LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, MARCH 28, 2023

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Board in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Board or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

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LACERS Website Address/link:
www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Notice to Paid Representatives

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

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

CLICK HERE TO ACCESS BOARD REPORTS

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

II. ELECTION TO FILL UNEXPIRED TERM OF THE VACANT OFFICE OF THE BOARD PRESIDENT PURSUANT TO LOS ANGELES CITY CHARTER SECTION 503(A) AND POSSIBLE BOARD ACTION

III. IF VACANCY CREATED IN OFFICE OF THE VICE PRESIDENT BY BOARD ACTION ON AGENDA ITEM II, ELECTION TO FILL UNEXPIRED TERM OF BOARD VICE PRESIDENT, PURSUANT TO LOS ANGELES CITY CHARTER SECTION 503(A) AND POSSIBLE BOARD ACTION

IV. BOARD PRESIDENT VERBAL REPORT

V. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

VI. RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR FEBRUARY 2023

B. COMMISSIONER JANNA SIDLEY BOARD EDUCATION EVALUATION ON COUNCIL OF INSTITUTIONAL INVESTORS SPRING CONFERENCE; WASHINGTON, D.C.; MAY 6-8, 2023

VII. CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE MEETING OF FEBRUARY 28, 2023 AND POSSIBLE BOARD ACTION

VIII. COMMITTEE REPORTS

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON MARCH 14, 2023

B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON MARCH 28, 2023

IX. BOARD/DEPARTMENT ADMINISTRATION

A. ACTUARIAL RISK ASSESSMENT AND REVIEW OF FUNDED STATUS OF THE RETIREMENT AND HEALTH PLANS AS OF JUNE 30, 2022

B. PRELIMINARY PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2023-24 AND POSSIBLE BOARD ACTION

C. TRIENNIAL BOARD POLICY REVIEW: SECTION 3.0 DUTIES AND RESPONSIBILITIES, SUBSECTIONS 3.1 THROUGH 3.5 AND POSSIBLE BOARD ACTION

X. INVESTMENTS

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

B. INVESTMENT MANAGER CONTRACT WITH GRANAHAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

C. ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE BOARD ACTION

XI. OTHER BUSINESS

XII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, April 11, 2023 at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

XIII. ADJOURNMENT

Agenda of: **MAR. 28, 2023**
Item No: **VI-A**

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

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

BOARD MEMBERS:

President Nilza R. Serrano
Vice President Elizabeth Lee

Commissioner Annie Chao
Commissioner Thuy Huynh
Commissioner Janna Sidley
Commissioner Sung Won Sohn
Commissioner Michael R. Wilkinson

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

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

Name of Attendee: Janna Sidley	
Title of Conference/Seminar: CII-Spring Conference - Council of Institutional Investors	
Location: Salamander Hotel, Washington, D.C.	No. of Education Hours: 15
Event Sponsor: CII	Date(s) Held: May 6-8, 2023

Report for:

- ☒ Travel
- ☐ Conference/Seminar Attendance Only

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

The conference was held in Washington, D.C.

II. Significant Information Gained:

Learned a lot of information about ESG investing. The head of the SEC and the AFL-CIO spoke. Inflation discussion was very informative.

III. Benefits to LACERS:

I will be a significantly better informed Commissioner.

IV. Additional Comments:

I think this organization has a lot to offer but is more conservative than current LACERS philosophy.

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT WITHIN 30 DAYS AFTER ATTENDING CONFERENCE/SEMINAR

Agenda of:	Mar. 28, 2023
Item No:	VII-A

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

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 February 28, 2023 meeting will be conducted via telephone and/or videoconferencing.

February 28, 2023

10:01 a.m.

PRESENT via Videoconferencing:	President:	Nilza R. Serrano
	Vice President:	Elizabeth Lee
	Commissioners:	Annie Chao Thuy Huynh Sung Won Sohn Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
ABSENT:	Commissioner:	Janna Sidley

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – President Serrano asked if any persons wanted to make a general public comment to which there was no response.

II

BOARD PRESIDENT VERBAL REPORT – President Serrano shared that she hopes that everyone is safe during the cold weather.

III

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:

- Pension Symposium on February 22, 2023
- LACERS Open for Service on April 3, 2023
- LACERS HQ Updates
- Retirement Services updates
- Health Benefits Administration updates
- Communications and Stakeholder Relations
- Member Services updates
- Upcoming events

B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following items:

- Benefits Administration Committee – Health Board Rules
- Education and Travel Expenditure Report for the Quarter ending December 31, 2022

IV

RECEIVE AND FILE ITEMS

A. 2022 ANNUAL REPORT ON LACERS ORGANIZATION DIVERSITY SURVEY – Isaias Cantu, Senior Benefits Analyst II, provided the Board with an overview of this report and this report was received by the Board and filed.

B. SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 31, 2022 – Todd Bouey, Executive Officer, provided the Board with an overview of this report and the report was received by the Board and filed.

C. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JANUARY 2023 – This report was received by the Board and filed.

D. BOARD MEETING PROCEDURES PURSUANT TO ASSEMBLY BILL 2449 – This report was received by the Board and filed.

V

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

CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 24, 2023 AND POSSIBLE BOARD ACTION

B. UPDATE TO GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION

SIGNATURE AUTHORITY
FOR GENERAL MANAGER DESIGNEES

RESOLUTION 230228-A

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

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

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

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

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

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

3. Chief Benefits Analyst of Health, Wellness, and Buyback Division (HWABD) – for the approval of benefit payments and related transactions; and approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the HWABD the approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the Service

Purchase Section the approval and execution of service purchase contracts, certifications of service, and related transactions; and delegate to the Senior Benefits Analysts I and II in the Health Benefits Administration the approval of retiree health benefits and related transactions.

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

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

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

7. Chief Investment Officer or Investment Officer III – for the approval of investment transactions required within the scope of the contracts approved by the Board; and approval of expenditures within the authorized Investment Division budget.

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

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

10. Member Stewardship Section Manager or Senior Benefits Analyst II – comprised of Active Member Accounts (AMA) and the Member Processing Unit (MPU) – for the approval of expenditures within the authorized budget and the Actuarial program budget.

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

Endorsed: ____

Todd Bouey
Assistant General Manager

Endorsed: ____

Dale Wong-Nguyen
Assistant General Manager

Endorsed: ______________________________
Ferralyn Sneed
Chief Benefits Analyst of Retirement Services Division

Endorsed: ______________________________
Karen Freire
Chief Benefits Analyst of Health, Wellness, and Buyback Division

Endorsed: ______________________________
Taneda Larios
Chief Benefits Analyst of Communications and Stakeholder Relations Division

Endorsed: ______________________________
Rodney June
Chief Investment Officer

Endorsed: ______________________________
Edwin Avanessian
Chief Management Analyst of Administration Division

Endorsed: ______________________________
Melani Rejuso
Departmental Audit Manager

Endorsed: ______________________________
Vikram Jadhav
Development and Marketing Director

Endorsed: ______________________________
Thomas Ma
Information System Manager II

Endorsed: ______________________________
Bryan Fujita
Investment Officer III

Endorsed: ______________________________
Wilkin Ly
Investment Officer III

Endorsed: ______________________________
Delia Hernandez
Senior Benefits Analyst II

Endorsed: ______________________________
Audrey Dymally
Senior Benefits Analyst II

Endorsed: ______________________________

Edeliza Fang
Senior Benefits Analyst II

Endorsed: ______________________________
Margaret Drenk
Senior Benefits Analyst II

Endorsed: ______________________________
Heather Ramirez
Senior Benefits Analyst II

Endorsed: ______________________________
Lauren McCall
Senior Benefits Analyst II

Endorsed: ______________________________
Isaias Cantú
Senior Management Analyst II

Endorsed: ______________________________
Lin Lin
Senior Personnel Analyst II

Endorsed: ______________________________
Brittany Cotton
Senior Benefits Analyst I

Endorsed: ______________________________
Ada Lok
Senior Benefits Analyst I

Endorsed: ______________________________
Glen Malabuyoc
Senior Benefits Analyst I

Endorsed: ______________________________
James Kawashima
Senior Benefits Analyst I

Endorsed: ______________________________
Lourdes Quintos
Senior Benefits Analyst I

Endorsed: ______________________________
Maricel Martin
Senior Benefits Analyst I

Endorsed: ____
Tiffany Obembe
Senior Benefits Analyst I

Endorsed: ____
Brian Cha
Senior Benefits Analyst I

Endorsed: ____
Horacio Arroyo
Senior Management Analyst I

Endorsed: ____
John Koontz
Senior Management Analyst I

Endorsed: ____
Charlena Freeman
Senior Personnel Analyst I

VI

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON FEBRUARY 14, 2023 – Vice President Lee stated presentations by Wasatch Advisors, Inc. and Wellington Management Company LLP were made during the meeting. She also shared that the Committee approved the investment manager contracts with Segall Bryant & Hamill and Copeland Capital Management, LLC.

B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON FEBRUARY 28, 2023 – Commissioner Wilkinson stated the Committee were presented the Benefits Administration resource needs for Fiscal Year 2023-24.

VII

BOARD/DEPARTMENT ADMINISTRATION

A. DESIGNATION OF LOCATION FOR REGULAR LACERS BOARD AND COMMITTEE MEETINGS EFFECTIVE MARCH 14, 2023: 977 N. BROADWAY, LOS ANGELES, CALIFORNIA 90012, AND POSSIBLE BOARD ACTION – Vice President Lee moved approval of the following Resolution:

DESIGNATION OF LOCATION FOR REGULAR LACERS BOARD AND COMMITTEE MEETINGS EFFECTIVE MARCH 14, 2023: 977 N. BROADWAY, LOS ANGELES, CALIFORNIA 90012 AND POSSIBLE BOARD ACTION

RESOLUTION 230228-B

WHEREAS, the proposed designation of regular meeting location will aid LACERS in conducting business and provide effective and efficient Plan administration;

WHEREAS, the Ralph M. Brown Act, specifically Government Code Section 54954, subsection (a); states Each legislative body of a local agency, except for advisory committees or standing committees, shall provide, by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the time and place for holding regular meetings. and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby adopts the proposed Regular Meeting Location of 977 N. Broadway, Los Angeles, California 90012 effective March 14, 2023, providing the Board of Administration and Committees a Regular Meeting Location.

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

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Bryan Fujita, Investment Officer III, reported on the portfolio value of $21.25 billion as of February 27, 2023. Mr. Fujita discussed the following items:

- Polen Capital Credit was removed from watch effective February 15, 2023
- Future Agenda Items: Total Fund Portfolio Performance Review as of December 31, 2022 and Annual Adaptive Asset Allocation Policy Status Report

Mr. Fujita shared that Russian exposure for LACERS was 1.4 basis points and there were no material changes since February 14, 2023.

B. INVESTMENT MANAGER CONTRACT WITH SEGALL BRYANT & HAMILL REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Barbara Sandoval, Investment Officer II, presented this item to the Board. Commissioner Wilkinson moved approval of the following Resolution:

CONTRACT RENEWAL
SEGALL BRYANT & HAMILL
ACTIVE U.S. SMALL CAP VALUE EQUITIES
PORTFOLIO MANAGEMENT

RESOLUTION 230228-C

WHEREAS, LACERS' current three-year contract with Segall Bryant & Hamill (SBH) for active U.S. small cap value equities portfolio management expires on July 31, 2023; and,

WHEREAS, SBH is in compliance with the LACERS Manager Monitoring Policy; and, WHEREAS, a contract renewal with SBH will allow the LACERS total portfolio to maintain a diversified exposure to U.S. small cap value equities; and,

WHEREAS, on February 28, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with SBH.

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

Company Name:	Segall Bryant & Hamill
Service Provided:	Active U.S. Small Cap Value Equities Portfolio Management
Effective Dates:	August 1, 2023 through July 31, 2026
Duration:	Three years
Benchmark:	Russell 2000 Value Index
Allocation as of December 31, 2022:	$107 million

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

C. INVESTMENT MANAGER CONTRACT WITH COPELAND CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Barbara Sandoval, Investment Officer II, presented this item to the Board. Vice President Lee moved approval of the following Resolution:

CONTRACT RENEWAL
COPELAND CAPITAL MANAGEMENT, LLC
ACTIVE U.S. SMALL CAP CORE EQUITIES
PORTFOLIO MANAGEMENT

RESOLUTION 230314-D

WHEREAS, LACERS' current three-year contract with Copeland Capital Management, LLC (Copeland) for active U.S. small cap core equities portfolio management expires on July 31, 2023; and,

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

WHEREAS, a contract renewal with Copeland will allow the LACERS total portfolio to maintain a diversified exposure to U.S. small cap core equities; and, WHEREAS, on February 28, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Copeland.

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

Company Name:	Copeland Capital Management, LLC
Service Provided:	Active U.S. Small Cap Core Equities Portfolio Management
Effective Dates:	August 1, 2023 through July 31, 2026
Duration:	Three years
Benchmark:	Russell 2000 Index
Allocation as of December 31, 2022:	$226 million

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

D. NOTIFICATION OF COMMITMENT OF UP TO €76.0 MILLION (APPROXIMATELY $75.0 MILLION) IN VITRUVIAN INVESTMENT PARTNERSHIP V – This report was received by the Board and filed.

E. NOTIFICATION OF COMMITMENT OF UP TO $60 MILLION IN GTCR FUND XIV/A LP AND GTCR FUND XIV/B LP – This report was received by the Board and filed.

IX

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, March 14, 2023, at 10:00 a.m. The meeting location will be posted on the agenda for March 14, 2023 and the LACERS website.

XI

ADJOURNMENT – There being no further business before the Board, President Serrano adjourned the Meeting at 10:55 a.m.

Nilza R. Serrano
President

Neil M. Guglielmo
Manager-Secretary

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: MARCH 28, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: IX-A**

SUBJECT: **ACTUARIAL RISK ASSESSMENT AND REVIEW OF FUNDED STATUS OF THE RETIREMENT AND HEALTH PLANS AS OF JUNE 30, 2022**

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

Recommendation

That the Board receive and file this report.

Executive Summary

LACERS' consulting actuary, Segal, prepared and is presenting to the Board of Administration (Board) the LACERS Risk Assessment and Review of Funded Status of the Retirement and Health Plans as of June 30, 2022 (Actuarial Risk Assessment Report). In accordance with Actuarial Standard of Practice (ASOP) No. 51, the purpose of the Actuarial Risk Assessment Report is to assist the Board, the City Employer, Members, and other stakeholders to better understand and assess the risk profile of the Retirement System, as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results of the June 30, 2022 Actuarial Funding Valuations.

Discussion

This Actuarial Risk Assessment Report expands upon the Risk Assessment section reported in the June 30, 2022 Actuarial Valuation. Although ASOP 51 does not apply to Other Post-Employment Benefits, the same types of information and analysis are applicable and thus LACERS' Management has requested inclusion of the Health Plan in this report.

This report illustrates how favorable and unfavorable economic and demographic experience have impacted the funded status, Unfunded Actuarial Accrued Liabilities, and the employer contribution rates over the past ten years, as well as provides deterministic projections of these factors calculated on hypothetical investment experience (i.e., 14.00%, 0.00%, and the assumed 7.00% return for the current fiscal year) based on plan assets as of June 30, 2022. Segal has also included a stochastic projection of future market returns to show the range of possible changes in funded status and contribution rates for the next 20 years.

Paul Angelo and Andy Yeung of Segal will be presenting the Actuarial Risk Assessment Report to the Board.

Strategic Plan Impact Statement

LACERS Actuarial Risk Assessment report and review of the funded status of the Retirement and Health Plans will help the Board, our Members, and other stakeholders gain a better understanding of the risk profile of the System. This report and review conform to LACERS' Strategic Plan Goal 5, Governance, to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Edwin Avanessian, Chief Management Analyst

NG/TB/EA

Attachments: LACERS Risk Assessment Including Review of Funded Status of the Retirement and Health Plans as of June 30, 2022

BOARD Meeting: 3/28/2023
Item: IX-A
Attachment

Los Angeles City Employees' Retirement System

Risk Assessment

Including Review of Funded Status of the Retirement and Health Plans as of June 30, 2022

March 20, 2023

Paul Angelo, FSA, MAAA, FCA, EA
Andy Yeung, ASA, MAAA, FCA, EA
Todd Tauzer, FSA, MAAA, FCA, CERA

Segal

Table of Contents

Section 1: Introduction and Executive Summary

Introduction

The purpose of this report is to assist the Board of Administration,[1] participating employers and members and other stakeholders to better understand and assess the risk profile of the Los Angeles City Employees' Retirement System (LACERS), as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results in our June 30, 2022 funding valuations for LACERS.

The results included in our June 30, 2022 funding valuation reports for the Retirement and Health Plans were prepared based on a fixed set of economic and non-economic actuarial assumptions under the premise that future experience of LACERS would be consistent with those assumptions. While those assumptions are generally reviewed every three years (with the assumptions from the last triennial experience study adopted by the Board of Administration for use starting with the June 30, 2020 valuation), there is a risk that emerging results may differ significantly as actual experience is fluid and will not completely track current assumptions.

It is important to note that this risk assessment is based on plan assets as of June 30, 2022. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Moreover, this risk assessment does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after June 30, 2022. While it is impossible to determine how the pandemic will affect market conditions and other demographic experience of the plan in future valuations, the single year investment return scenario test included within this report provides an illustration of the impact of short-term market fluctuations on the plan. In addition to the stochastic projections prepared for the next 20 years included in this report, Segal is available to prepare other projections of selected potential outcome scenarios upon request.

Actuarial Standard of Practice on Risk Assessment

The Actuarial Standards Board approved the Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment when performing a funding valuation and it was effective with LACERS' June 30, 2019 actuarial valuation for benefits

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[1] This risk report has been prepared at the request of the Board of Administration to assist in administering the Fund. This risk report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this risk report may not be applicable for other purposes.

provided by the Retirement Plan.[2] ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Examples of key risks listed that are particularly relevant to LACERS are asset/liability mismatch risk, investment risk, and longevity and other demographic risks. The Standard also requires an actuary to consider if there is any ongoing contribution risk to the plan; however, it does not require the actuary to evaluate the particular ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

The actuary's initial assessment can be strictly a qualitative discussion about potential adverse experience and the possible effect on future results, but it may also include quantitative numerical demonstrations where informative. The actuary is also encouraged to consider a recommendation as to whether a more detailed risk assessment would be significantly beneficial for the intended user in order to examine particular financial risks. When making that recommendation, the actuary will take into account such factors as the plan's design, risk profile, maturity, size, funded status, asset allocation, cash flow, possible insolvency and current market conditions. This report incorporates a more detailed risk assessment as agreed upon with LACERS.

Plan Risk Assessment

In Section 2, we start by discussing some of the historical factors that have caused changes in LACERS' funded status and employer contribution rates. It is important to understand how the combination of decisions and experience has led to the current financial status of the plan.

We follow this with a discussion of the most significant risk factors going forward. Even though we have not included a numerical analysis of all the risk factors, based on our discussions with LACERS we have illustrated the impact on the funded status and employer contribution rates using relevant economic scenario tests. These tests illustrate the effect of future investment returns on the System's portfolio coming in differently from the current 7.00% annual investment return assumption used in the June 30, 2022 valuations. We have also included a projection of future results based on a stochastic modeling of future investment returns for 2022/2023 and thereafter. The stochastic modeling is useful for assessing the distribution of future results based on random variations in actual investment returns each year, and introduces a relative likelihood for the range of potential outcomes.

The Standard also requires disclosure of plan maturity measures and other historical information that are significant to understanding the risks associated with the Retirement and Health Plans and this information is included in this report.

[2] ASOP 51 does not actually apply to actuaries performing services related to other post-employment benefits; however, as the same kind of information is useful for the administration of the Health Plan, after discussions with LACERS the System has requested Segal to include information on the Health Plan in this risk report.

Executive Summary

Historical Funded Status and Employer Contribution Rates

The following table provides a summary of financial changes to the Retirement and Health Plans over the last 10 valuations by showing the beginning and ending year results over that period. The full set of results for each of the 10 years is provided in *Appendix D*.

The unfunded actuarial accrued liability (UAAL)[3] and contribution rates[4] increased primarily as a result of the strengthening of the actuarial assumptions used in preparing the valuations and unfavorable investment experience that were offset to some degree by favorable non-investment experience.

	Market Value Basis		Valuation Value Basis		Aggregate Employer Contribution Rate (% of Payroll – Contributions Received on July 15)
Valuation Date	**Funded Status**	**UAAL**	**Funded Status**	**UAAL**	
June 30, 2013	68.7%	$5.4B	69.1%	$5.3B	26.56%
June 30, 2022	73.6%	$7.3B	76.4%	$6.5B	33.36%

Future Funded Status and Employer Contribution Rates

In this report, we highlight key factors that may affect the financial profile of the Plans going forward. As investment experience in the past 10 years has had a significant impact on the funded status and employer contribution rates, we have also provided deterministic projections (using select scenarios for illustration) under hypothetical unfavorable and favorable future market experience so that the impact of market performance can be better understood.

3 For example, the UAAL increased by $920.7 million in the June 30, 2014 valuations, $461.9 million in the June 30, 2017 valuations, $593.6 million in the June 30, 2018 valuations, and $626.6 million in the June 30, 2020 valuations (for a total of $2.6B), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

4 For example, the increase in the employer's total rate (normal cost plus UAAL) was 3.20% in the June 30, 2014 valuations, 2.03% in the June 30, 2017 valuations, 2.09% in the June 30, 2018 valuations, and 3.94% in the June 30, 2020 valuations (for a total of 11.26%), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

The total (aggregate) employer contribution rate is 33.36% of total payroll in the June 30, 2022 valuations. Using a deterministic projection, this report shows the effect of either unfavorable (0.00%) or favorable (14.00%) hypothetical market returns for 2022/2023 on key valuation results. In particular, the changes in the total employer contribution rate (relative to the June 30, 2022 valuations aggregate employer contribution rate of 33.36%) in the June 30, 2023 valuations and in the June 30, 2029 valuations (when all the investment gains or losses are fully recognized at the end of the seven-year asset smoothing period) are as shown in the following table:[5]

Employer Contribution Rate Change

	2022/2023 Single Plan-Year Investment Return		
Valuation Date	**0.00%**	**7.00% (Baseline)**	**14.00%**
June 30, 2023	1.0% of payroll	0.2% of payroll	-0.5% of payroll
June 30, 2029	7.8% of payroll	1.5% of payroll	-4.7% of payroll

Under the hypothetical market return scenarios we have studied, the Retirement Plan is projected to reach full funding by around 2042 under Scenarios 1, 2 and 3, and the Health Plan is projected to reach full funding by around 2043 under Scenarios 1 and 2 or as soon as 2027 under Scenario 3. Note that under each of the hypothetical market return scenarios for 2022/2023, the total employer normal cost contribution rate would be expected to approach about 9.7% of payroll when both of the Retirement and Health Plans reach full funding.

Using a stochastic projection that models market return over the next 20 years by using expected return, standard deviation and other information about LACERS' asset portfolio,[6] there is a 50% chance that the employer contribution rates would be between 0% and 53% of payroll at the end of 10 years and between 0% and 32% of payroll at the end of 20 years. Furthermore, there is a 34% chance LACERS would be fully funded at the end of 10 years and a 59% chance LACERS would be fully funded at the end of 20 years.

Plan Maturity Measures

During the past 10 valuations, the Plans have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members (as shown in *Section 2, Charts 12a and 12b* on pages 35 and 36) and by an increase in the ratios of plan assets and liabilities to active member payroll (as shown in *Section 2, Charts 13a and 13b* on pages 37 and 38). We expect these trends to continue going forward. This is significant for understanding

5 Assuming no further assumption changes, method changes or experience that differs significantly from assumptions.

6 For the stochastic modeling, we have used the allocation that we understand was approved by the Board in September 2021, as provided by LACERS, and which represents the long term targets expected to be achieved by July 1, 2025, together with updated expected return, standard deviation, and other information as outlined in the Appendix. This modeling assumes no further assumption changes, method changes or non-investment experience that differs significantly from assumptions. For a detailed discussion regarding the target asset allocation used in the stochastic projections, see Appendix A, page 41.

the volatility of both historical and future employer contribution rates because any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active and active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members. Put another way, as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes. As the Plans continue to mature with time, its risk profile will continue to evolve in this way and contributions will grow more sensitive to plan experience.

Section 2: Key Plan Risks on Funded Status, Unfunded Actuarial Accrued Liabilities, and Employer Contribution Rates

Evaluation of Historical Trends – Retirement and Health Plans

Funded Status and UAAL

One common measure of LACERS' financial status is the funded ratio. This ratio compares the valuation[7] and market value of assets to the actuarial accrued liabilities (AAL)[8] of LACERS. After accounting for contributions made at the Actuarially Determined Contribution (ADC) amount, the overall level of funding of LACERS has remained relatively level as a result of favorable non-investment and investment experience, offset by the strengthening of the actuarial assumptions. The funded ratios and UAAL are provided separately for the Retirement and Health Plans for the past 10 valuations from June 30, 2013 to 2022 measured using both valuation and market value of assets in *Charts 1a* and *1b*, respectively.

The factors that caused the changes in the UAAL for the past 10 valuations from June 30, 2013 to 2022 are provided separately for the Retirement and Health Plans in *Charts 2a* and *2c,* respectively.[9] The results in *Charts 2a* and *2c* show that the reductions in the investment return assumption in the June 30, 2014, 2017, and 2020[10] valuations, together with the changes in the mortality tables and other assumptions from the three triennial experience studies recommending assumptions used in the June 30, 2014, 2018, and 2020[10] valuations, have had the most impact on the UAAL for LACERS.[11]

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[7] The valuation value of assets is the portion of the total actuarial value of assets allocated for the Retirement and Health Plans. The actuarial value of assets is equal to the market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period.

[8] For the actives, the actuarial accrued liability is the value of the accumulated normal costs allocated to the years before the valuation date. For the pensioners, beneficiaries and inactive vested members, the actuarial accrued liability is the single-sum present value of the lifetime benefit expected to be paid to those members.

[9] For the Health Plan, *Chart 2c* shows changes only for the past nine valuations, from June 30, 2014 to 2022, because detailed information regarding the change in UAAL is not readily available in Segal's valuation report for June 30, 2013.

[10] The Board has a practice of reviewing the investment return and other actuarial assumptions at the same time in the triennial experience study. However, the full (economic and demographic) 2017 experience study was delayed one year to 2018 to allow more time for Segal to study and the Board to discuss and approve the assumptions, and a 2017 study of only the economic assumptions was completed as part of the June 30, 2017 valuations.

[11] For example, for the Retirement and Health Plans combined, the UAAL increased $920.7 million in the June 30, 2014 valuations, $461.9 million in the June 30, 2017 valuations, $593.6 million in the June 30, 2018 valuations, and $626.6 million in the June 30, 2020 valuations (for a total of $2.6B), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

For the Retirement Plan, *Chart 2a* shows favorable non-investment experience, which included lower than expected COLAs granted to retirees and beneficiaries, and lower than expected salary increases for continuing actives. For the Health Plan, *Chart 2c* also shows favorable non-investment experience, which included premiums and medical subsidies lower than projected. The non-investment experience for both plans also included the scheduled 12-month delay in implementing the contribution rates determined in the annual valuation.

Finally, *Charts 2a* and *2c* show some "negative amortization" due to the initial 30-year amortization of the combined base established June 30, 2012. The negative amortization from the combined base for both the Pension Plan and the Health Plan is not expected to continue after June 30, 2022. Current assumptions and amortization policy generally will not entail negative amortization for any new UAAL identified in the future. For the Health Plan, there was some additional "negative amortization" in past years through the operation of the amortization policy. Reductions in UAAL from favorable premium renewal and other experience gains were amortized over 15 years while increases in UAAL through assumption changes were amortized over 20 years. However, as part of the June 30, 2022 valuation, LACERS lined up the amortization periods for the recent experience gains and had them amortized over the same 20-year period used to amortize the total pre-June 30, 2021 bases.

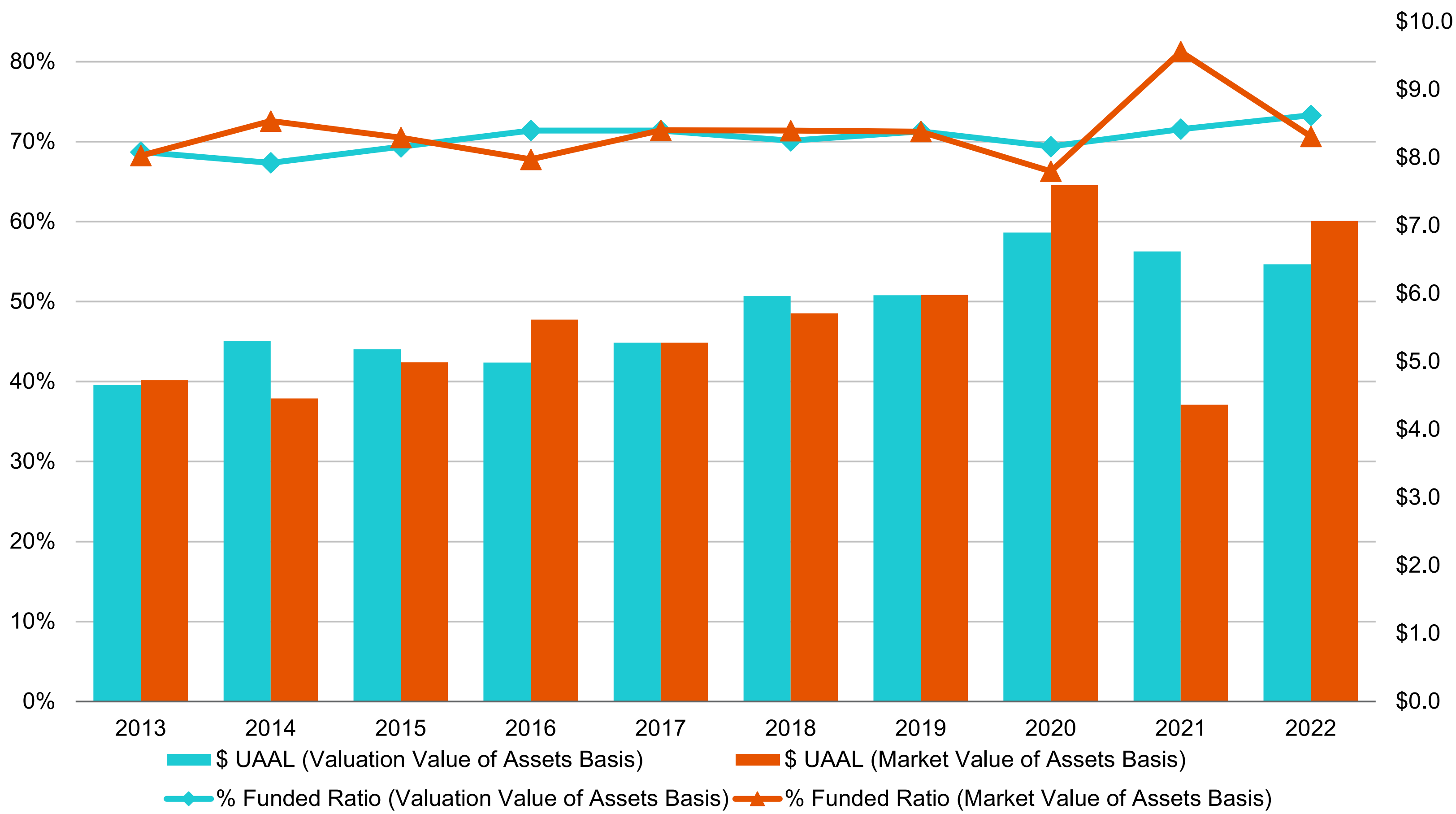
Charts 2b and 2d display the aggregate changes in unfunded liability by source over the last ten years for the Retirement Plan and over the last nine years for the Health Plan.[12] In particular, it shows the substantial effort made by LACERS in strengthening actuarial assumptions in a challenging economic and demographic environment.

It is important to note that LACERS has strengthened the assumptions over time, particularly lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL. We believe these actions are essential for LACERS' fiscal health going forward.

[12] For the Health Plan, Chart 2d shows aggregate changes only for the past nine valuations, from June 30, 2014 to 2022, because detailed information regarding the change in UAAL is not readily available in Segal's valuation report for June 30, 2013.

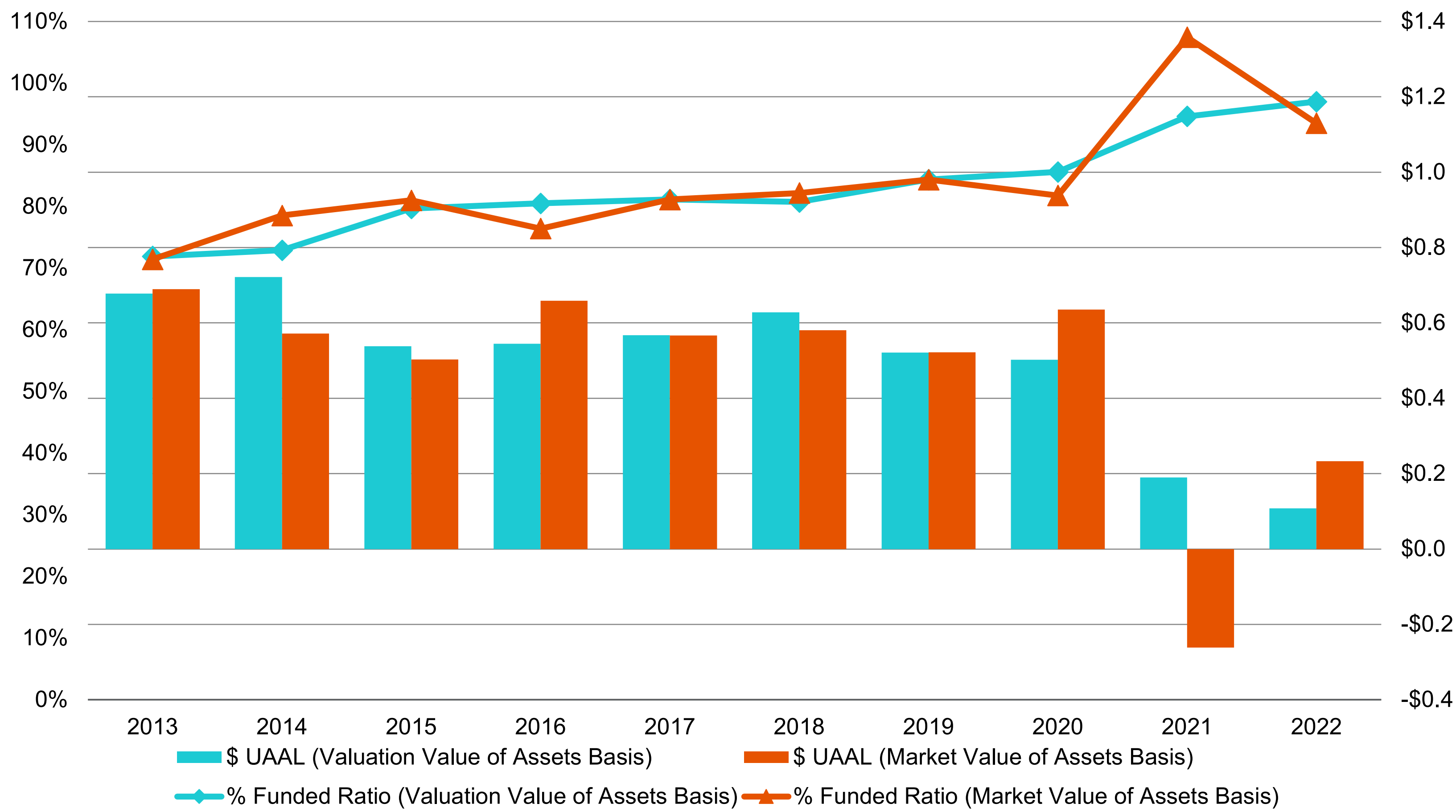
RETIREMENT PLAN

Funded Ratio (Percentages) and Dollar UAAL ($ Billions) in June 30, 2013 to 2022 Valuations



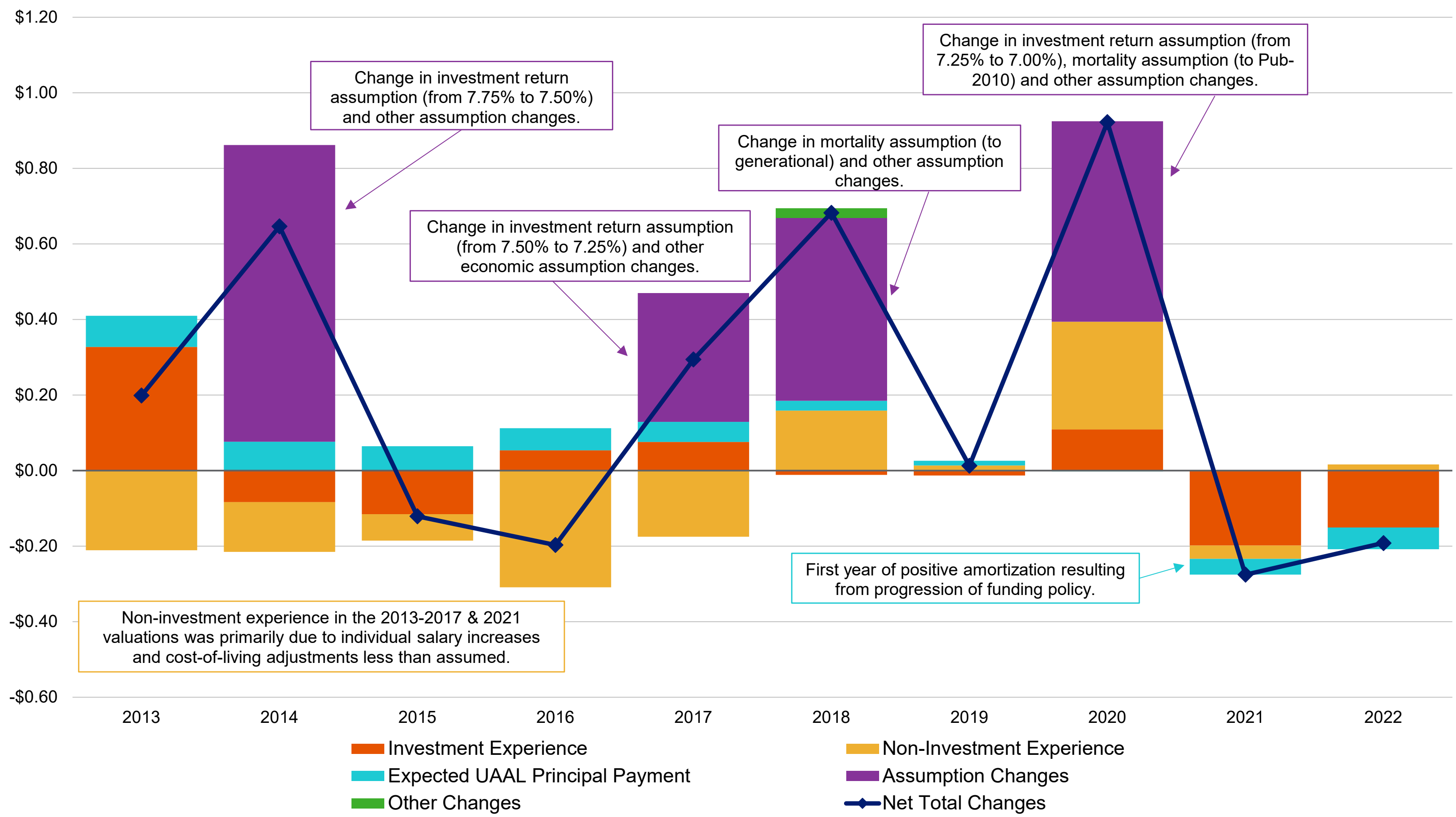
HEALTH PLAN

Funded Ratio (Percentages) and Dollar UAAL ($ Billions) in June 30, 2013 to 2022 Valuations



RETIREMENT PLAN

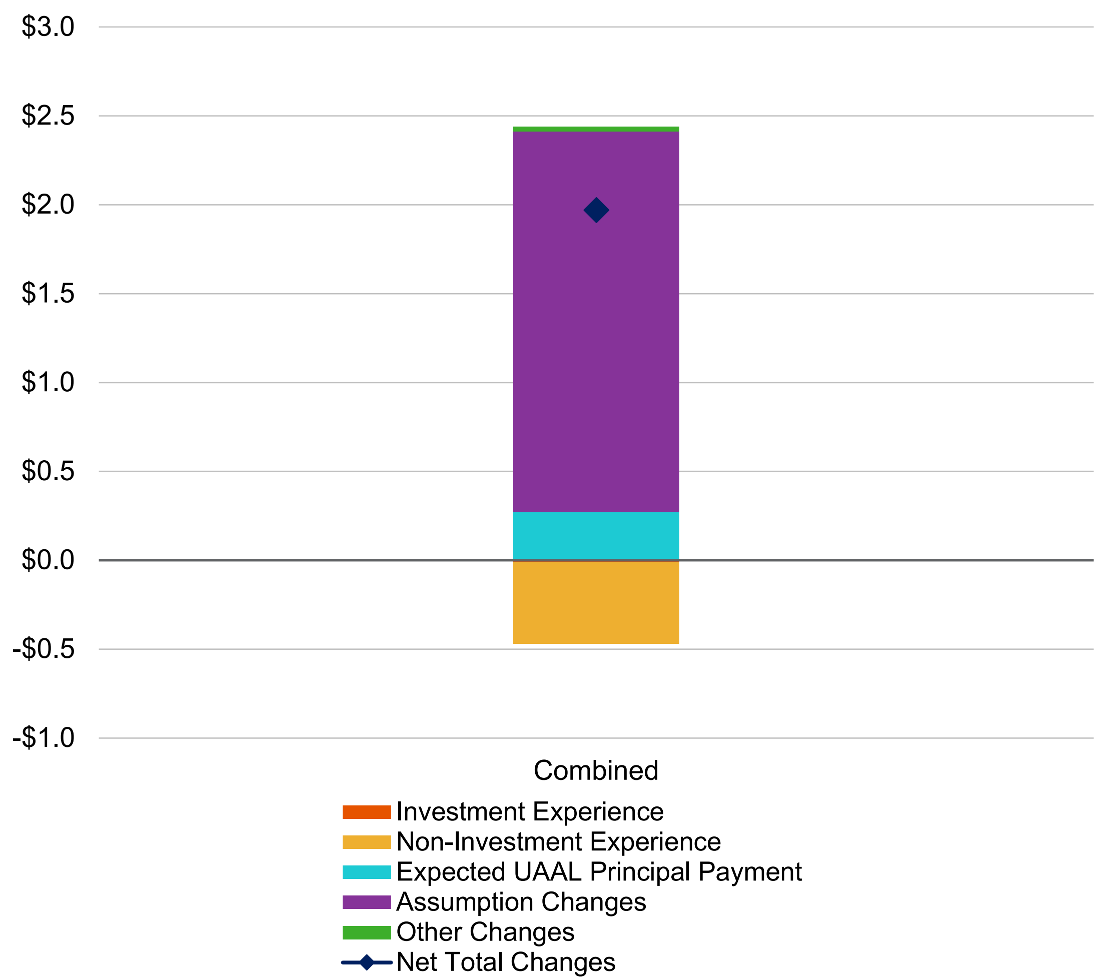
Factors that Changed UAAL in June 30, 2013 to 2022 Valuations ($ Billions)



Note: The primary source of investment losses starting in the June 30, 2009 valuation is the Great Recession, which was recognized in the valuation value of assets over several years.

RETIREMENT PLAN

Factors that Changed UAAL in June 30, 2013 to 2022 Valuations ($ Billions)

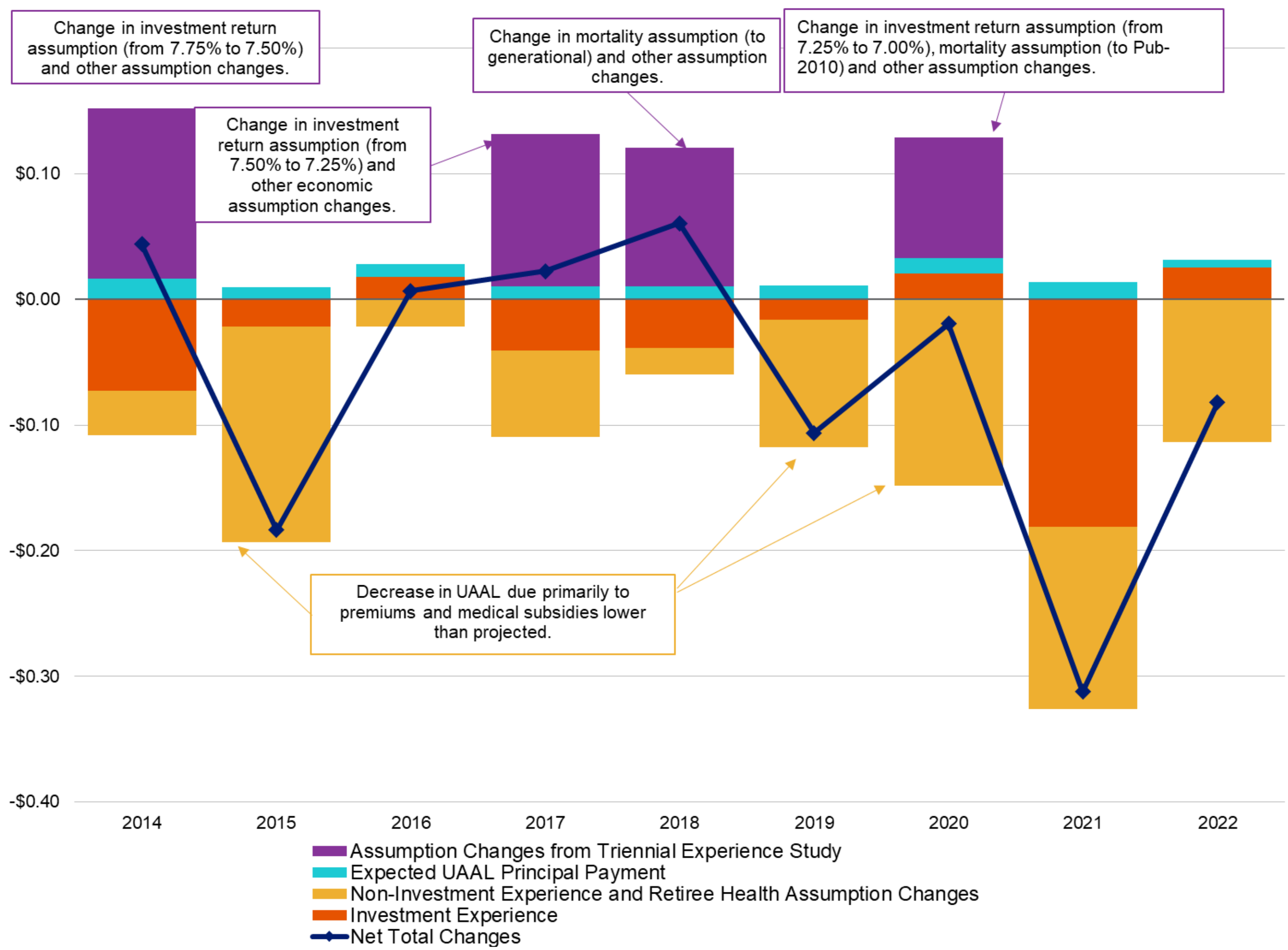


Note: This summation of UAAL changes by source does not account for the timing of when they occurred nor any resulting compounding effects.

Chart 2c

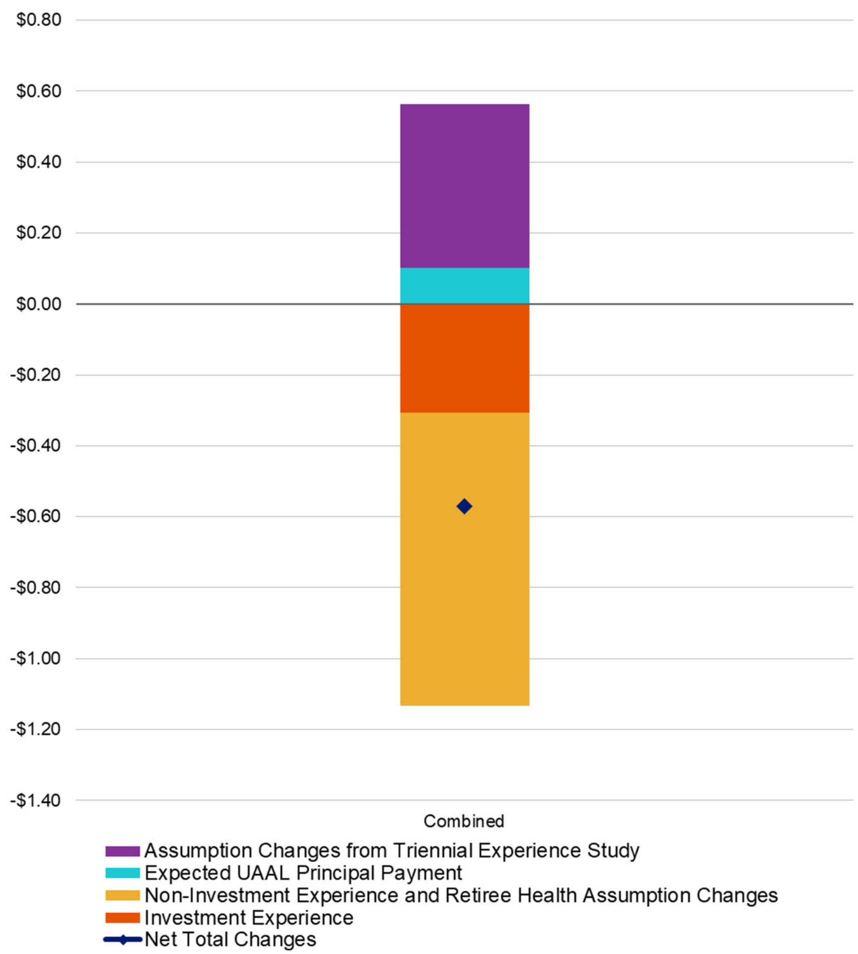
HEALTH PLAN

Factors that Changed UAAL in June 30, 2014 to 2022 Valuations
($ Billions)



HEALTH PLAN

Factors that Changed UAAL in June 30, 2014 to 2022 Valuations
($ Billions)



Note: This summation of UAAL changes by source does not account for the timing of when they occurred nor any resulting compounding effects.

Employer Contribution Rates

The total (normal cost[13] plus UAAL payment) employer contribution rates determined in the June 30, 2013 to 2022 valuations for the Retirement and Health Plans are provided in *Charts 3a* and *3b*, respectively, and the factors that caused the changes in the total aggregate employer rates[14] for the Retirement and Health Plans are provided in *Charts 4a and 4b*, respectively.

The aggregate employer normal cost rates for the Retirement and Health Plans as shown in *Charts 3a* and *3b* have stayed relatively flat since the June 30, 2013 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2013 and the June 30, 2022 valuations primarily due to changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by the plan changes – with the introduction of Tier 3 – as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, beginning with the June 30, 2012 valuation, an additional employee contribution (either 2% or 4%, becoming 4% for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees.[15] For the Health Plan, the UAAL rate generally decreased between the June 30, 2013 and the June 30, 2022 valuations. The primary sources of the decrease include health related assumption changes and other actuarial experience (primarily medical premiums and subsidies lower than projected).

For the Retirement Plan, *Chart 4a* shows that the changes in the expected investment return, mortality tables and other assumptions have had the most impact on increasing the UAAL contribution rates[16] for the City. Favorable non-investment experience has partially offset the contribution rate increases during 2013 to 2020.

For the Health Plan, *Chart 4b* shows that the non-investment experience[17] (primarily medical premiums and subsidies lower than projected) has had the most impact on decreasing the UAAL contribution rates[16] for the City, offset somewhat from changes in the expected investment return, mortality tables and other assumptions.

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[13] The normal cost is the amount of contributions required to fund the portion of the level cost of the member's projected retirement and health benefits that is allocated to the current year of service.

[14] There are separate contribution rates determined in the valuation for Tier 1 and Tier 3 (previously Tier 2, through the June 30, 2015 valuation). The aggregate contribution rates have been calculated based on an average of those rates weighted by the payrolls of the active members reported in those valuations.

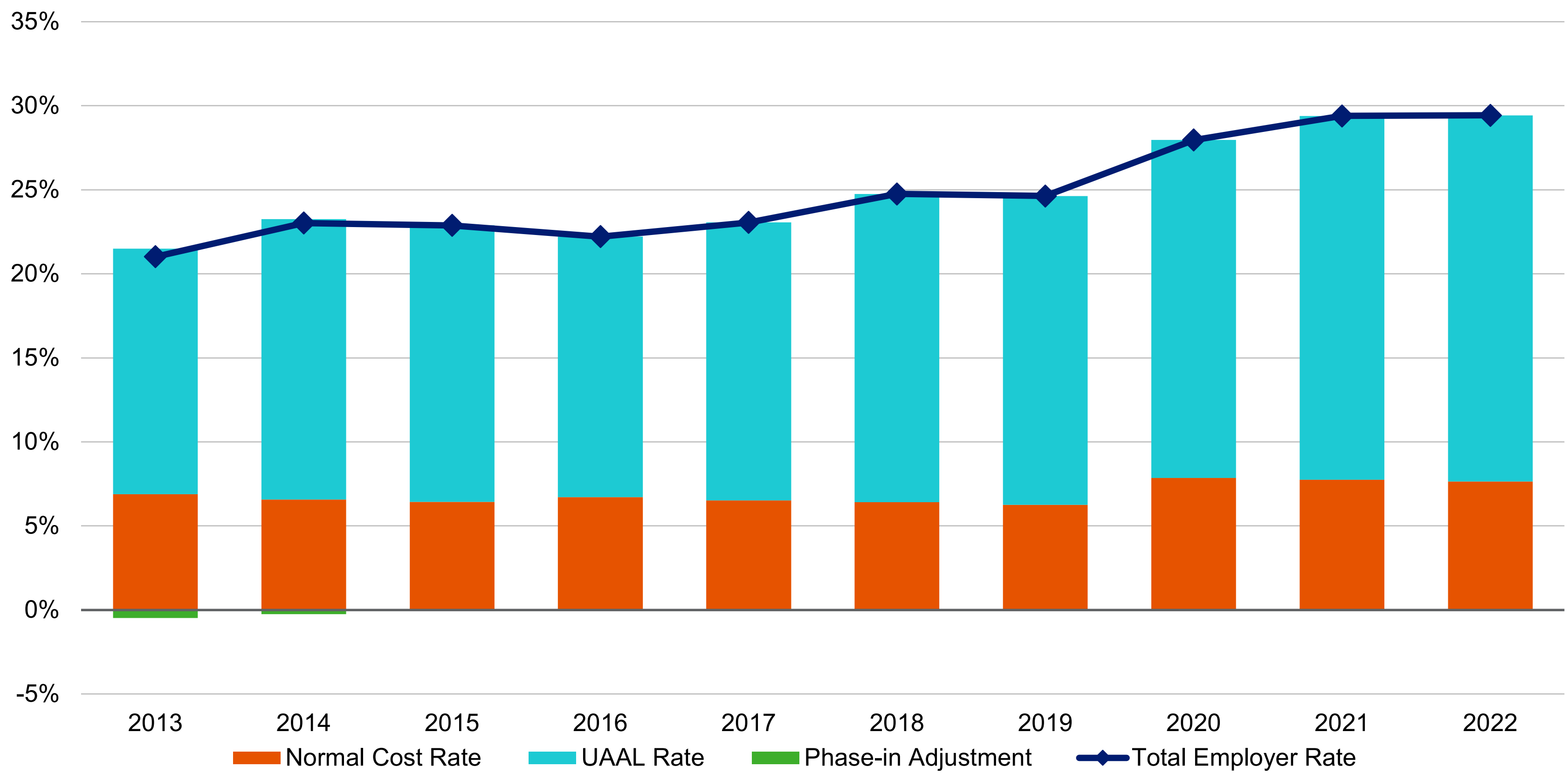
[15] As of the June 30, 2012 valuation, roughly 95% of active members were required to pay an additional member contribution rate. By the June 30, 2020 valuation, all active members were paying an additional member contribution rate (which was increased to 4.5% for less than 1% of active members).

[16] For example, for the Retirement and Health Plans combined, the increase in the employer's total rate (normal cost plus UAAL) was 3.20% in the June 30, 2014 valuations, 2.03% in the June 30, 2017 valuations, 2.09% in the June 30, 2018 valuations, and 3.94% in the June 30, 2020 valuations (for a total of 11.26%), as a result of the assumptions adopted by the Board following the economic assumptions study and the experience studies over the last ten years.

[17] Includes the impact of the annual review and adjustment of the medical trend assumptions.

RETIREMENT PLAN

Employer Contribution Rates in June 30, 2013 to 2022 Valuations
(% of Payroll – Contributions Received on July 15)



HEALTH PLAN

Employer Contribution Rates in June 30, 2013 to 2022 Valuations
(% of Payroll – Contributions Received on July 15)

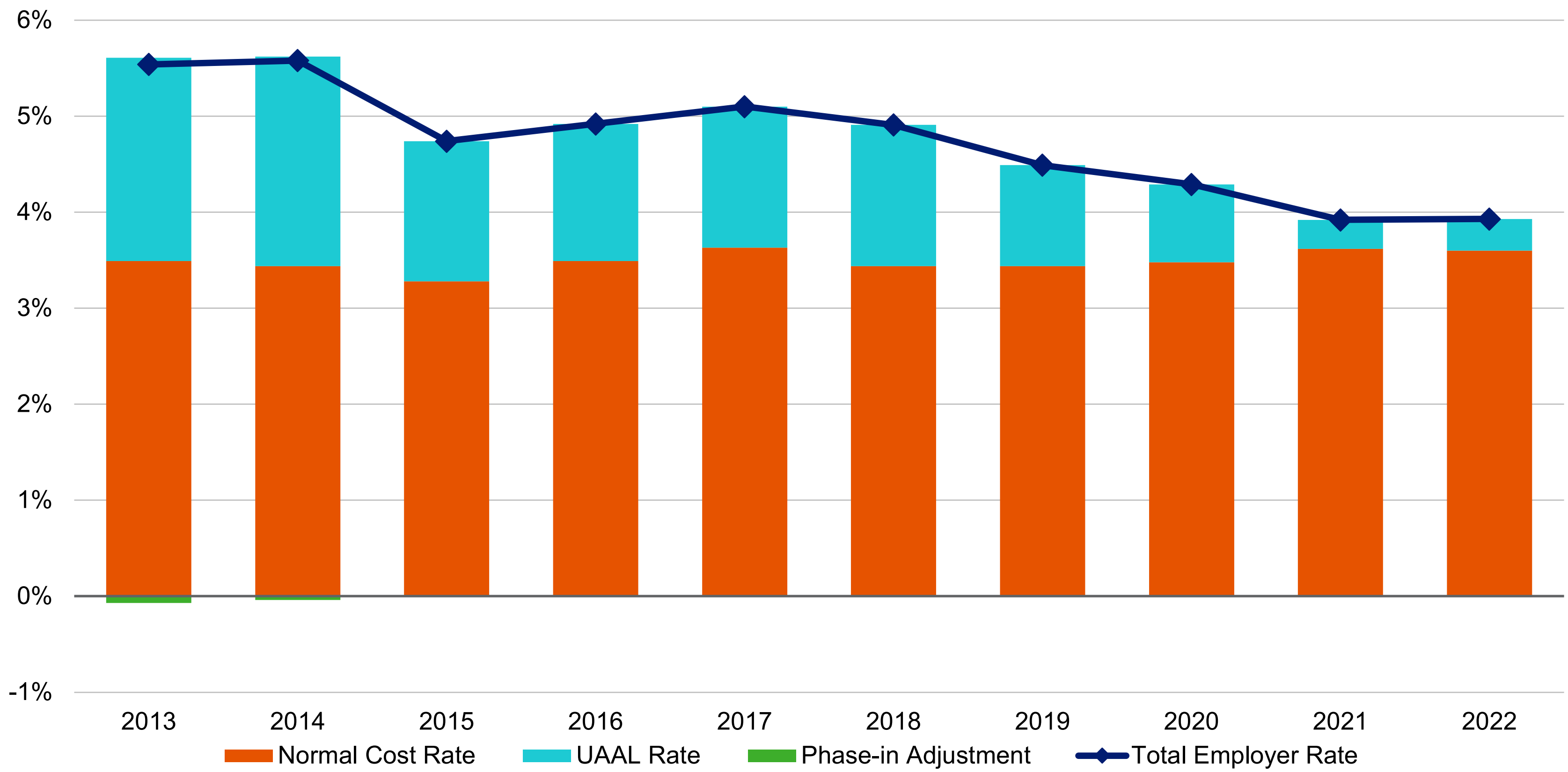
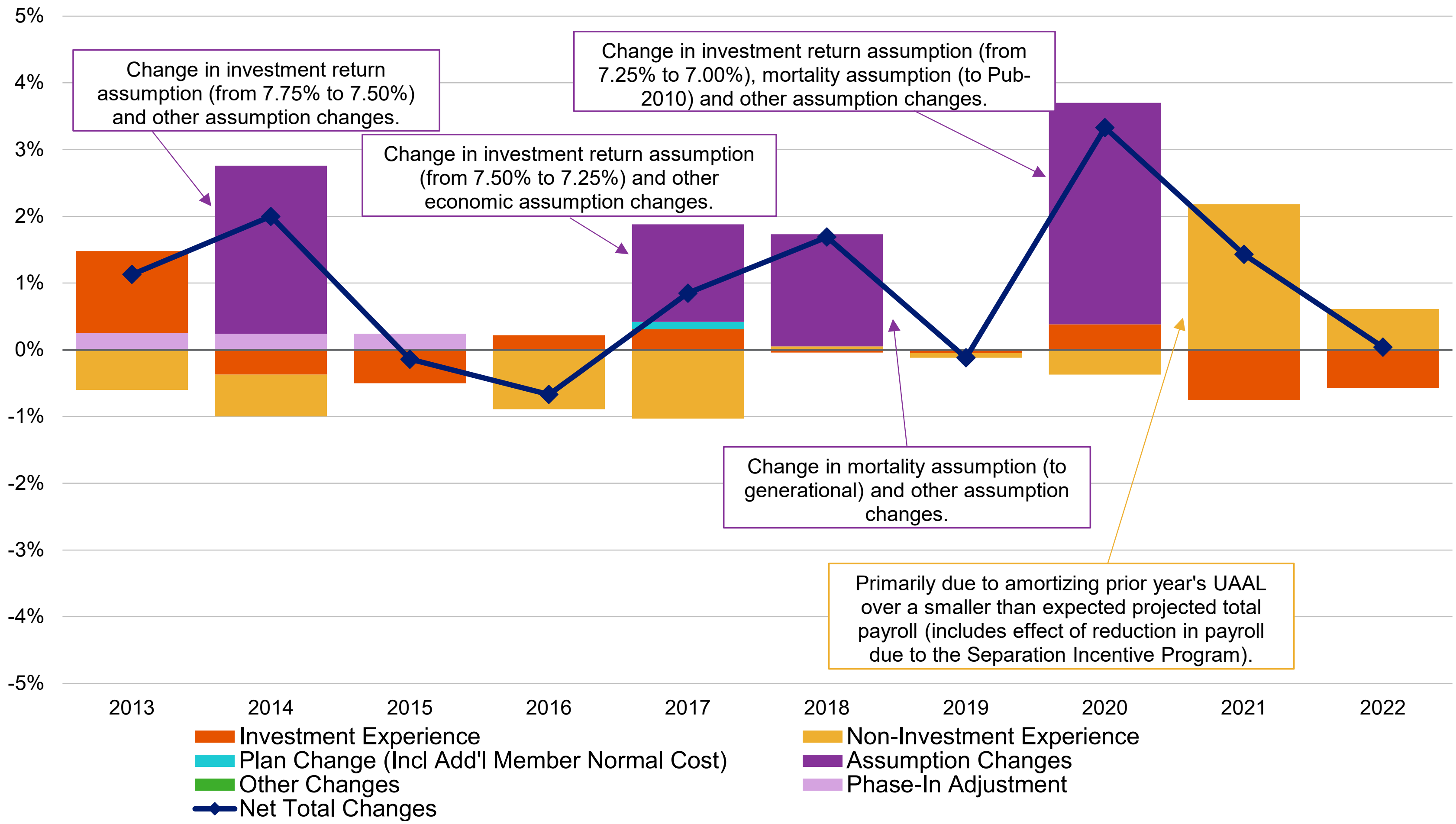


Chart 4a

RETIREMENT PLAN

Factors that Affected Employer Contribution Rates in June 30, 2013 to 2022 Valuations (% of Payroll – Contributions Received on July 15)

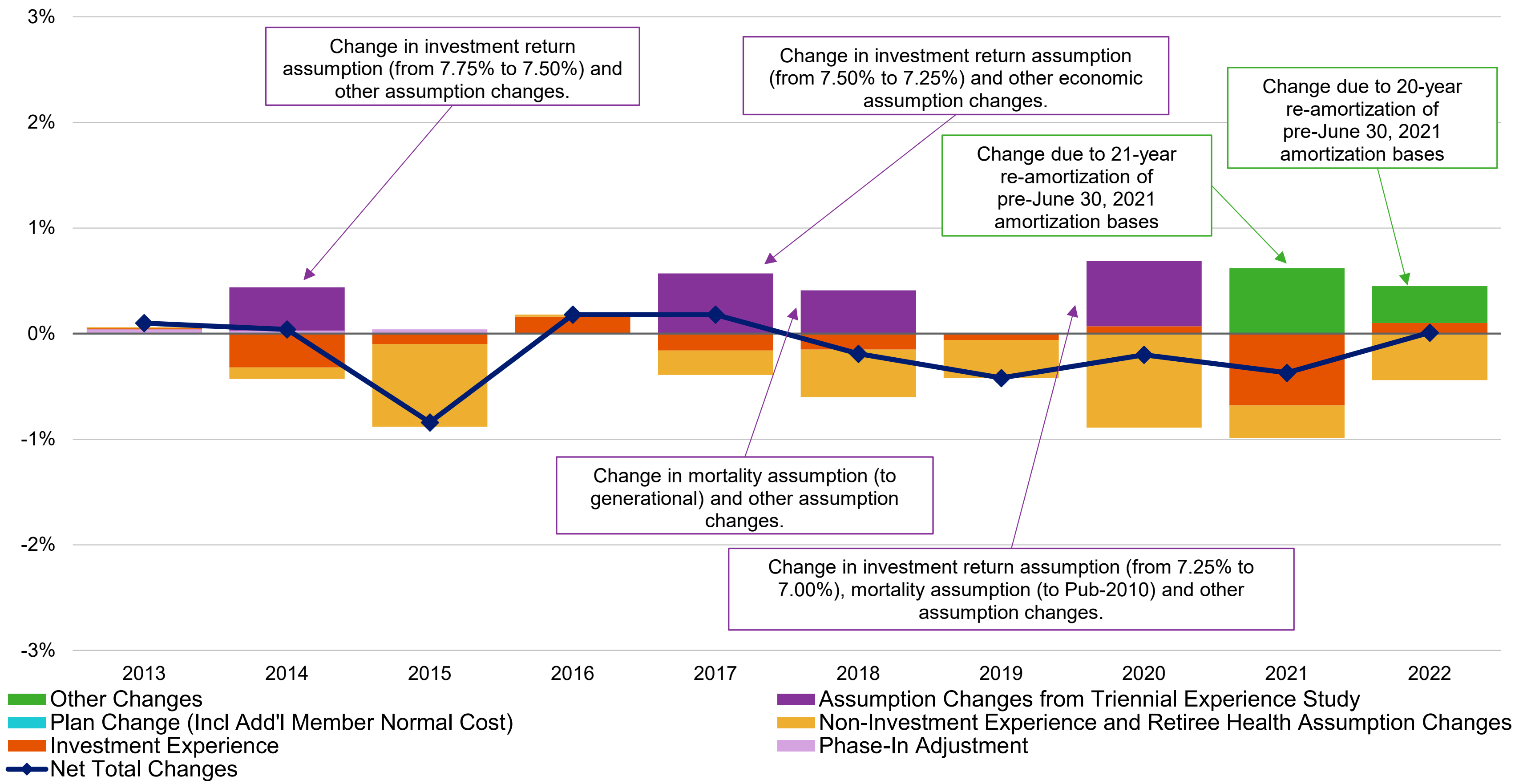


Note: The primary source of investment losses starting in the June 30, 2009 valuation is the Great Recession, which was recognized in the valuation value of assets over several years.

Chart 4b

HEALTH PLAN

Factors that Affected Employer Contribution Rates in June 30, 2013 to 2022 Valuations (% of Payroll – Contributions Received on July 15)



Assessment of Primary Risk Factors Going Forward

As discussed in the Evaluation of Historical Trends section, in the 2013 to 2022 valuations the funded ratios and the employer contribution rates have changed mainly as a result of changes in actuarial assumptions, investment experience, and non-investment experience.

In general, we anticipate the following risk factors to have an ongoing influence on those financial metrics in our future valuations:

- Asset/liability mismatch risk – the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge.

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

  Asset/liability mismatch can also be caused by longevity and other demographic assumption risks, which affect liabilities but have no impact on asset levels. These risks are also discussed below.

  It may be informative to use the asset volatility and liability volatility ratios and associated contribution rate impacts provided in the following Plan Maturity Measures section when discussing with the City the effect of unfavorable or favorable actuarial experience on the assets and the liabilities of LACERS.

- Investment risk – the potential that future market returns will be different from the current expected 7.00% annual return assumption.

  The investment return assumption is a long-term, deterministic assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. We have included deterministic scenario tests and stochastic projections later in this section so that LACERS can better understand the risk associated with earning either less or more than the assumed rate.

  The Board has a policy of reviewing the investment return and the other actuarial assumptions generally every three years, the next triennial experience study (recommending assumptions for the June 30, 2023 actuarial valuations) is scheduled to be performed in the first half of 2023.

- Longevity and other demographic risks – the potential that mortality or other demographic experience will be different than expected.

  For the Retirement Plan, the change in the merit and promotion salary increase assumption was the most significant change to the non-economic assumptions in the last experience study conducted before the June 30, 2020 valuation. As can be observed from *Charts 2a, 2c, 4a,* and *4b*, there had been relatively small unfavorable impact on the UAAL and employer contribution rates due to non-investment related experience relative to the assumptions used in the last 10 valuations.

- Contribution risk – the potential that actual future contributions will be different from expected future contributions.

  ASOP 51 does not require the actuary to evaluate the particular ability or willingness of the plan sponsor or other contributing entity to make contributions to the plan when due. However, it does require the actuary to consider the potential for and impact of actual contributions deviating from expected in the future. The City has a well-established practice of making the ADC determined in the annual actuarial valuations, based on the Board of Administration's Actuarial Funding Policy. As a result, in practice LACERS has essentially no contribution risk.

  Furthermore, when ADCs determined in accordance with the LACERS Actuarial Funding Policy are made in the future by the City (and contributions required by the Administrative Code are made by the employees), it is anticipated that the System would have enough assets to provide all future benefits promised to the current members enrolled in the System, if all of the actuarial assumptions used in the valuation are met.

The ASOP also lists interest rate risk as an example of a potential risk to consider. However, the valuations of your Plans' liabilities are not linked directly to market interest rates so the resulting interest rate risk exposure is minimal.

Note that other events that could affect costs going forward, such as future plan changes, are not included herein.

Scenario Tests: Deterministic Projections

Because the funded ratio, UAAL and the employer contribution rates have fluctuated as a result of deviation in investment experience in the last 10 valuations, we have examined the risk for LACERS associated with earning either lower or higher than the assumed rate of 7.00% in future valuations using projections under a deterministic approach.

To measure such risk, we have included scenario tests to study the change in the UAAL and contribution rates if LACERS were to earn a market return lower or higher than 7.00% in the next year following the June 30, 2022 valuations. In *Charts 5, 6* and *7*, we show the aggregate employer contribution rates, funded ratios, and UAAL respectively assuming that the System's portfolio market return in 2022/2023 will be as follows:

Scenario 1: 0.00%
Scenario 2: 7.00% (baseline)
Scenario 3: 14.00%.

In the past, LACERS allowed us to assist the City in their budgeting process by providing a 6-year illustration of the financial position of LACERS assuming the System was to earn the assumed rate of investment return in all future years. The detailed employer contribution rates, funded ratios and UAAL developed for each of the Retirement and Health Plans, and in total, are provided in *Appendix C* of this report for this reason.

The following table summarizes for the Retirement and Health Plans the resulting aggregate contribution changes (relative to the June 30, 2022 valuations aggregate employer contribution rate of 33.36%) in the next valuations (i.e., June 30, 2023) as well as in the June 30, 2029 valuations when all of the investment gains and losses are fully recognized in the (smoothed) actuarial value of assets.

Employer Contribution Rate Change

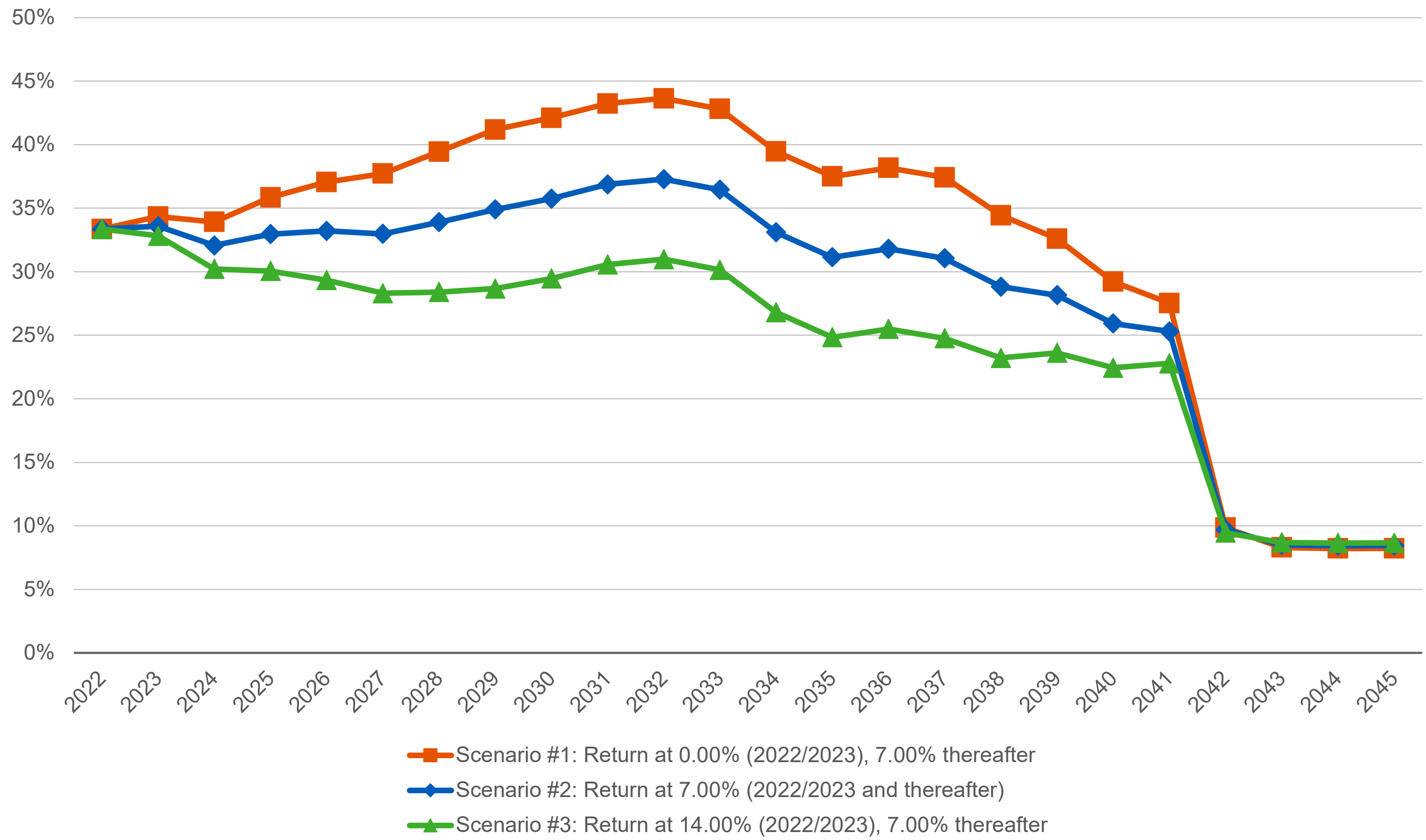
	2022/2023 Single Plan-Year Investment Return		
Valuation Date	**0.00%**	**7.00% (Baseline)**	**14.00%**
June 30, 2023	1.0% of payroll	0.2% of payroll	-0.5% of payroll
June 30, 2029	7.8% of payroll	1.5% of payroll	-4.7% of payroll

Under the hypothetical market return scenarios we have studied, the Retirement Plan is projected to reach full funding by around 2042 under Scenarios 1, 2 and 3, and the Health Plan is projected to reach full funding by around 2043 under Scenarios 1 and 2 or as soon as 2027 under Scenario 3. Note that under each of the hypothetical market return scenarios for 2022/2023, the total employer normal cost contribution rate would be expected to approach about 9.70% of payroll when both of the Retirement and Health Plans reach full funding.

While we have not assigned a probability on the 2022/2023 market return coming in at these rates, the Board and other stakeholders monitoring LACERS can interpolate between these scenarios to estimate the funded status and employer contribution rates for the June 30, 2023 and next several valuations as the actual investment experience for the 2022/2023 year becomes available throughout the year. Additionally, comparable experience in upcoming future years is likely to have a similar impact on the System absent any significant plan or assumption changes.

RETIREMENT AND HEALTH PLANS

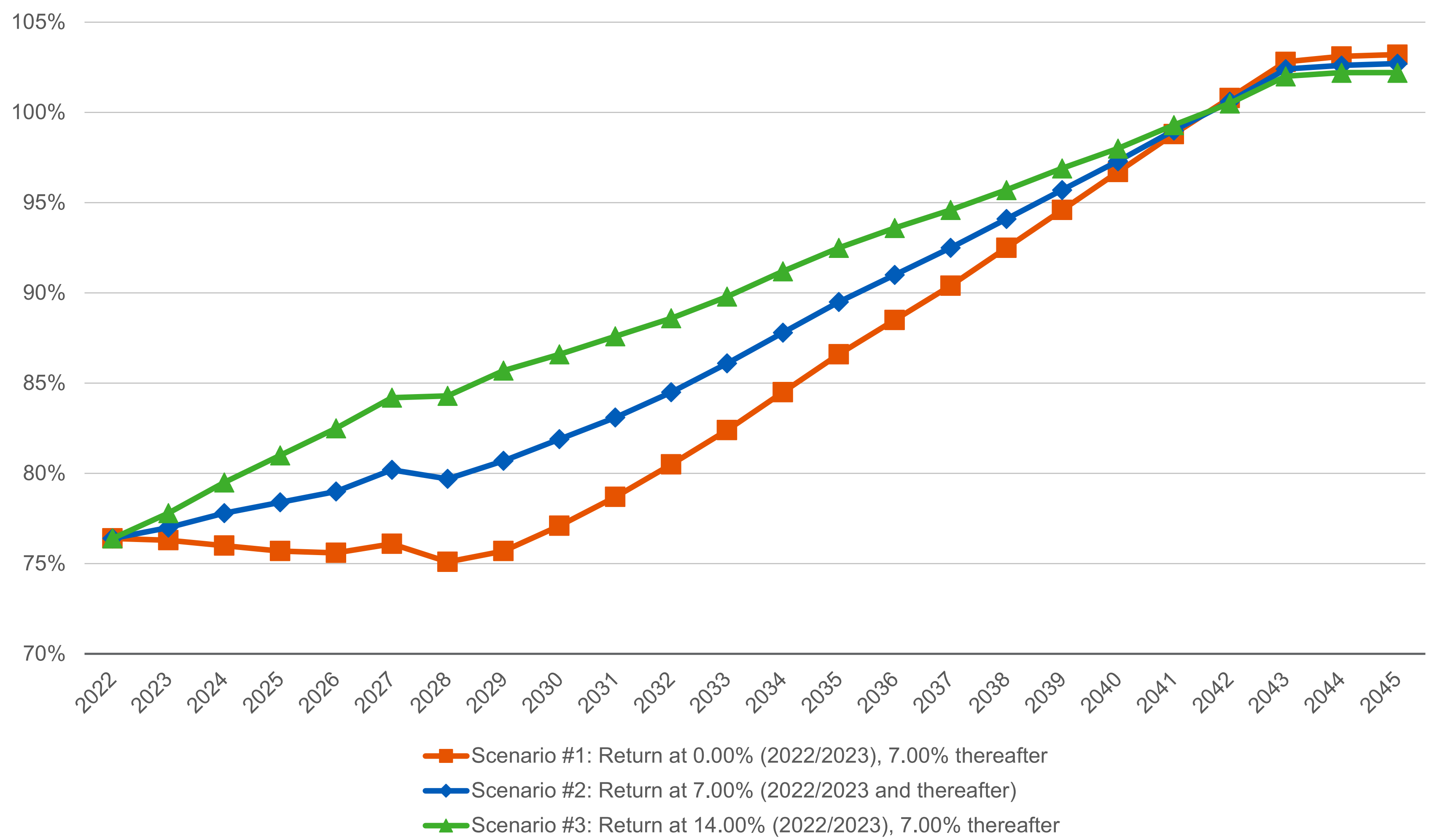
Projected Employer Contribution Rates
Under Three Hypothetical Market Return Scenarios for 2022/2023
(% of Payroll – Contributions Received on July 15)



Note: The total employer normal cost contribution rate would be expected to approach about 9.7% of payroll when both of the Retirement and Health Plans reach full funding.

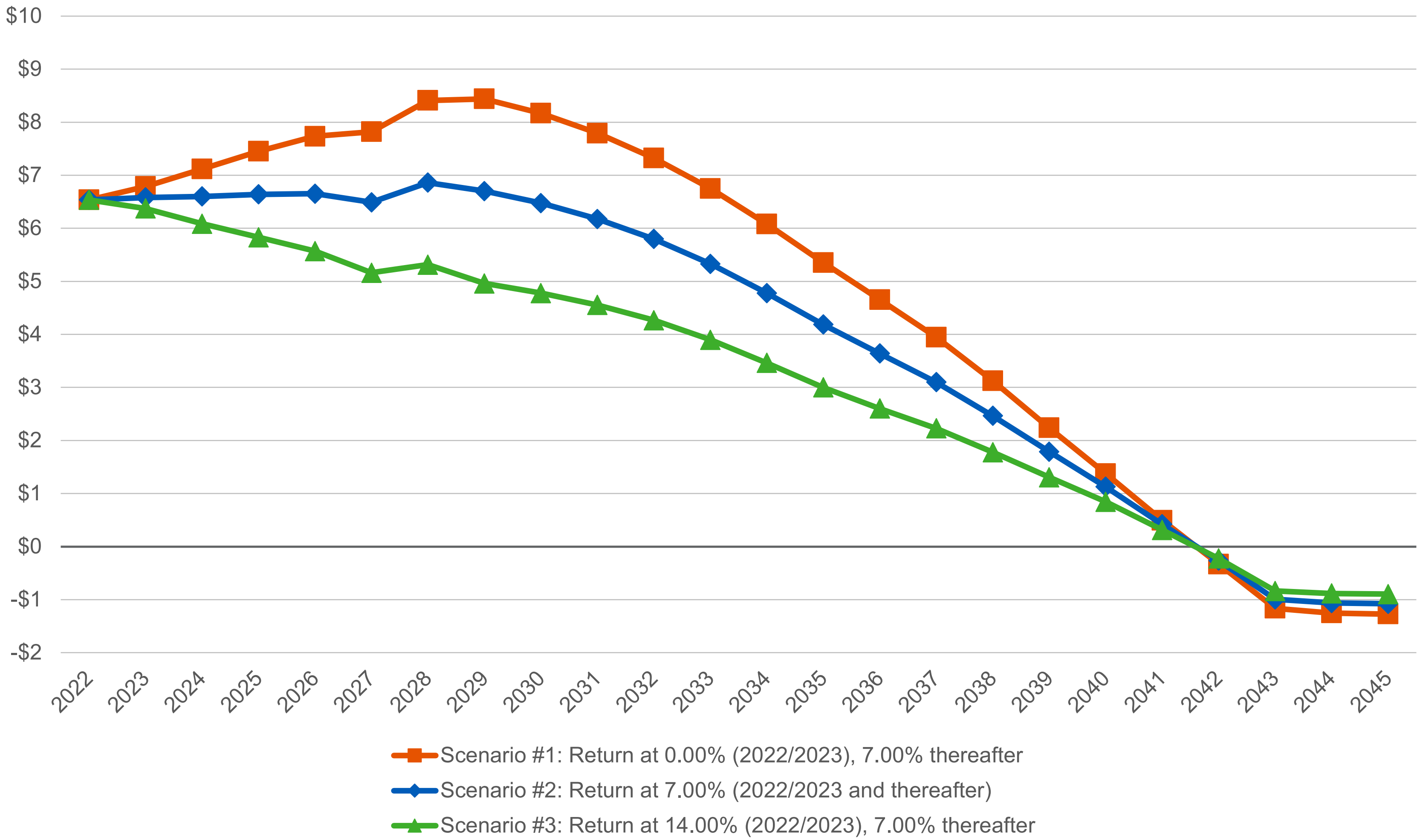
RETIREMENT AND HEALTH PLANS

Projected Funded Ratios (on Valuation Value of Assets)
Under Three Hypothetical Market Return Scenarios for 2022/2023



RETIREMENT AND HEALTH PLANS

Projected UAAL (on Valuation Value of Assets)
Under Three Hypothetical Market Return Scenarios for 2022/2023
($ Billions)



Stochastic Projection

Based on our discussions with LACERS, we have also been directed to supplement the deterministic scenario tests with a stochastic analysis that shows the range of possible changes in funded status and contribution rates under a statistical distribution of potential market returns for 20 years following the June 30, 2022 valuations. We have performed the stochastic modeling of future market returns using the expected return, standard deviation and other information about LACERS' asset portfolio[18] as provided in the Appendix of this report, assuming no future assumption or method changes to the plan.

In *Chart 8*, we summarize the cumulative compounded rate of return of LACERS' investment portfolio over the next 20 years based on performing 10,000 trial outcomes of future market returns. The projected funded ratios for those trials are provided in *Chart 9*. The UAAL and the resultant employer contribution rates are provided in *Charts 10* and *11*, respectively. The results in *Charts 9 – 11* are for the Retirement and Health Plans combined.

At the end of 20 years, there is a 50% chance[19] that the annual return of LACERS' investment portfolio would average between 5.5% and 9.6%, the funded ratio would be between 85% and 147% and the corresponding UAAL would be between $6.1 billion and a surplus (or a negative UAAL) of $19.5 billion.

On an Actuarial (smoothed) Value of Assets basis, the funded ratio for the Retirement and Health Plans combined is about 76.4% as of the June 30, 2022 valuation compared to 74.6% as of the June 30, 2021 valuation. There is a 34% chance LACERS would be fully funded at the end of 10 years and a 59% chance LACERS would be fully funded at the end of 20 years. The probabilities that the funded ratio would fall below 70%, 60% or 50% at any point in the next 20 years as projected in the current analysis as of June 30, 2022 and the prior analysis as of June 30, 2021 are as follows:

	Funded Ratio		
	Below 70%	**Below 60%**	**Below 50%**
Current (6/30/2022) Analysis Probability	40%	18%	5%
Prior (6/30/2021) Analysis Probability	27%	12%	3%

The probabilities of a drop in funded ratio are higher under the current analysis than under the prior analysis. This is due to net unrecognized investment losses of 3.7% of the market value of assets in the June 30, 2022 valuation compared to

[18] For the stochastic modeling, we have used the allocation that we understand was approved by the Board in September 2021, as provided by LACERS, and which represents the long-term targets expected to be achieved by July 1, 2025, together with updated expected return, standard deviation, and other information as outlined in the Appendix. This modeling assumes no further assumption changes, method changes or non-investment experience that differs significantly from assumptions. For a detailed discussion regarding the target asset allocation used in the stochastic projections, see Appendix A, page 41.

[19] This is based on the 25th to the 75th percentile results.

net unrecognized gains of 11.9% of the market value of assets in the June 30, 2021 valuation.

The total employer contribution rate is about 33% of payroll based on the June 30, 2022 and June 30, 2021 valuations. Stochastic modeling can help assess the range and relative likelihood of potential future contribution rates. At the end of 10 years (i.e., the June 30, 2032 valuation), there is a 50% chance that the employer contribution rates would be between 0% and 53% of payroll. At the end of 20 years (i.e., the June 30, 2042 valuation), there is a 50% chance that the employer contribution rates would be between 0% and 32% of payroll. The probabilities that the total employer contribution rate would increase at least by 5%, 10% or 15% of payroll at any point in the next 20 years as projected in the current analysis as of June 30, 2022 and the prior analysis as of June 30, 2021 are as follows:

	Total Employer Rate Increases by at least		
	5% of Payroll (to 38% of Payroll)	**10% of Payroll (to 43% of Payroll)**	**15% of Payroll (to 48% of Payroll)**
Current (6/30/2022) Analysis Probability	58%	50%	43%
Prior (6/30/2021) Analysis Probability	41%	35%	30%

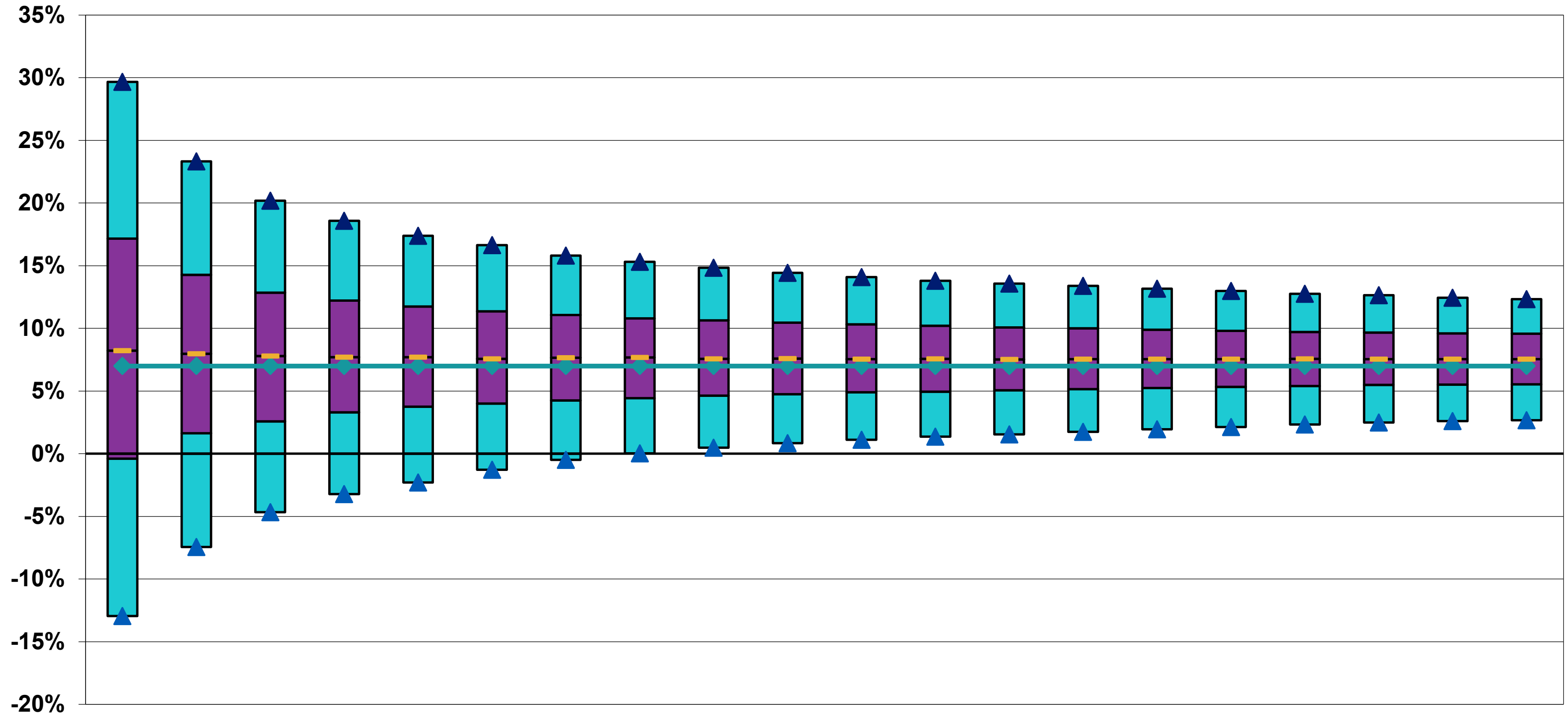
The probabilities of increase in employer rates during the next 20 years are higher in the current analysis compared to the prior analysis as a result of net unrecognized investment losses of 3.7% of the market value of assets in the June 30, 2022 valuation compared to net unrecognized gains of 11.9% of the market value of assets in the June 30, 2021 valuation.

Finally, stochastic modeling can help assess the potential impact of investment experience on contribution volatility in any given year. The probabilities that the total employer contribution rate would spike by 2%, 4% or 6% of payroll in any single year during the next 20 years as projected in the current analysis as of June 30, 2022 and the prior analysis as of June 30, 2021 are as follows:

	Total Employer Rate Spikes in a Single Year by		
	2% of Payroll	**4% of Payroll**	**6% of Payroll**
Current (6/30/2022) Analysis Probability	24%	11%	4%
Prior (6/30/2021) Analysis Probability	22%	11%	5%

Based on the above results, the probabilities of the total employer contribution rate spiking by 2%, 4% or 6% of payroll in a single year are not materially different between the current and the prior analysis.

Projected Cumulative Investment Return for Plan Years Ending June 30



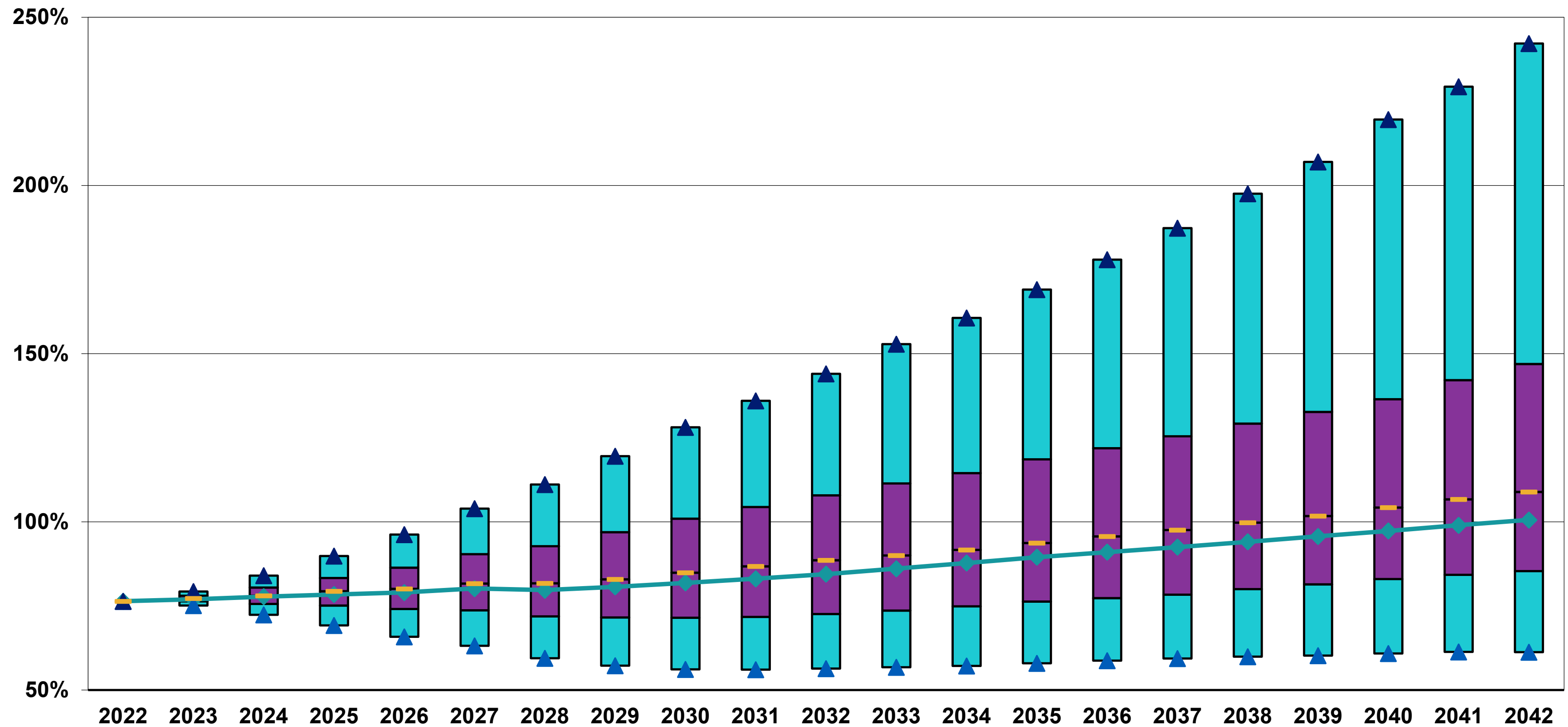
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
▲ 95th	29.7%	23.3%	20.2%	18.6%	17.4%	16.6%	15.8%	15.3%	14.8%	14.4%	14.1%	13.8%	13.6%	13.4%	13.2%	13.0%	12.8%	12.7%	12.4%	12.3%
— 75th	17.2%	14.3%	12.9%	12.2%	11.7%	11.4%	11.1%	10.8%	10.6%	10.5%	10.3%	10.2%	10.1%	10.0%	9.9%	9.8%	9.7%	9.7%	9.6%	9.6%
— 50th	8.2%	8.0%	7.8%	7.7%	7.7%	7.6%	7.7%	7.7%	7.6%	7.6%	7.6%	7.6%	7.5%	7.6%	7.5%	7.6%	7.6%	7.6%	7.6%	7.6%
— 25th	-0.4%	1.6%	2.6%	3.3%	3.8%	4.0%	4.3%	4.4%	4.6%	4.8%	4.9%	5.0%	5.1%	5.2%	5.2%	5.3%	5.4%	5.5%	5.5%	5.5%
▲ 5th	-13.0%	-7.4%	-4.7%	-3.2%	-2.3%	-1.3%	-0.5%	0.0%	0.5%	0.8%	1.1%	1.4%	1.5%	1.8%	2.0%	2.1%	2.3%	2.5%	2.6%	2.7%
◆	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

◆ Current investment return assumption

Note: In our triennial experience study for the June 30, 2020 valuations, we estimated that over a 15-year period there would be a 59% likelihood that the future average geometric return would meet or exceed the 7.00% investment return assumption. Due to updated assumptions in Horizon's 2022 survey and LACERS' new target asset allocation, the above results reflect a 57% likelihood that the future average geometric return would meet or exceed the 7.00% investment return assumption over a 20-year period.

Chart 9

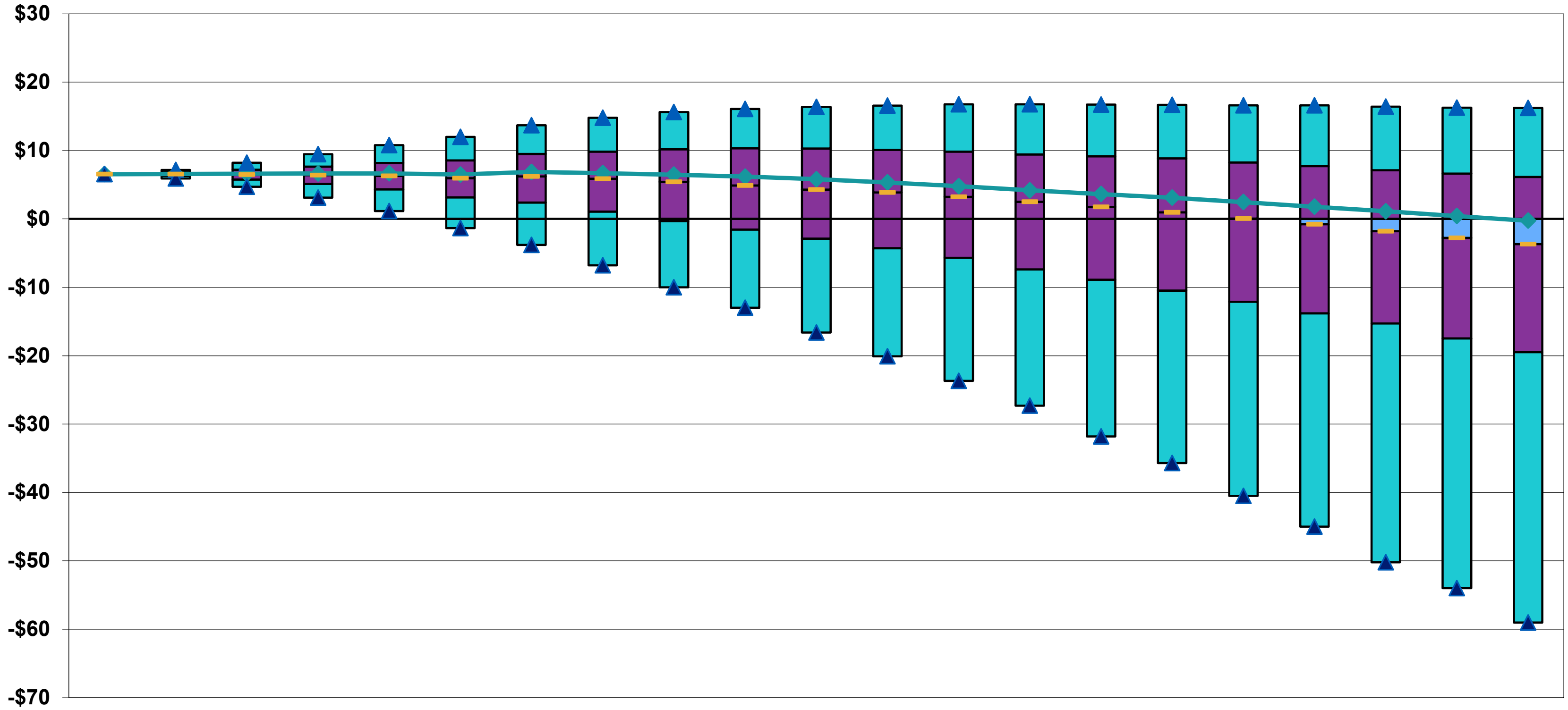
Projected Funded Ratios (on Actuarial Value of Assets Basis)



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
▲ 95th	76.4%	79.3%	84.1%	89.9%	96.3%	104.0%	111.1%	119.5%	128.1%	136.0%	144.1%	152.9%	160.7%	169.0%	177.9%	187.3%	197.6%	207.0%	219.6%	229.4%	242.2%
— 75th	76.4%	78.1%	80.5%	83.3%	86.4%	90.4%	92.8%	96.9%	101.0%	104.4%	107.9%	111.4%	114.5%	118.6%	121.9%	125.4%	129.2%	132.6%	136.5%	142.1%	147.0%
— 50th	76.4%	77.2%	78.0%	79.3%	80.1%	81.7%	81.7%	82.9%	84.9%	86.7%	88.6%	90.0%	91.7%	93.7%	95.7%	97.6%	99.8%	101.7%	104.3%	106.7%	108.9%
— 25th	76.4%	76.4%	75.6%	75.1%	74.1%	73.7%	71.9%	71.6%	71.5%	71.8%	72.6%	73.7%	74.9%	76.3%	77.4%	78.4%	80.0%	81.4%	83.0%	84.3%	85.4%
▲ 5th	76.4%	75.1%	72.4%	69.3%	65.8%	63.1%	59.5%	57.2%	56.2%	56.1%	56.4%	56.8%	57.2%	58.0%	58.8%	59.4%	60.0%	60.3%	60.9%	61.4%	61.3%
◆	76.4%	77.0%	77.8%	78.4%	79.0%	80.2%	79.7%	80.7%	81.9%	83.1%	84.5%	86.1%	87.8%	89.5%	91.0%	92.5%	94.1%	95.7%	97.3%	99.0%	100.6%

◆ Baseline deterministic projection

Projected UAAL (on Actuarial Value of Assets Basis)
$ in Billions

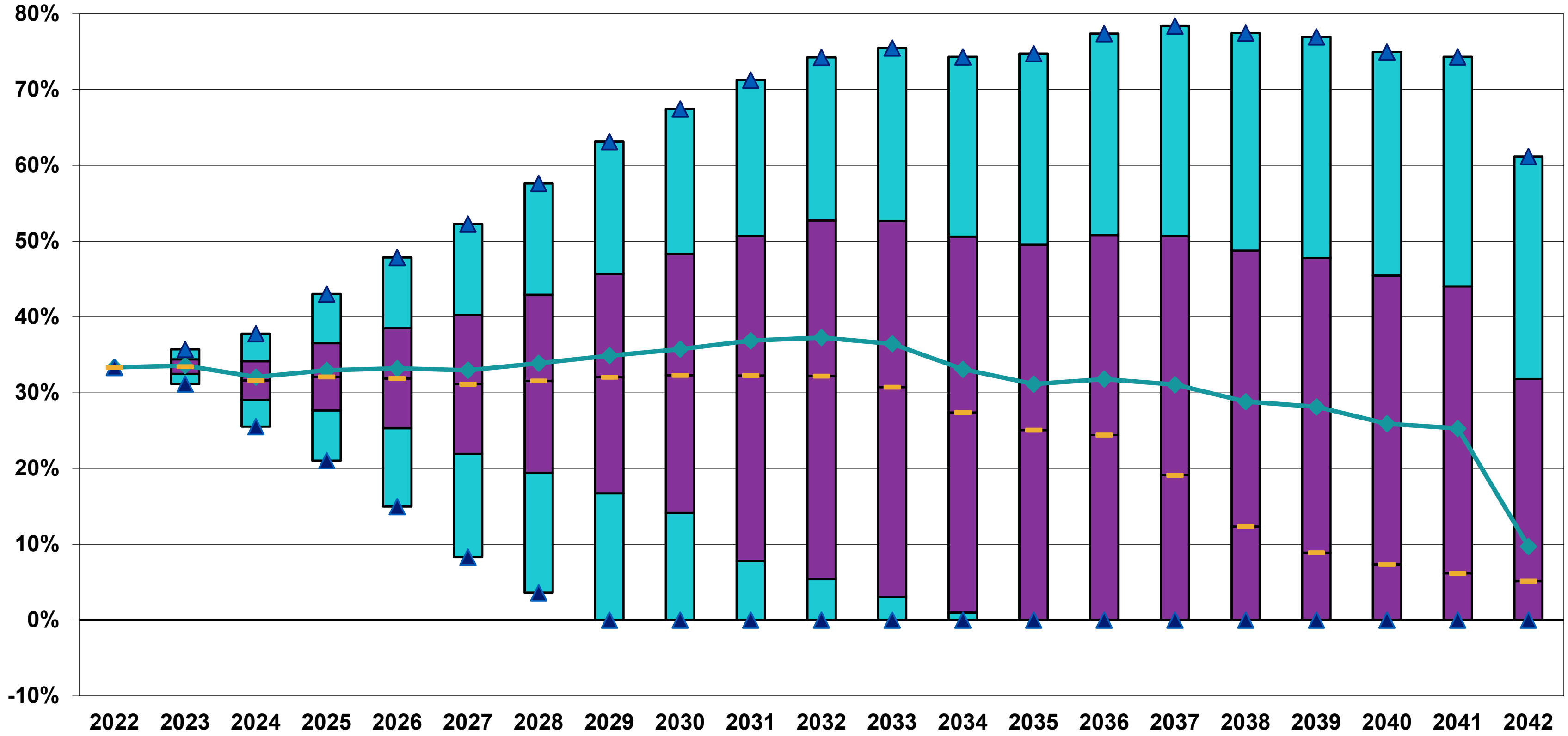


	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
▲ 95th	6.5	5.9	4.7	3.1	1.1	-1.4	-3.8	-6.8	-10.0	-13.0	-16.6	-20.1	-23.7	-27.3	-31.8	-35.7	-40.5	-45.0	-50.2	-54.0	-59.0
— 75th	6.5	6.3	5.8	5.1	4.3	3.2	2.4	1.1	-0.3	-1.6	-2.9	-4.3	-5.7	-7.4	-8.9	-10.5	-12.1	-13.8	-15.3	-17.5	-19.5
— 50th	6.5	6.5	6.5	6.4	6.3	6.0	6.2	5.9	5.4	4.9	4.3	3.9	3.2	2.5	1.8	1.0	0.1	-0.8	-1.8	-2.8	-3.7
— 25th	6.5	6.8	7.2	7.7	8.2	8.6	9.5	9.8	10.2	10.3	10.3	10.1	9.8	9.4	9.2	8.9	8.3	7.7	7.1	6.6	6.1
▲ 5th	6.5	7.2	8.2	9.5	10.8	12.0	13.7	14.8	15.6	16.1	16.4	16.6	16.8	16.8	16.7	16.7	16.6	16.6	16.4	16.3	16.2
◆	6.5	6.6	6.6	6.6	6.7	6.5	6.9	6.7	6.5	6.2	5.8	5.3	4.8	4.2	3.6	3.1	2.5	1.8	1.1	0.4	-0.3

◆ Baseline deterministic projection

Chart 11

Projected Employer Contribution Rates
Percent of Payroll



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
▲ 95th	33.4%	31.2%	25.5%	21.1%	15.0%	8.3%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
— 75th	33.4%	32.5%	29.1%	27.7%	25.3%	21.9%	19.4%	16.7%	14.1%	7.8%	5.4%	3.1%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
— 50th	33.4%	33.5%	31.6%	32.1%	31.9%	31.1%	31.5%	32.1%	32.3%	32.3%	32.2%	30.7%	27.4%	25.1%	24.4%	19.1%	12.4%	8.9%	7.4%	6.2%	5.1%
— 25th	33.4%	34.4%	34.2%	36.6%	38.5%	40.2%	42.9%	45.7%	48.3%	50.7%	52.7%	52.7%	50.6%	49.5%	50.8%	50.7%	48.7%	47.8%	45.5%	44.0%	31.8%
▲ 5th	33.4%	35.7%	37.8%	43.1%	47.9%	52.3%	57.6%	63.1%	67.4%	71.3%	74.3%	75.5%	74.3%	74.8%	77.4%	78.4%	77.5%	77.0%	75.0%	74.3%	61.2%
◆	33.4%	33.6%	32.1%	33.0%	33.2%	33.0%	33.9%	34.9%	35.8%	36.9%	37.3%	36.5%	33.1%	31.1%	31.8%	31.1%	28.8%	28.2%	25.9%	25.3%	9.7%

◆ Baseline deterministic projection

Plan Maturity Measures that Affect Primary Risks

The annual actuarial valuations consider the number and demographic characteristics of covered members, including active members and non-active members (inactive vested, retirees and beneficiaries). In the past 10 valuations from June 30, 2013 to 2022, LACERS has become more mature, indicated by the continued increase in the ratio of non-active to active members covered by the Retirement and Health Plans as shown in *Charts 12a* and *12b*, respectively. The Charts also show the ratio of members in pay status (retirees and beneficiaries) to active members. This ratio excludes the inactive vested members who have relatively smaller liabilities. The increase in the ratios is significant because any increase in UAAL due to unfavorable future investment and non-investment experience for a relatively larger group of non-active members would have to be amortized and funded using the payroll of a relatively smaller group of active members.

Besides the ratio of members in pay status to active members, another indicator of a more mature plan is relatively large amounts of assets and/or liabilities compared to active member payroll, which leads to increasing volatility in the level of required contributions. The **Asset Volatility Ratio (AVR)**, which is equal to the market value of assets divided by total payroll, provides an indication of contribution sensitivity to changes in the current level of assets and is detailed for the Retirement and Health Plans in *Charts 13a* and *13b*, respectively. The **Liability Volatility Ratio (LVR)**, which is equal to the actuarial accrued liability divided by payroll, provides an indication of the contribution sensitivity to changes in the current level of liability and is also detailed for the Retirement and Health Plans in *Charts 13a* and *13b*, respectively. Over time, the AVR should approach the LVR because when a plan is fully funded the assets will equal the liabilities. As such, the LVR also indicates the long-term contribution sensitivity to the asset volatility, as the plan approaches full funding.

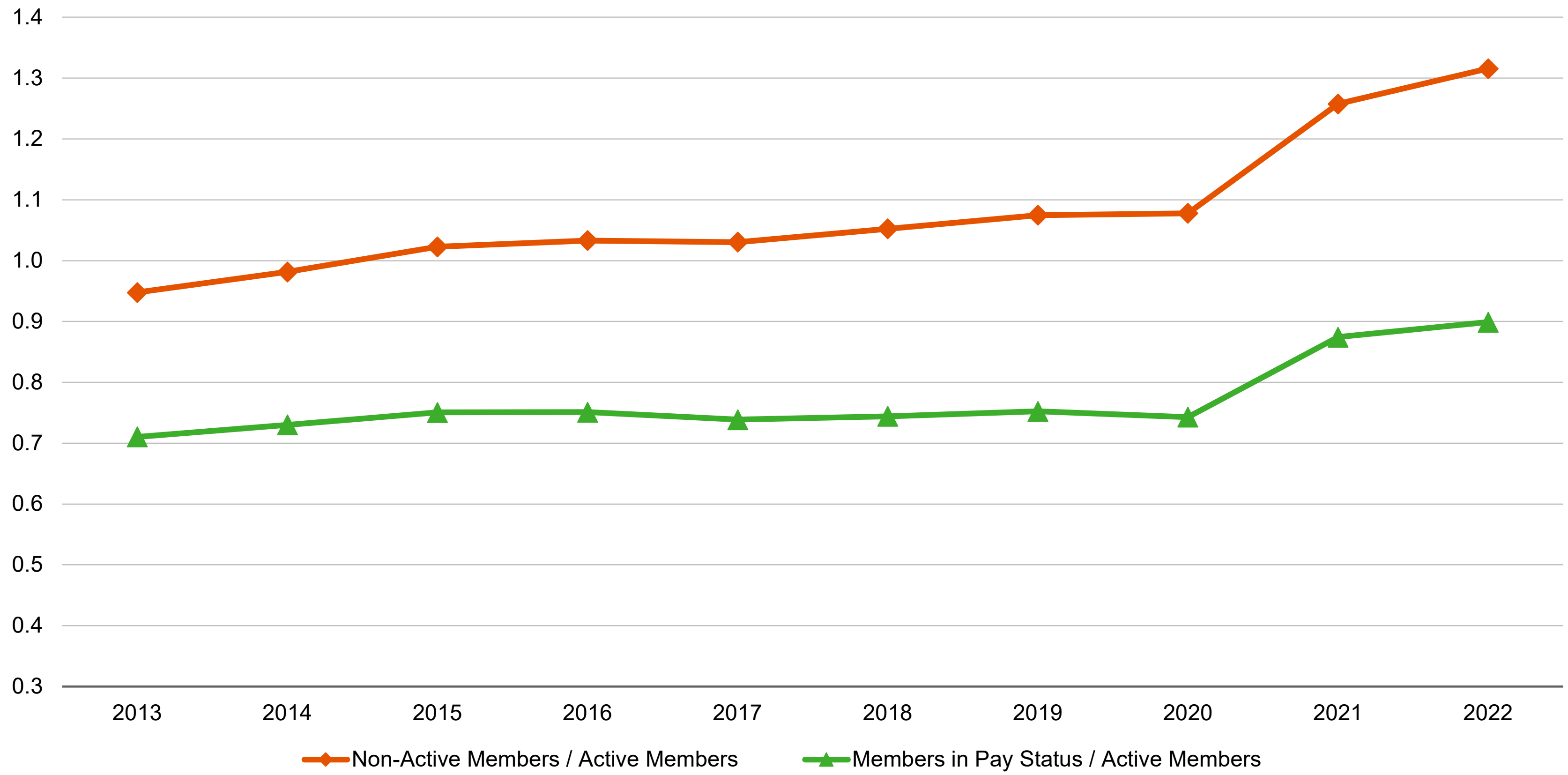
In particular, the Retirement Plan's AVR was 7.5 as of June 30, 2022. This means that a 1% asset gain or loss in 2022/2023 (relative to the assumed investment return) would amount to 7.5% of one year's payroll. Similarly, the Retirement Plan's LVR was 10.7 as of June 30, 2022, so a 1% liability gain or loss in 2022/2023 would amount to 10.7% of one year's payroll. Based on LACERS' policy to amortize actuarial experience over a period of 15 years, there would be a 0.6% of payroll decrease or increase in the required contribution rate for each 1% asset gain or loss, respectively, and a 0.9% of payroll decrease or increase in the required contribution rate for each 1% liability gain or loss, respectively, for the Retirement Plan.

It is also informative to note that the AVR and LVR for the Retirement Plan are significantly higher than for the Health Plan. This means that both investment volatility and assumption changes will have a greater impact on the contribution rates of the Retirement Plan than on the contribution rates of the Health Plan. This is illustrated in the following table:

	June 30, 2022			
Plan	**AVR**	**10% Investment Loss Compares to**	**LVR**	**10% Liability Change Compares to**
Retirement Plan	7.5	75% of payroll	10.7	107% of payroll
Health Plan	1.5	15% of payroll	1.6	16% of payroll
Combined	9.0	90% of payroll	12.3	123% of payroll

RETIREMENT PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members



HEALTH PLAN

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members & Non-Active Members (Inactive Vested, Retirees and Beneficiaries) to Active Members

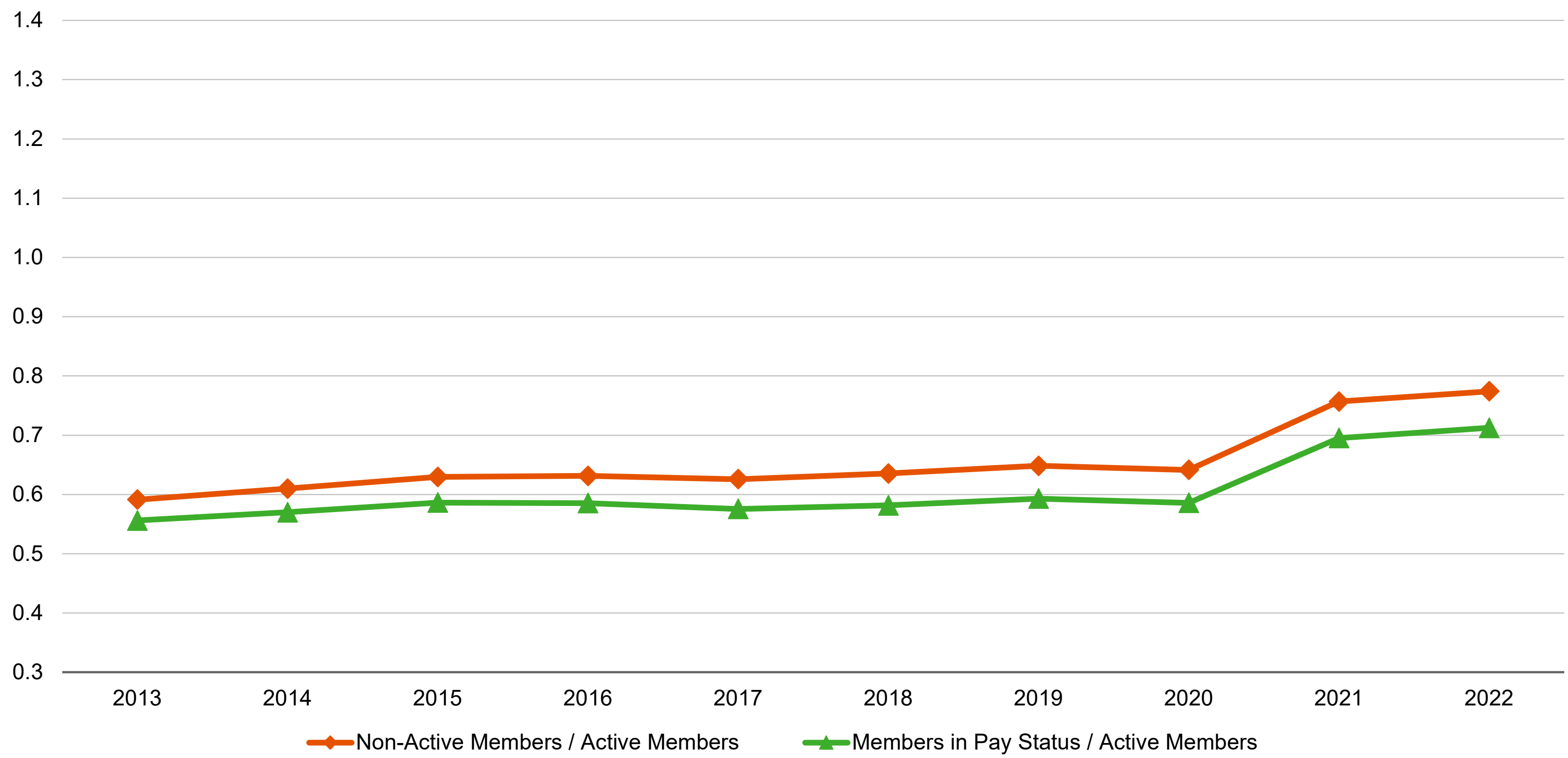


Chart 13a

RETIREMENT PLAN

Volatility Ratios

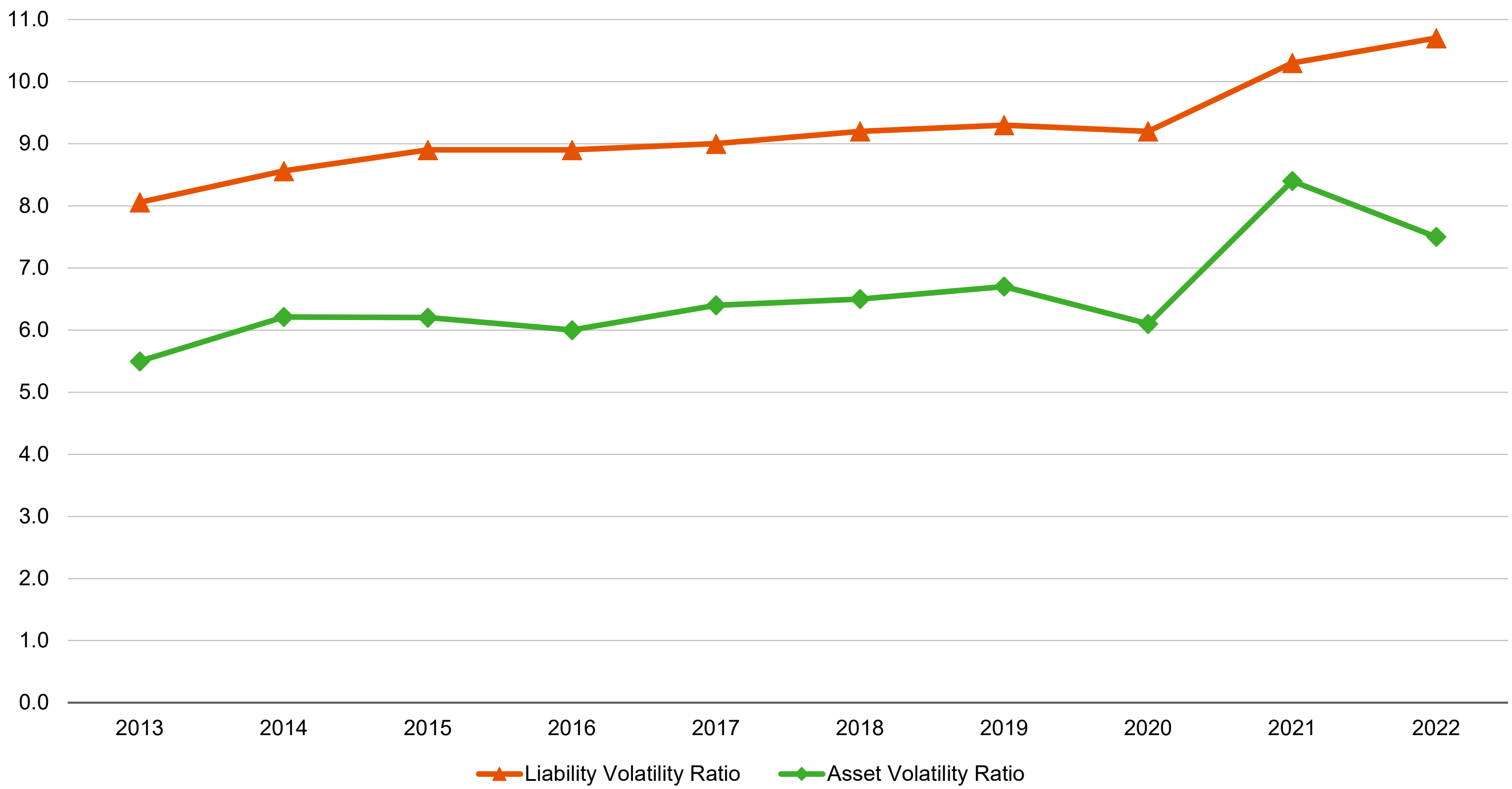
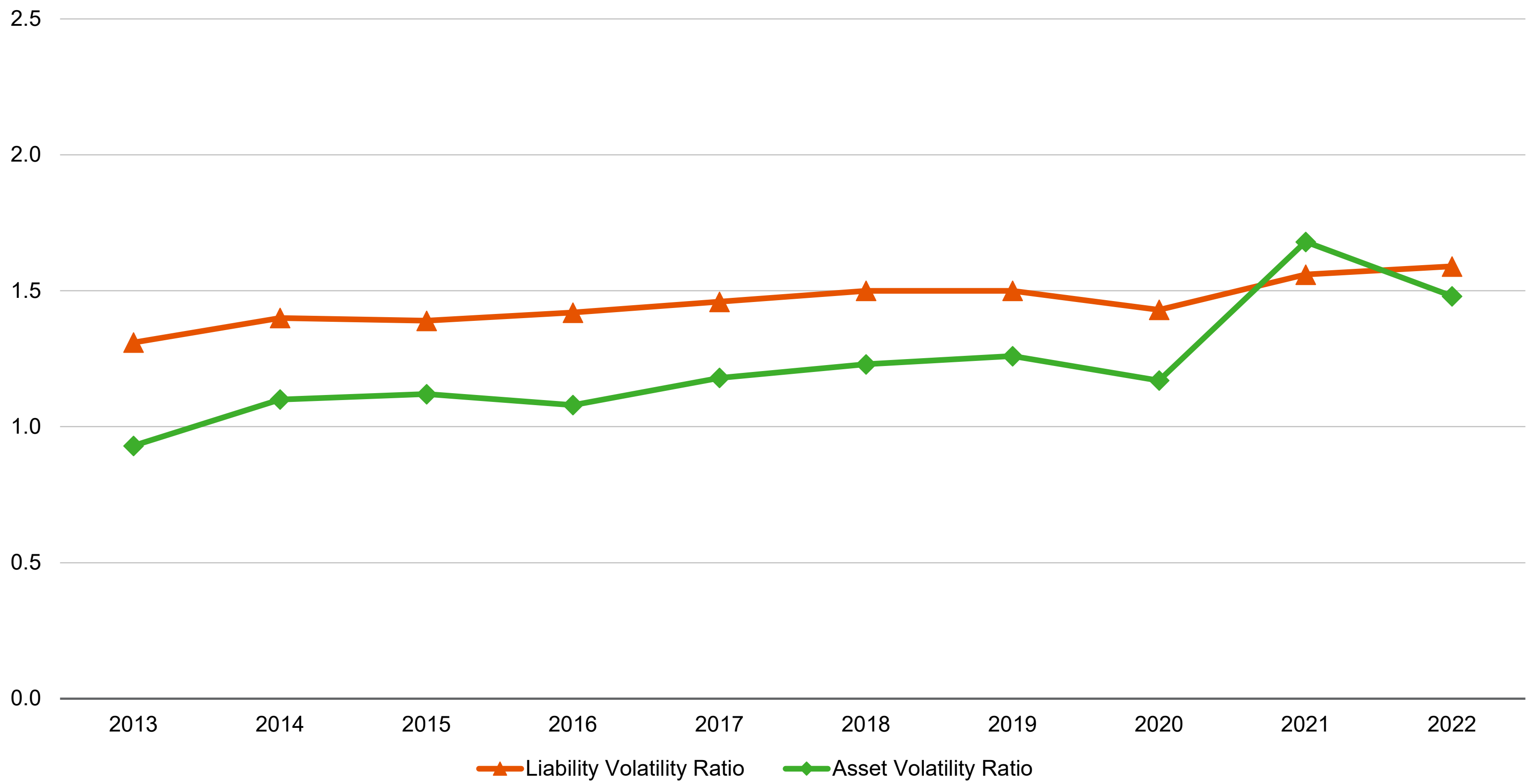


Chart 13b

HEALTH PLAN

Volatility Ratios



Appendix: Actuarial Assumptions & Methods, Actuarial Certification, and Detailed Scenario Test Results

Actuarial Assumptions & Methods

Unless otherwise noted, the results included in this report have been prepared based on the assumptions and methods used in preparing the June 30, 2022 valuations.

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

Deterministic Projection

In addition, we have prepared the deterministic projection using the following assumptions and methods applied in the June 30, 2022 actuarial valuation:

- Non-economic assumptions will remain unchanged.
- Retirement benefit formulas will remain unchanged.
- Los Angeles Charter and Administrative Code will remain unchanged.
- UAAL amortization method will remain unchanged (i.e., 15-year layers for actuarial gains/losses, 20-year layers for assumption or method changes, 30-year layers for actuarial surplus, and level percent of pay).
- Economic assumptions will remain unchanged, including the annual 7.00% investment earnings and 3.25% active payroll growth assumptions.
- Deferred investment gains and losses will be recognized over a seven-year period.

- In estimating the benefit payments for the open group, we have assumed that the annual payments will increase by 5.5% for both the Retirement and Health Plans. The assumption for the Retirement Plan, which was unchanged from last year since we ignored the effect of the 2020 City Separation Incentive Program, was developed by analyzing the increase in the actual benefit payments over the five years ending June 30, 2020, combined with the increase in the projected benefit payments based on the actuarial assumptions described herein for the five years after July 1, 2020. (We understand that the fiscal year 2020/2021 actual benefit payments may include only a partial year of LACERS retirement income for participants of the City Separation Incentive Program whereas fiscal year 2021/2022 actual benefit payments may include a full year of LACERS retirement income for participants of the City Separation Incentive Program, thereby affecting year-to-year comparability.) The assumption for the Health Plan was updated from 6.0% to 5.5% based on a review of actual benefit costs for the five years preceding June 30, 2022 and projected benefit costs for the five years after June 30, 2022.
- All other actuarial assumptions used in the June 30, 2022 actuarial valuations will be realized.

Stochastic Projection

Besides the assumptions and methods discussed above for the deterministic projection, the following additional assumptions or parameters are used in projecting LACERS' investment portfolio over the next 20 years based on performing 10,000 trial outcomes of future market returns.

Target Asset Allocation

The target asset allocation is based on the allocation that we understand was approved by the Board in September 2021, as provided by LACERS, and which represents the long term targets expected to be achieved by July 1, 2025. That target asset allocation is as follows:

Asset Class	Target Allocation
Large Cap U.S. Equity	15.00%
Small/Mid Cap U.S. Equity	6.00%
Developed International Large Cap Equity	15.00%
Developed International Small Cap Equity	3.00%
Emerging International Large Cap Equity	6.67%
Emerging International Small Cap Equity	1.33%
Core Bonds	11.25%
High Yield Bonds/Bank Loans	3.00%
TIPS	3.60%
Emerging Market Debt	4.00%
Real Estate	7.00%
Cash	1.00%
Private Equity	16.00%
Private Credit/Debt	5.75%
REITS	1.40%
Total	100.00%

Simulation of Future Returns

In preparing the 10,000 trial outcomes of future market returns, we performed simulations using assumptions regarding the 20-year arithmetic returns, standard deviations and correlation matrix that were found in the 2022 survey prepared by Horizon Actuarial Services.[20] We used the assumptions that were closest to the asset classes found in LACERS' investment portfolio.

A summary of the 20-year arithmetic returns,[21,22] standard deviations and correlation matrix for each of the different asset classes used in the modeling is as follows:

		20-Year	Standard		Correlation Matrix											
	Asset Class	Arithmetic Return	Deviation		1	2	3	4	5	6	7	8	9	10	11	12
1	Large Cap U.S. Equity	7.82%	16.33%	1	1.00	-	-	-	-	-	-	-	-	-	-	-
2	Small/Mid Cap U.S. Equity	8.98%	20.34%	2	0.90	1.00	-	-	-	-	-	-	-	-	-	-
3	Developed International Equity	8.67%	18.09%	3	0.82	0.77	1.00	-	-	-	-	-	-	-	-	-
4	Emerging International Equity	10.67%	23.92%	4	0.71	0.69	0.79	1.00	-	-	-	-	-	-	-	-
5	Core Bonds	3.65%	5.36%	5	0.18	0.13	0.18	0.16	1.00	-	-	-	-	-	-	-
6	High Yield Bonds, Bank Loans	5.43%	9.90%	6	0.65	0.65	0.63	0.62	0.41	1.00	-	-	-	-	-	-
7	Emerging Market Debt	5.88%	10.92%	7	0.50	0.47	0.53	0.60	0.51	0.62	1.00	-	-	-	-	-
8	US Treasuries, Cash	2.00%	1.12%	8	(0.08)	(0.10)	(0.07)	(0.06)	0.13	(0.09)	0.02	1.00	-	-	-	-
9	TIPS	2.84%	5.79%	9	0.05	0.02	0.06	0.11	0.63	0.24	0.36	0.15	1.00	-	-	-
10	Real Estate, REITS	7.32%	17.00%	10	0.59	0.59	0.54	0.46	0.25	0.51	0.41	(0.02)	0.16	1.00	-	-
11	Private Equity	12.50%	22.13%	11	0.75	0.75	0.70	0.63	0.11	0.56	0.40	(0.07)	0.03	0.49	1.00	-
12	Private Credit/Private Debt	7.83%	11.49%	12	0.57	0.58	0.55	0.52	0.22	0.72	0.43	(0.10)	0.06	0.43	0.59	1.00

Other Considerations

The results presented in this report are intended to provide insight into key plan risks that can inform financial preparation and future decision making. However, we emphasize that deterministic and stochastic projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

[20] That survey included responses from 40 investment advisors, including LACERS' investment advisor at NEPC.

[21] Note that only 24 investment advisors provided long-term (e.g., 20-year) capital market assumptions in the survey.

[22] These returns are gross of inflation and before any adjustment for administrative expenses. The annual inflation assumption based on the Horizon Survey was 2.45%. The annual adjustment for administrative expenses was 0.15%.

Actuarial Certification

The actuarial calculations in this report were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary and Mary Kirby, FSA, MAAA, FCA.

The actuarial opinions expressed in this report were prepared by Paul Angelo, FSA, MAAA, FCA, Enrolled Actuary, Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary, and Todd Tauzer, FSA, MAAA, FCA, CERA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA	Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary	Vice President and Actuary	Vice President and Consulting Actuary

Detailed Scenario Test Results – Under Scenario 1 (Assuming 0.00% Market Return for 2022/2023)

RETIREMENT PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year					City Contributions (July 15)				
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,621,308	71.6%	2023	$ 2,258,725	7.75%	21.64%	29.39%	$ 663,839	
2022	$ 6,429,484	73.3%	2024	$ 2,332,133	7.64%	21.79%	29.43%	$ 686,347	$ 22,508
2023	$ 6,627,230	73.4%	2025	$ 2,407,928	7.38%	22.79%	30.17%	$ 726,472	$ 40,125
2024	$ 6,883,949	73.3%	2026	$ 2,486,185	7.24%	22.22%	29.46%	$ 732,430	$ 5,958
2025	$ 7,143,710	73.2%	2027	$ 2,566,986	7.68%	23.41%	31.09%	$ 798,076	$ 65,646
2026	$ 7,363,210	73.2%	2028	$ 2,650,413	7.51%	24.53%	32.04%	$ 849,192	$ 51,116
2027	$ 7,416,150	73.8%	2029	$ 2,736,552	7.33%	25.20%	32.53%	$ 890,200	$ 41,008
2028	$ 7,886,441	72.9%	2030	$ 2,825,490	7.16%	26.65%	33.81%	$ 955,298	$ 65,098
2029	$ 7,883,656	73.6%	2031	$ 2,917,318	6.99%	28.39%	35.38%	$ 1,032,147	$ 76,849
2030	$ 7,627,995	75.1%	2032	$ 3,012,131	6.83%	29.43%	36.26%	$ 1,092,199	$ 60,052
2031	$ 7,273,878	76.8%	2033	$ 3,110,025	6.66%	30.68%	37.34%	$ 1,161,283	$ 69,084
2032	$ 6,832,592	78.7%	2034	$ 3,211,101	6.50%	31.22%	37.72%	$ 1,211,227	$ 49,944
2033	$ 6,288,594	80.7%	2035	$ 3,315,462	6.35%	30.51%	36.86%	$ 1,222,079	$ 10,852
2034	$ 5,654,739	83.0%	2036	$ 3,423,214	6.21%	27.26%	33.47%	$ 1,145,750	$ (76,329)
2035	$ 4,967,150	85.3%	2037	$ 3,534,469	6.08%	25.40%	31.48%	$ 1,112,651	$ (33,099)
2036	$ 4,315,261	87.3%	2038	$ 3,649,339	5.97%	26.14%	32.11%	$ 1,171,803	$ 59,152
2037	$ 3,656,352	89.4%	2039	$ 3,767,943	5.87%	25.47%	31.34%	$ 1,180,873	$ 9,070
2038	$ 2,891,584	91.6%	2040	$ 3,890,401	5.78%	22.73%	28.51%	$ 1,109,153	$ (71,720)
2039	$ 2,067,522	94.0%	2041	$ 4,016,839	5.69%	21.21%	26.90%	$ 1,080,530	$ (28,623)
2040	$ 1,266,061	96.3%	2042	$ 4,147,386	5.63%	18.15%	23.78%	$ 986,248	$ (94,282)
2041	$ 443,504	98.7%	2043	$ 4,282,176	5.56%	16.76%	22.32%	$ 955,782	$ (30,466)
2042	$ (331,783)	101.0%	2044	$ 4,421,347	5.50%	-0.40%	5.10%	$ 225,489	$ (730,293)
2043	$ (1,122,024)	103.4%	2045	$ 4,565,041	5.45%	-1.35%	4.10%	$ 187,167	$ (38,322)
2044	$ (1,183,062)	103.6%	2046	$ 4,713,404	5.41%	-1.38%	4.03%	$ 189,950	$ 2,783
2045	$ (1,201,402)	103.8%	2047	$ 4,866,590	5.38%	-1.36%	4.02%	$ 195,637	$ 5,687

Detailed Scenario Test Results – Under Scenario 1 (Assuming 0.00% Market Return for 2022/2023)

HEALTH PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

Valuation Year	June 30 of Valuation Year: UAAL	June 30 of Valuation Year: Funded Ratio	Fiscal Year End	Fiscal Year Pay	City Contributions (July 15): Normal Cost	City Contributions (July 15): UAAL Amortization	City Contributions (July 15): Total Rate	City Contributions (July 15): Contribution Amount	City Contributions (July 15): Incremental Increase
2021	$ 189,701	94.6%	2023	$ 2,258,725	3.62%	0.30%	3.92%	$ 88,542	
2022	$ 107,741	97.0%	2024	$ 2,332,133	3.60%	0.33%	3.93%	$ 91,653	$ 3,111
2023	$ 160,518	95.7%	2025	$ 2,407,928	3.65%	0.52%	4.17%	$ 100,411	$ 8,758
2024	$ 231,248	94.1%	2026	$ 2,486,185	3.68%	0.78%	4.46%	$ 110,884	$ 10,473
2025	$ 306,477	92.5%	2027	$ 2,566,986	3.73%	1.03%	4.76%	$ 122,189	$ 11,305
2026	$ 369,144	91.4%	2028	$ 2,650,413	3.75%	1.27%	5.02%	$ 133,051	$ 10,862
2027	$ 402,547	91.0%	2029	$ 2,736,552	3.78%	1.41%	5.19%	$ 142,027	$ 8,976
2028	$ 522,787	88.8%	2030	$ 2,825,490	3.82%	1.82%	5.64%	$ 159,358	$ 17,331
2029	$ 555,020	88.6%	2031	$ 2,917,318	3.84%	1.97%	5.81%	$ 169,496	$ 10,138
2030	$ 539,809	89.4%	2032	$ 3,012,131	3.86%	1.99%	5.85%	$ 176,210	$ 6,714
2031	$ 517,320	90.2%	2033	$ 3,110,025	3.90%	1.99%	5.89%	$ 183,180	$ 6,970
2032	$ 490,967	91.1%	2034	$ 3,211,101	3.93%	1.99%	5.92%	$ 190,097	$ 6,917
2033	$ 460,435	92.0%	2035	$ 3,315,462	3.97%	1.99%	5.96%	$ 197,602	$ 7,505
2034	$ 425,694	92.9%	2036	$ 3,423,214	3.99%	2.00%	5.99%	$ 205,051	$ 7,449
2035	$ 386,046	93.8%	2037	$ 3,534,469	4.02%	2.00%	6.02%	$ 212,775	$ 7,724
2036	$ 341,400	94.7%	2038	$ 3,649,339	4.06%	2.00%	6.06%	$ 221,150	$ 8,375
2037	$ 291,273	95.6%	2039	$ 3,767,943	4.08%	2.01%	6.09%	$ 229,468	$ 8,318
2038	$ 234,865	96.6%	2040	$ 3,890,401	4.11%	1.82%	5.93%	$ 230,701	$ 1,233
2039	$ 172,156	97.6%	2041	$ 4,016,839	4.15%	1.55%	5.70%	$ 228,960	$ (1,741)
2040	$ 110,434	98.5%	2042	$ 4,147,386	4.18%	1.26%	5.44%	$ 225,618	$ (3,342)
2041	$ 53,267	99.3%	2043	$ 4,282,176	4.21%	1.00%	5.21%	$ 223,101	$ (2,517)
2042	$ 2,839	100.0%	2044	$ 4,421,347	4.23%	0.52%	4.75%	$ 210,014	$ (13,087)
2043	$ (41,884)	100.5%	2045	$ 4,565,041	4.25%	-0.05%	4.20%	$ 191,732	$ (18,282)
2044	$ (68,379)	100.8%	2046	$ 4,713,404	4.27%	-0.08%	4.19%	$ 197,492	$ 5,760
2045	$ (69,737)	100.8%	2047	$ 4,866,590	4.29%	-0.08%	4.21%	$ 204,883	$ 7,391

Detailed Scenario Test Results – Under Scenario 1 (Assuming 0.00% Market Return for 2022/2023)

RETIREMENT AND HEALTH PLANS

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year			City Contributions (July 15)						
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,811,009	71.6%	2023	$ 2,258,725	11.37%	21.94%	33.31%	$ 752,381	
2022	$ 6,537,225	76.4%	2024	$ 2,332,133	11.24%	22.12%	33.36%	$ 778,000	$ 25,619
2023	$ 6,787,748	76.3%	2025	$ 2,407,928	11.03%	23.31%	34.34%	$ 826,883	$ 48,883
2024	$ 7,115,197	76.0%	2026	$ 2,486,185	10.92%	23.00%	33.92%	$ 843,314	$ 16,431
2025	$ 7,450,187	75.7%	2027	$ 2,566,986	11.41%	24.44%	35.85%	$ 920,265	$ 76,951
2026	$ 7,732,354	75.6%	2028	$ 2,650,413	11.26%	25.80%	37.06%	$ 982,243	$ 61,978
2027	$ 7,818,697	76.1%	2029	$ 2,736,552	11.11%	26.61%	37.72%	$ 1,032,227	$ 49,984
2028	$ 8,409,228	75.1%	2030	$ 2,825,490	10.98%	28.47%	39.45%	$ 1,114,656	$ 82,429
2029	$ 8,438,676	75.7%	2031	$ 2,917,318	10.83%	30.36%	41.19%	$ 1,201,643	$ 86,987
2030	$ 8,167,804	77.1%	2032	$ 3,012,131	10.69%	31.42%	42.11%	$ 1,268,409	$ 66,766
2031	$ 7,791,198	78.7%	2033	$ 3,110,025	10.56%	32.67%	43.23%	$ 1,344,463	$ 76,054
2032	$ 7,323,559	80.5%	2034	$ 3,211,101	10.43%	33.21%	43.64%	$ 1,401,324	$ 56,861
2033	$ 6,749,029	82.4%	2035	$ 3,315,462	10.32%	32.50%	42.82%	$ 1,419,681	$ 18,357
2034	$ 6,080,433	84.5%	2036	$ 3,423,214	10.20%	29.26%	39.46%	$ 1,350,801	$ (68,880)
2035	$ 5,353,196	86.6%	2037	$ 3,534,469	10.10%	27.40%	37.50%	$ 1,325,426	$ (25,375)
2036	$ 4,656,661	88.5%	2038	$ 3,649,339	10.03%	28.14%	38.17%	$ 1,392,953	$ 67,527
2037	$ 3,947,625	90.4%	2039	$ 3,767,943	9.95%	27.48%	37.43%	$ 1,410,341	$ 17,388
2038	$ 3,126,449	92.5%	2040	$ 3,890,401	9.89%	24.55%	34.44%	$ 1,339,854	$ (70,487)
2039	$ 2,239,678	94.6%	2041	$ 4,016,839	9.84%	22.76%	32.60%	$ 1,309,490	$ (30,364)
2040	$ 1,376,495	96.7%	2042	$ 4,147,386	9.81%	19.41%	29.22%	$ 1,211,866	$ (97,624)
2041	$ 496,771	98.8%	2043	$ 4,282,176	9.77%	17.76%	27.53%	$ 1,178,883	$ (32,983)
2042	$ (328,944)	100.8%	2044	$ 4,421,347	9.73%	0.12%	9.85%	$ 435,503	$ (743,380)
2043	$ (1,163,908)	102.8%	2045	$ 4,565,041	9.70%	-1.40%	8.30%	$ 378,899	$ (56,604)
2044	$ (1,251,441)	103.1%	2046	$ 4,713,404	9.68%	-1.46%	8.22%	$ 387,442	$ 8,543
2045	$ (1,271,139)	103.2%	2047	$ 4,866,590	9.67%	-1.44%	8.23%	$ 400,520	$ 13,078

Detailed Scenario Test Results – Under Scenario 2 (Assuming 7.00% Market Return for 2022/2023)

RETIREMENT PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year			City Contributions (July 15)						
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,621,308	71.6%	2023	$ 2,258,725	7.75%	21.64%	29.39%	$ 663,839	
2022	$ 6,429,484	73.3%	2024	$ 2,332,133	7.64%	21.79%	29.43%	$ 686,347	$ 22,508
2023	$ 6,454,240	74.1%	2025	$ 2,407,928	7.38%	22.15%	29.53%	$ 711,061	$ 24,714
2024	$ 6,453,204	75.0%	2026	$ 2,486,185	7.24%	20.67%	27.91%	$ 693,894	$ (17,167)
2025	$ 6,465,508	75.7%	2027	$ 2,566,986	7.68%	20.98%	28.66%	$ 735,698	$ 41,804
2026	$ 6,457,341	76.5%	2028	$ 2,650,413	7.51%	21.30%	28.81%	$ 763,584	$ 27,886
2027	$ 6,304,021	77.7%	2029	$ 2,736,552	7.33%	21.23%	28.56%	$ 781,559	$ 17,975
2028	$ 6,590,571	77.3%	2030	$ 2,825,490	7.16%	22.01%	29.17%	$ 824,195	$ 42,636
2029	$ 6,427,930	78.5%	2031	$ 2,917,318	6.99%	23.13%	30.12%	$ 878,696	$ 54,501
2030	$ 6,210,345	79.7%	2032	$ 3,012,131	6.83%	24.11%	30.94%	$ 931,953	$ 53,257
2031	$ 5,920,873	81.1%	2033	$ 3,110,025	6.66%	25.36%	32.02%	$ 995,830	$ 63,877
2032	$ 5,556,017	82.7%	2034	$ 3,211,101	6.50%	25.90%	32.40%	$ 1,040,397	$ 44,567
2033	$ 5,099,362	84.4%	2035	$ 3,315,462	6.35%	25.19%	31.54%	$ 1,045,697	$ 5,300
2034	$ 4,564,706	86.3%	2036	$ 3,423,214	6.21%	21.94%	28.15%	$ 963,635	$ (82,062)
2035	$ 3,989,189	88.2%	2037	$ 3,534,469	6.08%	20.08%	26.16%	$ 924,617	$ (39,018)
2036	$ 3,463,339	89.8%	2038	$ 3,649,339	5.97%	20.81%	26.78%	$ 977,293	$ 52,676
2037	$ 2,945,614	91.4%	2039	$ 3,767,943	5.87%	20.14%	26.01%	$ 980,042	$ 2,749
2038	$ 2,338,438	93.2%	2040	$ 3,890,401	5.78%	18.03%	23.81%	$ 926,304	$ (53,738)
2039	$ 1,690,143	95.1%	2041	$ 4,016,839	5.69%	17.49%	23.18%	$ 931,103	$ 4,799
2040	$ 1,057,496	96.9%	2042	$ 4,147,386	5.63%	15.39%	21.02%	$ 871,781	$ (59,322)
2041	$ 379,796	98.9%	2043	$ 4,282,176	5.56%	14.89%	20.45%	$ 875,705	$ 3,924
2042	$ (277,469)	100.8%	2044	$ 4,421,347	5.50%	-0.35%	5.15%	$ 227,699	$ (648,006)
2043	$ (978,684)	102.9%	2045	$ 4,565,041	5.45%	-1.18%	4.27%	$ 194,927	$ (32,772)
2044	$ (1,032,528)	103.2%	2046	$ 4,713,404	5.41%	-1.21%	4.20%	$ 197,963	$ 3,036
2045	$ (1,048,633)	103.3%	2047	$ 4,866,590	5.38%	-1.19%	4.19%	$ 203,910	$ 5,947

Detailed Scenario Test Results – Under Scenario 2 (Assuming 7.00% Market Return for 2022/2023)

HEALTH PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year			City Contributions (July 15)						
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 189,701	94.6%	2023	$ 2,258,725	3.62%	0.30%	3.92%	$ 88,542	
2022	$ 107,741	97.0%	2024	$ 2,332,133	3.60%	0.33%	3.93%	$ 91,653	$ 3,111
2023	$ 126,987	96.6%	2025	$ 2,407,928	3.65%	0.40%	4.05%	$ 97,521	$ 5,868
2024	$ 147,755	96.2%	2026	$ 2,486,185	3.68%	0.48%	4.16%	$ 103,425	$ 5,904
2025	$ 174,964	95.7%	2027	$ 2,566,986	3.73%	0.57%	4.30%	$ 110,380	$ 6,955
2026	$ 193,485	95.5%	2028	$ 2,650,413	3.75%	0.65%	4.40%	$ 116,618	$ 6,238
2027	$ 186,654	95.8%	2029	$ 2,736,552	3.78%	0.64%	4.42%	$ 120,956	$ 4,338
2028	$ 271,138	94.2%	2030	$ 2,825,490	3.82%	0.91%	4.73%	$ 133,646	$ 12,690
2029	$ 272,424	94.4%	2031	$ 2,917,318	3.84%	0.94%	4.78%	$ 139,448	$ 5,802
2030	$ 264,641	94.8%	2032	$ 3,012,131	3.86%	0.95%	4.81%	$ 144,884	$ 5,436
2031	$ 254,729	95.2%	2033	$ 3,110,025	3.90%	0.95%	4.85%	$ 150,836	$ 5,952
2032	$ 243,192	95.6%	2034	$ 3,211,101	3.93%	0.95%	4.88%	$ 156,702	$ 5,866
2033	$ 229,591	96.0%	2035	$ 3,315,462	3.97%	0.95%	4.92%	$ 163,121	$ 6,419
2034	$ 214,080	96.4%	2036	$ 3,423,214	3.99%	0.96%	4.95%	$ 169,449	$ 6,328
2035	$ 196,159	96.8%	2037	$ 3,534,469	4.02%	0.96%	4.98%	$ 176,017	$ 6,568
2036	$ 175,948	97.3%	2038	$ 3,649,339	4.06%	0.96%	5.02%	$ 183,197	$ 7,180
2037	$ 153,192	97.7%	2039	$ 3,767,943	4.08%	0.97%	5.05%	$ 190,281	$ 7,084
2038	$ 127,339	98.2%	2040	$ 3,890,401	4.11%	0.90%	5.01%	$ 194,909	$ 4,628
2039	$ 98,629	98.6%	2041	$ 4,016,839	4.15%	0.82%	4.97%	$ 199,637	$ 4,728
2040	$ 69,642	99.1%	2042	$ 4,147,386	4.18%	0.72%	4.90%	$ 203,222	$ 3,585
2041	$ 40,565	99.5%	2043	$ 4,282,176	4.21%	0.64%	4.85%	$ 207,686	$ 4,464
2042	$ 12,767	99.8%	2044	$ 4,421,347	4.23%	0.31%	4.54%	$ 200,729	$ (6,957)
2043	$ (14,766)	100.2%	2045	$ 4,565,041	4.25%	-0.02%	4.23%	$ 193,101	$ (7,628)
2044	$ (29,427)	100.4%	2046	$ 4,713,404	4.27%	-0.03%	4.24%	$ 199,848	$ 6,747
2045	$ (29,525)	100.3%	2047	$ 4,866,590	4.29%	-0.03%	4.26%	$ 207,317	$ 7,469

Detailed Scenario Test Results – Under Scenario 2 (Assuming 7.00% Market Return for 2022/2023)

RETIREMENT AND HEALTH PLANS

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year					City Contributions (July 15)				
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,811,009	71.6%	2023	$ 2,258,725	11.37%	21.94%	33.31%	$ 752,381	
2022	$ 6,537,225	76.4%	2024	$ 2,332,133	11.24%	22.12%	33.36%	$ 778,000	$ 25,619
2023	$ 6,581,227	77.0%	2025	$ 2,407,928	11.03%	22.55%	33.58%	$ 808,582	$ 30,582
2024	$ 6,600,959	77.8%	2026	$ 2,486,185	10.92%	21.15%	32.07%	$ 797,319	$ (11,263)
2025	$ 6,640,472	78.4%	2027	$ 2,566,986	11.41%	21.55%	32.96%	$ 846,078	$ 48,759
2026	$ 6,650,826	79.0%	2028	$ 2,650,413	11.26%	21.95%	33.21%	$ 880,202	$ 34,124
2027	$ 6,490,675	80.2%	2029	$ 2,736,552	11.11%	21.87%	32.98%	$ 902,515	$ 22,313
2028	$ 6,861,709	79.7%	2030	$ 2,825,490	10.98%	22.92%	33.90%	$ 957,841	$ 55,326
2029	$ 6,700,354	80.7%	2031	$ 2,917,318	10.83%	24.07%	34.90%	$ 1,018,144	$ 60,303
2030	$ 6,474,986	81.9%	2032	$ 3,012,131	10.69%	25.06%	35.75%	$ 1,076,837	$ 58,693
2031	$ 6,175,602	83.1%	2033	$ 3,110,025	10.56%	26.31%	36.87%	$ 1,146,666	$ 69,829
2032	$ 5,799,209	84.5%	2034	$ 3,211,101	10.43%	26.85%	37.28%	$ 1,197,099	$ 50,433
2033	$ 5,328,953	86.1%	2035	$ 3,315,462	10.32%	26.14%	36.46%	$ 1,208,818	$ 11,719
2034	$ 4,778,786	87.8%	2036	$ 3,423,214	10.20%	22.90%	33.10%	$ 1,133,084	$ (75,734)
2035	$ 4,185,348	89.5%	2037	$ 3,534,469	10.10%	21.04%	31.14%	$ 1,100,634	$ (32,450)
2036	$ 3,639,287	91.0%	2038	$ 3,649,339	10.03%	21.77%	31.80%	$ 1,160,490	$ 59,856
2037	$ 3,098,806	92.5%	2039	$ 3,767,943	9.95%	21.11%	31.06%	$ 1,170,323	$ 9,833
2038	$ 2,465,777	94.1%	2040	$ 3,890,401	9.89%	18.93%	28.82%	$ 1,121,213	$ (49,110)
2039	$ 1,788,772	95.7%	2041	$ 4,016,839	9.84%	18.31%	28.15%	$ 1,130,740	$ 9,527
2040	$ 1,127,138	97.3%	2042	$ 4,147,386	9.81%	16.11%	25.92%	$ 1,075,003	$ (55,737)
2041	$ 420,361	99.0%	2043	$ 4,282,176	9.77%	15.53%	25.30%	$ 1,083,391	$ 8,388
2042	$ (264,702)	100.6%	2044	$ 4,421,347	9.73%	-0.04%	9.69%	$ 428,428	$ (654,963)
2043	$ (993,450)	102.4%	2045	$ 4,565,041	9.70%	-1.20%	8.50%	$ 388,028	$ (40,400)
2044	$ (1,061,955)	102.6%	2046	$ 4,713,404	9.68%	-1.24%	8.44%	$ 397,811	$ 9,783
2045	$ (1,078,158)	102.7%	2047	$ 4,866,590	9.67%	-1.22%	8.45%	$ 411,227	$ 13,416

Detailed Scenario Test Results – Under Scenario 3 (Assuming 14.00% Market Return for 2022/2023)

RETIREMENT PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year			City Contributions (July 15)						
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,621,308	71.6%	2023	$ 2,258,725	7.75%	21.64%	29.39%	$ 663,839	
2022	$ 6,429,484	73.3%	2024	$ 2,332,133	7.64%	21.79%	29.43%	$ 686,347	$ 22,508
2023	$ 6,281,249	74.8%	2025	$ 2,407,928	7.38%	21.52%	28.90%	$ 695,891	$ 9,544
2024	$ 6,022,459	76.6%	2026	$ 2,486,185	7.24%	19.12%	26.36%	$ 655,358	$ (40,533)
2025	$ 5,787,306	78.3%	2027	$ 2,566,986	7.68%	18.55%	26.23%	$ 673,321	$ 17,963
2026	$ 5,551,205	79.8%	2028	$ 2,650,413	7.51%	18.06%	25.57%	$ 677,711	$ 4,390
2027	$ 5,191,608	81.6%	2029	$ 2,736,552	7.33%	17.25%	24.58%	$ 672,644	$ (5,067)
2028	$ 5,294,681	81.8%	2030	$ 2,825,490	7.16%	17.36%	24.52%	$ 692,810	$ 20,166
2029	$ 4,972,474	83.4%	2031	$ 2,917,318	6.99%	17.87%	24.86%	$ 725,245	$ 32,435
2030	$ 4,793,288	84.4%	2032	$ 3,012,131	6.83%	18.79%	25.62%	$ 771,708	$ 46,463
2031	$ 4,568,502	85.4%	2033	$ 3,110,025	6.66%	20.03%	26.69%	$ 830,066	$ 58,358
2032	$ 4,279,798	86.6%	2034	$ 3,211,101	6.50%	20.58%	27.08%	$ 869,566	$ 39,500
2033	$ 3,910,509	88.0%	2035	$ 3,315,462	6.35%	19.86%	26.21%	$ 868,983	$ (583)
2034	$ 3,475,078	89.5%	2036	$ 3,423,214	6.21%	16.61%	22.82%	$ 781,178	$ (87,805)
2035	$ 3,011,662	91.1%	2037	$ 3,534,469	6.08%	14.75%	20.83%	$ 736,230	$ (44,948)
2036	$ 2,611,882	92.3%	2038	$ 3,649,339	5.97%	15.49%	21.46%	$ 783,148	$ 46,918
2037	$ 2,235,752	93.5%	2039	$ 3,767,943	5.87%	14.82%	20.69%	$ 779,587	$ (3,561)
2038	$ 1,786,229	94.8%	2040	$ 3,890,401	5.78%	13.33%	19.11%	$ 743,456	$ (36,131)
2039	$ 1,313,364	96.2%	2041	$ 4,016,839	5.69%	13.78%	19.47%	$ 782,079	$ 38,623
2040	$ 849,157	97.5%	2042	$ 4,147,386	5.63%	12.63%	18.26%	$ 757,313	$ (24,766)
2041	$ 316,331	99.1%	2043	$ 4,282,176	5.56%	13.02%	18.58%	$ 795,628	$ 38,315
2042	$ (223,341)	100.7%	2044	$ 4,421,347	5.50%	-0.27%	5.23%	$ 231,236	$ (564,392)
2043	$ (835,543)	102.5%	2045	$ 4,565,041	5.45%	-1.01%	4.44%	$ 202,688	$ (28,548)
2044	$ (882,678)	102.7%	2046	$ 4,713,404	5.41%	-1.03%	4.38%	$ 206,447	$ 3,759
2045	$ (896,598)	102.9%	2047	$ 4,866,590	5.38%	-1.01%	4.37%	$ 212,670	$ 6,223

Detailed Scenario Test Results – Under Scenario 3 (Assuming 14.00% Market Return for 2022/2023)

HEALTH PLAN

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year			City Contributions (July 15)						
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 189,701	94.6%	2023	$ 2,258,725	3.62%	0.30%	3.92%	$ 88,542	
2022	$ 107,741	97.0%	2024	$ 2,332,133	3.60%	0.33%	3.93%	$ 91,653	$ 3,111
2023	$ 93,456	97.5%	2025	$ 2,407,928	3.65%	0.28%	3.93%	$ 94,632	$ 2,979
2024	$ 64,262	98.4%	2026	$ 2,486,185	3.68%	0.18%	3.86%	$ 95,967	$ 1,335
2025	$ 43,450	98.9%	2027	$ 2,566,986	3.73%	0.10%	3.83%	$ 98,316	$ 2,349
2026	$ 17,826	99.6%	2028	$ 2,650,413	3.75%	0.02%	3.77%	$ 99,921	$ 1,605
2027	$ (28,965)	100.7%	2029	$ 2,736,552	3.78%	-0.05%	3.73%	$ 102,073	$ 2,152
2028	$ 20,067	99.6%	2030	$ 2,825,490	3.82%	0.06%	3.88%	$ 109,629	$ 7,556
2029	$ (11,897)	100.2%	2031	$ 2,917,318	3.84%	-0.02%	3.82%	$ 111,442	$ 1,813
2030	$ (13,885)	100.3%	2032	$ 3,012,131	3.86%	-0.02%	3.84%	$ 115,666	$ 4,224
2031	$ (13,327)	100.3%	2033	$ 3,110,025	3.90%	-0.02%	3.88%	$ 120,669	$ 5,003
2032	$ (12,365)	100.2%	2034	$ 3,211,101	3.93%	-0.02%	3.91%	$ 125,554	$ 4,885
2033	$ (11,576)	100.2%	2035	$ 3,315,462	3.97%	-0.03%	3.94%	$ 130,629	$ 5,075
2034	$ (10,640)	100.2%	2036	$ 3,423,214	3.99%	-0.01%	3.98%	$ 136,244	$ 5,615
2035	$ (9,526)	100.2%	2037	$ 3,534,469	4.02%	-0.01%	4.01%	$ 141,732	$ 5,488
2036	$ (8,605)	100.1%	2038	$ 3,649,339	4.06%	-0.02%	4.04%	$ 147,433	$ 5,701
2037	$ (7,595)	100.1%	2039	$ 3,767,943	4.08%	-0.01%	4.07%	$ 153,355	$ 5,922
2038	$ (6,437)	100.1%	2040	$ 3,890,401	4.11%	0.00%	4.11%	$ 159,895	$ 6,540
2039	$ (5,001)	100.1%	2041	$ 4,016,839	4.15%	-0.01%	4.14%	$ 166,297	$ 6,402
2040	$ (3,777)	100.1%	2042	$ 4,147,386	4.18%	0.00%	4.18%	$ 173,361	$ 7,064
2041	$ (2,320)	100.0%	2043	$ 4,282,176	4.21%	0.00%	4.21%	$ 180,280	$ 6,919
2042	$ (1,168)	100.0%	2044	$ 4,421,347	4.23%	0.00%	4.23%	$ 187,023	$ 6,743
2043	$ (352)	100.0%	2045	$ 4,565,041	4.25%	0.00%	4.25%	$ 194,014	$ 6,991
2044	$ 661	100.0%	2046	$ 4,713,404	4.27%	0.00%	4.27%	$ 201,262	$ 7,248
2045	$ 1,693	100.0%	2047	$ 4,866,590	4.29%	0.00%	4.29%	$ 208,777	$ 7,515

Note: The timing lag between the normal cost calculated as of the valuation year and the actual normal cost in the year the contribution is made creates a small drag on the funded ratio starting in valuation year 2031. This drag is usually offset by the interest on the overfunded position. However, because the overfunded position is so small in this scenario, 100.3% in 2030, the interest credit is less than the impact of the normal cost timing delay. From a practical standpoint, the funded ratio in this scenario is essentially 100% starting in 2029.

Detailed Scenario Test Results – Under Scenario 3 (Assuming 14.00% Market Return for 2022/2023)

RETIREMENT AND HEALTH PLANS

Projection of UAAL, Funded Ratio and City Contributions
(Contributions Received on July 15)
($ In Thousands)

June 30 of Valuation Year				City Contributions (July 15)					
Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Amortization	Total Rate	Contribution Amount	Incremental Increase
2021	$ 6,811,009	71.6%	2023	$ 2,258,725	11.37%	21.94%	33.31%	$ 752,381	
2022	$ 6,537,225	76.4%	2024	$ 2,332,133	11.24%	22.12%	33.36%	$ 778,000	$ 25,619
2023	$ 6,374,705	77.8%	2025	$ 2,407,928	11.03%	21.80%	32.83%	$ 790,523	$ 12,523
2024	$ 6,086,721	79.5%	2026	$ 2,486,185	10.92%	19.30%	30.22%	$ 751,325	$ (39,198)
2025	$ 5,830,756	81.0%	2027	$ 2,566,986	11.41%	18.65%	30.06%	$ 771,637	$ 20,312
2026	$ 5,569,031	82.5%	2028	$ 2,650,413	11.26%	18.08%	29.34%	$ 777,632	$ 5,995
2027	$ 5,162,643	84.2%	2029	$ 2,736,552	11.11%	17.20%	28.31%	$ 774,717	$ (2,915)
2028	$ 5,314,748	84.3%	2030	$ 2,825,490	10.98%	17.42%	28.40%	$ 802,439	$ 27,722
2029	$ 4,960,577	85.7%	2031	$ 2,917,318	10.83%	17.85%	28.68%	$ 836,687	$ 34,248
2030	$ 4,779,403	86.6%	2032	$ 3,012,131	10.69%	18.77%	29.46%	$ 887,374	$ 50,687
2031	$ 4,555,175	87.6%	2033	$ 3,110,025	10.56%	20.01%	30.57%	$ 950,735	$ 63,361
2032	$ 4,267,433	88.6%	2034	$ 3,211,101	10.43%	20.56%	30.99%	$ 995,120	$ 44,385
2033	$ 3,898,933	89.8%	2035	$ 3,315,462	10.32%	19.83%	30.15%	$ 999,612	$ 4,492
2034	$ 3,464,438	91.2%	2036	$ 3,423,214	10.20%	16.60%	26.80%	$ 917,422	$ (82,190)
2035	$ 3,002,136	92.5%	2037	$ 3,534,469	10.10%	14.74%	24.84%	$ 877,962	$ (39,460)
2036	$ 2,603,277	93.6%	2038	$ 3,649,339	10.03%	15.47%	25.50%	$ 930,581	$ 52,619
2037	$ 2,228,157	94.6%	2039	$ 3,767,943	9.95%	14.81%	24.76%	$ 932,942	$ 2,361
2038	$ 1,779,792	95.7%	2040	$ 3,890,401	9.89%	13.33%	23.22%	$ 903,351	$ (29,591)
2039	$ 1,308,363	96.9%	2041	$ 4,016,839	9.84%	13.77%	23.61%	$ 948,376	$ 45,025
2040	$ 845,380	98.0%	2042	$ 4,147,386	9.81%	12.63%	22.44%	$ 930,674	$ (17,702)
2041	$ 314,011	99.3%	2043	$ 4,282,176	9.77%	13.02%	22.79%	$ 975,908	$ 45,234
2042	$ (224,509)	100.5%	2044	$ 4,421,347	9.73%	-0.27%	9.46%	$ 418,259	$ (557,649)
2043	$ (835,895)	102.0%	2045	$ 4,565,041	9.70%	-1.01%	8.69%	$ 396,702	$ (21,557)
2044	$ (882,017)	102.2%	2046	$ 4,713,404	9.68%	-1.03%	8.65%	$ 407,709	$ 11,007
2045	$ (894,905)	102.2%	2047	$ 4,866,590	9.67%	-1.01%	8.66%	$ 421,447	$ 13,738

Historical Funded Status, UAAL, and Employer Contribution Rates

RETIREMENT AND HEALTH PLANS

	Market Value Basis		Valuation Value Basis		Aggregate Employer Contribution Rate (% of Payroll – Contributions Received on July 15)[1]
Valuation Date	**Funded Status**	**UAAL**	**Funded Status**	**UAAL**	
June 30, 2013	68.7%	$5.4B	69.1%	$5.3B	26.56%
June 30, 2014	73.4%	$5.0B	68.1%	$6.0B	28.60%
June 30, 2015	71.9%	$5.5B	70.7%	$5.7B	27.62%
June 30, 2016	69.0%	$6.3B	72.6%	$5.5B	27.13%
June 30, 2017	72.8%	$5.8B	72.8%	$5.8B	28.16%
June 30, 2018	72.9%	$6.3B	71.6%	$6.6B	29.66%
June 30, 2019	73.1%	$6.5B	73.1%	$6.5B	29.12%
June 30, 2020	68.4%	$8.2B	71.6%	$7.4B	32.25%
June 30, 2021	84.7%	$4.1B	74.6%	$6.8B	33.31%
June 30, 2022	73.6%	$7.3B	76.4%	$6.5B	33.36%

[1] For the June 30, 2013 – 2014 valuation dates, the rates shown are with adjustment for the five-year phase-in of the increase in the employer contribution rates due to assumption changes from the 2011 experience study. The rates without adjustment for those years were 27.11% and 28.88%, respectively.

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

MEETING: MARCH 28, 2023
ITEM: IX – B

SUBJECT: **PRELIMINARY PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2023-24 AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board provide input to the Preliminary Proposed Budget for Fiscal Year 2023-24 (FY24); and accordingly, instruct staff to submit the Proposed Budget schedules to the City Administrative Officer and the Mayor's Office for inclusion in the Mayor's 2023-24 Proposed Budget.

Executive Summary

The Department's Preliminary Budget is provided each March to the Board for discussion of the annual business plan for the coming fiscal year and the resources requested to maintain operations and carry out these projects. Input from the Board is incorporated into the final Proposed Budget, presented to the Board for adoption in May.

In the May budget proposal, an updated Headquarters (HQ) operating budget will be incorporated for Board approval as it is currently in development with the Property Manager and a placeholder figure of $1.5 million is currently reflected. The HQ proposed Year 2 Capital Improvements of a 10-Year Capital Improvement Plan, totaling $135,033 for FY24, is incorporated in the Proposed Budget.

Also transmitted herein are the budget schedules that will be submitted for incorporation in the Mayor's Proposed Budget, and the FY24 Performance Budget Report. The Budget Schedules include LACERS' Statement of Receipts and Expenditures; and schedules detailing the City Contribution, Investment Management Fee Expense, Administrative Expense, 115 Trust Expense, and Regular Position Authorities for FY24. A summary of changes in these budget areas are reflected in the following table.

	FY24	FY23	$ change	% change
City Contribution	$ 764,795,638*	$ 763,866,451	$ 929,187	0.1
Investment Management Fee & Expense	$ 129,674,876	$ 106,923,414	$ 22,751,462	21.3
Administrative Expense	$ 42,189,546	$ 40,538,982	$ 1,650,564	4.1
Regular Position Authorities	195	187	8	4.3

An Asterisk (*) denotes estimated amount.

Discussion

Detailed discussion of the proposed budget is provided in the attached report. Below are key highlights of the report.

City Contribution

The FY24 City Contribution is estimated at $764.8 million. Last year's City Contribution after the true-up credit was $763.9 million. Further discussion of the City contribution is found on pages 26 and 27 of Attachment 1 and is summarized below.

	FY24	FY23	$ change	% change
Tier 1 (34.07% for FY24)	$ 615,013,529	$ 612,829,734	$ 2,183,795	0.4
Tier 3, (31.45% for FY24)	229,693,138	224,797,077	4,896,061	2.2
True-up Adjustment	(81,477,029)	(75,194,360)	(6,282,669)	8.4
Family Death Benefit Plan	51,000	47,000	4,000	8.5
Excess Benefit Plan	1,332,000	1,332,000	-	0.0
Limited Term Retirement Plan	183,000	55,000	128,000	232.7
Total City Contributions	**$ 764,795,638***	**$ 763,866,451**	**$ 929,187**	**0.1**

An Asterisk (*) denotes estimated amount.

Administrative Expense Budget

The Administrative Expense Budget of $42.19 million is $1.65 million, or 4.1% higher than the Fiscal Year 2022-23 (FY23) Adopted Budget and includes obligatory costs totaling $2.4 million, which primarily consists of increases to employee salaries and benefits. These costs are partially offset with deletion of one-time funding and efficiencies to services, including salary savings totaling a $2.03 million reduction. Further discussion of the Administrative Expense Budget is found on pages 3 through 8 of Attachment 1 and is summarized below.

	FY24	FY23	$ change	% change
Personnel Services	$ 33,313,528	$ 30,685,890	$ 2,627,638	8.6
Professional Services	5,236,820	5,515,753	(278,933)	(5.1)
Information Technology	1,932,810	1,691,610	241,200	14.3
Education/Training/Travel	375,005	275,660	99,345	36.0
Office Expenses	1,331,383	2,370,069	(1,038,686)	(43.8)
Total Administrative Expense	**$ 42,189,546**	**$ 40,538,982**	**$ 1,650,564**	**4.1**

The Proposed Budget includes continuing investment in human resources, with an increase by 8 regular positions, including regularization of substitute authority positions ("subs") from FY23. Total positions for FY24 includes 23 subs, an increase of 11 subs from FY23. The increase in the position requests is a function of the need for continuity and employee retention in the various Divisions to maintain service levels as workload complexity increases.

- The proposed salaries of $22.86 million include a projected 2% cost-of-living (COLA) adjustment and proposed 5% salary savings providing an offset of -$1.16 million.

- New Position Requests: 4 new regular positions and 6 regularized subs, offset by the deletion of 2 regular positions, are requested for FY24 increasing the personnel authority from 187 to 195 positions.

- Substitute Authority Position Requests: 16 substitute authorities are requested to continue for FY24 along with 7 new substitute authorities requested.

	2022-23 Adopted Budget	Proposed Changes			2023-24 Proposed Budget	2023-24 Proposed Substitute Authorities		
	Regular Authorities	Add/Delete	Regularize Substitute Authorities	New	Regular Authorities	Cont.	New	Total
TOTAL	**187**	(2)	6	4	**195**	16	7	**23**

**FY23: Currently 25 vacant positions. (22 regular and 3 substitute authority positions).*

- New Headquarters operating expenses estimated at $1.5 million are brought onto the Administrative Expense Budget. This includes a complimentary parking budget of $30,000 to accommodate staff parking related to the rental of up to 30 parking spots or parking validations in the Chinatown area, representing a $128,558 savings in parking costs when LACERS leased office space at the LA Times Building. The initial discussion was referenced in the November 8, 2022, LACERS Staff Parking and Commuter Options Survey Board Report, though the final adjusted parking requirements for LACERS staff are still being reviewed and may request for further adjustment in the May Revised Budget. The operating budget is preliminary as it is still in development by the Property Manager and will be updated for the May Revised Budget proposal. Additionally, a Transit Subsidy Reimbursement Program is in development and will be provided to the Board for consideration with the FY24 final budget.

- The Business Plan for FY24 includes continuing Business Plan Initiatives for Governance with a focus on strategic planning, Language Access Plan, Knowledge Transfer, Environmental, Social, and Governance Investing, and Diversity, Equity, and Inclusion (DEI) focused initiatives, such as Workforce DEI, and the Diversity in Hiring.

Investment Management Fees and Expenses

The FY24 Investment Management Fees and Expenses are estimated at $129.7 million, $22.8 million more than the FY23 Adopted Budget and $6.7 million more than anticipated FY23 expenses. Further discussion of the Investment Management Fees and Expenses is found on page 28 and 29 of Attachment 1 and Attachment 2 on page 6, and is summarized as follows:

- The Investment Management Fees are estimated for FY24 by projecting the future market value of portfolio assets and applying the management fee rates reflected in the contracts with individual managers.

- The Investment Management Fee and Expenses schedule reflects adjustments for timing of the investment.

Strategic Plan Impact Statement

This budget includes funding for FY24 initiatives to meet LACERS seven strategic goals.

Prepared By: Todd Bouey, Assistant General Manager, Dale Wong-Nguyen, Assistant General Manager, the Administration Division and Budget Team: Edwin Avanessian, Andy Chiu, Vikram Jadhav, Chhintana Kurimoto, Lisa Li, Lin Lin, Marcel Nguyen, JoAnn Peralta. In collaboration, and with special thanks to Department senior managers for the thought and leadership that went into this budget.

NMG/TB/EA/LL/CK

Attachments: 1. LACERS Performance Budget Report for Fiscal Year 2023-24
2. Proposed Budget, Personnel, and Annual Resolutions for Fiscal Year 2023-24

BOARD Meeting: 3/28/23
Item: IX-B
Attachment 1

www.lacers.org

LACERS PERFORMANCE BUDGET

BOARD PRESENTATION OF MARCH 28, 2023

FISCAL YEAR 2023-24

TABLE OF CONTENTS

Introduction

On March 6, 2023, LACERS officially transitioned into the new Headquarters office building in Chinatown, and with preparations underway to open the building for Member Services on April 3, 2023, LACERS is excited to welcome the new Fiscal Year with renewed energy and a fresh perspective in serving our Members. The future is bright as we complete Fiscal Year 2022-23 (FY23) projects and introduce new projects for Fiscal Year 2023-24 (FY24).

The LACERS FY24 budget development process is guided by our Strategic Plan and goal areas, which include providing outstanding customer service, delivering accurate and timely Member benefits, improving health and wellness benefits, managing risks for superior investments, upholding good governance practices, increasing organizational efficacy, and maintaining a high-performance workforce.

LACERS FY24 Business Plan incorporates several key initiatives including the development of a new Strategic Plan, the Mayor's Language Access Plan directive, as well as continued efforts on knowledge transfer and succession planning, growth of internal Diversity, Equity, and Inclusion efforts, investment in staff development and internal communication, and the continued integration of Environmental, Social and Governance investing principles.

The budget reflects our mission, vision, and values. We look forward to taking on transformative projects that improve the quality of service to our Members, advances staff development, and promote financially sound investments.

	FY24	FY23	$ CHANGE	% CHANGE
City Contribution	$ 764,795,638	$ 763,866,451	$ 929,187	0.1
Investment Management Fees & Expenses	$ 129,674,876	$ 106,923,414	$ 22,751,462	21.3
Administrative Expenses	$ 42,189,546	$ 40,538,982	$ 1,650,564	4.1
Health Care Fund Administrative Expense	$ 1,035,000	$ 1,013,000	$ 22,000	2.2
Regular Position Authorities	195	187	8	4.3

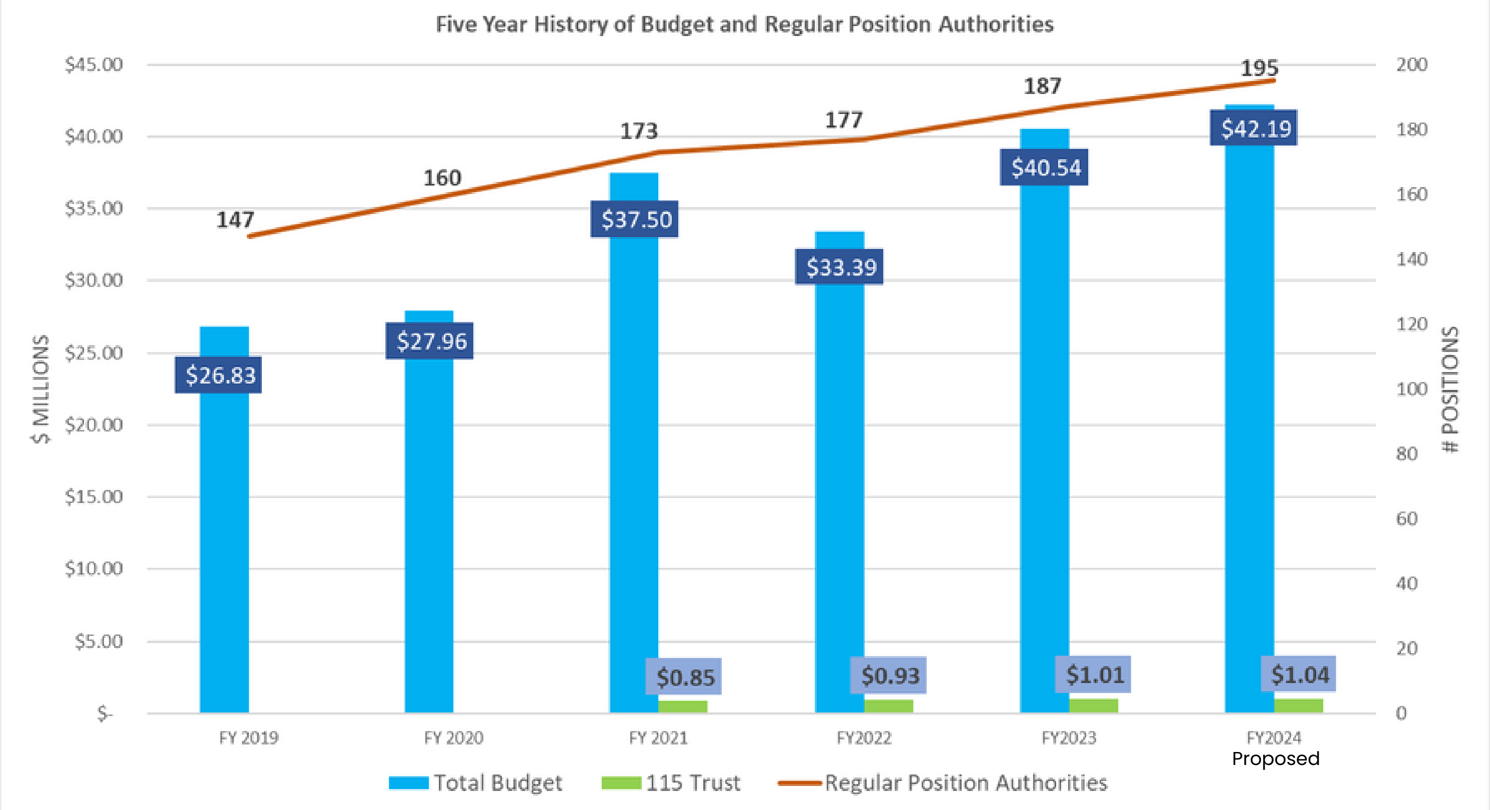
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget, which is due to City Council by April 20, and finalized by June for the fiscal year beginning July 1st. The Board's approval of the Administrative and Investment Expense budget establishes the General Manager's expenditure authority for the fiscal year.

LACERS' budget is comprised of the Administrative Expense Budget, the Health Care Fund Budget ("115 Trust"), the Investment Management Fees and Expenses Budget, and the City's contribution to the LACERS Retirement Trust Fund and 115 Trust Fund. Key decisions made by the Board throughout the year will determine certain aspects of the budget. This includes the adoption of the actuarial valuation in November which sets the annual contribution rate (a percentage of City payroll) that the City will provide to LACERS to fund the retirement benefits for City employees. The Board approves asset allocations and investment contracts which set fee rates used to establish the Investment Management Fee Budget. The Board also considers programs and annual business plan initiatives to fund for the coming fiscal years reflected in the Administrative Expense Budget.

An overview of the components of the LACERS' budget, with the Board's discretionary decisions is reflected as follows:

CITY CONTRIBUTION	=	CONTRIBUTION RATE Adopted in LACERS Valuation	x	CITY'S COVERED PAYROLL As Adopted by City Council
INVESTMENT MANAGEMENT FEES	=	ASSET MANAGEMENT FEES Established in LACERS-Approved Investment Contracts	x	ASSUMED MARKET VALUE OF ASSETS Based on Capital Market Assumptions
ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Salary Increases, Cost-of-Living Increases, Retirement & Benefit Costs, Lease Cost, Legal Fees	+	APPROVED DISCRETIONARY CHANGES New positions, Programs & Initiatives; Service Enhancements, Salary Savings Rate
HEALTH CARE FUND ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Approved Third-Party Administrator, Audit Contract Fees	+	APPROVED DISCRETIONARY CHANGES Program Enhancements

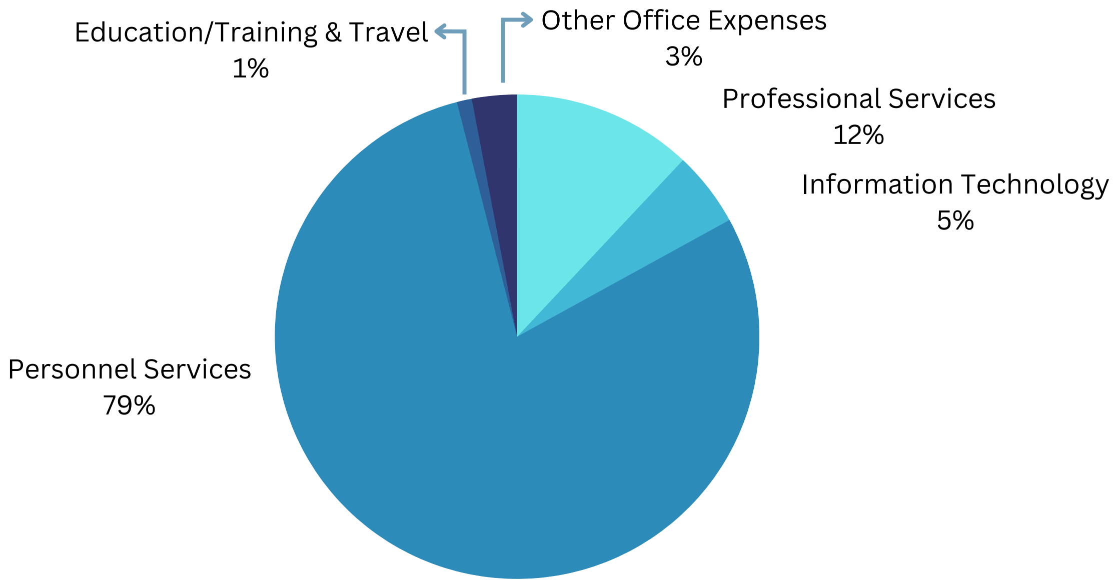
Administrative Expense Budget



The Administrative Expense Budget of $42.19 million reflects a net increase of $1.65 million, or 4.1% over the FY23 base budget. Obligatory changes to the budget account for $2.4 million in increases over the FY23 adopted budget. This includes $.52 million in employee benefit and pension costs, $0.44 million for cost of living adjustments, and $1 million for the restoration of salary savings (See Summary of Changes table, page 4). Obligatory costs are partially offset by the adoption of a 5% salary savings rate equivalent to $1.16 million, and $0.6 million in one-time and various expense reductions. General Administration & Support expenses also experienced an reduction of $0.44 million with the LA Times lease surrender as the primary factor. The Budget invests $1 million in core services and $0.3 million to fund six on-going Business Plan Initiatives (BPI): Governance Initiative, Language Access Plan Initiative, Knowledge Transfer Initiative, Workforce Diversity, Equity, and Inclusion Initiative, Diversity in Hiring Initiative, and Investment's Environmental, Social and Governance efforts. (See 2023-24 Annual Business Plan, starting on page 9).

Category	Item		Dollars	Positions Regular	Positions Substitute
2022-23 Adopted Budget		$	40,538,982	187	12
Obligatory Changes			2,367,784	-	-
	Cost-of-Living Adjustment		438,301	-	-
	Restoration of Salary Savings		1,044,697		
	Salary Rate Increases, Turnover, Excess Sick Pay		156,958	-	-
	Part-Time Salaries		125,567	-	-
	LACERS' Employer Share of Retirement Contributions		277,500	-	-
	LACERS' Share of Employee Benefits		243,780	-	-
	LACERS' Share of City Attorney and Outside Legal Counsel		80,981	-	-
Deletion of One-Time Funding			(327,144)	-	-
	Deletion of Funding for Substitute Authorities		(263,394)	-	-
	Deletion of Funding for One-Time Services, Expenses, & Equipment		(63,750)	-	-
Efficiencies to Services			(1,700,501)	-	-
	Salary Savings Rate Adjustment [5%]		(1,164,314)	-	-
	Expense Account Savings		(536,187)	-	-
Continuation of Services			1,009,625	-	-
	Investment Program Expenses		26,580	-	-
	Benefits Administration Expenses		1,421,652	7	6
	General Administration & Support Expenses		(438,607)	1	5
New/Enhanced Services			300,800	-	-
	Language Access Plan		40,000	-	-
	Knowledge Transfer		68,000	-	-
	Workforce DEI		67,800	-	-
	Governance		125,000	-	-
	Total Changes	$	1,650,564	8	11
	2023-24 Proposed Budget	$	42,189,546	195	23

FY24 Allocation of Expenses



This budget year continues to invest in Personnel resources as part of the multi-year staffing plan. In the five major categories of expenses, Personnel Services account for 79% of the FY24 budget (+8.6% total expense year-over-year (YOY)). Professional Services comprise 12% of the budget (-5.1% total expense YOY) followed by Office Expenses at 3% of the budget (-43.8% total expense YOY). Information Technology is 5% of the budget (+14.3% total expense YOY) and finally Education/Training and Travel are 1% of the budget (+36% total expense YOY).

The Administrative Budget Detail includes the following notable items:

- Salary increases by $2.2 million (+10.5% YOY) and Employee Benefits increase by $521,280 (+5.5% YOY). The increase in Employee Benefits coincide with the increase in requested positions and corresponding salaries. A salary savings rate of $1.16 million (5%) was implemented to account for vacancies.
- Overtime decreases by $63,179 (-13% YOY) in part due to additional position requests.
- Training and Related Travel increase by $99,345 (+36% YOY), consisting of $16,920 (+13.7% YOY) for Employee Development and $82,425 (+54.2% YOY) for Conferences and Travel. These increases intend to return funding back to pre-COVID levels as in-person activities resume. This also includes due-diligence travel by the Investment Division.
- Other Computing Consulting increases by $69,482 (+77.6% YOY) and covers various areas in strengthening information security and Business Plan Initiatives including the Workforce DEI Initiative.
- Furniture and Other Equipment increases by $170,000 (+680% YOY) primarily attributed to the recent Headquarters move and additional outfitting of the building. The Headquarters budget details are referenced on page 7.
- Other Office expenses such as Printing and Binding and Office Equipment services decrease by $46,000 (-24.1% YOY) and $25,000 (-29.4% YOY), respectively, due to the digitalization of forms and one-time purchases of Office Equipment.
- Transportation Expenses increase by $12,000 (+109.1% YOY) due to the anticipated implementation of a Transit Subsidy Reimbursement Program, which will provide staff $50 per month for 20 staff taking public transit. Staff are currently working out the details of this program.
- Board Member Election is a one-time expense of $51,000 for preparation and funding of the election in FY24.

Additional items to note include:

- The Office Lease has a reduction of $1.2 million attributable to the surrender of LA Times Headquarters Building in FY23.
- The budget for the 115 Trust Administrative Expense is shown in the table following the Administrative Expense Budget. The 115 Trust Fund was established in 2018 to better manage future costs and decrease future tax liability for LACERS health and welfare benefits. The 115 Trust Budget pays for administrative expenses including third party fees charged for the administration of Self-Funded Dental and Vision benefit claims, audit fee, legal counsel cost, and the Fund's share in LACERS' overall administrative expenses. The Proposed 115 Trust Budget of $1,035,000 represents an increase of $22,000 (+2.2% YOY).
- This budget invests in the continuation of 16 substitute authority positions, regularization of 6 substitute authority positions, and adding 7 new substitute authority positions and 4 new regular positions. The purpose of and justifications for these positions begin on page 8.
- The budget funds programs currently underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as continuing five initiatives in the FY24 Business Plan including the Language Access Plan Initiative; the Knowledge Transfer Initiative, the High-Performing Workforce Initiative; Environmental, Social, and Governance Investing, and Governance Initiative centered on strategic planning.

Detail of Administrative Expenses

		City Account Number	FY2023-24 Proposed Budget	FY2022-23 Adopted Budget	Budget $ Change	Budget % Change
FUND 800: ADMINISTRATIVE EXPENSE BUDGET						
Personnel Services						
601	Salaries	101	$ 22,855,673	$ 20,686,136	$ 2,169,537	10.5%
602	Overtime	109	423,675	486,854	$ (63,179)	-13.0%
605	Employee Benefits	175	10,034,180	9,512,900	$ 521,280	5.5%
	Personnel Services Total		**$ 33,313,528**	**$ 30,685,890**	$ 2,627,638	8.6%
Professional Services						
611	Actuarial Service	304	$ 360,000	$ 411,500	$ (51,500)	-12.5%
612	Audit Services	304	186,500	231,500	$ (45,000)	-19.4%
613	Legal Services	304	1,258,997	1,178,616	$ 80,381	6.8%
614	Disability Services	304	150,000	200,000	$ (50,000)	-25.0%
615	Other Consulting	304	2,306,323	2,522,137	$ (215,814)	-8.6%
616	Benefit Payroll Processing Servs.	304	275,000	272,000	$ 3,000	1.1%
617	Retiree Health Adm. Consultant	304	700,000	700,000	$ -	0.0%
	Professional Services Total		**$ 5,236,820**	**$ 5,515,753**	$ (278,933)	-5.1%
Information Technology						
622	Pension Adm. System Vendor	304	$ 540,562	$ 470,068	$ 70,494	15.0%
623	Computer Hardware	730	232,100	222,100	$ 10,000	4.5%
624	Computer Software	601	640,659	565,025	$ 75,634	13.4%
625	Computer Maint. & Support	601	360,489	344,899	$ 15,590	4.5%
626	Other Computer Consulting	304	159,000	89,518	$ 69,482	77.6%
	Information Technology Total		**$ 1,932,810**	**$ 1,691,610**	$ 241,200	14.3%
Training & Related Travel						
604	Employee Development	601	$ 140,415	$ 123,495	$ 16,920	13.7%
634	Conferences & Travel	213	234,590	152,165	$ 82,425	54.2%
	Training & Related Travel Total		**$ 375,005**	**$ 275,660**	$ 99,345	36.0%
Office Expenses						
606	Transportation Expenses	331	$ 23,000	$ 11,000	$ 12,000	109.1%
631	Printing and Binding	212	144,500	190,500	$ (46,000)	-24.1%
632	Postage	601	193,950	185,200	$ 8,750	4.7%
633	Telephone and Utilities	601	60,600	60,600	$ -	0.0%
635	Office Lease	304	-	1,215,750	$ (1,215,750)	-100.0%
636	Office Equipment Services	304	60,000	85,000	$ (25,000)	-29.4%
651	Petty Cash	601	6,000	12,000	$ (6,000)	-50.0%
652	Board Member Election Expense	601	51,000	48,600	$ 2,400	4.9%
653	Furniture and Other Equipment	730	195,000	25,000	$ 170,000	680.0%
655	Other Office Expense	601	161,425	141,510	$ 19,915	14.1%
656	Membership Dues & Subscriptions	601	163,475	140,409	$ 23,066	16.4%
658	Promotional Supplies	601	6,000	5,000	$ 1,000	20.0%
659	Insurance Expense	304	266,433	249,500	$ 16,933	6.8%
	Office Expenses Total		**$ 1,331,383**	**$ 2,370,069**	$ (1,038,686)	-43.8%
TOTAL ADMINISTRATIVE EXPENSE BUDGET			**$ 42,189,546**	**$ 40,538,982**	**$ 1,650,564**	**4.1%**
FUND 871: 115 TRUST EXPENSE BUDGET						
612	Audit and Consulting CPA	304	10,000	10,000	-	0.0%
613	Legal	304	15,000	30,000	(15,000)	-50.0%
660	Self-Funded Insurance Admin Fee	304	1,010,000	973,000	37,000	3.8%
TOTAL 115 TRUST EXPENSE BUDGET			**$ 1,035,000**	**$ 1,013,000**	**$ 22,000**	**2.2%**

Summary of Changes in Personnel

This table provides a look at the distribution and movement of personnel in the department among its business units.

DIVISION/SECTION	2022-23 Adopted Budget	Proposed Changes				2023-24 Proposed Budget	2023-24 Proposed Substitute Authorities		
	Regular Authorities	Add/Delete	Transfers	Regularize Substitute Authorities	New	Regular Authorities	Cont.	New	Total
Executive	7		-1			6		+1	1
Investments	14	-1		+1		14			
Human Resources	6					6			
Internal Audit	3					3			
Retirement Services	45			+1	+1	47	+2		2
Health, Wellness, and Buyback	37			+2		39	+8	+5	13
Member Services	17		-17						
Communications & Stakeholder Relations			+18	+1	+2	21	+2		2
Member Stewardship Section	14					14	+1		1
Administration	15		-1			14	+2		2
Fiscal Management	15	-1		+1		15	+1		1
Systems	11		+1		+1	13		+1	1
Systems Operations Support	3					3			
TOTAL	**187***	-2	0	6	4	**195**	16	7	**23**

**FY23 Total positions = 199 (187 regular + 12 substitute authorities)*

Note organizational transfers to better align resources:

- Member Services has been reformed into the new Communications and Stakeholder Relations Division
  - Additional position reflects one transfer from Executive to better support the division
- One additional position in Systems reflects one transfer from Administration Division to support cybersecurity

Department Programs	Annual Work Plan and Business Plan Initiatives for FY24
INVESTMENT ADMINISTRATION Positions: 14 Regular Admin Budget: $2.4M	• Environmental, Social, and Governance Investment Policy Implementation • Broadening Emerging Managers program • Custodian Bank search • Triennial Asset Allocation Study

BENEFITS ADMINISTRATION
 	
Positions: 107 Regular | 17 Substitute Authorities
 	
Admin Budget: $13.2M
	• Respond to 62,000 Member inquiries to the Member Service Center
	• Deliver more than 52 mass communication pieces
	• Hold 96 seminars and events for Members
	• Develop a Strategic Communications Plan
	• Counsel and retire 1,000 Members
	• Counsel and process 1,000 death benefits
	• Perform reviews of 3,200 legal documents related to Member caseload
	• Public Safety Officer - Benefit Design Change Analysis
	• Administer retiree health benefits for 24,000 covered lives
	• Respond to over 24,000 retiree health benefits-related claims and contacts
	• Develop a LACERS *Well* Strategic Initiative encompassing disease prevention programs
	• Process approximately $148.3M in medical, dental and vision subsidies
	• Member Service Agreement Enhancements - Year 2
	• Retirement Application Portal Enhancements
	• Implement the Language Access Plan - Year 2
	• Knowledge Transfer Initiative - Year 2
	    ◦ Retirement Services Division
	    ◦ Health, Wellness, and Buyback Division

GENERAL ADMINISTRATION AND SUPPORT
 	
Positions: 74 Regular | 6 Substitute Authorities
 	
Admin Budget: $16.5M
	• Governance Initiative - Year 2
	    ◦ Strategic Planning
	    ◦ Board Policies Review
	• Workforce Diversity, Equity, and Inclusion Initiatives
	    ◦ Fellowship Program
	    ◦ Learning Management System
	    ◦ Investment Officer Bridge Class
	• Enhancing Data Reporting
	• Strengthening Cybersecurity
	• Capital Plan

BENEFITS ADMINISTRATION OPERATIONS

The Benefits Administration Operations provides services to over 47,000 Active and Retired Members inclusive of education and outreach relating to their LACERS retirement and retiree health benefits; counseling and calculation of their retiree benefits; and enrollment and administration of their retiree health insurance and subsidies. Administration of the program also involves ensuring statutory, regulatory, and legal compliance with various local, state and Federal statutes; and advising the plan sponsor on benefit plan design considerations. Benefits administration is primary provided by three (3) divisions totaling 124 full-time employees representing 57% of the employees of the department:

- Health, Wellness, and Buyback (HWABD)
- Retirement Services (RSD)
- Communications and Stakeholder Relations (CSRD)

LACERS proceeds with year four of the multi-year plan to fill the service level gap in benefits administration. The continuation of this effort to incrementally increase staffing is aimed at developing a workforce with the specialized benefits administration experience, skills, and knowledge to sustain a strong program despite knowledge loss through staff retirements and attrition; the plan will also create a workload standard with appropriate metrics for resourcing, that create an environment for employees to feel balanced, not overcome, by their workload, and provides challenging opportunities to be proactive, innovate, and develop professionally within LACERS.

In FY24, seven new positions are requested, along with seventeen substitute positions. It is recognized that this is a significant investment in staffing, particularly when viewed in totality with the 17 regular benefits administration positions added in the past three budget years. Cognizant of the City's fiscal condition and LACERS responsibility to defray administrative expenses, we continue to employ strategies throughout the year such as cross-training, streamlining policies/procedures/processes, maximizing use of technology, increasing communications and collaboration across functions, and considering industry and peer standards before proposing new positions.

The proposed budget for benefits administration program seeks to achieve the following:

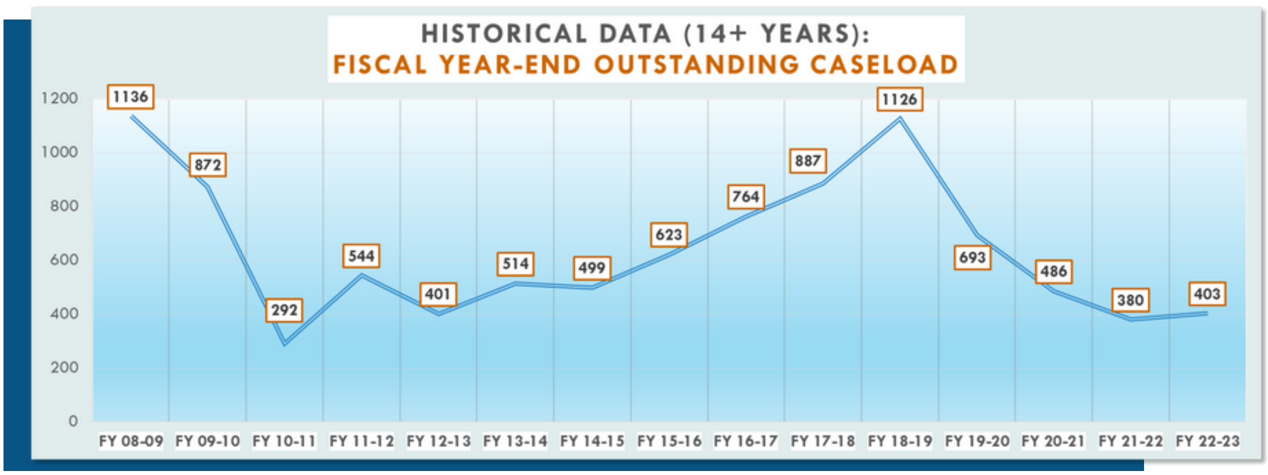
ENHANCE MEMBER SERVICES, CUSTOMER SATISFACTION, AND STAKEHOLDER ENGAGEMENT

DEEPER ENGAGEMENT WITH MEMBERS AND STAKEHOLDERS

LACERS seeks not just to increase and broaden communications, but to engage Members and stakeholders, to better understand their expectations of LACERS. The new Communications and Stakeholder Relations Division (CSRD) was formed to develop and implement a strategic communications plan to deepen our relationship with our Member/stakeholders and to build additional partnerships. Other deliverables for the CSRD in the FY24 workplan include launching the department Language Access Program to ensure English Language Learners have equal access to our services; creating a Crisis Communications Plan; conducting a Member Engagement Survey and Report; and developing Member Service metrics to measure our abilities to deliver on our customer service metrics.

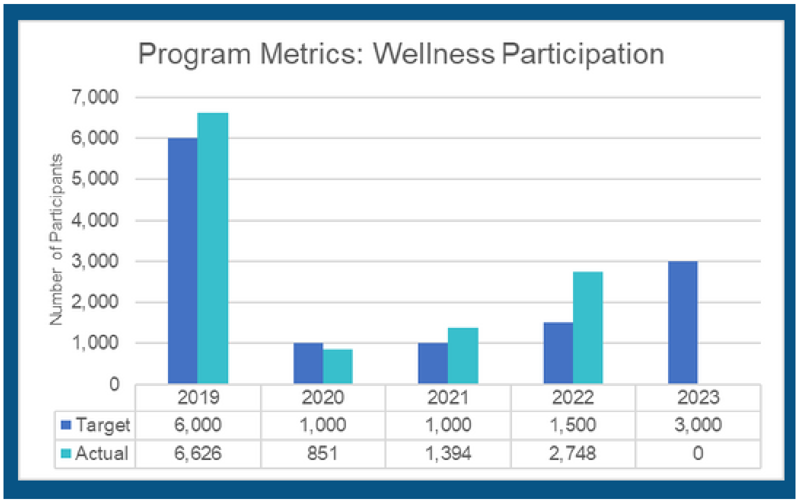
TIMELY SERVICE PURCHASES FOR ACTIVE MEMBERS

Active Members may purchase other government service or past City service to increase their retirement allowance. The Service Processing Section (SPS) handles these requests. Since the addition of positions to SPS in Fiscal Year 2021-22 (FY22), the average processing time was reduced from 12 months to 5 months, and all outstanding cases greater than six month were eliminated. Renewal of the current substitute authority positions will ensure continued timely service to our Members.



INCREASED OUTREACH FOR THE RETIREE WELLNESS PROGRAM

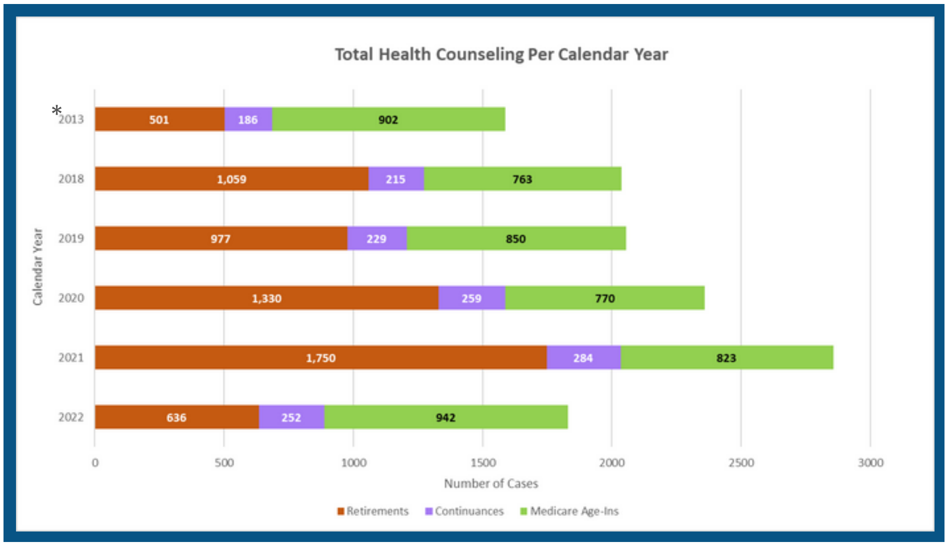
The long-term goal of the Wellness program is to contribute to the reduction in medical plan costs through the promotion of preventative health screenings and wellness measures for disease prevention. The Wellness Team plans programs that enhances the retired Members experience through informational seminars, workshops, and activities supporting the five pillars of the program: Purpose, Health, Financial Wellness, Social Engagement, and Community. The continuation of the Senior Project Coordinator substitute authority position and the Administrative Clerk substitute authority position will ensure that Wellness events continue to operate in an organized manner as program participants are expected to increase with the resumption of in-person events. The Wellness Program also seeks to expand into a nationally recognized retirement wellness program by partnering with other retirement systems for knowledge-sharing, and senior community influencers for promotions and business sponsorships. The addition of a new Senior Benefits Analyst substitute authority position will allow the Wellness Team to perform the necessary outreach to promote preventative care with other nonprofit organizations and pension peers to expand the Wellness Program.



	2019	2020	2021	2022	2023
Target	6,000	1,000	1,000	1,500	3,000
Actual	6,626	851	1,394	2,748	0

HEALTH ADVOCACY UNIT

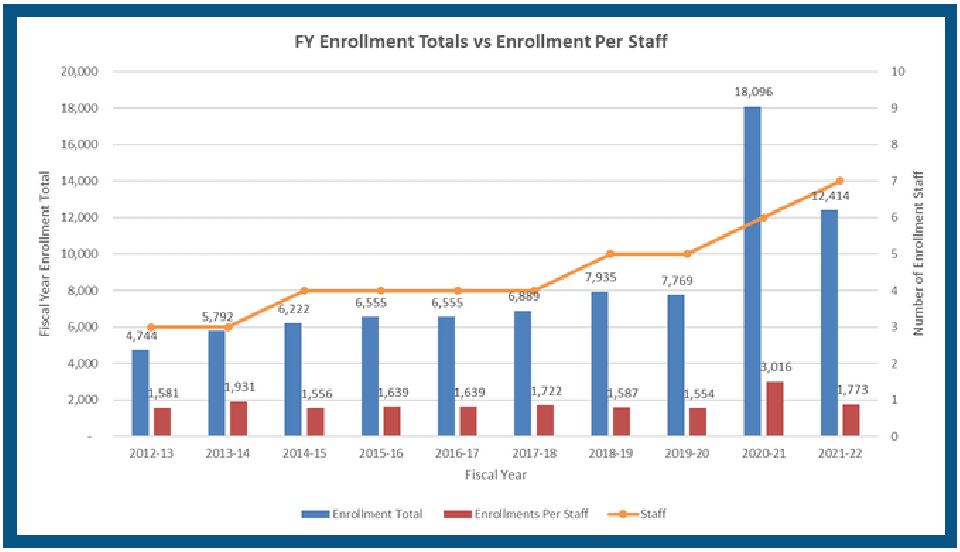
The Health Advocacy Unit (HAU) is the "frontline" Health spokespersons, educators, and carrier claim issue communicators. The unit of five, including one substitute authority position, provide support by responding to health benefit clarifications and investigating claim issues and service offerings through various means of communication (phone, email, and in-person appointments). In addition, HAU also provides various Health presentations such as Annual Open Enrollment and Medicare. Continuation of the Benefit Specialist substitute authority position and the addition of two new Substitute Authority positions, a Benefit Specialist and a Benefits Analyst, are needed to meet the existing workload and the rising number of cases.



*Although only 2 Counselors, HAU has supportive assistance from CSRD

INCREASING ABILITY TO ACCURATELY MEET MONTHLY HEALTH ENROLLMENT DEADLINES

The Health Enrollment Unit (HEU) provides life-long service to Members by handling enrollment applications. Aside from the Annual Open Enrollment, this unit also processes new enrollments, plan change requests, and terminations for Members' and Survivors' qualifying life events. With the constant changes to Medicare, state and federal regulations, and carrier rules, the enrollment process has become increasingly complex. The continuation of the Benefits Specialist substitute authority position and the addition of a Benefits Analyst substitute authority position will address the increase of enrollment paperwork while also mitigating potential errors that accompany an increased workload.



TIMELY PROCESSING OF RETIREE HEALTH ACCOUNT TRANSACTIONS

The Accounts Reconciliation Unit (ARU) is responsible for analyzing and confirming health carrier billings, calculating health benefit premiums and rates, processing Medicare subsidies, and processing Medical Premium Reimbursement applications and claims. Recently, a major medical carrier has switched to a quarterly reporting schedule and, due to staffing shortage issues on their end, has been sending reports on an irregular schedule, leading to a greater number of discrepancies but a shorter resolution time frame. The continuation of the Benefits Analyst substitute authority positions and the addition of one more Benefits Analyst substitute authority position will address the increasing discrepancies while ensuring that other existing tasks are completed within a timely manner.

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
• 1 Chief Benefits Analyst (Regularize Substitute Authority), CSRD • 1 Benefits Analyst (New Regular), CSRD • 1 Development and Marketing Director (Continue Substitute Authority), CSRD • 1 Benefits Analyst (Continue Substitute Authority), CSRD • 1 Senior Administrative Clerk (New Regular), CSRD • 1 Senior Benefits Analyst (Continue Substitute Authority), SPS • 1 Benefits Specialist (Continue Substitute Authority), SPS • 1 Accounting Clerk (Regularize Substitute Authority), SPS • 1 Senior Benefits Analyst (New Substitute Authority), Wellness Program • 1 Senior Project Coordinator (Continue Substitute Authority), Wellness Program • 1 Administrative Clerk (Continue Substitute Authority), Wellness Program • 3 Benefits Analysts, (New Substitute Authority), ARU • 1 Benefits Specialist (New Substitute Authority), ARU • 2 Benefits Specialists, (Continue Substitute Authority), HEU • 1 Benefits Analyst (Continue Substitute Authority), HEU	These additional staff will: • Increase access to translated materials in threshold language(s) by 25% by the end of FY24 • Ensure 100% completion of Metrics Dashboard by the end of FY24 • Maintain average processing wait time for service purchases to less than 5 months • Maintain outstanding service purchase caseload to ensure that aging cases remain at 0. • Achieve 500 engagements on LACERS Well Facebook group • Achieve 95% of the targeted number of 500 survey responses for 2023 events and activities to solicit feedback of the LACERS Well program. • Provide quality Wellness programming service due to the anticipated increase in program participants • Establish monthly reporting for baseline information and metric determination • Resolve 500+ premium monthly discrepancies between all medical carriers • Process 8,000+ enrollment transactions • Administer medical, dental, and vision benefit subsidies and claims for up to 25,000 covered lives

RESTRUCTURE FOR MAXIMUM EFFICIENCY

HIGHER-LEVEL OVERSIGHT IN HEALTH DIVISION STRUCTURE

This proposal seeks continued support for a staffing structure where a Senior Benefits Analyst I oversees each major unit in the Health Division. This model, successfully employed in Retirement Services Division, provides the units with senior-level oversight, to engage in resolving the more complex Member issues aimed at reducing line staff burnout, and handling higher level management tasks and priorities such as reviewing procedures, writing board reports, developing budgets, and working with contractors. The structure also assists in developing candidates for succession planning purposes. The recommended Senior Benefits Analysts (SBA) positions include regularizing the SBA in Health Administration and continuing the substitute authority SBA in ARU.

PROCESS IMPROVEMENTS IN RETIREMENT SERVICES

Retirement Services Division's (RSD) central mission is to deliver retirement benefits accurately, efficiently, and timely. The proposed Performance Review Unit (PRU) consisting of three existing substitute authority positions, will review management controls and utilize process improvement strategies for business optimization within the various units of RSD.

IMPROVED PROCESSING TIME FOR SURVIVOR BENEFITS

A carryover of 1,176 survivor benefits cases occurred from FY22 to FY23. Analysis of work performed by counselors in the Survivor Benefit Unit (SBU) uncovered that 30-40% of their time was spent on clerical tasks. The addition of a regular Senior Administrative Clerk is proposed to permit counselors to resolve cases and improve overall processing times.

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
• 1 Senior Benefits Analyst (Regularize Substitute Authority), Health Administration • 1 Senior Benefits Analyst (Continue Substitute Authority), ARU • 1 Benefits Analyst (Regularize Substitute Authority), RSD PRU • 2 Benefits Specialists (Continue Substitute Authority), RSD PRU • 1 Senior Administrative Clerk (New Regular), SBU	These additional staff will: • Provide managerial oversight to the Health Administration and the Health Accounts Reconciliation Unit • Perform quality assurance checks on retirement benefits delivery and coordinate special projects • Eliminate 35% of clerical duties performed by Survivor Benefits counselors thereby improving processing times

INVESTMENT OPERATIONS

The Investment Division is responsible for the management of a $21 billion investment portfolio. 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. In FY24, the Investment Team continues efforts in fulfilling LACERS' obligations as a Principles for Responsible Investment (PRI) signatory including continued works in Environmental, Social, and Governance (ESG) investing strategies. Continuing initiatives include promoting the Emerging Investment Manager Program while new initiatives include the Triennial Asset Allocation Study and the search for a new Custodian Bank.

The proposed budget for general administration administration program seeks to achieve the following:

GREATER SUPPORT FOR LACERS' ASSETS UNDER MANAGEMENT

BETTER MANAGEMENT OF ADMINISTRATIVE TASKS

The Investment Division's project-based workload is largely driven by the Asset Allocation Policy that is subject to Board approval. The work is primarily carried about by the CIO and a team of Investment Officers. Administrative tasks have increased significantly as LACERS' Assets under Management (AUM) have grown and the breadth of strategies to achieve policy objectives have increased, which requires greater attention by the Investments team to manage and monitor the performance and quality of a complex and sophisticated institutional investment portfolio. Regularization of the Executive Administrative Assistant II will ensure the following administrative support will be provided to the CIO to enhance business efficiency.

- Coordinate senior staff reporting and correspondence
- Coordinate administrative procedures and all aspects of management of requests for proposals
- Manages highly critical reports, tracking logs, and time-sensitive communications with investment managers and bank custodian
- Assists in other administrative duties for the division as necessary

SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES

• 1 Executive Administrative Assistant II (Regularize Substitute Authority)	This additional staff will:
	• Provide administrative support to the Chief Investment officer (CIO) thereby allowing more focus on Investment's on-going activities and initiatives.
	  ◦ Environmental, Social, and Governance Program
	  ◦ Emerging Investment Manager Program
	  ◦ Risk Management Program
	  ◦ Custodian Bank Search
	  ◦ Triennial Asset Allocation Study

GENERAL ADMINISTRATION OPERATIONS

The General Administration consists of seven (7) divisions/sections working in concert to ensure that LACERS' programs and businesses run efficiently and effectively.

- Administration
- Fiscal Management
- Human Resources
- Internal Audit
- Member Stewardship
- Systems
- Systems Operations Support

The FY24 proposed staffing for the General Administration maintains the existing administration support for LACERS operations with enhancements to business processes and includes (2) new regular authority and regularized substitute authority positions, and (6) substitute authority positions.

The proposed budget for general administration administration program seeks to achieve the following:

INCREASE ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY AND PROMOTE A HIGH PERFORMING WORKFORCE

STRATEGIC PLAN

LACERS' strategic plan sets the course for risk management and strategic vision for the next 3-5 years. The current Strategic Plan was adopted on February 12, 2019, which has been more than four years ago, and most of the initiatives highlighted are largely completed. FY23 began the development of a Request for Qualifications (RFQ) to develop a bench of qualified governance consultants for the creation of the next Strategic Plan. Efforts will continue into FY24 as LACERS staff will start engagement with the consultants on developing the new Strategic Plan.

HUMAN, RESOURCES, AND PAYROLL PROJECT

The Systems Operation Support (SOS) Unit is responsible for all facets of the Pension Administration System, including support in benefits administration, payroll processing, workflow development, design modifications, testing, and the MyLACERS Portal. The SOS team, along with the Data Office, is actively involved with the Phase 2 of the Human, Resources, and Payroll (HRP) project, directed by the City to replace its existing payroll system, for test cases to ensure that all parts of the Member payment process are properly implemented. The SOS team collaborates with other LACERS units and City departments, such as LAFPP and Controller's Office, to resolve any errors or discrepancies to ensure that the payroll system will have a seamless integration once it goes live, which is in alignment with the strategic goal of delivering accurate and timely Member benefits.

LACERS HEADQUARTERS AND RETURN OF IN-PERSON ACTIVITIES

As LACERS has transitioned to the new headquarters and the easement of the City's "Safer at Home" directive to end on April 19, 2023, LACERS is preparing for resumption of in-person activities. Additionally, a variety of office equipment, such as high-speed scanners, cellphones and tablets, and mail and storage organization, are slated to be replaced in FY24, ensuring all equipment will be up to date for operations. Staff requests have also increased proportionally to the increase of positions in LACERS, therefore the continuation of the Management Analyst and Management Assistant substitute authority will assist the Administration Division to continue to provide support at its current level to prevent delays to the workflows of other divisions, supporting the strategic goal of increasing organizational effectiveness and efficiency.

ACCOUNTING OVERSIGHT

The Fiscal Management Division primarily provides proper accounting and oversight of LACERS' financial operations including investment transactions, benefit payments and maintenance, employee payroll, cash receipts and disbursements, as well as accurate and timely financial reporting. In FY23, Fiscal Management has undergone personnel challenges and staff turnovers that yielded in a loss of seasoned employees. Regularization of the Payroll Supervisor would allow Fiscal Management to continue to deliver the necessary payroll support without the reallocation of other resources to oversee LACERS' growing financial operations. Fiscal Management would also have the opportunity to retain already trained staff for payroll functionalities.

DATA INFRASTRUCTURE

The Systems Division maintains the Information Technology (IT) functions of the organization in keeping business operational and running efficiently. FY23 initiated the build out of a data center and a redesign of the computing environment at the new headquarters to secure the availability of business systems during power interruptions. In FY24, Systems will continue these initiatives to ensure that the new headquarters is fully equipped with the proper tools for business operations.

The Data Office is responsible for developing and maintaining systems and applications that facilitate operations, such as budget and accounting processes and works closely with Systems and the Fiscal Division. FY23 began the development of a more robust cloud-based Central Repository capable of developing business intelligent reports and integrating with artificial intelligence tools. The addition of a new Systems Analyst substitute authority will help oversee the implementation of the Central Repository and continue to maintain and evolve the repository as LACERS operations grow.

CYBERSECURITY

In response to the COVID-19 pandemic, Systems Division deployed a variety of mobility solutions to develop a virtual workplace. As the City resumes back to its regular operations, LACERS sees the benefit of continuing a hybrid virtual workplace in improving staff retention and collaboration. The addition of a new regular Senior Cybersecurity Analyst II will assist in technical cybersecurity assessments on applications and systems to ensure LACERS is operating safely in the virtual work environment, which aligns with the strategic goals of organizational effectiveness.

DIVERSITY, EQUITY, AND INCLUSION

The Human Resources Unit (HRU) oversees essential functions to support individuals throughout their entire employment journey at LACERS. One of the major on-going initiatives for LACERS is Diversity, Equity, and Inclusion (DEI), which focuses on instilling a high development culture that provide equal opportunity growth within the organization by strengthening cross-divisional relationships in the workplace. HRU will continue to solicit feedback from staff on how to improve leadership opportunities while gathering management insights on required soft skills for promotability. This initiative is in agreement with the strategic goal of retain, mentor, empower, and promote a high-performing workforce.

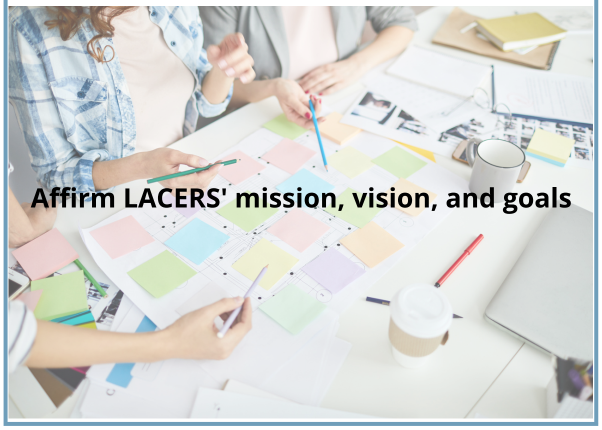
SERVICE LEVEL ENHANCEMENT

FY24 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
• 1 Management Analyst (Continue Substitute Authority), Administration • 1 Management Assistant (Continue Substitute Authority), Administration • 1 Benefits Analyst (Continue Substitute Authority), Membership Stewardship • 1 Payroll Supervisor (Regularize Substitute Authority), Fiscal Management • 1 Systems Analyst I (New Substitute Authority), Data Office • 1 Senior Cybersecurity Analyst II (New Regular), Systems	These additional staff will: • Provide project support and guidance by becoming facilitators, engagement initiators, and trainers • Provide support to benefits administration utilizing the Pension Administration System (PAS) • Preparation of payroll documentation • Develop and implement Central Data Repository and Reporting • Implement and maintain control system software

ADVANCES THE STRATEGIC PLAN GOALS OF CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE & ORGANIZATION

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$150,000**	
Board Governance Consulting Services	$150,000	

IMPACT



Affirm LACERS' mission, vision, and goals

PURPOSE

The last strategic planning process was conducted in FY19 prompting a new strategic planning session to be completed. The Governance BPI seeks to affirm and strengthen LACERS' mission, vision, and goals. FY23 initiated a search for Board Governance Consulting Services and continuing in FY24, once a contractor has been secured, LACERS will develop a new strategic plan setting the direction of the organization for the next three to five years.

DELIVERABLES

- New LACERS Strategic Plan
- Updated Board Governance Policies

ADVANCES THE STRATEGIC PLAN GOALS OF CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE & ORGANIZATION

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$40,000**	
Translation and Interpretation Service	$40,000	

IMPACT
Increasing the Member experience by providing benefit-related information to LACERS Members in threshold languages

PURPOSE

Prompted by Mayor Garcetti's Executive Directive 32 - Strengthening Language Access in the City of Los Angeles, LACERS' "Language Access Plan" (LAP) BPI is a multi-phase initiative seeking to expand accessibility to benefits-related information to LACERS Members, including those who are not fluent in English. Phase One in FY23 launched the initiative with the research and development of the LAP. Phase Two will include implementation of the plan and securing a vendor for translation and interpretation services.

DELIVERABLES

- Implementation of the necessary translation and interpretation tasks developed from the Four-Factor analysis outlined in the Citywide Language Access Plan template
- Procure a vendor for translation and interpretation services for the following:
  - Board Meetings
  - Summary Plan Descriptions
  - Reception Kiosk

Knowledge Transfer-Year 2 (RSD and HWABD)

ADVANCES THE STRATEGIC PLAN GOAL OF CUSTOMER SERVICE, BENEFITS DELIVERY, ORGANIZATION & WORKFORCE

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$70,500**	
Software Training Modules	$70,500	

IMPACT

PURPOSE

This initiative seeks to deploy a two-phased approach for institutional knowledge transfer from retiring senior staff to new staff. Phase One in FY23 resulted in securing a vendor to implement an AI-enabled knowledge base mainly covering benefits-related topics and to be used by staff as well as the development of an internal training program. Phase Two will seek to continue and expand the knowledge base to incorporate other areas of information such as administrative and personnel topics thereby strengthening department-wide institutional knowledge transfer. Phase Two also seeks to implement the training schedule and develop metrics for future analysis.

DELIVERABLES

- A robust AI-enabled knowledge base capable of retaining and providing valuable department-wide information
- Implementation of a dynamic training schedule targeted to supervisors and staff for succession planning

FY24 Business Plan Initiatives
Environmental, Social & Governance Investing-Year 3

ADVANCES THE STRATEGIC PLAN GOAL OF GOVERNANCE AND INVESTMENT

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$27,750**	
PRI Membership	$14,000	
MSCI ESG Research Software	$13,750	

IMPACT
Mitigate risk through ESG risk factors to generate sustainable returns

PURPOSE

This initiative seeks to optimize long-term risk adjusted returns and enhance LACERS ESG directives guided by the Responsible Investment Policy to be consistent with the Board and staff's fiduciary responsibilities to act in the best interest of LACERS Members and beneficiaries. FY24 seeks the continuation of the development of LACERS ESG investment risk exposure reporting through an internal and third-party software as well as to further include ESG risk factors in the investment manager selection process.

DELIVERABLES

- Evaluation of additional third party ESG analytical tools and resources
- Development of analysis and metrics reporting from MSCI ESG Manager
- Review of PRI and ESG risk framework action plans and delegation of subtasks

Workforce Diversity, Equity, & Inclusion-Year 3

ADVANCES THE STRATEGIC PLAN GOAL OF ORGANIZATION AND WORKFORCE

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$175,000**	
DEI Consultant	$100,000	
Learning Management System	$75,000	

IMPACT

PURPOSE

This initiative seeks to align the organization and staff on performance needs and support requirements to enable professional growth, achieve an equitable workplace, and resource the organization to support employee development. An outside vendor has been secured to develop a LACERS Fellowship program that will identify organizational expectations of staff for professional success at LACERS as well as employee expectations for organizational support in professional growth. Upon completion of the Fellowship program, content developed will be embedded into the Learning Management System as advanced training for LACERS staff.

DELIVERABLES

- Launch of the Fellowship program with staff specific cohort to identify employee growth needs
- Learning materials created to mentor and retain future staff
- Resolve organizational and leadership gaps for employee growth

ADVANCES THE STRATEGIC PLAN GOAL OF WORKFORCE

FY24 BUDGET REQUEST		
	Expense	**Positions**
Total Request	**$0**	

IMPACT
An Investment Officer Bridge Job Class that would enable Investment staff to outreach to diverse non-traditional talent

PURPOSE

This initiative seeks to develop an Investment Officer Job Class for the Bridge to Jobs Program to achieve hiring diversity within the Investment Divisions of the City of Los Angeles. LACERS aims to perform outreach with other Investment Officers within the City to rally support for the job class to be adopted by the City. In FY23, LACERS developed a revolving volunteer group of Investment staff that drove this initiative by creating a framework for the Bridge Job Class specification according to industry recommendations. FY24 continues this initiative by flushing out the roadmap for the adoption of the job class and potentially initiate contact with other Investment Officers within the City to discuss.

DELIVERABLES

- Development of an Investment Officer Bridge Job Class specification
- Engagement with other City of LA Investment Officers

LACERS has implemented a 10-Year Capital Plan that ensures proactive planning of capital expenditures and establishes spending priorities and overall capital improvement goals.

The plan prioritizes performing routine evaluations of the building's mechanical and structural resilience. This includes tracking the lifespan of the building's HVAC system, elevator lift, generators, and electrical components. Modernization of the mentioned systems and implementing eco-friendly technology are also part of the 10-Year Capital Plan. As new technology becomes available, LACERS will evaluate how to incorporate these technologies into the HQ to promote sustainability and reduce our energy costs. This plan will also include routine reviews of how our LACERS HQ serves our Members and staff and promotes human health and wellbeing.

For FY24, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

FY24 CAPITAL PLAN BUDGET REQUEST - YEAR 2

Category	Property Component	Expense
Parking Garage	Parking Booth: Replacement of P-1 Booth.	$20,000
Mechanical	Pump Replacement: While no current deficiencies were noted with the condenser water pumps, replacement should be anticipated during the term based on age and useful service life.	$25,000
	Water Source Heat Pumps: Allowance to replace WSHPs on Floor 5 as they fail over time. Estimate provided by ARC Engineering (01.20.22)	$60,000
Plumbing	Sump Pumps: Replacement of the storm water sump pumps and controller was performed recently and no replacements are anticipated over the term. Replacement of the sanitary sump pumps and controller should be anticipated when failures occur.	$9,000
	Subtotal	**$114,000**
	Inflation 3%	$3,420
	Contingency 15%	$17,613
	TOTAL	**$135,033**

	FY24	FY23	% CHANGE
Total	$ 764,795,638	$ 763,866,451	0.1
Retirement and Health Benefits	844,706,667	837,626,811	0.8
True-up Adjustment	(81,477,029)	(75,194,360)	8.4
Family Death Benefit Plan	51,000	47,000	8.5
Excess Benefit Plan	1,332,000	1,332,000	0.0
Limited Term Retirement Plan	183,000	55,000	232.7

The City contributes funding for four plans administered by LACERS: Retirement and Health Benefits, the Excess Benefit Plan, the Family Death Benefit Plan, and the Limited Term Retirement Plan.

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the amount of the City’s contribution is determined on the final covered payroll adopted in the City’s budget. The FY24 City Contribution reflected above is based on last fiscal year's final covered payroll and will change when the final covered payroll for FY24 is known. As of now, the estimate is based on the FY23 final covered payroll of $1.8 billion for Tier 1 Members and rate of 34.07%; and a covered payroll of $730 million and rate of 31.45% for Tier 3 Members. A credit adjustment of $81,477,029 is applied toward the FY24 contribution to LACERS. This credit amount represents a true-up of the FY23 contribution -- the difference between the contributions paid on July 15, 2022 based on the budgeted covered payroll amount and the actual payroll toward the end of the Fiscal Year. The City is also required by statute to make employer contributions for the Family Death Benefit Plan, the Excess Benefit Plan, and the Limited Term Retirement Plan.

Family Death Benefit Plan

Approximately 2,067 Active Members are opted into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City’s contribution to the Family Death Benefit is equivalent to a match of the Member’s contribution of $1.90 per month for FY24. This monthly amount is established pursuant to a biennial study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.

Excess Benefit Plan

The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently $265,000[1] for 2023. In 2023, there are 36 LACERS Members who receive their monthly LACERS' retirement benefit up to the limit allowable by the IRC, and the remainder of their benefit is paid separately by City funds. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for FY24, plus reasonable administrative expenses.

Limited Term Retirement Plan (LTRP)

The LTRP provides elected officials, who serve four-year terms, the option of participating in a defined contribution plan until they have completed the five years of City service needed to vest in the defined benefit plan. The City provides a contribution to LTRP Members at the same rate as the employer contribution to the LACERS defined benefit plan. There are currently two LTRP Members in the plan.

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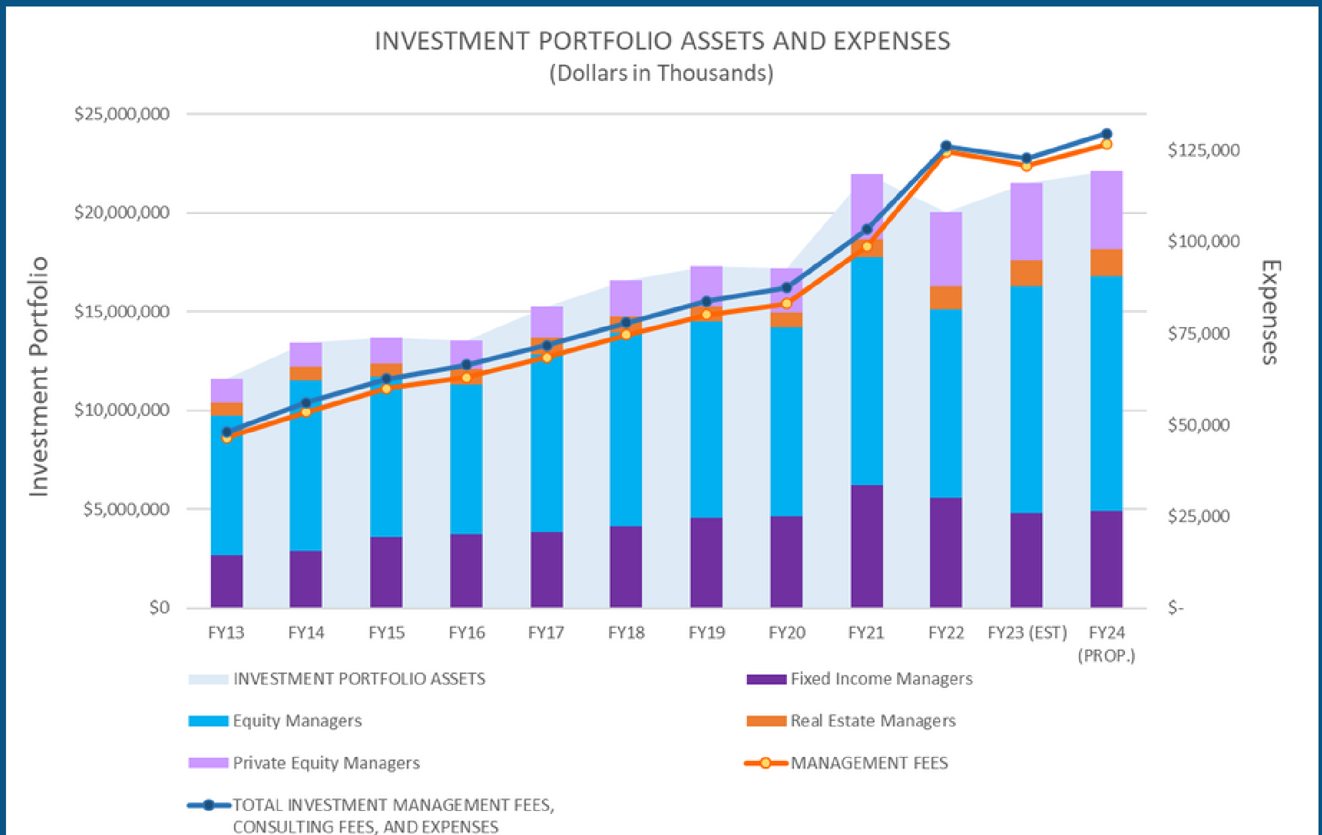
[1] This represents the unadjusted Excess Benefit limit. The individual limit must be adjusted based on the age of the Member at retirement, years of City service, service purchases, and calculated on a single-life annuity basis.

Investment Management Fees and Expenses



In the past ten-year period, overall fees have increased along with the increase in portfolio value.

The Investment Management Fees are largely asset-based fees established in the respective contracts with investment managers hired by LACERS. Investment consulting fees are flat fees paid to our General Fund consultant, our Private Equity consultant, and our Real Estate consultant. Other expenses include research and services which support administration of the investment program.

	FY24	FY23	$ CHANGE	% CHANGE
Total	$ 129,674,876	$ 106,923,414	$ 22,751,462	21.3
Investment Management Fees	126,828,476	104,026,264	22,802,212	21.9
Investment Consulting Fees	2,521,650	2,532,000	(10,350)	(0.4)
Other Investment Expenses	324,750	365,150	(40,400)	(11.1)

Investment Management Fees and Expenses

INVESTMENT FEE RATE OVERVIEW

The 2023-24 proposed Investment Management Fees & Expenses Budget is $129.7 million and is based on several factors:

- Estimated Fair Value (FV) of Investments of $22.1 billion as of June 30, 2024
- Reported FV of Investments of $21.6 billion as of January 31, 2023
- An assumed rate of return of 3% for all assets
- Estimated fees based on additional fund commitments anticipated to be made during FY24 to the Private Equity, Private Credit, and Real Estate asset classes.

LACERS estimates the FY23 investment fees and expenses will be approximately $122.9 million. Investment management fee increases (or decreases) are a function of the following factors:

- Change in the FV of Investments
- Asset Allocation Policy and the respective weights of asset classes
- Investment management fee structures that vary by asset class

The difference between the proposed FY24 and the FY23 adopted budget for investment management fees and expenses is $22.8 million. This increase is due to a policy decision to increase investment exposures to higher yielding Private Equity and Real Estate investment asset classes that are subject to elevated investment management fee structures.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED BUDGET
AND
PERSONNEL RESOLUTIONS

Fiscal Year 2023 - 24

Presented March 28, 2023

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES[3]

Actual 2021-22	Adopted Budget 2022-23	Estimated 2022-23[1]		Budget Appropriation 2023-24[2]
			RECEIPTS	
$ 684,419,074	$ 763,866,451	$ 767,688,757	City Contributions (see Schedule 1)	$ 764,795,638
245,812,790	262,500,000	253,000,000	Member Contributions	265,650,000
65,761	47,000	50,000	Family Death Benefit Plan Member Contributions	51,000
13,280,017	12,840,000	12,830,000	Self-Funded Insurance Premium	12,900,000
1,180,300	1,296,000	1,307,000	Member Insurance Premium Reserve	1,320,000
459,637,713	350,200,000	447,600,000	Earnings on Investments	461,028,000
857,745,000	--	147,000,000	Gain on Sale of Investments	--
$ 2,262,140,655	$ 1,390,749,451	$ 1,629,475,757	Total Receipts	$ 1,505,744,638
			EXPENDITURES	
$ 1,162,515,638	$ 1,277,000,000	$ 1,224,000,000	Retirement Allowances	$ 1,334,000,000
903,753	884,000	870,000	Family Death Benefit Plan Allowance	870,000
143,383,403	160,380,000	150,151,000	Retired Medical & Dental Subsidy	163,664,590
18,244,474	20,412,000	20,225,000	Retired Medicare Part B Reimbursements	21,890,000
10,076,911	10,437,000	10,431,000	Self-Funded Insurance Claims	11,996,000
10,046,356	15,400,000	12,066,000	Refund of Member Contributions	13,273,000
1,583,744	2,200,000	1,987,000	Refund of Deceased Retired Accum. Contributions	2,186,000
32,875,866	40,538,982	38,073,200	Administrative Expense	42,189,546
875,137	973,000	958,000	Self-Funded Insurance Administrative Fee	1,010,000
127,884,910	$106,923,414	$122,947,851	Investment Management Fees and Expenses	129,674,876
$ 1,508,390,192	$ 1,635,148,396	$ 1,581,709,051	Total Expenditures	$ 1,720,754,012
753,750,463	(244,398,945)	47,766,706	Increase (Decrease) in Fund Balance	(215,009,374)
$ 2,262,140,655	$ 1,390,749,451	$ 1,629,475,757	Total Expenditures and Increase (Decrease) in Fund Balance	$ 1,505,744,638

1. The City Contributions amount for the FY 2022-23 Estimated Budget was based on the City's final covered payroll of $2,535,490,679 and included the application of a net credit adjustment for FY 2021-22 of $75,194,360 deducted from FY 2022-23 contribution payment. The credit adjustment represents a true-up of the FY 2020-21 City contribution.

2. The preliminary City Contributions amount for FY 2023-24 is based on the FY 2022-23 City's final covered payroll of $2,535,490,679 and includes a credit adjustment of $81,477,029 for the true-up of FY 2022-23 contributions which will be deducted from the FY 2023-24 contribution payment. The preliminary City Contribution budget amount will be finalized upon the receipt of adopted City covered payroll information from the City for FY 2023-24.

3. The above Statement contains LACERS combined Receipts and Expenditures including the 115 Trust.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

DETAIL OF RECEIPTS AND EXPENDITURES
115 TRUST FUND

Actual 2021-22	Adopted Budget 2022-23	Estimated 2022-23		Appropriation 2023-24
			RECEIPTS	
$ 91,622,720	$ 89,961,357	$ 90,510,522	City Contributions (see Schedule 1)...................................	$ 90,069,651
13,280,017	12,840,000	12,830,000	Self-Funded Insurance Premium...	12,900,000
1,180,300	1,296,000	1,307,000	Member Insurance Premium Reserve.................................	1,320,000
8,521,224	7,115,000	10,680,000	Earnings on Investments..	14,019,000
(44,336,825)	--	3,508,000	Gain on Sale of Investments..	--
$ 70,267,436	$ 111,212,357	$ 118,835,522	Total Receipts...	$ 118,308,651
			EXPENDITURES	
$ 10,076,911	$ 10,437,000	$ 10,431,000	Self-Funded Insurance Claims...	$ 11,996,000
875,137	973,000	958,000	Self-Funded Insurance Administrative Fee..........................	1,010,000
			Administrative Expense	
-	-	-	Contracts..	25,000
716,566	961,570	908,000	Share of Department Adm. Expenses.............................	1,282,942
2,504,589	2,431,000	2,934,000	Investment Management Expense......................................	3,943,283
$ 14,173,203	$ 14,802,570	$ 15,231,000	Total Expenditures..	$ 18,257,225
56,094,233	96,409,787	103,604,522	Increase in Fund Balance...	100,051,426
$ 70,267,436	$ 111,212,357	$ 118,835,522	Total Expenditures and Increase in Fund Balance................	$ 118,308,651

Note: All 115 Trust Receipts and Expenditures above are included in the LACERS Combined STATEMENT OF RECEIPTS AND EXPENDITURES on page 2.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE 1 -- CITY CONTRIBUTIONS

ACTUARIAL REQUIREMENTS

	Health (115 TR)	Retirement	Total
To fund the liabilities of the System for future service as required in Article XI Section 1158 and 1160 of the City Charter in accordance with the actuarial valuation of those liabilities as of June 30, 2022 as follows:			
Tier 1 34.07% of $1,805,146,838 total actuarial salary of Tier 1 members for fiscal year 2023-24	$ 68,054,037	$ 546,959,492	$ 615,013,529
Tier 3 31.45% of $730,343,841 total actuarial salary of Tier 3 members for fiscal year 2023-24	31,769,957	197,923,181	229,693,138
Subtotal	**$ 99,823,994**	**$ 744,882,673**	**$ 844,706,667**
Family Death Benefit Plan (FDBP) To match the estimated total amount contributed by Family Death Benefit Plan members in accordance with the provisions of Section 4.1090 of the Administrative Code.		51,000	51,000
Excess Benefit Plan Fund (EBP) To fund retirement benefits in excess of the limits set by Internal Revenue Code Section 415 (b) in accordance with the provisions of Section 4.1800 of the Administrative Code.		1,332,000	1,332,000
Limited Term Retirement Plan Fund (LTRP) To fund the Defined Contribution Plan for elected City officials in accordance with the provisions of Section 4.1850 of the Administrative Code.		183,000	183,000
Total City Contributions	**$ 99,823,994**	**$ 746,448,673**	**$ 846,272,667**
True-up Adjustment: Credit of difference in City contributions for FY 2022-23 based on estimated covered payroll on July 15, 2022 and actual covered payroll up to February 25, 2023.	(9,754,343)	(71,722,686)	(81,477,029)
Total City Contributions After True Up	**$ 90,069,651**	**$ 674,725,987**	**$ 764,795,638**

City Contributions by Funding Source:

	Total Covered Payroll	Contributions						
		Tier 1 (34.07%)	Tier 3 (31.45%)	Shared Cost for FDBP/EBP/LTP	Tier 1 True-Up	Tier 3 True-Up	FY23 True-Up Adjustments	Total
General Fund (TRAN)	$ 2,125,405,888	$ 504,210,039	$ 199,830,662	$ 1,312,718	$ (56,110,368)	$ (11,807,542)	$ (67,917,910)	$ 637,435,509
Airports	286,204,679	76,095,425	23,134,960	176,769	(3,308,914)	(6,883,879)	(10,192,793)	89,214,361
Harbor	91,052,143	26,228,936	4,280,360	56,237	(3,272,594)	973,951	(2,298,643)	28,266,890
LACERS	18,963,569	4,669,994	1,624,574	11,713	(511,028)	40,697	(470,331)	5,835,950
LAFPP	13,864,400	3,809,135	822,582	8,563	(426,467)	(170,885)	(597,352)	4,042,928
Total	$ 2,535,490,679	$ 615,013,529	$ 229,693,138	$ 1,566,000	$ (63,629,371)	$ (17,847,658)	$ (81,477,029)	$ 764,795,638

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE 2 -- ADMINISTRATIVE EXPENSE

Expenditures 2021-22	Adopted Budget 2022-23	Estimated Expenditures 2022-23		Budget Appropriation 2023-24
			SALARIES	
$ 17,268,764	$ 19,937,304	$ 18,498,000	General	$ 21,996,730
511,053	748,832	332,000	As Needed	858,943
399,194	486,854	368,000	Overtime	423,675
$18,179,011	$ 21,172,990	$ 19,198,000	Total Salaries	$ 23,279,348
			EXPENSE	
$ 51,052	$ 190,500	$ 190,000	Printing and Binding	$ 144,500
49,970	152,165	136,000	Travel	234,590
7,848,715	9,512,900	9,239,000	Employee Benefits	10,034,180
6,225	11,000	8,200	Transportation Expense	23,000
5,059,105	7,625,589	7,524,000	Contracts	6,262,815
891,273	1,626,738	1,493,000	Office and Administrative	1,784,013
$ 13,906,340	$ 19,118,892	$ 18,590,200	Total Expense	$ 18,483,098
			EQUIPMENT	
$ 790,515	$ 247,100	$ 285,000	Furniture, Office and Technical Equipment	$ 427,100
$ 790,515	$ 247,100	$ 285,000	Total Equipment	$ 427,100
$ 32,875,866	$ 40,538,982	$ 38,073,200	Total Administrative Expense	$ 42,189,546

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT MANAGEMENT FEES AND EXPENSES: FY 2023-24

		ADOPTED BUDGET FY 2022-23	ESTIMATED EXPENSE FY 2022-23	PROPOSED BUDGET FY 2023-24
1	Baird Advisors	$677,700	$624,743	$629,944
2	Loomis Sayles	830,050	787,389	796,927
3	State Street (Fixed Income Index)	246,029	199,385	165,032
4	Garcia Hamilton & Associates	514,401	493,802	496,693
5	Income Research & Management	548,484	497,544	505,400
6	JP Morgan	576,896	538,725	543,012
7	Bain Capital (formerly Sankaty)	882,955	853,440	874,732
8	Prudential LAC99)	1,550,220	1,465,137	1,540,535
9	DDJ Capital	1,467,150	1,267,924	1,190,287
10	Benefit Street Prts LLC	481,192	811,505	1,362,848
11	Loomis Sayles	1,062,978	807,056	850,483
12	Wellington	2,444,715	2,097,628	2,200,194
13	Crescent	571,157	58,152	457,894
14	Monroe	787,881	623,588	1,173,382
15	Granahan	596,252	667,859	920,496
16	EAM Investors	767,221	617,133	641,858
17	Principal Global	1,125,158	1,031,573	1,111,413
18	Rhumbline (S&P 500)	208,036	174,607	171,982
19	Rhumbline (Russell 2000)	18,500	16,157	16,859
20	Rhumbline (Russell 2000 Value)	8,685	7,254	7,077
21	Copeland Cap Mgmt	1,142,392	1,078,227	1,180,358
22	Segall	594,169	606,648	705,755
23	Axiom International	2,055,500	1,776,432	1,790,801
24	Barrow, Hanley, Mewhinney & Strauss	2,593,608	2,403,669	2,755,132
25	Dimensional Fund Advisor (Emerging Mkt)	1,835,844	1,724,525	1,912,523
26	Lazard Asset Management	2,949,082	2,498,000	2,631,871
27	MFS Institutional Advisors	2,358,107	2,072,038	2,229,513
28	Oberweis Asset Management	2,191,888	2,240,577	2,693,993
29	State Street Global (Non-US Index)	451,642	391,071	389,679
30	State Street EMG Mkt C	141,732	179,998	242,368
31	State Street EAFE SC	122,824	116,881	131,906
32	Wasatch	2,121,214	1,906,946	2,129,594
33	Centersquare (REITS)	1,819,122	1,836,716	2,027,332
34	Dimensional Fund Advisor (TIPS)	647,258	528,421	533,819
35	Real Estate Managers	13,653,663	17,863,914	19,164,706
36	Private Equity Managers	53,982,560	70,007,748	70,652,078
	Subtotal - Investment Managers Fee	**$104,026,264**	**$120,872,413**	**$126,828,476**
37	General Fund Consulting	480,000	465,000	480,000
38	Private Equity Consulting	775,000	774,194	787,500
39	Private Credit Consulting	340,000	-	325,000
40	Real Estate Consulting	225,000	215,000	217,150
41	Real Estate & Private Equity Legal Consulting	689,000	325,000	689,000
42	Northern Trust	23,000	23,000	23,000
	Subtotal - Investment Consulting Fee	**$2,532,000**	**$1,802,194**	**$2,521,650**
43	Bloomberg Financial Services	$32,000	$27,835	$32,000
44	Tax Accounting Services	110,000	110,000	110,000
45	Institutional Shareholder Services	130,000	71,910	130,000
46	Pitchbook Subscription	23,500	23,500	23,500
47	Pacific Center for Asset Management	10,000	-	10,000
48	Cambridge Associates Private Equity Benchmark License	5,500	-	5,500
49	CEM Benchmark	40,000	40,000	-
50	MSCI ESG Research Software	13,750	-	13,750
51	Bloomberg News	400	-	-
	Subtotal - Other Investment Expense	**$365,150**	**$273,245**	**$324,750**
	Total Investment Management Fees and Expenses	**$106,923,414**	**$122,947,852**	**$129,674,876**

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED PERSONNEL RESOLUTION
FISCAL YEAR 2023-24

WHEREAS, the Board of Administration of the Los Angeles City Employees' Retirement System has the responsibility and authority to establish the number and types of positions to be utilized by the Los Angeles City Employees' Retirement System;

NOW, THEREFORE, BE IT RESOLVED, that:

1. Effective July 1, 2023, the positions listed in the attached schedule of Positions and Salaries are hereby authorized within the Los Angeles City Employees' Retirement System. The class code numbers, classifications and salaries as set forth herein are hereby determined to be appropriate in accordance with existing City laws and ordinances, and applicable Memoranda of Understanding, as appropriate. Further, the employment of the designated number of persons in each code and classification as set forth herein is hereby authorized.

2. Memoranda of Understanding approved by the City Council shall be considered to be incorporated into this Resolution where appropriate. Salaries established under approved Memoranda of Understanding shall apply to all classes of employees therein noted. The provisions of each of the Memoranda of Understanding shall take precedence over any conflicting provision contained in this Resolution, but only for those employees in classes to which the Memoranda of Understanding apply.

3. One Assistant General Manager (Class Code 9269), when designated by the General Manager to assume the additional administrative and supervisory duties of Executive Officer, shall be compensated at the fourth premium level rate above the appropriate step rate or premium level rate of the incumbent. Upon approval of the General Manager, one additional Assistant General Manager (Class Code 9269) may receive salary up to the fourth premium level rate above the appropriate step rate of the prescribed salary range. This compensation is pensionable.

4. Upon approval of the General Manager, substitute authority positions may be filled using any class approved and established by the Board of Civil Service Commissioners. This approval shall specify the period during which the position shall be filled.

5. Upon approval of the General Manager, persons may be employed in any class approved and established by the Board of Civil Service Commissioners in-lieu of a vacant position if the in-lieu employment is consistent with City policies and procedures for such employment.

6. The General Manager shall have the authority to correct any clerical or typographical errors in this document.

Tuesday, March 28, 2023

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
POSITIONS AND SALARIES: FY 2023-24

(a) Regular Positions

FY23	FY24	Change	MOU	Class Code	Class Title	Salary Range
3	3	0	1	1513	ACCOUNTANT	$ 61,470 - $ 89,867
13	14	1	3	1223	ACCOUNTING CLERK	$ 55,499 - $ 81,139
1	0	-1	20	1119	ACCOUNTING RECORDS SUPV II	$ 72,766 - $ 106,404
11	10	-1	3	1358	ADMINISTRATIVE CLERK	$ 42,678 - $ 62,431
2	2	0	36	9414	ASST GM LACERS	$ 157,957 - $ 230,932
28	30	2	1	9108	BENEFITS ANALYST	$ 81,619 - $ 119,329
35	35	0	20	1203	BENEFITS SPECIALIST	$ 61,825 - $ 90,431
2	3	1	36	9151	CH BENEFITS ANALYST	$ 139,499 - $ 203,955
1	1	0	36	9147	CH INVESTMENT OFCR	$ 250,225 - $ 356,045
1	1	0	36	9182	CH MANAGEMENT ANALYST	$ 139,499 - $ 203,955
1	1	0	1	9734	COMMISSION EXEC ASST II	$ 78,320 - $ 114,547
1	0	-1	0	1444	CYBERSECURITY ANALYST	$ 94,962 - $ 138,852
1	1	0	36	1610	DEPARTMENTAL AUDIT MGR	$ 139,499 - $ 203,955
1	1	0	36	1593	DEPT CHIEF ACCT IV	$ 139,499 - $ 203,955
1	2	1	37	1117	EXEC ADMIN ASST II	$ 68,778 - $ 100,558
1	1	0	37	1117	EXEC ADMIN ASST III	$ 73,748 - $ 107,803
1	1	0	20	1555	FISCAL SYSTEMS SPEC II	$ 114,693 - $ 167,687
1	1	0	0	9150	GM-LACERS	$ 188,129 - $ 333,454
1	1	0	36	1409	INFO SYSTEM MGR II	$ 139,499 - $ 203,955
1	1	0	1	1625	INTERNAL AUDITOR III	$ 92,561 - $ 135,323
1	1	0	1	1625	INTERNAL AUDITOR IV	$ 114,693 - $ 167,687
3	3	0	0	9146	INVESTMENT OFFICER I	$ 106,613 - $ 155,848
5	5	0	0	9146	INVESTMENT OFFICER II	$ 132,817 - $ 194,184
2	2	0	0	9146	INVESTMENT OFFICER III	$ 166,977 - $ 244,128
6	6	0	1	9184	MANAGEMENT ANALYST	$ 78,320 - $ 114,547
0	1	1	20	1170	PAYROLL SUPERVISOR	$ 75,710 - $ 110,684
1	1	0	20	1129	PERS RECORDS SUPV	$ 65,876 - $ 96,361
1	1	0	1	1731	PERSONNEL ANALYST	$ 78,320 - $ 114,547
1	1	0	63	1714	PERSONNEL DIR I	$ 127,764 - $ 186,813
1	1	0	20	1525	PR ACCOUNTANT I	$ 88,907 - $ 129,998
1	1	0	20	1525	PR ACCOUNTANT II	$ 93,772 - $ 137,139
1	1	0	20	1201	PRINCIPAL CLERK	$ 61,825 - $ 90,431
2	2	0	8	1431	PROGRAMMER/ANALYST III	$ 85,921 - $ 125,614
1	1	0	8	1431	PROGRAMMER/ANALYST V	$ 100,203 - $ 146,494
1	1	0	36	1800	PUB INFO DIRECTOR I	$ 98,323 - $ 143,779
11	12	1	20	9109	SENIOR BENEFITS ANALYST I	$ 100,286 - $ 146,619
7	7	0	20	9109	SENIOR BENEFITS ANALYST II	$ 124,110 - $ 181,509
2	2	0	20	1523	SR ACCOUNTANT I	$ 71,367 - $ 104,358
3	3	0	20	1523	SR ACCOUNTANT II	$ 77,339 - $ 113,086
18	20	2	3	1368	SR ADMINISTRATIVE CLERK	$ 52,575 - $ 76,880
0	1	1	0	1445	SR CYBER SECURITY ANALYST II	$ 128,725 - $ 188,212
2	2	0	20	9171	SR MGMT ANALYST I	$ 96,402 - $ 140,960
1	1	0	20	9171	SR MGMT ANALYST II	$ 119,370 - $ 174,535
1	1	0	64	9167	SR PERSONNEL ANALYST I	$ 97,864 - $ 143,090
1	1	0	64	9167	SR PERSONNEL ANALYST II	$ 121,124 - $ 177,083
1	1	0	20	1597	SR SYSTEMS ANALYST I	$ 92,707 - $ 135,552
1	1	0	20	1597	SR SYSTEMS ANALYST II	$ 114,693 - $ 167,687
2	2	0	1	1596	SYSTEMS ANALYST	$ 78,320 - $ 114,547
1	1	0	21	1455	SYSTEMS PROGRAMMER I	$ 120,832 - $ 142,192
1	2	1	21	1455	SYSTEMS PROGRAMMER II	$ 104,629 - $ 152,987
1	1	0	21	1455	SYSTEMS PROGRAMMER III	$ 113,378 - $ 165,766
187	195	8				

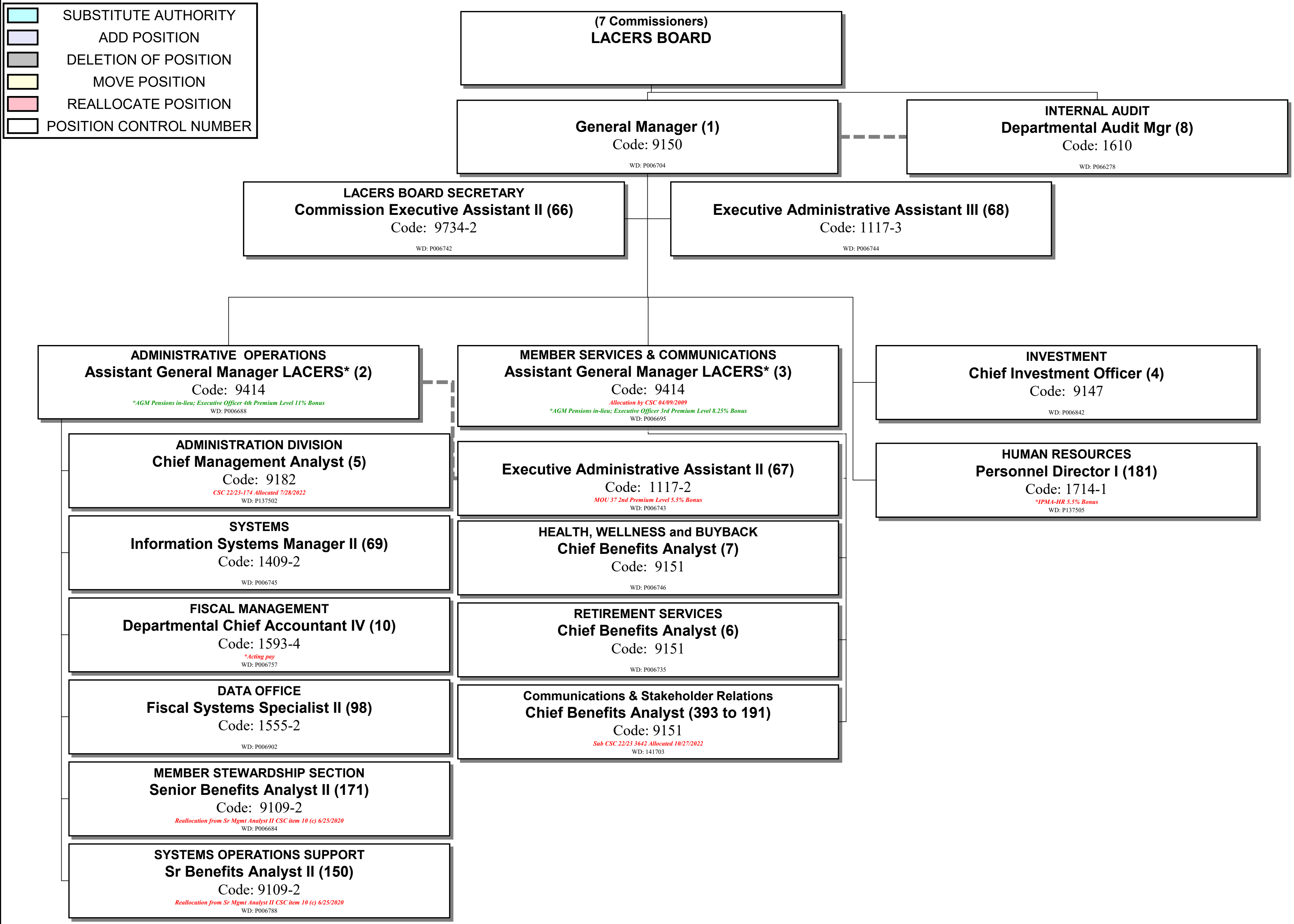
(b) To be Employed As Needed in Such Numbers as Required:

1133	RETIREMENT RELIEF WORKER
1358	ADMINISTRATIVE CLERK
1501	STUDENT WORKER
1502	STUDENT PROFESSIONAL WORKER
1535	ADMINISTRATIVE INTERN I
1535	ADMINISTRATIVE INTERN II
1538	SR PROJECT COORDINATOR
1596	SYSTEMS ANALYST
9184	MANAGEMENT ANALYST
1203	BENEFITS SPECIALIST
9269	ASSISTANT GENERAL MANAGER PENSIONS

FY21	FY22	Change	MOU	Class Code	Class Title	Salary Range
7	7	0	N/A	0101-2	COMMISSIONER	$50 PER MEETING
7	7	0				

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024



UPDATED 3/1/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

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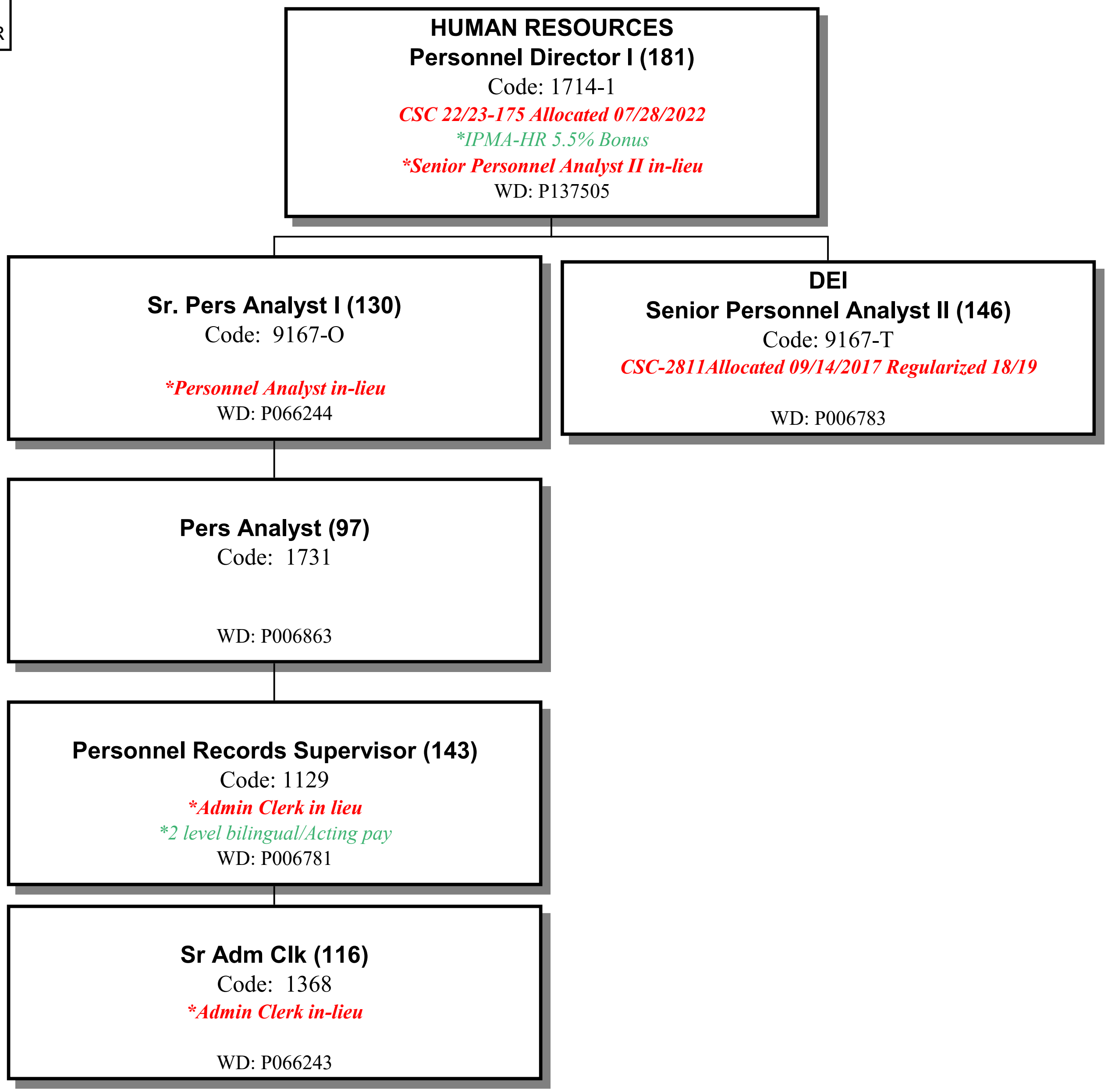
- ADD POSITION
- DELETION OF POSITION
- MOVE POSITION
- REALLOCATE POSITION
- POSITION CONTROL NUMBER



UPDATED 3/13/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

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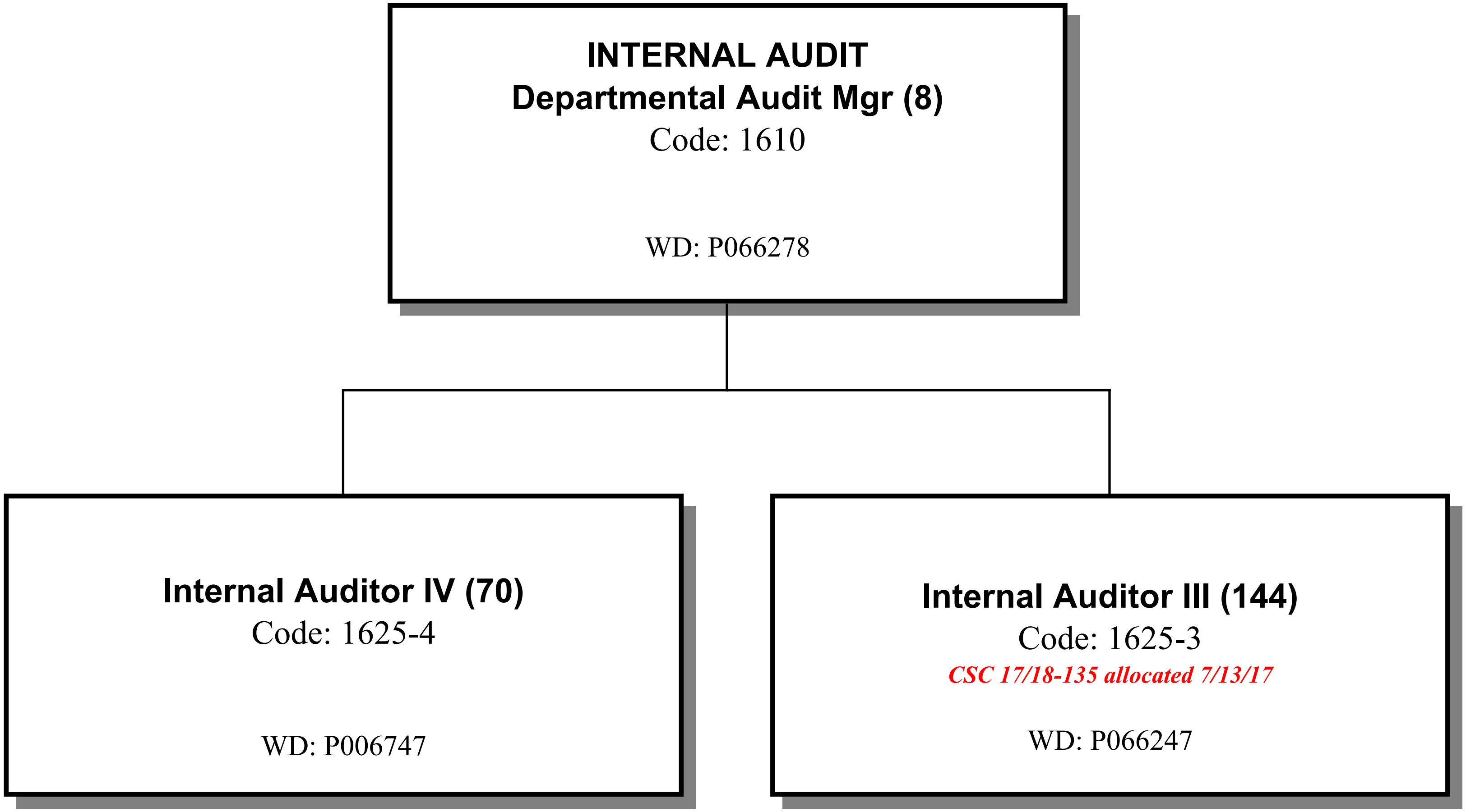
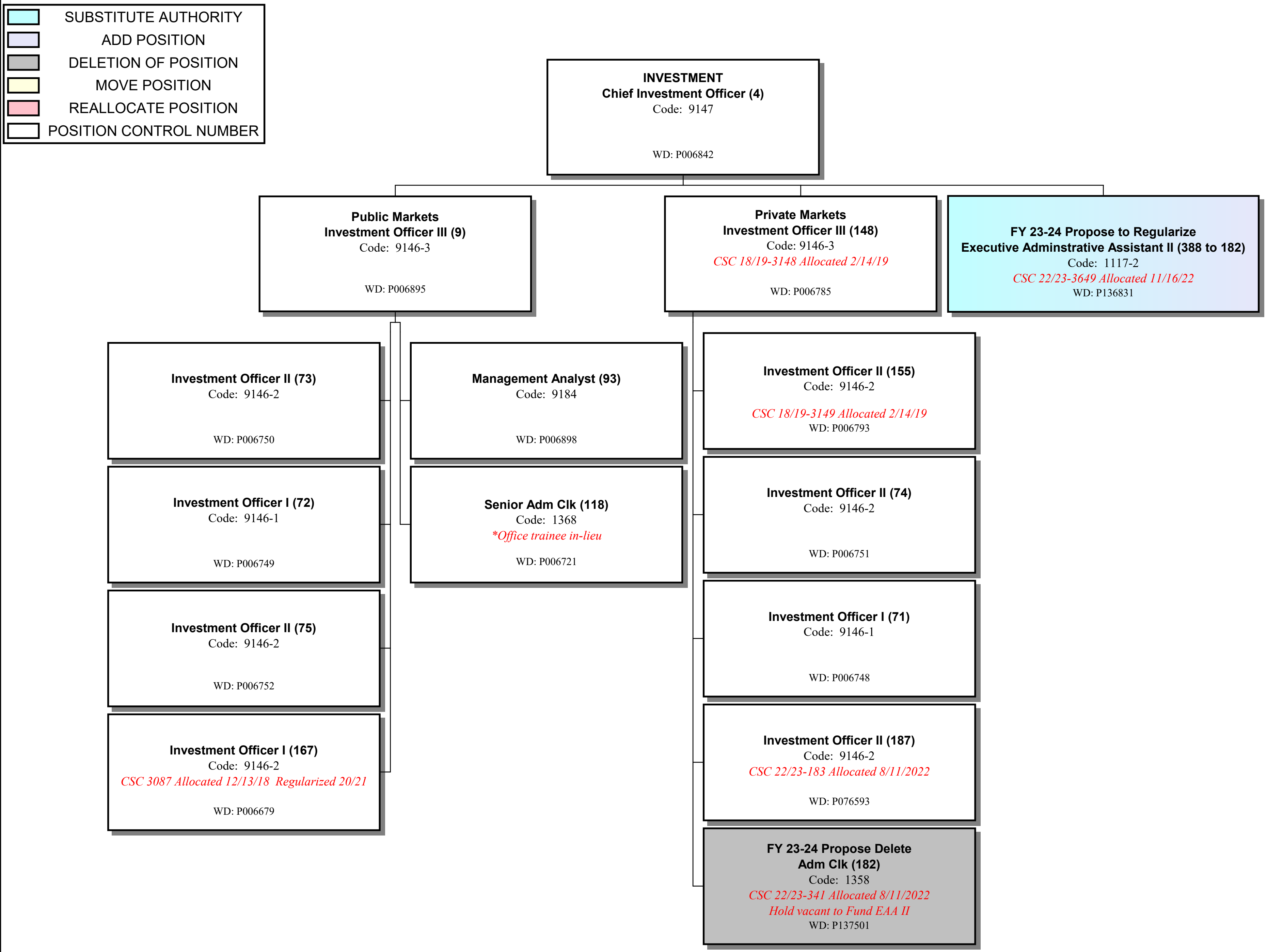
- DELETION OF POSITION
- MOVE POSITION
- REALLOCATE POSITION
- POSITION CONTROL NUMBER



LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

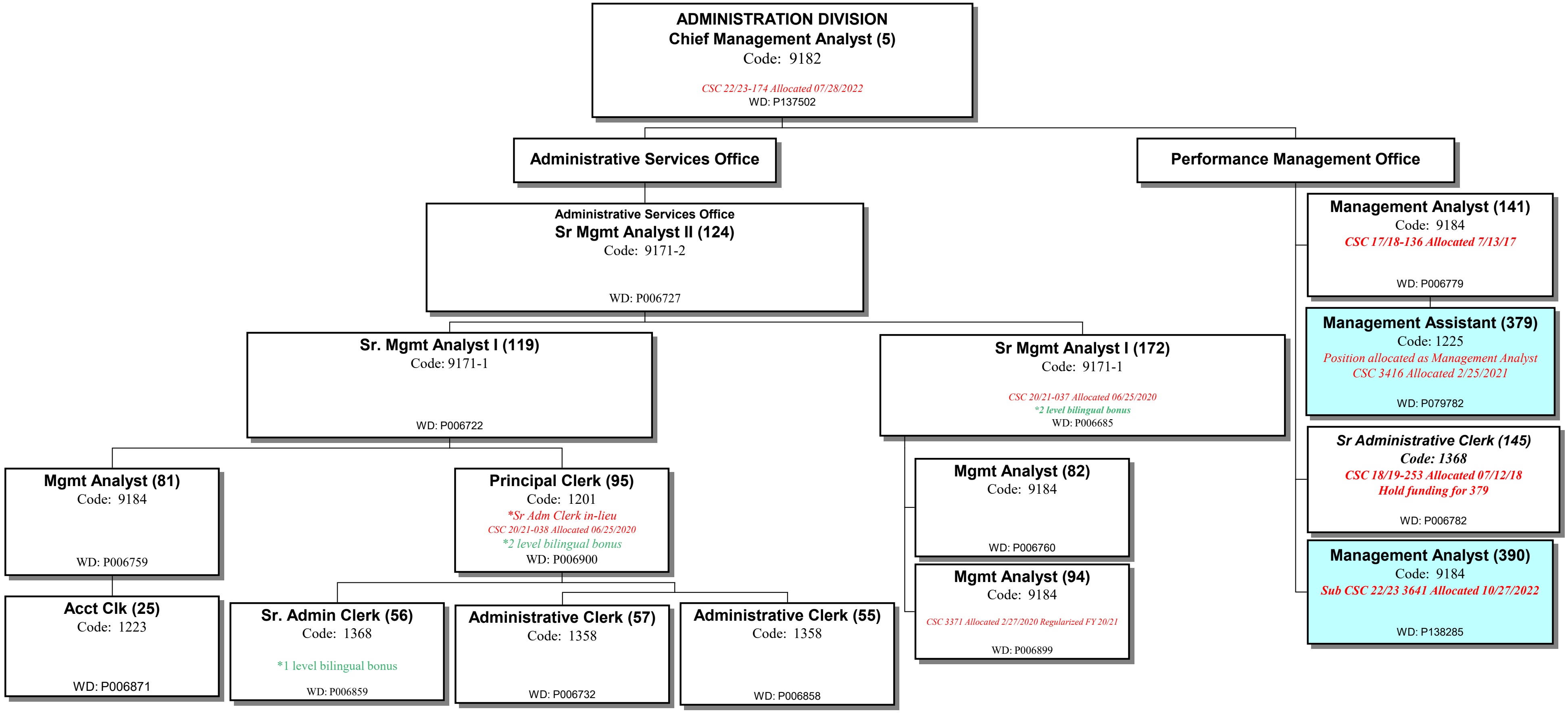


UPDATED 2/8/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

- SUBSTITUTE AUTHORITY
- ADD POSITION
- DELETION OF POSITION
- MOVE POSITION
- REALLOCATE POSITION
- POSITION CONTROL NUMBER



UPDATED 2/23/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

SUBSTITUTE AUTHORITY
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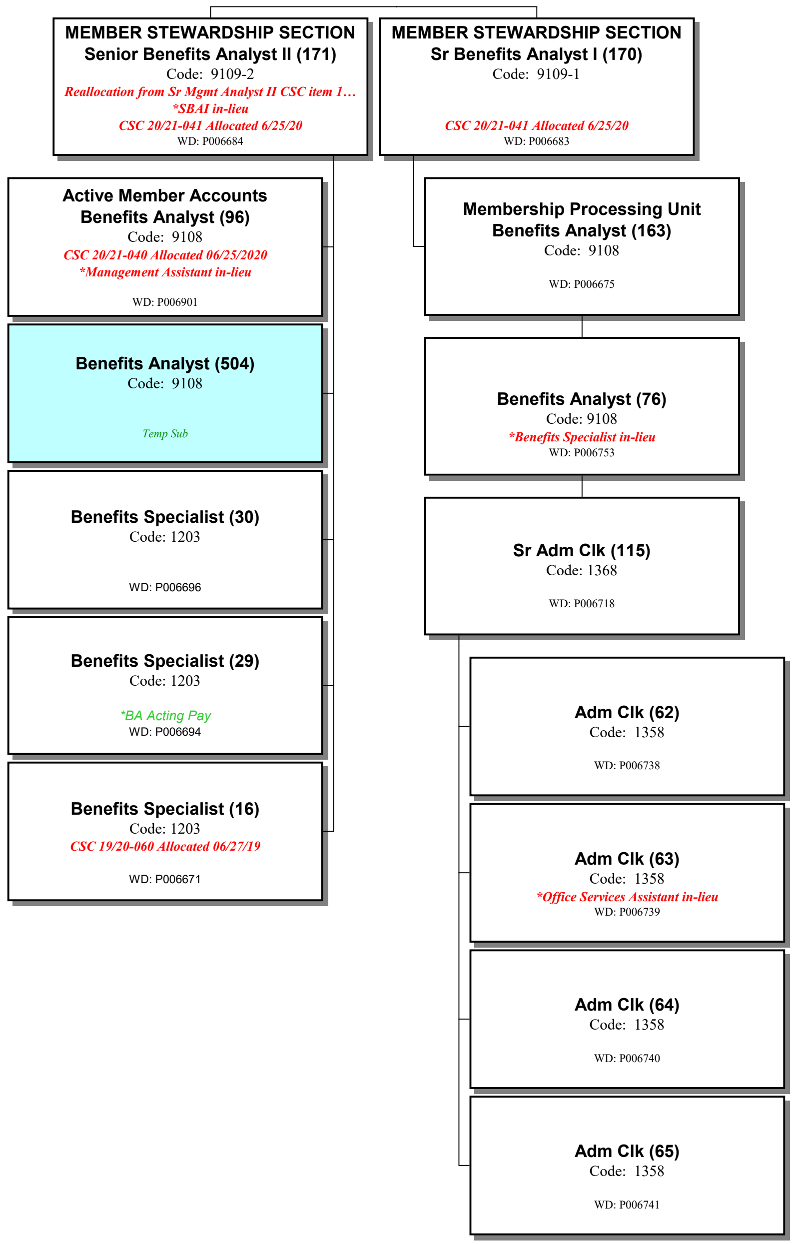
DELETION OF POSITION
MOVE POSITION
REALLOCATE POSITION
POSITION CONTROL NUMBER



UPDATED 2/27/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

SUBSTITUTE AUTHORITY	
ADD POSITION	
DELETION OF POSITION	
MOVE POSITION	
REALLOCATE POSITION	
POSITION CONTROL NUMBER	

DATA OFFICE
Fiscal Systems Specialist II (98)
Code: 1555-2

WD: P006902

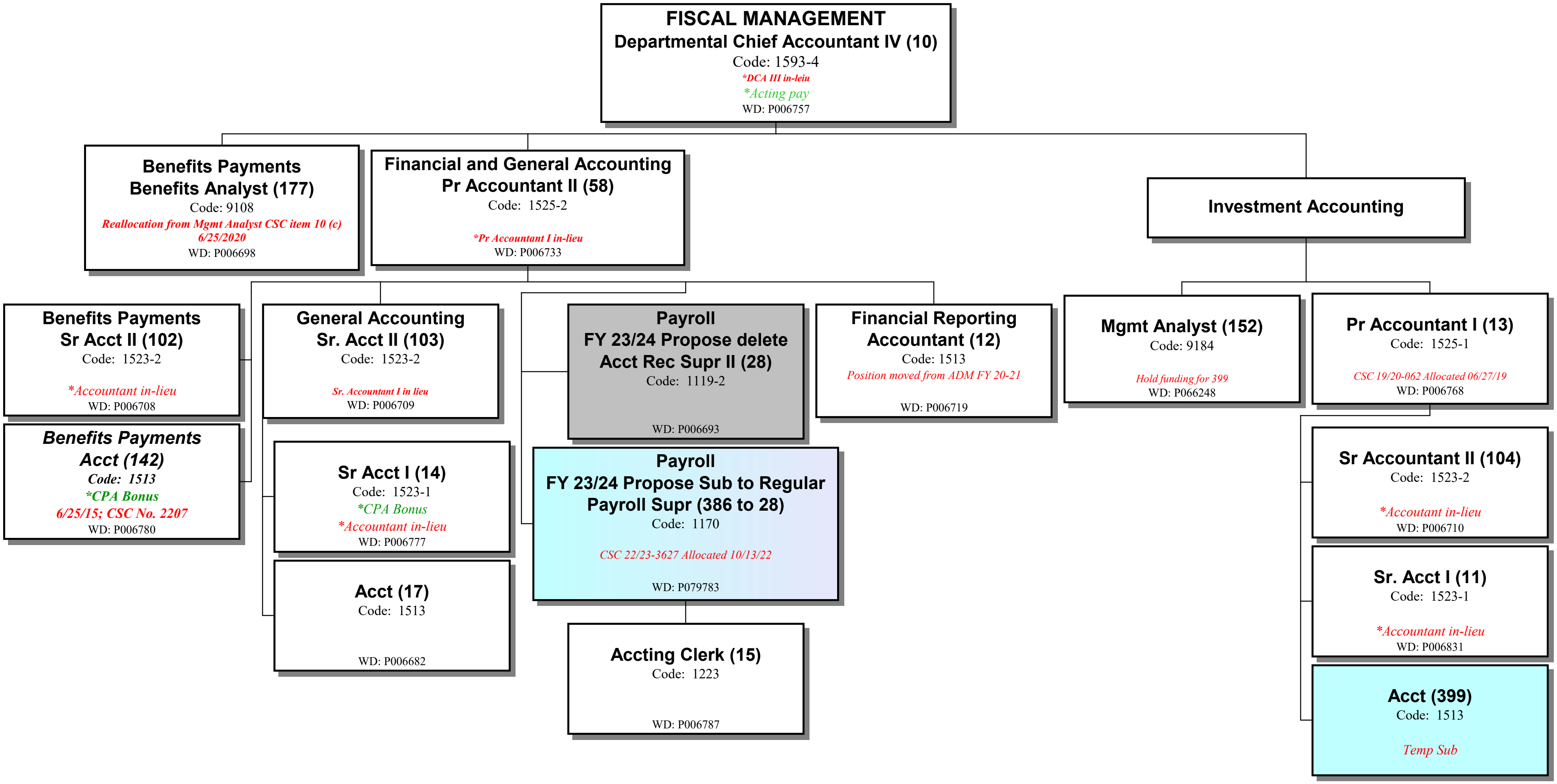
FY 23-24 Propose New Sub
Systems Analyst (389)
Code: 1596

UPDATED 2/15/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

SUBSTITUTE AUTHORITY
ADD POSITION
DELETION OF POSITION
MOVE POSITION
REALLOCATE POSITION
POSITION CONTROL NUMBER



UPDATED 3/2/2023

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

(cyan)	SUBSTITUTE AUTHORITY
(lavender)	ADD POSITION
(gray)	DELETION OF POSITION
(light yellow)	MOVE POSITION
(pink)	REALLOCATE POSITION
(white)	POSITION CONTROL NUMBER

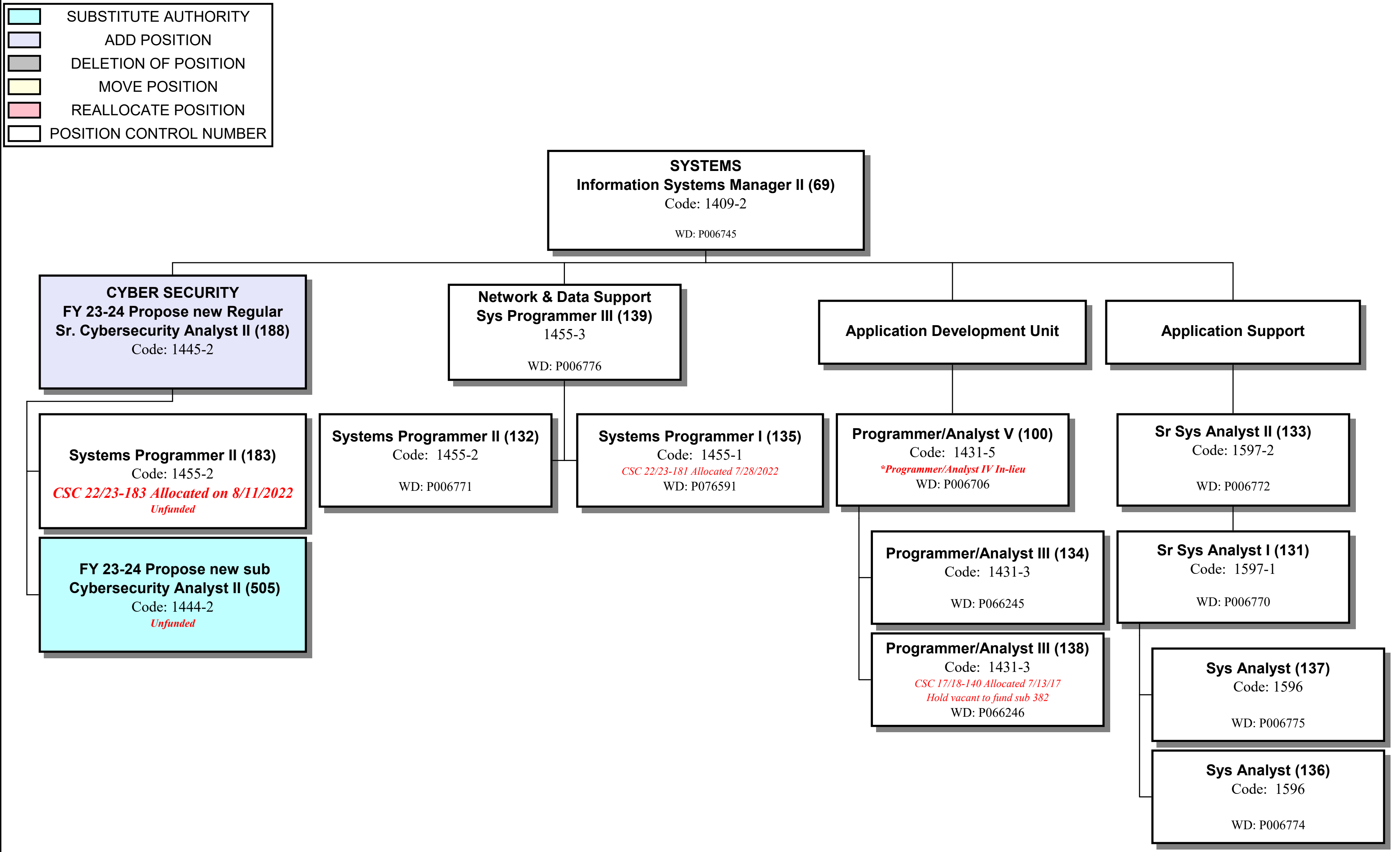
SYSTEMS OPERATIONS SUPPORT
Sr Benefits Analyst II (150)
Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
WD: P006788

Sr Benefits Analyst I (166)
Code: 9109-1
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006678

Benefits Analyst (80)
Code: 9108
Move from AMA&MSU to SOS FY21-22
WD: P006758

UPDATED 2/15/2023

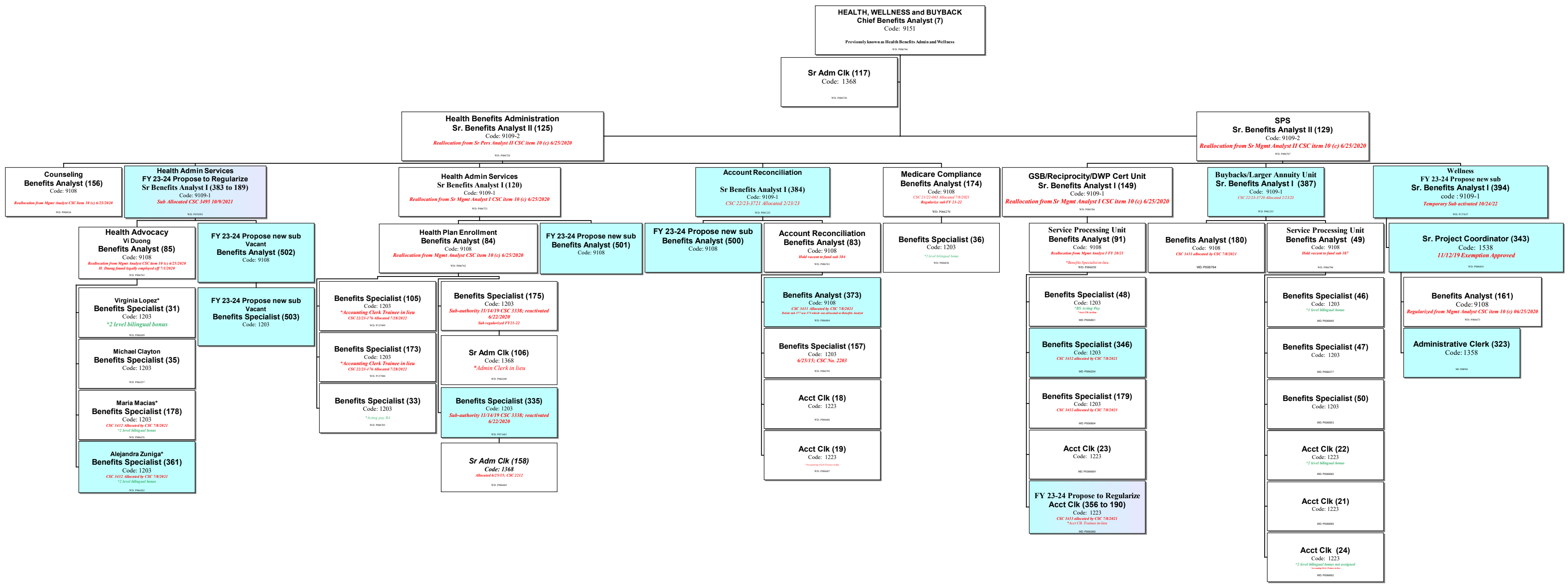
LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024



UPDATED 3/2/2023

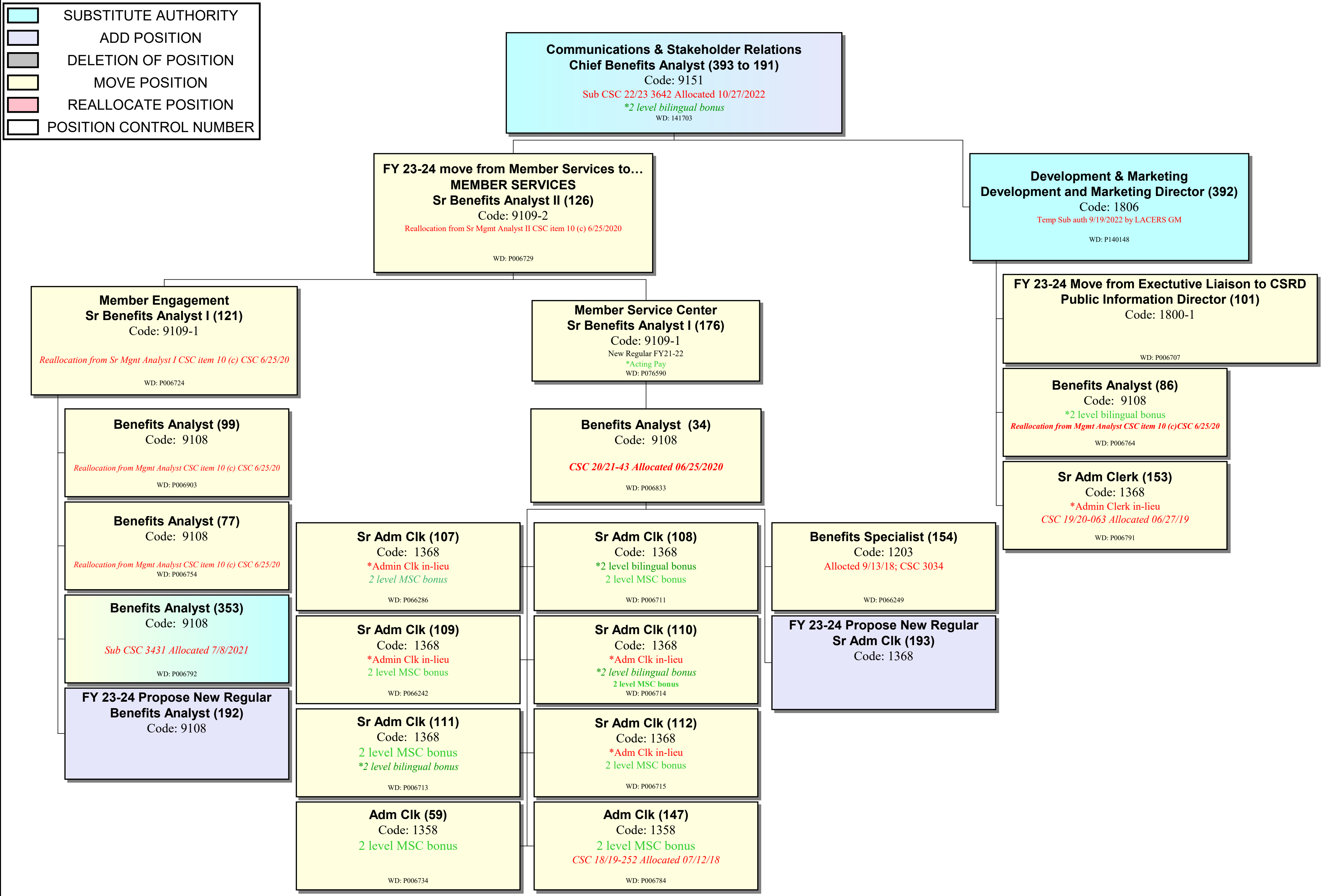
LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

SUBSTITUTE AUTHORITY
ADD POSITION
DELETION OF POSITION
MOVE POSITION
REALLOCATE POSITION
POSITION CONTROL NUMBER



LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024



UPDATED 2/23/2023

LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2023/2024

Legend
- SUBSTITUTE AUTHORITY
- ADD POSITION
- DELETION OF POSITION
- MOVE POSITION
- REALLOCATE POSITION
- POSITION CONTROL NUMBER

RETIREMENT SERVICES
Chief Benefits Analyst (6)
Code: 9151
WD: P006735

Sr Adm Clk (114)
Code: 1368
WD: P006717

Member Counseling
Sr Benefits Analyst II (127)
Code: 9109-2
*2 level bilingual bonus
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
WD: P006730

Sr Benefits Analyst I (185)
Code: 9109-1
CSC 22/23-178 Allocated 07/28/2022
WD: P137498

Survivor Benefits Unit
Benefits Analyst (79)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
**2 level bilingual bonus*
WD: P006756

Benefits Specialist (160)
Code: 1203
CSC 3226 Allocated 04/25/19
**2 level bilingual bonus*
WD: P006672

Benefits Specialist (38)
Code: 1203
WD: P066274

Benefits Specialist (39)
Code: 1203
WD: P066275

Benefits Specialist (113)
Code: 1203
CSC 16-17-042; 7/14/16
WD: P006716

Benefits Specialist (45)
Code: 1203
Temporary loan from DRU to SBU 3/2/2022
WD: P066276

Acct Clk (164)
Code: 1223
*2 level bilingual bonus
Regularized FY 20/21
WD: P066251

FY 23-24 Propose New Regular
Sr Adm Clk (195)
Code: 1368

Sr Benefits Analyst I (169)
Code: 9109-1
*Benefits Analyst in lieu eff 5/8/2022
**2 level bilingual bonus*
CSC 20/21-041 Allocated 06/25/2020
WD: P006681

Service Retirement Unit
Benefits Analyst (89)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006802

Benefits Specialist (151)
Code: 1203
CSC 3225 Allocated 04/25/19
WD: P006789

Benefits Specialist (32)
Code: 1203
WD: P006701

Benefits Specialist (37)
Code: 1203
**1 level bilingual bonus*
WD: P006839

Benefits Specialist (40)
Code: 1203
**2 level bilingual bonus*
WD: P006843

Benefits Specialist (43)
Code: 1203
**1 level bilingual bonus*
WD: P006846

Benefits Specialist (44)
Code: 1203
WD: P006847

Benefits Specialist (165)
Code: 1203
Regularized FY 20/21
WD: P006677

Benefits Specialist (41)
Code: 1203
Propose Bilingual FY 20-21
WD: P006844

Sr Adm Clk (168)
Code: 1368
Regularized FY 20/21
WD: P006680

Adm Clk (60)
Code: 1358
**Acting pay SAC*
WD: P006736

Adm Clk (186)
Code: 1358
CSC 22/23-177 Allocated 07/28/2022
WD: P137503

Disability Retirement Unit
Sr Benefits Analyst I (122)
Code: 9109-1
Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/2...
WD: P006725

Benefits Analyst (140)
Code: 9108
CSC 17-18-138 allocated 7/13/17
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006848

Benefits Analyst (90)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006896

Sr Adm Clk (61)
Code: 1368
CSC 17/18-139 allocated 7/13/17
WD: P006737

Member Support & Research...
Sr Benefits Analyst II (128)
Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
WD: P006731

Member Support
Sr Benefits Analyst I (123)
Code: 9109-1
Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020
WD: P006726

Legal Processing Unit
Benefits Analyst (87)
Code: 9108
*1 level bilingual bonus
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006765

Benefits Analyst (78)
Code: 9108
*2 level bilingual
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
**Management Assistant in-lieu*
WD: P006755

Benefits Analyst (159)
Code: 9108
allocated 6/25/15; CSC No 2214
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006670

Benefits Analyst (88)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006766

Acct Clk (184)
Code: 1358
CSC 22/23-180 07/28/2022
WD: P137506

Member Support
Sr Benefits Analyst I (162)
Code: 9109-1
Sub reallocated and regularized from Sr Mgmt Analyst I CSC item...
WD: P006674

Benefits Determination...
Benefits Analyst (92)
Code: 9108
Reallocate from Mgmt Analyst CSC item 10 (c) 6/25/2020
WD: P006897

Benefits Analyst (42)
Code: 9108
CSC 22/23-179 Allocated 07/28/2022
WD: P137507

Benefits Specialist (51)
Code: 1203
*1 level bilingual bonus
WD: P006854

Benefits Specialist (52)
Code: 1203
WD: P006855

Benefits Specialist (53)
Code: 1203
WD: P006856

Benefits Specialist (54)
Code: 1203
WD: P006857

Vacant
Acct Clk (26)
Code: 1223
WD: P006872

Yin Alice Chan*
Acct Clk (27)
Code: 1223
**Acct Clk Trainee in-lieu.*
WD: P006870

Acct Clk (20)
Code: 1223
WD: P006869

Performance Review Unit
FY 23-24 Propose to Regularize
Benefits Analyst (354 to 194)
Code: 9108
CSC 3431 Allocated 7/8/2021
WD: P006840

Benefits Specialist (350)
Code: 1203
CSC 3432 Allocated 7/8/2021
WD: P066258

Benefits Specialist (351)
Code: 1203
CSC 3432 Allocated 7/8/2201
WD: P066259

UPDATED 3/13/2023

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED RESOLUTION

DELEGATION OF AUTHORITY TO THE GENERAL MANAGER
TO APPROVE TRANSFERS BETWEEN APPROPRIATION ACCOUNTS
FOR FISCAL YEAR 2023-24

WHEREAS, the Fiscal Year 2023-24 Budget aims to limit budget overages and appropriations are conservatively budgeted, greater flexibility to move funds between appropriation accounts will help manage expenditures within budgeted funds;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budget appropriation accounts, within limits prescribed by the City Administrative Officer, the most current at $63,888 in 2022-23;

WHEREAS, on March 28, 2023, the Board has approved the 2023-24 Budget and desires that the General Manager have the flexibility to move funds between appropriation accounts in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby delegates authority to the General Manager to transfer between budget appropriation accounts not to exceed the City thresholds.

March 28, 2023

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED RESOLUTION

AUTHORIZATION FOR
DEPARTMENTAL EXEMPLARY STAFF RECOGNITION PROGRAM
FISCAL YEAR 2023-24

WHEREAS, on March 11, 2003, the Board established a departmental Exemplary Staff Recognition Program to provide a framework for team building and recognition throughout the Department;

WHEREAS, the Board continues the program in order to recognize employees for their efforts, and to identify role models who communicate the standards established through our guiding principles, inclusive in promoting teambuilding, employee engagement, and motivational activities;

WHEREAS, funds for program-related expenditures during the 2023-24 Fiscal Year have been included in the FY 2023-24 Departmental budget in order to continue the program; and

WHEREAS, the Controller's Office requires an annual Board Resolution confirming the establishment of the program in order to process future payments of related expenses;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby confirms the permanent establishment of the LACERS Exemplary Staff Recognition Program, and authorizes program-related expenditures for Fiscal Year 2023-24 not to exceed $4,000.

March 28, 2023

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED RESOLUTION

AUTHORIZATION FOR
LACERS DEPARTMENTAL PARKING PROGRAM
FISCAL YEAR 2023-24

WHEREAS, on November 8, 2022, the Board established a Departmental Parking Program for full-time LACERS staff, which provides complimentary parking at LACERS Headquarters Building at 977 N. Broadway, Los Angeles, CA 90012 and adjacent parking;

WHEREAS, in consultation with City Attorney, the LACERS Board has the authority to determine whether or not it is prudent to provide complimentary parking for employees at LACERS Headquarters Building and, if it decides to do so, to set rates for parking at the Headquarters Building;

WHEREAS, LACERS proposes that complimentary parking would be an incentive that could not only help to retain LACERS staff but could also attract other City employees who work in and around the Civic Center;

WHEREAS, funds for program-related expenditures during the 2023-24 Fiscal Year have been included in the Departmental budget under the Property Management - Operations expense budget in order to continue the program;

WHEREAS, the demand for parking exceeds supply at LACERS Headquarters Building, additional parking can be obtained by entering into a contract with a nearby parking lot in Chinatown for up to 30 parking spots at a monthly rate of $75 per parking spot for an annualized cost of $27,000 and $500 in parking validations for daily rate parking along with $2,500 as buffer for minor overages;

WHEREAS, providing complimentary parking to employees at LACERS Headquarters still represents savings of $128,558 as LACERS was not reimbursed for the expenses generated from the parking at LA Times;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Hereby confirms the establishment of the LACERS Departmental Parking Program, and authorizes program-related expenditures for Fiscal Year 2023-24 not to exceed $30,000.

2. Authorize the General Manager to work with the property management firm for the LACERS Headquarters Building to rent up to 30 parking spots annually and/or enter into an agreement for validated parking in the Chinatown area; and,

3. Authorize the General Manager to negotiate and execute any contracts required to implement the parking program.

March 28, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Governance Committee
Janna Sidley, Chair
Nilza R. Serrano
Michael R. Wilkinson

MEETING: MARCH 28, 2023
ITEM: IX-C

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: SECTION 3.0 DUTIES AND RESPONSIBILITIES, SUBSECTIONS 3.1 THROUGH 3.5 AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board take the following action as recommended by the Governance Committee (Committee):

- Adopt the proposed revisions to Section 3.0 Duties and Responsibilities, Subsections 3.1 through 3.5 of the Board Governance and Administrative Policies.

Executive Summary

The Board reviews Governance and Administrative policies on a triennial basis. Staff now brings proposed revisions to Section 3.0 Governing Statutes to the Board for its consideration.

Discussion

On February 28, 2023, the Committee continued the policy review process with the consideration of minor revisions recommended by staff to Section 3.0 Duties and Responsibilities. The Committee approved the staff report for referral to the Board for consideration.

Strategic Plan Impact Statement

The triennial review of the Board Governance and Administrative Policies meets the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/IC:jk

Attachment: Report to Governance Committee Dated February 28, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO GOVERNANCE COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: FEBRUARY 28, 2023
ITEM: III

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: SECTION 3.0 DUTIES AND RESPONSIBILITIES, SUBSECTIONS 3.1 THROUGH 3.5 AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Governance Committee (Committee) consider the proposed revisions to the LACERS Board Governance and Administrative Policies, Section 3.0 Duties and Responsibilities, subsections 3.1 through 3.5.

Executive Summary

The Committee reviews Governance and Administrative policies on a triennial basis. Staff now brings proposed revisions to Section 3.0 Duties and Responsibilities, subsections 3.1 through 3.5, to the Committee for its consideration.

Discussion

As a best practice, LACERS performs a comprehensive review of its Board Governance Policies every three years. In November 2022, the Board adopted the Committee's recommended schedule for the current review of these policies.

In accordance with that schedule, staff has completed its review of Section 3.0 Duties and Responsibilities, subsections 3.1 through 3.5 of the Board Governance Manual, and now presents proposed changes to the Committee for its consideration.

Only minor updates and revisions are proposed for this policy section since the last update. Upon the Committee's finalization of the proposed revisions, staff will present the changes to the Board for further consideration and approval.

Strategic Plan Impact Statement

The triennial review of the Board Governance and Administrative Policies meets the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/EA/IC:jk

Attachment: Section 3.0 Duties and Responsibilities: Subsections 3.1, 3.2, 3.3, 3.4, 3.5 – Redline Version

Section 3.0 DUTIES AND RESPONSIBILITIES

3.1 The Board's Role

Revised: May 14, 2013; Revised: February 25, 2014; Revised: July 24, 2018

All authority granted by statute in Article XVI, Section 17 of the California State Constitution, by Article XI of the City Charter and Administrative Code provisions of the City of Los Angeles, to the Board of Administration, is retained, except as delegated by specific resolution. Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to proactively manage the delivery of benefits and investment of trust assets for the exclusive benefit of its ~~m~~Members and beneficiaries. The Board will establish policies and procedures to ensure LACERS is appropriately governed and managed to meet its fiduciary obligations.

The Board's role is to:

A. Develop and Adopt Policies

1. Set the long-term strategic direction through the adoption of a strategic plan and set an annual business plan for LACERS through the adoption of the annual budget, focusing on the goals of LACERS against which its performance is measured and monitored.

2. Set policies for LACERS, which include:
   a) A statement of investment objectives and policies for the system, inclusive of the desired rate of return, acceptable levels of risk for each asset class, asset allocation goals, guidelines for delegation of authority, and evaluation of investment performance.
   b) An Actuarial Funding Policy, inclusive of the Actuarial Cost Method, Asset Smoothing Method, and Amortization Policy.
   c) Board Governance policies, inclusive of clearly defined roles, responsibilities and permissible conduct of the key players; a Committee structure with charters defining their roles and responsibilities; and an educational and travel policy for Board and staff.
   d) Board rules and regulations necessary to carry out the administration of the System ~~or~~and manage the assets under its control.

3. Select, regularly evaluate, and, if necessary, take disciplinary action against the General Manager.

4. Delegate execution of established Board policy and strategic objectives to the General Manager and through ~~him/her~~their re-delegation to the employees of LACERS.

B. Review and Evaluate Performance

1. Monitor organizational performance and regularly review results as compared to:
   a) LACERS mission/vision statement
   b) Strategic plan and other long-range goals
   c) Annual business plans
   d) Performance measures that include external as well as internal measures

2. Monitor investment performance and regularly review results as compared to benchmarks.

3. Monitor Actuarial Services, including:
   - Review, approve, and monitor actuarial data and assumptions.

Section 3.0 DUTIES AND RESPONSIBILITIES

- Periodically review the services of the actuary and conduct an actuarial audit when the retained actuary has provided consecutive service for more than six years, or as reasonably determined.

C. Risk Control

1. Ensure the integrity of the financial control and reporting system.

2. Oversee all audits, including approval of the outside financial auditor, the annual internal audit plan, and provide that financial controls and reporting systems are set forth.

3. Review and consider the purchase of fiduciary liability insurance, to provide an optional layer of liability protection for Board Members and others acting in a capacity of Fiduciary to the LACERS trust in the event of legal claim(s) that the Trustee(s) have not fulfilled their fiduciary duty in any action or decision. The purchase of the policy will result in a cost to the System to cover the premium and a personal cost to the Trustee to cover the waiver of recourse annual premium which cannot be advanced by the Trust Fund in accordance with Government Code Section 7511.

D. Other Board Responsibilities

1. At all times meet high ethical standards.

2. Organize the Board of Administration; organize its Committees; and approve charters and delegations to Committees and the General Manager.

3. Periodically evaluate the Board, its performance, and take any steps necessary to improve Board operations.

4. Set the Board agenda by identifying, articulating, prioritizing, and scheduling matters the Board will regularly address.

   a) Identify benchmarks that trigger Board review.
   b) Identify information needs and determine how, when, and in what form information is to be delivered to Board Members so as to enable the Board to meets its responsibilities, having regard for available time ~~available~~.

5. Be primarily responsible and accountable to ~~m~~Members and their beneficiaries, ensuring the System provides strong ~~m~~Member relations and effective communications. Be responsive to inquiries of ~~m~~Member representative organizations, and the public. Work collaboratively with stakeholders with oversight responsibilities for the Retirement System including the Plan sponsor, the Internal Revenue Service, and other governmental entities.

6. Provide for the election of employee and retired representatives on the Board.

7. Conduct ~~m~~Member hearings and decide appeals.

8. The Board is responsible ~~for creating and maintaining~~to create and maintain an atmosphere that encourages frank and collegial discussions both at the Board and

Committee level and as between the Board and management. The Board strives to achieve a governing style that emphasizes:

- Strategic leadership
- Outward vision
- Focus on the future
- Proactivity
- Encouragement of collegiality
- Respect for diversity in viewpoints
- Governance by consensus
- A partnership with LACERS management
- Ethical conduct of Board business to avoid even the appearance of impropriety~~.~~

- The Board establishes and communicates Board policies and priorities, and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board Members to live by the policies articulated herein and to govern with excellence.

3.2 General Manager

Revised: May 14, 2013; Revised: February 25, 2014; Affirmed: July 24, 2018

Board/General Manager Relationship

The Board has delegated to the General Manager the responsibility for the administration and management of the System. Policy and direction set by the Board is implemented through the General Manager so that a strong relationship between the Board and General Manager, and clear delineation of authority is maintained critical to the accomplishments of the Board's objectives.

General Manager Authority

The Board has delegated to the General Manager responsibility for the administration and management of the System consistent with Board delegation of authority. This includes broad responsibility for the following:

- Employing, training, developing, supervising, monitoring, and evaluating senior managers and staff. This may include succession planning for senior managers.
- Preparing and monitoring the annual administrative expense budget.
- Governmental affairs/media relations – The General Manager is authorized to work directly with the City executive and legislative branches ~~as well as~~and to respond to public records requests, while keeping ~~the~~ Board Members ~~of the Board~~ informed of these actions during the General Manager's Report. The Board President retains authority as the Board's spokesperson.
- Actuarial valuations and studies – To the extent budgeted, the General Manager may direct actuarial services necessary for the administration of the System.

The General Manager's duties are defined by the Board and include the following:

- With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for the System by the Board, including as necessary:
  - Determine the appropriate methods for attaining the Board-established policies and strategic objectives.
  - Direct LACERS employees in furtherance of those objectives.
  - Ensure that management activities and decisions are within Board-approved policies.
  - Represent LACERS, or designate other staff representatives, to outside parties and organizations.
  - Provide leadership to LACERS employees by promoting conduct which emulates the Department's Guiding Principles.
  - Act as the liaison for communications and information flow between the Board and LACERS employees.
  - Provide annual goals of the General Manager which augment those in the Strategic Plan, if any, to be presented to the Board on or preceding the General Manager's annual evaluation, upon request.

3.3 Commitment of a LACERS Board Member

Affirmed: July 24, 2018

Board Members ~~of the Board of Administration~~ have a fiduciary responsibility to act solely for the exclusive benefit of LACERS ~~m~~Members and beneficiaries with a secondary duty to minimize the contributions required of the Plan sponsor~~employers~~. All responsibilities must be fulfilled in a cost effective and efficient manner.

Members function as part of a seven-member Board consisting of four appointed and three elected members.

The Board is required by the Administrative Code to meet twice per month. These meetings generally occur on the second and fourth Tuesday of each month and may last between one and four hours.

Committee meetings may last between one and two hours. Depending on the nature of the Committee assignment, meetings may be regular monthly meetings or on an as-needed (Ad Hoc) basis addressing single issues.

- Advanced preparation for the meetings is imperative. Depending on the Committee assignment, preparation can require between one and eight hours.

- Education is a fiduciary responsibility and is strongly encouraged. In-house seminars and outside conferences are available for this purpose. The time commitment for education is usually five days per year.
- Most meetings take place during normal business hours, Monday through Friday; however, some travel and conferences take place over weekends.
- Members are expected to attend all regularly scheduled Board and Committee meetings. If a Board Member's attendance becomes sporadic, the Member should strongly consider resigning from the Board for the benefit of the ~~m~~Members they have vowed to serve.

3.4 Committee Protocol

Revised: September 10, 2013; Affirmed: July 24, 2018

There are two types of ordinary committees, standing and ad hoc, to which the Board may refer or commit matters under consideration. A standing committee is expected to have a continuing existence, whereas an ad hoc committee is expected to cease to exist upon completion of the submittal of a final report.

1. Standing and ad hoc Committees shall be established by a majority vote of the Board.
2. Committee Chairs and Members shall be appointed by the President or Acting President of the Board.
3. Committees shall each have three Members.
4. Committee Members shall serve from the time they are designated until their successors have been designated, and may be removed or replaced by the President or Acting President by ~~his/her~~their own act.
5. Committees shall operate under Robert's Rules of Order unless otherwise specified by statute or Board action.
6. Committees shall adhere to the same public notification and meeting requirements as the Board.
7. Committee meetings shall be called by the Committee Chair.
8. Committee agenda topics shall be set by the Committee Chair, but the Committee Chair shall take as an agenda item any matter submitted by two Committee Members.
9. Committee meetings shall be open to all Board Members; however, only Committee Members may vote.
10. Ad hoc committees shall not be established for a matter that falls within the purview of a standing committee.
11. Committees shall receive such assignments as fall within their Charter.
12. Committees shall communicate with the Board in the form of report(s) to the Board, offering recommendations and discussion upon referred matters for the Board's consideration.

Section 3.0 DUTIES AND RESPONSIBILITIES

13. Ad hoc committees shall cease to exist upon submittal of the final report to the Board.

Governance Committee: 2/28/2023
Item: III
Attachment

3.5 Committee Structure

Updated: November 21, 2016; Revised: July 24, 2018; Revised: August 7, 2019; Revised: June 22, 2021

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
COMMITTEE STRUCTURE FOR FISCAL YEAR 202~~1~~2-2~~2~~3

STANDING COMMITTEES	
Audit Annie Chao~~Elizabeth Lee~~, Chair Elizabeth Lee~~Sung Won Sohn~~ Thuy Huynh~~Michael R. Wilkinson~~	**Benefits Administration** Michael R. Wilkinson, Chair Annie Chao Thuy Huynh~~Sandra Lee~~
Governance Janna Sidley~~Nilza R. Serrano~~, Chair Nilza R. Serrano~~Annie Chao~~ Michael R. Wilkinson~~Cynthia Ruiz~~	**Investment** Elizabeth Lee~~Sung Won Sohn~~, Chair Janna Sidley~~Elizabeth Lee~~ Nilza R. Serrano

Standing Committees remain in existence for the life of the establishing Board.

Ad Hoc Committees cease to exist upon completion of the submittal of a final report.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Elizabeth Lee, Chair
Nilza R. Serrano
Janna Sidley

MEETING: MARCH 28, 2023
ITEM: X - B

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH GRANAHAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a three-year contract renewal with Granahan Investment Management, Inc. for management of an active U.S. small cap growth equities portfolio.

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

Discussion

On March 14, 2023, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Granahan Investment Management, Inc. (Granahan). Granahan has managed an active U.S. small cap growth equities portfolio for LACERS since September 2020; the current contract expires on July 31, 2023. LACERS' portfolio was valued at approximately $124.2 million as of January 31, 2023. Granahan is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid Granahan a total of $1.6 million in investment fees.

Staff discussed the organization, investment strategy, performance, and fees. The Committee inquired about the strategy's underperformance relative to its benchmark since inception of LACERS' account in September 2020. Staff explained that rising interest rates and inflation negatively impacted Granahan's concentrated portfolio of approximately 40 growth stocks, particularly within the technology and consumer discretionary sectors. Staff stated that the performance track record of LACERS' account is less than three years, which is an insufficient period of time to evaluate Granahan's potential value-add. Additionally, the Committee encouraged staff to continue its discussions with the manager about possibly lowering the contracted investment management fees. Following the discussion, the Committee concurred with the staff recommendation.

Strategic Plan Impact Statement

A contract renewal with Granahan will allow the LACERS total portfolio to maintain a diversified exposure to the U.S. small cap growth equities markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II and Emerging Manager Program Officer, Investment Division

NMG/RJ/BF/BS:rm

Attachments: 1. Investment Committee Recommendation Report dated March 14, 2023
2. Proposed Resolution

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: MARCH 14, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: V**

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH GRANAHAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Granahan Investment Management, Inc. for management of an active U.S. small cap growth equities portfolio.

Executive Summary

Granahan Investment Management, Inc. (Granahan) has managed an active U.S. small cap growth equities portfolio for LACERS since September 2020. LACERS' portfolio was valued at approximately $124.2 million as of January 31, 2023. Granahan is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal.

Discussion

Background
Granahan manages an active U.S. small cap growth equities portfolio for LACERS benchmarked to the Russell 2000 Growth Index. Granahan's fundamental, bottom-up research process seeks to identify secular small cap companies that are positioned to grow consistently and significantly over the next five to seven years. The strategy emphasizes a concentrated portfolio of approximately 40 stocks of companies that have large market opportunities, favorable competitive landscapes, products or services with attractive value-propositions, effective management teams, and strong financial conditions with potential to expand margins. Drew Beja serves as the lead Portfolio Manager and has 38 years of investment experience. Mr. Beja collaborates with the six other portfolio managers/analysts who have a combined total of 175 years of investment experience.

The Board hired Granahan through the 2019-2020 Active U.S. Small Cap Equities manager search process and authorized a three-year contract on January 28, 2020; the contract became effective on August 1, 2020. The current contract expires on July 31, 2023. At the time of hire, Granahan qualified as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy. LACERS' portfolio was valued at approximately $124.2 million as of January 31, 2023.

Organization
Granahan is headquartered in Waltham, Massachusetts, and has 19 employees, of which 10 are investment personnel. The firm is majority owned by employees with a minority interest held by Kudu Investment Management. As of January 31, 2023, Granahan managed approximately $3.7 billion in total assets, with $1.6 billion in the small cap equities strategy.

Due Diligence
Staff conducts routine due diligence of the manager; since inception of the contract, quarterly due diligence meetings have been conducted virtually. Based upon these due diligence activities as well as staff's and NEPC's continuous monitoring, Granahan's investment philosophy, strategy, and process have not changed materially over the contract period. The next comprehensive onsite due diligence visit to Granahan's headquarters is currently being planned for the second calendar quarter of 2023.

When the Board hired Granahan in January 2020, the firm was wholly owned by employees. In November 2021, Granahan sold a minority interest to Kudu Investment Management, a private equity firm that provides permanent capital to investment boutiques, for long-term succession planning reasons. Slightly more than 75% of the firm's equity continues to be held by Granahan employees and is broadly distributed. As the majority stake holder, Granahan maintains control over its business operations and investment processes. Staff and NEPC did not deem this transaction to be a material organizational change requiring watch status pursuant to the LACERS Manager Monitoring Policy.

Performance
As of January 31, 2023, Granahan outperformed its benchmark, net-of-fees, over the 3-month period and underperformed its benchmark under the 1-year, 2-year, and since inception time periods as presented in the table below.

Annualized Performance as of 1/31/2023 (Net-of-Fees)

	3-Month	1-Year	2-Year	Since Inception[1]
Granahan	6.54	-10.71	-15.24	1.34
Russell 2000 Growth Index	4.56	-6.50	-10.87	3.32
% of Excess Return	*1.98*	*-4.21*	*-4.37*	*-1.98*

[1]Performance inception date: 9/30/2020. Strategy was funded after contract inception date of 8/1/2020.

The strategy's underperformance relative to the benchmark since inception is largely driven by higher interest rates, inflation, and recession fears. These factors have raised the discount rate investors use to value stocks, resulting in lower stock prices in general and declining returns. Granahan's strategy has experienced a larger decline than the benchmark due to the portfolio's bias toward longer duration stocks, particularly in the Technology and Consumer Discretionary sectors. Granahan is in compliance with the LACERS Manager Monitoring Policy (Policy); the short performance track record of the LACERS account does not provide adequate time to fully evaluate the effectiveness of the manager and strategy. Staff and NEPC recommend renewing Granahan's contract for another three-year period and will continue to monitor the manager and strategy pursuant to the Policy.

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 12/31/2022 (Net-of-Fees)			
	2022	2021	9/30/2020-12/31/2020
Granahan	-31.38	-0.40	37.35
Russell 2000 Growth Index	-26.36	2.83	29.61
% of Excess Return	*-5.02*	*-3.23*	*7.74*

Fees
LACERS pays Granahan an effective fee of 73 basis points (0.73%), which is approximately $906,700 annually based on the value of LACERS' assets as January 31, 2023. This fee ranks in the 21st percentile among its peers in the eVestment U.S. Small Cap Growth Universe (i.e., 79% of like-managers have higher fees). From contract inception on August 1, 2020 to December 31, 2022, LACERS has paid Granahan a total of $1.6 million in investment fees.

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Granahan will allow the LACERS total portfolio to maintain a diversified exposure to the U.S. small cap growth equities markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is 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

Attachment: 1. Consultant Recommendation – NEPC

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: March 14, 2023

Subject: Granahan Investment Management – Small Cap Focused Growth Contract Renewal

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Recommendation

NEPC recommends that Los Angeles City Employees' Retirement System (LACERS) renew the contract with Granahan Investment Management (Granahan) for a period of three years from the date of contract expiry.

Background

Granahan was funded on October 1, 2020 to provide active investment management within the growth U.S. equity small cap segment. As of January 31, 2023, Granahan managed $124.2 million or 0.6% of Plan assets. The performance objective is to outperform the Russell 2000 Growth Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing based on LACERS' Manager Monitoring Policy.

Granahan was founded in 1985 and is headquartered in Waltham, Massachusetts. The firm is 76% employee-owned with the remainder held by Kudu Investment Management. Kudu Investment Management is a passive minority partner since November 2021. Kudu is an independent provider of permanent capital solutions to asset managers and is backed by capital partner White Mountain Insurance Group.

The Small Cap Focused Growth portfolio is managed by Andrew Beja. Mr. Beja collaborates with others on the Granahan team to discuss ideas (both companies and stocks) but has sole responsibility and is accountable for all research and portfolio construction of the Focused Growth product at Granahan. Jane White (Technology), David Rose (Generalist), Jennifer Pawloski (Technology), Jeff Harrison (Generalist), Richard Watson (Generalist) and Chris Martin (Generalist) support Mr. Beja in an Analyst capacity.

The strategy is based on bottom-up fundamental research that looks for sustainable growth companies positioned to grow at 15%+ for many years. Granahan invests in growth companies that they like to call "Desert Island" companies. These are companies that the firm feels are great businesses with strong investment moats. Portfolios are typically constructed with concentration in sectors that exhibit strong secular growth companies (i.e., Technology Services, Business Services, Consumer and Producer Durables). The portfolio is concentrated and aims to hold 30-45 companies which have sustainable 15% earnings growth potential and attractive risk/reward characteristics.

Performance

Referring to Exhibit 1, as of January 31, 2023, since the portfolios inception date of October 2020, the portfolio has underperformed its benchmark by 200 basis points. Over the last year, ended January 31, 2023, the portfolio has underperformed its benchmark by 420 basis points. The portfolio's performance has improved significantly on a fiscal year-to-date basis through January of this year. The portfolio was up 25.1% versus its benchmark of 14.8%.

In Exhibit 2, since inception ending December 31, 2022, the portfolio has underperformed its benchmark by 200 basis points and ranked in the 72nd percentile of a universe of small cap growth managers. During 2022, the portfolio underperformed its benchmark by 5.00% and ranked in the 74th percentile. Higher interest rates and inflation have wreaked havoc on small cap stocks and in particular growth stocks have been hit harder than value stocks. The portfolio held higher weights in the Technology and Consumer Discretionary sectors as expected and this hurt the portfolio earlier in 2022. Additionally, a couple of the larger weighted names in the portfolio had their earnings estimates cut significantly which impacted the stock price and the portfolio's overall performance.

Fees

The portfolio has an asset-based fee of 0.73% annually. This fee ranks in the 21st percentile among its peers in the eVestment U.S. Small Cap Growth universe. In other words, 79% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

Granahan has underperformed its benchmark since inception. This portfolio with its concentration in names and sectors can face headwinds in markets like we have just experienced. Since being hired in October of 2020, Granahan has produced both significant over and under performance versus the benchmark. The most significant period of underperformance started in the fourth quarter of 2021 and lasted through June of 2022. Given Granahan's investment process, we believe three years is not adequate time to fully evaluate the portfolio's performance and thus contribution to the overall Plan. NEPC recommends a three-year contract renewal.

Exhibit 1: Performance Comparison Net of Fees as of January 31, 2023

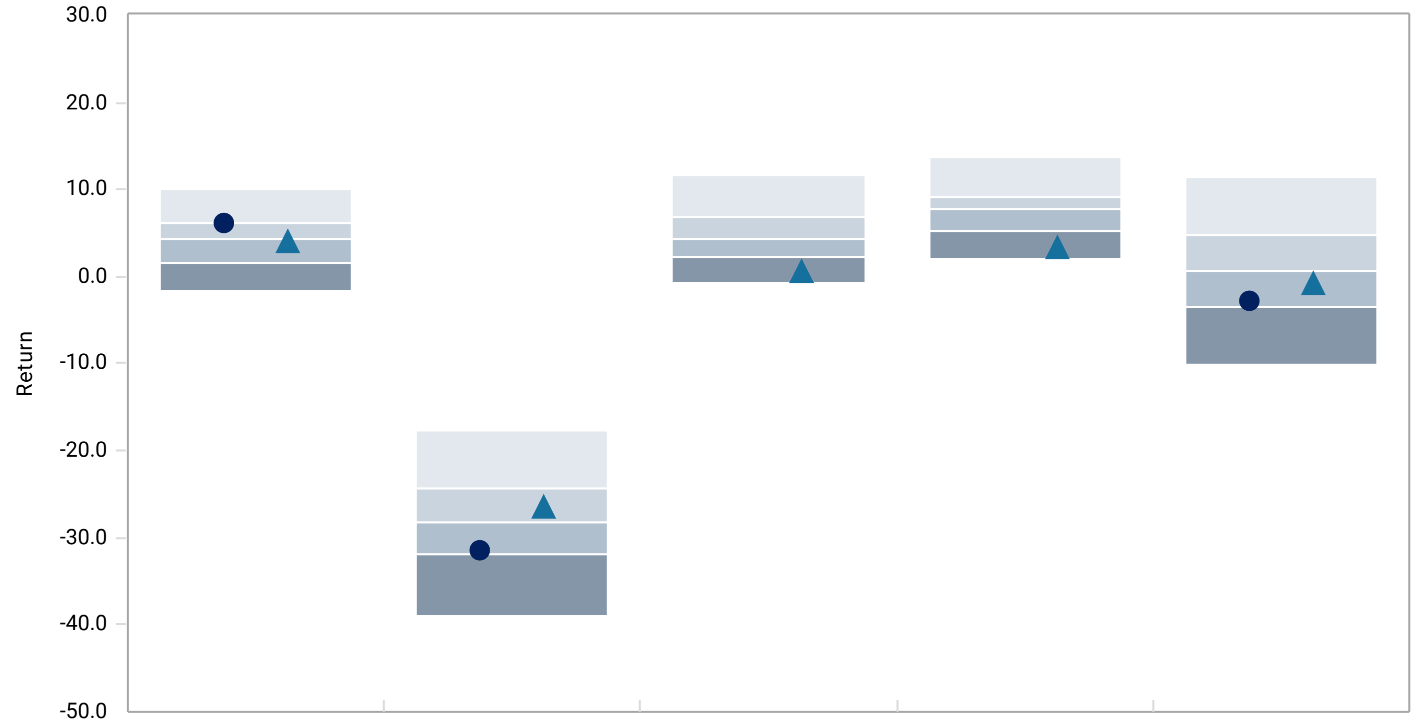
	Market Value ($)	1 Month	FY YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Granahan Investment Management	**124,229,427**	**9.9**	**25.1**	**-10.7**	**-**	**-**	**1.3**	**Oct-20**
Russell 2000 Growth Index		9.9	14.8	-6.5	-	-	3.3	
Over/Under		0.0	10.3	-4.2	-	-	-2.0	

Exhibit 2

December 31, 2022

GRANAHAN INVESTMENT MANAGEMENT

Granahan Investment Management vs. eV US Small Cap Growth Equity



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● Granahan Investment Management	6.2 (23)	-31.4 (74)			-2.8 (72)
▲ *Russell 2000 Growth Index*	*4.1 (54)*	*-26.4 (38)*	*0.6 (91)*	*3.5 (88)*	*-0.8 (60)*
5th Percentile	10.0	-17.7	11.6	13.8	11.5
1st Quartile	6.1	-24.3	6.9	9.2	4.8
Median	4.4	-28.2	4.3	7.7	0.6
3rd Quartile	1.5	-31.9	2.2	5.2	-3.5
95th Percentile	-1.7	-38.9	-0.6	2.0	-10.2
Population	164	162	160	157	161

CONTRACT RENEWAL
GRANAHAN INVESTMENT MANAGEMENT, INC.
ACTIVE U.S. SMALL CAP GROWTH EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Granahan Investment Management, Inc. (Granahan) for active U.S. small cap growth equities portfolio management expires on July 31, 2023; and,

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

WHEREAS, a contract renewal with Granahan will allow the LACERS total portfolio to maintain a diversified exposure to U.S. small cap growth equities; and,

WHEREAS, on March 28, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Granahan.

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

Company Name:	Granahan Investment Management, Inc.
Service Provided:	Active U.S. Small Cap Growth Equities Portfolio Management
Effective Dates:	August 1, 2023 through July 31, 2026
Duration:	Three years
Benchmark:	Russell 2000 Growth Index
Allocation as of January 31, 2023:	$124.2 million

March 28, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: **Investment Committee**
Elizabeth Lee, Chair
Nilza R. Serrano
Janna Sidley

MEETING: MARCH 28, 2023
ITEM: X - C

SUBJECT: **ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board renew the Adaptive Asset Allocation Plan for Fiscal Year 2023-2024.

Executive Summary

This report provides an annual update on adaptive rebalancing pursuant to the LACERS Rebalancing Policy and Adaptive Asset Allocation Plan (AAAP) under Sections V.G and V.H of the Investment Policy Manual. No adaptive rebalances have been initiated through February of fiscal year 2022-2023. The Committee recommends renewal of the AAAP in its current form for fiscal year 2023-2024. The Committee has also directed staff to review the policy for possible revisions that allow greater flexibility to implement adaptive rebalancings.

Discussion

The LACERS Rebalancing Policy and AAAP (Sections V.G and V.H of the Investment Policy Manual) authorize staff to conduct adaptive rebalancing. The AAAP, initially adopted by the Board on May 28, 2019, and revised on October 26, 2021, addresses the goals and objectives of adaptive asset allocation, roles and responsibilities of parties involved, decision-making and implementation framework, and reporting requirements. Pursuant to Section VII of the AAAP, the CIO must provide an annual report to the Investment Committee of all adaptive rebalances initiated in the current fiscal year and provide recommendations to modify, continue, or cease the AAAP.

On March 14, 2023, the Committee considered the attached AAAP status update and renewal recommendation report and discussed the report with staff. Through February of fiscal year 2022-2023, staff has not identified any opportunities to invoke the AAAP and no adaptive rebalances have been initiated. Staff explained that the portfolio's asset allocation has been maintained near Board-adopted policy targets due to cash management activities required to meet monthly operational liquidity needs. Such activities have kept asset class allocations below the 70% of asset class trigger point required to implement the AAAP as defined in Section VI of the policy. Considering the limited adaptive rebalancing opportunities since the AAAP was adopted in 2019, the Committee directed staff to review the policy and propose revisions that provide greater flexibility to implement an adaptive rebalance, subject to backtesting the proposed revisions. The Committee also directed staff to return with a proposed revised AAAP within the next six months. Following the discussion with staff, the Committee concurred with the recommendation to renew the AAAP in its current form for fiscal year 2023-2024.

Strategic Plan Impact Statement

Renewing the Adaptive Asset Allocation Plan aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: James Wang, Investment Officer I, Investment Division

NMG/RJ/BF/JW:rm

Attachment: 1. March 14, 2023 Investment Committee Report

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: MARCH 14, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: VI**

SUBJECT: **ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a renewal of the Adaptive Asset Allocation Plan for Fiscal Year 2023-2024.

Executive Summary

This report provides an annual update on adaptive rebalancing pursuant to the LACERS Rebalancing Policy and Adaptive Asset Allocation Plan (AAAP) under Sections V.G and V.H of the Investment Policy Manual. No adaptive rebalances have been initiated through February of fiscal year 2022-2023. Staff recommends renewal of the AAAP for fiscal year 2023-2024.

Discussion

The LACERS Rebalancing Policy and AAAP (Sections V.G and V.H of the Investment Policy Manual) authorize staff to conduct adaptive rebalancing. The AAAP, initially adopted by the Board on May 28, 2019, and revised on October 26, 2021, addresses the goals and objectives of adaptive asset allocation, roles and responsibilities of parties involved, decision-making and implementation framework, and reporting requirements.

Pursuant to Section VII of the AAAP, the CIO must provide an annual report to the Investment Committee of all adaptive rebalances initiated in the current fiscal year and provide recommendations to modify, continue, or cease the AAAP. Through February of fiscal year 2022-2023, staff has not invoked the AAAP and no adaptive rebalances have been initiated. Staff will continue to monitor market conditions and the investment portfolio for opportunities to adaptively rebalance and recommends a renewal of the AAAP in its current form for fiscal year 2023-2024.

Furthermore, staff recognizes that the AAAP may be limited in its usage due to staff's efforts to manage routine operational cash flows and portfolio liquidity. Such efforts generally result in staff rebalancing public market asset classes towards asset allocation targets monthly and maintaining asset classes below the 70% of asset class range trigger point required to implement an adaptive rebalance as defined in Section VI.1 of the AAAP.

LACERS' Internal Auditor has reviewed this report pursuant to Section II of the AAAP.

Strategic Plan Impact Statement

Renewing the Adaptive Asset Allocation Plan aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: James Wang, Investment Officer I, Investment Division

NMG/RJ/BF/JW:rm

Attachment: 1. Rebalancing Policy and Adaptive Asset Allocation Plan

G. Rebalancing

The investment portfolio shall, on an ongoing basis in accordance with market fluctuations, be rebalanced to remain within the range of targeted allocations and distributions among investment advisors. The Board 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.

Rebalancing is not primarily intended to be used for tactical asset allocation. The Board will not attempt to time the rise or fall of the investment markets by moving away from long-term targets because (1) market timing may result in lower returns than buy-and-hold strategies; (2) there is little or no evidence that one can consistently and accurately predict market timing opportunities; and (3) rebalancing too often may result in excessive transaction costs. However, the Board may authorize staff to rebalance assets within or among asset classes without breaching Board-established asset allocation policy threshold bands. Such rebalancing would be subject to an annually approved Adaptive Asset Allocation Plan (AAAP) in order to enhance incremental performance, protect portfolio value, or improve the risk-return profile of the portfolio. The Board will consider the approval of a new AAAP or renewal of an existing AAAP within three months prior to the start of each fiscal year. The approved AAAP will be effective on July 1 of each year. Should the Board choose not to renew an AAAP, the existing AAAP may continue to be implemented; however, new AAA positions may not be introduced until a continuance of the existing AAAP or new AAAP is approved by the Board.

The Board delegates the responsibility of rebalancing to the Chief Investment Officer, who will seek the concurrence of the General Fund Consultant. Rebalancing generally will occur when the market values of asset classes (e.g., equities, fixed income, etc.) or sub-asset classes (e.g., large cap value, emerging markets, etc.) exceed their respective thresholds as established by the Board’s approved asset allocation and asset class risk budgets.

The portfolio will be monitored daily, but reviewed by senior investment staff (i.e., Chief Investment Officer or Chief Operating Officer) at the beginning of each month to determine the need to rebalance asset classes or sub-asset classes within approved policy bands. Rebalancing will be conducted in a timely manner, taking into consideration associated costs and operational circumstances and market conditions. Rebalancing will be accomplished by using routine cash flows, such as contributions and benefit payments, by reallocating assets across asset classes, investment mandates, and investment managers.

Asset classes temporarily may remain outside of their ranges due to operational and implementation circumstances to include, but not limited to, illiquidity that prevents immediate rebalancing of certain asset classes such as private equity and private real estate; potential asset shifts pending in the portfolio over the next 12 months such as hiring/termination of a manager(s); an asset allocation review of the entire portfolio; or a structural review of a given asset class.

The Chief Investment Officer shall inform the Board in a timely manner of all rebalancing activity.

H. Adaptive Asset Allocation Plan

TABLE OF CONTENTS

I. Purpose and Scope

The Adaptive Asset Allocation Plan (AAAP) is an addendum to Section I.V.G of the Investment Policy.

On February 12, 2019, the Board of Administration ("Board") of the Los Angeles City Employees' Retirement System (LACERS) approved revisions to the Investment Policy, which included a revision to the Rebalancing Policy (Section I.V.G). Specifically, a provision was added for Tactical Asset Allocation (TAA). Under the TAA section, staff is authorized to initiate tactical rebalancing pursuant to the Tactical Asset Allocation Plan (TAAP).

On October 26, 2021, the Board approved renaming TAA to Adaptive Asset Allocation (AAA) and the TAAP to the Adaptive Asset Allocation Plan (AAAP).

The Board believes that LACERS Total Fund (Total Fund) is best managed when additional tools are available for staff to address a dynamic and rapidly changing investment market. Adaptive Asset Allocation, pursuant to the Rebalancing Policy and procedures found in the AAAP, is designed to supplement and complement the Rebalancing Policy by adding flexibility to rebalancing decisions within a prudent, decision-making framework based on market and/or internal operational conditions. Rebalancing decisions—strategic and tactical—will be based on the principles of prudence, care, and risk mitigation.

More specifically, the AAAP provides additional approaches to the rebalancing of asset classes within established asset class policy target ranges. Rebalancing under the AAAP must achieve at least one of the following objectives: 1) Enhance Total Fund value; 2) Protect Total Fund value; or 3) Enhance the risk/return profile of the Total Fund pursuant to the Asset Allocation Policy and Risk Budget.

II. Roles and Responsibilities

The Board of Administration

The Board authorizes, provides oversight, and approves amendments to the AAAP. The Board delegates to staff the implementation of AAA within the adopted Rebalancing Policy, Asset Allocation Policy, and Risk Budget. The Board will review and approve the AAAP on or before July 1 of each year.

Investment Committee

The Investment Committee reviews AAAP status reports if applicable, conducts an annual performance evaluation of the AAAP, and recommends amendments to the Board.

Chief Investment Officer

The Chief Investment Officer (CIO) is responsible for the implementation of an Adaptive Asset Allocation rebalancing pursuant to the AAAP. The CIO will review recommendations from staff and the General Fund Consultant to determine if an Adaptive Rebalance is appropriate. The CIO is also responsible for unwinding any previously-initiated Adaptive Actions as may be necessary. The CIO along with staff is responsible for observing economic and market indicators, assessing internal operational conditions, and working with the General Fund Consultant (and seeking advisement of other Investment Consultants under contract as may be necessary) to seek concurrence with an Adaptive Action Proposal. The CIO will apprise the Board within 30 days of initiating an Adaptive Rebalance.

General Fund Consultant

The General Fund Consultant reviews the CIO's proposed Adaptive Action, and either concurs, amends, or disagrees with the proposed decision within seven business days of presentation of the Adaptive Rebalance Proposal.

Internal Auditor

The Internal Auditor shall review the CIO's annual AAAP report, as provided in Section VII of this plan, prior to presenting the report to the Investment Committee.

III. Terminology

Adaptive Factors – External landscape observations that include economic, market, and valuation factors plus internal operational factors, all of which are to be considered when developing an Adaptive Rebalance Proposal (see Appendix A).

Adaptive Objectives – The driving force that underpins justification for an Adaptive Rebalance. Objectives may include: 1) Enhance Total Fund value; 2) Protect Total Fund value; and 3) Enhance the Risk/Return Profile of the Total Fund.

Adaptive Rebalance Proposal – A written Adaptive Rebalance plan to address one specific Adaptive Asset Allocation (AAA) Rebalance project. The Adaptive Rebalance Proposal shall consider the provisions found in AAAP Sections IV, V, VI, and VII.

Adaptive Rebalance – One or more individual tactical movements of capital between or among asset classes to achieve one or more Adaptive Objectives. An Adaptive Rebalance may take one to 12 months to implement; up to an additional 12 months may be provided if an Adaptive Reversal is included in an Adaptive Rebalance Proposal.

Adaptive Action – One specific, individual movement of capital that adjusts asset holdings due to movements of cash, in-kind asset transfers, or use of derivatives. Derivatives may be used as an alternative to cash or in-kind asset transfers to obtain the equivalent changes in exposure(s), if derivatives are expected to produce more favorable economic and/or risk enhancements. Derivatives may not be used as a form of leverage.

Adaptive Reversal – An optional component of an Adaptive Rebalance Proposal, an Adaptive Reversal is a specific and time-bound plan to partially or fully unwind an Adaptive Rebalance once economic or market conditions, or internal operations, stabilize. An Adaptive Reversal can be an integral component of an Adaptive Rebalance Proposal and may take up to 12 additional months to achieve full implementation.

IV. Adaptive Asset Allocation Considerations

LACERS is a long-term strategic investor and implements the Asset Allocation Policy. AAA allows LACERS flexibility to adjust exposures to established asset classes to achieve one of several aforementioned AAA Objectives. AAA Factors that are considered when contemplating an Adaptive Rebalance include (but are not restricted to): stage of the economic cycle; abrupt or trending market or capital dislocations; excessive or deep under valuations of specific or broad asset types within the Total Fund or in the market; and internal operational factors.

V. Implementation

Implementation of an Adaptive Action will comply with the following procedures, as they may apply:

1. External Landscape Evaluation – Economic market outlook, including economic indicators, monetary and fiscal policies, geo-political events, Federal Reserve Bank actions, interest rates, inflation, etc.
2. Internal Operational Evaluation – Actual asset allocation of the Total Fund compared to policy targets, asset class movements and trends, portfolio valuations, operational cash, future, pending, or existing RFP manager searches and hiring of investment managers, pending investment manager terminations, market and economic landscape commentary or information from investment managers, and compliance with existing Investment Policy
3. General Fund Consultant Discussion and Concurrence (and discussion with other contracted Investment Consultants as warranted)
4. Written Adaptive Rebalance Proposal should include the following decision considerations (as appropriate):
   a. External Landscape and Internal Operational Evaluations;
   b. Projected Impact on Asset Allocation and Asset Classes;
   c. Projected Impact on Total Fund addressing Adaptive Objectives:
      i. Enhancement to Total Fund Value; and/or
      ii. Protection of Total Fund Value; and/or
      iii. Enhanced Risk/Return Profile and Compliance to Risk Budget
   d. Projected Quantitative Outcomes including measurable Performance and Risk Metric improvements and Capital Preservation amounts;
   e. Financial Considerations - Funds directly impacted by an Adaptive Rebalance; Proposed Implementation Timing and Transactional Costs; Benchmark to evaluate performance; Monitoring Schedule
   f. Adaptive Reversal (Partial or Full) as needed

5. Implementation of Adaptive Action pursuant to the written Adaptive Rebalance Proposal and AAAP Risk Management Guidelines.
6. Report to the Board within 30 days of initiating a Adaptive Rebalance
7. Quarterly Status Reporting of Adaptive Rebalancing implementation
8. Internal Monthly Rebalancing and Compliance Staff Reviews per the Rebalancing Policy (Section I.V.G of the LACERS Investment Policy)
9. Annual Investment Committee Review of AAAP based on CIO Report as provided in Section VII of this plan
10. Annual Board Renewal, Modification, or Repeal of AAAP based on Investment Committee Report as provided in Section VII of this plan

VI. Risk Management Guidelines

The following guidelines are designed to help the CIO manage the implementation of the AAA Policy within a prudent risk-management framework.

1. An Adaptive Rebalance may be initiated when the actual market value weighting of an asset class exceeds 70% of the range from its target weighting to its established bands.
2. An Adaptive Rebalance Proposal shall not exceed 50% of the excess valuation that is over- or under-weight to its policy target at the time the decision to rebalance is made.
3. An Adaptive Rebalance should be completed within 12-24 months of initiation, except in the case of a partial or full reversal of the original Adaptive Rebalance, which may extend the Adaptive Rebalance up to an additional 12 months.
4. An Adaptive Rebalance may be suspended after the first Adaptive Action is completed if such single Adaptive Action or subsequent Adaptive Actions achieves the Adaptive Objective(s) within the Adaptive Rebalance Proposal pursuant to an Adaptive Rebalancing Proposal.
5. An Adaptive Rebalance Proposal may be modified or suspended by the CIO upon the concurrence of the General Fund Consultant if market conditions or other external landscape factors change or strategic asset class rebalances are necessary that disrupt the orderly implementation of the Adaptive Rebalance Proposal, or when internal operations such as liquidity needs would have a material impact on the Adaptive Rebalance Proposal such that the Adaptive Objectives are no longer achievable within the established Adaptive Rebalance Proposal timeframe due to material changes in the original market assumptions, operational factors, or risk levels.
6. A specific Adaptive Rebalance should not be initiated if it will cause another asset class to breach its regular Asset Allocation policy upper or lower rebalance threshold.
7. The General Fund Consultant must concur with the Adaptive Rebalance Proposal prior to initiation.

VII. Annual Review of the AAAP

Annual AAAP Review by the Investment Committee

The CIO will prepare an annual report of all Adaptive Rebalance Proposals that were initiated in the current fiscal year, the current status of Adaptive Rebalances and Adaptive

Actions, and the projected and actual impact of the Adaptive Rebalance(s) including (but not restricted to) performance, capital preservation, and/or risk factors. Staff may also include recommendations to modify, continue or cease the AAAP. The Annual AAAP Review will be presented to the Investment Committee no later than the month of April of each year.

The Investment Committee will determine if the AAAP requires any modifications including repeal. The Investment Committee recommendations will be then sent to the Board of Administration for approval.

Annual AAAP Approval or Repeal by the Board of Administration

The Board of Administration shall review and approve, modify, or repeal the AAAP prior to the beginning of each Fiscal Year.

If the AAAP is repealed, staff may not enter any new Adaptive Rebalances; except Adaptive Reversals that were contemplated in the Adaptive Rebalance Proposal may be implemented according to the implementation sequence of the Adaptive Actions.

VIII. APPENDIX

External Landscape and Internal Operational Considerations

a. *Economic Cycle Consideration* - An Adaptive Action may be appropriate based on the economic cycle, as illustrated below:

   Early Stage Phase - The early stage of the economic cycle is characterized by recovering growth in the gross domestic product (GDP), profit margins, and consumer confidence. Credit and inflation in the economy are typically flat while interest rates start to rise. Stocks tend to be trading at more attractive levels compared to longer term historical averages.

   Early to Mid-Cycle Stage Phase - During the early and mid-cycle phases, equities have the potential to outperform. AAA may attempt to take advantage of expansion stages by shifting exposure to public equities and reducing exposures to core fixed income assets.

   Later and Recession Stage Phases - During late and recession stages, equities have potential to underperform risk-off assets. AAA may attempt to protect the Total Fund by reducing public equities and increasing fixed income assets.

b. *Market Stages Consideration*

   The economy oscillates between stages of expansion (early and middle stages) and contraction (late and recession stages). The early stage of the economic cycle is characterized by recovering growth in the gross domestic product (GDP), profit margins, and consumer confidence. Credit and inflation in the economy are typically flat while interest rates start to rise. Stocks tend to be trading at more attractive levels compared to longer term historical averages.

During the mid-cycle period of the economic cycle, the economy generally experiences expansion in GDP, credit growth, profit margins, and consumer confidence. Interest rates and inflation are typically stable during this period. Stocks tend to recover to levels in-line with long term average valuations.

In the late-cycle period of the economic cycle, the economy typically experiences moderation in GDP growth, profit margins, and credit expansion. Consumer confidence is high and both interest rates and inflation are on the rise. Stocks trade at the higher band of long term averages while volatility tends to be higher than the earlier parts of the cycle.

Finally, during the recession stage of the economic cycle, excesses are purged from the system. GDP, credit, profit margins, interest rates, inflation and consumer confidence are all falling. During this phase of the market, volatility in the stock market increases dramatically while prices tend to fall to below average valuations.

c. *Assessment of Market Conditions*
Staff will evaluate and assess if the market is Early-Cycle, Mid-Cycle, Late-Cycle or in a Recession on a quarterly basis.

This assessment will be based on the factors listed in the chart below.

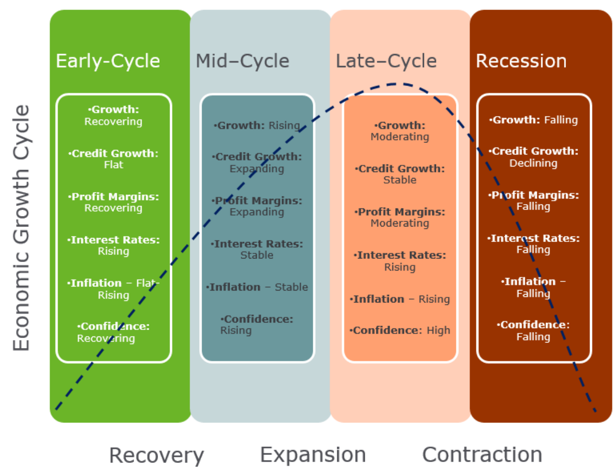


*chart provided by NEPC, LLC

d. *Economic and Market Risk Assessment*
Staff will address one or more of the economic, financial, and market indicators.

- Growth: Year-over-year growth in GDP
- Credit Growth: Year-over-year growth in total credit
- Profit Margins: Corporate profit margins
- Interest Rates: Short, Long, Yield Curve
- Inflation: Consumer Price Index
- Confidence Levels: Consumer Sentiment Index
- Additional factors such as commodity and currency trends, unemployment statistics, building permits, sales, and manufacturing statistics.

e. *Asset Valuations*
Staff will address the relevant market valuation indicators to include (but not restricted to):
- Current to Long-Term Historical Valuations reflected in Price to Earnings, Price to Book, and Dividend Yields
- Interest rate spreads, duration
- Growth versus Value

f. *Internal Operational Considerations*
Staff will evaluate factors to include (but not restricted to):
- Benefits and Consequences of initiating an Adaptive Action versus strategic rebalancing against asset allocation upper and lower policy target thresholds
- Liquidity Impact

I. **Evaluation of Policy**

The Investment Policy Statement shall be reviewed by the Board at least annually, with the assistance of the Staff and investment consultant(s), and revised as necessary.