LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, JANUARY 25, 2022

TIME: 10:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's January 25, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and or participate:
Dial: (669) 254-5252 or (669) 216-1590
Meeting ID# 160 684 7320

Instructions for call-in participants:

1- Dial in and enter Meeting ID
2- Automatically enter virtual "Waiting Room"
3- Automatically enter Meeting
4- During Public Comment, **press *9** to raise hand
5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: Live Board Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

President:	Cynthia M. Ruiz
Vice President:	Sung Won Sohn
Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano 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

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

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at ***(213) 855-9348*** and/or email at ***ani.ghoukassian@lacers.org***.

Disclaimer to Participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

[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 – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* - **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

II. BOARD PRESIDENT VERBAL REPORT

III. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

IV. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR DECEMBER 2021

B. EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2021

C. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2021

V. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE MEETING VERBAL REPORT FOR THE MEETING ON JANUARY 11, 2022

VI. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. GENERAL FUND CONSULTANT CONTRACT WITH NEPC, LLC AND POSSIBLE BOARD ACTION

C. CONSENT OF ASSIGNMENT OF DDJ CAPITAL MANAGEMENT, LLC CONTRACT AND POSSIBLE BOARD ACTION

D. PRIVATE EQUITY BENCHMARK CHANGE AND POSSIBLE BOARD ACTION

E. REQUEST FOR PROPOSAL FOR TRANSITION MANAGEMENT SERVICES AND POSSIBLE BOARD ACTION

VII. CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(A) TO CONSULT WITH INTERNAL AUDITOR, EXTERNAL AUDITOR GRANT THORNTON, AND LEGAL COUNSEL REGARDING THREAT TO PUBLIC SERVICES OR FACILITIES AND POSSIBLE BOARD ACTION

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, February 8, 2022 at 10:00 a.m. at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

X. ADJOURNMENT

Agenda of: **JAN. 25, 2022**
Item No: **IV-A**

MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF DECEMBER 2021)

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

BOARD MEMBER:

President Cynthia M. Ruiz
Vice President Sung Won Sohn

Commissioner Annie Chao
Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Michael R. Wilkinson

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

REPORT TO BOARD OF ADMINISTRATION **MEETING: JANUARY 25, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: IV - B**

SUBJECT: **EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

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

Recommendation

That the Board receive and file this report.

Executive Summary

A report of Board and staff education and travel expenditures is provided to the Board on a quarterly basis pursuant to the Board Education and Travel Policy. The Department budgeted a total of $122,885 in Fiscal Year (FY) 2021-2022 for travel and educational expenses. There was no travel during the first quarter ended September 30, 2021. However, the Department incurred $1,245, just over 1% of budgeted funds, for virtual training and conferences, as indicated in the table below: Attachment I details the virtual trainings and/or conferences attended by staff and a Board Member during the quarter ended September 30, 2021.

	FY 2021 -22 Adopted Budget	Quarter-Ending 09-30-2021 Actual	FY 2021-22 Year-To-Date Actual	FY 2021-22 Year-To-Date Actual % of Budget
Board	$34,220.00	$595.00	$595.00	1.7%
Staff	$34,815.00	$650.00	$650.00	1.9%
Investment Administration	$53,850.00	$0.00	$0.00	0.0%
Total	**$122,885.00**	**$1,245.00**	**$1,245.00**	**1.01%**

Prepared By: Rahoof “Wally” Oyewole, Departmental Chief Accountant

NG:TB:RO

Attachment: LACERS Board and Staff Virtual Education Expenditure Report for Quarter Ended 9/30/21

BOARD Meeting: 01/25/22
Item IV-B
Attachment 1

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BOARD MEMBERS' VIRTUAL EDUCATION EXPENDITURE REPORT
JULY 1, 2021 TO SEPTEMBER 30, 2021

NAME	VIRTUAL CONFERENCE OR TRAINING COURSE	PMT DATE	REGISTRATION AMOUNT
S SOHN	CNBC/_ DELIVERING ALPHA VIRTUAL CONFERENCE_09/29/21	7/6/2021	$ 595.00
		TOTAL	**$ 595.00**

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STAFF VIRTUAL EDUCATION EXPENDITURE REPORT
JULY 1, 2021 TO SEPTEMBER 30, 2021

NAME	VIRTUAL CONFERENCE OR TRAINING COURSE	PMT DATE	REGISTRATION AMOUNT
W LY	CALAPRS/_VIRTUAL INVESTMENTS ROUND TABLE_09/09/21	07/26/21	$ 50.00
F SNEED	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/25/21	$ 50.00
D WONG-NGUYEN	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/25/21	$ 50.00
U RUIZ	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/27/21	$ 50.00
M CASTANEDA	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/27/21	$ 50.00
L SMITH	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/27/21	$ 50.00
C REMBERT	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/27/21	$ 50.00
S HERNANDEZ	CALAPRS/_BENEFITS VIRTUAL ROUND TABLE TICKET_09/17/21	08/27/21	$ 50.00
R JUNE	CALAPRS/_INVESTMENTS VIRTUAL ROUND TABLE TICKET_09/09/21	08/26/21	$ 50.00
J GELLER	CALAPRS/_VIRTUAL ATTORNEYS ROUND TABLE TICKET_09/17/21	09/07/21	$ 50.00
M BAHAMON	CALAPRS/_VIRTUAL ATTORNEYS ROUND TABLE TICKET_09/17/21	09/07/21	$ 50.00
A FREEDMAN	CALAPRS/_VIRTUAL ATTORNEYS ROUND TABLE TICKET_09/17/21	09/07/21	$ 50.00
S CHEUNG	CALAPRS/_VIRTUAL ATTORNEYS ROUND TABLE TICKET_09/17/21	09/07/21	$ 50.00
		TOTAL	**$ 650.00**

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: JANUARY 25, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: IV - C**

SUBJECT: **ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2021**

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

Recommendation

That the Board receive and file the attached reports.

Executive Summary

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

Designed to supplement the ACFR, a Popular Annual Financial Report (PAFR) presents financial information in a short, condensed and easily understood manner. It communicates selected financial information to a broader audience and those who may need or desire a less detailed overview of LACERS' financial activities. LACERS first published a PAFR in 2019.

Discussion

Annual Comprehensive Financial Report (ACFR)

Financial information of interest, as well as a summary of the year's accomplishments are found in the General Manager's Letter of Transmittal in *Section I-Introduction*. This is followed by *Section II – Financial* which includes financial highlights and analysis in narrative format titled Management's Discussion and Analysis, LACERS' audited financial statements, as well as the External Auditor's opinion. Starting with this fiscal year's financial statements, staff presented 115 Trust and 401(h) Postemployment Healthcare Plan financial account data in separate columns along with the Retirement Plan. This eliminates the need for a separate Trust financial statements to comply with LACERS trust agreement with the City. The LACERS' overall financial statements will be transmitted to the City Council to meet LACERS 115 Trust reporting requirements.

The remaining three sections are: *Section III – Investment* which discusses the investment results and activities; *IV –Actuarial* which includes the condensed actuarial valuations; and *V –Statistical w*hich provides historical information.

The ACFR is prepared in accordance with the requirements of the Government Finance Officers Association (GFOA) and has been submitted for consideration of the GFOA Achievement for Excellence in Financial Reporting Award. The award which LACERS has received annually for the last 22 years, recognizes individual governments that succeed in demonstrating a spirit of transparency and full disclosures in their ACFRs.

Popular Annual Financial Report (PAFR)

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

The web-based version of the document, developed with Member experience in mind, has embedded features to make the report more user friendly. The clickable features provide additional information and/or explain selected financial terms in layman language. Staff believe this interactive version provides the true form of how the document is intended to be viewed by interested LACERS Members and the general public. Staff plans to distribute the PAFR to our Members via email blast and newsletters, as well as posting the link on LACERS' social media accounts

In 2021, LACERS received GFOA's Award for Outstanding in Popular Annual Financial Reporting for its 2019 and 2020 PAFRs. The PAFR award recognizes an individual government based on an evaluation of information presented, reader appeal, understandability, distribution, and PAFR's creativity and usefulness. The 2021 PAFR has also been submitted to the GFOA for PAFR award consideration.

Prepared By: Rahoof "Wally" Oyewole, Departmental Chief Accountant

NG:TB:RO

Attachments: 1. Annual Comprehensive Financial Report for FY Ended June 30, 2021
2. Popular Annual Financial Report for FY Ended June 30, 2021

BOARD Meeting: 01/25/22
Item IV-C
Attachment 1

LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

A Department of the Municipality of the City of Los Angeles, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2021

2021

Los Angeles City Employees' Retirement System
(A Department of the Municipality of the City of Los Angeles, California)

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Issued by
Neil M. Guglielmo
General Manager

PO Box 512218
Los Angeles, CA 90051-0218
www.LACERS.org

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

INVESTMENT SECTION

Table of Contents (Continued)

INVESTMENT SECTION (Continued)

ACTUARIAL SECTION

Table of Contents (Continued)

ACTUARIAL SECTION (Continued)

STATISTICAL SECTION

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Introduction

LETTER OF TRANSMITTAL

December 15, 2021

Dear Members of the Board,

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS, or the System) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021, the System's 84th year of operation. This report is intended to provide a comprehensive review of our financial condition at conclusion of the fiscal year including the System's audited financial statements, investment performance results, and actuarial valuations for retirement and health benefit plans.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Today, approximately 25,200 Active Members and 22,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

Governance

Board of Administration

The LACERS Board of Administration (Board), consists of four Commissioners appointed by the Mayor and three Commissioners elected by the Members, Commissioner Sung Won Sohn was reappointed by the Mayor for a five-year term beginning July 1, 2021. The Board sets general policy and adopts rules and regulations necessary to operate LACERS. Among other duties, the Board directs investment strategy and policy for the System's assets, determines the health insurance carriers and health subsidy levels for retired employees, and approves Members' retirement applications, including applications for disability retirements. During fiscal year 2020-21 the Board continued a comprehensive review and update of the Board's Governance Policies.

Strategic Plan

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

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

Enhancing Service Levels and Operational Efficiency During a Global Pandemic

In response to the COVID-19 pandemic and the grim budget forecast facing the City of Los Angeles in 2020, LACERS marshalled resources to execute on its digital transformation plan well ahead of schedule in order to meet the demands of operating and providing services virtually. Over the fiscal year, LACERS retired the most Members since the City's Early Retirement Incentive Program eleven years prior, moved significant operational elements to the cloud, developed a wholly digital Retirement Application Portal for Members, migrated a majority of staff to remote work, and launched a new virtual customer service center, all while preparing for a move to a new headquarters and Member services building. And while the presence of COVID-19 has presented undeniable challenges, the progress made this past fiscal year has positioned LACERS well for advancement in a variety of areas – from workplace culture to operational excellence.

Retiring More Members in Less Time

In preparation for the anticipated revenue shortfall associated with COVID-19, the City elected to enact a Separation Incentive Program ("SIP") for all employees qualified for retirement. While the SIP did not provide changes in benefits, the City did provide cash payout incentives from the City's General Fund resulting in 1,706 SIP retirements. Another 442 regular retirements were also processed, for a total of 2,148 retirements in fiscal year 2020-21, more than double recent rates of retirement. This in turn created a scenario in which LACERS had to meet its responsibility of retiring a significant number of Members in a finite amount of time. Through the tireless effort of staff and the operational advancements that were put in place in advance of these events, LACERS was able to successfully meet demands.

Enhancing Digital Services

Transitioning from a largely analog operation to a largely digital operation presents a variety of opportunities, but also a variety of challenges. In understanding how digital services could enhance operations, LACERS assessed areas of greatest need and began architecting new experiences that would serve LACERS Members and employees in all new ways, while also providing the groundwork for future planning and execution. From the launch of the Retirement Application Portal, that converted a paper and in-person process to an entirely digital one, to the digital workflow created for contracting processes that brought needed transparency and efficiency, to a host of other operational enhancements, LACERS has leveraged the cloud to improve not only how work is done, but how quickly and accurately work is completed.

Funding Status and Progress

Actuarial assumptions are used in the actuarial valuation process for measuring the liabilities of the plan and the contribution requirements of the plan sponsor. While the City Charter requires that an actuarial experience study be completed every five years, the typical timeframe between experience studies for LACERS has been three years. LACERS' last experience study for the period of July 1, 2016 to June 30, 2019, was completed in 2020 with the Board adopting several assumption changes, including a reduction in the inflation assumption from 3.00% to 2.75% and a corresponding reduction in the investment return assumption from 7.25% to 7.00%. The Board also updated mortality tables to Public Retirements Plan Mortality Tables based on public sector pension plan experience.

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

In the June 30, 2021 actuarial valuation, the combined funded ratio, based on the valuation value of assets, for the Retirement Plan and the Postemployment Health Care Plan increased by 3.0% from a year ago to 74.6%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan increased from 69.4% to 71.6%; and for the Postemployment Health Care Plan, the ratio increased from 85.6% to 94.6%. The overall increase in the funded ratio coincides with a decrease of the Unfunded Actuarial Accrued Liabilities by $588.2 million primarily as a result of the greater than expected investment return, lower than expected salary increases for continuing active members, and lower than expected premium and subsidy levels.

The fair value of LACERS' assets as of June 30, 2021 deviates by $2.721 billion higher than the actuarial value of assets, which is determined by the seven-year asset smoothing policy, as a rate of return of 29.2% on the fair value of assets basis for fiscal year 2020-21 is above the 8.26% rate of return on the actuarial value of assets basis.

Investment Summary

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

The portfolio consists of investments in U.S. and non-U.S. equities and fixed income, private equity, private real estate, public real assets, and short-term investments. The System's total portfolio, including cash and investments at fair value, was valued at $23.3 billion as of June 30, 2021, an increase of $5.1 billion (28.0%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 29.29% over a one-year period. The total fund outperformed its policy benchmark by 1.90% gross of fees return, and outperformed the actuarial assumed rate of investment return.

In fiscal year 2020-21, the Board conducted an asset liability study resulting in the adoption of a new asset allocation policy. The new policy slightly increases the portfolio's exposure to public and private equities and reduces exposure to fixed income. These changes will be implemented over a five-year period via a series of interim policy targets.

The annualized investment returns in detail are presented in the Investment Results on page 76 of the Investment Section. The detail of investment income and loss can be found on pages 25-26 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Financial Reporting

The financial statements included within this report are the responsibility of LACERS' management and have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) as promulgated or adopted by the Governmental Accounting Standards Board (GASB). A system of internal controls is designed, implemented, and maintained by management, as a means to protect System assets, and to assure the integrity of LACERS' financial statements. Management is confident that its system of internal control, with oversight from LACERS Audit Committee, in tandem with internal audit staff, as well as the annual engagement of an independent external auditing firm to render an opinion on LACERS' financial statements, provide the requisite level of due diligence expected from a governmental pension system. This position is supported by our external auditor, Moss Adams, which has audited and expressed an unmodified opinion that LACERS' basic financial statements are free of material misstatement, presented fairly, and in conformity with US GAAP.

Readers of this ACFR are encouraged to review the Management's Discussion and Analysis Section starting on page 15, which provides narrative analysis and highlights of our financial condition and fiscal operations during the reporting period.

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its ACFR for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both US GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2021, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration for the fiscal year ended June 30, 2021. To receive this honor, LACERS was assessed to have met the standards in six key areas: Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments, Member Communications, and Funding Adequacy.

Acknowledgements

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

Respectfully Submitted,

Neil M. Guglielmo

NEIL M. GUGLIELMO
General Manager

Rahoof Oyewole

RAHOOF OYEWOLE
Chief Accountant

Board of Administration
For the Fiscal Year Ended June 30, 2021

Cynthia M. Ruiz
President
Appointed by the Mayor

Sung Won Sohn
Vice President
Appointed by the Mayor

Annie Chao
Member
Elected by Active Members

Elizabeth Lee
Member
Elected by Active Members

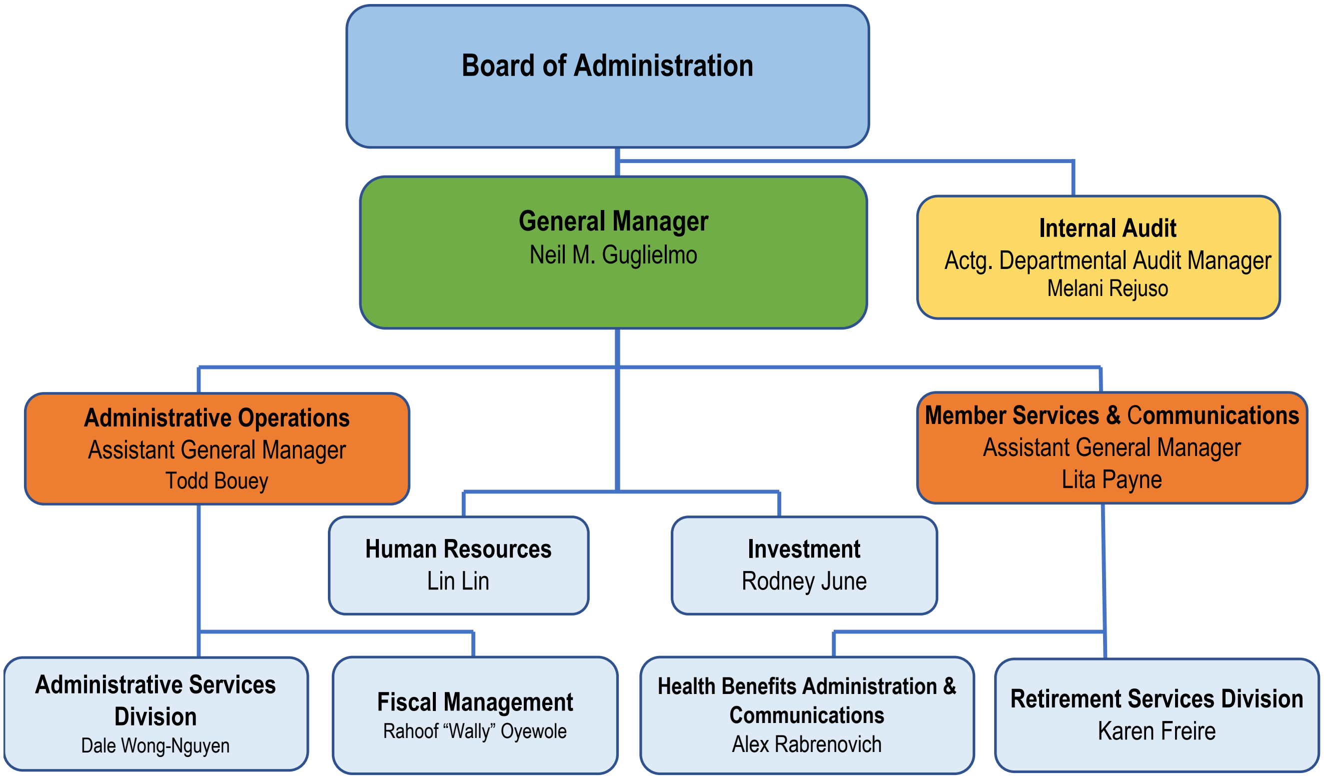
Sandra Lee
Member
Appointed by the Mayor

Nilza R. Serrano
Member
Appointed by the Mayor

Michael R. Wilkinson
Member
Elected by Retired Members

Organization Chart

As of June 30, 2021



Professional Consultants

Actuary

Segal Consulting

Independent Auditor

Moss Adams LLP

Investment Consultants

NEPC, LLC
Townsend Holdings, LLC
Aksia TorreyCove Capital Partners, LLC

Health & Welfare Consultant

Keenan & Associates

Legal/Fiduciary Counsel

Ice Miller, LLP
Morgan, Lewis & Bockius, LLP
Nossaman, LLP
Reed Smith, LLP

Pension Administration System

Levi, Ray & Shoup, Inc.

Software Licensing, Housing & Analytics Services

Box, Inc
Digital Deployment, Inc.

Strategic Planning Consultants

Institutional Shareholder Services, Inc.

Note: Schedules of Fees and Commissions, Schedule of Investment Summary and List of Investment Advisors, Custodian and Other Consultants who provided services to LACERS, can be found in the Investment Section on pages 82, 83 and 84 - 86, respectively.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

AWARDED 22 CONSECUTIVE YEARS SINCE 1999

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2021

Presented to

Los Angeles City Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

AWARDED CONSECUTIVELY SINCE 2013

Financial

Report of Independent Auditors

To the Board of Administration
Los Angeles City Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying total columns of the retirement plan and the postemployment health care plan in the statements of fiduciary net position of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of June 30, 2021, and the related total columns of the retirement plan and the postemployment health care plan in the statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective total columns of the statements of the fiduciary net position of the retirement plan and the postemployment health care plan of the Los Angeles City Employees' Retirement System as of June 30, 2021, and the related total columns of the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of LACERS present the fiduciary net position and changes in fiduciary net position of the Municipality of the City of Los Angeles, California, that are attributable to the transactions of LACERS. The financial statements do not present fairly the financial position of the entire Municipality of the City of Los Angeles, California, as of June 30, 2021 and 2020, the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

We have previously audited LACER's 2020 financial statements, and we expressed unmodified opinions on the respective total columns of the retirement plan and the postemployment health care plan in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that accompanying management's discussion and analysis; the retirement plan's schedule of net pension liability, schedule of changes in net pension liability and related ratios, schedule of contribution history, and schedule of investment returns; and the postemployment health care plan's schedule of net OPEB liability, schedule of changes in net OPEB liability and related ratios, schedule of contribution history, and schedule of investment returns (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LACERS's basic financial statements. The schedule of administrative expenses and schedule of investment fees and expenses (collectively, the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

Moss Adams LLP

Los Angeles, California
December 1, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Annual Comprehensive Financial Report.

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2021 was $22,805,340,000, an increase of $4,942,016,000 or 27.7% over the prior fiscal year.

- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded dental insurance premium, Members' portion of premium reserve, building lease and other income, and net investment income were $6,218,960,000, a 375.4% increase from the prior fiscal year.

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

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

- Net investment income for this fiscal year was $5,288,787,000, representing a 1,347.0% increase compared with an investment income of $365,492,000 for the previous fiscal year.

- The total deductions from the fiduciary net position were $1,276,944,000, a 10.8% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.

- The System's Net Pension Liability (NPL) for the Retirement Plan was $4,363,757,000 as of June 30, 2021. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the fair value of the plan's assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL decreased by $3,231,034,000.

- The System's Net Other Postemployment Benefits (OPEB) Plan Asset for the postemployment health care benefits was $261,574,000 as of June 30, 2021. Net OPEB Asset/Liability is a measure required by GASB Statement No. 74. Net OPEB Asset/Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As compared with the previous fiscal year, the Net OPEB Liability decreased by $896,900,000 and is a Net OPEB Asset as of June 30, 2021.

- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 81.3%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.

- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 107.4%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Management's Discussion and Analysis

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on pages 25-26 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on pages 27-28 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 29 - 53 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan, and the Schedule of Net OPEB (Asset) Liability, Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 55 - 66 of this report.

Supplemental Schedules

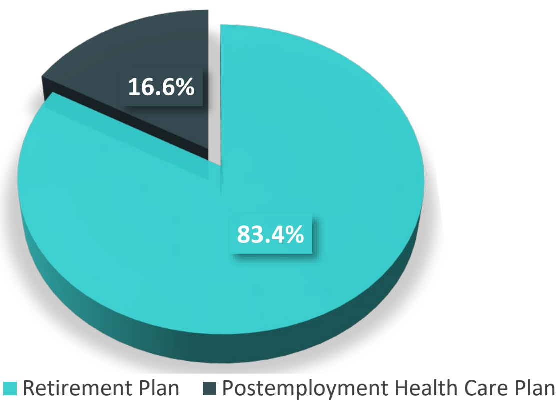
The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 68 and 69 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2021 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 19,023,688	83.4%
Postemployment Health Care Plan	3,781,652	16.6
Fiduciary Net Position	$ 22,805,340	100.0%



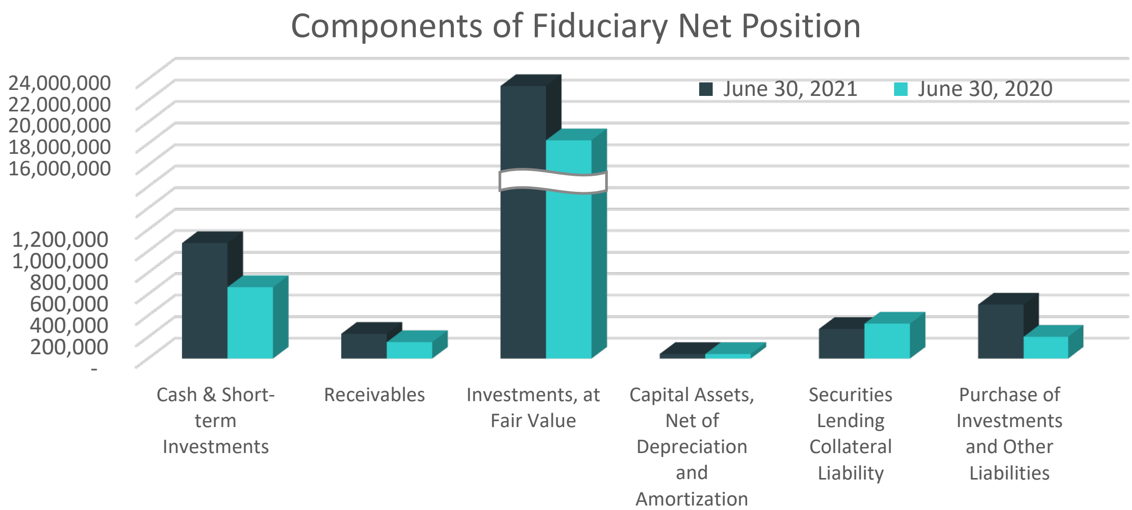
Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2021 and 2020 (dollars in thousands):

	June 30, 2021	June 30, 2020	Change	
Cash and Short-Term Investments	$ 1,075,484	$ 665,048	$ 410,436	61.7 %
Receivables	230,735	153,263	77,472	50.5
Investments, at Fair Value	22,235,243	17,530,909	4,704,334	26.8
Capital Assets, Net of Depreciation and Amortization	42,869	42,359	510	1.2
Total Assets	23,584,331	18,391,579	5,192,752	28.2
Securities Lending Collateral Liability	275,940	325,263	(49,323)	(15.2)
Purchase of Investments and Other Liabilities	503,051	202,992	300,059	147.8
Total Liabilities	778,991	528,255	250,736	47.5
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 22,805,340	$ 17,863,324	$ 4,942,016	27.7 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, real estate, private equity and other asset classes. Fiduciary net position increased by $4,942,016,000, or 27.7%, during this fiscal year.

Net Increase in Fiduciary Net Position

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

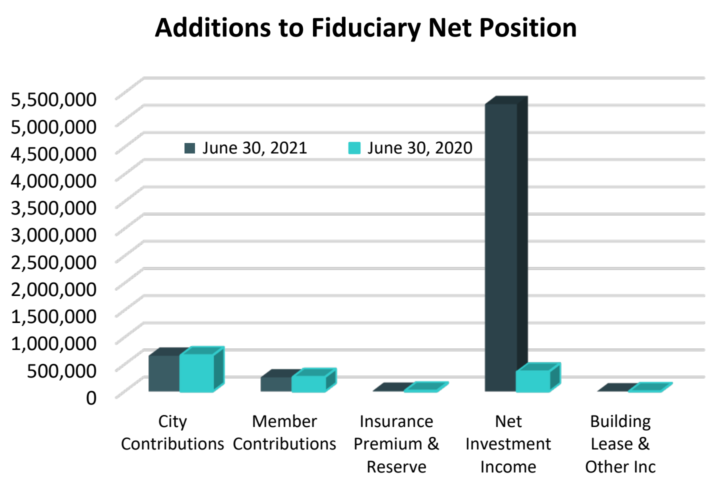
	June 30, 2021	June 30, 2020	Change	
Additions	$ 6,218,960	$ 1,308,079	$ 4,910,881	375.4 %
Deductions	1,276,944	1,152,665	124,279	10.8
Net Increase in Fiduciary Net Position	4,942,016	155,414	4,786,602	3,079.9
Fiduciary Net Position				
Beginning of Year	17,863,324	17,707,910	155,414	0.9
End of Year	$ 22,805,340	$ 17,863,324	$ 4,942,016	27.7 %

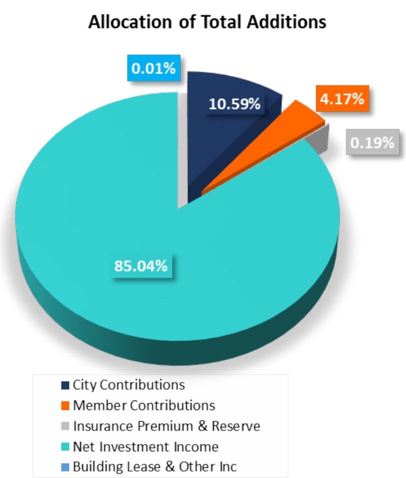
Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands):

	June 30, 2021	June 30, 2020	Change
City Contributions	$ 658,408	$ 665,358	(1.0) %
Member Contributions	259,285	263,936	(1.8)
Health Insurance Premium and Reserve	11,843	12,501	(5.3)
Net Investment Income	5,288,787	365,492	1,347.0
Building Lease & Other Income	637	792	(19.6)
Additions to Fiduciary Net Position	$ 6,218,960	$ 1,308,079	375.4 %





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

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $658,408,000 during the fiscal year. The total contributions decreased by $6,950,000 or 1.0% lower than the prior fiscal year, mainly was due to the lower contribution rate, notwithstanding, a slightly higher payroll base (approximately 0.25% increase in payroll) for the reporting year. The total City contributions include a $34,089,000 true-up credit adjustment, a reduction from the City's advanced contribution payment, to reconcile the difference of the City's contributions based on projected payroll against actual payroll. This true-up amount, which included accrued interest at 7.25%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 28.91% (24.37% for the Retirement Plan and 4.54% for the Postemployment Health Care Plan), which is 0.39% lower than the prior fiscal year at 29.30%. Actual contribution of $554,856,000 to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. $103,454,000 of actual contribution to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

Financial Analysis (Continued)

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

In fiscal year 2020-21, Member contributions were $259,285,000, which was $4,651,000 or 1.8% lower than the prior fiscal year. The decrease in Member contributions was due primarily to the decrease in the number of Members (and corresponding salaries) as a result of the Separation Incentive Programs (SIP) implemented by the City and the Los Angeles World Airports (LAWA). During the fiscal year, 1,372 City employees as well as 334 LAWA employees retired under their respective SIP program. It also should be noted that Member contributions in fiscal year 2019-20 was higher than expected due to higher payroll base as a resulted of retroactive salary payouts during that year.

LACERS Postemployment Health Care 115 Trust fund recognized revenue of $10,924,000 representing monthly dental insurance premium under the Delta Dental PPO self-funded plan and $919,000 of Member's portion from health insurance premium reserve.

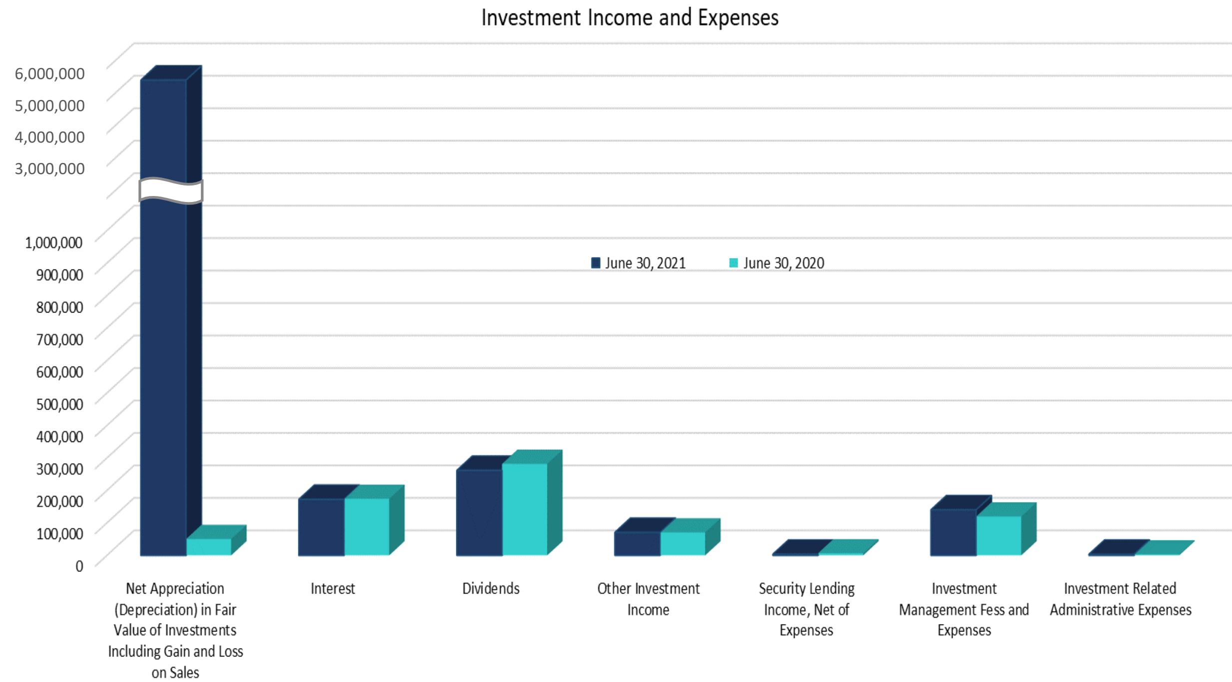
The net investment income was $5,288,787,000, which included $5,013,637,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands)

	June 30, 2021	June 30, 2020	Change
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	$ 5,013,637	$ 50,201	9,887.1 %
Interest	122,453	124,053	(1.3)
Dividends	201,809	221,790	(9.0)
Other Investment Income	50,802	50,668	0.3
Securities Lending Income, Net of Expense	3,566	6,310	(43.5)
Sub-Total	5,392,267	453,022	1,090.3
Less: Investment Management Fees and Expenses	(100,225)	(84,571)	18.5
Investment Related Administrative Expenses	(3,255)	(2,959)	10.0
Net Investment Income	$ 5,288,787	$ 365,492	1,347.0 %

Investment Income (Continued)



The net investment income for the current fiscal year was $5,288,787,000, as compared with the income of $365,492,000 for the previous fiscal year. This increase was due primarily to a higher net appreciation in the fair value of investments of $5,013,637,000, compared with the previous fiscal year's amount of $50,201,000. The substantial increase in the fair value of investments is largely attributed to a strong recovery in public equity markets following the initial shock caused by the COVID-19 pandemic in the previous fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 44.2% compared with 6.5% for the previous year. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned 35.7% compared with -4.8% for the previous year. Fixed income markets, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, experienced a drop in performance during the current fiscal year, returning -0.3% compared with 8.7% for the previous year.

Interest income derived from fixed income securities decreased by 1.3%, or $1,600,000. The average coupon rate of LACERS' fixed income portfolio decreased as yields continued to remain low, largely due to the Federal Reserve's action to maintain the fed funds rate near zero during the COVID-19 pandemic. Dividend income derived from public equities decreased by 9.0%, or $19,981,000, due to a routine LACERS portfolio rebalancing that shifted assets away from the domestic equity asset class and into the credit opportunities and public real assets asset classes. Additionally, some public companies held within the portfolio cut or suspended dividends until the health of the economy improved from the distress caused by the pandemic.

Other investment income, primarily derived from private equity and private real estate partnership investments, slightly increased by 0.3%, or $134,000 as private equity activity increased alongside the strong public equity markets during the fiscal year.

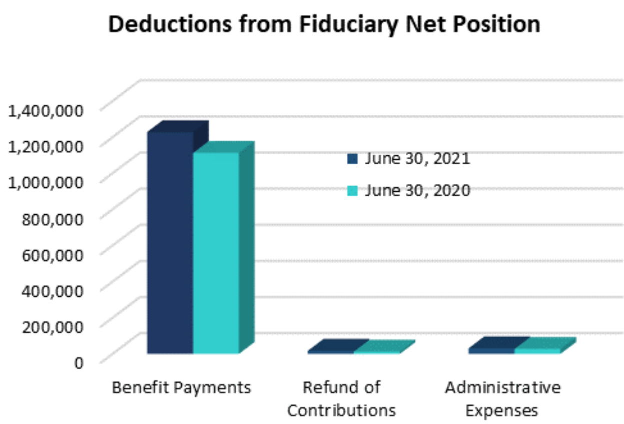
LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short-term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, securities lending income (net of expense) decreased by 43.5%, or $2,744,000 from a year ago. As a risk reduction measure, LACERS implemented stricter collateral guidelines at the onset of the pandemic. These guidelines limit cash collateral investments to higher quality, lower yielding securities and have led to a decrease in overall lending volume and income. Total investment management fees, expenses, and investment related administrative expenses increased by 18.2%, or $15,950,000, from the prior year. This increase corresponded with the significant increase in the fair value of LACERS' investments over the fiscal year.

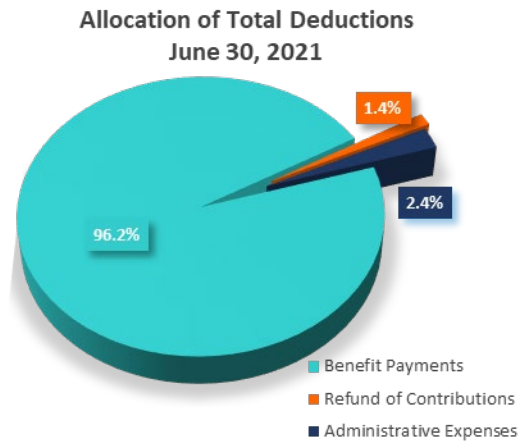
Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands):

	June 30, 2021	June 30, 2020	Change
Benefit Payments	$ 1,228,276	$ 1,112,911	10.4%
Refunds of Contributions	17,584	12,332	42.6
Administrative Expenses	31,084	27,422	13.4
Deductions from Fiduciary Net Position	$ 1,276,944	$ 1,152,665	10.8%





LACERS' deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $124,279,000 or 10.8% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by $115,365,000 or 10.4%. The benefit payments for the Retirement Plan increased by $94,134,000 or 9.7% mainly due to the annual cost of living adjustments (COLA) (approximately 3.0% increase on average); larger than normal increase in the number of retirees due to SIP as well as increased in beneficiaries; and the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits increased by $21,231,000 or 15.2%. This increase was mainly due to the increased in healthcare cost due to the significant increased in number of retirees and their dependents eligible for medical subsidy, mainly due to SIP; increased reimbursement of Medicare Part B premium; and increased in dental benefit claims paid for the Self-Funded Plan.

The Refunds of Member contributions increased by $5,252,000 or 42.6% from the prior fiscal year's $12,332,000, due primarily to the increase in death refunds as well as survivor contributions refunds to eligible Members upon retirement that included members who retired under SIP during the fiscal year.

Financial Analysis (Continued)

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

LACERS’ administrative expenses increased by $3,662,000 or 13.4% from the prior fiscal year. The increase was mainly due to additional costs incurred by the System related to processing the City and LAWA’s separation incentive programs during the fiscal year, which included increased personnel cost from hiring additional part-time employees and temporary staff loaned from other City departments; increased in the related employee health and retirement costs as well as additional expenses incurred to provide workspace, office equipment, technology and supplies to staff.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2021, with Comparative Totals
(In Thousands)

	Retirement Plan			Postemployment Health Care Plan		
	Pension	FDBP & LA	Total	401(h)	115 Trust	Total
Assets						
Cash and Short-Term Investments	$ 892,166	$ 4,978	$ 897,144	$ 163,787	$ 14,553	$ 178,340
Receivables						
Accrued Investment Income	58,677	327	59,004	10,772	957	11,729
Proceeds from Sales of Investments	125,179	698	125,877	22,981	2,042	25,023
Other	7,550	42	7,592	330	1,180	1,510
Total Receivables	191,406	1,067	192,473	34,083	4,179	38,262
Investments, at Fair Value						
US Government Obligations	1,788,350	9,978	1,798,328	328,312	29,171	357,483
Municipal Bonds	10,017	56	10,073	1,839	163	2,002
Domestic Corporate Bonds	851,921	4,753	856,674	156,399	13,896	170,295
International Bonds	966,585	5,393	971,978	177,450	15,767	193,217
Other Fixed Income	916,234	5,112	921,346	168,206	14,945	183,151
Bank Loans	72,619	405	73,024	13,332	1,185	14,517
Opportunistic Debts	210,781	1,176	211,957	38,696	3,438	42,134
Domestic Stocks	5,041,976	28,131	5,070,107	925,626	82,243	1,007,869
International Stocks	4,499,162	25,103	4,524,265	825,974	73,388	899,362
Mortgages	374,573	2,090	376,663	68,766	6,110	74,876
Government Agencies	749	4	753	137	12	149
Derivative Instruments	2,440	14	2,454	448	40	488
Real Estate	746,309	4,164	750,473	137,010	12,173	149,183
Private Equity	2,734,592	15,258	2,749,850	502,027	44,605	546,632
Security Lending Collateral	228,906	1,277	230,183	42,023	3,734	45,757
Total Investments	18,445,214	102,914	18,548,128	3,386,245	300,870	3,687,115
Capital Assets						
Land	3,337	19	3,356	613	54	667
Building	25,501	142	25,643	4,682	416	5,098
Furniture, Computer Hardware & Software (Net of Depreciation and Amortization)	6,723	38	6,761	1,234	110	1,344
Total Capital Assets	35,561	199	35,760	6,529	580	7,109
Total Assets	**19,564,347**	**109,158**	**19,673,505**	**3,590,644**	**320,182**	**3,910,826**
Liabilities						
Accounts Payable and Accrued Expenses	(47,850)	(267)	(48,117)	(3,925)	(5,640)	(9,565)
Accrued Investment Expense	(11,419)	(64)	(11,483)	(2,096)	(186)	(2,282)
Purchases of Investments	(358,036)	(1,998)	(360,034)	(65,730)	(5,840)	(71,570)
Security Lending Collateral	(228,906)	(1,277)	(230,183)	(42,023)	(3,734)	(45,757)
Total Liabilities	**(646,211)**	**(3,606)**	**(649,817)**	**(113,774)**	**(15,400)**	**(129,174)**
Fiduciary Net Position Restricted For Pension Benefits and Postemployment Health Care Benefits	**$ 18,918,136**	**$ 105,552**	**$ 19,023,688**	**$3,476,870**	**$ 304,782**	**$ 3,781,652**

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

Statement of Fiduciary Net Position (Continued)
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2021, with Comparative Totals
(In Thousands)

	TOTAL FUND	
	2021	**2020**
Assets		
Cash and Short-Term Investments	$ 1,075,484	$ 665,048
Receivables		
Accrued Investment Income	70,733	60,958
Proceeds from Sales of Investments	150,900	73,532
Other	9,102	18,773
Total Receivables	230,735	153,263
Investments, at Fair Value		
US Government Obligations	2,155,811	1,598,246
Municipal Bonds	12,075	-
Domestic Corporate Bonds	1,026,969	1,082,238
International Bonds	1,165,195	651,920
Other Fixed Income	1,104,497	522,272
Bank Loans	87,541	4,206
Opportunistic Debts	254,091	223,375
Domestic Stocks	6,077,976	4,552,817
International Stocks	5,423,627	4,974,516
Mortgages	451,539	564,851
Government Agencies	902	37,568
Derivative Instruments	2,942	2,124
Real Estate	899,656	748,934
Private Equity	3,296,482	2,242,579
Security Lending Collateral	275,940	325,263
Total Investments	22,235,243	17,530,909
Capital Assets		
Land	4,023	4,023
Building	30,741	30,052
Furniture, Computer Hardware & Software (Net of Depreciation and Amortization)	8,105	8,284
Total Capital Assets	42,869	42,359
Total Assets	**23,584,331**	**18,391,579**
Liabilities		
Accounts Payable and Accrued Expenses	(57,682)	(65,278)
Accrued Investment Expense	(13,765)	(12,118)
Purchases of Investments	(431,604)	(125,596)
Security Lending Collateral	(275,940)	(325,263)
Total Liabilities	**(778,991)**	**(528,255)**
Fiduciary Net Position Restricted For Pension Benefits and Postemployment Health Care Benefits	**$ 22,805,340**	**$ 17,863,324**

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

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2021, with Comparative Totals
(In Thousands)

	Retirement Plan			Postemployment Health Care Plan		
	Pension	FDB & LA	Total	401(h)	115 Trust	Total
Additions						
Contributions						
City Contributions	$ 554,856	$ 98	$ 554,954	$ -	$ 103,454	$ 103,454
Member Contributions	252,123	7,162	259,285	-		-
Total Contributions	806,979	7,260	814,239	-	103,454	103,454
Self Funded Insurance Premium	-	-	-	-	10,924	10,924
Health Insurance Premium Reserve	-	-	-	-	919	919
Investment Income						
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	4,056,489	23,529	4,080,018	859,763	73,856	933,619
Interest	99,380	935	100,315	20,387	1,751	22,138
Dividends	163,783	1,542	165,325	33,598	2,886	36,484
Other Investment Income	41,230	388	41,618	8,458	726	9,184
Security Lending Income	3,404	32	3,436	698	60	758
Less: Security Lending Expense	(508)	(3)	(511)	(108)	(9)	(117)
Sub-total	4,363,778	26,423	4,390,201	922,796	79,270	1,002,066
Less: Investment Management Fees and Expenses	(81,092)	(470)	(81,562)	(17,187)	(1,476)	(18,663)
Investment Related Administrative Expenses	(2,634)	(15)	(2,649)	(558)	(48)	(606)
Net Investment Income	4,280,052	25,938	4,305,990	905,051	77,746	982,797
Building Lease and Other Income	516	3	519	109	9	118
Total Additions	**5,087,547**	**33,201**	**5,120,748**	**905,160**	**193,052**	**1,098,212**
Deductions						
Benefit Payments	(1,061,599)	(5,732)	(1,067,331)	(152,713)	(8,232)	(160,945)
Refunds of Contributions	(16,092)	(1,492)	(17,584)	-	-	-
Administrative Expenses	(24,124)	(140)	(24,264)	(5,581)	(1,239)	(6,820)
Total Deductions	**(1,101,815)**	**(7,364)**	**(1,109,179)**	**(158,294)**	**(9,471)**	**(167,765)**
Net Increase in Fiduciary Net Position	3,985,732	25,837	4,011,569	746,866	183,581	930,447
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits						
Beginning of year	14,932,404	79,715	15,012,119	2,730,004	121,201	2,851,205
End of year	**$ 18,918,136**	**$ 105,552**	**$ 19,023,688**	**$ 3,476,870**	**$ 304,782**	**$ 3,781,652**

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

Statement of Changes in Fiduciary Net Position (Continued)
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2021, with Comparative Totals
(In Thousands)

	TOTAL FUND	
	2021	**2020**
Additions		
Contributions		
City Contributions	$ 658,408	$ 665,358
Member Contributions	259,285	263,936
Total Contributions	917,693	929,294
Self Funded Insurance Premium	10,924	10,364
Health Insurance Premium Reserve	919	2,137
Investment Income		
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	5,013,637	50,201
Interest	122,453	124,053
Dividends	201,809	221,790
Other Investment Income	50,802	50,668
Security Lending Income	4,194	7,421
Less: Security Lending Expense	(628)	(1,111)
Sub-total	5,392,267	453,022
Less: Investment Management Fees and Expenses	(100,225)	(84,571)
Investment Related Administrative Expenses	(3,255)	(2,959)
Net Investment Income	5,288,787	365,492
Building Lease and Other Income	637	792
Total Additions	**6,218,960**	**1,308,079**
Deductions		
Benefit Payments	(1,228,276)	(1,112,911)
Refunds of Contributions	(17,584)	(12,332)
Administrative Expenses	(31,084)	(27,422)
Total Deductions	**(1,276,944)**	**(1,152,665)**
Net Increase in Fiduciary Net Position	4,942,016	155,414
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits		
Beginning of year	17,863,324	17,707,910
End of year	**$ 22,805,340**	**$ 17,863,324**

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

1. Description of LACERS and Significant Accounting Policies

General Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 34 - 44 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting and Presentation

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

Investments

Investment policies

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

As of June 30, 2021, the Board's target asset allocation policy was as follows:

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

Fair Value of Investments

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

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

Investments (Continued)

Fair Value of Investments (Continued)

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

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

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

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

Concentrations

The investment portfolio as of June 30, 2021, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the fiscal year ended June 30, 2021, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 28.46%. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. It expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI).

Receivables

As of June 30, 2021, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

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

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

On October 9, 2019, LACERS Board approved the purchase of a commercial office building and underground parking structure located at 977 N. Broadway in Los Angeles, California to serve as LACERS future headquarters building. The purchase was settled at $33,750,000 on October 23, 2019. The purchase price was allocated to Land valued at $4,023,000 and Building valued at $29,727,000, based on the assessment performed on the fair value of acquired assets. Acquisition costs of $236,000 was also capitalized as part of the building cost.

In addition, as of June 30, 2021, LACERS has capitalized $778,000 of subsequent building improvements, of which $689,000 were incurred during the fiscal year. Major capital improvements are still in progress to prepare the building for occupancy. The project has been impacted by the ongoing supply-chain delays for construction materials and supplies. Once the building is put into use, the System will begin to record depreciation expense of the headquarter.

Administrative Expenses

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

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

Reserves

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

Reserves for the Retirement Plan

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

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

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

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

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

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

Reserves for the Postemployment Health Care Plan

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

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

Reserve balances as of June 30, 2021, were as follows (in thousands):

Reserve for the Retirement Plan	
Member Contributions:	
-Mandatory	$ 2,489,218
-Voluntary	8,187
Basic Pensions	15,597,767
Annuity	831,151
Larger Annuity	76,715
FDBP	20,650
	$ 19,023,688
Reserve for the Postemployment Health Care Plan	
401(h) Account	$ 3,476,870
115 Trust Account	304,782
	3,781,652
Total	**$ 22,805,340**

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

Estimates

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

Comparative Totals

The basic financial statements include certain prior year summarized comparative data in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with LACERS' financial statements for the year ended June 30, 2020, from which the summarized data were derived.

Risk and Uncertainty That May Impact Financial Operations and Performance

In March 2020, the World Health Organization declared Coronavirus COVID-19 a global pandemic. The Coronavirus outbreak caused tremendous human and economic hardship both globally and throughout the United States. The measures taken to protect public health had an adverse impact, disrupted economic activity and created a surge in job losses resulting in significant market losses. While the global economic activity and financial markets have largely rebounded from their March 2020 losses, it is unclear how the current global supply-chain disruptions and a surge in inflation would impact future market performance.

Additionally, the total pension liabilities, net pension liabilities, total OPEB and Net OPEB (asset) liability disclosed in Notes 2 and 3 to the Basic Financial Statements are measured based on certain assumptions, including the long-term rate of return on investments, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions described in this section, it is at least reasonably possible that changes in these estimates and assumptions in the near term may have material impact on the financial statements.

LACERS Board and management continue to closely monitor the financial market. LACERS' investment strategy is to maintain a well-diversified portfolio to mitigate the risk of market uncertainty.

Adoption of New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, & Implementation Guide No. 2019-2, *Fiduciary Activities*. Statement 84 established criteria for identifying fiduciary activities for financial reporting. The requirements of this Statement became effective for financial statements with the fiscal year that ended June 30, 2021. The statement has no material impact on LACERS' financial statements.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement became effective for financial statements the fiscal year that ended June 30, 2021. The Statement has no material impact on LACERS' financial statements.

Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*. This Implementation Guide provides guidance that clarifies, explains, or elaborates on other GASB statements. The requirements of this Implementation Guide became effective starting with financial statements with fiscal year ending June 30, 2021. LACERS implemented this guide with no material impact.

Recent GASB Pronouncements for Future Adoption

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

1. Statement No. 87, *Leases*. requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement takes effect starting with fiscal year ending June 30, 2022.

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

Recent GASB Pronouncements for Future Adoption (Continued)

2. Implementation Guide No. 2019-3, *Leases*. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year ending June 30, 2022.
3. Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement will take effect starting with fiscal year ending June 30, 2021.
4. Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement takes effect for financial statements starting with the fiscal year ending June 30, 2022.
5. Statement No. 92, *Omnibus 2020*. The requirements of this Statement takes effect for financial statements starting with fiscal year ending June 30, 2022.
6. Statement No. 93, *Replacement of Interbank Offered Rates*. The requirement in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for financial statements starting with the fiscal year ending June 30, 2022.
7. Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will take starting with the fiscal year ending June 30, 2023.
8. Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will take effect starting with the fiscal year that ends June 30, 2023.
9. Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

2. Retirement Plan Description

Plan Administration and Membership

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

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

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

As of June 30, 2021, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	16,684
Non-vested	8,492
	25,176
Inactive:	
Non-vested	7,124
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,523
Retired	22,012
Total	56,835

Eligibility Requirement and Benefits Provided

Tier 1

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

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

Tier 1 – Enhanced Benefits

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code (LAAC) authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan with enhanced benefits. All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon a mandatory additional contribution payment of $5,700 required by LAAC Section 4.1002(e)(2) to LACERS before January 8, 2019, or prior to the Member's retirement date, whichever is earlier. Among 503 APO Members who elected to remain Members of LACERS on January 7, 2018, 469 APO Members, inclusive of 43 APO Members who retired with the enhanced benefits, paid their mandatory additional contribution.

2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

Tier 3

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

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

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

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

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

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

There were no Tier 3 Members who retired during this reporting period.

Cost of Living Adjustment

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

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2021, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 24.63% of projected payroll, based on the June 30, 2019 actuarial valuation.

2. Retirement Plan Description (Continued)

Employer Contributions (Continued)

Upon closing the fiscal year 2020-21, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2020. As a result, employer contributions received for the Retirement Plan were $29,989,000 more than required, and this amount was credited towards employer contributions for fiscal year 2021-22. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 24.37% for fiscal year 2020-21.

Member Contributions

Tier 1 and Tier 1 Enhanced

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

Tier 3

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

2. Retirement Plan Description (Continued)

Net Pension Liability

As of June 30, 2021, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 23,281,893
Less Plan Fiduciary Net Position	(18,918,136)
Plan's Net Pension Liability	$ 4,363,757
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	81.3%

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2021, are summarized below:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Cost Method (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service, including inflation assumption at 2.75% and the real across-the-board salary increase assumption of 0.50%.
Annual COLAs	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Percent Married / Domestic Partner	76% of male participants and 52% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and June 30, 2020.

The projection of cash flows used to determine the discount rate assumed Plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries, as well as projected contributions from future Plan Members, are not included.

Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2021 and June 30, 2020.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2021. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.54%
U.S. Small Cap Equity	3.99	6.25
Developed Int'l Large Cap Equity	17.01	6.61
Developed Int'l Small Cap Equity	2.97	6.90
Emerging Int'l Large Cap Equity	5.67	8.74
Emerging Int'l Small Cap Equity	1.35	10.63
Core Bonds	13.75	1.19
High Yield Bonds	2.00	3.14
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.55
Emerging Market Debt (Local)	2.25	4.75
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust (REIT)	1.00	5.98
Treasury Inflation Protected Securities (TIPS)	4.00	0.86
Commodities	1.00	3.33
Non-Core Real Assets	2.80	5.76
Private Equity	14.00	8.97
Cash	1.00	0.03
Total	**100.00%**	**5.50%**

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

The following presents the net pension liability of LACERS as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$7,470,721	$4,363,757	$1,793,938

3. Postemployment Health Care Plan Description

Plan Administration and Membership

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

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

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

Effective January 1, 2019, LACERS fully-insured Delta Dental PPO Plan was replaced with LACERS self-funded Delta Dental PPO Plan. Although Delta continues to administer the plan for a fee, LACERS sets and collects premiums from enrolled Members and pays billed claims to Delta. With this arrangement, LACERS bears financial risk if claims cost exceed collected premiums. This change does not affect the maximum dental subsidy amount to the eligible retired Members.

As of June 30, 2021, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses (1)	17,500
Vested terminated Members entitled to, but not yet receiving benefits (2)	1,554
Retired Members and surviving spouses not yet eligible for health benefits	141
Active Members	25,176
Total	44,371

(1) Total participants including married dependents and dependent children currently receiving benefits are 23,579.

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

Eligibility Requirement and Benefits Provided

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

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

3. Postemployment Health Care Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2021, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2021, was 4.49% of projected payroll, based on the June 30, 2019 actuarial valuation.

Upon closing the fiscal year 2020-21, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2020. As a result, employer contributions for Postemployment Health Care Plan were $4,101,000 more than required, and this amount was credited towards employer contribution for fiscal year 2021-22. While the total actual payroll was lower than projected, actual payroll for Tier 3 Members was higher than projected. Because the employer contribution rate for Postemployment Health Care Plan for Tier 3 Members was higher than the rate for Tier 1 Members, the overall effective rate of employer contribution for Postemployment Health Care Plan, based on actual payroll, was 4.54%, a slightly higher rate than 4.49% originally projected.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability

As of June 30, 2021, the components of the net OPEB (asset) liability were as follows (in thousands):

Total OPEB Liability	$ 3,520,078
Less: Plan Fiduciary Net Position	(3,781,652)
Plan's Net OPEB (Asset) Liability	$ (261,574)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	107.4%

Significant Assumptions

The total OPEB liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2021. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2021, are summarized below:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.25% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Salary Increase	Range from 4.25% to 9.95% based on years of service, including inflation assumption at 2.75%.
Mortality Table for Retirees	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Headcount-Weighted Above Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

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

Medical Premium Trend Rates to be applied to fiscal year 2021-2022 and later years are:

First Fiscal Year (July 1, 2021 through June 30, 2022)		
Carrier	**Under Age 65**	**Age 65 & Over**
Kaiser HMO	6.52%	3.25%
Anthem Blue Cross HMO	3.72%	N/A
Anthem Blue Cross PPO	6.06%	-3.60%
UHC Medicare HMO	N/A	3.99%

Approximate Trend Rate (%) Fiscal Year 2021 - 2022 and later		
Fiscal Year	**Non-Medicare**	**Medicare**
2022 - 2023	7.37%	6.37%
2023 - 2024	7.12%	6.12%
2024 - 2025	6.87%	5.87%
2025 - 2026	6.62%	5.62%
2026 - 2027	6.37%	5.37%
2027 - 2028	6.12%	5.12%
2028 - 2029	5.87%	4.87%
2029 - 2030	5.62%	4.62%
2030 - 2031	5.37%	4.50%
2031 - 2032	5.12%	4.50%
2032 - 2033	4.87%	4.50%
2033 - 2034	4.62%	4.50%
2034 – 2035 and later	4.50%	4.50%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend is 4.50% for all years.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021 and June 30, 2020.

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions that are intended to fund benefits only for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries, as well as projected contributions from future Plan Members, are not included.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2021 and June 30, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuation as of June 30, 2021. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.54%
U.S. Small Cap Equity	3.99	6.25
Developed Int'l Large Cap Equity	17.01	6.61
Developed Int'l Small Cap Equity	2.97	6.90
Emerging Int'l Large Cap Equity	5.67	8.74
Emerging Int'l Small Cap Equity	1.35	10.63
Core Bonds	13.75	1.19
High Yield Bonds	2.00	3.14
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.55
Emerging Market Debt (Local)	2.25	4.75
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust (REIT)	1.00	5.98
Treasury Inflation Protected Securities (TIPS)	4.00	0.86
Commodities	1.00	3.33
Non-Core Real Assets	2.80	5.76
Private Equity	14.00	8.97
Cash	1.00	0.03
Total	**100.00%**	**5.50%**

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LACERS net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 231,310	$ (261,574)	$ (665,963)

3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

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

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2021, calculated using the healthcare cost trend rates as well as what LACERS net OPEB (asset) liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rates (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates[1]	1% Increase
($ 704,100)	($ 261,574)	$ 289,705

[1] Current healthcare cost trend rates: 7.37% graded down to 4.50% over 12 years for Non-Medicare medical plan costs, and 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs. 4.00% for all years for Dental and 4.50% for all years for Medicare Part B subsidy cost.

4. Contributions Required and Contributions Made

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as ach layer of the UAAL is systematically amortized over a "fixed" period.

The total contributions to LACERS for the fiscal year ended June 30, 2021, in the amount of $917,693,000 ($814,239,000 for the Retirement Plan and $103,454,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Initial Contributions [1]	$ 584,845	$ 107,555
True-up Adjustments [2]	(29,989)	(4,101)
Required Contributions	$ 554,856	$ 103,454
FDBP	98	-
Total City Contributions	554,954	103,454
Member Contributions	259,285	-
Total Contributions	**$ 814,239**	**$ 103,454**

(1) The initial City contributions made on July 15, 2020, were based on applying actuarially-determined contributions rates to projected payroll for the fiscal year.

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

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $554,856,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $103,454,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $259,285,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan and Family Death Benefit Plan.

5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 55 - 60 for the Retirement Plan and pages 61 - 66 for the Postemployment Health Care Plan.

6. Cash and Short-Term Investments and Investments

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

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2021, for the Retirement Plan and Postemployment Health Care Plan included approximately $3,377,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $1,072,107,000 for a total of $1,075,484,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2021, short-term investments included collective STIF of $655,393,000, international STIF of $297,145,000, and future contracts initial margin and collaterals of $119,569,000.

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, rights and warrants and swaps, are recorded in the Statement of Fiduciary Net Position with a net value of $2,941,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income. LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2021, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ -	$ -	$ (2,076)
Equity Index	24,081	(87)	(160)
Foreign Exchange	-	-	(1)
Interest Rate	(43,446)	(337)	(508)
Currency Forward Contracts	776,583	3,144	3,732
Currency Options	N/A	(138)	(138)
Right / Warrants	N/A	69	(169)
Swaps–Interest Rate	N/A	(750)	(901)
Swaps–Credit Contracts	N/A	1,040	1,040
Total Value		$2,941	$ 819

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

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2021, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 38,524	2.03 %
AA+	4,110	0.22
AA	17,632	0.93
AA-	35,223	1.86
A+	42,684	2.25
A	53,793	2.83
A-	142,120	7.49
BBB+	259,209	13.66
BBB	234,991	12.38
BBB-	207,076	10.91
BB+	90,443	4.77
BB	105,939	5.58
BB-	152,923	8.06
B+	99,192	5.23
B	126,539	6.67
B-	129,091	6.80
CCC+	104,785	5.52
CCC	42,831	2.26
CCC-	5,726	0.30
C	142	0.01
D	4,567	0.24
	$ 1,897,540	100.00%
U.S. Government Guaranteed Securities[1]	4,361,080	
Total Fixed Income Securities	**$ 6,258,620**	

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

Credit Risk – Derivatives

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

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

As of June 30, 2021, without respect to netting arrangements, LACERS maximum income on derivative instruments subject to credit risk, namely currency forward contracts, is $9,154,000. All counterparties of these investment derivatives had the credit rating of "A" or "AA" assigned by S&P.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2021, LACERS has exposure to such risk in the amount of $43,998,000 or 0.6% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 18 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

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

Custodial Credit Risk (Continued)

Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2021, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Concentration of Credit Risk

The investment portfolio as of June 30, 2021, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2021 is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 36,468	1.27
Bank Loans	87,540	1.64
Commercial Mortgage-Backed Securities	87,767	4.14
Corporate Bonds	1,369,706	6.21
Government Agencies	71,808	7.98
Government Bonds	1,716,255	7.44
Government Mortgage-Backed Securities	363,772	3.69
Index Linked Government Bonds	1,146,089	4.99
Municipal/Provincial Bonds	13,591	6.75
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	7,034	3.97
Opportunistic Debts	254,092	0.30
Other Fixed Income (Funds)	1,104,498	6.59
Derivative Instruments	(337)	9.04
Total Fixed Income Securities	**$ 6,258,283**	

Highly-Sensitive Investments

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

Investment Type	Fair Value
Asset-Backed Securities	$ 36,468
Commercial Mortgage-Backed Securities	87,767
Government Agencies	71,808
Government Mortgage-Backed Securities	363,772
Non-Government Backed C.M.O.s	7,034
Total Asset-Backed Investments	**$ 566,849**

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 26% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

LACERS non-U.S. currency investment holdings as of June 30, 2021, which represent 26.5% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Australian dollar	(3,814)	161,205	-	255	-	157,646
Brazilian real	35,435	58,329	16,393	(37)	(331)	109,789
British pound sterling	2,411	627,461	-	(15)	-	629,857
Canadian dollar	(3,339)	328,784	-	115	-	325,560
Chilean peso	1,553	2,114	6,206	184	66	10,123
Chinese yuan renminbi	26,404	58,002	29,675	(174)	(251)	113,656
Colombian peso	8,975	603	15,325	318	335	25,556
Czech koruna	9,855	555	14,979	179	(12)	25,556
Danish krone	61	84,969	-	-	-	85,030
Egyptian pound	3,801	7,938	-	-	-	11,739
Euro	(70,721)	1,287,384	93,545	1,996	205,533	1,517,737
Hong Kong dollar	1,570	372,317	-	(7)	-	373,880
Hungarian forint	4,719	4,399	12,236	188	18	21,560
Indian rupee	18,402	180,011	-	85	-	198,498
Indonesian rupiah	10,517	12,746	47,127	93	-	70,483
Israeli new shekel	70	27,778	-	6	-	27,854
Japanese yen	1,375	795,719	-	(19)	-	797,075
Kazakhstan tenge	976	-	-	-	-	976
Malaysian ringgit	5,685	7,109	13,905	-	-	26,699
Mexican peso	28,643	58,625	26,547	(547)	(562)	112,706
New Romanian Leu	11,398	-	5,653	-	-	17,051
New Taiwan dollar	(1,006)	208,462	-	42	-	207,498
New Zealand dollar	(3,795)	6,762	-	98	-	3,065
Norwegian krone	27	30,327	-	-	-	30,354
Peruvian nuevo sol	863	-	6,225	(96)	-	6,992
Philippine peso	2,096	3,308	-	31	-	5,435
Polish zloty	34,386	5,285	15,054	30	6	54,761
Qatari riyal	2	2,601	-	-	-	2,603
Russian ruble	10,648	-	31,952	16	-	42,616
Singapore dollar	1,030	55,784	-	25	-	56,839
South African rand	(19,505)	31,303	48,789	1,242	61	61,890
South Korean won	6,473	186,957	-	(64)	(103)	193,263
Swedish krona	31	155,238	-	-	-	155,269
Swiss franc	148	321,745	-	-	-	321,893
Thai baht	29,143	27,445	17,422	218	25	74,253
Turkish lira	3,526	2,203	4,219	2	-	9,950
United Arab Emirates dirham	2	2,668	-	-	-	2,670
Total Investments Held in Foreign Currency	**$ 158,045**	**$ 5,116,136**	**$ 405,252**	**$ 4,164**	**$ 204,785**	**$ 5,888,382**

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

Fair Value Measurements

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

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

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

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

The System's remaining investments not categorized under the fair value hierarchy, such as private equity partnerships, real estate comingled funds and other investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV). NAV is calculated and used as a practical expedient to estimate fair value of LACERS' interest, unless it is probable that all or a portion of the investments will be sold for an amount different from the NAV. As of June 30, 2021, LACERS had no specific plans to sell investments at amounts different from NAV. These investments are disclosed in the Investments Measured at the NAV on page 51.

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

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2021 (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
Government Bonds	$ 2,862,345	$ -	$ 2,860,263	$ 2,082
Government Agencies	71,808	-	50,690	21,118
Municipal/Provincial Bonds	13,591	-	13,591	-
Corporate Bonds	1,413,207	-	1,403,381	9,826
Bank Loans	87,540	-	85,718	1,822
Government Mortgage Bonds	363,772	-	360,763	3,009
Commercial Mortgage Bonds	87,767	-	87,767	-
Opportunistic Debts	15,064	-	-	15,064
Funds – Fixed Income ETF	2,223	2,223	-	-
Total Debt Securities	4,917,317	2,223	4,862,173	52,921
Equity Securities:				
Common Stock:				
Basic Industries	1,407,765	1,399,521	7,692	552
Capital Goods Industries	584,053	584,049	-	4
Consumer & Services	2,820,024	2,818,374	82	1,568
Energy	639,132	639,130	-	2
Financial Services	1,549,959	1,549,641	4	314
Health Care	1,072,356	1,072,125	-	231
Information Technology	1,868,729	1,867,506	-	1,223
Real Estate	730,739	730,711	-	28
Other Funds - Common Stock	747,223	-	747,223	-
Miscellaneous	19,191	13,753	5,438	-
Total Common Stock	11,439,171	10,674,810	760,439	3,922
Preferred Stock	49,641	46,784	2,857	-
Stapled Securities	11,169	11,169	-	-
Unit Trust Equity	1,623	1,623	-	-
Total Equity Securities	11,501,604	10,734,386	763,296	3,922
Real Estate Funds	197,794	-	-	197,794
Total Investments by Fair Value Level	$ 16,616,715	$ 10,736,609	$ 5,625,469	$ 254,667
Investments Measured at the NAV:				
Common Fund Assets	$ 1,102,275			
Private Equity Funds	3,296,482			
Real Estate Funds	701,862			
Opportunistic Debts	239,028			
Total Investments Measured at the NAV	5,339,647			
Total Investments Measured at Fair Value(1)	$ 21,956,362			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ (424)	$ (424)	$ -	$ -
Foreign Exchange Contracts (liabilities)	3,144	-	3,144	-
Rights/Warrants/Options/Swaps	221	354	(138)	5
Total Investment Derivative Instruments	$ 2,941	$ (70)	$ 3,006	$ 5

(1) Excluded $2,941,000 of investment derivative instruments (shown separately) and $275,940,000 of securities lending collateral.

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

Fair Value Measurements (Continued)

Investments Measured at the NAV:
(in thousands)

		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets (1)	$	1,102,275	$	-	Daily	2 days
Private Equity Funds (2)		3,296,482		1,467,846	N/A	N/A
Real Estate Funds (3)		701,862		130,304	Daily, Quarterly	1-90 days
Opportunistic Debts (4)		239,028		-	Monthly	30 days
Total Investments Measured at the NAV	$	5,339,647	$	1,598,150		

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

(2) Private equity funds - This investment type includes 243 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 24 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 85.8% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. One of the open-end funds informed LACERS of an additional restriction above the original investment agreement beginning in January 2020. The fund expects this additional restriction to persist through the end of 2021. LACERS has no intention to redeem any of this investment or the other nine investments in the near future. Fifteen investments, representing approximately 14.2% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 94% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 6% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. It is expected that this fund will be liquidated fully over the next two years

7. Securities Lending Agreement

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

Minimum collateralization is 102% of the fair value of the borrowed U.S. securities and 107% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high-quality short-term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

As of June 30, 2021, the fair value of the securities on loan was $1,166,409,000. The fair value of associated collateral was $1,235,009,000 ($275,940,000 of cash collateral and $959,069,000 of non-cash collateral).

These agreements provide for the return of the securities and revenue determined by the type of collateral received.

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

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

For loaned securities for which LACERS received cash collateral, the following table represents the fair value of securities on loan, corresponding cash collateral received and cash reinvestment value, as of June 30, 2021 (in thousands):

Securities on Loan	Fair Value of Underlying Securities on Loan	Cash Collateral Received	Collateral Reinvestment Value
U.S. Government & Agency Securities	$ 56,118	$ 57,430	$ 57,430
Domestic Corporate Fixed Income Securities	104,584	107,323	107,323
International Fixed Income Securities	9,289	10,000	10,000
Domestic Stocks	89,333	91,858	91,858
International Stocks	8,690	9,329	9,329
Total	$ 268,014	$ 275,940	$ 275,940

7. Securities Lending Agreement (Continued)

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

On April 28, 2020, the Board adopted several temporary Security Lending Program risk-reducing strategies to minimize potential losses due to unusual and more volatile market conditions as a result of COVID pandemic. These strategies include (1) temporarily reducing the volume of loans in order to reduce LACERS overall exposure; (2) shorten the duration and maturity of individual investments to 60 days; and (3) require a non-U.S. country to hold a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) in order for non-U.S. government or corporate debt to be eligible for investment. These strategies remained in place through the fiscal year ended June 30, 2021. As a result of these stricter guidelines which limited cash collateral investments to higher quality, low yielding securities, the overall lending volume and income decreased in comparison to prior years.

During fiscal year ended June 30, 2021, LACERS income and expenses related to securities lending were $4,194,000 and $628,000, respectively, a decrease of 43.5%, or $2,743,000 from prior fiscal year's net security lending income (income net of expenses).

8. Future and Forward Contracts

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

As of June 30, 2021, LACERS had outstanding commodities, equity index, and interest rate future contracts with a negative aggregate notional amount of $19,365,000. In addition, at June 30, 2021, LACERS had outstanding forward purchase commitments with a notional amount of $776,583,000 and offsetting forward sales commitments with notional amounts of $776,583,000, which expire in September 2021. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $119,569,000 as of June 30, 2021.

9. Operating Lease

The System leases building facilities under a non-cancelable operating lease that expires in March 2023, at which time a three-year renewal option is available.

The future minimum lease commitments are as follows as of June 30, 2021:

Fiscal Year 2022	$ 1,043,000
Fiscal Year 2023	813,000
	$ 1,856,000

10. Commitments and Contingencies

As of June 30, 2021, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,745,117,000, including agreements for acquisition not yet initiated.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan

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

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

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

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

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Plan's Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2013	14,881,663	10,154,486	4,727,177	68.2%
2014	16,248,853	11,791,079	4,457,774	72.6%
2015	16,909,996	11,920,570	4,989,426	70.5%
2016	17,424,996	11,809,329	5,615,667	67.8%
2017	18,458,188	13,180,516	5,277,672	71.4%
2018	19,944,578	14,235,230	5,709,348	71.4%
2019	20,793,421	14,815,593	5,977,828	71.3%
2020	22,527,195	14,932,404	7,594,791	66.3%
2021	23,281,893	18,918,136	4,363,757	81.3%

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

Note to Schedule:

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

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

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost [(2)]	$ 451,426	$ 374,967	$ 370,409	$ 352,283	$ 340,759
Interest	1,570,785	1,499,208	1,439,661	1,332,878	1,302,278
Changes of benefit terms	-	-	-	25,173	-
Differences of expected and actual experience	(189,822)	308,184	(46,035)	144,224	(146,474)
Changes of assumptions	-	530,720	-	483,717	340,718
Benefit payments, including refunds of Member contributions	(1,077,691)	(979,305)	(915,192)	(851,885)	(804,089)
Net change in total pension liability	754,698	1,733,774	848,843	1,486,390	1,033,192
Total pension liability-beginning	22,527,195	20,793,421	19,944,578	18,458,188	17,424,996
Total pension liability-ending (a)	$ 23,281,893	$ 22,527,195	$ 20,793,421	$ 19,944,578	$ 18,458,188
Plan fiduciary net position					
Contributions-employer	$ 554,856	$ 553,118	$ 478,717	$ 450,195	$ 453,356
Contributions-Member	252,123	259,817	237,087	230,757	221,829
Net investment income[(4)]	4,283,202	306,712	799,351	1,243,817	1,517,545
Benefit payments, including refunds of Member contributions	(1,077,691)	(979,305)	(915,192)	(851,885)	(804,089)
Administrative expenses	(26,758)	(23,531)	(19,600)	(17,699)	(17,454)
Others [(3)]	-	-	-	(471)	-
Net change in Plan fiduciary net position	3,985,732	116,811	580,363	1,054,714	1,371,187
Plan fiduciary net position-beginning	14,932,404	14,815,593	14,235,230	13,180,516	11,809,329
Plan fiduciary net position-ending (b)	$ 18,918,136	$ 14,932,404	$ 14,815,593	$ 14,235,230	$ 13,180,516
Plan's net pension liability-ending (a)-(b)	**$ 4,363,757**	**$ 7,594,791**	**$ 5,977,828**	**$ 5,709,348**	**$ 5,277,672**
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	81.3%	66.3%	71.3%	71.4%	71.4%
Covered payroll	$ 2,276,768	$ 2,271,039	$ 2,108,171	$ 2,057,565	$ 1,973,049
Plan's net pension liability as a percentage of covered payroll	191.7%	334.4%	283.6%	277.5%	267.5%

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

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

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

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

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

	2016	2015	2014	2013
Total Pension Liability				
Service cost [2]	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-
Differences of expected and actual experience	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position				
Contributions-employer	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	206,377	202,463	203,975	197,722
Net investment income[4]	29,358	306,980	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(770,318)	(740,567)	(721,153)	(701,400)
Administrative expenses	(17,204)	(15,860)	(12,372)	(13,281)
Others [3]	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	**$ 5,615,667**	**$ 4,989,426**	**$ 4,457,774**	**$ 4,727,177**
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	67.8%	70.5%	72.6%	68.2%
Covered payroll	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered payroll	299.2%	271.8%	247.3%	272.3%

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on pages 34). Enhanced benefits became effective as of January 7, 2018.

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

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

The June 30, 2020 calculations reflected changes in the actuarial assumptions based on the actuarial experience study covering the period from July 1, 2016 to June 30, 2019 and adopted by the Board on June 23, 2020. The changes included lowered assumed investment rate of return from 7.25% to 7.00% along with an Inflation Rate reduction from 3.00% to 2.75%, changes in various demographic assumptions such as adjustments on retirement, termination, disability and mortality rates.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC[1]	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 308,540	$ 308,540	$ -	$ 1,715,197	18.0%
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8
2015	381,141	381,141	-	1,835,637	20.8
2016	440,546	440,546	-	1,876,946	23.5
2017	453,356	453,356	-	1,973,049	23.0
2018	450,195	450,195	-	2,057,565	21.9
2019	478,717	478,717	-	2,108,171	22.7
2020	553,118	553,118	-	2,271,039	24.4
2021	554,856	554,856	-	2,276,768	24.4

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method (individual basis).
Amortization Method	Level Percent of Payroll.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the 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	2.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases[(1)]	Ranges from 4.25% to 9.95% based on years of service.
Cost of Living Adjustment[(2)]	Tier 1: 2.75% Tier 3: 2.00%
Mortality	Healthy: Pub-2010 General Health Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019. Beneficiaries: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

(1) Includes inflation at 2.75% as of June 30, 2021, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with sufficient COLA bank, withdrawals from the bank can be made to increase retiree COLA up to 3% per year.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

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

Note to Schedule:

The rate of investment returns for the fiscal years 2020, 2015 and 2016 were much lower compared to other fiscal years. It reflected the impact of divergent and volatile global markets on LACERS investment portfolio over these reporting periods. For fiscal year 2020, investment return was impacted by the recent spread of COVID-19 which adversely impacted global commercial activity and volatility in the global financial markets The substantial increase of investment return in fiscal year 2021, is primarily attributed to a strong recovery of the global financial market following the initial shock caused by the COVID-19 pandemic in the previous fiscal year.

Required Supplementary Information
Postemployment Health Care Plan

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

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

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

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

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

Note to Schedule:

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

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

	2021	2020	2019
Total OPEB Liability			
Service cost[1]	$ 84,817	$ 76,423	$ 74,478
Interest	244,776	242,666	236,678
Changes of benefit terms	-	-	-
Differences between expected and actual experience[2]	10,672	(135,720)	(134,053)
Changes of assumptions	(157,614)	96,076	33,940
Benefit payments[3]	(149,103)	(127,214)	(133,571)
Net change in total OPEB liability	33,548	152,231	77,472
Total OPEB liability-beginning	3,486,530	3,334,299	3,256,827
Total OPEB liability-ending (a)	$ 3,520,078	$ 3,486,530	$ 3,334,299
Plan fiduciary net position			
Contributions-employer	$ 103,454	$ 112,136	$ 107,927
Net investment income (loss)[4]	983,522	60,899	166,470
Benefit payments[3]	(149,103)	(127,214)	(133,571)
Administrative expense	(7,425)	(6,715)	(5,099)
Net change in Plan fiduciary net position	930,448	39,106	135,727
Plan fiduciary net position-beginning	2,851,204	2,812,098	2,676,371
Plan fiduciary net position-ending (b)	$ 3,781,652	$ 2,851,204	$ 2,812,098
Plan's net OPEB (asset) liability-ending (a)-(b)	**$ (261,574)**	**$ 635,326**	**$ 522,201**
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	107.4%	81.8%	84.3%
Covered payroll	$ 2,276,768	$ 2,271,039	$ 2,108,171
Plan's net OPEB (asset) liability as a percentage of covered payroll	-11.5%	28.0%	24.8%

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 39 - 40) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 34) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

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

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 115,209	$ 115,209	$ -	$ 1,715,197	6.7%
2013	72,916	72,916	-	1,736,113	4.2
2014	97,841	97,841	-	1,802,931	5.4
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9
2019	107,927	107,927	-	2,108,171	5.1
2020	112,136	112,136	-	2,271,039	4.9
2021	103,454	103,454	-	2,276,768	4.5

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method — Entry Age Actuarial Cost Method (level percent of payroll).

Amortization Method — Level Percent of Payroll.

Amortization Period — Multiple layers – closed amortization period.
The unfunded actuarial accrued liability as of June 30, 2020 is amortized over a fixed period of 21 years beginning June 30, 2021. Actuarial gains/losses are amortized over 15 years. Non-health related assumptions or method changes are amortized over 20 years. Health related assumptions or method changes are amortized over 15 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method — Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a fair value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Assumptions:

Investment Rate of Return — 7.00%

Inflation — 2.75%

Real Across-the-Board Salary Increase — 0.50%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[(1)]	Ranges from 4.25% to 9.95% based on years of service.
Mortality	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019
	Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
	Beneficiaries: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

(1) Includes inflation at 2.75% as of June 30, 2021, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	39.9%	2.1%	6.1%	10.8%	15.2%

Note to Schedule:

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

For fiscal year 2020, investment return was impacted by the recent spread of COVID-19 which adversely impacted global commercial activity and volatility in the global financial markets The substantial increase of investment return in fiscal year 2021, is primarily attributed to a strong recovery of the global financial market following the initial shock caused by the COVID-19 pandemic in the previous fiscal year.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2021
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 13,568	$ 3,105	$ 16,673
Employee Benefits and Development	5,397	1,235	6,632
Total Personnel Services	18,965	4,340	23,305
Professional Services:			
Actuarial	216	49	265
Audit	80	18	98
Legal Counsel	666	152	818
Disability Evaluation	110	25	135
Retirees' Health Admin Consulting	-	508	508
Benefit Payroll Processing	192	44	236
Self Funded Plan Administrative Fee	-	759	759
Other Consulting	39	9	48
Total Professional Services	1,303	1,564	2,867
Information Technology:			
Computer Hardware & Software	867	199	1,066
Computer Maintenance & Support	163	37	200
Total Information Technology	1,030	236	1,266
Leases:			
Office Space	982	225	1,207
Office Equipment	27	6	33
Total Leases	1,009	231	1,240
Other Expenses:			
Fiduciary Insurance	27	6	33
Educational and Due Diligence Travel	-	-	-
Office Expenses	593	136	729
Depreciation	599	138	737
Building Operating Exp	738	169	907
Total Other Expenses	1,957	449	2,406
Total Administrative Expenses	$ 24,264	$ 6,820	$ 31,084

Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2021
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 5,220,518	$ 6,029
Equity Managers	9,597,105	22,993
Subtotal	14,817,623	29,022
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	610
Real Estate Consulting Fees	N/A	175
Other Consulting Fees	N/A	341
Investment Related Administrative Expenses	N/A	2,449
Subtotal	N/A	3,575
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	1,037,767	1,380
Equity Managers	1,907,775	5,260
Subtotal	2,945,542	6,640
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	140
Real Estate Consulting Fees	N/A	40
Other Consulting Fees	N/A	78
Investment Related Administrative Expenses	N/A	805
Subtotal	N/A	1,063
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 17,763,165	$ 40,300
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 2,749,849	$ 39,629
Postemployment Health Care Plan	546,633	9,068
Total Private Equity Managers' Fees and Expenses	$ 3,296,482	$ 48,697
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 750,472	$ 11,786
Postemployment Health Care Plan	149,184	2,697
Total Real Estate Managers' Fees and Expenses	$ 899,656	$ 14,483
Total Assets Under Management and Fees and Expenses	$ 21,959,303 (1)	$ 103,480 (2)

(1) Excludes Security Lending Collateral assets of $275,940,000.

(2) Includes Investment Management Fees and Expenses of $100,225,000 and Investment-Related Administrative Expenses of $3,255,000.

Investment

LACERS
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RETIREMENT SYSTEM

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Report on Investment Activity

December 3, 2021

Dear Members of the Board:

Presented below is a summary report of the System's investment activities for the fiscal year 2020-2021.

Market Overview

The 2021 fiscal year was a highly favorable period for the LACERS investment portfolio, with the global economy and financial markets rebounding sharply from the economic distress caused by the COVID-19 pandemic. For the one-year period ending June 30, 2021, the LACERS investment portfolio returned 29.29% (gross of fees), representing the strongest returns for the portfolio in more than 30 years.

Unprecedented government stimulus programs and rapid medical advancements to address the COVID-19 pandemic propelled a rally in risk assets, reflecting an optimistic view by the financial markets that the economy would quickly recover from the job losses and business closures of the prior year. These views proved to be largely correct, with most economic indicators signaling briskly improving trends.

In the United States, the unemployment rate fell from 11.1% to 5.9% during the fiscal year, with job openings reaching a record high of more than 10 million. U.S. Gross Domestic Product (GDP), which is considered a comprehensive measure of economic activity, rebounded to a seasonally adjusted annual rate of $22.7 trillion at June 30, 2021 exceeding the high water mark set before the pandemic by $1 trillion. Buoyed by positive news and improving conditions, consumer confidence returned, and consumer spending rose above pre-pandemic levels.

The U.S. equity market rally that began in March 2020 continued through the 2021 fiscal year, with the S&P 500 Index increasing by 40.79% to new record highs. In the bond markets, high yield credit spreads fell sharply and were approaching all-time lows, indicating a lower risk of default and losses to investors. Commercial real estate prices recovered for many property types, driven by a combination of falling capitalization rates and rising net operating income; however, the challenging environment for real estate categories such as retail malls persisted.

Global economic conditions also generally improved, but the pace of recovery varied greatly by country depending on the successes of policy support and vaccine rollouts. Combined GDP for the European Union's 27 countries recovered to near pre-pandemic levels, although unemployment remained elevated at 7.1%. China's GDP hit a new record high with a combination of surging exports and domestic retail sales helping to drive sustained growth. India reported second quarter 2021 GDP growth of 20.1%, despite a devastating second wave of COVID-19 infections and numerous local lockdowns. While these results support a positive view of the global economy, risks remain elevated, and a potential resurgence of the pandemic is an ongoing threat.

Global equity markets also rallied, and the MSCI ACWI ex-U.S. Index, which includes more than 2,300 companies from 22 developed markets and 27 emerging markets, increased by 35.72% during the fiscal year. While some investors raised concerns of potential inflation resulting from global stimulus programs, government bond yields remained subdued, with benchmark bonds such as the 10-year Japanese government bond yielding 0.055% and the 10-year German government bond yielding -0.21% as of June 30, 2021.

The strong investment returns and global economic recovery of the 2021 fiscal year are remarkable, and there are reasons to believe positive trends may continue. However, it is also important to acknowledge the many risks facing the global economy, and to be prepared for increasing market volatility in the future. LACERS is a long-term investor with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

Investment Performance

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

LACERS investments are reported at fair value. The total portfolio, comprised of investments, cash, and accrued dividends and income, was valued at $22.52 billion as of June 30, 2021, an increase of $4.87 billion from the prior fiscal year. The total portfolio realized a 29.29% (gross of fees) return for the fiscal year. Individual asset class returns (gross of fees) were: U.S. equity, 44.42%; non-U.S. equity, 41.56%; core fixed income, 1.02%; credit opportunities, 11.92%; private equity, 55.20%; and real assets, 11.69%.

The total portfolio outperformed its policy benchmark by 190 basis points (gross of fees) for the fiscal year, mainly attributed to the relative outperformance of every asset class, with the exception of credit opportunities, which underperformed its benchmark by 64 basis points.

The Investment Results table presented on page 75 provides a summary of time-weighted rates of return based on fair value of assets by asset class and for the total portfolio.

Policies, Procedures and Guidelines

In fiscal year 2020-2021, the Board, with the assistance of staff and the General Fund Consultant, conducted an asset-liability study, resulting in the adoption of a new asset allocation policy on May 11, 2021. The new policy slightly increases the portfolio's exposure to public and private equities and reduces exposure to fixed income. These changes will better position the portfolio to achieve LACERS long term investment goals in light of the current and expected market environment and will be implemented over a five-year period via a series of interim policy targets. The new asset allocation policy targets are presented in the pie chart on page 79.

The Board also approved amendments across various sections of the Investment Policy. The Private Equity Investment Policy was amended to clarify the investment guidelines, risk diversification, and roles and responsibilities associated with implementing co-investments and secondary transactions. The Real Estate Investment Policy was amended to refine the definitions of core and opportunistic investments. The Manager Monitoring Policy was amended to refine the evaluation process and factors to determine "On Watch" status for public markets managers. The Emerging Investment Manager Policy was amended to update the emerging investment manager qualifying criteria for public and private market asset classes and to incorporate a new Organizational Diversity Survey as a tool to improve LACERS outreach to emerging investment managers. Lastly, the Proxy Voting Policy was amended to address the changing landscape of proxy voting issues, particularly in the areas of diversity, equity, and inclusion.

Responsible Investment Program

LACERS became an official signatory to the Principles for Responsible Investment (PRI) on September 3, 2019. During the fiscal year, LACERS Board approved an ESG Risk Framework and a revised PRI Action Plan that addresses administrative, operational, and policy initiatives for developing a responsible investment program in support of the PRI Principles. The execution of this plan is currently in progress. LACERS also submitted its first PRI Annual Report, which provides information on LACERS responsible investment activities conducted during the calendar year 2020.

Public Investment Manager Contract Awards, Renewals, and Terminations

As presented in the table on page 77, contracts with 14 investment managers of publicly traded securities were awarded or renewed during the fiscal year: five active core fixed income manager, two active emerging market debt managers, two active emerging markets equities manager, one active U.S. real estate investment trust (REIT) manager, one active U.S. bank loan manager, one active U.S. Treasury Inflation Protected Securities (TIPS) manager, and two passive managers that provide multiple index strategies across several asset classes.

In addition, contracts with seven investment managers of publicly traded securities were terminated during the fiscal year: two active core fixed income managers, one active U.S. small cap value equities manager, one active non-U.S. small cap equities manager, one active non-U.S. emerging markets equities manager, one active U.S. high yield fixed income manager, and one active long-only commodities manager.

Private Investments

During the fiscal year, LACERS approved 20 private equity partnership contracts, totaling $658 million of commitments, and six private real estate partnership contracts, totaling $215 million commitments, as presented in the table on page 78.

The pages that follow provide further details about the LACERS investment portfolio and investment activity for the fiscal year 2020-2021.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2020-2021

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

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

Investment Results

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

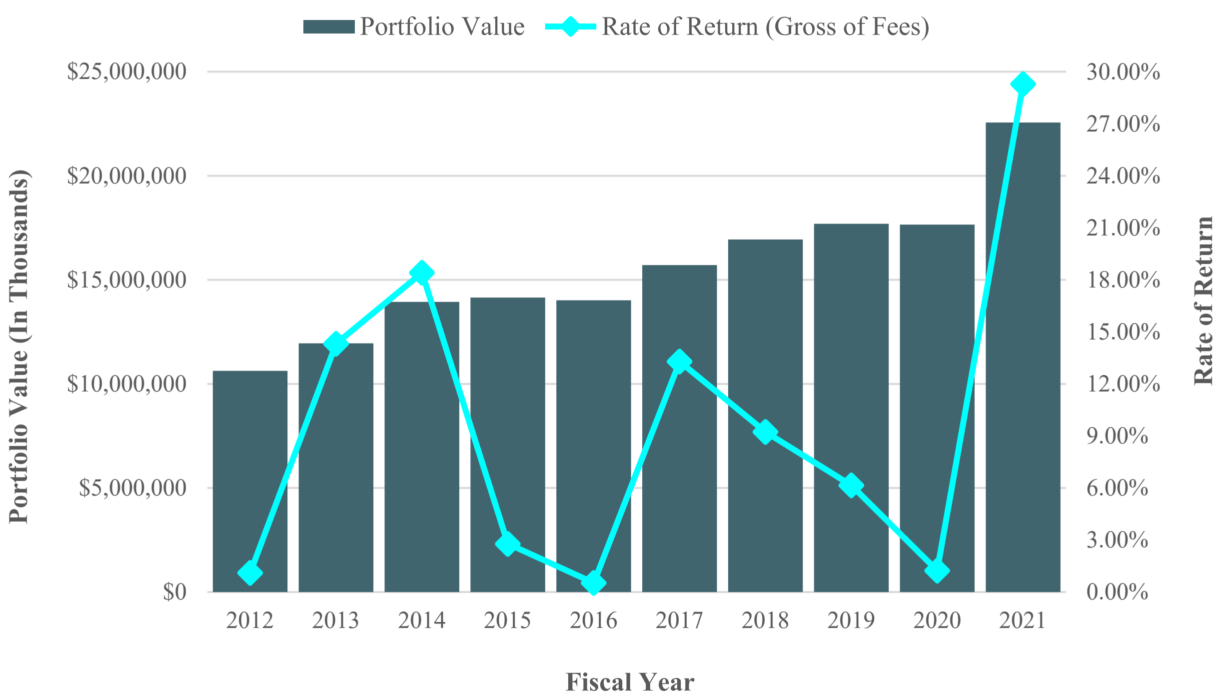
Asset Class / Benchmark	Annualized Rates of Return(1) (Gross of Fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	**44.42**	**17.86**	**17.56**
Russell 3000	44.16	18.73	17.88
Non-U.S. Equity	**41.56**	**11.08**	**12.69**
MSCI ACWI ex U.S.	35.72	9.38	11.08
Private Equity	**55.20**	**19.05**	**17.10**
Private Equity Blend(2)	48.36	22.25	21.38
Core Fixed Income	**1.02**	**6.10**	**3.69**
Bloomberg U.S. Aggregate Bond Index	-0.33	5.34	3.03
Credit Opportunities	**11.92**	**6.49**	**6.41**
Credit Opportunities Blend(4)	12.56	7.20	6.57
Real Assets	**11.69**	**6.00**	**5.47**
CPI plus 5%	10.64	7.66	7.54
LACERS Total Fund	**29.29**	**11.58**	**11.45**
LACERS Policy Benchmark	27.39	12.33	11.89

(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) Inception – January, 31, 2012: Russell 3000 + 4%, February 1, 2012 – Preset: Russell 3000 + 3%
(3) 65% Bloomberg U.S. Corp High Yield 2% Capped and 35% JP Morgan EMBI-Global Diversified.

Investment Results

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

Fiscal Year	Total Investment Portfolio[1] (Fair Value)	Time-Weighted Rate of Return (Gross of Fees)
2012	10,623,740	1.11%
2013	11,946,264	14.32
2014	13,941,866	18.41
2015	14,148,849	2.78
2016	14,014,772	0.53
2017	15,708,981	13.29
2018	16,935,458	9.23
2019	17,693,115	6.15
2020	17,654,460	1.24
2021	22,518,983	29.29



(1) The total investment portfolio is comprised of investments, cash, and accrued dividends and income. It excludes LACERS' new headquarters property purchased in fiscal year 2019-2020. It also excludes $1.1 billion of short-term investments and general operating cash account.

Investment Contract Activity

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

Firms	Mandate
Axiom Investors, LLC	Active Growth Non-U.S. Emerging Markets Equities
Bain Capital Senior Loan Fund, L.P.	Active U.S. Bank Loans
CenterSquare Investment Management LLC	Active U.S. REIT
Dimensional Fund Advisors LP	Active U.S. Treasury Inflated Protected Securities
Garcia Hamilton & Associates, L.P.	Active Core Fixed Income
Income Research & Management	Active Core Fixed Income
J.P. Morgan Asset Management	Active Core Fixed Income
Loomis, Sayles & Company, L.P.	Active Core Fixed Income
PGIM, Inc.	Active Emerging Market Debt
Robert W. Baird & Co., Inc.	Active Core Fixed Income
RhumbLine Advisers Limited Partnership	U.S. Equity Index Funds
State Street Global Advisors Trust Company	Multi Passive Index
Wasatch Advisors Inc.	Active Emerging Markets Small Cap Equities
Wellington Management Company LLP	Active Emerging Market Debt

Terminated contracts with investment managers of publicly traded securities:

Firms	Mandate
Aegon USA Investment Management, LLC	Active U.S. High Yield Fixed Income
AQR Capital Management LLC	Active Non-U.S. Small Cap Equities
Bernzott Capital Advisors	Active U.S. Small Cap Value
CoreCommodity Management, LLC	Active Long-Only Commodities
LM Capital Group, LLC	Active Domestic Fixed Income
Neuberger Berman Investment Advisers LLC	Active Core Fixed Income
Quantitative Management Associates, LLC	Active Core Non-U.S. Emerging Markets Equities

Investment Contract Activity

New private equity, private credit, and real estate partnerships and contracts:

Investment Funds	Mandate
Avance Investment Partners, L.P.	Private Equity – Buyout
Builders VC Fund II, L.P.	Private Equity – Venture Capital
Cerberus Institutional Real Estate Partners V, L.P.	Real Estate – Opportunistic
Fortress Credit Opportunities Fund V Expansion (A)	Private Equity – Credit
Genstar Capital Partners X, L.P.	Private Equity – Buyout
GGV Capital VIII L.P.	Private Equity – Venture Capital
GGV Capital VIII Plus L.P.	Private Equity – Venture Capital
GLP Capital Partners IV LP	Real Estate – Value Added
GTCR Fund XIII/A LP	Private Equity – Buyout
GTCR Fund XIII/B LP	Private Equity – Buyout
Hellman & Friedman Capital Partners X, L.P.	Private Equity – Buyout
H.I.G. Europe Middle Market LBO Fund, L.P.	Private Equity – Buyout
ICG Strategic Equity Fund IV LP	Private Equity – Secondary
Kayne Anderson Core Real Estate, L.P.	Real Estate – Core
Lion Industrial Trust	Real Estate – Core
Mill Point Capital Partners II, L.P.	Private Equity – Buyout
NMS Fund IV, L.P.	Private Equity – Buyout
Oak HC/FT Partners IV, L.P.	Private Equity – Venture Capital
Oaktree Real Estate Opportunities Fund VIII, L.P.	Real Estate - Opportunistic
Orchid Asia VIII, L.P.	Private Equity – Growth
Roark Capital Partners VI (T) LP	Private Equity – Buyout
Stellex Capital Partners II LP	Private Equity – Buyout
TA XIV-A, L.P.	Private Equity – Growth
TCV XI, L.P.	Private Equity – Growth
Ulu Ventures Fund III, L.P.	Private Equity – Venture Capital
Wolff Credit Partners III, L.P.	Real Estate – Value Added

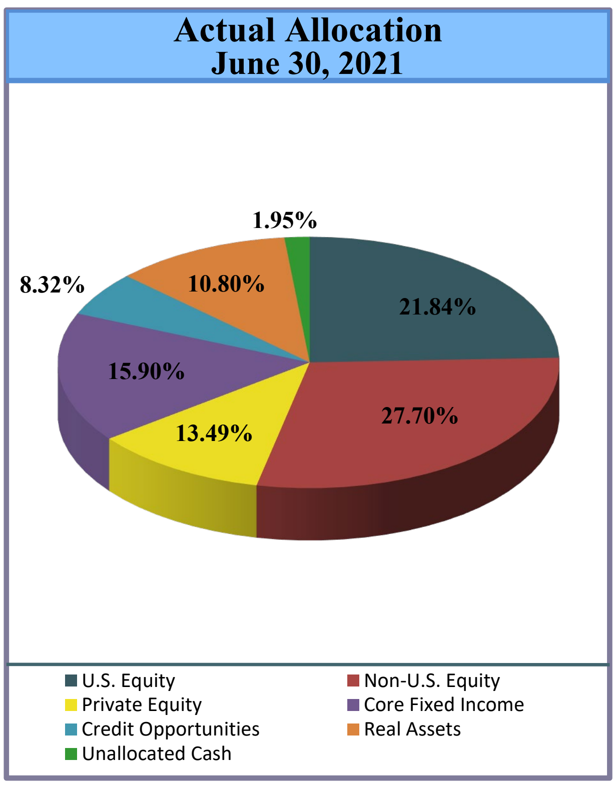
Contracts with consultants and vendors awarded/renewed/extended:

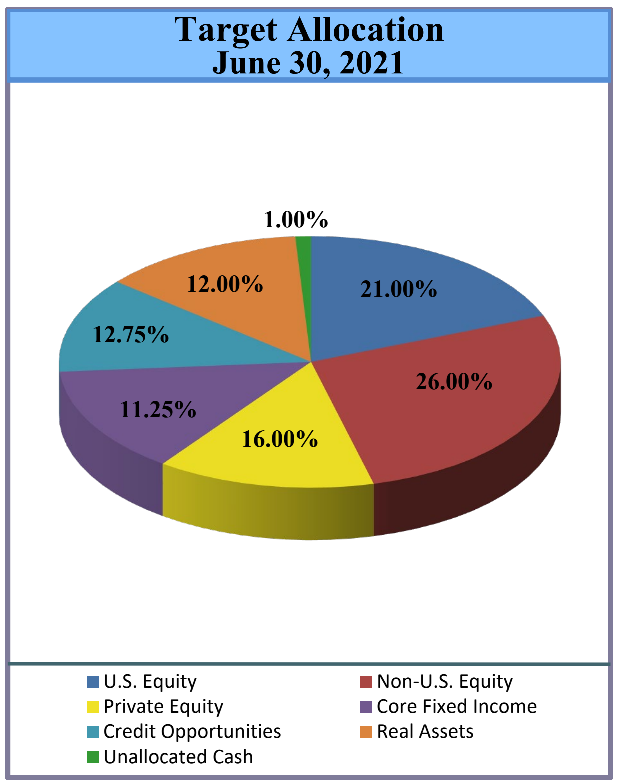
Firms	Mandate
Bloomberg Finance, L.P.	Investment Research Database
Northern Trust Company	Custodian
PitchBook	Private Markets Database

Asset Allocation
As of June 30, 2021

	Actual[(1)]		Target[(2)]
U.S. Equity	21.84%	U.S. Equity	21.00%
Non-U.S. Equity	27.70	Non-U.S. Equity	26.00
Private Equity[(3)]	13.49	Private Equity	16.00
Core Fixed Income	15.90	Core Fixed Income	11.25
Credit Opportunities	8.32	Credit Opportunities	12.75
Real Assets	10.80	Real Assets	12.00
Unallocated Cash	1.95	Unallocated Cash	1.00
Total	100.00%	**Total**	100.00%

(1) Implementation of the most recently adopted Target Asset Allocation Policy is in progress and explains the difference in actual versus target allocations.
(2) Target Asset Allocation Policy was adopted on May 11, 2021.
(3) The underweight to Private Equity is allocated to U.S. Equity. Private Equity cannot be rebalanced on demand since the general partners control the timing of funding and distributions.
(4) The underweight to Credit Opportunities, resulting from an underweight to the Private Credit sub-asset class, is allocated to Core Fixed Income. Private Credit cannot be rebalanced on demand since the general partners control the timing of funding and distributions.





List of Largest Assets Held by Fair Value

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2021.

Largest U.S. Equity Holdings [1]

	Shares	Asset Description	Fair Value (in US$)
1.	1,644,406	Apple Inc.	$ 225,217,846
2.	789,537	Microsoft Corp.	213,885,573
3.	44,939	Amazon Inc.	154,597,350
4.	251,179	Facebook Inc. Class A	87,337,450
5.	31,528	Alphabet Inc. Class A	76,984,755
6.	29,851	Alphabet Inc. Class C	74,816,158
7.	198,691	Berkshire Hathaway Class B	55,220,203
8.	80,789	Tesla, Inc.	54,912,283
9.	65,310	Nvidia Corp.	52,264,912
10.	317,335	JPMorgan Chase & Co.	49,358,286
		Total	$ 1,044,594,816

Largest Non-U.S. Equity Holdings [1]

	Shares	Asset Description	Fair Value (in US$)
1.	8,325,736	SSgA MSCI Emerging Markets Index Fund [2]	$ 405,330,153
2.	15,710,243	SSgA MSCI EAFE Small Cap Index Fund [2]	339,953,944
3.	533,046	Nestle SA	66,444,053
4.	131,398	Roche Holdings AG	49,547,004
5.	57,421	LVMH	45,031,597
6.	3,589,003	AIA Group Ltd.	44,597,667
7.	354,116	Taiwan Semiconductor Mfg. Co. Ltd.	42,702,684
8.	419,032	Novartis AG	38,224,459
9.	262,410	SAP SE	36,982,060
10.	621,943	Hitachi, Ltd.	35,644,467
		Total	$ 1,104,458,088

(1) A complete listing of the System’s holdings is available upon request.

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

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings [1]

	Par Value	Asset Description	Fair Value (in US$)
1.	31,782,338	SSgA US Aggregate Bond Fund[2]	$ 1,102,275,042
2.	196,000,000	Bain Capital Senior Loan Fund, L.P.[2]	239,027,906
3.	65,900,000	United States Treas Notes Inflation Index 0.5% Due 01/15/2028	80,148,745
4.	67,700,000	United States Treas Notes Inflation Index 0.125% Due 01/15/2030	77,172,525
5.	61,850,000	United States Treas Notes Inflation Index 0.375% Due 07/15/2027	75,415,344
6.	59,500,000	United States Treas Notes Inflation Index 0.375% Due 01/15/2027	72,915,885
7.	58,200,000	United States Treas Notes Inflation Index 0.75% Due 07/15/2028	71,255,863
8.	58,250,000	United States Treas Notes Inflation Index 0.125% Due 07/15/2026	71,090,231
9.	56,400,000	United States Treas Notes Inflation Index 0.625% Due 01/15/2026	70,572,043
10.	66,500,000	United States Treas Notes 1.625% Due 06/30/2024	69,066,044
		Total	$ 1,928,939,628

Largest Non-U.S. Fixed Income Holdings [1]

	Par Value (in local currency)	Asset Description	Fair Value (in US$)
1.	137,400,000	Republic of South Africa 8.25% Due 03/31/2032	$ 8,997,379
2.	8,160,000	Baffinland Iron Mines Corporation 8.75% Due 07/15/2026	8,978,833
3.	115,459,000,000	Republic of Indonesia 7% Due 09/15/2030	8,412,132
4.	6,980,000	Republic of Serbia 1.5% Due 06/26/2029	8,359,178
5.	5,911,000	State of Qatar 5.103% Due 04/23/2048	7,919,091
6.	6,210,000	Republic of Croatia 1.125% Due 06/19/2029	7,589,495
7.	92,095,000	Republic of South Africa 10.5% Due 12/21/2026	7,356,485
8.	118,925,000	Republic of South Africa 7% Due 02/28/2031	7,348,418
9.	6,500,000	Husky Injection Molding 7.75% Due 04/15/2026	6,841,972
10.	82,755,000,000	Republic of Indonesia 9% Due 03/15/2029	6,771,146
		Total	$ 78,574,129

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

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

Schedules of Fees and Commissions

Schedule of Fees
(In Thousands)

	2021 Assets Under Management	Fees	2020 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 6,258,285[1]	$ 7,409	$ 4,684,717[2]	$ 6,455
Equity Managers	11,504,880[1]	28,253	9,529,417[2]	22,793
Real Estate Managers	899,656	14,483	748,934	11,021
Private Equity Managers	3,296,482	48,697	2,242,579	42,900
Total	$ 21,959,303	$ 98,842	$ 17,205,647	$ 83,169
Investment Consulting Fees	N/A	$ 1,384	N/A	$ 1,402
Investment Related Administrative Expense	N/A	3,254	N/A	2,959
Total	N/A	$ 4,638	N/A	$ 4,361

(1) Includes $(337,000) of fixed income derivatives and $3,278,000 of equity derivatives. This is combined in the Statement of Fiduciary Net Position as $2,941,000.
(2) Includes $171,000 of fixed income derivatives and $1,953,000 of equity derivatives. This is combined in the Statement of Fiduciary Net Position as $2,124,000.

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	Pershing LLC	1,942,618,098	$ 834,964	$ 0.000
2.	J.P. Morgan Securities PLC	27,554,666	185,773	0.007
3.	Morgan Stanley & Co., LLC	30,924,984	180,587	0.006
4.	UBS AG, London Branch	25,367,934	172,457	0.007
5.	Citigroup Global Markets Inc.	65,904,389	153,201	0.002
6.	J.P. Morgan Securities LLC	19,292,841	151,302	0.008
7.	Credit Suisse Securities (USA) LLC	44,894,087	143,471	0.003
8.	Merrill Lynch International Limited	29,084,990	143,199	0.005
9.	Credit Suisse Securities (Europe) Limited	100,245,809	131,380	0.001
10.	Pershing Securities Limited	11,626,466	123,627	0.011
	Total	2,297,541,264	2,219,961	0.001
	Total - Other Brokers [1]	963,469,639	3,497,470	0.004
	Grand Total	3,260,983,903	$ 5,717,431	$ 0.002

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

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of $15,060 commission credit from Cowen, which was rebated to LACERS in cash.

Schedule of Investment Summary
As of June 30, 2021

Type of investment	Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income				
Fixed Income ETF	$ 2,222,570	0.01%	$ 2,222,570	$ -
Government bonds	2,862,344,735	12.87	2,155,810,608	706,534,127
Government agencies	71,808,302	0.32	902,310	70,905,992
Municipal / provincial bonds	13,591,463	0.06	12,075,148	1,516,315
Corporate bonds	1,413,207,359	6.36	1,026,969,417	386,237,942
Bank loans	87,540,219	0.39	87,540,219	-
Government mortgage bonds	363,772,179	1.64	363,772,179	-
Commercial mortgage bonds	87,766,562	0.39	87,766,562	-
Opportunistic debts	254,091,551	1.14	239,027,906	15,063,645
Other fixed income (Common Funds Assets)	1,102,275,042	4.96	1,102,275,042	-
Derivative Instruments	(336,594)	-	(36,100)	(300,494)
Total Fixed Income	**6,258,283,388**	**28.14**	**5,078,325,861**	**1,179,957,527**
Equities				
Common stock				
Basic industries	1,407,764,367	6.33	519,150,798	888,613,569
Capital goods industries	584,052,913	2.63	146,065,435	437,987,478
Consumer & services	2,820,024,134	12.68	1,362,833,511	1,457,190,623
Energy	639,131,919	2.88	261,479,952	377,651,967
Financial services	1,549,959,470	6.97	594,647,995	955,311,475
Health care	1,072,356,640	4.82	632,313,491	440,043,149
Information technology	1,868,728,273	8.40	1,228,346,897	640,381,376
Real Estate	730,739,307	3.29	575,070,175	155,669,132
Miscellaneous	766,414,352	3.45	754,246,468	12,167,884
Total Common Stock	**11,439,171,375**	**51.45**	**6,074,154,722**	**5,365,016,653**
Preferred stock	49,640,774	0.22	2,856,601	46,784,173
Stapled securities	11,168,560	0.05	-	11,168,560
Derivative Instruments	3,277,981	0.01	(1,050,939)	4,328,920
Convertible Equity	1,623,026	0.01	945,996	677,030
Total Equities	**11,504,881,716**	**51.74**	**6,076,906,380**	**5,427,975,336**
Real Estate	**899,656,186**	**4.05**	**892,299,452**	**7,356,734**
Private Equity				
Buyout	1,734,620,327	7.81	1,311,841,263	422,779,064
Distressed debt	143,731,926	0.65	92,738,895	50,993,031
Mezzanine	9,769,422	0.04	9,769,422	-
Special Situations	242,835,637	1.09	201,009,954	41,825,683
Venture capital	1,165,524,981	5.24	1,085,270,633	80,254,348
Total Private Equity	**3,296,482,293**	**14.83**	**2,700,630,167**	**595,852,126**
Security Lending Collateral	**275,940,000**	**1.24**	**256,611,515**	**19,328,485**
Total Fund[1]	**$ 22,235,243,636**	**100.00%**	**$ 15,004,773,428**	**$ 7,230,470,208**

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

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors

U.S. Equity

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

Non-U.S. Equity

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

Fixed Income

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

Credit Opportunities

Bain Capital Credit, L.P.
Benefit Street Partners L.L.C.
DDJ Capital Management
Loomis, Sayles & Company, L.P.
PGIM, Inc.
Wellington Management Company LLP

Public Real Assets

CenterSquare Investment Management LLC
Dimensional Fund Advisors LP

Cash & Short-Term

The Northern Trust Company

Real Estate

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

Private Equity

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

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

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

List of Investment Advisors, Custodian and Other Consultants

Investment Advisors (Continued)

Private Equity (Continued)

TPG Capital Advisors, LLC
Trident Capital
Ulu Ventures
Upfront Ventures
VantagePoint Venture Partners, L.P.
Vestar Capital Partners, LLC
Vicente Capital Partners, LLC
Vista Equity Partners Management, LLC
Vitruvian Partners, LLP
Wynnchurch Capital, L.P.
Yucaipa Alliance Management, LLC

Consultants

NEPC, LLC
Aksia TorreyCove Partners LLC
Townsend Holdings, LLC

Custodian

The Northern Trust Company

Transition Managers

Abel Noser, LLC
Blackrock Institutional Trust Company, N.A.
Citigroup Global Markets Inc.
Loop Capital Markets, LLC
Macquarie Capital (USA) Inc.
Penserra Transition Management, LLC

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)

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Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2021	June 30, 2020	Change
I. Total Membership			
a. Active Members	25,176	27,490	-8.4%
b. Pensioners and Beneficiaries	22,012	20,423	7.8%
II. Valuation Salary			
a. Total Annual Projected Payroll	$ 2,254,165,029	$ 2,445,016,587	-7.8%
b. Average Projected Monthly Salary	7,461	7,412	0.7%
III. Benefits to Current Retirees and Beneficiaries(1)			
a. Total Annual Benefits	$ 1,136,773,110	$ 1,004,730,961	13.1%
b. Average Monthly Benefit Amount	4,304	4,100	5.0%
IV. Total System Assets(2)			
a. Actuarial Value	$ 20,083,918,240	$ 18,697,966,253	7.4%
b. Fair Value	22,805,339,941	17,863,324,366	27.7%
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$ 6,621,308,200	$ 6,897,092,748	-4.0%
b. Health Subsidy Benefits	189,700,961	502,106,823	-62.2%

(1) Includes July COLA.

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

	FY 2022-23(1)		FY 2021-22(1)		Difference	
VI. Budget Items (as a Percent of Pay)	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
a. Retirement Benefits						
1. Normal Cost	8.52%	5.29%	8.53%	5.32%	(0.01)%	(0.03)%
2. Amortization of UAAL	21.64%	21.64%	20.11%	20.11%	1.53 %	1.53 %
3. Total Retirement Contribution	30.16%	26.93%	28.64%	25.43%	1.52 %	1.50 %
b. Health Subsidy Benefits						
1. Normal Cost	3.47%	4.12%	3.36%	3.92%	0.11 %	0.20 %
2. Amortization of UAAL	0.30%	0.30%	0.81%	0.81%	(0.51)%	(0.51)%
3. Total Health Subsidy Contribution	3.77%	4.42%	4.17%	4.73%	(0.40)%	(0.31)%
c. Total Contribution (a+b)	33.93%	31.35%	32.81%	30.16%	1.12 %	1.19 %

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

	June 30, 2021	June 30, 2020	Difference
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	71.6%	69.4%	2.2%
b. Health Subsidy Benefits	94.6%	85.6%	9.0%
c. Total	74.6%	71.6%	3.0%
(Based on Fair Value of Assets)			
d. Retirement Benefits	81.3%	66.3%	15.0%
e. Health Subsidy Benefits	107.4%	81.8%	25.6%
f. Total	84.7%	68.4%	16.3%

Summary of Significant Valuation Results (Continued)

	June 30, 2021	June 30, 2020	Change
VIII. Net Pension Liability[1]			
Total Pension Liability	$ 23,281,892,854	$ 22,527,195,295	3.4 %
Plan Fiduciary Net Position	(18,918,136,000)	(14,932,404,300)	26.7 %
Net Pension Liability	$ 4,363,756,854	$ 7,594,790,995	(42.5)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.3%	66.3%	15.0 %

(1) Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 97

	June 30, 2021	June 30, 2020	Change
IX. Net OPEB Liability[1]			
Total OPEB Liability	$ 3,520,078,454	$ 3,486,530,510	1.0 %
Plan Fiduciary Net Position	(3,781,652,063)	(2,851,204,652)	32.6 %
Net OPEB Liability	$ (261,573,609)	$ 635,325,858	(141.2)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.4%	81.8%	25.6 %

(1) Refer to the Schedule of Changes in Net OPEB Liability and Related Ratios on page 117

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Actuarial Certification

November 1, 2021

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, 2021, 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, 2020. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

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

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

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Annual Financial Report and certain supporting schedules in the Financial Section, based on the results of the June 30, 2021 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, 2021.

Actuarial Certification (continued)

November 1, 2021

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, 2021[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, 2021.

Retirement Benefits Valuation

Active Member Valuation Data

	Member Population			
Valuation Date	Active Members[1]	Covered Payroll[2]	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2012	24,917	$1,819,269,630	$73,013	1.3%
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7

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

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

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Allowances Added[2]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2012	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

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

Retirement Benefits Valuation

Schedule of Funded Liabilities by Type

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members
06/30/2012	$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	15,630,102	100.0	100.0	4.2
06/30/2021	2,431,974	14,546,803	6,303,116	16,660,585	100.0	97.8	0.0

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2012	$9,934,959	$14,393,959	$4,459,000	69.0 %	$1,819,270	245.1 %
06/30/2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
06/30/2014	10,944,751	16,248,853	5,304,102	67.4	1,898,064	279.5
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
06/30/2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
06/30/2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
06/30/2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
06/30/2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
06/30/2020	15,630,102	22,527,195	6,897,093	69.4	2,445,017	282.1
06/30/2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2021

1. Unfunded actuarial accrued liability at beginning of year		$6,897,092,748
2. Total normal cost at beginning of year		451,426,209
3. Expected employer and member contributions at beginning of year		(941,706,423)
4. Interest		448,476,878
5. Expected unfunded actuarial accrued liability at end of year		$6,855,289,412
6. Changes due to:		
a) Investment gain on smoothed value of assets	$(198,760,748)	
b) Loss due to actual contributions less than expected	154,601,350	
c) Gain due to lower than expected salary increases for continuing actives	(215,211,511)	
d) Gain due to lower than expected COLAs for payees	(137,507,667)	
e) Other losses on demographic experience (including losses from earlier than expected retirements due to the Separation Incentive Program)	162,897,364	
Total gain		$(233,981,212)
7. Unfunded actuarial accrued liability at end of year		$6,621,308,200

Actuarial Balance Sheet

For Year Ended June 30, 2021

Actuarial Present Value of Future Benefits	
1. Present value of benefits for retired members and beneficiaries	$14,164,856,245
2. Present value of benefits for inactive vested members	596,552,986
3. Present value of benefits for active members	12,055,784,788
4. Total actuarial present value of future benefits	$26,817,194,019
Current and Future Assets	
5. Total valuation value of assets	$16,660,584,654
6. Present value of future contributions by members	2,034,198,395
7. Present value of future employer contributions for:	
a) Entry age normal cost	1,501,102,770
b) Unfunded actuarial accrued liability	6,621,308,200
8. Present value of current and future assets	$26,817,194,019

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

	2021	2020	2019	2018
Total Pension Liability				
Service cost[2]	$ 451,426	$ 374,967	$ 370,409	$ 352,283
Interest	1,570,785	1,499,208	1,439,661	1,332,878
Changes of benefit terms	-	-	-	25,173
Differences between expected and actual experience	(189,822)	308,184	(46,035)	144,224
Changes of assumptions	-	530,720	-	483,717
Benefit payments, including refunds of Member contributions	(1,077,691)	(979,305)	(915,192)	(851,885)
Net change in total pension liability	754,698	1,733,774	848,843	1,486,390
Total pension liability-beginning	22,527,195	20,793,421	19,944,578	18,458,188
Total pension liability-ending (a)	$ 23,281,893	$ 22,527,195	$ 20,793,421	$ 19,944,578
Plan Fiduciary net position				
Contributions-employer	$ 554,856	$ 553,118	$ 478,717	$ 450,195
Contributions-Member	252,123	259,817	237,087	230,757
Net investment income[4]	4,283,202	306,712	799,351	1,243,817
Benefit payments, including refunds of Member contributions	(1,077,691)	(979,305)	(915,192)	(851,885)
Administrative expenses	(26,758)	(23,531)	(19,600)	(17,699)
Others[3]	-	-	-	(471)
Net change in Plan Fiduciary net position	3,985,732	116,811	580,363	1,054,714
Plan Fiduciary net position-beginning	14,932,404	14,815,593	14,235,230	13,180,516
Plan Fiduciary net position-ending (b)	$ 18,918,136	$ 14,932,404	$ 14,815,593	$ 14,235,230
Plan's net pension liability-ending (a)-(b)	$ 4,363,757	$ 7,594,791	$ 5,977,828	$ 5,709,348
Plan Fiduciary net position as a percentage of the total pension liability (b)/(a)	81.3%	66.3%	71.3%	71.4%
Covered payroll	$ 2,276,768	$ 2,271,039	$ 2,108,171	$ 2,057,565
Plan's net pension liability as a percentage of covered payroll	191.7%	334.4%	283.6%	277.5%

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

	2013
Total Pension Liability	
Service cost[2]	$ 312,372
Interest	1,112,561
Changes of benefit terms	-
Differences between expected and actual experience	(235,829)
Changes of assumptions	-
Benefit payments, including refunds of Member contributions	(701,400)
Net change in total pension liability	487,704
Total pension liability-beginning	14,393,959
Total pension liability-ending	$ 14,881,663
Plan Fiduciary net position	
Contributions-employer	$ 346,181
Contributions-Member	197,722
Net investment income[4]	1,268,939
Benefit payments, including refunds of Member contributions	(701,400)
Administrative expenses	(13,281)
Others[3]	(2,514)
Net change in Plan Fiduciary net position	1,095,647
Plan Fiduciary net position-beginning	9,058,839
Plan Fiduciary net position-ending	$ 10,154,486
Net pension liability-ending	$ 4,727,177
Plan Fiduciary net position as a percentage of the total pension liability	68.2%
Covered payroll	$ 1,736,113
Net pension liability as a percentage of covered payroll	272.3%

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 34. Enhanced benefits became effective as of January 7, 2018.

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

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

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

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, 2021

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2020	$14,932	$807	$1,078	$27	$4,283	$18,918
2021	18,918	892	1,268	34	1,305	19,813
2022	19,813	856	1,272	36	1,366	20,728
2023	20,728	822	1,326	37	1,427	21,613
2024	21,613	743	1,380	39	1,484	22,421
2025	22,421	714	1,434	40	1,537	23,198
2026	23,198	682	1,493	42	1,588	23,933
2027	23,933	640	1,555	43	1,636	24,611
2028	24,611	625	1,617	44	1,680	25,255
2047	30,203	172 [1]	2,579	54	2,018	29,760
2048	29,760	163 [1]	2,600	53	1,986	29,256
2049	29,256	153 [1]	2,621	52	1,949	28,685
2050	28,685	143 [1]	2,639	51	1,908	28,045
2051	28,045	133 [1]	2,648	50	1,863	27,343
2084	2,671	23 [1]	550	5	166	2,306
2085	2,306	21 [1]	491	4	143	1,975
2086	1,975	19 [1]	435	4	122	1,677
2087	1,677	17 [1]	383	3	103	1,412
2088	1,412	16 [1]	334	3	86	1,177
2104	18	1 [1]	7	0	1	12
2105	12	1 [1]	5	0	1	9
2106	9	1 [1]	4	0	1	6
2107	6	1 [1]	3	0	0	5
2108	5	0 [1],[2]	2	0	0	4
2109	4	0 [1],[2]	1	0	0	3
2110	3	0 [1],[2]	1	0	0	2
2111	2	0 [1],[2]	1	0	0	1
2112	1	0 [1],[2]	1	0	0	1
2113	1	0 [1],[2]	1	0	0	1
2114	1	0 [1],[2]	0 [2]	0	0	0
2115	0	0 [1],[2]	0 [2]	0	0	0
2116	0	0 [1],[2]	0 [2]	0	0	0
2117	0	0 [1],[2]	0 [2]	0	0	0
2118	0	0 [1],[2]	0 [2]	0	0	0
2119	0	0 [1],[2]	0 [2]	0	0	0

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

[2] Less than $1 million when rounded.

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

Projection of Pension Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2021 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2020 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2029-2046, 2052-2083, and 2089-2103 have been omitted from this table.

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

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2021); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2021. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2021 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.18% of the projected beginning Plan Fiduciary Net Position amount. The 0.18% portion was based on the actual fiscal year 2020 - 2021 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2020. Administrative expenses are assumed to occur halfway through the year, on average.

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

9. As illustrated in this Exhibit, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2021 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

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

11. Under the Plan's funding policy, any actuarial surplus is to be amortized over 30 years. However, we have made a simplifying assumption for this projection whereby any new UAAL gain layer that has led to the surplus situation is treated the same as any other actuarial gain layer, that is, it is being amortized over a 15-year period.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Net Investment Return

7.00%[(1)]

Based on the Actuarial Experience Study report referenced above, expected administrative and investment expenses represent about 0.40% of the Actuarial Value of Assets.

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

Discount Rate

7.00%

Employee Contribution Crediting Rate

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

Consumer Price Index (CPI) and Cost of Living Adjustment (COLA)

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

Payroll Growth

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

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

Increase of 2.75% per year from the valuation date.

Salary Increases

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

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

Pre-Retirement Mortality Rates

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Pre-Retirement Mortality Rates (Continued)

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

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

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

Disability Incidence

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

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

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

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

Termination

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

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

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

Retirement Rates

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Members

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

Other Reciprocal Service

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year.

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 employment service. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.

Actuarial Value of Assets

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

Valuation Value of Assets

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

Amortization Policy

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

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

[1] The two GASB 25/27 layers have been fully amortized by the June 30, 2021 valuation.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Employer Contributions (Continued)

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Internal Revenue Code Section 415

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $230,000 for 2021. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

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

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

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

Changes in Actuarial Assumptions

There have been no changes in actuarial assumptions since the last valuation.

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1 (§ 4.1002(a), § 4.1002.1)
All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on pages 34 - 36 regarding the Membership). Includes Airport Peace Officers who did not pay for enhanced benefits.

Tier 1 Enhanced (§ 4.1002(e))
All Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of $5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier.

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

Summary of Plan Provisions (Continued)

Normal Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(a))

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

Tier 1

Amount (§ 4.1007(a))

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

Tier 1 Enhanced

Amount (§ 4.1007(a))

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

Tier 3

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

Age & Service Requirement

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

Amount

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

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

Age & Service Requirement

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

Amount

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

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

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

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

Amount (§ 4.1007(a) & (b))

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

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

Tier 3

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

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

Amount (§ 4.1080.5(a)(1))

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

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

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

Summary of Plan Provisions (Continued)

Enhanced Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement

Not applicable – see Normal Retirement age and service requirement.

Amount

Not applicable – see Normal Retirement amount.

Tier 3

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

Age & Service Requirement

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

Amount

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

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

Age & Service Requirement

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

Amount

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

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

Service Credit

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

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

Final Average Monthly Compensation

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

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

Tier 3 (§ 4.1080.1(b))

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

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

Post-Retirement Cost-of-Living Benefits

Tier 1 & Tier 1 Enhanced (§ 4.1022)

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

Tier 3 (§ 4.1080.17)

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

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

Death after Retirement

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

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

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

Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j))

While on service-connected disability

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

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

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

Summary of Plan Provisions (Continued)

Death after Retirement (Continued)

While on nonservice-connected disability or service retirement

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

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

Death before Retirement

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

Option #1:

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

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

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

Tier 1 & Tier 3
Option #2:

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

Tier 1 Enhanced
Service-Connected Death
Option #2:

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

Nonservice-Connected Death
Option #2:

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

Member Contributions

Tier 1 & Tier 1 Enhanced (§ 4.1003)

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

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

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

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

Summary of Plan Provisions (Continued)

Member Contributions (Continued)

Tier 3 (§ 4.1080.3)

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

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

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

Disability

Tier 1 & Tier 3

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

5 years of continuous service.

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

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

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

Tier 1 Enhanced

Service Requirement (§ 4.1008.1)

Service-Connected Disability: None.

Nonservice-Connected Disability: 5 years of continuous service.

Amount(1) (§ 4.1008.1)

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

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

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

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

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

Tier 3 (§ 4.1080.6)

Age & Service Requirement

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

Amount

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

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 3 (§ 4.1080.6) (Continued)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

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

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

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

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Actuarial Certification

November 1, 2021

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2021, 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, 2020.

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

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

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

Segal prepared all of the supporting schedules for the Actuarial Section of the Annual Financial Report (AFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2021 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section, and in the Actuarial Section, is provided below:

Financial Section

1. Schedule of Net Other Postemployment Benefits (OPEB) Liability[1]
2. Schedule of Changes in Net OPEB 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, 2021.

Actuarial Certification (Continued)

November 1, 2021

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Health Benefits
7. Member Benefit Coverage Information
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]
12. Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2021

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

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

Andy Yeung

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

Mary Kirby

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

[1] Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2021.

Active Member Valuation Data

Member Population

Valuation Date	Active Members[1]	Covered Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2012	24,917	$1,819,269,630	$73,013	1.3%
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7

[1] Includes non-vested Members.
[2] Reflects annualized salaries for part-time Members.

Retirees and Beneficiaries Added to and Removed from Health Benefits

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Subsidies Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
06/30/2012	433	$(540,583)	438	$2,516,835	13,431	$94,046,643	(3.1)%	$7,002
06/30/2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
06/30/2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669
06/30/2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038
06/30/2016	837	2,185,058	536	3,102,492	14,313	111,712,086	(0.8)	7,805
06/30/2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
06/30/2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
06/30/2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
06/30/2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
06/30/2021	2,135	25,826,129	742	5,162,633	17,500[3]	168,971,493	13.9	9,656

[1] Also reflects changes in subsidies for continuing retirees and beneficiaries.
[3] Total participants including married dependents currently receiving benefits are 23,579.

Member Benefit Coverage Information

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2012	$24,454	$1,083,168	$1,184,778	$1,642,374	100%	100%	45%
06/30/2013	26,869	1,104,833	1,280,783	1,734,733	100	100	47
06/30/2014	41,188	1,196,769	1,424,896	1,941,225	100	100	49
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61
06/30/2016	50,413	1,275,604	1,467,671	2,248,753	100	100	63
06/30/2017	62,252	1,379,357	1,564,197	2,438,458	100	100	64
06/30/2018	67,138	1,497,370	1,692,320	2,628,844	100	100	63
06/30/2019	65,887	1,600,131	1,668,281	2,812,662	100	100	69
06/30/2020	70,327	1,677,723	1,738,481	2,984,424	100	100	71
06/30/2021	74,600	1,869,445	1,576,034	3,330,377	100	100	88

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2012	$1,642,374	$2,292,400	$650,026	71.6 %	$1,819,270	35.7 %
06/30/2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
06/30/2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
06/30/2016	2,248,753	2,793,688	544,935	80.5	1,968,703	27.7
06/30/2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
06/30/2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
06/30/2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
06/30/2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
06/30/2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2021

1.	Unfunded actuarial accrued liability as of June 30, 2020	$ 502,106,823
2.	Employer normal cost as of June 30, 2020	84,817,265
3.	Expected employer contributions during 2020-21 fiscal year	(104,631,967)
4.	Interest	33,760,449
5.	Expected unfunded actuarial accrued liability as of June 30, 2021 (1 + 2 + 3 + 4)	$ 516,052,570
6.	Change due to investment gain, after smoothing	(180,972,053)
7.	Change due to actual contributions less than expected	1,562,044
8.	Change due to miscellaneous demographic gains and losses (including losses from earlier than expected retirements due to the Separation Incentive Program)	10,671,896
9.	Change due to updated 2021/2022 premium and subsidy levels	(221,928,541)
10.	Change due to updated trend assumption to project future medical premiums after 2021/2022	64,315,045
11.	Unfunded actuarial accrued liability as of June 30, 2021 (5 + 6 + 7 + 8 + 9 + 10)	$ 189,700,961

Actuarial Balance Sheet

For Year Ended June 30, 2021

Assets	
1. Actuarial value of assets	$ 3,330,377,493
2. Present value of future normal costs	744,151,991
3. Unfunded actuarial accrued liability	189,700,961
4. Present value of current and future assets	$ 4,264,230,445
Liabilities	
5. Actuarial present value of total projected benefits	$ 4,264,230,445

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

	2021	2020	2019
Total OPEB Liability			
Service cost[1]	$ 84,817	$ 76,423	$ 74,478
Interest	244,776	242,666	236,678
Changes of benefit terms	-	-	-
Differences between expected and actual experience	10,672	(135,720)	(134,053)
Changes of assumptions	(157,614)	96,076	33,940
Benefit payments[2]	(149,103)	(127,214)	(133,571)
Net change in total OPEB liability	33,548	152,231	77,472
Total OPEB liability-beginning	3,486,530	3,334,299	3,256,827
Total OPEB liability-ending (a)	$ 3,520,078	$ 3,486,530	$ 3,334,299
Plan Fiduciary net position			
Contributions-employer	$ 103,454	$ 112,136	$ 107,927
Net investment income (loss)	983,522	60,899	166,470
Benefit payments[2]	(149,103)	(127,214)	(133,571)
Administrative expense	(7,425)	(6,715)	(5,099)
Net change in Plan Fiduciary net position	930,448	39,106	135,727
Plan Fiduciary net position-beginning	2,851,204	2,812,098	2,676,371
Plan Fiduciary net position-ending (b)	$ 3,781,652	$ 2,851,204	$ 2,812,098
Plan's net OPEB (asset) liability-ending (a)-(b)	$ (261,574)	$ 635,326	$ 522,201
Plan Fiduciary net position as a percentage of the total OPEB (asset) liability (b)/(a)	107.4%	81.8%	84.3%
Covered payroll	$ 2,276,768	$ 2,271,039	$ 2,108,171
Plan's net OPEB (asset) liability as a percentage of covered payroll	(11.5)%	28.0%	24.8%

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

(2) Benefit payments associated with the self-funded insurance premium of $6,090,000 and Member's health insurance premium reserve of $468,000 that were reported as both additions and deductions in fiduciary net position for the fiscal year 2019 were excluded from the above schedule.

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 39-40) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 34) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

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

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2021

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning OPEB Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2020	$2,851	$103	$149	$7	$984	$3,782
2021	3,782	84	169	10	262	3,949
2022	3,949	77	174	10	273	4,115
2023	4,115	69	184	11	284	4,272
2024	4,272	61	195	11	294	4,421
2025	4,421	52	205	12	304	4,561
2026	4,561	42	216	12	313	4,688
2027	4,688	28	226	12	321	4,798
2028	4,798	26	237	12	328	4,903
2047	5,828	46	447	15	394	5,805
2048	5,805	44	457	15	392	5,768
2049	5,768	41	469	15	389	5,714
2050	5,714	39	482	15	384	5,640
2051	5,640	36	492	15	379	5,549
2084	930	9[1]	174	2	59	823
2085	823	9[1]	160	2	52	722
2086	722	8[1]	145	2	46	629
2087	629	8[1]	131	2	40	543
2088	543	7[1]	118	1	34	464
2104	8	1[1]	4	0[2]	0[2]	5
2105	5	1[1]	3	0[2]	0[2]	3
2106	3	1[1]	2	0[2]	0[2]	2
2107	2	0[1],[2]	1	0[2]	0[2]	1
2108	1	0[1],[2]	1	0[2]	0[2]	1
2109	1	0[1],[2]	1	0[2]	0[2]	1
2110	1	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2111	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]

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

(2) Less than $1 million when rounded.

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

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2021 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2020 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2029-2046, 2052-2083, and 2089-2103 have been omitted from this table.

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

5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2021); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 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, 2021. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 49 of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.26% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.26% portion was based on the actual fiscal year 2020-21 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2020. Administrative expenses are assumed to occur halfway through the year, on average.

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

9. As illustrated in this Schedule, the OPEB Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan Members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2021 shown in the GAS 74 report, pursuant to paragraph 49 of GASB Statement No. 74.

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

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020 and the retiree health assumptions letter dated September 21, 2021. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Measurement Date

June 30, 2021.

Data

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

Pre-Retirement Mortality Rates

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

Disability Incidence

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

Termination

Termination (< 5 Years of Service)

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

Termination (5+ Years of Service)

Age	Rate (%)
25	7.00
30	6.70
35	5.30
40	3.75
45	3.10
50	3.00
55	3.00
60	3.00

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

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

Retirement Age and Benefit for Inactive Vested Members

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

Unknown Data for Members

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year

Net Investment Return

7.00%[1]

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

Discount Rate

7.00%

Payroll Growth

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

Salary Increases

Inflation: 2.75%; plus additional 0.50% "across the board" salary increases (other than inflation); plus the following merit and promotion increases:

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

Per Capita Cost Development

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Dental Subsidy
2021-22 Fiscal Year

Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	80.2%	$44.60
DeltaCare USA	19.8%	$14.74

Medicare Part B Premium Subsidy	
Actual monthly premium for calendar year 2021	$148.50
Projected monthly premium for calendar year 2022	$155.18
Projected average monthly premium for plan year 2021/2022	$151.84

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

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

Maximum Monthly Medical Subsidy
(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)
Participant Under Age 65 or Not Eligible for Medicare A & B
2021-22 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	63.0%	$876.82	$1,753.63	$876.82
Anthem BC PPO	20.4%	$1308.89	$1,837.65	$876.82
Anthem BC HMO	16.6%	$1,069.32	$1,837.65	$876.82

Maximum Monthly Medical Subsidy
(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)
Participant Eligible for Medicare A & B
2021-22 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	57.2%	$262.47	$524.94	$262.47
Anthem BC Medicare Supplement(1)	31.3%	$529.80	$1,030.12	$529.80
UHC Medicare Advantage Plan(2)	11.5%	$281.73	$558.43	$281.73

(1) Replaced by Anthem Medicare Preferred (PPO) in 2022.
(2) Rates for CA plan.

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

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

	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65: All Plans	$1,190.00	$1,190.00	$593.62
Age 65 and Over:			
Kaiser Senior Adv.	$203.27	$406.54	$203.27
Anthem BC Medicare Supplement(1)	$478.43	$478.43(2)	$478.43
UHC Medicare Adv. HMO	$219.09	$433.93	$219.09

(1) Replaced by Anthem Medicare Preferred (PPO) in 2022.
(2) The reason the subsidy is only at the single-party amount is that there is no excess subsidy to cover a dependent.

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

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

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	0.9013	0.9306	0.7094	0.8035
60	1.0704	1.0030	0.9496	0.9319
64	1.2281	1.0641	1.1988	1.0488
65	0.9202	0.7822	0.9202	0.7822
70	1.0665	0.8429	1.0665	0.8429
75	1.1493	0.9073	1.1493	0.9073
80+	1.2376	0.9782	1.2376	0.9782

Spouse/Domestic Partner Coverage

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

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

Participation

Retiree Medical and Dental Coverage Participation:

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

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

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

Health Care Cost Subsidy Trend Rates

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

First Fiscal Year (July 1, 2021 through June 30, 2022):

Plan	Trend to be applied to 2021-22 Fiscal Year premium
Anthem BC HMO, Under Age 65	3.72%
Anthem BC PPO, Under Age 65	6.06%
Kaiser HMO, Under Age 65	6.52%
Anthem BC Medicare Supplement[1]	(3.60)%
Kaiser Senior Advantage	3.25%
UHC CC Medicare Advantage	3.99%

[1] Replaced by Anthem Medicare Preferred (PPO) in 2022.

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

Fiscal Year	Trend (Approx.)		Calendar Year	Trend (applied to calculate following year premium)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2022-23	7.37%	6.37%	2022	7.50%	6.50%
2023-24	7.12%	6.12%	2023	7.25%	6.25%
2024-25	6.87%	5.87%	2024	7.00%	6.00%
2025-26	6.62%	5.62%	2025	6.75%	5.75%
2026-27	6.37%	5.37%	2026	6.50%	5.50%
2027-28	6.12%	5.12%	2027	6.25%	5.25%
2028-29	5.87%	4.87%	2028	6.00%	5.00%
2029-30	5.62%	4.62%	2029	5.75%	4.75%
2030-31	5.37%	4.50%	2030	5.50%	4.50%
2031-32	5.12%	4.50%	2031	5.25%	4.50%
2032-33	4.87%	4.50%	2032	5.00%	4.50%
2033-34	4.62%	4.50%	2033	4.75%	4.50%
2034-35 and later	4.50%	4.50%	2034	4.50%	4.50%

Dental Premium Trend: 4.00% for all years.

Medicare Part B Premium Trend: 4.50% for all years.

Health Care Reform

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

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Actuarial Cost Method

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

Actuarial Value of Assets

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

Valuation Value of Assets

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

Amortization Policy

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

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

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Assumption Changes since Prior Valuation

Per capita costs and first year trends were updated to reflect 2022 calendar year premiums, subsidies and more recent data.

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

Trend assumptions to project future medical costs after 2021-2022 were updated.

Summary of Plan Provisions

LACERS administers a single-employer postemployment health care plan. The following summarizes the major benefit provisions of the Health Plan as included in the valuation. 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 LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 3 – Postemployment Health Care Plan Description on page 39 regarding the Membership).

Summary of Plan Provisions (Continued)

Membership Eligibility (Continued)

Tier 3 (§4.1080.2(a))

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

Benefit Eligibility

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

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

Medical Subsidy for Members Not Subject to Cap

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

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

Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium). As of July 1, 2021, the maximum monthly health subsidy is $1,790.80, and will be $1,884.50 per month as of January 1, 2022. This amount includes coverage of dependent premium costs.

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

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

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

Completed Years of Service Credit	Vested Percentage
1-14	75%
15-19	90%
20+	100%

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

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

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

Dependents

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

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

Dental Subsidy for Members

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

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2021, the maximum dental subsidy is $44.60 per month; remaining unchanged in calendar year 2022.

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

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

If a retiree is 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.

Summary of Plan Provisions (Continued)

Medical Subsidy for Surviving Spouse

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

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

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($853.39 per month as of July 1, 2021, and will be $900.24 per month as of January 1, 2022).

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

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

Completed Years of Service Credit	Vested Percentage
1-14	75%
15-19	90%
20+	100%

Changes in Plan Provisions

None.

Statistical

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

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

Fiscal Year	Member Contributions	Employer Contributions (1) Amounts	Employer Contributions (1) As a % of Annual Covered Payroll (2)	Net Investment Income (Loss)(3)	Building Lease & Other Income (4)	Total Additions(5)
2012	$ 178,246	$ 308,712	18.0	$ 72,705	$ -	$ 559,663
2013	197,881	346,350	19.9	1,275,612	-	1,819,843
2014	204,136	357,818	19.8	1,820,266	-	2,382,220
2015	207,564	381,299	20.8	308,557	-	897,420
2016	211,345	440,704	23.5	27,638	-	679,687
2017	227,532	453,504	23.0	1,524,533	-	2,205,569
2018	236,222	450,338	21.9	1,249,814	-	1,936,374
2019	240,357	478,827	22.7	802,027	-	1,521,211
2020	263,936	553,222	24.4	305,291	645	1,123,094
2021	252,123	554,856	24.4	4,280,052	516	5,087,547

(1) Contributions received on July 15th of the fiscal year with discounted rate.
(2) Starting fiscal year 2014, when a new benefit tier was added, % of Annual Covered Payroll is an aggregate rate for all tiers based on actual covered payroll.
(3) Includes unrealized gains and losses of investments. Investment related administrative expenses are deducted from Investment Income starting fiscal year 2014 pursuant to GASB Statement No. 67.
(4) Building Lease and Other Income from System's new Headquarter Building purchased on October 23, 2019.
(5) All Additions to Fiduciary Net Position excluded amounts applicable to Family Death and Larger Annuity Plan beginning fiscal year 2021.

Schedule of Deductions by Type - Retirement Plan(2)

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses (1)	Total Deductions
2012	$ 664,626	$ 11,100	$ 12,995	$ 688,721
2013	687,362	17,697	13,352	718,411
2014	708,956	15,982	12,438	737,376
2015	734,736	10,121	15,946	760,803
2016	767,264	7,719	15,576	790,559
2017	799,221	9,803	16,019	825,043
2018	847,031	10,412	16,394	873,837
2019	909,154	11,684	17,806	938,644
2020	973,197	12,332	21,257	1,006,786
2021	1,061,599	16,092	24,124	1,101,815

(1) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.
(2) Includes amounts related to Family Death benefits and Larger Annuity benefits until fiscal year 2020.

Schedule of Additions by Source - Postemployment Health Care Plan

(Dollars in Thousands)

Fiscal Year	Employer Contributions[1] Amounts	Employer Contributions[1] As a % of Annual Covered Payroll (2)	Self-Funded Insurance Premium (3)	Health Insurance Premium Reserve (3)	Net Investment Income (Loss) (4)	Building Lease & Other Income (5)	Total Additions
2012	$ 115,209	6.7	$ -	$ -	$ 10,314	$ -	$ 120,523
2013	72,916	4.2	-	-	253,632	-	326,548
2014	97,841	5.4	-	-	375,504	-	473,345
2015	100,467	5.5	-	-	59,435	-	159,902
2016	105,983	5.7	-	-	(721)	-	105,262
2017	97,457	4.9	-	-	330,368	-	427,825
2018	100,909	4.9	-	-	269,065	-	369,974
2019	107,927	5.1	6,090	468	166,470	-	280,955
2020	112,136	4.9	10,364	2,137	60,201	147	184,985
2021	103,454	4.5	10,924	919	982,797	118	1,098,212

(1) Contributions received on July 15th of the fiscal year with discounted rate.
(2) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered payroll is an aggregate rate for all tiers and it is based on actual covered payroll.
(3) Additions related to LACERS Postemployment Health Care 115 Trust fund and the self-funded Dental Plan established in fiscal year 2019.
(4) Includes unrealized gains and losses of investments. Investment related administrative expenses are deducted starting fiscal year 2014.
(5) Building Lease and Other Income from System's new Headquarter Building purchased on October 23, 2019.

Schedule of Deductions by Type - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses (1)	Total Deductions
2012	$ 91,437	$ 2,931	$ 94,368
2013	97,946	3,197	101,143
2014	101,628	3,327	104,955
2015	103,599	3,932	107,531
2016	109,940	4,151	114,091
2017	119,616	4,224	123,840
2018	128,081	4,384	132,465
2019	140,129	5,099	145,228
2020	139,714	6,165	145,879
2021	160,945	6,820	167,765

(1) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' postemployment healthcare benefits. Starting fiscal year 2019, expenses include third party fees paid for the administration of the self-funded Dental Plan.

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan[3]
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Additions: City Contributions (1)	Additions: Member Contributions	Additions: Net Investment Income (Loss)	Additions: Building Lease & Other Income	Additions: Total Additions	Deductions: Benefit Payments	Deductions: Refunds of Contributions	Deductions: Admin. Expenses (2)	Deductions: Total Deductions	Net In(De)crease in Fiduciary Net Position
2012	$ 308,712	$ 178,246	$ 72,705	$ -	$ 559,663	$664,626	$11,100	$12,995	$688,721	$ (129,058)
2013	346,350	197,881	1,275,612	-	1,819,843	687,362	17,697	13,352	718,411	1,101,432
2014	357,818	204,136	1,820,266	-	2,382,220	708,956	15,982	12,438	737,376	1,644,844
2015	381,299	207,564	308,557	-	897,420	734,736	10,121	15,946	760,803	136,617
2016	440,704	211,345	27,638	-	679,687	767,264	7,719	15,576	790,559	(110,872)
2017	453,504	227,532	1,524,533	-	2,205,569	799,221	9,803	16,019	825,043	1,380,526
2018	450,338	236,222	1,249,814	-	1,936,374	847,031	10,412	16,394	873,837	1,062,537
2019	478,827	240,357	802,027	-	1,521,211	909,154	11,684	17,806	938,644	582,567
2020	553,222	263,936	305,291	645	1,123,094	973,197	12,332	21,257	1,006,786	116,308
2021	554,856	252,123	4,280,0522	516	5,087,547	1,061,599	16,092	24,124	1,101,815	3,985,732

(1) City's contributions include amounts contributed to the Family Death Benefit plan up to fiscal year 2020.
(2) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.
(3) All Additions and Deductions to Fiduciary Net Position excluded amounts applicable to Family Death and Larger Annuity Plan beginning fiscal year 2021.

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

Fiscal Year	Additions: City Contributions	Additions: Self-Funded Insurance Premium (1)	Additions: Health Insurance Premium Reserve (1)	Additions: Net Investment Income (Loss)	Additions: Building Lease & Other Income	Additions: Total Additions	Deductions: Benefit Payments	Deductions: Admin. Expenses (2)	Deductions: Total Deductions	Net In(De)crease in Fiduciary Net Position
2012	$ 115,209	$ -	$ -	$ 10,314	$ -	$ 125,523	$ 91,437	$ 2,931	$ 94,368	$ 31,155
2013	72,916	-	-	253,632	-	326,548	97,946	3,197	101,143	225,405
2014	97,841	-	-	375,504	-	473,345	101,628	3,327	104,955	368,390
2015	100,467	-	-	59,435	-	159,902	103,599	3,932	107,531	52,371
2016	105,983	-	-	(721)	-	105,262	109,940	4,151	114,091	(8,829)
2017	97,457	-	-	330,368	-	427,825	119,616	4,224	123,840	303,985
2018	100,909	-	-	269,065	-	369,974	128,081	4,384	132,465	237,509
2019	107,927	6,090	468	166,470	-	280,955	140,129	5,099	145,228	135,727
2020	112,136	10,364	2,137	60,201	147	184,985	139,714	6,165	145,879	39,106
2021	103,454	10,924	919	982,797	118	1,098,212	160,945	6,820	167,765	930,447

(1) Additions related to LACERS Postemployment Health Care 115 Trust and the self-funded Dental Plan established in 2019.
(2) Excludes investment related administrative expenses starting fiscal year 2014 but includes third party administrative fees starting in fiscal year 2019. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' postemployment health care benefits.

Schedule of Benefit Expenses by Type - Retirement Plan

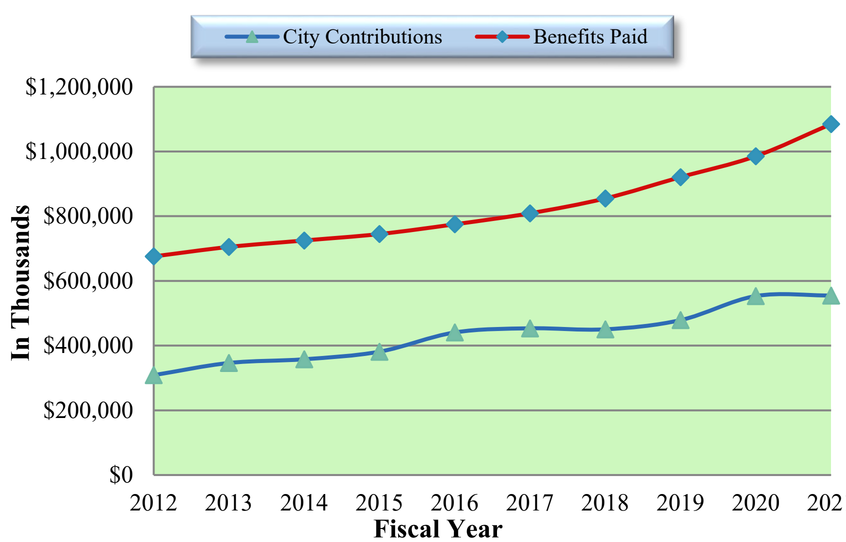
(In Thousands)

	Benefits						Refunds of Contributions					
	Age & Service Benefits			Disability Benefits								
Fiscal Year	Retirants	Survivors	Death in Service	Retirants	Survivors	Sub-Total	Separation	Death in Service	Unused Contri-butions	Misc.	Sub-Total	Total Benefits Paid
2012	$ 570,633	$ 66,735	$ 2,477	$ 6,720	$ 8,061	$664,626	$ 6,765	$ 2,416	$ 965	$ 954	$ 11,100	$ 675,726
2013	588,035	70,298	2,776	17,810	8,443	687,362	13,103	2,515	1,006	1,073	17,697	705,059
2014	606,135	73,477	2,669	17,657	9,018	708,956	12,295	1,509	1,184	994	15,982	724,938
2015	627,865	76,619	2,537	18,348	9,367	734,736	3,891	1,848	1,342	3,040	10,121	744,857
2016	657,810	78,441	2,315	19,001	9,697	767,264	4,241	1,231	883	1,364	7,719	774,983
2017	686,172	81,250	2,738	18,810	10,251	799,221	4,213	3,015	1,027	1,548	9,803	809,024
2018	731,954	83,387	2,402	18,850	10,438	847,031	5,686	1,653	1,588	1,485	10,412	857,443
2019	794,844	83,072	2,066	18,935	10,237	909,154	6,529	3,302	1,054	799	11,684	920,838
2020	853,719	87,577	1,855	19,432	10,615	973,197	6,839	2,798	1,544	1,151	12,332	985,529
2021	941,144	93,208	2,419	19,468	11,092	1,067,331	8,388	4,259	2,298	2,639	17,584	1,084,915

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2012	$ 308,712	$ 675,726
2013	346,350	705,059
2014	357,818	724,938
2015	381,299	744,857
2016	440,704	774,983
2017	453,504	809,024
2018	450,338	857,443
2019	478,827	920,838
2020	553,118	985,529
2021	554,856	1,084,915



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

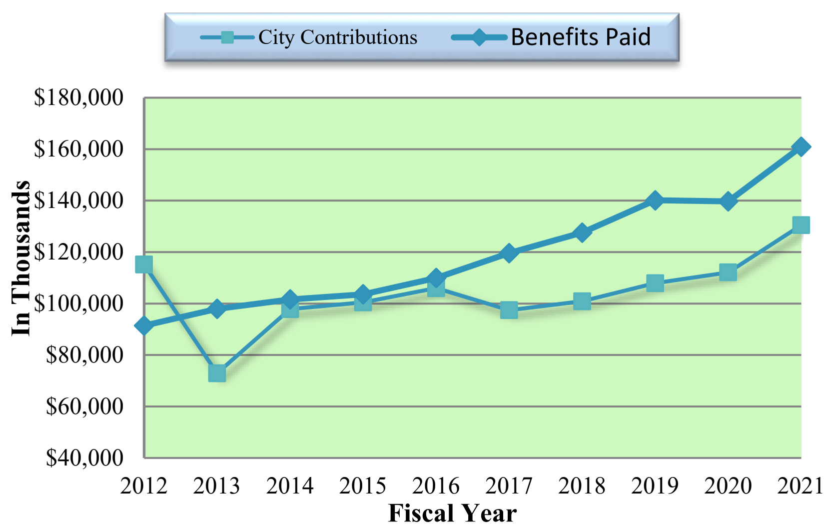
(In Thousands)

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors	Death in Service Benefits	Disability Benefits: Retirants	Disability Benefits: Survivors	Total Benefits Paid
2012	$ 78,506	$ 9,181	$ 341	$ 2,300	$ 1,109	$ 91,437
2013	83,792	10,017	396	2,538	1,203	97,946
2014	86,889	10,533	382	2,531	1,293	101,628
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129
2020	122,562	12,573	266	2,790	1,524	139,714
2021	141,917	14,055	365	2,936	1,672	160,945

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2012	$ 115,209	$ 91,437
2013	72,916	97,946
2014	97,841	101,628
2015	100,467	103,599
2016	105,983	109,940
2017	97,457	119,616
2018	100,909	128,081
2019	107,927	140,129
2020	112,136	139,714
2021	103,454	160,945



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants [1]	Type of Benefits [2] 1	2	3	4	5	6	7	8	9	10	11
1 to $1,000	1,637	369	290	8	454	52	145	62	257	-	492	19
1,001 to 2,000	3,346	1020	781	41	513	499	103	198	191	-	91	3
2,001 to 3,000	3,182	1,736	615	81	283	263	29	96	79	-	20	1
3,001 to 4,000	3,153	2,525	310	80	157	25	3	23	30	-	6	-
4,001 to 5,000	3,097	2,746	213	43	66	9	2	4	14	-	1	-
5,001 to 6,000	2,468	2,273	131	18	38	1	-	-	7	-	-	-
6,001 to 7,000	1,758	1,624	89	13	31	1	-	-	-	-	-	-
7,001 to 8,000	1,198	1,135	42	6	14	-	-	-	1	-	-	-
8,001 to 9,000	734	683	25	9	17	-	-	-	-	-	-	-
9,001 to 10,000	461	435	16	4	6	-	-	-	-	-	-	-
Over $10,000	913	863	30	5	12	1	-	1	-	-	-	-
Total	21,947	15,409	2,542	308	1,591	851	282	384	579	-	610	23

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship
8 - DRO Lifetime Annuity
9 - DRO Term Annuity
10 - Larger Annuity
11 - Larger Annuity Continuance

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits [3] 1	2	3	4	5	6	7
Medical Subsidy								
$ $								
1 to 200	519	361	36	2	38	53	17	12
201 to 400	5,067	3,751	971	81	131	63	22	48
401 to 600	5,368	4,590	385	46	216	90	18	23
601 to 800	182	109	8	15	27	10	1	12
801 to 1,000	1,432	1,164	89	38	94	37	3	7
1,001 to 1,200	2,105	2,020	-	-	76	9	-	-
1,201 to 1,400	1,015	944	-	-	55	16	-	-
1,401 to 1,791[1]	1,774	1,719	-	-	50	5	-	-
Total	17,462	14,658	1,489	182	687	283	61	102
Dental Subsidy								
$ $								
1 to 10	600	454	-	-	68	78	-	-
11 to 20	2,788	2,600	-	-	123	65	-	-
21 to 30	1,120	860	-	-	173	87	-	-
31 to 40	1,305	1,117	-	-	148	40	-	-
41 to 45[2]	9,398	9,212	-	-	169	17	-	-
Total	15,211	14,243	-	-	681	287	-	-

(1) Maximum medical subsidy for plan year 2021.
(2) Maximum dental subsidy for plan year 2021.
(3) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2011 to June 30, 2021	Years of Service Credit: Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/11 to 6/30/12						
Average Monthly Benefit at Retirement	$ 784	$ 1,379	$ 2,362	$ 3,453	$ 4,008	$ 6,003
Average Final Monthly Salary (1)	$ 4,995	$ 5,052	$ 6,338	$ 7,165	$ 6,804	$ 8,238
Number of Retirees Added	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit at Retirement	$ 976	$ 1,888	$ 2,253	$ 3,355	$ 4,101	$ 5,487
Average Final Monthly Salary (1)	$ 6,025	$ 6,713	$ 6,055	$ 6,819	$ 7,007	$ 7,573
Number of Retirees Added	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary (1)	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary (1)	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	$ 943	$ 1,756	$ 2,514	$ 3,796	$ 4,514	$ 5,498
Average Final Monthly Salary (1)	$ 5,095	$ 6,077	$ 6,786	$ 7,656	$ 7,731	$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit (2)	$ 886	$ 1,068	$ 1,388	$ 1,521	$ 1,657	$ 2,568
Number of Continuance Benefit Added (2)	79	29	24	41	32	65
Period 7/1/16 to 6/30/17						
Average Monthly Benefit at Retirement	$ 1,076	$ 1,764	$ 2,546	$ 3,412	$ 4,789	$ 5,745
Average Final Monthly Salary (1)	$ 5,553	$ 6,326	$ 6,974	$ 7,696	$ 8,053	$ 8,204
Number of Retirees Added	105	99	104	107	263	271
Average Monthly Continuance Benefit (2)	$ 1,154	$ 1,022	$ 1,360	$ 1,949	$ 1,869	$ 2,916
Number of Continuance Benefit Added (2)	70	19	30	38	50	55
Period 7/1/17 to 6/30/18						
Average Monthly Benefit at Retirement	$ 1,291	$ 1,913	$ 2,739	$ 3,922	$ 5,037	$ 6,348
Average Final Monthly Salary (1)	$ 5,869	$ 6,707	$ 7,100	$ 7,896	$ 8,292	$ 8,758
Number of Retirees Added	115	115	136	85	247	377
Average Monthly Continuance Benefit (2)	$ 1,012	$ 1,411	$ 1,562	$ 2,076	$ 2,830	$ 3,812
Number of Continuance Benefit Added (2)	70	25	26	28	49	54
Period 7/1/18 to 6/30/19						
Average Monthly Benefit at Retirement	$ 1,003	$ 2,010	$ 2,756	$ 3,829	$ 5,395	$ 6,834
Average Final Monthly Salary (1)	$ 5,276	$ 6,613	$ 7,103	$ 7,771	$ 8,695	$ 9,219
Number of Retirees Added	123	104	147	82	277	344
Average Monthly Continuance Benefit (2)	$ 1,697	$ 1,703	$ 1,586	$ 2,655	$ 2,665	$ 4,184
Number of Continuance Benefit Added (2)	65	28	30	29	42	82
Period 7/1/19 to 6/30/20						
Average Monthly Benefit at Retirement	$ 1,049	$ 1,922	$ 3,215	$ 4,599	$ 5,825	$ 6,690
Average Final Monthly Salary (1)	$ 5,079	$ 6,449	$ 8,189	$ 9,195	$ 9,267	$ 9,073
Number of Retirees Added	123	94	142	84	192	321
Average Monthly Continuance Benefit (2)	$ 1,459	$ 1,412	$ 1,882	$ 2,219	$ 2,747	$ 4,398
Number of Continuance Benefit Added (2)	76	29	24	29	46	60

Schedule of Average Benefit Payments - Retirement Plan (Continued)

Retirement Effective Dates July 1, 2011 to June 30, 2021	Years of Service Credit: Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/120 to 6/30/21						
Average Monthly Benefit at Retirement	$ 1,043	$ 2,128	$ 2,938	$ 4,205	$ 5,787	$ 6,825
Average Final Monthly Salary [1]	$ 4,804	$ 6,819	$ 7,253	$ 8,417	$ 9,198	$ 9,293
Number of Retirees Added [3]	90	184	264	271	342	937
Average Monthly Continuance Benefit[2]	$ 1,386	$ 1,261	$ 2,097	$ 2,447	$ 3,130	$ 4,861
Number of Continuance Benefit Added[2]	109	25	27	34	64	111

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Additional information for Continuance Benefit is provided starting fiscal year 2016.
(3) Large increase during this fiscal year primarily is due to increase in number of retirements due to City’s implementation of Separation Incentive Programs (SIP).

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2011 to June 30, 2021	Years of Service Credit: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/11 to 6/30/12					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 372	$ 581	$ 660	$ 642
Number of Retirees Added	-	34	27	84	136
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 10	$ 17	$ 28	$ 25
Number of Retirees Added	4	25	24	75	131
Period 7/1/12 to 6/30/13					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 428	$ 596	$ 790	$ 840
Number of Retirees Added	1	64	33	102	243
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 14	$ 21	$ 28	$ 26
Number of Retirees Added	2	55	27	95	235
Period 7/1/13 to 6/30/14					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266
Period 7/1/14 to 6/30/15					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	1	85	40	105	409
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	2	78	35	102	399

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2011 to June 30, 2021	Years of Service Credit: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 309	$ 515	$ 729	$ 926	$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 16	$ 24	$ 34	$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 411	$ 493	$ 717	$ 1,136	$1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 18	$ 25	$ 34	$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 547	$ 771	$ 1,082	$1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 5	$ 17	$ 27	$ 31	$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 716	$ 560	$ 714	$ 1,012	$1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 16	$ 27	$ 36	$ 37
Number of Retirees Added	4	75	113	62	539
Period 7/1/19 to 6/30/20					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 420	$ 533	$ 752	$ 1,129	$1,176
Number of Retirees Added	15	92	117	73	515
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 18	$ 27	$ 35	$ 36
Number of Retirees Added	10	60	97	66	445
Period 7/1/20 to 6/30/21					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 322	$ 538	$ 694	$ 913	$1,244
Number of Retirees Added [2]	27	150	224	248	1,271
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 14	$ 20	$ 28	$ 34	$ 37
Number of Retirees Added [2]	15	131	201	235	1,223

(1) Effective February 21, 2016, retiree health benefits are provided to part-time employees who retired with 10 years of service but less than 10 years of service credit. Previously, they were allowed to enroll in LACERS Health Care Plan at their own cost, but not eligible for health benefits.

(2) Large increase during this fiscal year primarily is due to increase in number of retirements due to City's implementation of Separation Incentive Programs (SIP).

Direct questions concerning any of the information provided in this report to:

LACERS
Fiscal Management Division
P.O. Box 512218
Los Angeles, Ca.
90051-0218

PHONE 800-779-8328
TTY 888-349-3996
FAX 213-473-7297
www.lacers.org

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

BOARD Meeting: 01/25/22
Item IV-C
Attachment 1

Learn how this document works

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

2021 POPULAR ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2021

Our Popular Annual Financial Report is a summary of the Annual Comprehensive Financial Report for the Employees' Retirement System of the City of Los Angeles in California.

Enter >>

Available online at www.lacers.org/reports-and-statistics

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Los Angeles City Employees Retirement System

California

For its Annual Financial Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

TABLE of CONTENTS

NEIL M. GUGLIELMO
General Manager

SINCE OUR FOUNDING....

In 1937, LACERS was established as a retirement trust fund to provide qualifying employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. Today, approximately 25,200 Active Members and 22,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

Since the days of our founding, the world has changed dramatically and we right along with it, but what has not changed is our commitment to our Members in providing best in class retirement and health benefits services for all who carry the distinction of being a civilian employee for the City of Los Angeles.

As the world evolves, LACERS will continue to respond by finding new and innovative ways to improve our operations, while ensuring the best experience for our Members.

NEIL M. GUGLIELMO
General Manager

LACERS

OUR MISSION

To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members.

$4,304

AVERAGE MONTHLY PENSION

change from 2012: +31.4%

56,835

TOTAL MEMBERSHIP

change from 2012: +18.5%

$259.3

MILLION IN MEMBER CONTRIBUTIONS

change from 2012: +45.5%

60.7

AVERAGE AGE AT RETIREMENT

change from 2012: +1.0%

71.5

AVERAGE AGE OF RETIREE

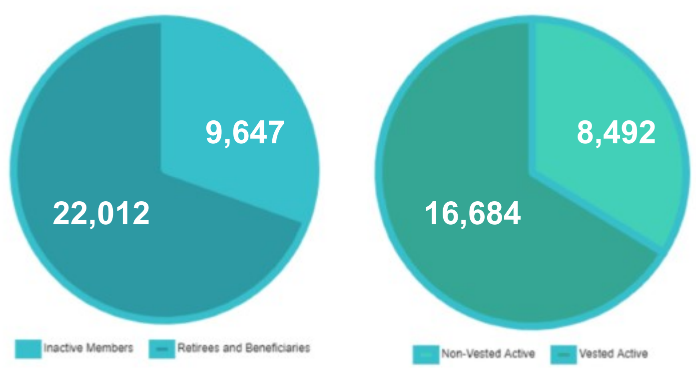
change from 2012: +0.4%

WORKING TO SURPASS MEMBER EXPECTATION

LACERS is committed to providing the best experience for our Members by modernizing and simplifying how they can initiate their retirement and manage their benefits. From the launch of our web-based Retirement Application Portal to the implementation of a cutting edge customer service center, we are now able to reach our Members faster, in multiple languages, and through multiple channels.

As the world evolves, so do the expectations of our Members. **And at LACERS, there is no greater priority than meeting that expectation**.

MEMBER BREAKDOWN



ADVANCING OUR POSITION DURING A GLOBAL PANDEMIC

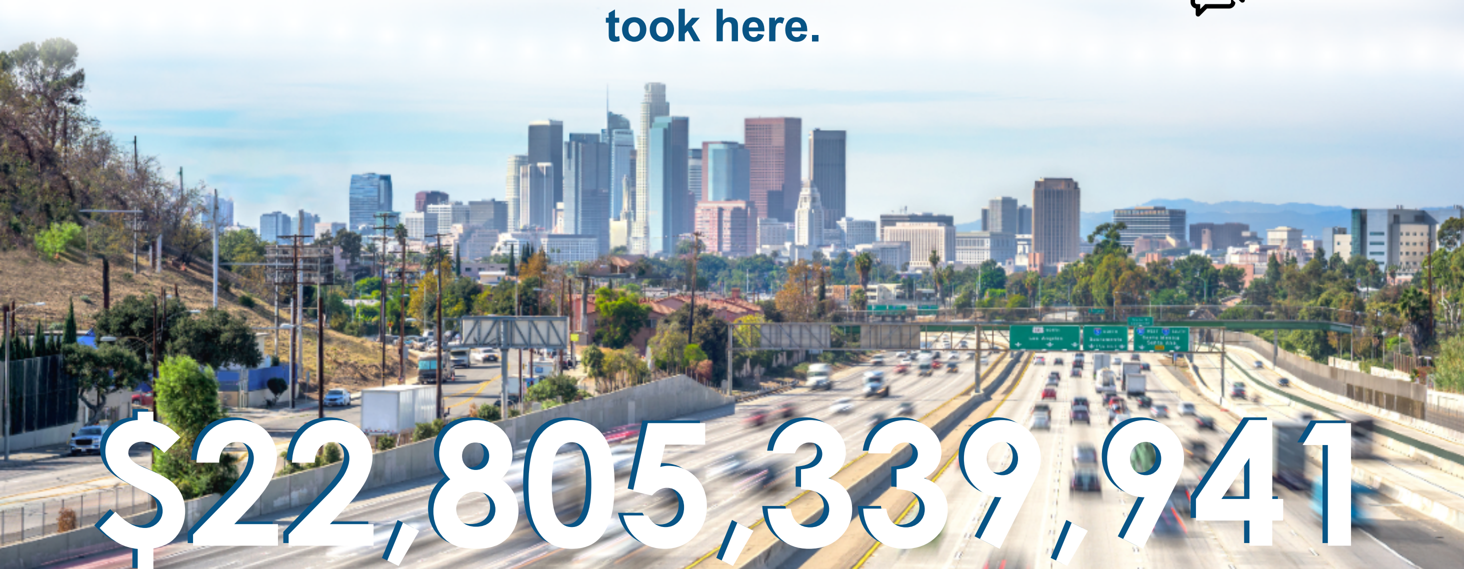
From the outset of the COVID-19, LACERS applied its steady hand to ensure the System was appropriately buffered from any economic volatility brought on by the pandemic. The result was ending net positive from the prior year.

Going into the second year of the pandemic, the long view philosophy, along with a variety of strategic initiatives at play in LACERS has helped us reach a new high for the System.

NET INCREASE WITHIN THE YEAR

$4,942,015,575

Learn about some of the actions the Board took here.



FIDUCIARY NET POSITION

Allocation

The total Fiduciary Net Position is allocated between the Retirement Plan and the Postemployment Health Care Plan.

83% RETIREMENT

17% HEALTH

ADDITIONS and DEDUCTIONS

(Dollars in Thousands)

	2021	2020	% Change
BEGINNING NET POSITION	**$ 17,863,324**	**$ 17,707,910**	***0.9%***
ADDITIONS			
City Contributions	658,408	665,358	*(1.0%)*
Member Contributions	259,285	263,936	*(1.8%)*
Insurance Premium & Reserve	11,843	12,501	*(5.3%)*
Net Investment Income	5,288,787	365,492	*1,347%*
Other Income	637	792	*(19.6%)*
TOTAL ADDITIONS	**$ 6,218,960**	**$ 1,308,079**	**375.4%**
DEDUCTIONS			
Benefit Payments	1,228,276	1,112,911	*10.4%*
Contribution Refunds	17,584	12,332	*42.6%*
Administrative Expenses	31,084	27,422	*13.4%*
TOTAL DEDUCTIONS	**$ 1,276,944**	**$ 1,152,665**	**10.8%**
NET INCREASE WITHIN YEAR	**$ 4,942,016**	**$ 155,414**	**3,079.9%**
ENDING NET POSITION	**$ 22,805,340**	**$ 17,863,324**	**27.7%**

2021 vs 2020
ASSETS AND LIABILITIES

(Dollars in Thousands)

	2021	2020	% Change
ASSETS			
Cash, Short-term Investments, and Receivables	$ 1,306,219	$ 818,311	*59.6%*
Investments, at Fair Value	22,235,243	17,530,909	*26.8%*
Capital Assets, Net of Depreciation	42,869	42,359	*1.2%*
TOTAL ASSETS	**$ 23,584,331**	**$ 18,391,579**	**28.2%**
LIABILITIES			
Securities Lending Collateral and Other Payables	$ 778,991	$ 528,255	*47.5%*
FIDUCIARY NET POSITION	**$ 22,805,340**	**$ 17,863,324**	***27.7%***

2021 RETIREMENT AND HEALTH PLANS

	2021 Retirement Plan	2021 Health Plan	2021 Total
ASSETS			
Cash, Short-term Investments, and Receivables	$ 1,089,617	$ 216,602	$ *1,306,219*
Investments, at Fair Value	18,548,128	3,687,115	*22,235,243*
Capital Assets, Net of Depreciation	35,760	7,109	*42,869*
TOTAL ASSETS	**$ 19,673,505**	**$ 3,910,826**	**$ *23,584,331***
LIABILITIES			
Securities Lending Collateral and Other Payables	$ 649,817	$ 129,174	$ *778,991*
FIDUCIARY NET POSITION	**$ 19,023,688**	**$ 3,781,652**	**$ *22,805,340***

WHAT IS THE COMBINED FUNDED STATUS OF THE SYSTEM?

Funded ratio is the proportion or share of System's promised benefits that can be paid with current available assets. It is calculated by dividing the value of assets in a pension fund by the value of promised lifetime benefits.

84.7%

COMBINED SYSTEM FUNDED STATUS

The Retirement System covers all eligible civilian and certain segments of sworn employees of the City who are not covered by the City's other Retirement Systems.

About the Retirement Plan

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

Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts.

RETIREMENT PLAN FUNDED STATUS **81.3%**

About the Health Plan

LACERS administers, and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers.

These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).

HEALTH PLAN FUNDED STATUS **107.4%**

RODNEY JUNE
Chief Investment Officer

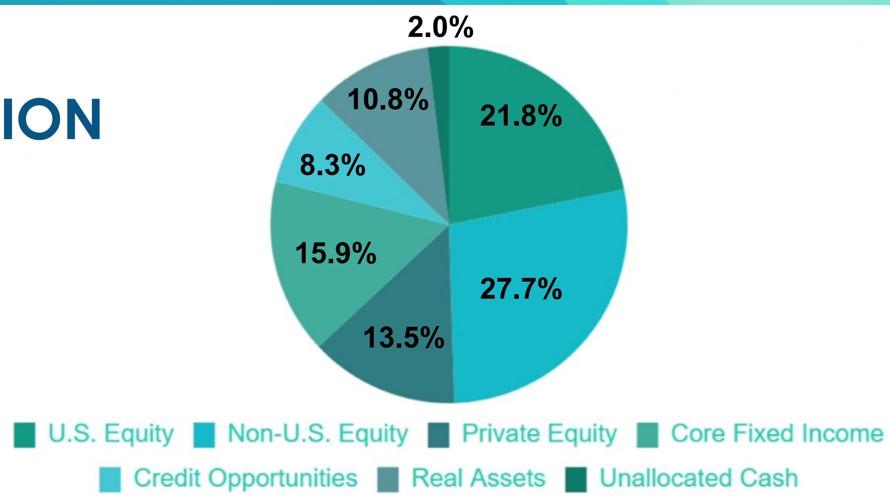
INVESTMENT PORTFOLIO SUMMARY

The 2021 fiscal year was a highly favorable period for the LACERS investment portfolio, with the global economy and financial markets rebounding sharply from the economic distress caused by the COVID-19 pandemic. For the one-year period ending June 30, 2021, the LACERS investment portfolio returned 29.29% (gross of fees), representing the strongest returns for the portfolio in more than 30 years.

The strong returns and global economic recovery of the 2021 fiscal year are remarkable. However, it is also important to acknowledge the many risks facing the global economy. As a long term investor, LACERS moves forward with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

Read the Investment Portfolio details here.

ASSET ALLOCATION
(by Percent)



INVESTMENT PORTFOLIO VALUE

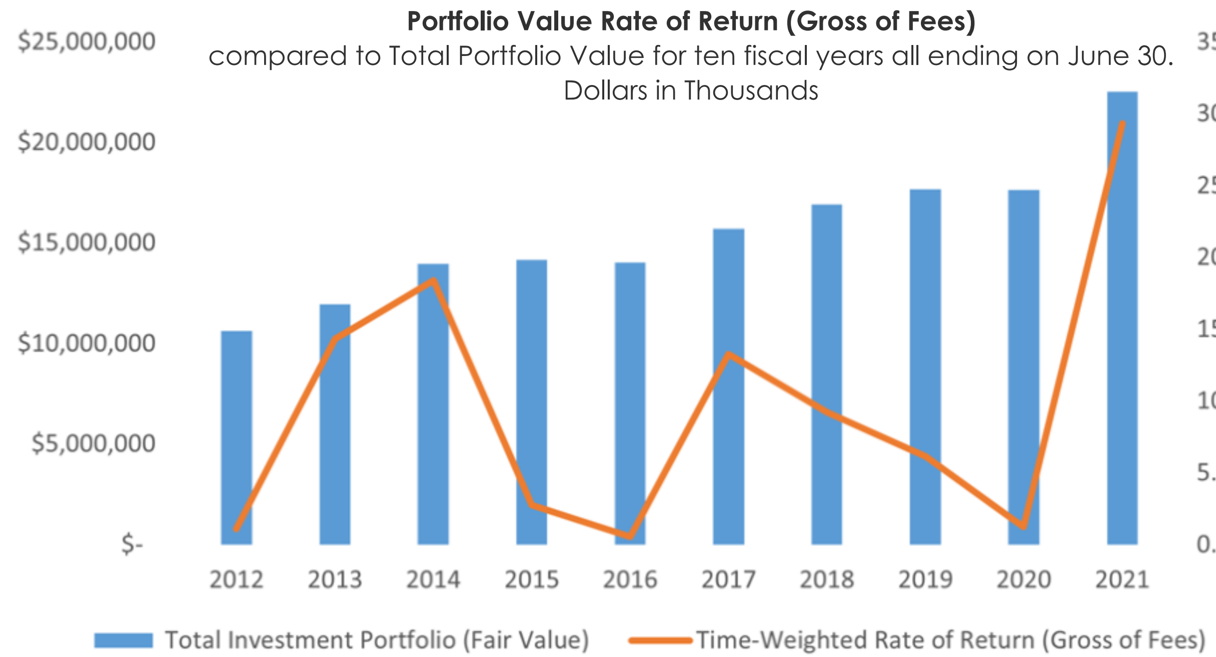
HOW DID OUR INVESTMENT PORTFOLIO DO?

The total portfolio outperformed its policy benchmark by 190 basis points (gross of fees) for the fiscal year, mainly attributed to the relative outperformance of every asset class, with the exception of credit opportunities, which underperformed its benchmark by 64 basis points.

TOTAL INVESTMENT PORTFOLIO VALUE **$22,518,983,000**

ANNUALIZED RATES OF RETURN (GROSS OF FEES)

	1 YR (%)	3 YR (%)	5 YR (%)
LACERS Total Fund	**29.29**	**11.58**	**11.45**
LACERS Policy Benchmark	27.39	12.33	11.89



EXECUTIVE OFFICERS

Neil M. Guglielmo
General Manager

Lita Payne
Assistant General Manager
& Executive Officer

Todd Bouey
Assistant General Manager

Rodney June
Chief Investment Officer

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

Cynthia M. Ruiz
President

Dr. Sung Won Sohn
Vice President

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Elizabeth Lee
Commissioner

Sandra Lee
Commissioner

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Commissioner

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LACERS
202 W. First Street, Suite 500,
Los Angeles, CA 90012

M-F 7:00 am – 4:00pm

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

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LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 25, 2022
ITEM: VI-B

SUBJECT: **GENERAL FUND CONSULTANT CONTRACT WITH NEPC, LLC AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a five-year contract renewal with NEPC, LLC for general fund consulting services.

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

Discussion

On January 11, 2022, the Committee considered the attached staff report (Attachment 1) recommending a five-year contract renewal with NEPC, LLC (NEPC) for general fund consulting services. The contract with NEPC became effective on July 1, 2017 and expires on June 30, 2022. To date, LACERS has paid a total of $2,001,000 in fees to NEPC.

Staff discussed NEPC's consulting services and ultimately expressed satisfaction with the high quality and level of service provided by NEPC. Accordingly, the Committee concurred with the staff recommendation. The Committee also requested staff to issue a request for proposal (RFP) to test the marketplace prior to the expiration of the proposed contract renewal period, which occurs on June 30, 2027, and to further negotiate the proposed fee schedule for the next contract term, as presented in Attachment 1.

Strategic Plan Impact Statement

A contract renewal with NEPC, LLC will assist the fund in maintaining a diversified portfolio, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the consultant’s profile, approach, and fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm

Attachments: 1. Investment Committee Recommendation Report dated January 11, 2022
2. Proposed Resolution

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JANUARY 11, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VII**

SUBJECT: **GENERAL FUND CONSULTANT CONTRACT WITH NEPC, LLC AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a five-year contract renewal with NEPC, LLC for general fund consulting services.

Executive Summary

NEPC, LLC (NEPC) has served as LACERS general fund consultant since July 1, 2017 and the current contract expires on June 30, 2022. Since inception of the contract, NEPC has provided value-added consulting services to LACERS; their investment recommendations have been developed thoughtfully based on a solid understanding of LACERS objectives and Investment Policy. Staff is satisfied with NEPC's services and recommends a five-year contract renewal for general fund consulting services.

Discussion

Background
NEPC provides general fund consulting services to LACERS. The Board hired NEPC through the 2016-2017 General Fund Consultant search process and authorized a five-year contract with NEPC on May 23, 2017. The contract became effective on July 1, 2017 and expires on June 30, 2022. Since inception, LACERS has paid a total of $2,001,000 in fees to NEPC.

Organization
NEPC is a full-service, investment consulting firm and is employee-owned by 46 partners. The firm was founded in 1986 in Boston, has seven regional offices across the United States, and employs over 330 investment professionals including a research team of 59 professionals. NEPC advises on over $1.4 trillion of client assets and generates 100% of revenue from advisory and discretionary consulting services.

Primary Consulting Team Assigned to LACERS
LACERS primary consulting team currently consists of three professionals who have worked with LACERS since the time of NEPC's hire: Carolyn Smith, Partner, Kevin Novak, Senior Consultant and Michael Malchenko, Senior Consulting Specialist. A fourth professional, Don Stracke, Senior

Consultant, had been assigned as a secondary consultant at the time the Board hired NEPC, but he is no longer a member of the LACERS consulting team. Due to scheduling conflicts with LACERS Board and Investment Committee meetings, Mr. Stracke has not been involved with the LACERS account since late 2017. Mr. Novak has effectively filled the role of secondary consultant since contract inception. Despite this minor change, the current consulting team has proven to be professional and technically well suited to advise on the complexity of LACERS investment matters. Staff is satisfied with the level of service provided by the current team.

Consulting Approach and Accomplishments
NEPC's consulting approach is research-driven and centered on building a customized and diversified portfolio for LACERS, utilizing goals-based asset allocation to optimize LACERS' risk-adjusted returns. Since being hired, NEPC's has provided value-added services to LACERS including:

- Performing two asset allocation studies and risk budgeting analyses in 2018 and 2021
- Assisting with LACERS Investment Policy review and developing new policies
- Assisting with seven investment manager searches to implement the Board-approved asset allocation policy
- Conducting multiple public markets manager due diligence meetings alongside staff
- Advising on numerous contract recommendations for existing LACERS managers
- Providing Board and staff with investment education on topics such as active versus passive management, private credit, tactical asset allocation, emerging managers, and ESG
- Participating in LACERS initiatives such as the Emerging Manager Symposium

NEPC's recommendations and deliverables have been developed thoughtfully based on a solid understanding of LACERS objectives and Investment Policy. Accordingly, staff recommends a five-year contract renewal with NEPC.

Fees
The current contract with NEPC specifies the following fee structure:

Year 1:	$450,000
Year 2:	$450,000
Year 3:	$450,000
Year 4:	$465,000
Year 5:	$465,000
Total Fees:	$2,280,000

For the next five-year contract term, NEPC has proposed a similar graduated fee schedule with increases after successive three-year periods as follows:

Year 6:	$465,000
Year 7:	$485,000
Year 8:	$485,000
Year 9:	$485,000
Year10:	$510,000
Total Fees:	$2,430,000

Strategic Plan Impact Statement

A contract renewal with NEPC, LLC will assist the fund in maintaining a diversified portfolio, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the consultant's profile, approach, and fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm

CONTRACT RENEWAL
NEPC, LLC
GENERAL FUND CONSULTING SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS' current five-year contract with NEPC, LLC (NEPC) for general consulting services expires on June 30, 2022; and,

WHEREAS, NEPC has provided a satisfactory level of service in meeting LACERS' needs and objectives; and,

WHEREAS, on January 25, 2022, the Board approved the Investment Committee's recommendation for five-year contract renewal with NEPC.

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

Company Name:	NEPC, LLC
Services Provided:	General Fund Consulting Services
Effective Dates:	July 1, 2022 through June 30, 2027
Duration:	Five years
Fee:	Fiscal Year 2022-23 - $465,000
	Fiscal Year 2023-24 - $485,000
	Fiscal Year 2024-25 - $485,000
	Fiscal Year 2025-26 - $485,000
	Fiscal Year 2026-27 - $510,000

January 25, 2022

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION | **MEETING: JANUARY 25, 2022**
From: Neil M. Guglielmo, General Manager | **ITEM: VI-C**

SUBJECT: **CONSENT OF ASSIGNMENT OF DDJ CAPITAL MANAGEMENT, LLC CONTRACT AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Consent to the assignment of the contract with DDJ Capital Management, LLC for management of an active hybrid high yield fixed income and U.S. floating rate bank loan portfolio.

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

Executive Summary

DDJ Capital Management, LLC (DDJ) has entered into an agreement to be acquired by Polen Capital Management, LLC (Polen Capital), a U.S.-based growth equity asset management firm. Under the Investment Advisers Act of 1940 and pursuant to LACERS' contract with DDJ, this change in control of the firm is deemed to be a contract assignment (a legal transfer of the obligations and benefits of a contract to another party) and requires Board approval.

Discussion

DDJ was hired through the 2019-2020 Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan search and has managed an active hybrid high yield fixed income and U.S. floating rate bank loan portfolio for LACERS since October 28, 2020. The Board authorized a three-year contract with DDJ on February 11, 2020; the contract became effective on September 1, 2020 and expires on August 31, 2023. DDJ managed approximately $301 million of LACERS' assets as of December 31, 2021.

On December 7, 2021, DDJ publicly announced an agreement to be acquired by Polen Capital, a U.S.-based growth equity asset management firm with over thirty years of experience in the investment management business. Under the agreement, the DDJ investment team will become Polen Capital's fourth autonomous investment team maintaining ownership over its investment process and strategy.

Polen Capital currently manages over $80 billion in client assets across its three autonomous investment teams that oversee a global equities universe of high-quality growth companies: the Boca Raton, Florida-based Large Company Growth team, the Boston-based Small Company Growth team, and the London-based Emerging Markets Growth team.

The acquisition marks Polen Capital's expansion into the high yield and leveraged loan markets and furthers Polen Capital's objective of delivering superior active returns to preserve and grow clients' assets with offerings that meet the increased demand for sustainable income. From DDJ's perspective, the transaction will improve its institutional stability, enhance its distribution capabilities, and facilitate access to new technology infrastructure. Both Polen Capital and DDJ share a core investment philosophy that bottom-up security selection combined with concentrated investment portfolios will generate superior long-term performance and point to this shared philosophy as one of the driving forces behind the deal.

Subject to regulatory and other customary approvals, the acquisition is expected to be completed in the first quarter of 2022 (delayed from an initial expected completion date of December 31, 2021). Under the Investment Advisers Act of 1940, a change in control of an investment advisory firm is deemed to be a contract assignment (a legal transfer of the obligations and benefits of a contract to another party) that requires written consent of the client. The change in ownership is also a triggering event within LACERS' contract with DDJ, and therefore requires the Board's approval for the assignment of the contract.

Due Diligence

Staff and NEPC, LLC, (NEPC), LACERS' General Fund Consultant, conducted due diligence on the acquisition and have determined that there will be minimal changes in the investment management relationship between LACERS and DDJ. Upon the closing of the transaction, the DDJ investment team will remain intact and will continue to have complete autonomy over its investment process. The members of the firm's Investment Review Committee, including DDJ's President and Chief investment Officer, David Breazzano, and each of the portfolio managers, have entered into multi-year employment contracts with Polen Capital. Current portfolio managers will continue managing their existing client portfolios and there will be no changes to the investment team responsible for LACERS' account. As to the non-investment support functions, no layoffs are anticipated as Polen Capital has committed to retaining the entire DDJ team. An assimilation of DDJ's various support functions into the broader Polen Capital organization is expected to happen in due time; however, DDJ's accounting/finance, legal/compliance, performance/analytics, and client service departments will continue to support DDJ's credit platform with no interruption.

Pursuant to the acquisition agreement, Mr. Breazzano will take an equity interest in Polen Capital's holding company and become a member of the firm's Operating Committee. DDJ's current senior investment team members will have the opportunity to become equity partners in the Polen Capital holding company over time. These arrangements support and facilitate the integration of DDJ into Polen Capital and the retention of DDJ's key investment professionals.

Due to the pending ownership change, DDJ was placed on "On Watch" status as of December 22, 2021, pursuant to the LACERS Manager Monitoring Policy. Staff believes that this acquisition will not adversely affect DDJ's quality of service or investment strategy for the duration of the contract period.

Nonetheless, staff will diligently monitor the DDJ portfolio's adherence to its mandate and its stated investment guidelines during the watch period.

Staff and NEPC recommend consenting to the assignment of the DDJ contract. All terms of LACERS' current contract with DDJ, including the termination provision, will remain intact upon assignment.

Strategic Plan Impact Statement

A continued relationship with DDJ will allow the fund to maintain a diversified exposure to the high yield fixed income and U.S. floating rate bank loan markets, which aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP:rm

Attachments:
1. Consultant Recommendation – NEPC
2. DDJ Client Consent Form
3. Press Release on Polen Capital Acquisition of DDJ
4. DDJ Letter to Clients and Partners
5. Proposed Resolution

To: Rod June

From: NEPC, LLC

Date: January 13, 2022

Subject: DDJ Capital Management, LLC Ownership Change

Recommendation

NEPC has reviewed DDJ Capital Management, LLC's (DDJ) pending ownership change that calls for Polen Capital Management, LLC's to acquire DDJ. NEPC has held multiple meetings with DDJ and Polen to discuss the transaction which is scheduled to close some time during the first quarter of 2022. Based on DDJ's and Polen's representation and NEPC's understanding of this situation, we recommend the Los Angeles City Employees Retirement System (LACERS) move forward with the consignment of its contract with DDJ to Polen.

Background

DDJ manages an Opportunistic High Yield portfolio (approximately $300 million) on behalf of LACERS that started in November of 2020. On December 7, 2021, DDJ announced that they entered into an agreement to be acquired by Polen. Polen is a growth equity firm with a sizeable high net worth client base. Polen's business does not include fixed income capabilities and the acquisition of DDJ will round out their investment management offerings.

The transaction will see DDJ founder, David Breazzano, take an equity interest in Polen's holding company and become a member of Polen's Operating Committee. Other current equity owners in DDJ will be paid out 2/3rd up front and 1/3rd over three years based on certain business metrics. Current senior investment team members will have phantom equity in the DDJ franchise business based on revenue share and will have the opportunity to become equity partners in the Polen holding company over time. It is expected that DDJ will be rebranded under the Polen Capital name and the strategies are expected to be named "Polen DDJ".

Dave Breazzano will remain as Chief Investment Officer for DDJ and he has signed a five-year employment contract. Both DDJ and Polen indicate there will be no changes to the investment and operations teams. The DDJ team expect they will retain their investment autonomy. Ben Santinelli and John Sherman will continue to co-manage the Opportunistic High Yield strategy along with Dave Breazzano. Additionally, DDJ will also retain all of its middle and back-office personnel and operations.

NEPC's research team had identified a key person and ownership risk with Dave Breazzano. Prior to the acquisition, Dave owned approximately 60% of the firm with the remaining portion owned by other team members. NEPC believes this transaction will provide a means for Dave to monetize his investment over time without creating a burden on the other shareholders to raise capital in order to buy Dave's ownership. This transaction will allow for Dave to spend less time managing the business side of the firm and thus free up some of his time to focus more on investing.

To summarize, under the Investment Advisors Act of 1940, an investment advisor is required to notify and receive consent from each of their clients when there is a change in ownership. NEPC is comfortable with this request and recommends LACERS assign the existing contract to Polen.

Please let us know if you have any additional questions or concerns.

DDJ Capital Management, LLC

December 8, 2021

To: Investment Advisory Clients of DDJ Capital Management, LLC ("DDJ") and investors in certain funds advised or managed by DDJ ("DDJ Funds")

Re: Request for Consent under the Investment Advisers Act of 1940, as amended (the "Advisers Act")

You are receiving this letter because you are an investment advisory client of DDJ and/or you are an investor in a DDJ Fund.

DDJ has entered into a Membership Interest Purchase Agreement, dated as of December 2, 2021, pursuant to which Polen Capital Management, LLC ("Polen Capital") will purchase 100% of the outstanding equity interests in DDJ (the "Transaction").

DDJ and Polen Capital are seeking to close the transaction by December 31, 2021, subject to the satisfaction of customary closing conditions. Upon the closing of the transaction, the DDJ investment team will remain intact and continue to have complete autonomy over its investment process. In addition, DDJ's president and chief investment officer, David Breazzano, as well as each of the members of the firm's investment review committee, has entered into a multi-year employment contract with Polen Capital. Mr. Breazzano will also continue to lead the DDJ investment team as head of the U.S. High Yield franchise, and the firm's current portfolio managers will continue managing their existing client portfolios. Furthermore, DDJ's accounting/finance, legal/compliance, performance/analytics, and client service departments will continue to remain accountable for supporting the high yield platform with no interruption, while your existing relationship manager will continue to serve as your primary contact. This outcome should result in DDJ's clients seeing no change in the management of their portfolios or in any related client servicing and reporting.

Although Polen Capital and DDJ do not intend to make any changes to DDJ's investment philosophy or process, the Transaction nonetheless will constitute an "assignment" under the Advisers Act, thereby requiring the consent of DDJ's clients.

As a client of DDJ or an investor in one or more DDJ Funds, you are hereby requested to provide your written consent to the Transaction. If you are an investor in a DDJ Fund, your consent will serve as authorization for the applicable general partner, manager or trustee of the DDJ Fund to formally consent to the Transaction.

Please complete the attached Consent Form and return it to DDJ by email to Joshua McCarthy, General Counsel and Chief Compliance Officer of DDJ, at jmccarthy@ddjcap.com at your earliest convenience, but no later than December 23, 2021.

We look forward to continuing to serve you. Please contact Joshua McCarthy at (781) 283-8511 or jmccarthy@ddjcap.com if you have any questions relating to the foregoing.

Sincerely,

DDJ Capital Management, LLC

By: ______________________________
Name: David J. Breazzano
Title: President

CONSENT FORM

This is the Consent Form accompanying the December 8, 2021 letter to DDJ Capital Management, LLC clients and investors in DDJ Funds regarding the purchase by Polen Capital Management, LLC of all of the outstanding equity interests of DDJ Capital Management, LLC (the "Transaction").

The person(s) signing below (i) hereby CONSENT(S) to the Transaction on behalf of the client/investor named below and (ii) represent(s) and warrant(s) to DDJ that they are duly authorized to consent to the Transaction on behalf of the client/investor named below with respect to all investment advisory accounts advised by DDJ and all DDJ Funds in which the client/investor is invested.

Client/Investor Name**: Board of Administration, Los Angeles City Employees' Retirement System**

By:______________________________
Name:
Title:
Date: December __, 2021

Approved as to form:

By:______________________________
Name:
Title:
Date: December __, 2021

polen capital

Polen Capital to Acquire $8.2 Billion Boutique High Yield Manager DDJ Capital Management

With DDJ, Polen Capital Will Expand Beyond Growth Equity Offerings to Meet Increased Client Demand for Income Solutions

BOCA RATON, Fla.—December 7, 2021—Polen Capital, a global asset manager, today announced it has entered into a purchase agreement to acquire 100% of the equity of DDJ Capital Management, a boutique high yield, bank loan, private credit, and special situations manager.

The acquisition marks Polen's expansion into the high yield market and furthers Polen's objective of delivering superior active returns to preserve and grow clients' assets with offerings that meet the increased demand for sustainable income.

With over $80 billion of client assets across its high-conviction growth portfolios, including Large Company Growth, Small and Mid (SMID) Company Growth, and Emerging Markets Growth, Polen has generated attractive returns over more than three decades.

DDJ manages over $8.2 billion of assets across a range of investment strategies focused on the high yield bond and leveraged loan markets exclusively.

"We are committed to our long-term strategy focusing on organic growth and our objective of adding value for our clients, colleagues, and community," said Stan Moss, CEO of Polen Capital. "The acquisition of DDJ follows a thoughtful and deliberate process to evaluate distinctive high value-added capabilities that will meet client demand for income. Polen and DDJ are extremely complementary, share core investment beliefs, and have compatible cultures that will contribute to a stronger, more durable, and more sustainable firm."

"Our team at DDJ is thrilled to join Polen Capital, a firm which shares our core mission and fundamental values," said David Breazzano, president, and chief investment officer of DDJ. "This transaction will enable us to continue our focus on delivering the strong investment results and high-quality service our clients want with the support and added resources of Polen Capital's successful organization."

Leveraging the Polen Capital platform, the DDJ investment team will become Polen's fourth autonomous investment team maintaining ownership over its investment process and approach. David Breazzano will oversee the high yield investment team and will join Polen's Operating Committee.

The transaction is expected to close late in the fourth quarter of 2021, subject to the satisfaction of customary closing conditions.

Colchester Partners LLC and KarVen LLC served as financial advisors and Greenberg Traurig LLP served as legal counsel to Polen Capital Management LLC.

Berkshire Global Advisors served as financial advisor and Goodwin Procter LLP served as legal counsel to DDJ Capital Management LLC.

polen capital

About Polen Capital Management

Polen Capital Management is a global investment management firm advising $80 billion in assets and providing high value investment strategies to a wide range of institutional and individual clients around the world. Since 1989, the firm has been committed to attracting, developing, and retaining exceptional professionals who are aligned with our mission of preserving and growing our clients' assets to protect their present and enable their future. Polen Capital currently has three autonomous investment teams that oversee a global equities universe of high-quality growth companies: the Boca Raton, Fla.-based Large Company Growth team, Boston-based Small Company Growth team, and London-based Emerging Markets Growth team. The firm has been recognized by Pensions & Investments as one of the industry's "Best Places to Work" every year for the past five years.

About DDJ Capital Management

DDJ is a privately-held investment manager that specializes in investments within the leveraged credit markets, including high yield bonds, syndicated bank loans, private credit and other special situations. Since its inception in 1996, DDJ has sought to generate attractive risk-adjusted returns for its clients by adhering to a value-oriented, bottom-up, fundamental investment philosophy. DDJ believes that its disciplined investment approach and exhaustive research process positions the firm to deliver attractive, risk-adjusted returns to its clients throughout various market cycles. DDJ’s investment professionals bring a substantial breadth of experience in portfolio management, research analysis, legal analysis, and trading. As of November 30, 2021, DDJ managed over $8.2 billion in assets on behalf of corporate pension and public retirement funds, mutual fund sponsors, insurance companies, and other institutional investors located in North America and Europe.

Media Contacts:

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akaiyalethe@polencapital.com

Ryan Graham
JConnelly
862-777-4274
RGraham@jconnelly.com

DDJ Capital Management, LLC

December 7, 2021

Dear Clients and Partners,

I hope this letter finds you and your family well.

I am writing to you today to share the exciting news that DDJ Capital Management, LLC has reached an agreement to be acquired by Polen Capital Management, LLC, a U.S.-based growth equity asset management firm with over thirty years of experience in the investment management business and over $80 billion in total client assets. Subject to customary closing conditions, we are seeking to finalize the closing of this transaction by year-end.

With DDJ becoming the dedicated leveraged credit arm of a growing and diversified investment firm, we believe that this transaction will improve DDJ's institutional stability. Over the years, DDJ has been approached by many suitors, and in each of those instances, I have made it clear that any deal would require the continued autonomy of our investment team. Also important to me was the prospect of enhanced distribution capabilities in order to ensure that DDJ remained a healthy and viable enterprise well into the future. In addition, I believe that this deal provides added benefits to our clients through leadership succession as well as access by DDJ to greater resources to invest in our technological infrastructure. I am confident that the agreement between DDJ and Polen facilitates these outcomes. Although I believe that DDJ would have continued to thrive as a stand-alone business, I also expect that this deal will enhance the overall experience for our clients and consultants, as well as provide for greater opportunity for DDJ's most valuable resource: its people.

Since I co-founded the firm in 1996, DDJ has focused on generating attractive risk-adjusted returns for its clients and consultants through its investments in high yield bonds, syndicated bank loans, private credit, and other special situation investments, growing the firm from its initial founding with $245 million in assets under management to over $8.2 billion today. This past March, we celebrated the firm's 25th anniversary, a milestone of which we are all incredibly proud. I believe that this agreement with Polen provides the DDJ franchise with the platform necessary to ensure our continued success for the next 25 years and beyond.

Importantly, this transaction will not change the team's focus on investing in the leveraged credit markets and delivering attractive performance returns to our clients. Upon the consummation of the transaction, Polen will acquire all of the assets of DDJ – its people, its processes, and its investment philosophy. Polen's business model will provide DDJ with the autonomy to continue operating as a specialist High Yield and Leveraged Loan investment manager, yet with the resources of a larger firm. Polen's approach creates a clear delineation of roles and responsibilities, which enables its investment teams to solely focus on investing. I believe that partnering with Polen will enhance DDJ's ability to invest in its people and business, further empowering the DDJ team to achieve excellent investment performance and deliver high-quality client service.

From an investment philosophy perspective, both firms are extremely like-minded in their focus and belief that bottom-up security selection together with the management of concentrated investment portfolios will generate superior investment performance over the long-term. Although DDJ and Polen invest in different asset classes and areas of the market and are thereby complementary in nature, the two organizations nonetheless share critical similarities in terms of corporate culture with their mutual commitment to the on-going development of human capital, community outreach, and diversity and inclusion, to name but a few.

In terms of any potential effect that this transaction may have on you, I would like to underscore how important it is to all of us at DDJ that your relationship with the firm changes as little as possible. The members of the firm's Investment Review Committee, including myself and each of the portfolio managers, have entered into multi-year employment contracts with Polen, ensuring that your investment experience with DDJ will remain unchanged. On the non-investment side of the business, Polen has committed to retaining the entire DDJ team, though we expect that the combination of the various support functions throughout the broader organization will happen in time. Further, I (somewhat selfishly) welcome the opportunity to reallocate some of my non-investment functions, allowing me to devote a greater percentage of my time to the investment process, which, as you likely know, is my true passion. Lastly, I am pleased to report that the entire DDJ team will continue to operate out of our new office location at 1075 Main Street in Waltham, Massachusetts.

As this transaction will constitute a change of control of DDJ, we will be seeking client consent for the assignment of our investment management agreements. Your relationship manager will be in touch shortly to work with you and your team on the approval process and associated documentation.

I am extremely grateful for the confidence that you and your organization have shown in our firm, and we look forward to deepening our relationship with you for many years to come. We at DDJ are excited to begin this new chapter in our firm's history. If any questions arise, please do not hesitate to reach out to either me or your relationship manager directly.

Kind regards and best wishes,

David J. Breazzano

President & Chief Investment Officer

CONSENT TO ASSIGN CONTRACT WITH
DDJ CAPITAL MANAGEMENT, LLC

PROPOSED RESOLUTION

WHEREAS, LACERS has an existing contract with DDJ Capital Management, LLC (DDJ) for management of an active hybrid high yield fixed income and U.S. floating rate bank loans portfolio; and,

WHEREAS, DDJ has entered into an agreement to be acquired by Polen Capital Management, LLC (Polen Capital), a U.S.-based growth equity asset management firm; and,

WHEREAS, under the Investment Advisers Act of 1940 and pursuant to LACERS' contract with DDJ, the change in control of DDJ is deemed to be a contract assignment that requires written consent of the Board; and,

WHEREAS, staff has conducted appropriate due diligence on the acquisition of DDJ.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby consents to the assignment of LACERS' existing contract with DDJ to Polen Capital; and, authorizes the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

January 25, 2022

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: **Investment Committee**
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 25, 2022
ITEM: VI-D

SUBJECT: **PRIVATE EQUITY BENCHMARK CHANGE AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve a change to the Private Equity benchmark from the current Russell 3000 Index plus 300 basis points to the Cambridge Associates Global Private Equity and Venture Capital Index.

Discussion

On January 11, 2022, the Committee considered the attached report (Attachment 1) regarding a proposed change to the Private Equity (PE) benchmark. The Committee heard a presentation from staff and David Fann of Aksia TorreyCove Partners LLC (Aksia), LACERS' private equity consultant, regarding significant and increasing mismatches between the Russell 3000 Index and LACERS' PE portfolio in terms of geography and industry classifications, as well as volatility in the public markets, which have reduced the effectiveness of comparisons with this benchmark.

Staff, NEPC, LLC, LACERS' general fund consultant, and Aksia, determined that the Cambridge Associates Global Private Equity and Venture Capital Index (CA Global PE and VC Index) is better aligned with industry best practices and the current and future exposure of the PE portfolio, and recommended that LACERS change to this benchmark. The Committee concurred with the staff and consultants' recommendation.

NEPC, Aksia, and Northern Trust Corporation, LACERS' custodian bank, have recommended that the new benchmark become effective retroactively as of January 1, 2022 in order to facilitate clean reporting at the start of a new calendar year. For time periods that extend across both the new and old benchmark reporting periods, the CA Global PE and VC Index benchmark returns will be blended with the prior PE benchmark returns. The blended benchmark approach is a standard industry practice used by LACERS in order to retain the history of the Board's benchmark policy decisions within LACERS' performance records. Accordingly, the performance history of the Russell 3000 Index plus 300 basis points benchmark will be permanently included in LACERS' PE portfolio benchmark performance history through December 31, 2021. However, the impact of the Russell 3000 Index plus 300 basis points will be diminished over time as LACERS develops a performance track record against the new CA benchmark. The CA Global PE and VC Index is subject to an annual $5,000 single CA benchmark licensing fee; sufficient funds have been appropriated in the Fiscal Year 2021-22 budget to cover this expense.

Strategic Plan Impact Statement

Revising the Private Equity benchmark aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Robert King, Investment Officer II, Investment Division

NMG/RJ/BF/WL/RK:jp

Attachments: 1. Investment Committee Report dated January 11, 2022

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JANUARY 11, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VIII**

SUBJECT: **PRIVATE EQUITY BENCHMARK CHANGE AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend that the Board approve a change of the Private Equity benchmark from the current Russell 3000 Index plus 300 basis points to the Cambridge Associates Global Private Equity and Venture Capital Index.

Executive Summary

This report provides updated information regarding the Private Equity (PE) benchmark and implementation since the Committee meeting of July 13, 2021.

Discussion

Background
The Board requested that staff and LACERS' consultants conduct a thorough review of industry best practices for private equity benchmarking. In coordination with staff, NEPC, LLC (NEPC), LACERS' general fund consultant, worked jointly with Aksia TorreyCove Partners LLC (Aksia), LACERS' private equity consultant, to review the effectiveness of LACERS' current benchmark, identify potential alternative approaches, and make recommendations for any necessary changes.

NEPC and Aksia recommended that LACERS change the public market-based benchmark for the PE portfolio to the Cambridge Associates (CA) US All PE benchmark. On February 9, 2021, the Committee considered and concurred with staff's proposal to change the PE portfolio benchmark from the current Russell 3000 Index plus 300 basis points to the CA US All PE Index.

On July 13, 2021, staff provided an update to the Committee with additional information on implementation of the benchmark (Attachment 2). After further consideration of the global nature of the portfolio and available benchmarking products from CA, NEPC and Aksia amended the benchmark change recommendation to the CA Global Private Equity and Venture Capital Index (CA Global PE and VC Index), which consisted of 4,820 buyout, growth, and venture capital funds with total capitalization of $3.2 trillion. Staff also provided updates on the annual cost of the benchmark, as well as steps to implement this change.

After consideration, the Committee tabled the recommendation to change the benchmark. The Committee expressed concerns about the timing of the benchmark change, and whether this could be perceived as being related to underperformance of the portfolio relative to the existing public market-based benchmark. The Committee also expressed a desire to explore other publicly available benchmarks with similar correlation to the PE portfolio as the CA Global PE and VC Index.

PE Portfolio Performance Update
Recent quarterly performance reports prepared by NEPC indicate that the PE portfolio sharply outperformed its current benchmark, the Russell 3000 Index plus 300 basis points.

Portfolio Performance Report Date	PE Portfolio 3 month return	PE Benchmark 3 month return	Excess Performance
March 31, 2021	12.21%	7.12%	+5.09%
June 30, 2021	13.83%	9.02%	+4.81%
September 30, 2021	12.22%	0.64%	+11.58%

NEPC also reported in the quarterly portfolio performance report as of September 30, 2021 (presented at the December 14, 2021 Board meeting) that the LACERS PE portfolio delivered returns of 56.79% over a one-year period, exceeding benchmark one-year returns by 21.05%. While this strong performance is favorable for the LACERS total portfolio, it also provides further evidence of the limitations of the current benchmark. As described in the July 13, 2021 presentation, staff believe that the current benchmark is inconsistent with best practices for measuring PE performance. The Russell 3000 Index has significant and increasing mismatches with the LACERS PE portfolio in terms of geography and industry classification, and volatility in the public markets has reduced the effectiveness of comparisons with this benchmark.

Alternative Approaches
Staff were unable to identify public market benchmarks that display similar or stronger correlations with the PE portfolio than the recommended CA Global PE and VC Index.

Cambridge Global Private Equity and Venture Capital Index
NEPC and Aksia determined that the CA Global PE and VC Index is better aligned with the current and future exposure of the portfolio, and are recommending that the Committee consider the use of this benchmark instead of the CA US All PE Index. NEPC provided an updated attachment that compares the performance of the proposed benchmark to LACERS' current benchmark and to the performance of LACERS' portfolio (Attachment 1). This proposed benchmark is subject to an annual $5,000 single CA benchmark licensing fee. Staff concurs with this recommendation and is requesting that the Committee recommend this benchmark for approval to the Board.

Implementation of Benchmark
Staff recommend that the new benchmark become effective January 1, 2022. Performance comparisons for time periods before this date will remain against the prior benchmark of the Russell 3000 Index plus 300 basis points, and performance periods that extend across this date (such as a one year, three year, or five year periods) will use a time weighted blend of the CA Global PE and VC Index and the prior Russell 3000 Index plus 300 basis points benchmark.

If the Committee concurs with this recommendation, a report will be presented to the Board for approval of this benchmark change. Staff will return to the Committee and Board at future meetings with administrative edits to the LACERS Investment Policy Manual to formalize the benchmark change. Staff will also initiate the contracting process for the benchmark with CA's benchmark provider, IHS Markit, Ltd., and will work with Northern Trust Corporation, Aksia, and NEPC to make necessary changes to performance reporting for the portfolio.

Strategic Plan Impact Statement

Revising the Private Equity benchmark aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Robert King, Investment Officer II, Investment Division

NMG/RJ/BF/WL/RK:jp

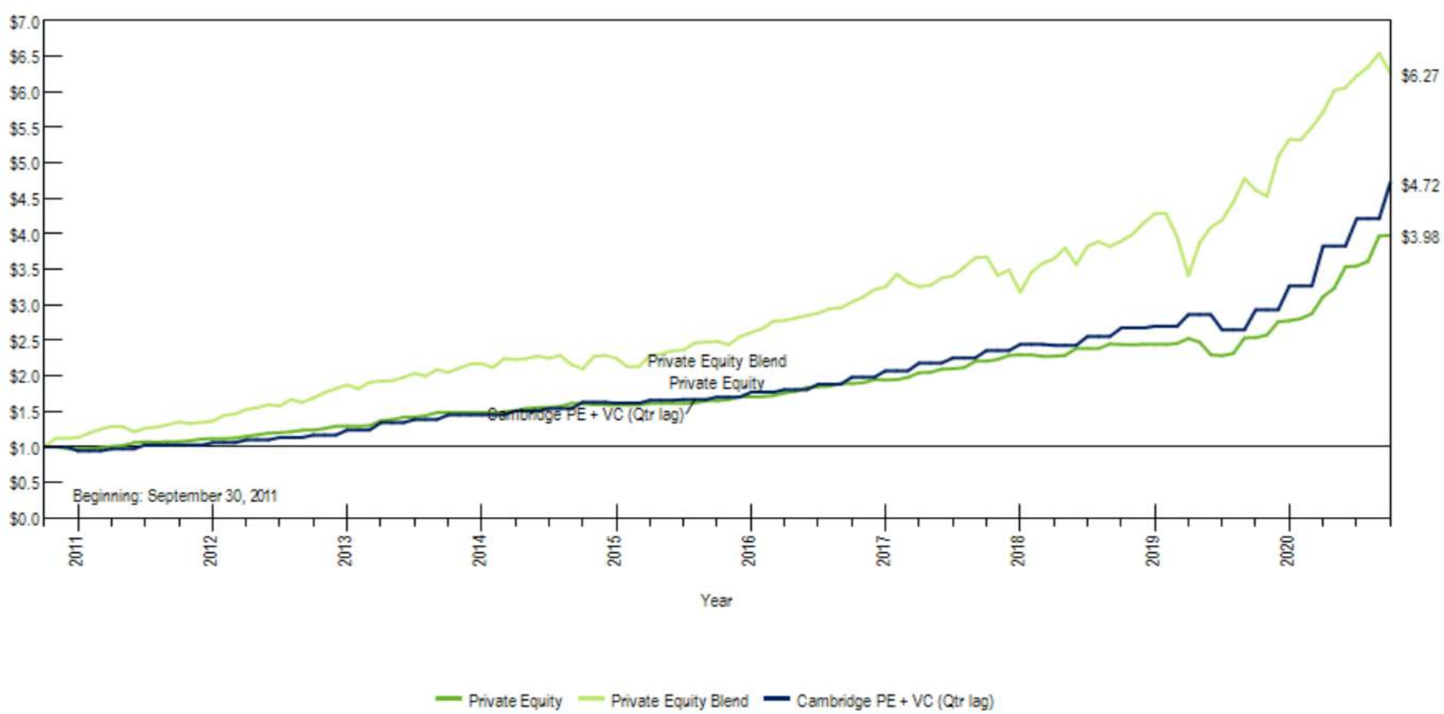
Attachments:
1. NEPC Private Equity Performance Summary
2. Investment Committee Report dated July 13, 2021

PRIVATE EQUITY PERFORMANCE

AS OF SEPTEMBER 30, 2021

	Market Value($)	3 Mo(%)	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)
Private Equity	3,386,441,112	12.22	56.79	21.73	19.27	14.81
Private Equity Blend		0.64	35.74	19.44	20.31	20.14
Cambridge Private Equity Index 1 Quarter Lagged		12.08	61.27	25.88	22.30	15.64

Growth of a Dollar
10 Years Ending September 30, 2021



Note: **Private Equity Blend** is the LACERS private equity custom benchmark and is comprised of:
Russell 3000 + 3%: February 1, 2012 – current
Russell 3000 + 4%: Inception – January 31, 2012

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: JULY 13, 2021
ITEM: IV

SUBJECT: **CONTINUED DISCUSSION OF PRIVATE EQUITY BENCHMARK AND POSSIBLE COMMITEE ACTION**

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

Recommendation

That the Investment Committee recommend that the Board approve a change of the Private Equity Benchmark from the current Russell 3000 Index plus 300 basis points to the Cambridge Associates Global Private Equity and Venture Capital Index.

Executive Summary

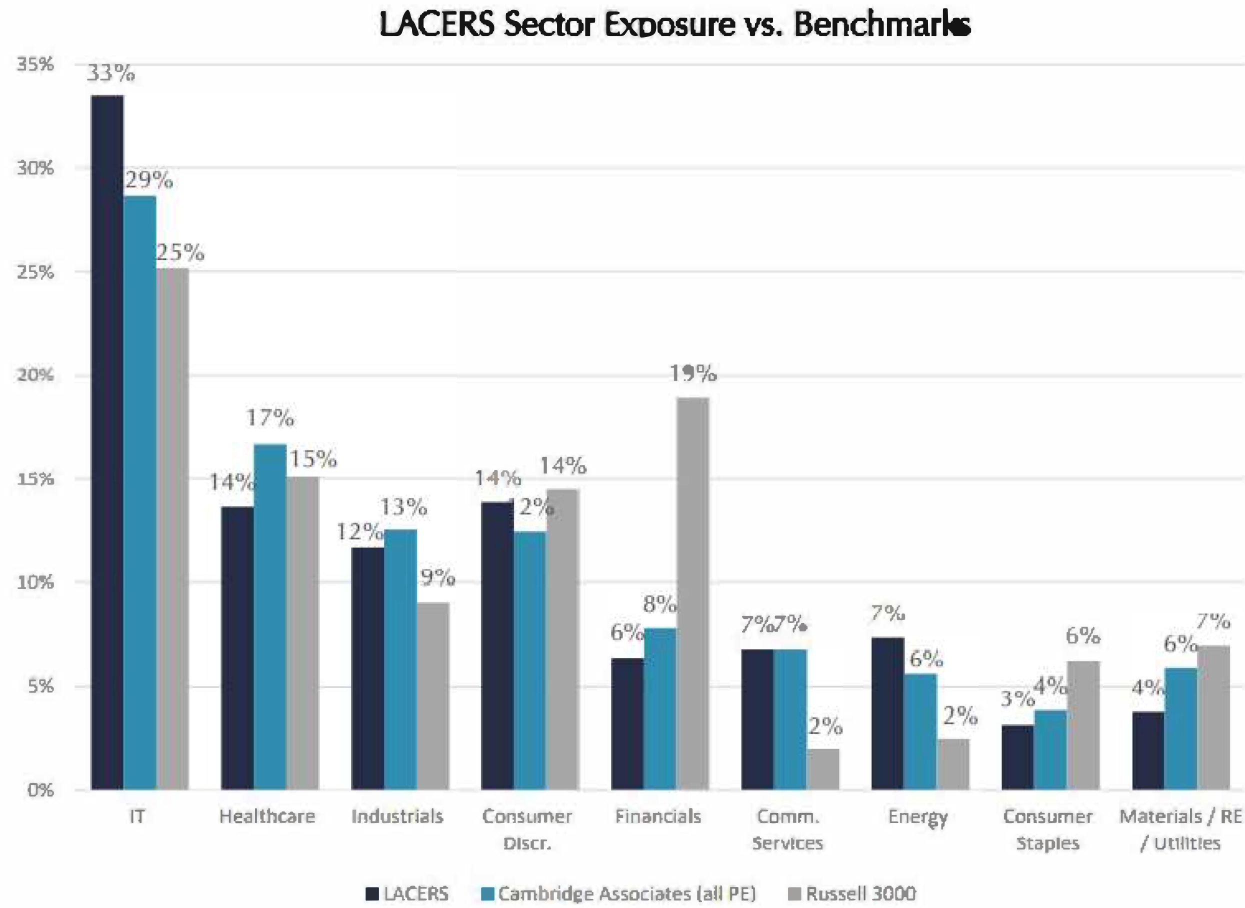
This report provides updated information regarding the Private Equity (PE) benchmark and implementation since the Committee meeting of February 9, 2021.

Discussion

Benchmark Background
Benchmarks are tools for assessing and comparing the risks and returns of a portfolio to identify opportunities for improving risk-adjusted returns. LACERS' current PE benchmark, the Russell 3000 Index plus 300 basis points, has significant mismatches with the PE portfolio in terms of geography, industry classification, and volatility that have been increasing over time, reducing the effectiveness of benchmark comparisons.

LACERS' PE portfolio is increasingly global in nature, with 23% of exposure outside of North America, while the Russell 3000 Index is U.S. focused. This mismatch is expected to grow as additional private equity commitments are made in Europe and Asia.

The PE portfolio also has significant mismatches with the Russell 3000 Index in terms of industry concentrations. For example, the Russell 3000 Index includes 19% of exposure to financials while LACERS' PE portfolio has only 6% exposure to this industry. LACERS' PE consultant, Aksia TorreyCove Partners LLC (Aksia), presented the following chart to the Board as part of the 2021 Strategic Plan presentation on November 24, 2020 showing industry concentration mismatches between the Russell 3000 and LACERS' portfolio:



The public markets have also been recently subject to significant volatility. Analysis by LACERS' general fund consultant, NEPC, LLC (NEPC), indicated that the quarterly difference between the PE portfolio and the public market benchmark ranged from positive 23.7% to negative 32.4%. NEPC also noted that the mismatch between the total plan and policy index can be largely attributed to the mismatch in the PE benchmark.

Review of Industry Best Practices and Consultant Recommendations
Due to these ongoing mismatches between LACERS' PE investments and LACERS' existing PE benchmark, the Board requested that staff and LACERS' consultants conduct a thorough review of industry best practices for private equity benchmarking. In coordination with staff, NEPC worked jointly with Aksia to review the effectiveness of LACERS' current benchmark, identify potential alternative approaches, and make recommendations for any necessary changes.

NEPC and Aksia recommended that LACERS change the public market-based benchmark for the PE Portfolio to the Cambridge Associates (CA) US All PE benchmark. On February 9, 2021, the Committee considered and concurred with staff's proposal to change the Private Equity benchmark from the current Russell 3000 Index plus 300 basis points to the CA US All PE Index (Attachment 2). Since that Committee meeting, additional information has come to the attention of staff regarding the distribution of CA benchmarks and alternative CA PE benchmarks given the increase in PE policy target sizing and discussions with the private equity consultant on the future of geographical diversification.

Benchmark Licensing

CA changed the licensing requirements for using their PE benchmarks in February 2021. While these benchmarks had previously been available free of charge on the CA website, starting with the third quarter of 2020 a license through CA's vendor IHS Markit Ltd. is required to use the benchmark.

Staff worked with Northern Trust Corporation (Northern Trust), LACERS' custodian bank, NEPC, and Aksia to determine if additional licenses may be required in order for LACERS to use the CA PE benchmark. While NEPC and Aksia have existing licenses that allow them to monitor the performance of LACERS' portfolio relative to the CA benchmark, additional licensing is required for both LACERS and Northern Trust.

After discussions with representatives from CA and IHS Markit, Ltd., a one-year license for a single CA benchmark for LACERS' intended purpose will cost $5,000. Sufficient funds have been appropriated in the Fiscal Year 2021-22 budget to cover the cost of the license. Northern Trust has also recently completed the necessary licensing for the benchmark.

Reconsideration of PE Benchmark

Staff held additional discussions with NEPC and Aksia to determine whether the U.S. focused Cambridge Associates US All PE Index was the most appropriate benchmark given LACERS' current and planned level of international exposure in the portfolio.

The 2021 PE Strategic Plan, which was approved by the Board on November 24, 2020, noted that the portfolio's exposure by geography as of June 30, 2020 was 77% in North America. The tactical investment recommendations in the Strategic Plan also called for selectively adding exposure internationally, primarily in Europe and Asia, which will further decrease the allocation to North America and will result in a growing mismatch with the U.S. focused benchmark.

An alternative to the CA US All PE index is the CA Global Private Equity and Venture Capital Index (CA Global PE and VC Index), which consists of 4,820 buyout, growth, and venture capital funds with total capitalization of $3.2 trillion. Of this exposure, 64% of total net asset value are to funds that have at least two-thirds of their portfolio's geographically concentrated in the U.S. The data from the CA benchmarks is lagged by one quarter as a result of the timelines required for the underlying funds to gather financial information from their portfolio company investments.

NEPC and Aksia determined that the Cambridge Global PE and VC Index is better aligned with the current and future exposure of the portfolio, and are recommending that the Committee consider the use of this benchmark instead of the Cambridge US All PE Index. NEPC provided an attachment that compares the performance of the proposed benchmark to LACERS' current benchmark and to the performance of LACERS' portfolio (Attachment 1). This proposed benchmark is subject to the same annual $5,000 single CA benchmark licensing fee as described earlier in this report. Staff concurs with this recommendation and is requesting that the Committee recommend this benchmark for approval to the Board.

Implementation of Benchmark

NEPC and Northern Trust have recommended that the new benchmark become effective January 1, 2021. Performance comparisons for time periods before this date will remain against the prior benchmark of the Russell 3000 Index plus 300 basis points, and performance periods that extend across this date (such as a one year, three year, or five year) will use a time weighted blend of the Cambridge Global PE Index and the prior Russell 3000 Index plus 300 basis points benchmark. Staff concurs with this recommendation.

If the Committee concurs with this recommendation, a report will be presented to the Board for approval of this benchmark change. Staff will return to the Committee and Board at future meetings with administrative edits to the LACERS Investment Policy Manual to formalize the benchmark change. Staff will also initiate the contracting process with IHS Markit and work with Northern Trust, Aksia, and NEPC to make necessary changes to performance reporting for the portfolio.

Strategic Alignment

Revising the Private Equity benchmark aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Robert King, Investment Officer I, Investment Division

NMG/RJ/BF/WL/RK:jp

Attachments:
1. NEPC Private Equity Performance Summary
2. NEPC Analysis of Private Equity Benchmark from February 9, 2021 Meeting

LACERS

LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: JANUARY 25, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VI-E**

SUBJECT: **REQUEST FOR PROPOSAL FOR TRANSITION MANAGEMENT SERVICES AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve the proposed draft Investment Transition Management Services Request for Proposal (RFP), substantially in the form attached hereto, and the process for evaluating candidates;

2. Authorize the General Manager to advertise the RFP in various print and digital media, as presented in this report.

Executive Summary

Transition managers assist LACERS with planning and implementing a restructuring of assets (i.e., the movement of assets between investment managers) within the LACERS portfolio in an efficient, cost-effective, and risk-managed approach. Staff recommends that the Board authorize a search for investment transition management service providers to refresh LACERS' current bench of six managers. Staff will conduct outreach to potential bidders through widely-read print and electronic media (including those focused on the emerging manager community) and through LACERS' RFP/RFI Subscription Service database. LACERS' current bench of managers will also be required to rebid and compete in this RFP or face removal from the bench.

Discussion

Background
Transition management involves hiring a third-party service provider (transition manager) to plan and implement a restructuring of assets (i.e., the movement of assets between investment managers) within an investment portfolio in an efficient, cost-effective, and risk-managed approach. Specific benefits of using transition managers include coordination and timely execution of the asset restructuring, reduction of explicit and implicit trading costs (i.e. commissions and market impact of liquidations), maintenance of target market exposures during the transition, and reduction of cash drag and tracking

error. Utilizing transition managers also eases the administrative burden on staff and reduces operational risk.

LACERS currently maintains a bench of six transition managers: Abel Noser, L.L.C., BlackRock Institutional Trust Company, N.A., Citigroup Global Markets Inc., Macquarie Capital (USA) Inc., Loop Capital Markets LLC, and Penserra Capital Management LLC. Due to the time sensitivity of transition projects, maintaining a bench of managers avoids conducting a lengthy RFP process when such services are required. When a transition project arises, staff seeks bids from the bench of managers and selects the one deemed most capable of completing the transition effectively.

The most recent search for transition management service providers was completed in August 2017. In light of organizational changes with several firms on LACERS' bench and consistent with LACERS' contracting practices, staff recommends conducting an RFP process to evaluate the current marketplace of transition managers. Staff also recommends that the Board maintain a bench of up to six managers, presuming that a sufficient number of managers respond and are deemed capable pursuant to the requirements of the RFP.

Existing transition managers on LACERS bench will be required to submit RFP responses and compete in the RFP process to maintain their current mandates. Should an existing LACERS transition manager not be rehired through this RFP process, the manager's contract will be subject to termination.

Proposed Candidate Evaluation Process – Board, Investment Committee, and Staff Roles

The roles of the Board, Investment Committee, and staff related to the transition manager search process are outlined below:

Board:

- Interview, evaluate, and select a bench of transition managers from the list of finalist candidates.

Investment Committee:

- Consider and approve staff's list of semi-finalist candidates.
- Interview qualifying semi-finalist candidates.
- Select finalist candidates for Board interview.

Staff:

- Evaluate and score all candidates that meet the minimum qualifications. Evaluation and scoring will be based on the criteria set forth in the RFP.
- Provide the Investment Committee with an evaluation report and list of the semi-finalist candidates.
- Conduct due diligence on and evaluate all semi-finalist candidates.
- Develop a list of qualifying semi-finalist candidates for Investment Committee consideration and interview based on due diligence findings.

RFP and Proposed Timeline of Events

Attached is a proposed RFP (Attachment 1) for the Board's consideration. Consistent with the anticipated RFP timeline, staff expects the search process to be completed by July 2022, plus an approximate one-month contracting period, as presented in the following page:

Step	Responsibility	Activity	Proposed Target Date
1	Board	Transition Management Services RFP authorization.	Tuesday, January 25, 2022
2	Staff	Public release of RFP.	Monday, February 14, 2022
3	Proposers	Due date for questions from proposers.	Friday, February 25, 2022 4:00 pm PT
4	Staff	LACERS' responses to questions posted.	Friday, March 11, 2022 4:00 pm PT
5	Proposers	Deadline to submit proposals.	Monday, April 11, 2022 4:00 pm PT
6	Staff	Review all proposals and dismiss candidates that do not meet the minimum qualifications. Report to Investment Committee on total number of proposals received and number of qualified candidates. Score proposals of qualified candidates. Create evaluation report and develop a list not to exceed six semi-finalist candidates.	April 2022
7	Investment Committee	Review staff's evaluation report and consider the list of semi-finalist candidates for further due diligence.	May 2022
8	Staff	Conduct due diligence on semi-finalists. Develop a list of qualifying semi-finalist candidates for further consideration by Investment Committee.	May 2022 – June 2022
9	Investment Committee	Interview qualifying semi-finalist candidates. Select finalist candidates for Board interview.	July 2022
10	Board	Interview and evaluate finalist candidates. Award contracts.	July 2022
11	Staff	Contract negotiations and execution.	August 2022

The RFP will be published on the LACERS website. Additionally, staff will conduct outreach to potential bidders through widely-read print and electronic media (including those focused on the emerging manager community) and through LACERS' RFP/RFI Subscription Service database. LACERS' current bench of managers will also be notified to rebid for their mandates.

Strategic Plan Impact Statement

The RFP for investment transition management services to create a bench of transition managers assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing a RFP is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division
Ellen Chen, Investment Officer I, Investment Division
Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JW/EC:jp

Attachment: 1. Proposed Investment Transition Management Services Request for Proposal

LACERS

LA CITY EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT TRANSITION MANAGEMENT SERVICES REQUEST FOR PROPOSAL

ISSUED: FEBRUARY 14, 2022

SUBMISSION DEADLINE: APRIL 11, 2022

TABLE OF CONTENTS

A. INTRODUCTION

The Los Angeles City Employees' Retirement System (LACERS) is seeking proposals from qualified organizations (Managers) to provide investment transition management services to facilitate restructurings of the LACERS portfolio. LACERS seeks responses from Managers experienced in managing asset transitions across multiple investment managers and multiple asset classes with the objectives of controlling the risks and minimizing the costs associated with such transitions. This Request for Proposal (RFP) details the services sought and instructs interested proposers on the application and selection process. All Managers meeting the minimum qualifications outlined in Section D of this RFP are invited to respond.

The LACERS Board of Administration intends to award five-year full-service contracts to several Managers, which will comprise LACERS' bench of service providers. If a transition project becomes necessary, LACERS will solicit bids from this bench and select the Manager that LACERS deems most capable of conducting the transition, taking into account factors such as capability, cost, and risk. There is no guarantee that LACERS will use the services of any Manager on the bench.

Existing LACERS transition managers are required to submit RFP responses and compete in the RFP process to maintain their current mandates. In the case that an existing LACERS transition manager is not reselected through the RFP process, the manager's current contract will be subject to termination.

B. BACKGROUND

LACERS is a defined benefit public retirement system established by City Charter in 1937 to provide retirement benefits to the civilian employees of the City of Los Angeles. Currently LACERS provides services to over 27,000 active employees and benefits to over 20,000 retirees and their beneficiaries. LACERS is governed by the Board of Administration, which consists of seven commissioners - four appointed by the Mayor of Los Angeles and three elected by active and retired members of LACERS.

As of December 31, 2021, LACERS total investment portfolio was valued at $24.1 billion with target allocations as follows:

Asset Class	Current Allocation	Target Allocation
U.S. Equity	23.3%	22.5%
Non-U.S. Equity	25.5%	27.0%
Core Fixed Income	15.6%	16.8%
Credit Opportunities	7.9%	7.3%
Public Real Assets	7.6%	8.0%
Private Real Estate	4.1%	4.0%

Private Equity	15.3%	13.5%
Cash	0.7%	1.0%

Publicly traded assets are externally managed through separate accounts and commingled fund vehicles. For further information about the LACERS portfolio, please refer to the LACERS Investment Policy located on the LACERS website at:

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1641834541

C. SCOPE OF SERVICES REQUESTED

The Manager(s) will be required to provide the following scope of services to LACERS:

1. Provide a proposal to LACERS staff for each transition project that includes an analysis of the risks and costs, a plan for mitigating those risks and minimizing those costs, a timetable for executing the transition, and an estimate of all commission costs and trading costs for the transition.

2. Coordinate the entire transition process and work cooperatively with LACERS staff, the custodian bank, the investment managers, and other third parties to ensure that the assets are transitioned in an efficient and cost-effective manner.

3. Provide periodic written reports to LACERS staff throughout the transition updating the progress according to the plan. Provide a final written report once the transition is completed that summarizes the transition performance, provides an analysis of costs and savings, provides details on all trades that were executed and the costs of each trade, and compares the Manager's initial cost estimate with the realized cost.

4. Participate in meetings or conference calls as needed to provide information to LACERS staff concerning the management or performance of transition projects.

5. Provide timely information regarding material changes in the Manager's organizational structure, staffing, and any other pertinent information LACERS staff may require in evaluating the capabilities of the Manager.

The scope of services defined in the final contract between LACERS and the Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

D. MINIMUM QUALIFICATIONS

A Manager must meet all of the following minimum qualifications to LACERS satisfaction to be given further consideration. The Manager must complete the Minimum Qualification Certification (Attachment 2) substantiating that the Manager satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

1. The firm must have the ability to contract to act as a fiduciary to LACERS.

2. The firm must have been in business for a minimum of one (1) year.

3. The transition management team must have a minimum of three (3) years of experience managing transitions of assets within client portfolios.

4. The firm must have the ability to trade on an agency basis for LACERS.

5. The firm must have the ability to provide pre-transition and post-transition analysis and reporting using implementation shortfall as the benchmark measure.

6. The firm must not delegate any of its transition services to a third party, including a subsidiary broker/dealer that would not be a contractual fiduciary to LACERS during the transition process.

7. The firm must not have existing or potential conflicts of interest with the LACERS Board, staff, actuary, auditor, investment managers, consultants, or other contractors.

8. The firm must carry the following insurance coverage or must have applied for it by the contract execution date:

a.	General Liability	---	Min	$ 1,000,000
b.	Error and Omissions (Professional Liability)	---	Min	$ 5,000,000
c.	Fiduciary Liability	---	Min	$ 1,000,000
d.	Workers' Compensation and Employer's Liability	---	Min	$ 1,000,000

LACERS reserves the right to require a higher insurance coverage, if it deems necessary.

All minimum qualifications, except for no. 8 – insurance coverage, must be met as of **April 11, 2022 – 4:00 P.M. PT**.

E. PROPOSED SCHEDULE

RFP Available to Prospective Managers:		February 14, 2022
Written Questions Submission by Email: Should a firm need further clarification on the questions or specifications contained in the RFP, the Manager may e-mail questions to **lacers.invest@lacers.org**. The subject line of the e-mail should show the **name of your firm** and **"2022 Investment Transition Management Services RFP"**		February 25, 2022 – 4:00 P.M. PT
Response to Written Questions posted on LACERS' website: www.lacers.org		March 11, 2022 – 4:00 P.M. PT
Final Date for Proposal Submission:		**April 11, 2022 – 4:00 P.M. PT**
Interview of Semi-Finalists		July 2022 (tentative)
Interview of Finalists:		July 2022 (tentative)
Contract Start Date:		August 2022 (tentative)

F. SUBMISSION REQUIREMENTS

1. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Managers must address each of the required sections indicated below. Completeness, clarity, and brevity are stressed in proposals.

   Within each section of the proposal, the Manager should address the items in the RFP in the order in which they appear in the RFP. Furthermore, repeat and bold-type each question number and question in the RFP before providing your answer.

   Responses to the RFP in the Word document should be in standard 12 point Arial font (or its equivalent), non-bold and non-italicized. All questions requesting asset values must be stated in U.S. Dollars only.

   All forms, the RFP Questionnaire, and the electronic versions in Word and Excel provided in this RFP must be completely filled out. If a question does not apply to you, please write in "not applicable" and then state the reason why the question does not apply to your firm.

   Do not reformat, rephrase, or alter any questions presented in this RFP. Respond directly to the questions as asked.

The content and sequence of the proposal must be as follows:

Section	Title
I	Cover Page
II	Table of Contents
III	Letter of Transmittal
IV	Required Documents

I. Cover Page

Title for cover page: "2022 Investment Transition Management Services RFP"

II. Table of Contents

Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

III. Letter of Transmittal

A letter of transmittal must accompany all responses to this RFP and placed as the first page of the proposal. The letter of transmittal must further state that the proposal is <u>valid for nine (9) months subsequent to the proposal due date.</u>

The letter of transmittal MUST:

a. Identify the proposal as "2022 Investment Transition Management Services RFP";
b. Identify the submitting organization;
c. Identify the name and title of the person authorized by the organization to contractually obligate the organization;
d. Identify the names, titles, telephone numbers, and e-mail addresses of persons to be contacted for clarification;
e. Certify that your firm has fully complied with all provisions of the RFP and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal;
f. Be signed by a person authorized to contractually obligate the organization.

IV. Required Documents

a. Company Questionnaire (Attachment 1)

b. Minimum Qualifications Certification (Attachment 2)

c. RFP Questionnaire (Attachment 3) including requested Exhibits:

1) Exhibit A – Organizational Charts of Parent/Subsidiary Relationships, Respondent's Organization, and Transition Management Unit (Question 3)
2) Exhibit B – Form ADV Part I and II (Question 7)
3) Exhibit C – Biographies for Transition Management Team (Question 11)
4) Exhibit D – Firm Procedures on Trading and Fraud Mitigation (Question 23)
5) Exhibit E – Pre-trade Report (Question 51)
6) Exhibit F – Post-trade Report (Question 53)
7) Exhibit G – Firm Policy on Conflicts of Interest (Question 58)
8) Exhibit H – ESG and DEI Policies (Question 68 and 69)
9) Exhibit I – List of Specific Responses Marked as CONFIDENTIAL (Question 72)

d. Compliance Documents (Attachment 4)

1) Warranty/Affidavit
2) Proposer Disclosure Form
3) Bidder Certification – City Ethics Commission Form 50
4) Bidder Certification – City Ethics Commission Form 55
5) Gender Equity Disclosure Form
6) Sexual Harassment Policy Disclosure Form

As instructed in Attachment 4 – General Conditions and Compliance, do not include the completed Organization Diversity Survey (ODS) as part of the RFP response. The completed ODS must be separately uploaded to the following link:

https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1

a. **Word (or PDF) <u>and</u> Excel Electronic Versions.** Please provide the proposal and the responses in Microsoft Word (or PDF) <u>and</u> in Microsoft Excel.

The Excel spreadsheet containing questions and answers to the RFP must be submitted in the format specified in the downloaded Excel RFP Questionnaire and saved with a file name using the prescribed file name format found in the spreadsheet. We strongly advise against cut and paste answers from the Word document directly to the Excel document as it may change the integrity of the formatted Excel cells.

Note that the Excel spreadsheet may have maximum word limits that are not necessarily found in the Word document. In such cases we would expect respondents to summarize the answers while maintaining the same meaning and consistency with the Word document responses, where applicable. Please carefully follow the instructions located at the top of the formatted Excel spreadsheet.

b. **Authorization to Bind Organization.** Proposals must be signed by an individual with the authority to bind the Proposer organization and the authority of the individual signing must be stated thereon (see “Company Questionnaire” form).

c. **Confidentiality of Responses.** The word **CONFIDENTIAL** should be stamped and must be clearly designated on every page in the proposal containing proprietary or trade secret information. Proposers should be aware that LACERS is subject to the Public Records Act, but will endeavor to keep these materials private.

d. **Deadline.** All materials from the final proposals must be e-mailed to LACERS at **lacers.invest@lacers.org** no later than 4:00 P.M. Pacific Time (PT) on April 11, 2022. Please be aware of file size limitations to ensure timely delivery of the soft copy via email. Date and time will be recorded on the proposals upon their arrival. Late proposals will not be considered.

G. EVALUATION PROCESS

a. **Minimum Qualifications Evaluation.** LACERS will only evaluate proposals from firms that meet all of the minimum qualifications as specified in Section D of this RFP. Proposals from firms that fail to meet all of the minimum qualifications, in LACERS’ sole judgment, will be dismissed.

b. **Proposal Evaluation.** Proposals from firms that satisfy all of the minimum qualifications will be evaluated and ranked based on the following broad scoring categories:

Criteria	Weight
Qualifications and Experience of Organization and Transition Management Team	25%
Philosophy & Process for Managing Transitions	25%
Access to Liquidity	25%
Historical Transition Costs and Performance	25%

LACERS staff will develop a semi-finalist list for consideration by LACERS Investment Committee (Investment Committee) for advancement in the evaluation process.

c. **Due Diligence.** LACERS staff will conduct due diligence on semi-finalist firms for further evaluation.

d. **Interviews.** Semi-finalist firms that satisfactorily pass LACERS due diligence will be invited to interview with the Investment Committee. The Investment Committee will consider and recommend finalists to be invited to interview with the Board. In evaluating finalists, the Board may consider, but is not limited to, factors such as a firm's service offerings, quality and experience of the firm and team, transition philosophy and approach, etc.

e. **Award of Contract.** The Board may award contracts to any or all firms interviewed to comprise the bench of investment transition managers.

ATTACHMENT 1

COMPANY QUESTIONNAIRE

____
Proposer Firm Name

Organization's Legal Name

Type of Business (Corporation, Partnerships, Individual, etc.) Website Address

Headquarters Address

Address of Office Managing the Account (if different)

RFP Contact Name

Telephone Number Email Address

RFP Back-up Contact Name

Telephone Number Email Address

Signer (authorized to contractually bind the Organization) Date

Name and Title of Authorized Signer (Please print)

Signer (authorized to contractually bind the Organization) Date

Name and Title of Authorized Signer (Please print)

ATTACHMENT 2

MINIMUM QUALIFICATIONS CERTIFICATION

____
Proposer Firm Name

The Proposer must substantiate that the firm satisfies **all**, except no. 8 – insurance coverage, of the minimum qualifications stated in Section D of this RFP, to LACERS' satisfaction, to be given further consideration. The statement must contain sufficient information as prescribed to assure LACERS of its accuracy. Failure to satisfy each of the minimum qualifications, based on LACERS' sole judgment, will result in the immediate rejection of the proposal.

The signature of the authorized representative of the Proposer firm represents and warrants that the Proposer has met **all**, except no. 8 – insurance coverage, of the minimum qualifications by April 11, 2022. The insurance coverage requirement must be met by the contract execution date.

1. The firm has the ability to contract to act as a fiduciary to LACERS.
2. The firm has been in business for a minimum of one (1) year.

   Number of years firm has been in business:_______
3. The transition management team has a minimum of three (3) years of experience managing transitions of assets within client portfolios.

   Number of years of experience the transition management team has in transition management: ________
4. The firm has the ability to trade on an agency basis for LACERS.
5. The firm has the ability to provide pre-transition and post-transition analysis and reporting using implementation shortfall as the benchmark measure.
6. The firm does not delegate any of its transition services to a third party, including a subsidiary broker/dealer that would not be a contractual fiduciary to LACERS during the transition process.
7. The firm does not have existing or potential conflicts of interest with the LACERS Board, staff, actuary, auditor, investment managers, or other consultants.
8. The firm carries the insurance coverage as stated in Section D.8 as of April 11, 2022. If the firm does not currently carry the required coverage, it will carry the coverage or must have applied for it by the contract execution date.

____________________________	____________________________
Authorized Signature	Print Name
____________________________	____________________________
Title	Date

ATTACHMENT 3

REQUEST FOR PROPOSAL (RFP) QUESTIONNAIRE

A. Organization, Experience and Qualifications

1. Provide the address of the primary office that will service this account. If you have other office locations, provide the address and telephone number for each office, and briefly explain the primary functions performed within these offices. Please also identify the location of the firm's headquarters.

2. Provide a general description and history of the firm, including:
   a. Year firm began providing institutional trading services and year it began providing transition management or portfolio liquidation services.
   b. The ownership structure of the firm. Indicate all entities that have an ownership stake.
   c. Any subsidiaries, affiliated companies or joint ventures.
   d. Recent or planned changes to the ownership or organization structure.
   e. Importance of transition management to the business strategy and growth plans of the firm and its parent company (if applicable).

3. Attach as **Exhibit A** the following organizational charts:
   a. Parent/subsidiary relationships.
   b. Respondent's organization. Please indicate key personnel names and titles with a "*". Below the chart, please insert detailed biographies of the key personnel including education, certifications, and years of investment transition management experience.
   c. Your transition management unit listing major functional areas with the names and titles of key staff in each area along with the total number of staff in each area. If there are overlaps, please indicate and explain as a footnote.

4. Is your firm an "emerging manager" or "emerging business"? If yes, please discuss the factors that qualify you as an "emerging manager" or "emerging business."

5. For the past five calendar years, please list your firm's lines of business and approximate contributions of each business to your firm's total revenue (expressed in dollars and percentages). If you are an affiliate or subsidiary of an organization, what percentage of the organization's total revenue does your division generate?

6. Describe your present and future business plan/strategy as it relates to ownership structure and transition management services. Describe your plans for managing the future growth of your firm in terms of staff, number of clients, etc. and how this impacts your ability and commitment to servicing your existing clients.

7. Please indicate whether your firm is a registered investment advisor under the Investment Advisers Act of 1940 and whether your firm functions as a fiduciary. If so, please provide a copy of the firm's most recent Form ADV (Part I & II) and attach as **Exhibit B**. Will you be a fiduciary to LACERS? Please elaborate if your firm will not act as a fiduciary.

8. What is the estimated size (in U.S. $) of the asset transition management market? What is your firm's estimated market share and rank in this market?

9. How is your firm structured to provide transition management services? (Please specify and discuss all that apply: brokerage affiliate, stand-alone agency, introducing broker, index fund management affiliate, custody bank affiliate, consultant affiliate, principal only, etc.)

10. Describe the levels (dollar amounts) of coverage your firm has for SEC required fidelity bonds, errors and omissions insurance, or any other insurance coverage the firm has to indemnify transition management clients against losses.

11. Attach as **Exhibit C** a list of biographies of the key personnel who would be responsible for managing asset transitions on behalf of LACERS. Describe the transition management experience of each individual. Identify what role each person would serve in an asset transition, and identify who would serve as the client relationship manager, the trading coordinator, and the risk manager.

12. Complete the following table:

Key Personnel					
Submitted by {INSERT FIRM NAME}					
Please provide the following information for all of the key personnel who would be involved in the transition of a portfolio for LACERS.					
Name of Professional	**Title/Responsibilities**	**Years of Experience**	**Years with Firms' Transition Management Unit**	**Degrees/ Designations**	**Sponsoring Body/School**

13. Complete the following table:

Functional Area	**Number of Staff**
Trading analysis and operations	
Transition strategists	
Transition portfolio management	
Trading and execution	
Support and custody interface	
Compliance and risk management	
Sales and marketing	
Legal counsel	
Audit	
All other (explain)	
Total transition management and support staff	

14. Describe the compensation and incentive program for professionals directly involved in asset transitions. How are they evaluated and rewarded? Are managers and traders compensated on volume of trades, commissions earned for the firm, or on how well they minimize cost for clients?

15. Identify and discuss the causes and impact of any turnover (departures or hiring/promotions) of any key professionals in the transition management group in the past three years. How long has the current team been together?

16. Does your firm issue a Statement on Standards for Attestation Engagements (SSAE) 16 report? What date did the firm last issue this report?

17. Complete the following table:

Personnel Turnover					
Submitted by {INSERT FIRM NAME}					
Indicate when and why any key personnel of the Transition Management Unit left or joined the firm during the three-year period ended 12/31/21. What were/are their job responsibilities? For personnel who have left, indicate job titles and years with the firm and who replaced them.					
Date	**Name/Title**	**Responsibilities**	**Years at Firm**	**Reason for Leaving**	**Replaced by (name/title)**
Departed:					
Joined:					
SUMMARY:					
	Total # of Professionals	**# Joined**		**# Departed**	**% Turnover**
1/1/19 – 12/31/19					
1/1/20 – 12/31/20					
1/1/21 – 12/31/21					

18. What services does your firm (or any subsidiary or affiliate) offer in addition to transition management services?

19. Provide references using the format below for three U.S. public defined benefit plans (or other types of clients if three public pension funds are unavailable) with

assets over $3 billion for whom you provide transition management services comparable to the services requested in this RFP.

Please secure advanced permission to contact these references.

References					
Client Name	**Plan Size**	**Contact**	**Title**	**Phone No.**	**Email**

B. Philosophy and Process for Transition Management

20. Describe your firm's philosophy concerning transition management for institutional clients. What are your firm's specialties, strengths, and limitations? What differentiates your firm from competitors?

21. How does your firm define best execution? Does the firm utilize third party services to verify best execution?

22. Describe the "product" that your firm offers for transition management services. Describe in detail the step-by-step process that your firm would utilize in managing an asset transition for LACERS, from pre-trade analysis to post-trade reporting.

23. Do you have a risk and compliance team that oversees the transition process? Please describe your risk management and compliance process. Attach as **Exhibit D** the firm's written procedures to ensure that all trading activity is focused on best execution. Also attach as **Exhibit D** the firm's written procedures to identify and address fraudulent activity.

24. How would your firm manage the operational risk of a transition to ensure that securities and cash are properly and seamlessly transferred and accounted for during the transition? What is your process for liquidating securities that may be on loan via a securities lending program? How do you handle corporate actions that may arise during a transition?

25. How does your firm define a successful transition? Do you use T-Standard to measure your transitions? Briefly compare and contrast to any other measurement systems you use. How should your firm's performance be evaluated to determine if the transition was successful? Describe your methodologies for measuring costs, savings and performance. Contrast your transition cost calculation methodology with the main alternative methodologies.

26. Has your firm adopted the T-Charter?

27. What is your firm's soft dollar policy? Does the transition management unit engage in soft dollar practices?

28. How does your firm maintain market exposure and minimize tracking error for a transition occurring within the same asset class? Describe in detail the use of futures, ETFs, derivatives, index funds, etc.

29. Does your firm subcontract or outsource any parts of your transition management services? Please describe in detail which functions are performed externally and the reason(s) for doing so. Please provide the names of the providers, office locations, number of years in business, and the qualifications of the specific people who will be working on LACERS' account.

30. Do you have any additional strategic relationships with third parties that could potentially enhance your transition management capabilities? If yes, please describe.

31. Explain how your firm manages explicit and implicit trading costs in a transition.

32. What third party systems or internal systems does your firm use to calculate the costs of a transition?

33. Is trading performed on an agency basis, principal basis or both? Please describe when and why one method could be preferred over another in a transition.

34. Describe your firm's trading capabilities within each of the following areas:
    a. U.S. equities
    b. Non-U.S. equities, developed and emerging
    c. U.S. investment grade fixed income and high yield fixed income securities
    d. Non-U.S. fixed income securities
    e. REITS
    f. TIPS
    g. Other (explain)

35. Does your firm's trading strategy differ by asset class? Is your firm a specialist in any particular market or region? Are dedicated resources and personnel segregated by asset class or geographic region?

36. Describe the process your firm follows in soliciting bids from brokers. How many bids would you seek for a typical security? Provide a breakdown of percentage of trades allocated to each of the five most utilized brokerage firms over each of the last three (3) years. How do you avoid leaking information to the market?

37. What value can your firm add in a transition (for example, emerging markets equity) where there are few crossing opportunities and trading is heavily controlled by government regulations or market practices?

38. What value can your firm add in a fixed income transition versus having the new investment manager do it?

39. LACERS utilizes Northern Trust as its custodian. Has your firm executed any transitions for clients that also used Northern Trust? If yes, please indicate how many transitions have been done for those clients over the past three (3) years.

40. List the major custodian banks that your firm currently works with.

41. Would your firm be willing to perform transition management services under a performance-based arrangement, whereby you would make up any shortfall between the pre-trade estimate and the actual transition cost by rebating commission income the firm earned on the transition? Would your firm be willing to perform its services under some other performance-based compensation arrangement? If yes, please describe how the arrangement would work.

42. Complete the following table:

Transition Activity			
Submitted by {INSERT FIRM NAME}			
Total of All Clients			
Year	**$ Market Value of Assets***	**# of Clients****	**# of Transitions**
1/1/21 – 12/31/21			
1/1/20 – 12/31/20			
1/1/19 – 12/31/19			
1/1/18 – 12/31/18			
1/1/17 – 12/31/17			

Total of Public Pension Fund Clients			
Year	**$ Market Value of Assets***	**# of Clients****	**# of Transitions**
1/1/21 – 12/31/21			
1/1/20 – 12/31/20			
1/1/19 – 12/31/19			
1/1/18 – 12/31/18			
1/1/17 – 12/31/17			

* Provide the Market Value of all client portfolios transitioned during the year.
** Provide the number of clients for which portfolios were transitioned during the year.

C. Access to Liquidity

43. Identify your firm's sources of liquidity for asset transitions by asset class and provide indications of the breadth of those sources of liquidity. (For example, if

your firm has the ability to internally cross securities with U.S. equity index funds with $500 billion in assets, then please elaborate.)

44. Does your firm have the ability to internally cross securities at no cost with other client accounts or accounts of the firm's affiliates? Describe these internal sources of liquidity and how your firm can use them to reduce the cost of a transition.

45. Complete the following table:

Crossing Percentage by Asset Class
Submitted by {INSERT FIRM NAME}

Please provide the requested information for each execution method for each asset class for the three-year period ended 12/31/21. Percentages should represent the percentage of the total market value for the period for each execution method.

Asset Class: U.S. Equities

Execution Method	Market Value	Shares	Percent of Total Market Value
In-Kind Transfer			
Internal Crossing			
External Crossing			
Open Market Trading			
Total			**100%**

Asset Class: Non-U.S. Equities

Execution Method	Market Value	Shares	Percent of Total Market Value
In-Kind Transfer			
Internal Crossing			
External Crossing			
Open Market Trading			
Total			**100%**

Crossing Percentage by Asset Class
Submitted by {INSERT FIRM NAME}

Please provide the requested information for each execution method for each asset class for the three-year period ended 12/31/21. Percentages should represent the percentage of the total market value for the period for each execution method.

Asset Class: U.S. Investment Grade Fixed Income

Execution Method	Market Value	Par Value	Percent of Total Market Value
In-Kind Transfer			
Internal Crossing			
External Crossing			
Open Market Trading			
Total			**100%**

Asset Class: High Yield Fixed Income

Execution Method	Market Value	Par Value	Percent of Total Market Value
In-Kind Transfer			
Internal Crossing			
External Crossing			
Open Market Trading			
Total			**100%**

Crossing Percentage by Asset Class
Submitted by {INSERT FIRM NAME}

Please provide the requested information for each execution method for each asset class for the three-year period ended 12/31/21. Percentages should represent the percentage of the total market value for the period for each execution method.

Asset Class: Non-U.S. Fixed Income

Execution Method	Market Value	Par Value	Percent of Total Market Value
In-Kind Transfer			
Internal Crossing			
External Crossing			
Open Market Trading			
Total			**100%**

46. Does your firm use external crossing networks (Posit, Instinet, etc.)? If yes, describe the circumstances when you would or would not use such a network.

47. How does your firm define a “dark pool”? What measures does your firm deploy to ensure that LACERS will not be disadvantaged in situations where “frontrunning” or commission rebates can hinder best execution?

48. What are the costs and fees associated with the “dark pools” of assets?

49. What is your process for selling securities that trade infrequently or have no active market? What circumstances might prevent your firm from liquidating all of the securities in a portfolio? What is your firm’s protocol for these situations?

50. Identify and define in detail all sources of revenue for your firm during a transition, both explicit and implicit. Provide same calculations and measurements.

D. Reporting Capabilities

51. Attach as **Exhibit E** a written pre-trade analysis report that includes the estimated costs and timeframe required to achieve a specific transition.

52. Are you able to provide daily, real time on-line or Internet reporting access to clients and/or managers to view the activity during the transition period? If yes, please describe.

53. Attach as **Exhibit F** a written post-trade analysis report that describes the transition and provides the client with an evaluation of the transition versus the pre-trade analysis.

54. Of the total transitions your firm has conducted over the last five years, how many times have the actual costs exceeded one standard deviation of the pre-trade mean estimated costs? Provide explanations for each incident.

E. Historical Transition Costs and Performance

55. Complete the following tables:

Actual Transition Costs vs. Pre-trade Estimates Submitted by {INSERT FIRM NAME}			
Time Period: 1/1/21 – 12/31/21	**Actual Total**	**Pre-Trade Estimated**	
Asset Class	**Transition Costs (1)**	**Transition Costs (2)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			
Time Period: 1/1/20 – 12/31/20	**Actual Total**	**Pre-Trade Estimated**	
Asset Class	**Transition Costs (1)**	**Transition Costs (2)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			
Time Period: 1/1/19 – 12/31/19	**Actual Total**	**Pre-Trade Estimated**	
Asset Class	**Transition Costs (1)**	**Transition Costs (2)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			

(1) Provide the mean transition cost (in basis points) of all transitions completed in the calendar year. Transition cost must include explicit costs (such as commissions, taxes and fees) and implicit costs such as market impact and timing of execution.

(2) Provide the mean pre-trade estimated transition cost (in basis points) of all transitions completed in the calendar year. Transition cost must include explicit costs (such as commissions, taxes and fees) and implicit costs such as market impact and timing of execution.

Actual Implicit Transition Costs vs. Pre-trade Estimates
Submitted by {INSERT FIRM NAME}

Time Period: 1/1/21 – 12/31/21	Actual Total	Pre-Trade Estimated	
Asset Class	**Implicit Costs (1)**	**Implicit Costs (1)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			

Time Period: 1/1/20 – 12/31/20	Actual Total	Pre-Trade Estimated	
Asset Class	**Implicit Costs (1)**	**Implicit Costs (1)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			

Time Period: 1/1/19 – 12/31/19	Actual Total	Pre-Trade Estimated	
Asset Class	**Implicit Costs (1)**	**Implicit Costs (1)**	**Difference**
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			

(1) Provide the mean implicit costs (in basis points) of all transitions completed in the calendar year including, but not limited to, market impact and timing of execution.

Actual Explicit Transition Costs vs. Pre-trade Estimates			
Submitted by {INSERT FIRM NAME}			
Time Period: 1/1/21 – 12/31/21	Actual Total	Pre-Trade Estimated	
Asset Class	Explicit Costs (1)	Explicit Costs (1)	Difference
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			
Time Period: 1/1/20 – 12/31/20	Actual Total	Pre-Trade Estimated	
Asset Class	Explicit Costs (1)	Explicit Costs (1)	Difference
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			
Time Period: 1/1/19 – 12/31/19	Actual Total	Pre-Trade Estimated	
Asset Class	Explicit Costs (1)	Explicit Costs (1)	Difference
U.S. Equities > $3bn in mkt cap			
U.S. Equities ≤ $3bn in mkt cap			
Non-U.S. Equities – dev. mkts > $5bn in mkt cap			
Non-U.S. Equities – dev. mkts ≤ $5bn in mkt cap			
Non-U.S. Equities – emerging mkts > $5bn in mkt cap			
Non-U.S. Equities – emerging mkts ≤ $5bn in mkt cap			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
Non-U.S. Fixed Income			
TOTAL			
(1) Provide the mean explicit costs (in basis points) of all transitions completed in the calendar year including, but not limited to, commissions, taxes and fees.			

F. Standards of Conduct

56. Disclose any financial or other relationship your firm has or has had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, "There are no conflicts of interest to report."

57. Disclose any gifts[1] that your firm has provided to any LACERS Board member, consultant, or LACERS employee in the last three years. If such gifts have been provided, please disclose them using the format below:

No.	Date (mm/dd/yy)	Provided to	Description of Gifts [1]	Value (U.S. $)

[1] Gifts could be in the form of meals, tickets, paid travel, anything of value over $50, etc.

58. Do you have any written policies or procedures to address conflicts of interest? If so, please provide as **Exhibit G**.

59. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?

60. For the past 10 years has your firm, its officers or principals, employees or any affiliate ever:

    a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self regulatory body or organization,

    b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or

    c. submitted a claim to your error & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

61. If 'yes' to any of the above, please provide details and the current status or disposition.

62. Has any employee of your firm been convicted of a misdemeanor or felony in the past 10 years? Please explain.

63. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does your firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?

64. Does your firm have a dedicated, full-time compliance officer? If "yes," please provide a brief biography of this person including name, title, and compliance experience. If "no," please explain who manages conflicts.

65. Does your firm hold or sponsor investment manager or client conferences? If yes, describe such events occurring in the last year, their usual frequency, and whether the costs of such events are borne by your firm or event attendees?

66. Describe any financial relationships that exist with other organizations such as brokerage firms, insurance companies, commercial banks, investment banks, investment management firms, etc.

G. Environmental, Social & Governance and Diversity, Equity & Inclusion

67. Is your firm a signatory to the Principles for Responsible Investment (PRI)? If yes, then what year did your firm become a signatory?

68. Does your firm have an Environmental, Social, & Governance (ESG) Policy? If yes, then please attach as **Exhibit H**.

69. Please describe your firm's policies, programs, and/or initiatives to promote Diversity, Equity, and Inclusion (DEI). If available, please include the policy as part of **Exhibit H**.

70. Please describe any programs and/or initiatives your firm has adopted to mentor under-represented groups in your firm. Provide examples of such staff who have promoted up or out of the organization under such a program.

H. Other

71. Please describe your business continuity plan. Have you ever had to activate any parts the plan? If so, describe the effectiveness of the plan and any post-activity modifications to that plan.

72. Please describe any partnerships and programs that seek to do business with under-represented firms.

73. Attach as **Exhibit I** a list (including page numbers) of the questions and corresponding responses in this RFP that you have marked CONFIDENTIAL pursuant to the General Conditions document referenced in Attachment 5.

ATTACHMENT 4

GENERAL CONDITIONS AND COMPLIANCE DOCUMENTS

All Proposers are to review the following documents:

1. Appendix A – General Conditions
   - Attachment 1 – Confidentiality & Non-Disclosure of Member Information
   - Attachment 2 – RFP Warranty/Affidavit
   - Attachment 3 – Ethical Contract Compliance Policy
   - Attachment 4 – Ethical Contract Compliance Proposer Disclosure Form
   - Attachment 5 – Bidder Certification – City Ethics Commission Form 50
   - Attachment 6 – Bidder Certification – City Ethics Commission Form 55
   - Attachment 7 – Form 700 Filers

2. Appendix B – Standard Provisions for City Contracts

3. Appendix C – Additional Forms
   - Attachment 1 – Gender Equity Disclosure Form
   - Attachment 2 – Sexual Harassment Policy Disclosure Form
   - Attachment 3 – Organization Diversity Survey (ODS)

   Please refer to the LACERS Emerging Investment Manager Policy within the LACERS Investment Policy Manual for further details regarding the ODS. The policy is located on LACERS website at:

   https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543

All Proposers are to complete the following **forms** and include as Attachment 4 of your response:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed.

2. Proposer Disclosure Form (Appendix A, Attachment 4).

3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.

4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.

5. Gender Equity Disclosure Form (Appendix C, Attachment 1).

6. Sexual Harassment Policy Disclosure Form (Appendix C, Attachment 2).

Additionally, all proposers are requested to complete an Organization Diversity Survey (ODS). **Do not include the completed ODS form as part of Attachment 4 of your RFP response.** Pursuant to the LACERS Emerging Investment Manager Policy, completed ODS forms are to be submitted separately to:

https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1

If you experience problems uploading the completed ODS to the link above, please contact lacers.invest@lacers.org for assistance.

FAILURE TO COMPLY WITH THE INSTRUCTIONS FOR COMPLETING AND SUBMITTING THE ABOVE DOCUMENTS MAY DEEM YOUR PROPOSAL AS NON-RESPONSIVE AND REMOVE YOUR PROPOSAL FROM FURTHER CONSIDERATION.