sector, and a determination to identify practical, real-world solutions for our clients. Being actively involved in standard-setting means we not only help you understand changes you face, but help you prepare proactively.

Our Service lines:

- Banking & Finance
- Capital Markets
- ESG Advisory
- Tax planning and advisory
- Business Assurance
- Mergers and Acquisitions
- Cloud Accounting
- Company Secretary services and registered office
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- Internal Audit & Risk Assurance
- International Business
- Restructuring & Recovery
- Risk management
- Sustainability Reporting
- Tax compliance and advisory services for UK and International corporate
- Tax compliance services for individuals, trusts and family office
- Wealth Management

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 12, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: VI - D**

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

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

Recommendation

That the Board:

1. Approve Christian McCormick as a replacement to the named Key Persons with LACERS' General Fund Consultant, NEPC, LLC.

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

Discussion

NEPC has served as LACERS' General Fund Consultant, NEPC, LLC (NEPC), since July 1, 2017. The contract between LACERS and NEPC contains a Key Persons provision under Section 2 of the contract. Within this provision, it names three Key Persons: Carolyn Smith, Kevin Novak, and Rose Dean. Further, the contract provides that any replacement of a Key Person shall be conducted according to a specific Key Person replacement process.

Staff informed the Board at the meeting of September 10, 2024, that Carolyn Smith, a Key Person since the inception of the consultant relationship, had announced her retirement and that she would be departing from NEPC at the end of 2024. In order to ensure a seamless departure of Ms. Smith, but to also to maintain uninterrupted consultant advisement and servicing to LACERS, the Board was also informed that staff would seek to find a replacement Key Person pursuant to said contract provision; and staff would conduct a Key Person interview process that would consist of interviewing at least three seasoned NEPC staff consultants. Upon conclusion of the process, staff would return to a future Board meeting with recommendations.

Staff recently completed the interview process of three NEPC staff consultants. Based upon its findings that included a review of consultant experience, academic and professional credentials, and fit with LACERS specific functional needs as well as complementary fit with Kevin Novak and Rose Dean, staff recommends Mr. Christian McCormick as a Key Person to the NEPC contract. Staff will be prepared to discuss with the Board the factors that led to the recommendation of Christian McCormick. Additionally, Mr. McCormick will be present at the Board meeting to introduce himself, present highlights of his qualifications and experience, and answer any questions by the Board.

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/WL/BS:rm

Attachment: 1. Biography of Christian McCormick

Christian McCormick, CFA

Senior Consultant

Christian McCormick, CFA joined NEPC in 2024 and has 25 years of investment industry experience. Christian will focus his consulting responsibilities on public funds working with clients to facilitate asset allocation studies, manager searches, performance measurement and various technical projects.

Prior to joining NEPC, Christian was a Senior Client Portfolio Manager with Voya Investment Management working with institutional and retail clients on artificial intelligence thematic strategies. Prior to this role, Christian was with Allianz Global Investors as the Global Head of all quantitative product specialists and Senior Product Specialist for China equities, working directly with US public funds, US corporates, endowments and foundations, and large sovereign wealth plans. Prior to that he worked at INTECH LLC and was responsible for institutional client relations for approximately 30-40 US based pension funds. Prior to INTECH, Christian had several investment consulting roles in both private market and general investment capacities. He has spoken at numerous institutional investment industry conferences on topics ranging from factor investing, portfolio construction, China A-shares, ESG/Sustainability, and High Frequency trading in addition to appearing on CNBC and Bloomberg television.

Christian received his B.A. in Business Administration and Russian Studies from Principia College. He holds the Chartered Financial Analyst (CFA) designation, the CFA Institute Certificate in ESG Investing, and the CFA Institute Private Markets and Alternative Investments certificate. He also holds the FINRA Series 7 and 63 licenses. He is a member of the CFA Scoiety Colorado and CFA Institute.