LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, NOVEMBER 14, 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

Please be advised that all LACERS Board meetings are recorded.

LACERS Website Address/link:
www.LACERS.org

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

President: Annie Chao
Vice President: Sung Won Sohn

Commissioners: Thuy Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Janna Sidley
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

Notice to Paid Representatives

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

Request for Services

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

CLICK HERE TO ACCESS BOARD REPORTS

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

II. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

C. STRATEGIC PLANNING ENGAGEMENT WITH ERNST & YOUNG, LLP

III. RECEIVE AND FILE ITEMS

A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER

B. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD

IV. CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF OCTOBER 10, 2023 AND POSSIBLE BOARD ACTION

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF RICKY CHAPIN AND POSSIBLE BOARD ACTION

C. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF CONRAD GARCIA AND POSSIBLE BOARD ACTION

V. BOARD/DEPARTMENT ADMINISTRATION

A. PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2023 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2024-25 AND POSSIBLE BOARD ACTION

B. CONSIDERATION FOR APPROVAL OF CONTRACTS WITH FOUNDATION FOR SENIOR SERVICES, PERSONAL WELLNESS CORPORATION, AND MOM'S COMPUTER; DETERMINATION THAT COMPETITIVE BIDDING WOULD BE IMPRACTICABLE, UNDESIRABLE, AND/OR DISADVANTAGEOUS AND POSSIBLE BOARD ACTION

C. CONTRACT WITH BOX, INC. TO CONDUCT AN ELECTRONIC SYSTEM OF RECORD DUE DILIGENCE STUDY AND POSSIBLE BOARD ACTION

VI. INVESTMENTS

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

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

VII. OTHER BUSINESS

VIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, November 28, 2023, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

IX. ADJOURNMENT

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

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

SERVICE RETIREMENTS

Member Name	Service	Department	Classification
Coleman, June Georgia	40	Police Dept. - Civilian	Police Service Rep
Hannah, Sonja R	40	Library Dept.	Sr Librarian
Carbajal, Martha	39	City Attorney's Office	Pr Clerk City Atty
Hinton, Wendell	37	PW - Resurf & Reconstr Div.	St Svcs Worker
Kim, Roy W	35	Dept. of Transportation	Sr Transp Engineer
Tate, Todd Caldwell	34	PW - Sanitation	Ref Coll Supervisor
Wallace, Clarence Henry	34	Dept. of Transportation	Traf Officer
Senger, Ronald P	33	PW - St. Lighting	St Ltg Engrg Assc
Hunt, Michael C	32	Dept. of Transportation	Sr Transp Engineer
Pantoja, Kathryn R	32	Dept. of Airports	Airp Envrnmtl Mgr
Parker, Victor T	31	Office of the CAO	Risk Manager
Hernandez, Delia L	30	LACERS	Senior Benefits Analyst
Loville, Sharon A	30	Dept. of Airports	Sr Administrative Clerk
Reyes, Leonardo	30	Personnel Dept.	Sr Personnel Analyst
Stevenson, Joseph K	30	Dept. of Transportation	Transp Engrg Aide
Vaughn, James Erik	29	PW - Sanitation	Ref Coll Truck Oper
Mokricky, Valerie Jean	28	Police Dept. - Civilian	Sr Administrative Clerk
Richardson, Sylvia Eschelle	28	Police Dept. - Civilian	Police Service Rep
Rubalcava, Luis Roman	25	Police Dept. - Civilian	Security Officer
Brod, Garry Mark	24	Police Dept. - Civilian	Photographer
Kaufmann, Terry P.	23	City Attorney's Office	Sr Asst City Atty
Lam, Tom	23	Police Dept. - Civilian	Police Service Rep
Henry, Charlene D R	22	Police Dept. - Civilian	Sr Administrative Clerk
Carter, Lanetta D	21	Dept. of Rec. & Parks	Recreation Asst
Cole, Machel	21	Office of Finance	Cust Serv Specialist
Alvarez, Jose P	20	Dept. of Airports	Custodian Airport
Villalobos, Jose	20	Dept. of Airports	Airport Police Ofcr
Azevedo, Sonia R	19	Dept. of Airports	Maintenance Laborer
Mai, Joseph Ngoc	18	Dept. of Transportation	Signal System Electrcn
Phamle, Tien Minh	18	ITA	Commun Engrg Assoc
Agustin, Zenaida Borja	17	City Planning Dept.	Sr Accountant
Lieu, Suen Wai	17	Dept. of Bldg. & Safety	Structrl Engrg Assc
Loseman, David Melvin	17	Dept. of Rec. & Parks	Build Operating Engr
Fernandez, Sara M	16	Dept. of Airports	Custodian Airport
Kwan, Lawrence	16	PW - Sanitation	Envr Engr Assoc
Linklater, Kirk Alan	16	Dept. of Bldg. & Safety	Sr Build Mech Inspectr

Hall, Richard Craig	15	PW - Special Proj Constr Div.	Cement Finisher
Huizar, Jose Luis	15	COUNCIL	Council Member
Gould, Dena A	14	Library Dept.	Librarian
Rheubottom, Harry F	14	PW - Sanitation	W/Wtr Trmt Oper
Shaw, Velda Marie	14	Police Dept. - Civilian	Sr Administrative Clerk
Thomas, Dan Charles	14	Fire Dept. - Civilian	Equipmnt Mechanic
Velasco, Michael James	13	Police Dept. - Civilian	Security Officer
Millett, Craig Steven	10	GSD - Fleet Services	Machinist
Salguero, Ralph	8	Dept. of Rec. & Parks	Recreation Asst
Lara, Gary L	6	PW - Sanitation	Env Compliance Insp
Diep, Ngoc A	5	Dept. of Rec. & Parks	Recreation Asst
Bonilla, Jerson E	0.9	Dept. of Rec. & Parks	Special Prog Asst

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

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

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Alatorre, Rudolph J	Anita M Alatorre for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Antoniol, Martha	Christian Ruiz for the payment of the Accrued But Unpaid Continuance Allowance
	Oscar Ruiz for the payment of the Accrued But Unpaid Continuance Allowance
Arenas, Eulalio B	Cecilia D. Arenas for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Ayala, Alicia C	Alicia Aguila for the payment of the Accrued But Unpaid Continuance Allowance
Barraza, Eleanor	Steven Barraza for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance

Brittain, Marlin J	Judith Ann Burgess for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Brown, Fred L	Amanda Lynn Johnson Brown for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Burns, Doris E	David J Stenroos for the payment of the Accrued But Unpaid Continuance Allowance
Carey, John M	Darlynn Carey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Clemens, Marsha J	Peter R Clemens for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Copeland, Kenneth W	Betty Sue Sullens for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Dahle, Alan G	Jacqueline Dahle for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

El Saheb, Naser S	Lama M Hamdan for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Elioff, Dick P	Becky A Elioff for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Estiva, Rodrigo	Rodeline Conlu Estiva for the payment of the Accrued But Unpaid Disability Continuance Allowance Rudolph Estiva for the payment of the Accrued But Unpaid Disability Continuance Allowance
Federoff, Mary A	Therese Louise Wells for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Felix, Alice	Anna Felix for the payment of the Accrued But Unpaid Continuance Allowance Mary Ellen Zuniga for the payment of the Accrued But Unpaid Continuance Allowance
Fontenot, Louis G	Roderick F Fontenot for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Forster, Gloria	Joann Spry for the payment of the Accrued But Unpaid Continuance Allowance

Gaines, Louis R	Lurelean Gaines for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Galera, Isabel	Maria C Galera Stevenson for the payment of the Accrued But Unpaid Continuance Allowance
Galindo, Jesus	Adrian Galindo for the payment of the Accrued But Unpaid Survivorship (Disability) Allowance
Garcia, Ernest	Jonathan E Garcia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Gomez, Luis R	Louis Joe Gomez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Goodlow, Nathaniel	Sebastian Goodlow for the payment of the Accrued But Unpaid Service Retirement Allowance
Harper, Gary A	Gemma Parantar Harper for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hegedus, Janie	Estate Of Janie Hegedus for the payment of the Accrued But Unpaid Service Retirement Allowance

Hernandez, Lydia E	Amanda Montes for the payment of the Accrued But Unpaid Continuance Allowance Sophia Montes for the payment of the Accrued But Unpaid Continuance Allowance
Israel, Richard	Tiffany Israel for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Joh, Paul Boncguk	Christine J Joh for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Karasik, Aaron M	Judith B Karasik for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kelley, Earnest	Sarah M Kelley for the payment of the Accrued But Unpaid Service Retirement Allowance
Kovary, Yvette H	Laura Y Kovary for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lezaja, Zdenka	Maryann Milutin for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Lien, Frank M	Khon Lien for the payment of the Burial Allowance Rita Kien Kha for the payment of the Accrued But Unpaid Vested Retirement Allowance
Littlefield, Barbara S	Deanna Christine Jackson Schlopy for the payment of the Burial Allowance Susan Green for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions Vincent Eric Jackson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Mc Kinley, Joe D	Brian C Mc Kinley for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mendoza, Manuel J	Jessica Rodarte for the payment of the Burial Allowance
Miller, James Edward	Kathleen Danahy for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mitchell, Theodore R	Samerna Scott for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Morales, Ricardo A	Douglas J Morales-Gagnon for the payment of the Burial Allowance
Muraoka, Shigeko M	Cheryl K Ito for the payment of the Accrued But Unpaid Continuance Allowance Douglas M Muraoka for the payment of the Accrued But Unpaid Continuance Allowance
Nakamura, Ko	Yumiko Nakamura for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Nichols, Claude A	Ellen F. Nichols for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Nye, Roger E	Veronidia De Castro Nye for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Oka, Terumasa	Marc C Oka for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Patterson, Richard	Bertha L Patterson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Peters, Robert W	Carrie Jane Tendler for the payment of the Accrued But Unpaid Continuance Allowance
Picott, Robert J	Rosemary E Picott for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Pittman, Gloria Ann	Gregory Alan Pittman for the payment of the Accrued But Unpaid Continuance Allowance
Quinton, Wayne A	Charlene Quinton for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Ramirez, Fernando	Emily Padilla for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Redulfin, Gualberto B	Alan M Redulfin for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Reilly, John	Patrick Reilly for the payment of the Accrued But Unpaid Service Retirement Allowance

Rodriguez, Edward E	Raeann Rose Rodriguez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Ronica Lee Rodriguez for the payment of the Accrued But Unpaid Service Retirement Allowance
Sanchez, Maria S	Bruce J Peck for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Danielle Lynn Garcia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Schlumpberger, Margo M	Lori A Cutler for the payment of the Accrued But Unpaid Continuance Allowance
Sera, Yo	Annette Carpenter for the payment of the Accrued But Unpaid Continuance Allowance Janice Sera for the payment of the Accrued But Unpaid Continuance Allowance
Shaughnessy, Patrick Charles	Sheila Ethelyn Waskielis for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Vance Patrick Waskielis for the payment of the Burial Allowance
Snyder, Darla L	Sharon E Sandfrey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Spann, Billy G	Selena Spann for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Stone, Eugene A	William D Stone for the payment of the Accrued But Unpaid Vested Retirement Allowance
Sunday, Mary F	Scott P Sunday for the payment of the Accrued But Unpaid Continuance Allowance
Sutlovich, Dennis R	Matthew D. Sutlovich for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Michelle D. Freeman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tafoya, Arthur	Gloria A Tafoya for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
True, Cheryl D	Dante True for the payment of the Accrued But Unpaid Service Retirement Allowance
Trujillo, Dolores	Diana Abajian for the payment of the Accrued But Unpaid Continuance Allowance

Valenzuela, Richard J	Jennie Ramirez Valenzuela for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Vargas, Stella M	Sabrina S Vargas-Gonzalez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Vasconcelos, Roberto A	Rocio Rodriguez for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Wiggins, Roslyn V	Keith M Wiggins for the payment of the Accrued But Unpaid Continuance Allowance
Williams, Leon R	Tommye J Williams for the payment of the Burial Allowance
Williams, Virginia	Manon D Gosting for the payment of the Burial Allowance
Wilson, Elizabeth H	Estate Of Elizabeth Helen Wilson for the payment of the Accrued But Unpaid Service Retirement Allowance
Woods, Janet M	Nathalie A Woods for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

TIER 3
NONE

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

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

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Active	
Hawkins, Danny L (Deceased Active)	Jacob Matthews for the payment of the Accumulated Contributions
Kirmani, Ata (Deceased Active)	Shafi Kirmani for the payment of the Accumulated Contributions
Lloyd, Amelia Manuel (Deceased Active)	Ma. Melisa A Manuel for the payment of the Accumulated Contributions
	Manolito A Manuel for the payment of the Accumulated Contributions
Mendez, Gerardo (Deceased Active)	Dario Gerardo Mendez for the payment of the Accumulated Contributions
	Devyn Anthony Mendez for the payment of the Accumulated Contributions
Perez, Juvenal Cervando (Deceased Active)	Ricardo Perez for the payment of the Accumulated Contributions
	Vanessa Perez for the payment of the Accumulated Contributions

TIER 3

Active

Flores, Charlie Gilbert (Deceased Active)	Crystal Sanchez for the payment of the Accumulated Contributions Limited Pension

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

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

RESTRICTED SOURCES

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

Name	Description	Inception	Expiration	Division
Interpreters Unlimited, Inc.	Interpretation & Translation Services	N/A	N/A	Communication & Stakeholder Relations
Anthem	Medical HMO & PPO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Kaiser	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
SCAN	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
United Healthcare	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Delta Dental	Dental PPO and HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Anthem Blue View Vision	Vision Services Contract	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Mom's Computer, Inc.	Technology, Virtual Meeting, and Video Support Services	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

Name	Description	Inception	Expiration	Division
Personal Wellness Corporation	Fitness Webinar Coaching & Training Services	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
The Foundation for Senior Services (FSS)	Senior Educational Seminar & Activity Services	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
BlackRock Institutional Trust Company, N.A.	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
Wellington Management Company LLP	Active Emerging Market Debt	December 1, 2020	November 30, 2023	Investments
PGIM, Inc.	Active Emerging Market Debt	January 1, 2021	December 31, 2023	Investments

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Medical Plans	Alignment Health Plan, Anthem Blue Cross, Blue Shield of California, Humana, Kaiser Foundation Health Plan, Inc., SCAN Health Plan, UnitedHealthcare Insurance Company	March 10, 2023	April 21, 2023	Health, Wellness, & Buyback
Master Trust / Custodial Services and Securities Lending		September 11, 2023	November 28, 2023	Investments

Agenda of:	Nov. 14, 2023
Item No:	IV-A

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

October 10, 2023

10:15 a.m.

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

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

I

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

II

GENERAL MANAGER VERBAL REPORT

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

- Attack on Israel
- Discretionary COLA
- 977 HQ AC repairs status
- 977 HQ HVAC retrofit status
- 977 HQ new wayfinding signs
- Health Benefits Administration updates

- Retirement Services Division updates
- Communications and Stakeholder Relations updates
- Upcoming events

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

- Board Meeting on October 24, 2023: Communication and Stakeholder Division will present 2022-23 Year-End Report on Member Services

III

RECEIVE AND FILE ITEMS

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

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

C. GASB 68 AND 75 ACTUARIAL VALUATIONS BASED ON JUNE 30, 2022 MEASUREMENT DATE FOR EMPLOYER REPORTING AS OF JUNE 30, 2023 – This report was received by the Board and filed.

V

Vice President Sohn moved approval of Consent Agenda Item V-A, seconded by Commissioner Huynh, and adopted by the following vote: Ayes, Commissioners Huynh, Wilkinson, Vice President Sohn, and President Chao -4; Nays, None.

CONSENT ITEM(S)

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF SEPTEMBER 12, 2023 AND POSSIBLE BOARD ACTION

VI

CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1): GENERAL MANAGER 2022-23 PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION – This item was continued and will be introduced at a future Board meeting.

VII

A. CONSIDERATION OF 2023 GENERAL MANAGER’S MERIT PAY AND POSSIBLE BOARD ACTION – This item was continued and will be introduced at a future Board meeting.

B. ANTHEM BLUE CROSS MEDICARE PREFERRED (PPO) PLAN IN-HOME SUPPORT BENEFIT UPDATE AND POSSIBLE BOARD ACTION – Karen Freire, Chief Benefits Analyst, and Jillian Goff, Account Management Executive, with Anthem Blue Cross, presented and discussed this item with the Board. Commissioner Wilkinson moved approval, seconded by Vice President Sohn, and adopted by the following vote: Ayes, Commissioners Huynh, Wilkinson, Vice President Sohn, and President Chao -4; Nays, None.

C. HUMAN RESOURCE AND PAYROLL (HRP) PROJECT UPDATE – Todd Bouey, Executive Officer, and Neil M. Guglielmo, General Manager, provided the Board with an update on the status of HRP project.

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Wilkin Ly, Investment Officer III, reported on the portfolio value of $21.48 billion as of October 9, 2023. Wilkin discussed the following items:

- VIX at 16.7
- Monitoring LACERS exposure in the Israel region
- Total exposure to Israel around $126 million
- Private Equity portfolio exposure to Israel is around $55 million
- No real estate exposure to Israel
- Public markets portfolio exposure to Israel is around $71 million
- Russian exposure is still muted at $1.26 million
- China Technology exposure is $24.6 million
- Ellen Chen, Investment Officer III, talked about her trip to the PRI International conference in Tokyo
- Gary Guibert from Northern Trust introduced Brad Blackwell, LACERS new Client Service Executive
- Future Agenda items: Policy updates to Enforcement Action and Litigation Policy and Private Credit Policy, NEPC will provide Asset Allocation Education

B. NOTIFICATION OF COMMITMENT OF UP TO $50 MILLION IN OAKTREE REAL ESTATE OPPORTUNITIES FUND IX, L.P. – This report was received by the Board and filed.

IX

LEGAL/LITIGATION

A. APPROVAL OF THREE-YEAR CONTRACTS WITH BAKER & HOSTETLER LLP, CLARK HILL PLC, FOLEY & LARDNER LLP, GROOM LAW GROUP, CHARTERED, ICE MILLER LLP, MAYNARD NEXSEN PC, AND NOSSAMAN LLP, FOR OUTSIDE DATA PRIVACY, HEALTH LAW, AND CYBERSECURITY COUNSEL SERVICES AND POSSIBLE BOARD ACTION – Vice President Sohn moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Huynh, Wilkinson, Vice President Sohn, and President Chao -4; Nays, None.

X

OTHER BUSINESS – President Chao announced that the October 10, 2023, Investment Committee meeting is canceled.

XI

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 24, 2023, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

XII

ADJOURNMENT – There being no further business before the Board, President Chao adjourned the Meeting at 11:22 a.m.

Annie Chao
President

Neil M. Guglielmo
Manager-Secretary

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

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

MEETING: NOVEMBER 14, 2023
ITEM: IV - B

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF RICKY CHAPIN AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve the disability retirement benefit for Ricky Chapin based upon his claimed disabling conditions.

Background

Ricky Chapin (Applicant) is a Gardener Caretaker at the Department of Recreation and Parks with 7.97680 years of City Service. The Applicant applied for disability retirement on November 9, 2022, within one year of his last day on active payroll, in compliance with Los Angeles Administrative Code § 4.1008(a). The Applicant's disabling conditions are neurological and cardiovascular in nature.

The Applicant's last day on active payroll was May 10, 2022. If approved, the Applicant's retirement effective date will be May 11, 2022.

Accommodation

Because Physicians 1 and 2 opined the Applicant is disabled with no form of accommodation that would allow the Applicant to return to work, no inquiries were made with the employing department.

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately $1,537.00 per month, and a retroactive payment covering approximately 18 months in an estimated amount of $27,666.00.

Prepared By: Susann Hernandez, Benefits Analyst, Retirement Services Division

FS:sh

Attachments: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR RICKY CHAPIN

PROPOSED RESOLUTION

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

WHEREAS, Physicians 1 and 2 examined and concluded Ricky Chapin is unable to perform his usual and customary duties as a Gardener Caretaker with the City of Los Angeles;

NOTWITHSTANDING, Physician 3 examined and concluded Ricky Chapin is able to perform his usual and customary duties as a Gardener Caretaker with the City of Los Angeles;

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Ricky Chapin based upon his claimed disabling condition.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

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

MEETING: NOVEMBER 14, 2023
ITEM: IV - C

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION OF CONRAD GARCIA AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve the disability retirement benefit for Conrad Garcia based upon his claimed disabling condition.

Background

Conrad Garcia (Applicant), is a Garage Attendant at the Los Angeles Police Department with 11.73510 years of City Service. The Applicant applied for disability retirement on March 30, 2022, within one year of his last day on active payroll, in compliance with Los Angeles Administrative Code § 4.1008(a). The Applicant's disabling conditions are neurological and rheumatic in nature.

The Applicant's last day on active payroll was April 28, 2021. If approved, the Applicant's retirement effective date will be April 29, 2021.

Accommodation

Because all physicians opined no accommodations would allow the Applicant to return to work, no inquiries were made with the employing department.

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately $1,664.00 per month, and a retroactive payment covering approximately a 31-month period for an estimated amount of $51,584.00.

Prepared By: Susann Hernandez, Benefits Analyst, Retirement Services Division

FS:sh

Attachments: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR CONRAD GARCIA

PROPOSED RESOLUTION

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

WHEREAS, Physicians 1, 2, and 3 examined and concluded Conrad Garcia is unable to perform his usual and customary duties as a Garage Attendant with the City of Los Angeles;

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Conrad Garcia based upon his claimed disabling condition.

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

MEETING: NOVEMBER 14, 2023
ITEM: V – A

SUBJECT: **PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2023 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2024-25 AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board adopt the attached actuarial valuation reports of its consulting actuary, Segal, for the period ending June 30, 2023, including:

1) *Actuarial Valuation and Review of Retirement Benefits* and *Actuarial Valuation and Review of Other Postemployment Benefits* which establish the recommended City contribution rates for Fiscal Year 2024-25 (Attachments 2 and 3);

2) *Governmental Accounting Standards (GAS) 67 Pension Valuation* and *GAS 74 Other Post-Employment Benefit Valuation* (Attachments 4 and 5), which provide the financial disclosures to meet LACERS' June 30, 2023 financial reporting requirements of the Governmental Accounting Standards Board; and,

3) *Family Death Benefit Plan Costs* (Attachment 6) which is a biennially conducted valuation assessing the premium for the next two fiscal years to be reduced from the current $1.90 to $1.50 per month as recommended.

Executive Summary

The Board's consulting actuary, Segal, performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the LACERS' Retirement and Health System (System) based on census data as of June 30, 2023 (See Attachment 1 for summary results). The actuarial valuation determines the System's funded status as of June 30, 2023 and the City's contribution rates for Fiscal Year (FY) 2024-25.

Overall, the System's Assets, Funded Ratios and Unfunded Actuarial Accrued Liability (UAAL) increased, mainly due to unfavorable investment experience (after asset smoothing), higher than expected salary increases for active members, higher cost of living (COLA) increases for payees, lower than expected 2024 premiums, underlying claim estimates, and subsidy levels, and updates to the actuarial spread factor methodology reflecting assumptions based on the triennial experience study, and the overall impact of the updated trend assumptions for the Plan. These increases were offset somewhat by amortizing the prior year's UAAL over a larger than expected projected total payroll, a decrease in the normal cost rate due, actual contributions greater than expected, and other miscellaneous actuarial gains.

The aggregate employer rate (if received on July 15) calculated in this valuation has decreased from 33.36% of payroll to 33.29% of payroll.

Segal also prepared separate valuation reports in accordance with the requirements of the Governmental Accounting Standards (GAS) Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans*. Information from these valuations will be reported in LACERS' June 30, 2023 financial statements.

Segal also prepared a biennial valuation of the voluntary Family Death Benefit Plan (FDBP) as of June 30, 2023 which recommends contribution rates to be effective for FY 2024-25 and FY 2025-26. The last review of the FDBP was conducted as part of the June 30, 2021 actuarial valuation which yielded the current employee monthly contribution of $1.90. Another 20% reduction in the monthly contribution is recommended to $1.50. The City matches the employees' cost at the same level.

Discussion

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

Segal performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the System based on census data as of June 30, 2023 (see Attachments 2 and 3). The actuarial valuation determines the System's funded status as of June 30, 2023 and the City's contribution rates for FY 2024-25. The report also updates actuarial and demographic information about the System and its Members.

Significant Valuation Results

Valuation Ending	June 30, 2023	June 30, 2022	Percent Change
Total System Assets			
A. Actuarial Value	$22,239,263,545	$21,218,951,507	4.8%
B. Market Value	$21,589,265,113	$20,454,103,991	5.5%
Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	$6,805,716,100	$6,429,483,732	5.9%
B. Health Subsidy Benefits	($241,889,698)	$107,740,545	(324.5%)
C. Total	$6,563,826,402	$6,537,224,277	0.4%

Funded Ratio (Based on Valuation Value of Assets)			
A. Retirement Benefits	73.1%	73.3%	(0.2%)
B. Health Subsidy Benefits	107.1%	97.0%	10.1%
C. Total	77.1%	76.4%	0.7%

Valuation Highlights

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

a. Unfavorable investment experience (after asset smoothing),

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

c. Higher than expected COLA for payees,

d. Lower than expected 2024 premiums, underlying claim estimates, and subsidy levels, and

e. Updates to the actuarial spread factor methodology reflecting assumptions based on the triennial experience study and the overall impact of the updated trend assumptions for the Plan.

These factors are partially offset by:

a. Higher actual contributions than previously expected,

b. New actuarial assumptions,

c. Savings produced by the Medicare plan premiums remaining level or decreasing in comparison to the Non-Medicare plan premiums, and

d. Other actuarial gains.

The return on the Actuarial Value of Assets for retirement and OPEB benefits was 6.48% as of June 30, 2023, which resulted in an actuarial loss of $111.0 million when compared to the 7.0% assumed rate of return.

- The ratio of the valuation value of assets to actuarial accrued liabilities for retirement benefits decreased year-over-year from 73.3% to 73.1%. On a market value basis, the funded ratio for the retirement benefits increased year-over-year from 70.7% to 71.0%.

- The funded ratio for the retiree health benefits on a valuation value basis increased year-over-year from 97.0% to 107.1%. On a market value basis, the funded ratio for the health benefits increased from 93.5% to 104.0%.

- The actuarial value of total System assets as of June 30, 2023 increased 4.8% over the prior year, from $21.2 billion to $22.2 billion. On a market basis, there was a 5.5% increase in assets from $20.5 billion to $21.6 billion.

- The UAAL for retirement benefits increased 5.9% over the prior year, from $6.4 billion to $6.8 billion. For the retiree health benefits, the UAAL decreased 324.5% from $107.7 million to a surplus of $241.9 million. The total UAAL for both the retirement benefits and the retiree health benefits as of June 30, 2023 is $6.5 billion, an increase of $26.6 million from the previous year.

Actuarially Determined Employer Contributions

The City's contribution is the sum of the Normal Cost plus an amortized payment of the UAAL. The Normal Cost is the portion of the actuarial present value of LACERS' plan benefits which is allocated to a valuation year using LACERS' adopted cost method – Entry Age. The amortization of the UAAL is the payment stream required to fund the difference between the actuarial accrued liabilities and the actuarial value of assets, determined by methods prescribed by LACERS' Amortization Policy. The actuary has calculated contribution rates reflecting decisions made by the Board including the *July 1, 2019 through June 30, 2022 Actuarial Experience Study* adopted by the Board on June 27, 2023 and the retiree health assumptions adopted September 26, 2023, along with other Board policies. Following are the actuarially determined City contribution rates as a percentage of City payroll for FY 2024-25 if received by July 15, 2024, as compared with current rates.

Employer Rates – Tier 1 and Tier 3 Combined

As a Percentage of City Payroll	**Recommended Rates FY 2024-25**	**Current Rates FY 2023-24**	**Difference**
Retirement	29.97%	29.43%	0.54%
Health	3.32%	3.93%	(0.61%)
Total	33.29%	33.36%	(0.07%)

The recommended combined employer contribution rate for FY 2024-25 is 0.07% lower than the current year rate.

Actuarial Standards of Practice No. 51 (ASOP 51)

The Actuarial Standards Board ASOP 51 regarding risk assessment requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Certain risk factors are briefly discussed in the valuation, but a detailed analysis of risk relative to the System's future financial condition will be provided in a stand-alone report in the first quarter of Calendar Year 2024.

GAS 67 and GAS 74

Segal prepared separate valuation reports in accordance with the requirements of the GAS Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans* (see Attachments 4 and 5). Information from these valuations will be reported in LACERS' June 30, 2023 financial statements. Key highlights are identified below.

- The Net Pension Liability (NPL) increased from $7.07 billion as of June 30, 2022 for the retirement benefits, compared to $7.35 billion as of June 30, 2023. The NPL is a required disclosure in the financial notes of a pension plan pursuant to GAS 67, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 68 – *Accounting and Financial Reporting for Pensions.* The NPL measure differs from the UAAL as it is calculated on a market value basis and reflects all investment gains and losses as of the measurement date. Another required disclosure under GAS 67 is the Plan Fiduciary Net Position as a percentage of Total Pension Liability, which is 70.96% as of June 30, 2023.

- The Net OPEB Liability (NOL) decreased from a liability of $232.9 million as of June 30, 2022 to a surplus of $135.3 million as of June 30, 2023 for the retiree health benefits. The NOL is a required disclosure in the financial notes of an OPEB plan pursuant to GAS 74, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, GAS 74 requires disclosure of the Plan Fiduciary Net Position as a percentage of Total OPEB Liability, which is 103.97% as of June 30, 2023.

Family Death Benefit Plan

Segal also prepared the biennial valuation of the voluntary FDBP as of June 30, 2023 which recommends contribution rates to be effective for FY 2024-25 and FY 2025-26. The last review of the FDBP was conducted as part of the June 30, 2021 actuarial valuation which yielded the current employee monthly contribution of $1.90 reduced from the prior monthly rate of $2.40. The City matches the employees' cost at the same level.

Due to an ongoing FDBP surplus, Segal recommends actions to consider, including:

1) Continuing campaign targeting retirement eligible contributors to consider discontinuing voluntary FDBP contributions for those whose survivors would not receive any FDBP benefits.

2) Reduce the monthly charge by another 20%, from the current $1.90 to $1.50 for FY 2024-25 and FY 2025-26.

3) Consider charging direct costs for administering FDBP.

4) Consider increasing the benefits offered under FDBP, recognizing that the current levels of benefit provided by the Plan are fixed amounts.

LACERS has made communication efforts including information on the website, Member packet flyers, and quarterly articles in LACERS' newsletters and e-blasts, and continuing efforts are underway. LACERS will continue to campaign to increase participation of non-retirement eligible Members. LACERS will also explore the application of direct expenses to FDBP in consultation with City Attorney.

Paul Angelo and Andy Yeung of Segal will present the June 30, 2023 actuarial valuation reports.

Strategic Plan Impact Statement

Adoption of the Actuarial Valuation ensures the adequacy of the employer contribution rates in paying the actuarially required contribution, in compliance with Los Angeles City Charter Sections 1158 and 1160, upholding "governance practices which affirm transparency, accountability and fiduciary duty."

Prepared By: Edwin Avanessian, Chief Management Analyst

NG:TB:ea

Attachments:

1. Actuarial Valuation and Review of Retirement and Other Postemployment Benefits as of June 30, 2023

2. Actuarial Valuation and Review of Retirement Benefits as of June 30, 2023

3. Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

4. Governmental Accounting Standards Board Statement 67 (GAS 67) Actuarial Valuation of Retirement Benefits as of June 30, 2023

5. Governmental Accounting Standards Board Statement 74 (GAS 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2023

6. Family Death Benefit Plan (FDBP) Costs as of June 30, 2023

BOARD Meeting: 11/14/23
Item: V-A
Attachment 1

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement and Other Postemployment Benefits as of June 30, 2023

Segal

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

November 7, 2023

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

Re: June 30, 2023 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2023 actuarial valuations for the retirement, health, and family death benefit plans.

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

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

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

Sincerely,

Segal

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

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

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

DNA/jl

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

Exhibit A

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

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

[1] Includes July COLA.

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

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

VI.	**Budget Items (as a Percent of Pay)**	**FY 2024-2025[1]** Beginning of Year	**FY 2024-2025[1]** July 15	**FY 2023-2024** Beginning of Year	**FY 2023-2024** July 15	**Difference** Beginning of Year	**Difference** July 15
	A. Retirement Benefits (Tier 1 and Tier 3 Combined)						
	1. Normal Cost	7.74%	7.78%	7.62%	7.64%	0.12%	0.14%
	2. Amortization of UAAL	22.13%	22.19%	21.73%	21.79%	0.40%	0.40%
	3. Total Retirement Contribution	29.87%	29.97%	29.35%	29.43%	0.52%	0.54%
	B. Health Subsidy Benefits (Tier 1 and Tier 3 Combined)						
	1. Normal Cost	3.84%	3.85%	3.59%	3.60%	0.25%	0.25%
	2. Amortization of UAAL	-0.53%	-0.53%	0.33%	0.33%	-0.86%	-0.86%
	3. Total Health Subsidy Contribution	3.31%	3.32%	3.92%	3.93%	-0.61%	-0.61%
	C. Total Contribution (A + B)	33.18%	33.29%	33.27%	33.36%	-0.09%	-0.07%

VII.	**Funded Ratio**	**June 30, 2023**	**June 30, 2022**	**Difference**
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	73.1%	73.3%	-0.2%
	B. Health Subsidy Benefits	107.1%	97.0%	10.1%
	C. Total	77.1%	76.4%	0.7%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	71.0%	70.7%	0.3%
	E. Health Subsidy Benefits	104.0%	93.5%	10.5%
	F. Total	74.9%	73.6%	1.3%

[1] Alternative contribution payment date for FY 2024-2025:

	Retirement	Health	Total
End of Pay Periods	30.91%	3.43%	34.34%

Exhibit B

Los Angeles City Employees' Retirement System
Computed Contribution Rates[1] – Historical Comparison

Valuation Date	Retirement	Health	Total	Projected Valuation Payroll (thousands)
06/30/1994	12.07%	2.99%	15.06%	$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171
06/30/2010				
Before Additional Employee Contributions	21.19%	7.45%	28.64%	1,817,662
After Additional Employee Contributions	18.67%	6.94%	25.61%	1,817,662
06/30/2011[2]				
Before Additional Employee Contributions	24.31%	4.49%	28.80%	1,833,392
After Additional Employee Contributions	21.64%	4.49%	26.13%	1,833,392
06/30/2012[3]	21.34%	5.74%	27.08%	1,819,270
06/30/2013	22.24%	5.80%	28.04%	1,846,970
06/30/2014	24.05%	5.81%	29.86%	1,898,064
06/30/2015	23.65%	4.90%	28.55%	1,907,665
06/30/2016	22.96%	5.09%	28.05%	1,968,703
06/30/2017[4]	23.81%	5.26%	29.07%	2,062,316
06/30/2018	25.56%	5.07%	30.63%	2,177,687
06/30/2019	25.43%	4.64%	30.07%	2,225,413
06/30/2020	28.84%	4.43%	33.27%	2,445,017
06/30/2021	30.32%	4.04%	34.36%	2,254,165
06/30/2022	30.36%	4.05%	34.41%	2,258,725
06/30/2023	30.91%	3.43%	34.34%	2,512,179

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

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

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

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

Exhibit C

Los Angeles City Employees' Retirement System
Schedule of Funded Liabilities by Type for Retirement Benefits
For Years Ended June 30
($ In Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700[1]	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
06/30/2014	1,900,068	8,700,896	5,647,889	10,944,751	100.0	100.0	6.1
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3
06/30/2016	2,137,269	9,439,001	5,848,726	12,439,250	100.0	100.0	14.8
06/30/2017	2,255,048	10,164,403	6,038,737	13,178,334	100.0	100.0	12.6
06/30/2018	2,354,026	11,079,053	6,511,500	13,982,435	100.0	100.0	8.4
06/30/2019	2,469,761	11,933,703	6,389,957	14,818,564	100.0	100.0	6.5
06/30/2020	2,584,851	12,740,109	7,202,235	15,630,103	100.0	100.0	4.2
06/30/2021	2,431,974	14,546,803	6,303,116	16,660,585	100.0	97.8	0.0
06/30/2022	2,554,972	15,266,882	6,256,897	17,649,268	100.0	98.9	0.0
06/30/2023	2,776,364	15,932,796	6,590,377	18,493,821	100.0	98.6	0.0

[1] Excludes assets transferred for Port Police.

Exhibit D

Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls for the Retirement Plan[1]
For Years Ended June 30

Year Ended	No. of New Retirees and Beneficiaries	Annual Allowances Added[2]	No. of Retirees and Beneficiaries Removed	Annual Allowances Removed	No. of Retirees and Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
06/30/2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584
06/30/2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2%	38,178
06/30/2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1%	39,301
06/30/2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3%	40,264
06/30/2014	831	38,666,905	661	21,175,777	17,532	716,556,070	2.5%	40,871
06/30/2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7%	41,847
06/30/2016	1,082	51,056,286	657	23,092,610	18,357	778,355,426	3.7%	42,401
06/30/2017	1,142	65,583,105	694	24,422,619	18,805	819,515,912	5.3%	43,580
06/30/2018	1,312	86,917,553	738	26,361,758	19,379	880,071,707	7.4%	45,414
06/30/2019	1,341	93,946,126	686	26,429,224	20,034	947,588,609	7.7%	47,299
06/30/2020	1,134	85,268,880	745	28,126,528	20,423	1,004,730,961	6.0%	49,196
06/30/2021	2,486	169,148,971	897	37,106,822	22,012	1,136,773,110	13.1%	51,643
06/30/2022	1,140	91,420,287	753	32,200,860	22,399	1,195,992,537	5.2%	53,395
06/30/2023	892	80,956,579	781	36,429,717	22,510	1,240,519,399	3.7%	55,110

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

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BOARD Meeting: 11/14/23
Item: V-A
Attachment 2

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement Benefits as of June 30, 2023

Segal

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San Francisco, CA 94105-6147
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T 415.263.8200

November 7, 2023

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2023. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal year 2024/2025.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the System. That assistance is gratefully acknowledged.

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

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

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

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

Sincerely,

Segal

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

bts/jl

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and Basis

This report was prepared by Segal to present a valuation of the Los Angeles City Employees' Retirement System ("the System") as of June 30, 2023. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of current Plan assets to cover the estimated cost of settling the Plan's accrued benefit obligations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The contribution requirements presented in this report are based on:

- The benefit provisions of the pension plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2023, provided by the System;
- The assets of the Plan as of June 30, 2023, provided by the System;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2023 valuation; and
- The funding policy adopted by the Board of Administration.

Valuation Highlights

Pgs. 29 & 31
1. The results of this valuation reflect changes in the actuarial assumptions adopted by the Board on June 27, 2023. These new assumptions are described in Section 4, Exhibit 1 of this report. The assumption changes increased the combined (Tier 1 and Tier 3) City contribution rate by 0.26% of payroll (payable on July 15) and decreased the UAAL by $112.7 million.

Pgs. 36-37
2. The funded ratio (the ratio of the valuation value of assets to actuarial accrued liability) is 73.10%, compared to the prior year funded ratio of 73.30%. This ratio is one measure of funding status, and its history is a measure of funding progress. The funded ratio measured on a market value basis is 70.96%, compared to 70.66% as of the prior valuation date. These measurements are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for, or the amount of, future contributions.

Pgs. 29, 57 & 58-59
3. The UAAL as of June 30, 2022 was $6.429 billion. In this year's valuation, the UAAL has increased to $6.806 billion mainly due to unfavorable investment experience (after asset smoothing), higher than expected salary increases for continuing actives, and higher than expected cost-of-living adjustment (COLA) increases for payees, offset somewhat by actual contributions greater than expected, new actuarial assumptions adopted for this valuation, and other actuarial gains.

   A reconciliation of the System's UAAL is provided in *Section 2, Subsection E*. A schedule of the current UAAL amortization amounts is provided in *Section 3, Exhibit G*. Note that a graphical projection of the UAAL amortization bases and payments has been provided in *Section 3, Exhibit H.*

Pg. 23
4. The net actuarial loss from investment (after smoothing) and contribution experience is $94.9 million, or 0.37% of actuarial accrued liability. The net experience loss from sources other than investment and contribution experience, or $469.1 million, was 1.85% of the actuarial accrued liability. This loss was primarily due to higher than expected salary increases for continuing actives and higher than expected COLA increases for payees, offset somewhat by other miscellaneous actuarial gains.

Pg. 31
5. The aggregate employer rate (if received on July 15) calculated in this valuation has increased from 29.43% of payroll to 29.97% of payroll. The annual dollar employer contributions calculated in this valuation increased from about $664.8 million to $752.8 million. The increase in the employer rate was due to higher than expected salary increases for continuing active members, higher than expected COLA increases for payees, a lower than expected return on the valuation value of assets (after smoothing), and changes in actuarial assumptions. These increases were offset somewhat by amortizing the prior year's UAAL over a larger than expected projected total payroll, a decrease in the normal cost rate due, in part, to the enrollment of new employees in Tier 3, actual contributions greater than expected as a result of the anticipated one-year delay in implementing the higher contribution rate in the prior valuation, and other miscellaneous actuarial gains.

   A complete reconciliation of the aggregate employer contribution is provided in *Section 2, Subsection F*.

Pg. 24
6. The rate of return on the Market Value of Assets was 7.28% for the July 1, 2022 to June 30, 2023 plan year. The return on the Valuation Value of Assets (Retirement only) was 6.38% for the same period after considering the recognition of current and prior

years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.00%. This actuarial investment loss increased the average employer contribution rate by 0.37% of pay.

Pg. 21

7. As indicated in *Section 2, Subsection B* of this report, the total net unrecognized investment loss as of June 30, 2023 is $650.0 million[1] for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This net investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.00% per year (net of investment and administrative expenses) on a market value basis will result in a net investment loss on the actuarial value of assets after June 30, 2023. Footnote 2 to the chart in *Subsection B of Section 2* shows how the $650.0 million net unrecognized loss will be recognized in the next six years under the asset smoothing method.

   The net deferred loss of $650.0 million represents 3.0% of the market value of assets as of June 30, 2023. Unless offset by future investment gain or other favorable experience, the recognition of the net $650.0 million market loss is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

   a. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the funded percentage would decrease from 73.10% to 70.96%.

      For comparison purposes, if the net deferred loss of $636.2 million for the retirement plan in the June 30, 2022 valuation had been recognized immediately in the June 30, 2022 valuation, the funded percentage would have decreased from 73.30% to 70.66%.

   b. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the aggregate employer rate (if received on July 15, 2024) would have increased from 29.97% of payroll to about 31.8% of payroll.

      For comparison purposes, if the net deferred loss of $636.2 million for the retirement plan in the June 30, 2022 valuation had been recognized immediately in the June 30, 2022 valuation, the aggregate employer rate (if received on July 15, 2023) would have increased from 29.43% of payroll to about 31.8% of payroll.

8. As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following dates:

   a. The beginning of the fiscal year, or

   b. On July 15, 2024, or

   c. Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).

[1] For comparison purposes, the total net unrecognized investment loss as of June 30, 2022 was $764.8 million.

9. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2023. 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 actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after June 30, 2023 due to COVID-19. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

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10. Actuarial Standard of Practice No. 51 (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 risk. 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 assessment or risk report 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.

    Since the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the plan. Earlier this year we prepared a stand-alone Risk Assessment report for the Retirement and Health Plans dated March 20, 2023 by using membership and financial information as provided in the actuarial valuations as of June 30, 2022. That report includes various deterministic and stochastic projections of future results under different investment return scenarios based on the assumptions adopted for the June 30, 2022 valuations. A stand-alone risk assessment report associated with this June 30, 2023 valuation, including the quantitative analyses recommended by Segal in consultation with LACERS staff, will be available in the first quarter of 2024. In the interim, we have included a brief discussion of key risks that may affect the System in *Section 2, Subsection J*.

    Note that this year the risk assessment section includes the disclosure of a "Low-Default-Risk Obligation Measure" (LDROM). This disclosure, along with commentary on the significance of the LDROM, is a new requirement under Actuarial Standard of Practice No. 4 (ASOP 4) for all pension funding actuarial valuation reports.

Summary of Key Valuation Results

		% of Payroll	
		June 30, 2023	June 30, 2022
Employer Contribution Rates:[1]	**Tier 1**		
	• At the beginning of the year	31.00%	30.20%
	• On July 15	31.08%	30.30%
	• At the end of each pay period	32.06%	31.25%
	Tier 3		
	• At the beginning of the year	27.54%	27.02%
	• On July 15	27.61%	27.10%
	• At the end of each pay period	28.49%	27.95%
	Combined		
	• At the beginning of the year	29.87%	29.35%
	• On July 15	29.97%	29.43%
	• At the end of each pay period	30.91%	30.36%

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

Summary of Key Valuation Results (continued)

		June 30, 2023	June 30, 2022
Actuarial Accrued Liability:	• Retired members and beneficiaries	$15,556,003,937	$14,893,950,295
	• Inactive vested members	666,372,920	623,239,425
	• Active members	9,077,160,261	8,561,561,583
	• Total Actuarial Accrued Liability	$25,299,537,118	$24,078,751,303
	• Normal Cost for plan year beginning June 30	461,843,826	412,247,235
Assets:	• Market Value of Assets (MVA)[1]	$21,589,265,113	$20,454,103,991
	• Actuarial Value of Assets (AVA)[1]	$22,239,263,545	$21,218,951,507
	• AVA as a percentage of MVA	103.0%	103.7%
	• Valuation Value of Retirement Assets (VVA)	$18,493,821,018	$17,649,267,571
	• Market Value of Retirement Assets (MVA)	17,953,292,567	17,013,091,063
Funded status:	• Unfunded Actuarial Accrued Liability (UAAL) on VVA basis	$6,805,716,100	$6,429,483,732
	• Funded ratio on VVA basis for retirement (VVA/AAL)	73.10%	73.30%
	• UAAL on MVA basis	$7,346,244,551	$7,065,660,240
	• Funded ratio on MVA basis for retirement (MVA/AAL)	70.96%	70.66%
Key assumptions:	• Net investment return	7.00%	7.00%
	• Price Inflation	2.50%	2.75%
	• Payroll growth increase	3.00%	3.25%
	• Cost-of-living adjustments		
	– Tier 1	2.75%	2.75%
	– Tier 3	2.00%	2.00%
	• Amortization period on VVA basis[2]	15 years	15 years

[1] Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.
[2] Changes in UAAL as a result of gains or losses for each valuation are amortized over separate 15-year periods. Details on the funding policy are provided in *Section 4, Exhibit 1*.

Summary of Key Valuation Results (continued)

		June 30, 2023	June 30, 2022	Change From Prior Year
Demographic data:	**Active Members:**			
	• Number of members	25,875	24,917	3.8%
	• Average age	46.5	46.7	-0.2
	• Average employment service	12.5	12.8	-0.3
	• Total projected compensation[1]	$2,512,179,018	$2,258,724,771	11.2%
	• Average projected compensation	$97,089	$90,650	7.1%
	Retired Members and Beneficiaries:			
	• Number of members:			
	– Service retired	17,457	17,399	0.3%
	– Disability retired	799	819	-2.4%
	– Beneficiaries	4,254	4,181	1.7%
	– Total	22,510	22,399	0.5%
	• Average age	72.8	72.5	0.3
	• Average monthly benefit	$4,592	$4,450	3.2%
	Inactive Vested Members:			
	• Number of members[2]	11,148	10,379	7.4%
	• Average Age	44.8	44.6	0.2
	Total Members:	59,533	57,695	3.2%

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

[2] Includes terminated members due a refund of employee contributions. A breakdown of the inactive vested members by those who are nonvested and due a refund versus those who are vested and eligible for an annuity at retirement follows. (Note that in response to a Segal data question for the June 30, 2023 valuation, LACERS provided vesting service for inactive vested members for the first time. That service has been used to determine the vested/non-vested breakdown below as of June 30, 2023.)

	June 30, 2023			June 30, 2022		
	Tier 1	Tier 3	Combined	Tier 1	Tier 3	Combined
Non-Vested (Refund)	4,763	2,996	7,759	5,291	2,499	7,790
Vested (Annuity)	3,176	213	3,389	2,545	44	2,589
Total	7,939	3,209	11,148	7,836	2,543	10,379

Important Information About Actuarial Valuations

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

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

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

Section 1: Actuarial Valuation Summary

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

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

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

As Segal has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

Actuarial Certification

November 7, 2023

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

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

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

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

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

<u>Financial Section</u>

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

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

Actuarial Certification (continued)

November 7, 2023

Actuarial Section

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

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

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

Andy Yeung

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

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

Section 2: Actuarial Valuation Results

A. Member Data

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

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

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

Member Population: 2014 – 2023

Year Ended June 30	Active Members	Inactive Vested Members[1]	Retired Members and Beneficiaries	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2014	24,009	6,031	17,532	23,563	0.98	0.73
2015	23,895	6,507	17,932	24,439	1.02	0.75
2016	24,446	6,895	18,357	25,252	1.03	0.75
2017	25,457	7,428	18,805	26,233	1.03	0.74
2018	26,042	8,028	19,379	27,407	1.05	0.74
2019	26,632	8,588	20,034	28,622	1.07	0.75
2020	27,490	9,207	20,423	29,630	1.08	0.74
2021	25,176	9,647	22,012	31,659	1.26	0.87
2022	24,917	10,379	22,399	32,778	1.32	0.90
2023	25,875	11,148	22,510	33,658	1.30	0.87

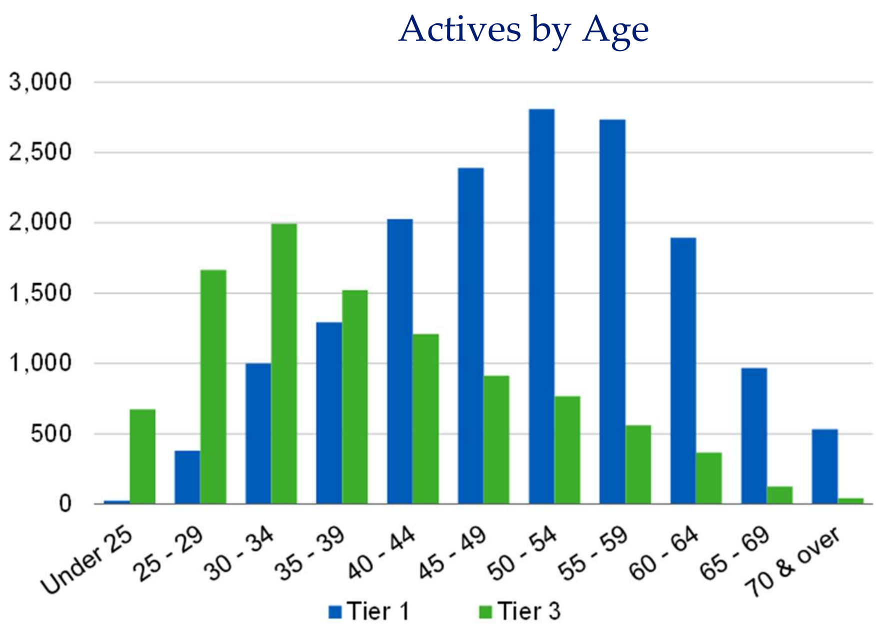
[1] Includes terminated members due a refund of member contributions.

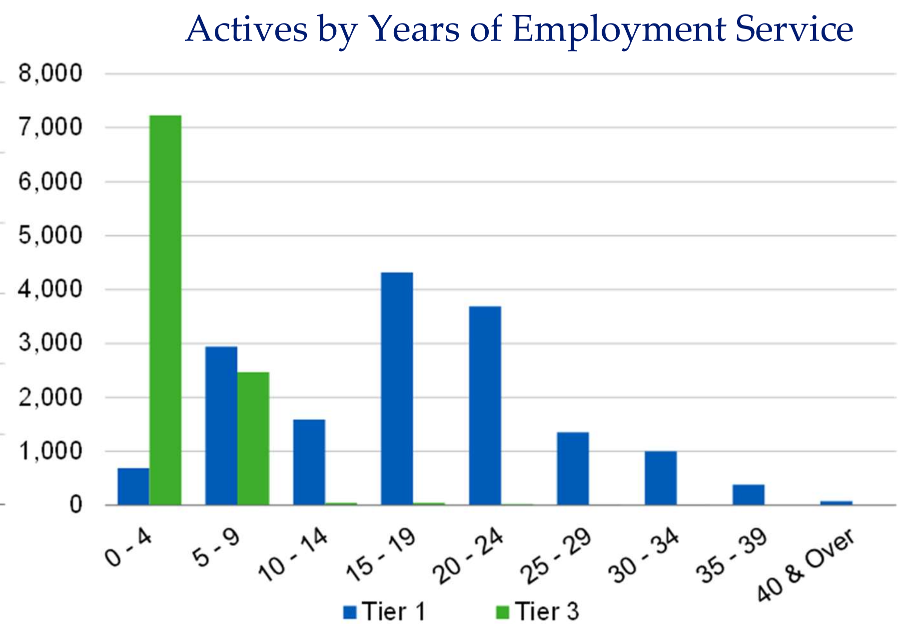
Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 25,875 active members with an average age of 46.5, average years of employment service of 12.5 years and average compensation of $97,089. The 24,917 active members in the prior valuation had an average age of 46.7, average employment service of 12.8 years and average compensation of $90,650.

Among the active members, there were none with unknown age information.

Distribution of Active Members as of June 30, 2023





Average age	46.5
Prior year average age	46.7
Difference	-0.2

Average years of service	12.5
Prior year average years of service	12.8
Difference	-0.3

Inactive Members

In this year's valuation, there were 11,148 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 10,379 in the prior valuation.

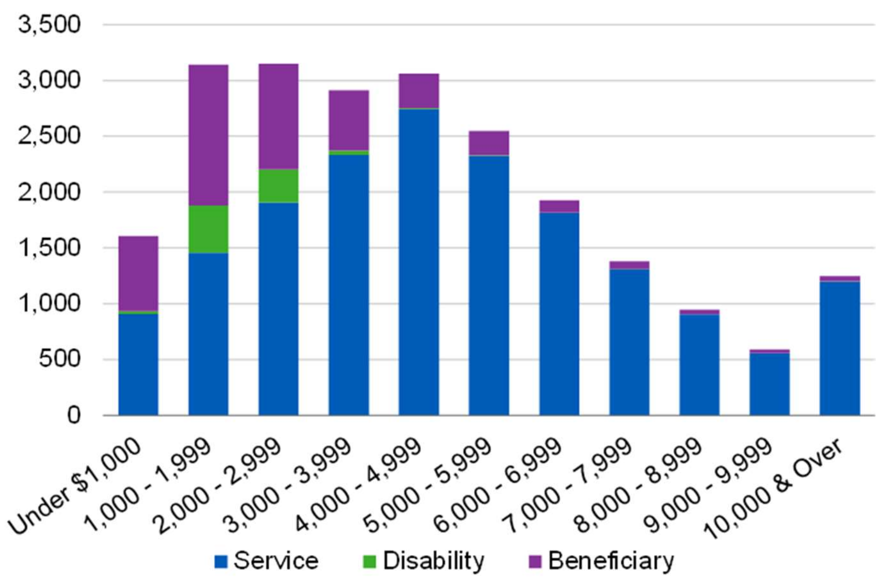
Retired Members and Beneficiaries

As of June 30, 2023, 18,256 retired members and 4,254 beneficiaries were receiving total monthly benefits of $103,376,617. For comparison, in the previous valuation, there were 18,218 retired members and 4,181 beneficiaries receiving monthly benefits of $99,666,045.

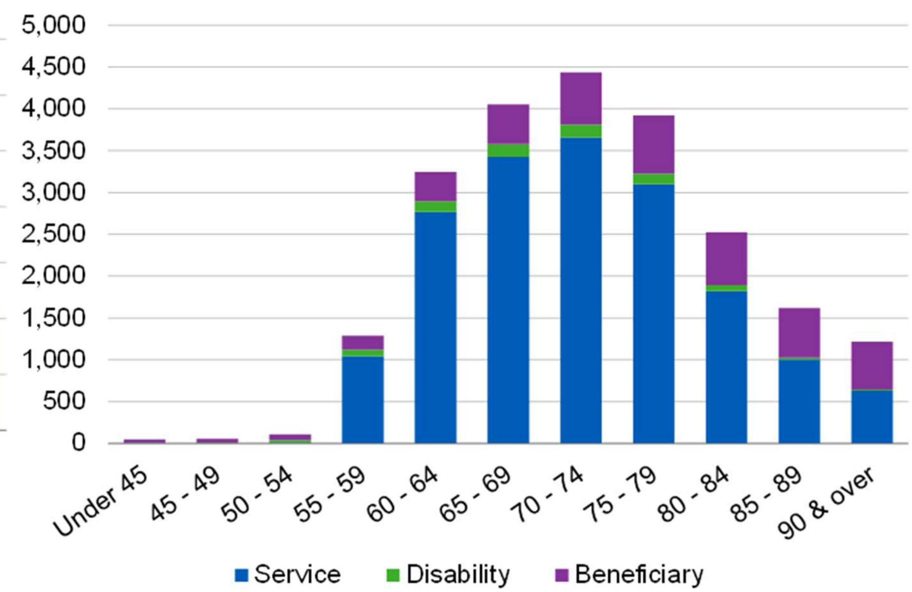
As of June 30, 2023, the average monthly benefit for retired members and beneficiaries is $4,592, compared to $4,450 in the previous valuation. The average age for retired members and beneficiaries is 72.8 in the current valuation, compared with 72.5 in the prior valuation.

Distribution of Retired Members and Beneficiaries as of June 30, 2023

Retired Members and Beneficiaries by Type and Monthly Amount



Retired Members and Beneficiaries by Type and Age



Historical Plan Population

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

Member Data Statistics: 2014 – 2023

	Active Members			Retired Members and Beneficiaries		
Year Ended June 30	**Count**	**Average Age**	**Average Employment Service**	**Count**	**Average Age**	**Average Monthly Amount**
2014	24,009	48.8	15.0	17,532	72.4	$3,406
2015	23,895	48.8	15.0	17,932	72.5	3,487
2016	24,446	48.6	14.7	18,357	72.5	3,533
2017	25,457	48.0	14.1	18,805	72.6	3,632
2018	26,042	47.4	13.7	19,379	72.5	3,784
2019	26,632	47.0	13.2	20,034	72.5	3,942
2020	27,490	46.8	12.9	20,423	72.7	4,100
2021	25,176	46.4	12.6	22,012	72.2	4,304
2022	24,917	46.7	12.8	22,399	72.5	4,450
2023	25,875	46.5	12.5	22,510	72.8	4,592

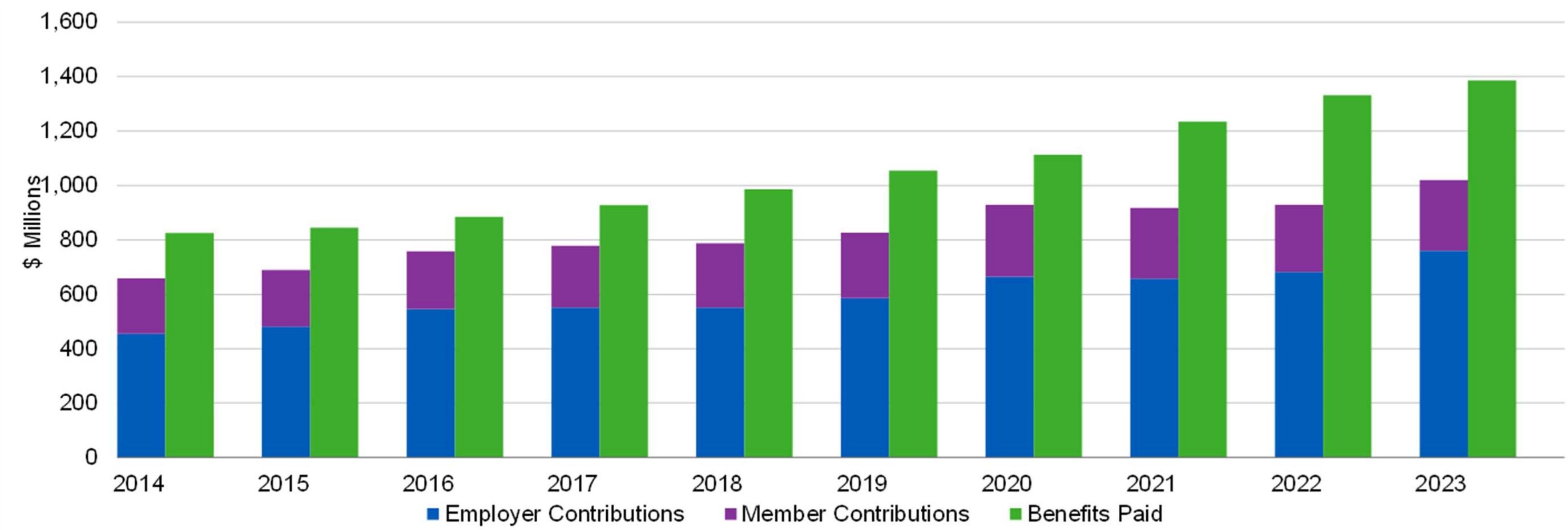
B. Financial Information

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

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

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

Comparison of Contributions Made with Benefits for Years Ended June 30, 2014 – 2023



Determination of Actuarial Value of Assets for Year Ended June 30, 2023

		Actual Return	Expected Return	Investment Gain/(Loss)	Portion Not Recognized	Unrecognized Amount
1	**Market Value of Assets**					**$21,589,265,113**
2	Calculation of unrecognized return[1]					
a)	Year ended June 30, 2023	$1,500,807,128	$1,443,373,615	$57,433,513	6/7	$49,228,725
b)	Year ended June 30, 2022	(1,947,728,626)	1,604,160,949	(3,551,889,575)	5/7	(2,537,063,982)
c)	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	4/7	2,284,489,158
d)	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	3/7	(411,608,586)
e)	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	2/7	(84,967,791)
f)	Year ended June 30, 2018	1,498,100,177	1,148,631,872	349,468,305	1/7	49,924,044
g)	Total unrecognized return[2]					$(649,998,432)
3	**Preliminary Actuarial Value of Assets (1) - (2g)**					**$22,239,263,545**
4	Adjustment to be within 40% corridor					0
5	**Final Actuarial Value of Assets 3 + 4**					**$22,239,263,545**
6	Actuarial Value of Assets as a percentage of Market Value of Assets 5 ÷ 1					103.0%
7	Market value of retirement assets					$17,953,292,567
8	**Valuation value of retirement assets 5 ÷ 1 x 7**					**$18,493,821,018**

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

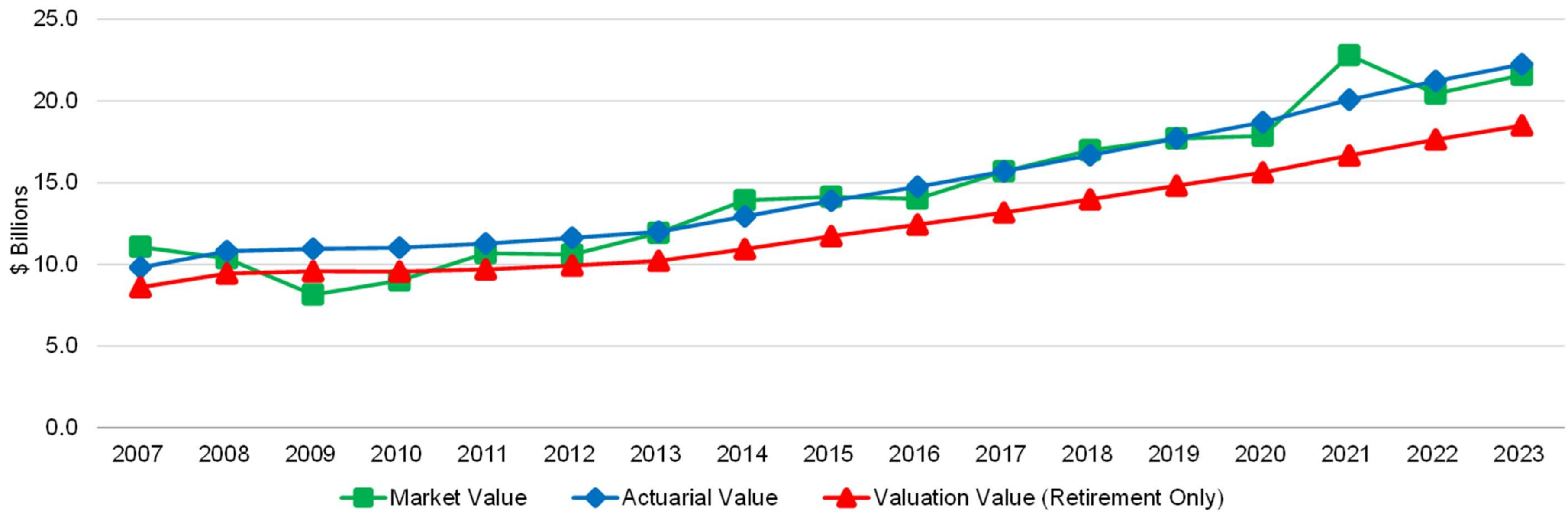
[2] Deferred return as of June 30, 2023 recognized in each of the next six years (for Retirement and Health Plans):

(a) Amount recognized on June 30, 2024	$(57,848,432)	(e) Amount recognized on June 30, 2028	(499,208,008)
(b) Amount recognized on June 30, 2025	(107,772,476)	(f) Amount recognized on June 30, 2029	8,204,788
(c) Amount recognized on June 30, 2026	(65,288,580)	(g) Total unrecognized return as of June 30, 2023	$(649,998,432)
(d) Amount recognized on June 30, 2027	71,914,282	(may not total exactly due to rounding)	

Section 2: Actuarial Valuation Results

The Market Value, Actuarial Value and Valuation Value of Assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the Actuarial Value of Assets tracks the Market Value of Assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the Valuation Value of Assets. The Valuation Value of Assets is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the Unfunded Actuarial Accrued Liability is an important element in determining the contribution requirement.

Market Value, Actuarial Value, and Valuation Value (Retirement Only) of Assets as of June 30, 2007 – 2023



C. Actuarial Experience

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

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

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. There are no changes in actuarial assumptions reflected in this valuation, as noted in *Section 4, Exhibit 1*.

The total loss is $564.0 million, which includes $109.9 million from investment losses (after smoothing), a gain of $15.0 million from contribution experience and $469.1 million in losses from all other sources. The net experience variation from individual sources other than investments and contributions was 1.85% of the Actuarial Accrued Liability. A discussion of the major components of the actuarial experience is on the following pages.

Actuarial Experience for Year Ended June 30, 2023

1	Net loss from investments[1]	$(109,885,702)
2	Net gain from contribution experience[2]	15,009,686
3	Net loss from other experience[3]	(469,171,462)
4	**Net experience loss: 1 + 2 + 3[4]**	**$(564,047,478)**

[1] Details on next page.

[2] The actual contributions were more than expected due to actual covered payroll for 2022/2023 higher than the payroll projected in the June 30, 2022 valuation. This is somewhat offset by the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2022 valuation for fiscal year 2023.

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

[4] The net loss is attributed to actual liability experience from July 1, 2022 through June 30, 2023 compared to the projected experience based on the actuarial assumptions as of June 30, 2022. Does not include the effect of plan or assumption changes as of June 30, 2023, if any.

Investment Experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. The rate of return on the Market Value of Assets was 7.28% for the year ended June 30, 2023.

For valuation purposes, the assumed rate of return on the Valuation Value of Assets was 7.00% for the June 30, 2022 valuation. The actual rate of return on the valuation value basis for the 2022/2023 plan year was 6.38%. Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2023 with regard to its investments.

Investment Experience for Year Ended June 30, 2023

		Market Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1	Net investment income	$1,500,807,128	$1,385,958,044	$1,136,810,338
2	Average value of assets	20,619,623,070	21,384,470,586	17,809,943,424
3	Rate of return: **1 ÷ 2**	7.28%	6.48%	6.38%
4	Assumed rate of return	7.00%	7.00%	7.00%
5	Expected investment income: **2 x 4**	$1,443,373,615	$1,496,912,941	$1,246,696,040
6	**Actuarial gain/(loss): 1 - 5**	**$57,433,513**	**$(110,954,897)**	**$(109,885,702)**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the actual market value investment return for Retirement, Health, Family Death, and Larger Annuity Benefits for the last ten years, including the five-year average.

Investment Return – Actuarial Value vs. Market Value: 2014 – 2023

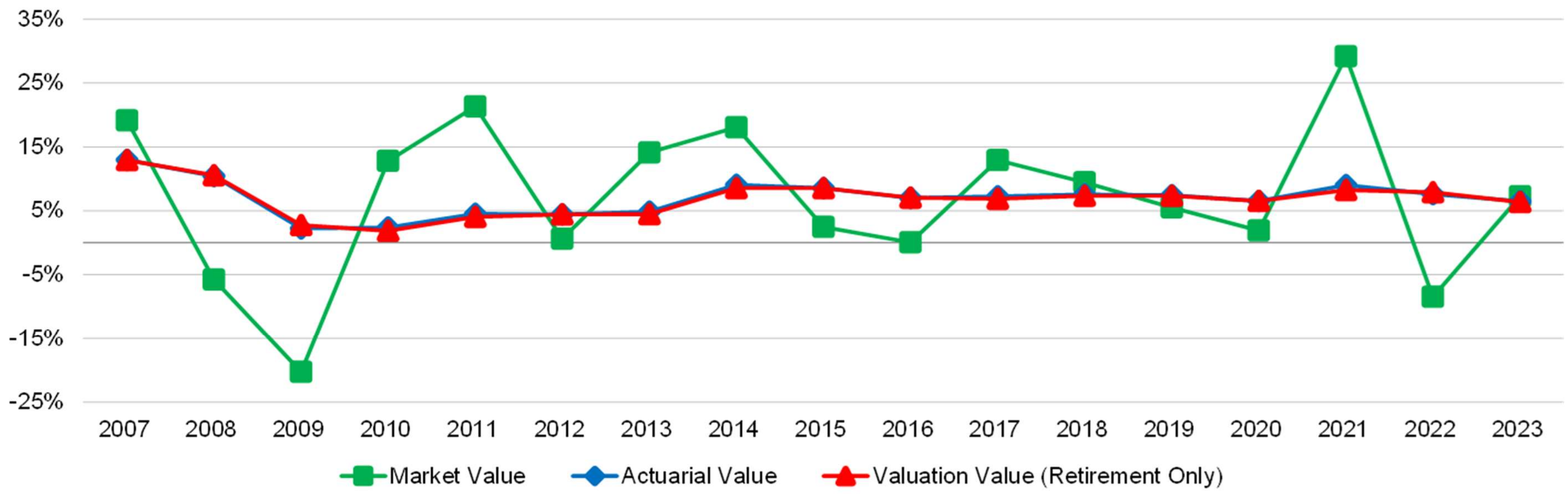
Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return[1]	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2014	$225,147,763	1.86%	$873,017,519	7.19%	$1,098,165,282	9.05%	$2,180,005,303	18.09%
2015	231,942,743	1.77%	887,268,617	6.79%	1,119,211,360	8.56%	348,113,908	2.47%
2016	240,916,934	1.71%	742,488,219	5.28%	983,405,153	6.99%	7,190,895	0.05%
2017	277,724,021	1.86%	807,293,418	5.41%	1,085,017,439	7.27%	1,834,657,728	12.94%
2018	291,385,736	1.84%	907,603,043	5.73%	1,198,988,779	7.57%	1,498,100,177	9.46%
2019	308,498,344	1.83%	942,352,775	5.60%	1,250,851,119	7.43%	945,590,839	5.52%
2020	287,869,198	1.61%	882,083,733	4.92%	1,169,952,931	6.53%	338,862,747	1.89%
2021	244,066,145	1.29%	1,458,211,525	7.74%	1,702,277,670	9.03%	5,258,341,258	29.20%
2022	297,933,122	1.48%	1,240,587,482	6.14%	1,538,520,604	7.62%	(1,947,728,626)	(8.50)%
2023	319,258,979	1.49%	1,066,699,065	4.99%	1,385,958,044	6.48%	1,500,807,128	7.28%
			Most recent five-year average geometric return:			**7.41%**		**6.40%**
			Most recent ten-year average geometric return:			**7.65%**		**7.39%**

[1] The year-ended rates of return have been calculated on a dollar-weighted basis. It is our understanding that LACERS' investment consultant calculates rates of return on a time-weighted basis, which can produce different results.

Section 2: Actuarial Valuation Results

Section 2, Subsection B described the actuarial asset valuation method that gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market Value, Actuarial Value and Valuation Value (Retirement Only) Rates of Return for Years Ended June 30, 2007 – 2023



Contributions

Contributions for the year ended June 30, 2023, when adjusted for timing, totaled $981.3 million, compared to the projected amount of $966.3 million (also adjusted for timing). This resulted in a gain of $15.0 million for the year.

Non-Investment Experience

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

- the extent of turnover among participants,
- retirement experience (earlier or later than projected),
- mortality (more or fewer deaths than projected),
- the number of disability retirements (more or fewer than projected),
- salary increases (greater or smaller than projected), and
- cost-of-living adjustments (COLAs; higher or lower than anticipated).

The net loss from this other experience for the year ended June 30, 2023 amounted to $469.1 million, which is 1.85% of the Actuarial Accrued Liability. This loss was mainly due to higher than expected individual salary increases for continuing actives and higher than anticipated COLAs for payees. See *Subsection E* for a detailed development of the Unfunded Actuarial Accrued Liability.

D. Other Changes in the Actuarial Accrued Liability

The Actuarial Accrued Liability as of June 30, 2023 is $25.3 billion, an increase of $1.2 billion, or 5.1%, from the liability as of the prior valuation date. The Actuarial Accrued Liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

Actuarial Assumptions

This report reflects assumption changes based on the Actuarial Experience Study (dated June 21, 2023) covering the period July 1, 2019 through June 30, 2022.

- The changes in actuarial assumptions decreased the Actuarial Accrued Liability by $112.7 million (a 0.4% decrease) and increased the total Normal Cost by $14.6 million (a 3.3% increase). The effect on the employer contribution rate was an increase of 0.26% of payroll (payable on July 15).

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

Plan Provisions

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

A summary of plan provisions is in *Section 4, Exhibit 2*.

E. Development of Unfunded Actuarial Accrued Liability

Development for Year Ended June 30, 2023

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

[1] The "net loss from other experience" of $469,171,462 from *Subsection C* is equal to the sum of items 6c through 6e.

[2] The actual contributions were more than expected due to actual covered payroll for 2022/2023 higher than the payroll projected in the June 30, 2022 valuation. This is somewhat offset by the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2022 valuation for fiscal year 2023.

F. Recommended Contribution

The amount of annual contribution required to fund the Retirement Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount, adjusted with interest for timing, is then divided by the projected payroll for active members to determine the funding rate of 29.97% of payroll, if received by LACERS on July 15, 2024. The recommended contribution is set equal to the contributions under the current funding policy.

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

The contribution requirement for the June 30, 2023 valuation is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

A reconciliation of the average recommended employer contribution from June 30, 2022 to June 30, 2023 is shown on the next page. A summary of the recommended contributions by tier is shown on pages 32 through 34.

Reconciliation of Average Recommended Employer Contribution Rate

The chart below details the changes in the average recommended employer contribution rate from the prior valuation to the current year's valuation.

Reconciliation of Average Recommended Employer Contribution Rate[1] from June 30, 2022 to June 30, 2023

		Contribution Rate
1	**Average Recommended Employer Contribution Rate as of June 30, 2022**	**29.43%**
2	Effect of decrease in employer normal cost due to payroll and demographic changes (including the enrollment of new employees in Tier 3)	(0.29)%
3	Effect of contribution experience[2]	(0.05)%
4	Effect of investment return less than expected on smoothed value of assets	0.37%
5	Effect of higher than expected COLAs for payees	0.81%
6	Effect of individual salary increases higher than expected for continuing active members	0.87%
7	Effect of amortizing prior year's UAAL over a larger than expected projected total payroll	(1.37)%
8	Effect of other net demographic experience gains	(0.06)%
9	Effect of assumptions changes	0.26%
10	Total change	0.54%
11	**Average Recommended Employer Contribution Rate as of June 30, 2023**	**29.97%**

1 If received on July 15.
2 The actual contributions were more than expected due to actual covered payroll for 2022/2023 higher than the payroll projected in the June 30, 2022 valuation. This is somewhat offset by the scheduled one-year lag in implementing the slightly higher employer contribution rates calculated in the June 30, 2022 valuation for fiscal year 2023.

Recommended Employer Contribution Rate

Tier 1		June 30, 2023 Actuarial Valuation		June 30, 2022 Actuarial Valuation	
		Amount	% of Payroll	Amount	% of Payroll
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$330,875,045	19.44%	$313,996,717	19.04%
2	Expected employee contributions[1]	180,926,015	10.63%	175,291,255	10.64%
3	Employer normal cost: 1 - 2	$149,949,030	8.81%	$138,705,462	8.40%
4	Actuarial accrued liability	24,792,102,207		23,691,360,828	
5	Valuation value of assets	17,409,718,747		16,886,488,189	
6	Unfunded actuarial accrued liability: 4 - 5	$7,382,383,460		$6,804,872,639	
7	Amortization of unfunded actuarial accrued liability	374,844,316	22.02%[2,3]	356,394,541	21.62%[2]
8	Total recommended contribution, beginning of year: 3 + 7	$524,793,346	30.83%	$495,100,003	30.02%
9	Total recommended contribution, July 15	526,254,560	30.91%	496,478,540	30.12%
10	Total recommended contribution, end of pay periods	542,850,458	31.89%	512,135,425	31.07%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.06%		0.07%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.17%		0.18%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total recommended contribution, beginning of year	$527,593,819	31.00%	$498,052,841	30.20%
15	Total recommended contribution, July 15	529,062,831	31.08%	499,439,600	30.30%
16	Total recommended contribution, end of pay periods	545,747,290	32.06%	515,189,865	31.25%
17	Projected payroll	$1,702,032,123		$1,648,564,985	

1 Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.01% for the June 30, 2022 valuation and 11.00% for the June 30, 2023 valuation.

2 In developing the UAAL contribution rate, we have combined the UAAL for Tiers 1 and 3 and amortized that total UAAL over the total payroll for Tiers 1 and 3.

3 For purposes of purchasing service with the Water and Power Employees' Retirement Plan (WPERP) for Tier 1, the UAAL rate as of June 30, 2023 is 22.02% before reflecting enhanced benefits for APO, plus an additional 0.11% for the cost increase for the enhanced APO benefits for a total of 22.13%, if received at the beginning of the year. If received on July 15, the total UAAL rate of 22.13% increases to 22.19%.

Recommended Employer Contribution Rate (continued)

Tier 3

		June 30, 2023 Actuarial Valuation		June 30, 2022 Actuarial Valuation	
		Amount	% of Payroll	Amount	% of Payroll
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$129,947,562	16.04%	$97,136,280	15.92%
2	Expected employee contributions[1]	86,118,615	10.63%	64,847,900	10.63%
3	Employer normal cost: 1 - 2	$43,828,947	5.41%	$32,288,380	5.29%
4	Actuarial accrued liability	486,101,355		364,933,478	
5	Valuation value of assets	1,084,102,271		762,779,382	
6	Unfunded actuarial accrued liability: 4 – 5	$(598,000,916)		$(397,845,904)	
7	Amortization of unfunded actuarial accrued liability	178,421,403	22.02%[2]	131,907,216	21.62%[2]
8	Total recommended contribution, beginning of year: 3 + 7	$222,250,350	27.43%	$164,195,596	26.91%
9	Total recommended contribution, July 15	222,869,176	27.50%	164,652,776	26.99%
10	Total recommended contribution, end of pay periods	229,897,550	28.38%	169,845,245	27.84%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.00%		0.00%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.11%		0.11%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total recommended contribution, beginning of year	$223,097,253	27.54%	$164,876,090	27.02%
15	Total recommended contribution, July 15	223,718,437	27.61%	165,335,165	27.10%
16	Total recommended contribution, end of pay periods	230,773,593	28.49%	170,549,154	27.95%
17	Projected payroll	$810,146,895		$610,159,786	

[1] Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.00% for the June 30, 2022 and June 30, 2023 valuations.

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

Recommended Employer Contribution Rate (continued)

Combined		June 30, 2023 Actuarial Valuation		June 30, 2022 Actuarial Valuation	
		Amount	% of Payroll	Amount	% of Payroll
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$460,822,607	18.33%	$411,132,997	18.20%
2	Expected employee contributions	267,044,630	10.63%	240,139,155	10.63%
3	Employer normal cost: 1 - 2	$193,777,977	7.70%	$170,993,842	7.57%
4	Actuarial accrued liability	25,278,203,562		24,056,294,306	
5	Valuation value of assets	18,493,821,018		17,649,267,571	
6	Unfunded actuarial accrued liability: 4 - 5	$6,784,382,544		$6,407,026,735	
7	Amortization of unfunded actuarial accrued liability	553,265,719	22.02%	488,301,757	21.62%
8	Total recommended contribution, beginning of year: 3 + 7	$747,043,696	29.72%	$659,295,599	29.19%
9	Total recommended contribution, July 15	749,123,736	29.82%	661,131,316	29.27%
10	Total recommended contribution, end of pay periods	772,748,008	30.76%	681,980,671	30.20%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.04%		0.05%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.15%		0.16%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total normal cost	$461,843,826	18.37%	$412,247,235	18.25%
15	Expected employee contributions	267,044,630	10.63%	240,139,155	10.63%
16	Employer normal cost: 14 - 15	$194,799,196	7.74%	$172,108,080	7.62%
17	Actuarial accrued liability	25,299,537,118		24,078,751,303	
18	Valuation value of assets	18,493,821,018		17,649,267,571	
19	Unfunded actuarial accrued liability: 17 - 18	$6,805,716,100		$6,429,483,732	
20	Amortization of unfunded actuarial accrued liability	555,891,876	22.13%	490,820,851	21.73%
21	Total recommended contribution, beginning of year: 16 + 20	$750,691,072	29.87%	$662,928,931	29.35%
22	Total recommended contribution, July 15	752,781,268	29.97%	664,774,765	29.43%
23	Total recommended contribution, end of pay periods	776,520,883	30.91%	685,739,018	30.36%
24	Projected payroll	$2,512,179,018		$2,258,724,771	

Recommended Employer Contribution Rate (continued)

		Tier 1	Tier 3	Combined
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO			
1	Total normal cost	$330,875,045	$129,947,562	$460,822,607
2	Expected employee contributions[1]	180,926,015	86,118,615	267,044,630
3	Employer normal cost: 1 – 2	$149,949,030	$43,828,947	$193,777,977
4	Payment on unfunded actuarial accrued liability	374,844,316	178,421,403	553,265,719
5	Total recommended contribution: beginning of year: 3 + 4	524,793,346	222,250,350	747,043,696
6	Total recommended contribution: adjusted for July 15 timing	526,254,560	222,869,176	749,123,736
7	Total recommended contribution: adjusted for biweekly timing	542,850,458	229,897,550	772,748,008
8	Item 5 (beginning of year contribution) as a % of projected payroll: 5 ÷ 17	30.83%	27.43%	22.02%
9	Item 6 (July 15 contribution) as a % of projected payroll: 6 ÷ 17	30.91%	27.50%	29.72%
10	Item 7 (biweekly contribution) as a % of projected payroll: 7 ÷ 17	31.89%	28.38%	29.82%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO			
11	Total recommended contribution: beginning of year	$527,593,819	$223,097,253	$750,691,072
12	Total recommended contribution: adjusted for July 15 timing	529,062,831	223,718,437	752,781,268
13	Total recommended contribution: adjusted for biweekly timing	545,747,290	230,773,593	776,520,883
14	Item 11 (beginning of year contribution) as a % of projected payroll: 11 ÷ 17	31.00%	27.54%	29.87%
15	Item 12 (July 15 contribution) as a % of projected payroll: 12 ÷ 17	31.08%	27.61%	29.97%
16	Item 13 (biweekly contribution) as a % of projected payroll: 13 ÷ 17	32.06%	28.49%	30.91%
17	Projected payroll	$1,702,032,123	$810,146,895	$2,512,179,018

[1] Discounted to beginning of year.

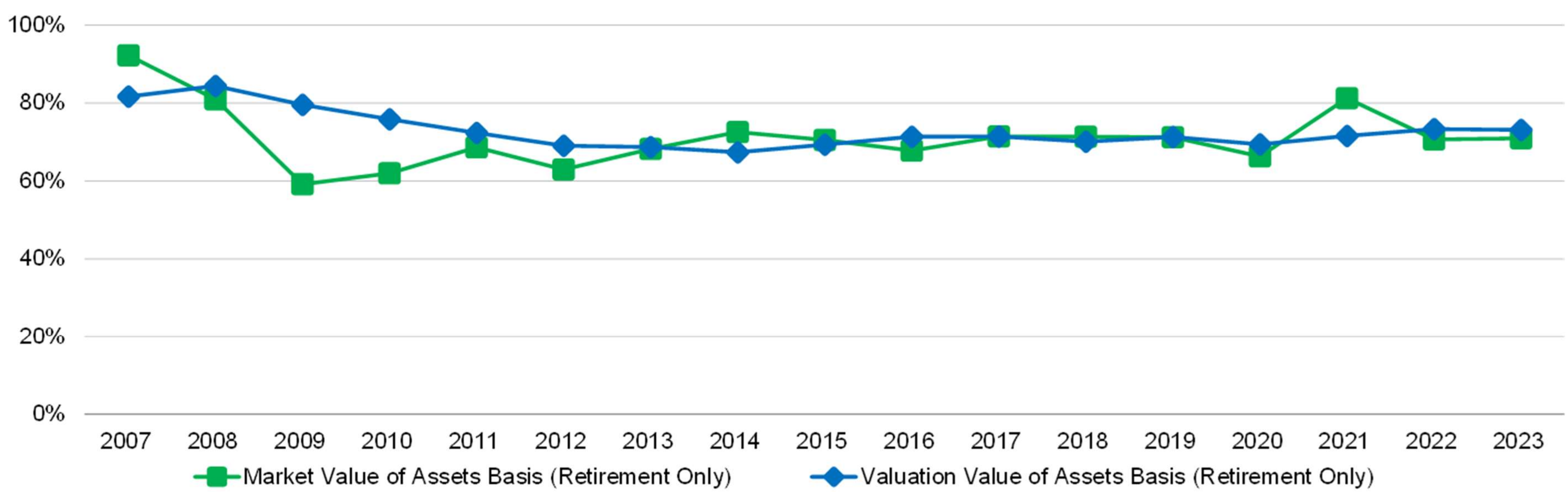
G. Funded Status

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. These ratios compare the Market Value and Valuation Value of Assets to the Actuarial Accrued Liability of the Plan. Higher ratios indicate a relatively well-funded plan while lower ratios may indicate recent changes to actuarial assumptions, funding of the plan below actuarial requirements, poor asset performance, or a variety of other causes.

The chart below depicts a history of the funded ratio for the Plan. The chart on the next page shows the Plan's schedule of funding progress for the last ten years.

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

Funded Ratio for Years Ended June 30, 2007 – 2023



Schedule of Funding Progress for Years Ended June 30, 2014 – 2023

Actuarial Valuation Date as of June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Projected Covered Payroll [(b) - (a)] / (c)
2014	$10,944,750,574	$16,248,853,099	$5,304,102,525	67.36%	$1,898,064,175	279.45%
2015	11,727,161,378	16,909,996,380	5,182,835,002	69.35%	1,907,664,598	271.68%
2016	12,439,250,206	17,424,996,329	4,985,746,123	71.39%	1,968,702,630	253.25%
2017	13,178,333,884	18,458,187,953	5,279,854,069	71.40%	2,062,316,129	256.02%
2018	13,982,435,465	19,944,579,058	5,962,143,593	70.11%	2,177,687,102	273.78%
2019	14,818,564,427	20,793,421,143	5,974,856,716	71.27%	2,225,412,831	268.48%
2020	15,630,102,547	22,527,195,295	6,897,092,748	69.38%	2,445,016,587	282.09%
2021	16,660,584,654	23,281,892,854	6,621,308,200	71.56%	2,254,165,029	293.74%
2022	17,649,267,571	24,078,751,303	6,429,483,732	73.30%	2,258,724,771	284.65%
2023	18,493,821,018	25,299,537,118	6,805,716,100	73.10%	2,512,179,018	270.91%

H. Actuarial Balance Sheet

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

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

Actuarial Balance Sheet

	Year Ended	
	June 30, 2023	**June 30, 2022**
Actuarial present value of future benefits		
• Present value of benefits for retired members and beneficiaries	$15,556,003,937	$14,893,950,295
• Present value of benefits for inactive vested members	666,372,920	623,239,425
• Present value of benefits for active members	12,985,744,755	12,067,954,233
Total actuarial present value of future benefits	**$29,208,121,612**	**$27,585,143,953**
Current and future assets		
• Total valuation value of assets	$18,493,821,018	$17,649,267,571
• Present value of future contributions by members	2,259,921,414	2,041,142,974
• Present value of future employer contributions for:		
• Entry age normal cost	1,648,663,080	1,465,249,676
• Unfunded actuarial accrued liability	6,805,716,100	6,429,483,732
Total of current and future assets	**$29,208,121,612**	**$27,585,143,953**

I. Volatility Ratios

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

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

The current AVR is about 7.1. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.1% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the actuarial accrued liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 10.1. This is about 42% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

Volatility Ratios for Years Ended 2014 – 2023

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2014	6.2	8.6
2015	6.2	8.9
2016	6.0	8.9
2017	6.4	9.0
2018	6.5	9.2
2019	6.7	9.3
2020	6.1	9.2
2021	8.4	10.3
2022	7.5	10.7
2023	7.1	10.1

J. Risk Assessment

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

This report does not contain a detailed analysis of the potential range of future measurements, but does include a concise discussion of some of the primary risks that may affect the Plan's future financial condition. Earlier this year we prepared a stand-alone Risk Assessment report for the Retirement and Health Plans dated March 20, 2023 by using membership and financial information as provided in the actuarial valuations as of June 30, 2022. That report includes various deterministic and stochastic projections of future results under different investment return scenarios based on the assumptions adopted for the June 30, 2022 valuations. A copy of the stand-alone risk assessment report associated with this June 30, 2023 valuation, including the quantitative analyses recommended by Segal in consultation with LACERS staff, will be available in the first quarter of 2024.

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

Risk Assessments

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

  The most significant asset/liability mismatch risk to the Plan is investment risk, as discussed below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first mismatch is evident in annual valuations: when asset values deviate from assumptions they are typically 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 any change in the expected experience of asset growth rates.

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

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

  The investment return assumption is a long-term, static assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. That volatility can cause significant changes in the financial health of the system, affecting both funded status and contribution rates. The inherent year-to-year volatility is reduced by smoothing through the Actuarial Value of Assets, however investment experience can still have a sizable impact. As discussed in *Section 2, Subsection I, Volatility Ratios*, on page 39, a

1% asset gain or loss (relative to the assumed investment return) translates to about 7.1% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain or loss.

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

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

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

- Other Risks

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

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

Evaluation of Historical Trends

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

- The funded percentage on the Valuation Value of Assets basis has increased from 67.36% to 73.10%. This is primarily due to non-investment experience. For a more detailed history see *Section 2, Subsection G, Funded Status* starting on page 36.
- The average geometric investment return on the Actuarial Value of Assets over the last 10 years was 7.65%. This includes a high of 9.05% return and a low of 6.48%. The average over the last 5 years was 7.41%. For more details see *Section 2, Subsection C, Investment Return* on page 25.
- The primary source of new UAAL was the strengthening of assumptions through multiple assumption changes. For example, the assumption changes in:

  - 2014 changed the discount rate from 7.75% to 7.50% and updated mortality tables, adding $785 million in unfunded liability;
  - 2017 changed the discount rate from 7.50% to 7.25%, adding $341 million in unfunded liability;
  - 2018 included the use of generational mortality tables to better reflect future mortality improvement, adding $484 million in unfunded liability; and
  - 2020 changed the discount rate from 7.25% to 7.00% and updated mortality tables based on public plan experience that are weighted by benefits, adding $531 million in unfunded liability.
  - 2023 changed the inflation rate from 2.75% to 2.50%, subtracting $113 million from the unfunded liability.

  For more details on the unfunded liability changes see *Section 3, Exhibit G, Table of Amortization Bases* on page 57. A graphical representation of historical changes in UAAL by source prior to this valuation was included in the stand-alone risk assessment report as of June 30, 2022.

- The plan's funding policy effectively deals with these unfunded liabilities over time. This can be seen most clearly in the *Section 3, Exhibit 1, Projection of UAAL Balances and Payments* provided on pages 58 and 59.

Maturity Measures

In the last 10 years the ratio of retired members and beneficiaries to active members has increased from 0.73 to 0.87. An increased ratio indicates that the plan has grown in maturity over time. This is to be expected, but is also informative for understanding plan sensitivity to particular risks. For more details see *Section 2, Subsection A, Member Data* on page 16.

As pension plans mature, the cash needed to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities. For the prior year, benefits paid were $292 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return. However, this plan currently has relatively low levels of negative cash flows. For more details on historical cash flows see the Comparison of Contributions with Benefits in *Section 2, Subsection B, Financial Information* on page 20.

A further discussion of plan maturity measures and how they relate to changes in assets and liabilities is included in *Section 2, Subsection I, Volatility Ratios* on page 39.

Low-Default-Risk Obligation Measure (LDROM)

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

The LDROM is a calculation assuming a plan’s assets are invested in an all-bond portfolio, generally lowering expected long-term investment returns. The discount rate selected and used for this purpose is the Bond Buyer General Obligation 20-year Municipal Bond Index Rate, published at the end of each week. The last published rate in June of the measurement period, by The Bond Buyer, is 3.65% for use effective June 30, 2023. This is the rate used to determine the discount rate for valuing reported public pension plan liabilities in accordance with Governmental Accounting Standards when plan assets are projected to be insufficient to make projected benefit payments, and the 20-year period reasonably approximates the duration of public pension plan liabilities. The LDROM is not used to determine a plan’s funded status or Actuarially Determined Contribution Rate. The plan’s expected return on assets, currently 7.00%, is used for these calculations.

As of June 30, 2023, the LDROM for the Plan is $39.67 billion. The difference between the plan’s AAL of $25.30 billion and the LDROM can be thought of as the increase in the AAL if the entire portfolio were invested in low-default-risk securities. Alternatively, this difference could also be viewed as representing the expected savings from investing in the plan’s diversified portfolio compared to investing only in low-default-risk securities.

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

Section 3: Supplemental Information

Exhibit A: Table of Plan Coverage

Total Plan

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Active members in valuation:			
• Number	25,875	24,917	3.8%
• Average age	46.5	46.7	-0.2
• Average years of employment service	12.5	12.8	-0.3
• Total projected compensation[1]	$2,512,179,018	$2,258,724,771	11.2%
• Average projected compensation[1]	$97,089	$90,650	7.1%
• Account balances	$2,486,783,544	$2,304,663,932	7.9%
• Total active vested members	17,968	17,312	3.8%
Inactive vested members:			
• Number	11,148	10,379	7.4%
• Average age	44.8	44.6	0.2
• Average contribution balance for those with under 5 years of service	$8,915	$8,576	4.0%
• Average monthly benefit at age 60 for those with 5 or more years of service[2]	$1,436	$1,658	-13.4%
Retired members:			
• Number in pay status	17,457	17,399	0.3%
• Average service at retirement	26.4	26.5	-0.1
• Average age at retirement	60.8	60.8	0.0
• Average age	72.1	71.7	0.4
• Average monthly benefit (includes July COLA)	$5,164	$5,005	3.2%

[1] Reflects annualized salaries for part-time members.
[2] As noted in footnote 2 on page 11, LACERS provided vesting service for inactive vested members for the first time in the June 30, 2023 valuation. That service has been used to determine which inactive vested members are vested with 5 or more years of service in this valuation. The usage of vesting service starting with the June 30, 2023 valuation led to the decrease in the average monthly benefit comparison shown above.

Exhibit A: Table of Plan Coverage (continued)

Total Plan (continued)

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Disabled members:			
• Number in pay status	799	819	-2.4%
• Average service at retirement	11.5	11.5	0.0
• Average age at retirement	47.8	47.8	0.0
• Average age	69.1	68.7	0.4
• Average monthly benefit (includes July COLA)	$2,018	$1,947	3.6%
Beneficiaries:			
• Number in pay status	4,254	4,181	1.7%
• Average age	76.5	76.3	0.2
• Average monthly benefit (includes July COLA)	$2,730	$2,627	3.9%

Exhibit A: Table of Plan Coverage (continued)

Tier 1[1]

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Active members in valuation:			
• Number	16,045	16,762	-4.3%
• Average age	51.1	50.4	0.7
• Average years of employment service	18.1	17.3	0.8
• Total projected compensation[2]	$1,702,032,123	$1,648,564,985	3.2%
• Average projected compensation[2]	$106,079	$98,351	7.9%
• Account balances	$2,228,418,586	$2,111,783,894	5.5%
• Total active vested members	15,369	15,847	-3.0%
Inactive vested members:			
• Number	7,939	7,836	1.3%
• Average age	47.4	46.8	0.6
• Average contribution balance for those with under 5 years of service	$7,262	$7,430	-2.3%
• Average monthly benefit at age 60 for those with 5 or more years of service[3]	$1,498	$1,677	-10.7%
Retired members:			
• Number in pay status	17,451	17,397	0.3%
• Average service at retirement	26.4	26.5	-0.1
• Average age at retirement	60.8	60.8	0.0
• Average age	72.1	71.7	0.4
• Average monthly benefit (includes July COLA)	$5,166	$5,006	3.2%

[1] Includes the following number of Airport Peace Officers eligible for enhanced benefits:

	June 30, 2023	June 30, 2022
Active Members	331	361
Inactive Members	25	15
Retired Members	108	88

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

[3] As noted in footnote 2 on page 11, LACERS provided vesting service for inactive vested members for the first time in the June 30, 2023 valuation. That service has been used to determine which inactive vested members are vested with 5 or more years of service in this valuation. The usage of vesting service starting with the June 30, 2023 valuation led to the decrease in the average monthly benefit comparison shown above.

Exhibit A: Table of Plan Coverage (continued)

Tier 1 (continued)

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Disabled members:			
• Number in pay status	799	819	-2.4%
• Average service at retirement	11.5	11.5	0.0
• Average age at retirement	47.8	47.8	0.0
• Average age	69.1	68.7	0.4
• Average monthly benefit (includes July COLA)	$2,018	$1,947	3.6%
Beneficiaries:			
• Number in pay status	4,253	4,181	1.7%
• Average age	76.5	76.3	0.2
• Average monthly benefit (includes July COLA)	$2,730	$2,627	3.9%

Exhibit A: Table of Plan Coverage (continued)

Tier 3

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Active members in valuation:			
• Number	9,830	8,155	20.5%
• Average age	39.1	39.0	0.1
• Average years of employment service	3.5	3.4	0.1
• Total projected compensation[1]	$810,146,895	$610,159,786	32.8%
• Average projected compensation[1]	$82,416	$74,820	10.2%
• Account balances	$258,364,958	$192,880,038	34.0%
• Total active vested members	2,599	1,465	77.4%
Inactive vested members:			
• Number	3,209	2,543	26.2%
• Average age	38.3	37.7	0.6
• Average contribution balance for those with under 5 years of service	$11,541	$11,004	4.9%
• Average monthly benefit at age 60 for those with 5 or more years of service[2]	$509	$591	-13.9%
Retired members:			
• Number in pay status	6	2	200.0%
• Average service at retirement	3.2	3.3	-0.1
• Average age at retirement	62.9	61.5	1.4
• Average age	63.9	62.2	1.7
• Average monthly benefit (includes July COLA)	$560	$459	22.0%

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

[2] As noted in footnote 2 on page 11, LACERS provided vesting service for inactive vested members for the first time in the June 30, 2023 valuation. That service has been used to determine which inactive vested members are vested with 5 or more years of service in this valuation. The usage of vesting service starting with the June 30, 2023 valuation led to the decrease in the average monthly benefit comparison shown above.

Exhibit A: Table of Plan Coverage (continued)

Tier 3 (continued)

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Disabled members:			
• Number in pay status	N/A	N/A	N/A
• Average service at retirement	N/A	N/A	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Beneficiaries:			
• Number in pay status	1	N/A	N/A
• Average age	45.0	N/A	N/A
• Average monthly benefit (includes July COLA)	$2,580	N/A	N/A

Exhibit B: Members in Active Service as of June 30, 2023 by Age, Years of Service,[1] and Average Projected Compensation[2]

Total Plan

		Years of Service									
Age	**Total**	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35 – 39**	**40 & over**
Under 25	696	693	3	—	—	—	—	—	—	—
	$56,900	$56,947	$46,056	—	—	—	—	—	—	—
25 – 29	2,044	1,636	407	1	—	—	—	—	—	—
	$71,664	$70,813	$75,076	$75,819	—	—	—	—	—	—
30 – 34	2,996	1,607	1,275	101	13	—	—	—	—	—
	$81,633	$73,842	$90,711	$90,645	$84,266	—	—	—	—	—
35 – 39	2,811	1,111	1,059	320	314	7	—	—	—	—
	$92,427	$81,549	$96,986	$106,855	$101,129	$79,225	—	—	—	—
40 – 44	3,236	865	805	320	943	297	6	—	—	—
	$103,097	$84,869	$103,607	$106,586	$114,797	$114,098	$92,864	—	—	—
45 – 49	3,302	672	553	226	864	843	139	5	—	—
	$105,736	$79,021	$102,678	$107,404	$111,506	$120,606	$118,514	$99,954	—	—
50 – 54	3,575	553	480	202	727	895	454	237	27	—
	$107,605	$79,403	$96,951	$100,285	$104,938	$118,740	$128,653	$126,111	$115,718	—
55 – 59	3,294	411	347	187	639	752	408	407	139	4
	$108,191	$79,958	$98,597	$93,585	$97,784	$110,122	$130,076	$137,968	$121,646	$94,019
60 – 64	2,259	246	300	155	451	513	226	223	124	21
	$104,134	$81,916	$91,897	$87,012	$94,233	$108,180	$121,152	$129,869	$134,158	$145,686
65 – 69	1,090	86	133	78	292	246	84	94	52	25
	$102,015	$81,932	$92,560	$87,007	$95,473	$103,379	$116,724	$119,351	$147,656	$121,662
70 & over	572	41	48	49	123	155	46	42	40	28
	$89,942	$66,349	$80,523	$79,095	$77,500	$91,289	$98,994	$107,061	$120,354	$122,829
Total	**25,875**	**7,921**	**5,410**	**1,639**	**4,366**	**3,708**	**1,363**	**1,008**	**382**	**78**
	$97,089	**$75,468**	**$94,961**	**$99,886**	**$104,473**	**$113,342**	**$124,908**	**$130,176**	**$128,694**	**$127,131**

[1] Based on employment service. Average employment service is 12.5 years compared to average benefit service of 11.7 years.
[2] Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit B: Members in Active Service as of June 30, 2023 by Age, Years of Service,[1] and Average Projected Compensation[2] (continued)

Tier 1

		Years of Service								
Age	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	23	23	—	—	—	—	—	—	—	—
	$48,514	$48,514	—	—	—	—	—	—	—	—
25 – 29	379	179	199	1	—	—	—	—	—	—
	$63,109	$56,452	$69,033	$75,819	—	—	—	—	—	—
30 – 34	1,001	172	719	99	11	—	—	—	—	—
	$84,897	$65,633	$88,809	$89,920	$85,246	—	—	—	—	—
35 – 39	1,291	89	583	306	306	7	—	—	—	—
	$97,089	$66,438	$95,623	$105,505	$100,790	$79,225	—	—	—	—
40 – 44	2,027	49	439	305	934	294	6	—	—	—
	$109,560	$69,788	$102,517	$105,773	$114,853	$114,159	$92,864	—	—	—
45 – 49	2,390	42	296	217	856	838	137	4	—	—
	$113,014	$60,933	$105,355	$106,942	$111,289	$120,760	$118,754	$105,669	—	—
50 – 54	2,810	41	261	195	712	887	452	235	27	—
	$112,902	$63,665	$96,115	$99,814	$104,157	$118,499	$128,790	$125,477	$115,718	—
55 – 59	2,734	48	165	184	636	746	406	406	139	4
	$112,058	$61,434	$95,676	$93,523	$97,636	$110,157	$130,104	$138,032	$121,646	$94,019
60 – 64	1,893	26	158	155	449	513	226	221	124	21
	$106,917	$50,472	$89,127	$87,012	$94,055	$108,180	$121,152	$129,915	$134,158	$145,686
65 – 69	966	10	86	78	291	246	84	94	52	25
	$103,832	$61,108	$92,411	$87,007	$95,471	$103,379	$116,724	$119,351	$147,656	$121,662
70 & over	531	11	37	49	123	155	46	42	40	28
	$90,729	$45,200	$76,174	$79,095	$77,500	$91,289	$98,994	$107,061	$120,354	$122,829
Total	**16,045**	**690**	**2,943**	**1,589**	**4,318**	**3,686**	**1,357**	**1,002**	**382**	**78**
	$106,079	**$61,422**	**$93,527**	**$99,151**	**$104,242**	**$113,315**	**$124,982**	**$130,118**	**$128,694**	**$127,131**

1 Based on employment service. Average employment service for Tier 1 is 18.1 years compared to average benefit service of 17.0 years.
2 Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit B: Members in Active Service as of June 30, 2023 by Age, Years of Service,[1] and Average Projected Compensation[2] (continued)

Tier 3

		Years of Service								
Age	**Total**	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35 – 39**	**40 & over**
Under 25	673	670	3	—	—	—	—	—	—	—
	$57,187	$57,237	$46,056	—	—	—	—	—	—	—
25 – 29	1,665	1,457	208	—	—	—	—	—	—	—
	$73,612	$72,577	$80,857	—	—	—	—	—	—	—
30 – 34	1,995	1,435	556	2	2	—	—	—	—	—
	$79,995	$74,826	$93,172	$126,504	$78,876	—	—	—	—	—
35 – 39	1,520	1,022	476	14	8	—	—	—	—	—
	$88,467	$82,865	$98,655	$136,353	$114,095	—	—	—	—	—
40 – 44	1,209	816	366	15	9	3	—	—	—	—
	$92,261	$85,775	$104,915	$123,127	$108,983	$108,128	—	—	—	—
45 – 49	912	630	257	9	8	5	2	1	—	—
	$86,665	$80,227	$99,594	$118,553	$134,712	$94,706	$102,084	$77,095	—	—
50 – 54	765	512	219	7	15	8	2	2	—	—
	$88,148	$80,663	$97,946	$113,400	$142,012	$145,377	$97,710	$200,599	—	—
55 – 59	560	363	182	3	3	6	2	1	—	—
	$89,312	$82,407	$101,245	$97,399	$129,304	$105,683	$124,269	$111,706	—	—
60 – 64	366	220	142	—	2	—	—	2	—	—
	$89,738	$85,632	$94,979	—	$134,254	—	—	$124,776	—	—
65 – 69	124	76	47	—	1	—	—	—	—	—
	$87,858	$84,672	$92,832	—	$96,155	—	—	—	—	—
70 & over	41	30	11	—	—	—	—	—	—	—
	$79,750	$74,103	$95,152	—	—	—	—	—	—	—
Total	**9,830**	**7,231**	**2,467**	**50**	**48**	**22**	**6**	**6**	**—**	**—**
	$82,416	**$76,809**	**$96,671**	**$123,237**	**$125,246**	**$117,956**	**$108,021**	**$139,925**	**—**	**—**

1 Based on employment service. Average employment service for Tier 3 is 3.5 years compared to average benefit service of 3.1 years. We understand that some Tier 3 members entered LACERS with incoming reciprocal (i.e., employment) service. Such service is only used for eligibility determination purposes.
2 Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit C: Reconciliation of Member Data

	Active Members	Inactive Vested Members	Service Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2022	**24,917**	**10,379**	**17,399**	**819**	**4,181**	**57,695**
• New members	2,496	0	0	0	286	2,782
• Terminations – with vested rights	-1,269	1,269	0	0	0	0
• Contribution refunds	-71	-169	0	0	0	-240
• Retirements	-477	-117	594	0	0	0
• New disabilities	-1	-11	0	12	0	0
• Return to work	331	-330	0	-1	0	0
• Died with or without beneficiary	-51	-35	-536	-31	-210	-863
• Data adjustments	0	162[1]	0	0	-3	159
Number as of June 30, 2023	**25,875**	**11,148**	**17,457**	**799**	**4,254**	**59,533**

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

[1] Includes members who were both hired and terminated employment after June 30, 2022.

Exhibit D: Summary Statement of Income and Expenses on a Market Value Basis for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2023		Year Ended June 30, 2022	
Net assets at market value at the beginning of the year		**$20,454,103,991**		**$22,805,339,941**
Prior period adjustments		0		(19,987)[1]
Subtotal		$20,454,103,991		$22,805,319,954
Contribution income:				
• Employer contributions	$760,019,088		$682,928,074	
• Member contributions	259,976,824		245,878,551	
Net contribution income		$1,019,995,912		$928,806,625
Investment income:				
• Interest, dividends and other income	$484,084,745		$459,637,714	
• Asset appreciation	1,181,447,188		(2,245,698,458)	
• Less investment and administrative fees	(164,724,805)		(161,667,882)	
Net investment income		$1,500,807,128		$(1,947,728,626)
Total income available for benefits		**$2,520,803,040**		**$(1,018,922,001)**
Less benefit payments:				
• Benefits paid[2]	$(1,371,245,288)		$(1,320,663,863)	
• Member refunds	(14,396,630)		(11,630,099)	
Net benefit payments		$(1,385,641,918)		$(1,332,293,962)
Change in net assets at market value		$1,135,161,122		$(2,351,215,963)
Net assets at market value at the end of the year		**$21,589,265,113**		**$20,454,103,991**

Note: Results may be slightly off due to rounding.

[1] Adjustment made to beginning of year assets in order to match the June 30, 2021 end of year value as noted in the Statement of Changes in Fiduciary Net Position, Retirement Plan and Postemployment Health Care Plan, For the Fiscal Year Ended June 30, 2022, with Comparative Totals, provided by LACERS.
[2] Includes offsets related to self funded dental insurance premium and health insurance premium reserve.

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

	June 30, 2023		June 30, 2022	
Cash equivalents		$427,788,364		$428,386,988
Accounts receivable:				
• Accrued investment income	$89,224,757		$79,684,301	
• Proceeds from sales of investments	93,978,913		135,169,157	
• Other	12,661,960		10,862,885	
Total accounts receivable		$195,865,630		$225,716,343
Investments:				
• Fixed income	$5,011,434,541		$5,151,890,589	
• Equities	10,152,233,548		9,502,159,992	
• Real estate and alternative investment	5,416,827,780		4,963,175,949	
• Derivative instruments	(1,886,090)		(1,252,530)	
• Other	785,386,148		960,814,353	
Total investments at market value		$21,363,995,927		$20,576,788,353
Capital assets		60,725,661		53,305,470
Total assets		$22,048,375,582		$21,284,197,154
Accounts payable:				
• Accounts payable and accrued expenses	$(93,664,527)		$(88,838,675)	
• Accrued investment expenses	(8,818,953)		(19,981,850)	
• Purchases of investments	(145,060,285)		(204,713,269)	
• Securities lending collateral	(210,806,062)		(515,987,947)	
Total accounts payable		$(458,349,827)		$(829,521,741)
Deferred inflow of resources		$(760,642)		$(571,422)
Net assets at market value		**$21,589,265,113**		**$20,454,103,991**
Net assets at actuarial value		**$22,239,263,545**		**$21,218,951,507**
Net assets at valuation value		**$18,493,821,018**		**$17,649,267,571**

Note: Results may be slightly off due to rounding.

Exhibit F: Development of the Fund through June 30, 2023 for Retirement, Health, Family Death, and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return[1]	Benefit Payments[2]	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2014	$455,658,786	$204,135,914	$2,180,005,302	$826,566,921	$13,935,771,998	$12,935,503,398	92.8%
2015	481,765,868	207,564,465	348,113,908	848,455,864[3]	14,124,760,375	13,895,589,227	98.4%
2016	546,687,123	211,344,752	7,190,895	884,923,630	14,005,059,515	14,752,102,625	105.3%
2017	550,961,514	227,531,810	1,834,657,728	928,640,257	15,689,570,310	15,686,973,131	100.0%
2018	551,247,264	236,222,166	1,498,100,177	985,523,573[4]	16,989,616,344	16,687,907,767	98.2%
2019	586,753,902	240,357,396	945,590,839	1,054,408,548	17,707,909,933	17,711,461,636	100.0%
2020	665,358,602	263,935,650	338,862,747	1,112,742,566	17,863,324,366	18,697,966,253	104.7%
2021	658,408,020	259,284,497	5,258,341,258	1,234,018,200	22,805,339,941	20,083,918,240	88.1%
2022	682,928,074	245,878,551	(1,947,748,613)[5]	1,332,293,962	20,454,103,991	21,218,951,507	103.7%
2023	760,019,088	259,976,824	1,500,807,128	1,385,641,918	21,589,265,113	22,239,263,545	103.0%

Note: Results may be slightly off due to rounding.

[1] On a market value basis, net of investment fees and administrative expenses.

[2] Includes offsets related to self funded dental insurance premium and health insurance premium reserve starting with the June 30, 2019 valuation.

[3] Includes transfer of $2,614,765 to Fire and Police Pension for Office of Public Safety.

[4] Includes approximately $3.0 million transferred to LAFPP on January 5, 2018 for the APO who transferred from LACERS to LAFPP on January 7, 2018.

[5] Includes prior period adjustment of $(19,987) for Exhibit F reconciliation purposes only. Note that in the development of the June 30, 2022 actuarial value of assets, this adjustment was treated differently than the rest of the net investment return in that it was fully recognized immediately, as agreed to by LACERS.

Exhibit G: Table of Amortization Bases

Type	Date Established	Initial Amount	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Plan amendment (2009 ERIP)	June 30, 2009	$300,225,354	15	$42,603,594	1	$42,603,594
Combined base	June 30, 2012	4,173,548,280	30	4,643,456,579	19	336,970,216
Experience loss	June 30, 2013	116,022,989	15	65,162,140	5	14,043,916
Experience gain	June 30, 2014	(215,549,892)	15	(137,123,364)	6	(25,084,626)
Change in assumptions	June 30, 2014	785,439,114	20	683,952,207	11	74,682,418
Experience gain	June 30, 2015	(185,473,782)	15	(130,254,340)	7	(20,800,498)
Experience gain	June 30, 2016	(255,444,007)	15	(194,015,399)	8	(27,606,134)
Experience gain	June 30, 2017	(99,814,895)	15	(80,717,339)	9	(10,394,682)
Change in assumptions	June 30, 2017	340,717,846	20	320,444,755	14	28,977,953
Experience loss	June 30, 2018	147,418,362	15	125,847,841	10	14,849,367
Change in assumptions	June 30, 2018	483,717,164	20	463,345,927	15	39,789,825
Plan amendment (APO Tier 1 Enhancement)	January 7, 2018	25,170,149	15	21,333,556	9.5	2,626,157
Experience loss	June 30, 2019	394,012	15	351,565	11	38,388
Experience loss	June 30, 2020	393,785,997	15	364,252,675	12	37,108,880
Change in assumptions	June 30, 2020	530,720,225	20	520,783,660	17	40,835,903
Experience gain	June 30, 2021	(233,981,212)	15	(223,368,811)	13	(21,377,386)
Experience gain	June 30, 2022	(134,440,689)	15	(131,685,964)	14	(11,908,417)
Experience loss	June 30, 2023	564,047,478	15	564,047,478	15	48,437,570
Change in assumptions	June 30, 2023	(112,700,660)	20	(112,700,660)	20	(7,900,568)
Total				**$6,805,716,100**		**$555,891,876**

Note: the equivalent single amortization period is about 16 years.

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

Exhibit H: Projection of UAAL Balances and Payments

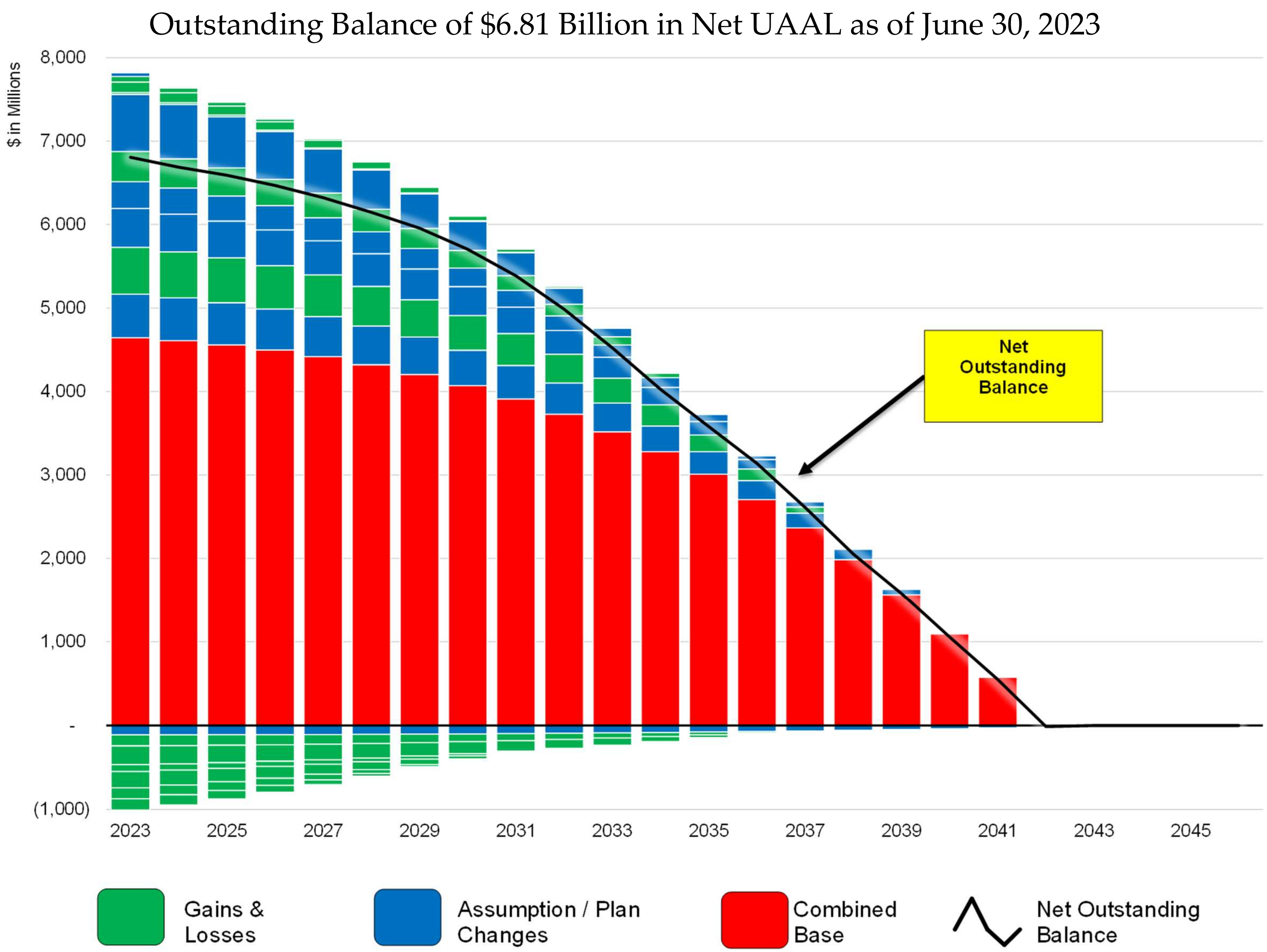


Exhibit H: Projection of UAAL Balances and Payments (continued)

Annual Payments Required to Amortize $6.81 Billion in Net UAAL as of June 30, 2023

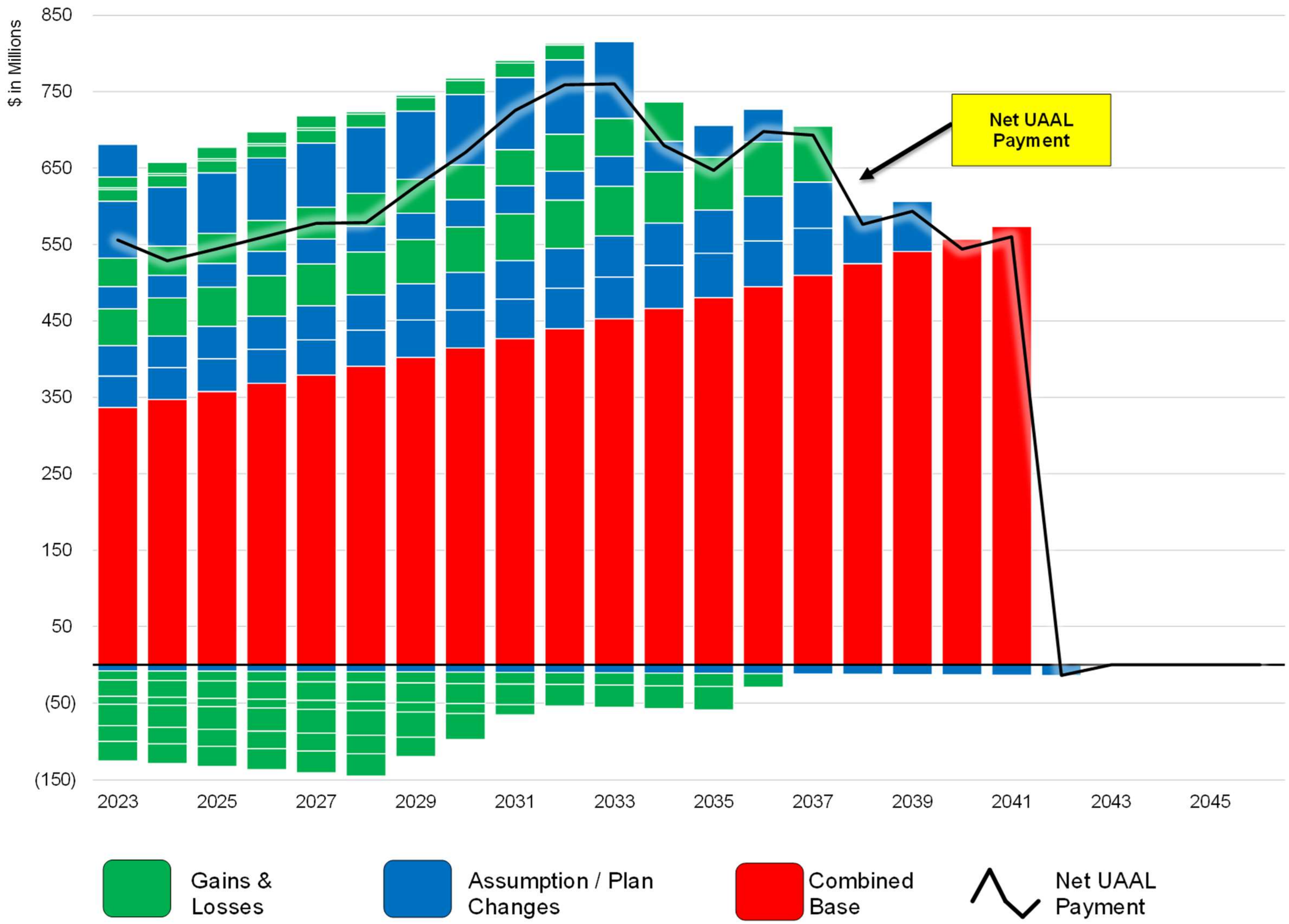


Exhibit I: Definition of Pension Terms

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

Actuarial Accrued Liability for Actives:	The equivalent of the accumulated Normal Costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Pensioners and Beneficiaries:	The single-sum value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
Actuarial Gain or Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield in actuarial liabilities that are larger than projected.
Actuarially Equivalent:	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is: Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the Actuarially Determined Contribution (ADC) and the Net Pension Liability (NPL).
Actuarial Value of Assets (AVA):	The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.
Actuarially Determined Contribution (ADC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ADC, that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Assumptions or Actuarial Assumptions:	The estimates upon which the cost of the Fund is calculated, including: Investment return - the rate of investment yield that the Fund will earn over the long-term future; Mortality rates - the death rates of employees and pensioners; life expectancy is based on these rates; Retirement rates - the rate or probability of retirement at a given age or service; Disability rates – the probability of disability retirement at a given age; Withdrawal rates - the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; Salary increase rates - the rates of salary increase due to inflation and productivity growth.
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula applied to the member's compensation and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Fund that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.
Funded Ratio:	The ratio of the Valuation Value of Assets (VVA) to the Actuarial Accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the VVA.
Investment Return:	The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Normal Cost:	That portion of the Actuarial Present Value of pension plan benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Valuation Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of non-valuation reserves.

Section 4: Actuarial Valuation Basis

Exhibit 1: Actuarial Assumptions and Methods

Rationale for Assumptions:	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 members. These assumptions have been adopted by the Board.
<u>Economic Assumptions</u>	
Net Investment Return:	7.00%; net of administrative and investment expenses. Based on the Actuarial Experience Study report referenced above, expected administrative and investment expenses represent about 0.20% of the Actuarial Value of Assets.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 2.50% is used to approximate that crediting rate in this valuation.
Cost of Living Adjustment (COLA):	Retiree COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA to 3.00% per year until their COLA banks are exhausted.
Payroll Growth:	Inflation of 2.50% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 2.50% per year from the valuation date.

Salary Increases:

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

Merit and Promotion Increases

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

Section 4: Actuarial Valuation Basis

Demographic Assumptions:

Post-Retirement Mortality Rates:

Healthy Members

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

Disabled Members

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

Beneficiaries

- **Beneficiaries not currently in pay status:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
- **Beneficiaries currently in pay status:** Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

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

Pre-Retirement Mortality Rates:

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

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

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

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

Disability Incidence:

Disability Incidence

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

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

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

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

Termination:

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

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

Retirement Rates:

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

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

Retirement Age and Benefit for Inactive Vested Members: Pension benefit paid at the later of age 60 or the current attained age for members retiring from deferred status and at the later of age 59 and the current attained age for members retiring from reciprocal status. For reciprocals, 4.00% compensation increases per annum.

Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
Service:	Benefit service is used for benefit calculation purposes. For eligibility determination purposes, employment service is used for currently active members and vesting service is used for currently inactive members.
Future Benefit Accruals:	1.0 year of service credit per year.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Form of Payment:	All active and inactive Tier 1 and Tier 3 members who are assumed to be married or with domestic partners at retirement are assumed to elect the 50% Joint and Survivor Cash Refund Annuity. For Tier 1 Enhanced, the continuance percentage is 70% for service retirement and nonservice-connected disability, and 80% for service-connected disability. Those members who are assumed to be un-married or without domestic partners are assumed to elect the Single Cash Refund Annuity.
Percent Married/Domestic Partner:	For all active and inactive members, 76% of male participants and 52% of female participants are assumed to be married or with domestic partner at pre-retirement death or retirement.
Age and Gender of Spouse:	For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.
Actuarial Funding Policy	
Actuarial Cost Method:	Entry Age Cost Method, level percent of salary. Entry age is calculated as age on the valuation date minus years of benefit service rounded down to the number of completed years. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.
Actuarial Value of Assets:	Market value of assets (MVA) less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets (AVA) is limited by a 40% corridor; the AVA cannot be less than 60% of MVA, nor greater than 140% of MVA.
Valuation Value of Assets:	The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value.
Amortization Policy:	The amortization method for the UAAL is a level percent of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). Changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012.

Other Actuarial Methods	
Employer Contributions:	Employer contributions consist of two components: *Normal Cost* The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is determined as a level percentage of the member's compensation. *Contribution to the Unfunded Actuarial Accrued Liability (UAAL)* The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase). The amortization policy is described on the previous page. The recommended employer contributions are provided in *Section 2, Subsection F*.
Internal Revenue Code Section 415:	Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan. A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active members could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets. In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $265,000 for 2023. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions. Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m). Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard. Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.
Justification for Change in Actuarial Assumptions:	Based on the July 1, 2019 through June 30, 2022 Actuarial Experience Study, the following actuarial assumptions were changed. Previously, these assumptions were:

Economic Assumptions	
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 2.75% is used to approximate that crediting rate in this valuation.
Payroll Growth:	Inflation of 2.75% per year plus real "across the board" salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 2.75% per year from the valuation date.
Salary Increases:	The annual rate of compensation increase includes: inflation at 2.75%, plus "across the board" salary increases of 0.50% per year, plus the following merit and promotion increases:

Merit and Promotion Increases

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

Demographic Assumptions:	
Post-Retirement Mortality Rates:	*Healthy Members* • Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019. *Disabled Members* • Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019. *Beneficiaries* • Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019. The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.
Pre-Retirement Mortality Rates:	• Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019.

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

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

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

Disability Incidence:

Disability Incidence

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

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

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

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

Termination:

Less Than Five Years of Service

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

Five or More Years of Service

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

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

Retirement Rates:

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

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

Retirement Age and Benefit for Inactive Vested Members: Pension benefit paid at the later of age 59 or the current attained age. For reciprocals, 4.25% compensation increases per annum.

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

Section 4: Actuarial Valuation Basis

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

Exhibit 2: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	July 1 through June 30
Census Date:	June 30
Membership Eligibility:	
Tier 1 *(§ 4.1002(a))* *(§ 4.1002.1)*	All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016. Includes Airport Peace Officers who did not pay for enhanced benefits.
Tier 1 Enhanced *(§4.1002(e))*	All Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of $5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier.
Tier 3 *(§4.1080.2(a))*	All employees who became members of the System on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.
Normal Retirement Benefit:	
Tier 1 & Tier 1 Enhanced *Age & Service Requirement* *(§ 4.1005(a))*	Age 70; or Age 60 with 10 years of continuous City service; or Age 55 with at least 30 years of City service.
Tier 1 *Amount (§ 4.1007(a))*	2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.
Tier 1 Enhanced *Amount (§ 4.1007(a))*	2.30% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.

Normal Retirement Benefit: (continued)	
Tier 3	
• *With less than 30 Years of Service (§ 4.1080.5(a)(2)(i))*	
Age & Service Requirement	Age 60 with 10 years of service, including 5 years of continuous City service.
Amount	1.50% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.
• *With 30 or more Years of Service (§ 4.1080.5(a)(2)(ii))*	
Age & Service Requirement	Age 60 with 30 years of service, including 5 years of continuous City service.
Amount	2.00% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.
	[1] Except when benefit is based solely on the annuity component funded by the member's contributions.
Early Retirement Benefit:	
Tier 1 & Tier 1 Enhanced	Age 55 with 10 years of continuous City service; or
Age & Service Requirement (§ 4.1005(b))	Any age with 30 years of City service.
Amount (§ 4.1007(a) & (b))	2.16% and 2.30% per year of service credit for Tier 1 and Tier 1 Enhanced, respectively, (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following Early Retirement benefit adjustment factors:

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

Early Retirement Benefit: (continued)	
Tier 3	Prior to age 60 with 30 years of service, including 5 years of continuous City service.
Age & Service Requirement (§ 4.1080.5(a)(1))	2.00% per year of service credit (not greater than 80%[1]) of the Final Average Monthly Compensation, reduced for retirement ages below age 55 using the following Early Retirement benefit adjustment factors:
Amount (§ 4.1080.5(a)(1))	

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

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

Enhanced Retirement Benefit:	
Tier 1 & Tier 1 Enhanced	
Age & Service Requirement	Not applicable - see Normal Retirement age and service requirement.
Amount	Not applicable - see Normal Retirement amount.
Tier 3	
• *With less than 30 Years of Service (§ 4.1080.5(a)(3)(i))*	
Age & Service Requirement	Age 63 with 10 years of service, including 5 years of continuous City service.
Amount	2.00% per year of service credit at age 63 (not greater than 80%[1]) of the Final Average Monthly Compensation.
• *With 30 or more Years of Service (§ 4.1080.5(a)(3)(ii))*	
Age & Service Requirement	Age 63 with 30 years of service, including 5 years of continuous City service.
Amount	2.10% per year of service credit at age 63 (not greater than 80%[1]) of the Final Average Monthly Compensation.

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

Service Credit:	
Tier 1, Tier 1 Enhanced, & Tier 3 (§ 4.1001(a) & § 4.1080.1(a))	The time component of the formula used by LACERS for purposes of calculating benefits.

Section 4: Actuarial Valuation Basis

Final Average Monthly Compensation:	
Tier 1 & Tier 1 Enhanced (§ 4.1001(b))	Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.[1]
Tier 3 (§ 4.1080.1(b))	Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary and any items of compensation that are designated as pension based.[1]
	[1] IRC Section 401(a)(17) compensation limit would apply to all employees who began membership in LACERS after June 30, 1996.
Post-Retirement Cost-of-Living Benefits:	
Tier 1 & Tier 1 Enhanced (§ 4.1022)	Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 3% per year; excess banked.
Tier 3 (§ 4.1080.17)	Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 2% per year; excess not banked.
	[1] Currently referred to as the Los Angeles-Long Beach-Anaheim Area, by the Bureau of Labor Statistics.
Death after Retirement:	
Tier 1 & Tier 3 (§ 4.1010(c), § 4.1080.10(c), & § 4.1012(c))	(i) 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);[1] (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. [1] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1080.14 (Tier 3).
Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), and § 4.1010.1(j)) • *While on service-connected disability*	(i) 80% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement) [1, 2] (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. [1] If the death occurs within three years of the retiree's retirement, the eligible survivor shall receive 80% of the Final Average Monthly Compensation (adjusted with Cost of Living benefit). [2] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provision of Section 4.1010.1(c).

Death after Retirement: (continued)	
• *While on nonservice-connected disability or service retirement*	(i) 70% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement)[3] (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. [3] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provision of Section 4.1010.1(c).
Death before Retirement:	
Tier 1, Tier 1 Enhanced & Tier 3 (§ 4.1010(a), § 4.1010.1(b), & § 4.1080.10(a))	Greater of: Option #1: (i) Eligibility – None. (ii) Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:[1]

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

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

Tier 1 & Tier 3	Option #2: (i) Eligibility – Duty-related death or after 5 years of continuous service. (ii) Benefit – Deferred, service, optional, or disability survivorship benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner. (Limited pension waived.) (iii) Refund of accumulated contributions. No survivorship benefit payable with refund.

Death before Retirement: (continued)	
Tier 1 Enhanced	Option #2
• *Service-Connected Death*	(i) Eligibility – None. (ii) Benefit – 80% of member's Final Average Monthly Compensation.
• *Nonservice-Connected Death*	(i) Eligibility – 5 years of service (unless on military leave and killed while on military duties). (ii) Benefit – 50% of member's Final Average Monthly Compensation. (iii) Eligibility – Less than 5 years of service. (iv) Benefit – The Basic Death Benefit shall consist of: (1) the return of a deceased Member's accumulated contributions to the Retirement System with accrued interest thereon, subject to the rights created by virtue of the Member's designation of a beneficiary as otherwise provided in the Retirement System; and (2) if the deceased Member had at least one year of service, the deceased Member's Final Compensation multiplied by the number of completed years of Service, not to exceed six years, provided that said amount shall be paid in monthly installments of one-half of the deceased Member's Final Compensation.
Member Contributions:	
Tier 1 & Tier 1 Enhanced *(§ 4.1003)*	Effective July 1, 2011, the member contribution rate became 7% for all employees. Of the 7% rate, 0.5% is the survivor contribution portion and 6.5% is the normal contribution. The 7% member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance No. 180926) is fully paid, whichever comes first.[1] Beginning January 1, 2013, all non-represented members and members in certain bargaining groups are required to pay an additional 4% member contribution rate to defray the cost of providing a Retiree Medical Plan premium subsidy (this additional rate has increased to 4.5% for certain members). For Tier 1 (excluding Tier 1 Enhanced), members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the member contributions (i.e., generally based on a contribution rate of 0.5% of pay). [1] The member contribution rate will drop to 6% afterwards.
Tier 3 *(§ 4.1080.3)*	The member contribution rate is 7% for all employees. Of the 7% rate, 0.5% is the survivor contribution portion and 6.5% is the normal contribution. All members are required to pay an additional 4% member contribution rate to defray the cost of providing a Retiree Medical Plan premium subsidy. Members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the member contributions (i.e., generally based on a contribution rate of 0.5% of pay).

Disability:	
<u>Tier 1 & Tier 3</u>	
Service Requirement	
(§ 4.1008(a) & § 4.1080.8(a))	5 years of continuous service
Amount[1] *(§ 4.1008(c) & § 4.1080.8(c))*	1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater. [1] The benefit calculated using the service retirement formula will be paid if the member is eligible and that benefit is greater than that calculated under the disability retirement formula.
<u>Tier 1 Enhanced</u>	
Service Requirement	
(§ 4.1008.1)	
• *Service-Connected Disability*	None
• *Nonservice-Connected Disability*	5 years of continuous service
Amount[1]	
(§ 4.1008.1)	
• *Service-Connected Disability*	30% to 90% of the Final Average Monthly Compensation depending on severity of disability, with a minimum of 2% of the Final Average Monthly Compensation per year of service.
• *Nonservice-Connected Disability*	30% to 50% of the Final Average Monthly Compensation depending on severity of disability. [1] The benefit calculated using the service retirement formula will be paid if the member is eligible and that benefit is greater than that calculated under the disability retirement formula.
Deferred Retirement Benefit (Vested):	
<u>Tier 1 & Tier 1 Enhanced</u>	
(§ 4.1006)	
Age & Service Requirement	Age 70 with 5 years of continuous City service; or Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or Age 55 with at least 30 years of service. Deferred employee who meets part-time eligibility: age 60 and at least 10 years elapsed from first date of membership.
Amount	Normal retirement benefit (or refund of contributions and accumulated interest).

Deferred Retirement Benefit (Vested): (continued)	
Age & Service Requirement	A former member who is not yet age 60 may retire for early retirement with an age-based reduced retirement allowance at age 55 or older with 5 years of continuous City service, provided at least 10 years have elapsed from first date of membership. Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.
Amount	Early retirement benefit (or refund of contributions and accumulated interest), using the following Early Retirement benefit adjustment factors:

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

Tier 3	
(§ 4.1080.6)	
Age & Service Requirement	Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or Age 70 with 5 years of continuous City service, regardless of the number of years that have elapsed from first date of membership.
Amount	Normal retirement benefit (based on a Retirement Factor of 1.50%; or refund of contributions and accumulated interest).
Age & Service Requirement	Age 60 with 30 years of continuous City service and at least 10 years elapsed from first date of membership; or Age 63 with 10 years of service, including 5 years of continuous City service.
Amount	Normal retirement benefit (benefit based on a Retirement Factor of 2.00%; or refund of contributions and accumulated interest).
Age & Service Requirement	Age 63 with 30 years of continuous City service and at least 10 years elapsed from first date of membership.
Amount	Enhanced retirement benefit (full retirement benefit based on an unreduced Retirement Factor of 2.10%; or refund of contributions and accumulated interest).

Deferred Retirement Benefit (Vested): (continued)	
Tier 3	
Age & Service Requirement	Age 55 (but not yet 60) with 5 years of continuous City service and at least 10 years elapsed from first date of membership.
Amount	Early retirement benefit (based on a Retirement Factor of 1.50% and using the following Early Retirement benefit adjustment factors; or refund of contributions and accumulated interest):

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

Withdrawal of Contributions Benefit (Ordinary Withdrawal):	Refund of employee contributions with interest.
Changes in Plan Provisions:	There have been no changes in plan provisions since the last valuation.

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

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BOARD Meeting: 11/14/23
Item: V-A
Attachment 3

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

This report has been prepared at the request of the Board of Administration to assist in administering the Fund. This valuation 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 actuarial valuation may not be applicable for other purposes.

Segal

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November 7, 2023

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2023. The report summarizes the actuarial data used in the valuation, establishes the Actuarially Determined Contribution (ADC) for the Fiscal Year 2024/2025, and analyzes the preceding year's experience. This report was based on the census and unaudited financial data provided by the System and the terms of the Plan as summarized in Exhibit III. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary and Mehdi Riazi, FSA, MAAA, FCA, EA. The health components were completed under the supervision of Mary Kirby, FSA, MAAA, FCA.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the System. That assistance is gratefully acknowledged.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibits II and III.

Sincerely,

Segal

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

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

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

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

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Section 1: Actuarial Valuation Summary

Purpose

This report presents the results of our actuarial valuation of the City of Los Angeles Employees' Retirement System OPEB plan as of June 30, 2023 for funding purposes. The results of the valuation for financial reporting purposes consistent with GASB Statement No. 74 are provided in a separate report.

Highlights of the Valuation

- The results of this valuation reflect changes in the actuarial assumptions adopted by the Board on June 27, 2023. These new assumptions are referenced in Section 4. The assumption changes increased the combined (Tier 1 and Tier 3) City contribution rate by 0.42% of payroll (payable on July 15) and decreased the UAAL by $57.6 million.
- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 96.99% to 107.10%. On a market value of assets basis, the funded ratio increased from 93.49% to 103.97%. The unfunded actuarial accrued liability decreased from $107.7 million to ($241.9) million. The primary reasons for the decrease in the UAAL were: (i) 2024 premiums, underlying claims estimates and subsidy levels were overall lower than expected; the savings produced by the Medicare plan premiums (which either remained level or decreased) more than offset the losses from the larger than expected premium increases for the non-Medicare plan premiums; updates to the actuarial spread factor methodology also contributed to the savings (ii) reflecting assumptions based on the triennial experience study, and (iii) the overall impact of the updated trend assumptions produced savings for the plan; although the trend rates for 2025 and after were slightly increased, the first year trend assumption for fiscal year 2023/2024 was lower than expected due to the 2024 premium experience. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 2, Subsection B.
- The recommended contribution rate has decreased from 3.93% of payroll to 3.32% of payroll and the recommended contribution amount has decreased from $88.7 million to $83.4 million, assuming contributions are received by LACERS on July 15. The main reasons for the decrease in the contribution rates were (i) the 2024 premium/subsidy experience and its impact on the trend rate assumptions, and (ii) a higher-than-expected increase to total projected payroll. A complete reconciliation of the change in the recommended contribution rate is provided in Section 2, Subsection D. Rates are shown separately for Tier 1 and Tier 3 in Section 2, Subsection E.
- The valuation value of assets was more than the total actuarial accrued liability as of June 30, 2023. Therefore, all prior amortization bases are deemed to have been fully amortized. Based on the amortization method described in Exhibit I (Summary of Supplementary Information), the actuarial surplus as of June 30, 2023 was amortized over a 30-year open (non-decreasing)

period. As shown in Section 2, Subsection D, the overall contribution rate of 3.32% is based on the plan's normal cost of 3.85% and a 0.53% credit related to the funding surplus.

- As noted above, the GAS 74 report with a measurement date of June 30, 2023 for financial reporting purposes for the Plan is provided as a separate report.
- The GAS 75 report with a measurement date of June 30, 2023 for financial reporting purposes for the employer (with a reporting date of June 30, 2024) will be provided in the first or second quarter of 2024.
- The actuarial valuation report as of June 30, 2023 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.
- As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following dates:
  - The beginning of the fiscal year, or
  - On July 15, 2024, or
  - Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).

Summary of Valuation Results

	June 30, 2023	June 30, 2022
Actuarial Accrued Liability (AAL)	$3,405,088,528	$3,580,696,288
Valuation Value of Assets	3,646,978,226	3,472,955,743
Unfunded Actuarial Accrued Liability	(241,889,698)	107,740,545
Funded Ratio on Valuation Value Basis	107.10%	96.99%
Market Value of Assets	$3,540,386,112	$3,347,771,350
Funded Ratio on Market Value Basis	103.97%	93.49%
Actuarially Determined Contribution (ADC)		
Normal cost (beginning of year)	$96,467,041	$81,027,749
Amortization of the unfunded actuarial accrued liability	(13,275,741)	7,402,677
Total Actuarially Determined Contribution (beginning of year)	**$83,191,300**	**$88,430,426**
Total Actuarially Determined Contribution (July 15)	**$83,422,934**	**$88,676,648**
Total Actuarially Determined Contribution (end of each pay period)	**$86,053,750**	**$91,473,144**
Total projected compensation[1]	$2,512,179,018	$2,258,724,771
ADC as a percentage of pay (there is a 12-month delay until the rate is effective)[2]		
Beginning of year	3.31%	3.92%
July 15	3.32%	3.93%
End of each pay period	3.43%	4.05%
Total Participants[3]	51,320	50,391

[1] Reflects amount calculated in the pension valuation.
[2] A breakdown of the ADC by tier is provided in Section 2, Subsection E.
[3] Includes 132 pensioners and beneficiaries as of June 30, 2023 and 139 pensioners and beneficiaries as of June 30, 2022 entitled but not yet eligible for health benefits.

Important Information about Actuarial Valuations

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

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

Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
Participant information	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	Part of the cost of a plan will be paid from existing assets — the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the System. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to healthcare trends and member enrollment in retiree health benefits. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.

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

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

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

As Segal has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

Actuarial Certification

November 7, 2023

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

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

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

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

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

Financial Section

1. Schedule of Net OPEB Liability*
2. Schedule of Changes in Net OPEB Liability and Related Ratios*
3. Schedule of Contribution History*

Section 1: Actuarial Valuation Summary

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7. Schedule of Funded Liabilities by Type
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net OPEB Liability and Related Ratios*

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

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

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

Andy Yeung	Mehdi Riazi	Mary Kirby
Andy Yeung, ASA, MAAA, FCA, EA Vice President and Actuary	Mehdi Riazi, FSA, MAAA, FCA, EA Vice President and Actuary	Mary Kirby FSA, MAAA, FCA Senior Vice President and Actuary

Section 2: Actuarial Valuation Results

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

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

	Actuarial Present Value of Total Projected Benefits (APB)	
	June 30, 2023	**June 30, 2022**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,784,281,066	$1,900,861,299
Current active members	2,398,898,826	2,341,148,846
Terminated members entitled but not yet eligible	76,591,793	74,631,785
Total	**$4,259,771,685**	**$4,316,641,930**

	Actuarial Balance Sheet	
	June 30, 2023	**June 30, 2022**
Assets		
1. Valuation value of assets	$3,646,978,226	$3,472,955,743
2. Present value of future normal costs	854,683,157	735,945,642
3. Unfunded actuarial accrued liability	(241,889,698)	107,740,545
4. Present value of current and future assets	**$4,259,771,685**	**$4,316,641,930**
Liabilities		
5. Actuarial present value of total projected benefits	$4,259,771,685	$4,316,641,930

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

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

	June 30, 2023	June 30, 2022
Participant Category		
Current retirees, beneficiaries, and dependents	$1,784,281,066	$1,900,861,299
Current active members	1,544,215,669	1,605,203,204
Terminated members entitled but not yet eligible	76,591,793	74,631,785
Total actuarial accrued liability	**$3,405,088,528**	**$3,580,696,288**
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	$3,405,088,528	$3,580,696,288
Valuation value of assets	3,646,978,226	3,472,955,743
Unfunded actuarial accrued liability	**($241,889,698)**	**$107,740,545**
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2023		
1. Unfunded actuarial accrued liability as of June 30, 2022		**$107,740,545**
2. Employer normal cost as of June 30, 2022		81,027,749
3. Expected employer contributions during 2022/2023 fiscal year		(88,430,426)
4. Interest		7,117,978
5. Expected unfunded actuarial accrued liability as of June 30, 2023 (1 + 2 + 3 + 4)		$107,455,846
6. Change due to investment loss, after smoothing		813,433
7. Change due to actual contributions more than expected		(2,036,804)
8. Change due to demographic gains and losses		(12,047,528)
9. Change due to updated 2023/2024 premiums, underlying claims estimates and subsidy levels		(222,219,952)
10. Change due to updated trend assumption to project future medical premiums after 2023/2024[1]		(56,226,132)
11. Change due to updated assumptions based on the triennial experience study		(57,628,561)
12. Unfunded actuarial accrued liability as of June 30, 2023 (5 + 6 + 7 + 8 + 9 + 10 + 11)		**($241,889,698)**

[1] The overall impact of the updated trend assumptions produced savings for the plan. Although the trend rates for 2025 and after were slightly increased, the first year trend assumption for fiscal year 2023/2024 was lower than expected due to the 2024 premium experience.

C. Table of Amortization Bases

Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize the unfunded actuarial accrued liability using the following rules: The amortization periods for all unfunded actuarial accrued liability layers as of June 30, 2020 were reset to fixed periods of 21 years beginning with the June 30, 2021 valuation date. Thereafter, assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. An overall actuarial surplus will be amortized over 30 years on an open (non-decreasing) basis.

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

Type	Date Established	Initial Balance	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Actuarial Surplus	06/30/2023	($241,889,698)	30	($241,889,698)	30	($13,275,741)
Total				**($241,889,698)**		**($13,275,741)**

[1] Level percentage of payroll.

D. Reconciliation of Recommended Contribution Rate

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

Reconciliation of Recommended Contribution from June 30, 2022 to June 30, 2023

	Contribution Rate
Recommended Contribution as of June 30, 2022[1]	**3.93%**
Change due to investment loss, after smoothing[2]	0.00%
Change due to reflecting assumptions based on the triennial experience study[3]	0.42%
Change due to miscellaneous demographic and contribution gains and losses	0.09%
Change due to updated 2023/2024 premiums, underlying claims estimates and subsidy levels	-0.93%
Change due to updated trend assumption to project future medical premiums after 2023/2024	-0.23%
Change in UAAL rate from higher-than-expected projected total payroll	-0.26%
Reset to Normal Cost rate of 3.85% (all prior amortization bases deemed fully amortized due to funding surplus)	0.83%
Contribution credit due to funding surplus	-0.53%
Total change	-0.61%
Recommended Contribution as of June 30, 2023[1]	**3.32%**

[1] If received on July 15.
[2] Less than 0.01% when expressed as a percent of $2,512,179,018 in projected compensation as of June 30, 2023
[3] There is an increase in the normal cost rate that is offset to some degree by a reduction in the UAAL rate.

E. Development of Actuarially Determined Contribution (ADC)

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

Tier 1

	Determined as of			
	June 30, 2023		June 30, 2022	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$64,315,217	3.78%	$56,574,359	3.43%
2. Amortization of the unfunded actuarial accrued liability[1]	(8,994,477)	-0.53%	5,402,958	0.33%
3. Total Actuarially Determined Contribution (beginning of year)	**$55,320,740**	**3.25%**	**$61,977,317**	**3.76%**
4. Total Projected Compensation[2]	$1,702,032,123		$1,648,564,985	
5. Adjustment for timing (July 15)	$154,033	0.01%	$172,567	0.01%
6. Total Actuarially Determined Contribution (July 15)	**$55,474,773**	**3.26%**	**$62,149,884**	**3.77%**
7. Adjustment for timing (end of pay period)	$1,903,478	0.11%	$2,132,518	0.13%
8. Total Actuarially Determined Contribution (end of pay period)	**$57,224,218**	**3.36%**	**$64,109,835**	**3.89%**

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

[2] Reflects amount calculated in the pension valuation.

Tier 3

	Determined as of			
	June 30, 2023		June 30, 2022	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$32,151,824	3.97%	$24,453,390	4.01%
2. Amortization of the unfunded actuarial accrued liability[1,2]	(4,281,264)	-0.53%	1,999,719	0.33%
3. Total Actuarially Determined Contribution (beginning of year)	**$27,870,560**	**3.44%**	**$26,453,109**	**4.34%**
4. Total Projected Compensation[3]	$810,146,895		$610,159,786	
5. Adjustment for timing (July 15)	$77,601	0.01%	$73,655	0.01%
6. Total Actuarially Determined Contribution (July 15)	**$27,948,161**	**3.45%**	**$26,526,764**	**4.35%**
7. Adjustment for timing (end of pay period)	$958,972	0.12%	$910,200	0.14%
8. Total Actuarially Determined Contribution (end of pay period)	**$28,829,532**	**3.56%**	**$27,363,309**	**4.48%**

[1] In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 3 and amortized that total UAAL over the total payroll for Tier 1 and Tier 3.
[2] There is a reduction in Tier 3 Normal Cost Rate due to a significant increase of 33% in projected compensation for Tier 3 members as of June 30, 2023.
[3] Reflects amount calculated in the pension valuation.

Total Plan

	Determined as of			
	June 30, 2023		June 30, 2022	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$96,467,041	3.84%	$81,027,749	3.59%
2. Amortization of the unfunded actuarial accrued liability	(13,275,741)	-0.53%	7,402,677	0.33%
3. Total Actuarially Determined Contribution (beginning of year)	**$83,191,300**	**3.31%**	**$88,430,426**	**3.92%**
4. Total Projected Compensation[1]	$2,512,179,018		$2,258,724,771	
5. Adjustment for timing (July 15)	$231,634	0.01%	$246,222	0.01%
6. Total Actuarially Determined Contribution (July 15)	**$83,422,934**	**3.32%**	**$88,676,648**	**3.93%**
7. Adjustment for timing (end of pay period)	$2,862,450	0.12%	$3,042,718	0.13%
8. Total Actuarially Determined Contribution (end of pay period)	**$86,053,750**	**3.43%**	**$91,473,144**	**4.05%**

[1] Reflects amount calculated in the pension valuation.

F. Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contributions[1]	Actual Contributions[1]	Percentage Contributed
2018	100,909,010	100,909,010	100.00%
2019	107,926,949	107,926,949	100.00%
2020	112,136,429	112,136,429	100.00%
2021	103,454,114	103,454,114	100.00%
2022	91,622,720	91,622,720	100.00%
2023	90,580,892	90,580,892	100.00%

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

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

G. Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2018	2,628,843,511	3,256,827,847	627,984,336	80.72%	2,177,687,102	28.84%
06/30/2019	2,812,661,894	3,334,298,549	521,636,655	84.36%	2,225,412,831	23.44%
06/30/2020	2,984,423,687	3,486,530,510	502,106,823	85.60%	2,445,016,587	20.54%
06/30/2021	3,330,377,493	3,520,078,454	189,700,961	94.61%	2,254,165,029	8.42%
06/30/2022	3,472,955,743	3,580,696,288	107,740,545	96.99%	2,258,724,771	4.77%
06/30/2023	3,646,978,226	3,405,088,528	(241,889,698)	107.10%	2,512,179,018	-9.63%

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

[1] Reflects amount calculated in the pension valuation.

H. Volatility Ratios for Years Ended June 30, 2014 – 2023

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

For LACERS, the current AVR is about 1.41. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 1.41% of one-year's payroll. Since LACERS amortizes actuarial gains and losses over a period of 15 years, there would be a 0.1%[1] of payroll decrease/(increase) in the determined contribution for each 1% asset gain/(loss).

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

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For LACERS, the current LVR is about 1.36. This is about 4% lower than the AVR. Therefore, we would expect that contribution volatility will decrease over the long-term.

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2014	1.10	1.40
2015	1.12	1.39
2016	1.08	1.42
2017	1.18	1.46
2018	1.23	1.50
2019	1.26	1.50
2020	1.17	1.43
2021	1.68	1.56
2022	1.48	1.59
2023	1.41	1.36

[1] Before taking into account LACERS' Surplus Position as of June 30, 2023. When the System is in surplus, actuarial gains and losses are amortized over a period of 30 years.

I. Member Population: 2014 – 2023

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

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

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

Year Ended June 30	Active Members	Inactive Vested Members	Retired Members and Beneficiaries[1]	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2014	24,009	955	13,686	14,641	0.61	0.57
2015	23,895	1,032	14,012	15,044	0.63	0.59
2016	24,446	1,119	14,313	15,432	0.63	0.59
2017	25,457	1,280	14,652	15,932	0.63	0.58
2018	26,042	1,401	15,144	16,545	0.64	0.58
2019	26,632	1,474	15,791	17,265	0.65	0.59
2020	27,490	1,526	16,107	17,633	0.64	0.59
2021	25,176	1,554	17,500	19,054	0.76	0.70
2022	24,917	1,537	17,753	19,290	0.77	0.71
2023	25,875	1,617	17,759	19,376	0.75	0.69

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

Section 3: Valuation Details

Exhibit A: Table of Plan Coverage

Total Plan

Category	2023	2022	Change From Prior Year
	Year Ended June 30		
Active members in valuation:			
• Number	25,875	24,917	3.8%
• Average age	46.5	46.7	-0.2
• Average service	12.5	12.8	-0.3
• Total projected compensation	$2,512,179,018	$2,258,724,771	11.2%
Inactive members:			
• Number	1,617	1,537	5.2%
• Average age	51.3	51.1	0.2
Retirees:[1]			
• Number of non-disabled	15,647	15,616	0.2%
• Number of disabled	301	317	-5.0%
• Total number of retirees	15,948	15,933	0.1%
• Average age of retirees	72.1	71.8	0.3
• Number of spouses	5,937	6,045	-1.8%
• Average age of spouses	71.3	68.4	2.9
Surviving Spouses:[1]			
• Number in pay status	1,811	1,820	-0.5%
• Average age	79.8	79.6	0.2

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

Tier 1

Category[1]	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Active members in valuation:			
• Number	16,045	16,762	-4.3%
• Average age	51.1	50.4	0.7
• Average service	18.1	17.3	0.8
• Total projected compensation	$1,702,032,123	$1,648,564,985	3.2%
Inactive members:			
• Number	1,593	1,519	4.9%
• Average age	51.4	51.1	0.3
Retirees:[2]			
• Number of non-disabled	15,647	15,616	0.2%
• Number of disabled	301	317	-5.0%
• Total number of retirees	15,948	15,933	0.1%
• Average age of retirees	72.1	71.8	0.3
• Number of spouses	5,937	6,045	-1.8%
• Average age of spouses	71.3	68.4	2.9
Surviving Spouses:[2]			
• Number in pay status	1,811	1,820	-0.5%
• Average age	79.8	79.6	0.2

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

	June 30, 2023	June 30, 2022
Active Members	342	361
Inactive Members	33	11
Retired Members	109	81

Tier 3

Category	Year Ended June 30 2023	Year Ended June 30 2022	Change From Prior Year
Active members in valuation:			
• Number	9,830	8,155	20.5%
• Average age	39.1	39.0	0.1
• Average service	3.5	3.4	0.1
• Total projected compensation	$810,146,895	$610,159,786	32.8%
Inactive members:			
• Number	24	18	33.3%
• Average age	46.8	46.9	-0.1
Retirees:[1]			
• Number of non-disabled	N/A	N/A	N/A
• Number of disabled	N/A	N/A	N/A
• Total number of retirees	N/A	N/A	N/A
• Average age of retirees	N/A	N/A	N/A
• Number of spouses	N/A	N/A	N/A
• Average age of spouses	N/A	N/A	N/A
Surviving Spouses:			
• Number in pay status	N/A	N/A	N/A
• Average age	N/A	N/A	N/A

[1] Excludes non-actives not receiving health benefits.

Exhibit B: Reconciliation of Retiree Health Participant Data with Pension Participant Data

Category	Year Ended June 30 2023	2022
Active		
• Pension valuation	25,875	24,917
• Health valuation	25,875	24,917
Retirees		
• Pension valuation	17,457	17,399
• Retirees with no subsidy due to service or decision not to enroll	-1,797	-1,759
• Deferred retirees eligible for future health benefits	-13	-24
• Health valuation	15,647	15,616
Disableds		
• Pension valuation	799	819
• Disabled with no subsidy due to service or decision not to enroll	-463	-467
• Deferred disableds eligible for future health benefits	-35	-35
• Health valuation	301	317
Surviving Spouses		
• Pension valuation	4,254	4,181
• Surviving spouses with no subsidy due to service or decision not to enroll	-2,359	-2,281
• Deferred surviving spouses eligible for future health benefits	-84	-80
• Health valuation	1,811	1,820
Inactive Vested		
• Pension valuation	11,148	10,379
• Inactive vesteds with less than 10 years of service	-9,531	-8,842
• Health valuation	1,617	1,537

Exhibit C: Retirees and Beneficiaries Added to and Removed from Health Benefits

Year Ended 6/30	No. of New Retirees/ Beneficiaries	Annual Subsidies Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidies
2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
2021	2,135	25,826,129	742	5,162,633	17,500	168,971,493	13.9	9,656
2022	893	5,631,315	640	4,809,300	17,753	169,793,508	0.5	9,564
2023	699	1,517,839	693	568,742	17,759	170,742,605	0.6	9,614

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

Exhibit D: Cash Flow Projections

The ADC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ADC in a well-funded plan. The following table projects the paygo cost as the projected payment over the next ten years.

	Projected Number of Retirees[1]			Projected Benefit Payments		
Year Ending June 30	**Current**	**Future**	**Total**	**Current**	**Future**	**Total**
2024	23,696	1,668	25,364	$159,914,200	$12,859,834	$172,774,034
2025	23,255	2,633	25,888	156,721,650	23,414,758	180,136,408
2026	22,560	3,571	26,131	155,094,049	34,832,372	189,926,421
2027	21,853	4,484	26,337	153,019,650	46,641,951	199,661,601
2028	21,140	5,429	26,569	150,191,749	59,028,606	209,220,355
2029	20,421	6,357	26,778	147,443,441	71,548,512	218,991,953
2030	19,688	7,287	26,975	144,319,970	84,751,082	229,071,052
2031	18,948	8,218	27,166	141,231,694	98,819,265	240,050,959
2032	18,200	9,128	27,328	138,703,258	112,739,989	251,443,247
2033	17,450	10,027	27,477	136,539,383	126,129,518	262,668,901

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

Exhibit E: Summary Statement of Income and Expenses on a Market Value Basis for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2023		Year Ended June 30, 2022	
Net assets at market value at the beginning of the year		**$20,454,103,991**		**$22,805,339,941**
Prior period adjustments:		0		(19,987)[1]
Subtotal		$20,454,103,991		$22,805,319,954
Contribution income:				
• Employer contributions	$760,019,088		$682,928,074	
• Member contributions	259,976,824		245,878,551	
Net contribution income		$1,019,995,912		$928,806,625
Investment income:				
• Interest, dividends and other income	$484,084,745		$459,637,714	
• Asset appreciation	1,181,447,188		(2,245,698,458)	
• Less investment and administrative fees	(164,724,805)		(161,667,882)	
Net investment income		$1,500,807,128		$(1,947,728,626)
Total income available for benefits		**$2,520,803,040**		**$(1,018,922,001)**
Less benefit payments:				
• Benefits paid[2]	$(1,371,245,288)		$(1,320,663,863)	
• Member refunds	(14,396,630)		(11,630,099)	
Net benefit payments		$(1,385,641,918)		$(1,332,293,962)
Change in net assets at market value		$1,135,161,122		$(2,351,215,963)
Net assets at market value at the end of the year		**$21,589,265,113**		**$20,454,103,991**

Note: Results may be slightly off due to rounding.

[1] Adjustment made to beginning of year assets in order to match the June 30, 2021 end of year value as noted in the Statement of Changes in Fiduciary Net Position, Retirement Plan and Postemployment Health Care Plan, for the Fiscal Year Ended June 30, 2022, with Comparative Totals, provided by LACERS.

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

Exhibit F: Summary Statement of Plan Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	June 30, 2023		June 30, 2022	
Cash equivalents		$427,788,364		$428,386,988
Accounts receivable:				
• Accrued investment income	$89,224,757		$79,684,301	
• Proceeds from sales of investments	93,978,913		135,169,157	
• Other	12,661,960		10,862,885	
Total accounts receivable		$195,865,630		$225,716,343
Investments:				
• Fixed income	$5,011,434,541		$5,151,890,589	
• Equities	10,152,233,548		9,502,159,992	
• Real estate and alternative investment	5,416,827,780		4,963,175,949	
• Derivative instruments	(1,886,090)		(1,252,530)	
• Other	785,386,148		960,814,353	
Total investments at market value		$21,363,995,927		$20,576,788,353
Capital Assets		60,725,661		53,305,470
Total assets		$22,048,375,582		$21,284,197,154
Accounts payable:				
• Accounts payable and accrued expenses	$(93,664,527)		($88,838,675)	
• Accrued investment expenses	(8,818,953)		(19,981,850)	
• Purchases of investments	(145,060,285)		(204,713,269)	
• Securities lending collateral	(210,806,062)		(515,987,947)	
Total accounts payable		$(458,349,827)		($829,521,741)
Deferred inflow of resources		$(760,642)		($571,422)
Net assets at market value		**$21,589,265,113**		**$20,454,103,991**
Net assets at actuarial value		**$22,239,263,545**		**$21,218,951,507**
Net assets at valuation value (health benefits)		**$3,646,978,226**		**$3,472,955,743**

Note: Results may be slightly off due to rounding.

Exhibit G: Determination of Actuarial Value of Assets as of June 30, 2023

		Actual Return	Expected Return	Investment Gain/(Loss)	Portion Not Recognized	Unrecognized Amount
1	**Market Value of Assets**					**$21,589,265,113**
2	Calculation of unrecognized return[1]					
a)	Year ended June 30, 2023	$1,500,807,128	$1,443,373,615	57,433,513	6/7	$49,228,725
b)	Year ended June 30, 2022	(1,947,728,626)	1,604,160,949	(3,551,889,575)	5/7	(2,537,063,982)
c)	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	4/7	2,284,489,158
d)	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	3/7	(411,608,586)
e)	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	2/7	(84,967,791)
f)	Year ended June 30, 2018	1,498,100,177	1,148,631,872	349,468,305	1/7	49,924,044
g)	Total unrecognized return[2]					$(649,998,432)
3	**Preliminary Valuation Value of Assets (1) - (2g)**					**$22,239,263,545**
4	Adjustment to be within 40% corridor					0
5	**Final Valuation Value of Assets 3 + 4**					**$22,239,263,545**
6	Actuarial Value of Assets as a percentage of Market Value of Assets 5 ÷ 1					103.0%
7	Market value of health assets					$3,540,386,112
8	**Valuation value of health assets 5 ÷ 1 x 7**					**$3,646,978,226**

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

[2] Deferred return as of June 30, 2023 recognized in each of the next 6 years (for Retirement and Health Plans):

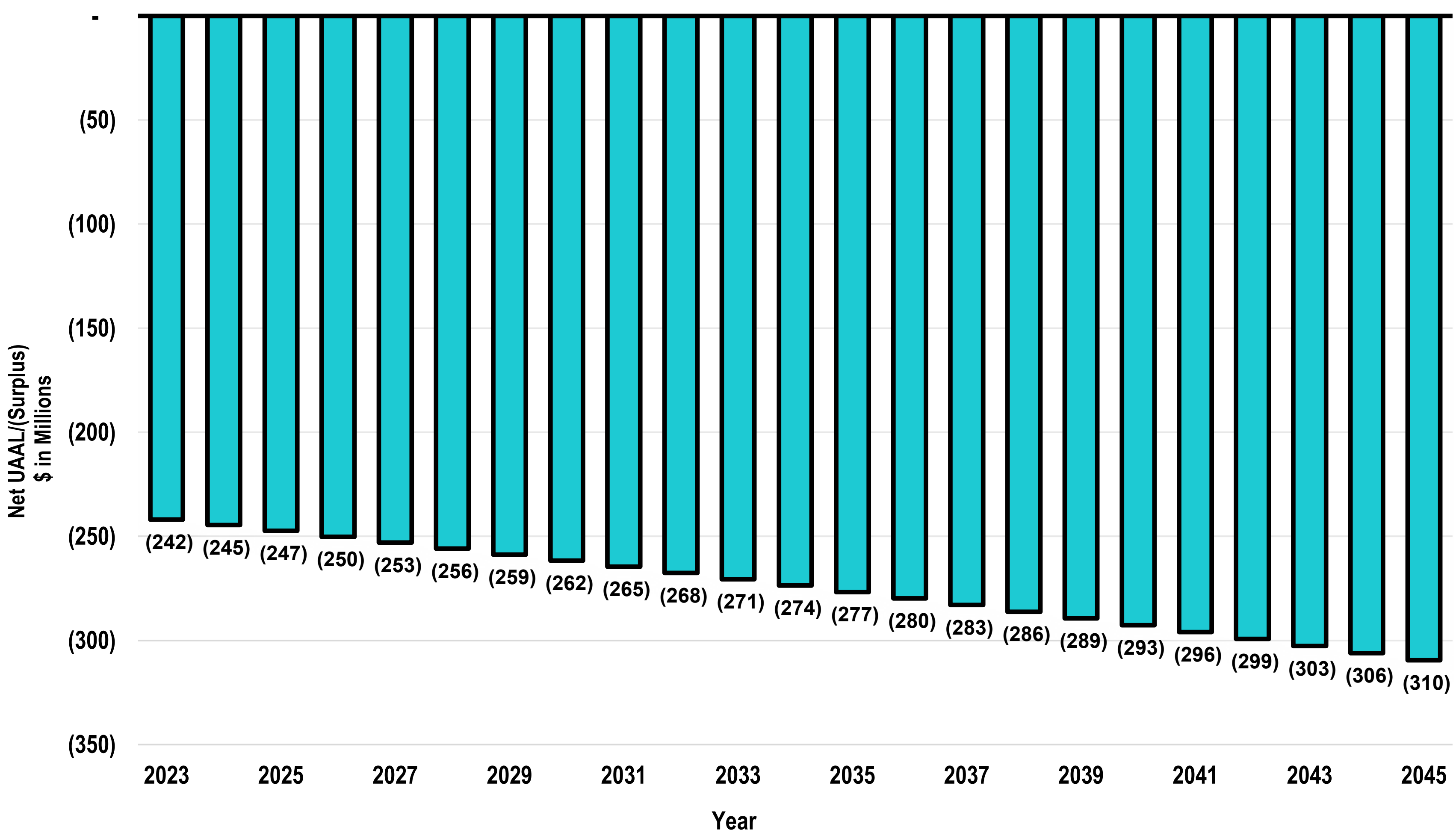
(a) Amount recognized on June 30, 2024	$(57,848,432)
(b) Amount recognized on June 30, 2025	(107,772,476)
(c) Amount recognized on June 30, 2026	(65,288,580)
(d) Amount recognized on June 30, 2027	71,914,282
(e) Amount recognized on June 30, 2028	(499,208,008)
(f) Amount recognized on June 30, 2029	8,204,788
(g) Total unrecognized return as of June 30, 2023 (may not total exactly due to rounding)	$(649,998,432)

Exhibit H: Member Benefit Coverage Information for OPEB

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
Valuation Date	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members	Valuation Value of Retiree Health Assets	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members
06/30/2018	67,137,848	1,497,370,105	1,692,319,894	2,628,843,511	100	100	63
06/30/2019	65,887,248	1,600,130,890	1,668,280,411	2,812,661,894	100	100	69
06/30/2020	70,327,305	1,677,722,536	1,738,480,669	2,984,423,687	100	100	71
06/30/2021	74,599,941	1,869,444,779	1,576,033,734	3,330,377,493	100	100	88
06/30/2022	74,631,785	1,900,861,299	1,605,203,204	3,472,955,743	100	100	93
06/30/2023	76,591,793	1,784,281,066	1,544,215,669	3,646,978,226	100%	100%	100%

Exhibit I: Projection of UAAL Balances and Payments

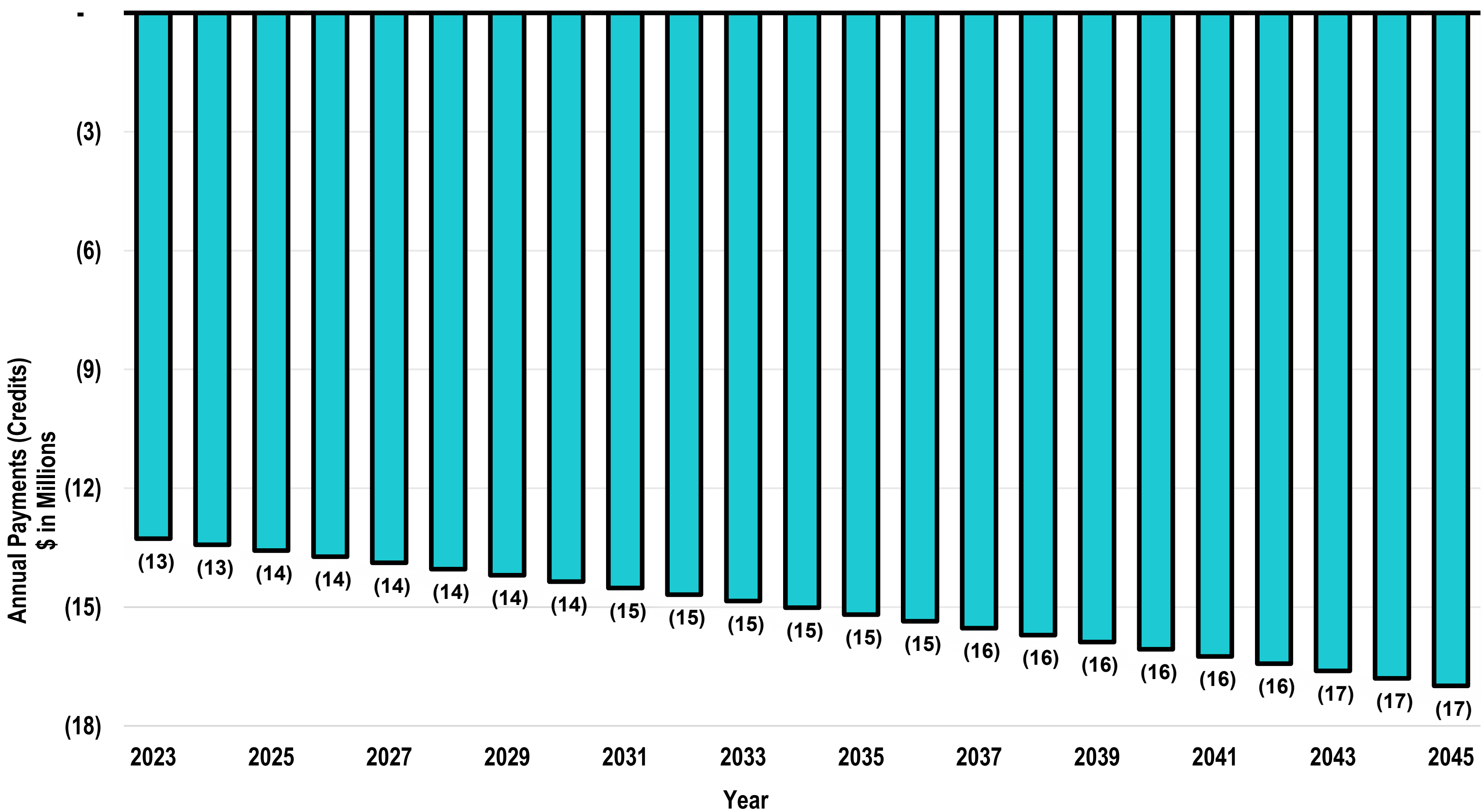
Outstanding Balance of ($241.9) Million in Net UAAL / (Surplus) as of June 30, 2023



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

Exhibit I: Projection of UAAL Balances and Payments (continued)

Annual Payments/(Credits) Resulting from ($241.9) Million in Net UAAL/(Surplus) as of June 30, 2023



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

Section 4: Actuarial Valuation Basis

Exhibit I: Summary of Supplementary Information

Valuation date	June 30, 2023
Actuarial cost method	Entry Age Cost Method, level percent of salary.
Amortization method	Level percent of payroll – assuming a 3.00% increase in total covered payroll.
Amortization period	**Multiple Layers:** (see table below) An adjustment is made to the amortization period of all the UAAL actuarial gain layers to be the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers when the total UAAL contribution is negative (a credit) but there is still a UAAL balance.
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The valuation value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Multiple Layers:

2009 ERIP	15 years
Pre-June 30, 2021 layers, starting June 30, 2021	21 years
Actuarial Experience	15 years
Change in non-health related assumptions	20 years
Change in health related assumptions	15 years
Future ERIP	5 years
AVA in excess of AAL	30 years
Plan Amendment	15 years

Section 4: Actuarial Valuation Basis

Actuarial assumptions		
Investment rate of return	7.00%	
Inflation rate	2.50%	
Real across-the-board salary increase	0.50%	
Projected salary increases	Ranges from 9.00% to 4.00% based on years of service, including inflation	
Medical, dental, Medicare Part B trend rates	See table on page 47.	
Plan participants	**June 30, 2023**	**June 30, 2022**
Current retirees, beneficiaries, and dependents receiving benefits	23,696	23,798
Current active participants	25,875	24,917
Terminated participants entitled but not yet eligible	1,617	1,537
Pensioners and beneficiaries entitled but not yet eligible for health benefits	132	139
Total	**51,320**	**50,391**

Exhibit II: Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023 and retiree health assumptions letter dated September 18, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 members. These assumptions have been adopted by the Board.
Economic Assumptions	
Net Investment Return	7.00%, net of administrative and investment expenses.
Payroll Growth:	Inflation of 2.50% per year plus real "across the board" salary increases of 0.50% per year, used to amortize the Unfunded Actuarial Accrued Liability as a level percentage of payroll.
Salary Increase	Inflation: 2.50%; plus additional 0.50% "across the board" salary increases (other than inflation); plus the following merit and promotional increases:

Merit and Promotion Increases

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

Demographic Assumptions

Post-Retirement Mortality Rates	*Healthy Members* • Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Disabled Members* • Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Beneficiaries not currently In-Pay Status* • Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Beneficiaries currently In-Pay Status* • Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality Rates

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

	Rate (%)	
Age	**Male**	**Female**
20	0.04	0.02
25	0.04	0.02
30	0.05	0.02
35	0.08	0.04
40	0.09	0.05
45	0.11	0.06
50	0.14	0.08
55	0.21	0.13
60	0.33	0.20
65	0.47	0.29

Generational projections to the valuation date for each age reflected in the above mortality rates.

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

Disability Incidence

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

Termination

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

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

Retirement Rates

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

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

Section 4: Actuarial Valuation Basis

Retirement Age and Benefit for Inactive Vested Members	Assume retiree health benefit will be paid at the later of age 59 or the current attained age.
Future Benefit Accruals	1.0 year of service credit per year.
Service	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Unknown Data for Members	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
<u>Actuarial Funding Policy</u>	
Actuarial Cost Method	Entry Age Cost Method, level percent of salary. Entry age is calculated as age on the valuation date minus years of employment service. Both the normal cost and the actuarial accrued liability are calculated on an individual basis.
Actuarial Value of Assets	The fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.
Valuation Value of Assets	The portion of the total actuarial value of assets allocated for retiree health benefits, based on a prorated share of fair value.
Amortization Policy	The amortization method for the UAAL is a level percent of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). All bases as of June 30, 2020 were re-amortized over 21 years effective with the June 30, 2021 valuation. Changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes and health trend and premium assumption changes are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis. An adjustment is made to the amortization period of all the UAAL actuarial gain layers to be the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers when the total UAAL contribution is negative (a credit) but there is still a UAAL balance.

Retiree Health Assumptions - Applicable for Members/Beneficiaries Eligible for a Health Subsidy

Per Capita Cost Development

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

Per Capita Cost Development - Maximum Dental Subsidy

Carrier	Election Percent (%)	Monthly 2023/2024 Fiscal Year Subsidy
Delta Dental PPO	81.5	$43.37
DeltaCare USA	18.5	15.10

Per Capita Cost Development - Medicare Part B Premium Subsidy

	Single Monthly Premium
Actual monthly premium for calendar year 2023	$164.90
Actual monthly premium for calendar year 2024	174.70
Actual average monthly premium for plan year 2023/2024	169.80

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

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

Per Capita Cost Development – Medical Subsidy	Tier 1 members not subject to medical subsidy cap and all Tier 3 members.

Participant Under Age 65 or Not Eligible for Medicare A&B

2023-2024 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Observed and Assumed Election Rate (%)*	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser HMO	61.3	$995.44	$2,074.89	$995.44	$1,990.87	$2,074.89	$1,990.87	$995.44	$995.44	$995.44
Anthem Blue Cross PPO	21.5	1,528.98	2,074.89	1,528.98	3,052.93	2,074.89	2,074.89	1,528.98	995.44	995.44
Anthem Blue Cross HMO	17.2	1,221.39	2,074.89	1,221.39	2,437.74	2,074.89	2,074.89	1,221.39	995.44	995.44

** The observed election percentages are based on raw census data as of June 30, 2023.*

Participant Eligible for Medicare A&B

2023-2024 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Observed and Assumed Election Rate (%)*	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser Senior Advantage HMO	56.3	$262.47	$262.47	$262.47	$524.94	$524.94	$524.94	$262.47	$262.47	$262.47
Anthem Medicare Preferred (PPO)	33.7	464.97	464.97	464.97	924.90	924.90	924.90	464.97	464.97	464.97
UHC California Medicare Advantage Plan	10.0	267.68	267.68	267.68	530.33	530.33	530.33	267.68	267.68	267.68

* *The observed election percentages are based on raw census data as of June 30, 2023.*

The monthly premiums provided above include vision premiums and are the plan’s member rates; which do not necessarily equal the rates charged by the carriers. Differences between member rates and carrier rates are due to LACERS’ premium rate stabilization policies and are expected to be short-term.

Note that there are three plans (SCAN, UHC Medicare Advantage HMO for Arizona and Nevada) offered by LACERS that are not included above because we assume a 0% participation rate for each of those plans. On average, their premiums are close to the UHC California Medicare Advantage plan.

Per Capita Cost Development – Medical Subsidy	Tier 1 Subject to Retiree Medical Subsidy Cap

Tier 1 members who are subject to the retiree medical subsidy cap will have monthly health insurance subsidy maximums capped at the levels in effect at July 1, 2011, as shown in the table below. We understand that no active members are subject to the cap but that some inactive members may be subject to the cap.

Retiree Plan	Single Party	Married/With Domestic Partner	Eligible Survivor
Under 65 – All Plans	$1,190.00	$1,190.00	$593.62
Over 65			
Kaiser Senior Advantage	$203.27	$406.54	$203.27
Anthem Medicare Preferred (PPO)	478.43	478.43*	478.43
UHC California Medicare Adv. HMO	219.09	433.93	219.09

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

Per Capita Cost Development – Medical Subsidy	Adjustments to per-capita costs (as shown on page 44-45) based on age, gender, and status, are as follows:

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

Health Care Cost Subsidy Trend Rates	Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium. First Fiscal Year is July 1, 2023 through June 30, 2024.

	Rate (%)					
Plan	Anthem Blue Cross PPO, Under Age 65	Anthem Preferred PPO Medicare Advantage	Kaiser HMO, Under Age 65	Kaiser Senior Advantage	Anthem Blue Cross HMO, Under 65	UHC CA Medicare Advantage
Trend to be applied to 2023-2024 Fiscal Year premium	8.01	-3.35	9.49	3.25	8.01	-4.51

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

	Approximate Trend Rate (%)			Trend Applied to Calculate Following Year Premium Rate (%)	
Fiscal Year	**Non-Medicare**	**Medicare**	**Calendar Year**	**Non-Medicare**	**Medicare**
2024-2025	7.12%	6.37%	2024	7.25[1]	6.50[1]
2025-2026	6.87%	6.12%	2025	7.00	6.25
2026-2027	6.62%	5.87%	2026	6.75	6.00
2027-2028	6.37%	5.62%	2027	6.50	5.75
2028-2029	6.12%	5.37%	2028	6.25	5.50
2029-2030	5.87%	5.12%	2029	6.00	5.25
2030-2031	5.62%	4.87%	2030	5.75	5.00
2031-2032	5.37%	4.62%	2031	5.50	4.75
2032-2033	5.12%	4.50%	2032	5.25	4.50
2033-2034	4.87%	4.50%	2033	5.00	4.50
2034-2035	4.62%	4.50%	2034	4.75	4.50
2035 and later	4.50%	4.50%	2035	4.50	4.50

[1] *For example, the 7.25% assumption when applied to the 2024 non-Medicare medical premiums would provide the projected 2025 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium.*

Section 4: Actuarial Valuation Basis

Health Care Cost Subsidy Trend Rates (continued)	Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium. First year trend have been adjusted to reflect actual 2024 calendar year premiums. First Fiscal Year is July 1, 2023 through June 30, 2024. Dental Premium Trend: 1.50%, then 3.00% thereafter Medicare Part B Premium Trend: 5.20%, then 4.50% thereafter
Spouse/Domestic Partner Coverage	For all active and inactive members, 60% of male participants and 35% of female participants who receive a retiree health subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage. Of these covered spouses/domestic partners, 100% are assumed to continue coverage if the retiree predeceases the spouse/domestic partner. Male retirees are assumed to be 4 years older than their female spouses/domestic partners. Female retirees are assumed to be 2 years younger than their male spouses/domestic partners.
Participation	Retiree Medical and Dental Coverage Participation: (see table below)
Health Care Reform	The valuation does not reflect the potential impact of any future changes due to prior or pending legislations.
Administrative Expenses	No administrative expenses were valued separately from the premium costs.
Plan Design	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

Participation — Retiree Medical and Dental Coverage Participation:

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

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

Section 4: Actuarial Valuation Basis

Assumption Changes Since Prior Valuation	Per capita costs and associated trend assumptions were updated to reflect 2024 calendar year premiums/subsidies and updated trend assumptions for 2025 and after. The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs. retired) from Segal's claims data warehouse. The updated claims and associated trend assumptions had a combined impact of reducing the actuarial accrued liability. Medical carrier election assumptions were updated based on more recent data. Economic and demographic assumptions have been updated based on the July 1, 2019 through June 30, 2022 Actuarial Experience Study. The assumptions changes from the 2022 Actuarial Experience Study had a combined impact of reducing the actuarial accrued liability and increasing the plan's normal cost.

Exhibit III: Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Membership Eligibility:	
Tier 1 (§4.1002(a))	All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.
Tier 3 (§4.1080.2(a))	All employees who became members of the System on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.
Benefit Eligibility:	
Tier 1 (§4.1111(a)) and Tier 3 (§4.1126(a))	Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a service or disabled retiree before the member reaches age 55.

Medical Subsidy for Members Not Subject to Cap:	
Under Age 65 or Over Age 65 Without Medicare Part A	
Tier 1 (§4.1111(d)) and Tier 3 (§4.1126(c))	The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2023, the maximum health subsidy is $1,962.20 per month and will be $2,187.58 per month as of January 1, 2024. This amount includes coverage of dependent premium costs.
Over Age 65 and Enrolled in Both Medicare Parts A and B	
Tier 1 (§4.1111(e)) and Tier 3 (§4.1126(d))	For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

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

Subsidy Cap for Tier 1:	
(§4.1111(b))	As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired members who do not contribute an additional 4.00% or 4.50% of employee contributions to the Pension Plan. The capped subsidy is different for Medicare and non-Medicare retirees. The cap applies to the medical subsidy limits at the 2011 calendar year level. The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.
Dental Subsidy for Members:	
Tier 1 (§4.1111(b)) and Tier 3 (§4.1129(b))	The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2023, the maximum dental subsidy is $43.81 per month; decreasing to $42.93 calendar year 2024. There is no subsidy available to dental plan dependents or surviving spouses/domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Dependents:	
Tier 1 (§4.1111(e)(4)) and Tier 3 (§4.1126(d)(4))	An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service credit. The combined Member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired Members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.
Medicare Part B Reimbursement for Members:	
Tier 1 (§4.1113) and Tier 3 (§4.1128)	If a Retiree is eligible for a health subsidy, covered by both Medicare Parts A and B, and enrolled in a LACERS' medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium. LACERS does not reimburse survivors or dependents any part of their Medicare Part B premium.
Surviving Spouse Medical Subsidy:	
Tier 1 (§4.1115) and Tier 3 (§4.1129.1)	The surviving spouse or domestic partner will be entitled to a health subsidy based on the member's years of service and the surviving dependent's eligibility for Medicare.
Under Age 65 or Over Age 65 Without Medicare Part A	The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($939.09 as of July 1, 2023 and will be $1,051.78 per month as of January 1, 2024).
Over Age 65 and Enrolled in Both Medicare Parts A and B	For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

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

Changes in Plan Provisions:	None.

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

Exhibit IV: Definitions of Terms

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

Assumptions or Actuarial Assumptions	The estimates on which the cost of the Plan is calculated including: **Investment return** — the rate of investment yield that the Plan will earn over the long-term future; **Mortality rates** — the death rates of employees and pensioners; life expectancy is based on these rates; **Retirement rates** — the rate or probability of retirement at a given age; **Turnover rates** — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Actuarial Present Value of Total Projected Benefits (APB)	Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.
Normal Cost	The amount of contributions required to fund the benefit allocated to the current year of service.
Actuarial Accrued Liability for Actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Retirees	The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.
Valuation Value of Assets (VVA)	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio	The ratio VVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate)	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.

Covered Payroll	Annual reported salaries for all active participants on the valuation date.
ADC as a Percentage of Covered Payroll	The ratio of the actuarially determined contribution to covered payroll.
Health Care Cost Trend Rates	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Actuarially Determined Contribution (ADC)	The ADC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.
Employer Contributions	An employer has contributed to an OPEB plan if the employer has (a) provided benefits directly to retired plan members or their beneficiaries, (b) paid insurance premiums to insure the payment of benefits, or (c) irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator

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BOARD Meeting: 11/14/23
Item: V-A
Attachment 4

Los Angeles City Employees' Retirement System

Governmental Accounting Standards Board Statement 67 (GAS 67) Actuarial Valuation of Retirement Benefits

As of June 30, 2023

Segal

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San Francisco, CA 94105-6147
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November 7, 2023

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2023. It contains various information that will need to be disclosed in order to comply with GAS 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist LACERS in preparing items related to the retirement plan in their financial report. The census and financial information on which our calculations were based was prepared by LACERS. That assistance is gratefully acknowledged.

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

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the System.

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

Sincerely,

Segal

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

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement 67 (GAS 67) as June 30, 2023. This valuation is based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2023, provided by LACERS;
- The assets of the Plan as of June 30, 2023, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2023 valuation.

General observations on GAS 67 actuarial valuation

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

Highlights of the valuation

1. The NPLs measured as of June 30, 2023 and 2022 have been determined from the actuarial valuations as of June 30, 2023 and June 30, 2022, respectively.
2. The NPL increased from $7.07 billion as of June 30, 2022 to $7.35 billion as of June 30, 2023 mainly due to (a) higher than expected salary increases for continuing active members (that loss was about $255.4 million), (b) higher than expected cost-of-living adjustment increases for payees (that loss was about $236.9 million), offset somewhat by (c) the return on the market value of retirement plan assets of 7.35%[1] during 2022/2023 that was more than the assumption of 7.00% used in the June 30, 2022 valuation (that gain was about $59.9 million) and (d) changes in the actuarial assumptions (that decrease was about $112.7 million). Changes in these values during the last two fiscal years ending June 30, 2022 and June 30, 2023 can be found in *Section 2, Schedule of Changes in Net Pension Liability* on page 18.
3. The discount rate used to determine the TPLs and NPLs as of June 30, 2023 and 2022 was 7.00%, following the same assumption used by the System in the pension funding valuations as of the same dates. The detailed calculations used in the derivation of the discount rate of 7.00% used in the calculation of the TPL and NPL as of June 30, 2023 can be found in *Section 3, Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.

[1] For the June 30, 2023 valuation, the investment return calculated for the Retirement Plan was 7.35% (net of investment expenses only) which is lower than the 8.05% investment return calculated for the OPEB Plan. (We note that for the June 30, 2022 valuation, the investment return calculated for the Retirement Plan was -8.11% while the investment return for the OPEB Plan was -9.52%.) Both of these returns have been calculated by Segal on a dollar-weighted basis taking into account the beginning of year assets, contributions, and benefit cash flows made during the year. In backing into a rate of return using actual investment income and investment expense as provided by LACERS, we sometimes could come up with a different return for the two Plans if: (a) the timing of the actual cash flows (especially the benefit payments) are different from what we assumed and/or (b) the actual income and expense allocated are different when compared to the proportion of the assets in the two Plans.

Summary of key valuation results[1]

Measurement Date		June 30, 2023	June 30, 2022
Disclosure elements:	• Service cost[2]	$412,247,235	$413,862,737
	• Total Pension Liability	25,299,537,118	24,078,751,303
	• Plan Fiduciary Net Position	17,953,292,567	17,013,091,063
	• Net Pension Liability	7,346,244,551	7,065,660,240
Schedule of contributions:	• Actuarially determined contributions	$669,391,196	$591,234,354
	• Actual contributions	669,391,196	591,234,354
	• Contribution deficiency / (excess)	0	0
Demographic data:	• Number of retired members and beneficiaries	22,510	22,399
	• Number of inactive vested members[3]	11,148	10,379
	• Number of active members	25,875	24,917
Key assumptions:	• Investment rate of return	7.00%	7.00%
	• Inflation rate	2.50%	2.75%
	• Real across-the-board salary increase	0.50%	0.50%
	• Projected salary increases[4]	Ranges from 9.00% to 4.00%, based on years of service	Ranges from 9.95% to 4.25%, based on years of service
	• Cost-of-living adjustments		
	– Tier 1	2.75%	2.75%
	– Tier 3	2.00%	2.00%

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

2 The service cost is based on the previous year's valuation, meaning the June 30, 2023 and 2022 measurement date values are based on the valuations as of June 30, 2022 and June 30, 2021, respectively. Both measurement date service costs have been calculated using the actuarial assumptions shown in the June 30, 2022 measurement date column, as there had been no changes in the actuarial assumptions between the June 30, 2021 and June 30, 2022 valuations.

3 Includes terminated members due a refund of employee contributions.

4 Includes inflation at 2.50% (2.75% for the June 30, 2022 measurement date) plus real across the board salary increase of 0.50%, plus merit and promotion increases.

Important information about actuarial valuations

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

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

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

Section 1: Actuarial Valuation Summary

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

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

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

As Segal has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

Section 2: GAS 67 Information

General information about the pension plan

Plan Description

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

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Board has seven members: four members, one of whom shall be a retired member of the System, shall be appointed by the Mayor subject to the approval of the Council; two members shall be active employee members of the System elected by the active employee members; one shall be a retired member of the System elected by the retired members of the System.

Plan membership. At June 30, 2023, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	22,510
Inactive vested members entitled to but not yet receiving benefits[1]	11,148
Active members	25,875
Total	59,533

[1] Includes terminated members due a refund of employee contributions.

Benefits provided. LACERS provides service retirement, disability, death and survivor benefits to eligible retirees and beneficiaries. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1. All Tier 2 employees who became members between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016. All Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of $5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier, are designated as Tier 1 Enhanced. Those employed on or after February 21, 2016 are designated as Tier 3 (unless a specific exception applies to the employee, providing a right to Tier 1 status).

Tier 1 and Tier 1 Enhanced members are eligible to retire for service with a normal retirement benefit once they attain the age of 70, or the age of 60 with 10 or more years of continuous City service, or the age of 55 with 30 or more years of City service. Tier 3 members are eligible to retire for service with a normal retirement benefit at 1.50% of final average monthly compensation per year of service credit once they attain the age of 60 with 10 years of service (but with less than 30 years of service), including 5 years of continuous City service, or at 2.00% of final average monthly compensation per year of service credit once they attain the age of 60 with 30 years of service, including 5 years of continuous City service.

Tier 1 and 3 members are eligible to retire for disability once they have 5 or more years of continuous service. Tier 1 Enhanced members are eligible to retire for service-connected disability without a service requirement, and once they have 5 or more years of continuous service for a nonservice-connected disability.

Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Under the Tier 1 Enhanced formula, the monthly service retirement allowance at normal retirement age is 2.30% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 1 and Tier 1 Enhanced members reaching age 55 with 10 or more years of continuous City service, or with 30 or more years of City service at any age. The Tier 1 and Tier 1 Enhanced early retirement reduction factors, for retirement below age 60, are as follows:

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

Section 2: GAS 67 Information

Under the Tier 3 formula, the monthly service retirement allowance at normal retirement age is 2.00% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 3 members prior to reaching age 60 with 30 years of service, including 5 years of continuous City service. The Tier 3 early retirement reduction factors, for retirement below age 60, are as follows:

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

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

Under Tier 1 and Tier 1 Enhanced, pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned pensionable bonuses or premium pay). Under Tier 3, pension benefits are calculated based on the highest average salary earned during a 36-month period (limited to base salary and any items of compensation that are designated as pension based). The IRC Section 401(a)(17) compensation limit applies to all employees who began membership in LACERS after June 30, 1996.

For Tier 1 and Tier 1 Enhanced members, the maximum monthly retirement allowance is 100% of the final average monthly compensation. For Tier 3 members, the maximum monthly retirement allowance is 80% of the final average monthly compensation, except when the benefit is based solely on the annuity component funded by the member’s contributions.

In lieu of the service retirement allowance under the Tier 1, Tier 1 Enhanced, and Tier 3 formulas (“unmodified option”), the member may choose an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner for Tier 1, Tier 1 Enhanced, and Tier 3 members. The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

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

The City of Los Angeles contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The combined employer contribution rate as of June 30, 2023 was 29.01% of compensation.[2]

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

[2] Based on the June 30, 2021 funding valuation which established funding requirements for fiscal year 2022/2023. The schedule of contributions in Section 2 of this report provides details on how this rate was calculated.

Net Pension Liability

Measurement Date	June 30, 2023	June 30, 2022
Components of the Net Pension Liability		
Total Pension Liability	$25,299,537,118	$24,078,751,303
Plan Fiduciary Net Position	(17,953,292,567)	(17,013,091,063)
Net Pension Liability	$7,346,244,551	$7,065,660,240
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.96%	70.66%

The NPL was measured as of June 30, 2023 and 2022. The Plan Fiduciary Net Position was valued as of the measurement date, while the TPL was determined based upon the results of the actuarial valuations as of June 30, 2023 and 2022, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2023 and 2022 are the same as those used in the LACERS funding valuations as of June 30, 2023 and 2022, respectively.

Actuarial assumptions. The TPL as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an experience study for the period from July 1, 2019 through June 30, 2022. They are the same as the assumptions used in the June 30, 2023 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Investment rate of return:	7.00%, net of pension plan investment expense and including inflation
Inflation:	2.50%
Real across-the-board salary increase:	0.50%
Projected salary increases:	Ranges from 9.00% to 4.00% based on years of service, including inflation
Cost-of-living adjustments:	2.75% for Tier 1; 2.00% for Tier 3. (Actual increases are contingent upon CPI increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)
Other assumptions:	Same as those used in the June 30, 2023 actuarial valuation

Section 2: GAS 67 Information

The TPL as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Investment rate of return:	7.00%, net of pension plan investment expense and including inflation
Inflation:	2.75%
Real across-the-board salary increase:	0.50%
Projected salary increases:	Ranges from 9.95% to 4.25% based on years of service, including inflation
Cost-of-living adjustments:	2.75% for Tier 1; 2.00% for Tier 3. (Actual increases are contingent upon CPI increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)
Other assumptions:	Same as those used in the June 30, 2022 actuarial valuation

Determination of discount rate and investment rates of return

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

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

Section 2: GAS 67 Information

Discount rate. The discount rate used to measure the TPLs was 7.00% as of June 30, 2023 and June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2023 and June 30, 2022.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS' Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability as of June 30, 2023	$10,670,436,546	$7,346,244,551	$4,597,568,534

Schedule of changes in Net Pension Liability – Last two fiscal years

Measurement Date	June 30, 2023	June 30, 2022
Total Pension Liability		
• Service cost[1]	$412,247,235	$413,862,737
• Interest	1,671,683,353	1,617,800,746
• Change of benefit terms	0	0
• Differences between expected and actual experience	469,171,461	(66,172,296)
• Changes of assumptions	(112,700,660)	0
• Benefit payments, including refunds of member contributions	(1,219,615,574)	(1,168,632,738)
Net change in Total Pension Liability	**$1,220,785,815**	**$796,858,449**
Total Pension Liability – beginning	**24,078,751,303**	**23,281,892,854**
Total Pension Liability – ending	**$25,299,537,118**	**$24,078,751,303**
Plan Fiduciary Net Position		
• Contributions – employer	$669,391,196	$591,234,354
• Contributions – member	257,967,487	241,875,691
• Net investment income[2]	1,261,073,040	(1,542,473,179)
• Benefit payments, including refunds of member contributions	(1,219,615,574)	(1,168,632,738)
• Administrative expense	(28,614,645)	(27,032,894)
• Other[3]	0	(16,171)
Net change in Plan Fiduciary Net Position	**$940,201,504**	**$(1,905,044,937)**
Plan Fiduciary Net Position – beginning	**17,013,091,063**	**18,918,136,000**
Plan Fiduciary Net Position – ending	**$17,953,292,567**	**$17,013,091,063**
Net Pension Liability – ending	**$7,346,244,551**	**$7,065,660,240**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	**70.96%**	**70.66%**
Covered payroll[4]	**$2,307,335,751**	**$2,155,005,471**
Net Pension Liability as percentage of covered payroll	**318.39%**	**327.87%**

1 The service cost is based on the previous year's valuation, meaning the June 30, 2023 and 2022 measurement date values are based on the valuations as of June 30, 2022 and June 30, 2021, respectively. Both measurement date service costs have been calculated using the actuarial assumptions shown in the June 30, 2022 measurement date column on page 6, as there had been no changes in the actuarial assumptions between the June 30, 2021 and June 30, 2022 valuations.

2 Includes building lease and other income.

3 For the June 30, 2022 measurement date, this is a prior period adjustment (adjustment made to beginning of year assets in order to match the June 30, 2021 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2021 GAS 67 valuation report).

4 Covered payroll is defined as the payroll on which contributions to a pension plan are based.

Schedule of contributions – Last ten fiscal years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2014	$357,649,232	$357,649,232	$0	$1,802,931,195	19.84%
2015	381,140,923	381,140,923	0	1,835,637,409	20.76%
2016	440,546,011	440,546,011	0	1,876,946,179	23.47%
2017	453,356,059	453,356,059	0	1,973,048,633	22.98%
2018	450,195,254	450,195,254	0	2,057,565,478	21.88%
2019	478,716,953	478,716,953	0	2,108,171,088	22.71%
2020	553,118,173	553,118,173	0	2,271,038,575	24.36%
2021	554,855,906	554,855,906	0	2,276,768,292	24.37%
2022	591,234,354	591,234,354	0	2,155,005,471	27.44%
2023	669,391,196	669,391,196	0	2,307,335,751	29.01%

1 Covered payroll is defined as the payroll on which contributions to a pension plan are based.

See accompanying notes to this schedule on the next page.

Notes to Schedule:

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method:	Entry Age Cost Method (individual basis)
Amortization method:	Level percent of payroll
Amortization period:	Multiple layers, closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, were combined and amortized over 30 years.
Asset valuation method:	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Section 2: GAS 67 Information

Actuarial assumptions:	
Valuation Date:	**June 30, 2023**
Investment rate of return:	7.00%
Inflation rate:	2.50%
Real across-the-board salary increase:	0.50%
Projected salary increases:[1]	Ranges from 9.00% to 4.00%, based on years of service
Cost-of-living adjustments:	2.75% for Tier 1; 2.00% for Tier 3. (Actual increases are contingent upon CPI increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)
Mortality:	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Other assumptions:	Same as those used in the June 30, 2023 funding actuarial valuation

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

Section 3: Appendices

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2023 ($ in millions)

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

* Mainly attributable to employer contributions to fund each year's annual administrative expenses.

** Less than $1 million, when rounded.

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

Notes:

(1) Amounts may not total exactly due to rounding.

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

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

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

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

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

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

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

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

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

Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement 67. The terms may have different meanings in other contexts.

Actuarial Present Value of Projected Benefit Payments:	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation:	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial Valuation Date:	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution:	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad Hoc Postemployment Benefit Changes:	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Automatic Cost-of-Living Adjustments (Automatic COLAs):	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic Postemployment Benefit Changes:	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Cost-of-Living Adjustments:	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered Payroll:	Payroll on which contributions to the pension plan are based.
Defined Benefit Pension Plans:	Pension plans that are used to provide defined benefit pensions.

Defined Benefit Pensions:	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 67.)
Defined Contribution Pension Plans:	Pension plans that are used to provide defined contribution pensions.
Defined Contribution Pensions:	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount Rate:	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan Fiduciary Net Position is projected (under the requirements of Statement 67) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.
Entry Age Actuarial Cost Method:	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive Employees:	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Multiple-Employer Defined Benefit Pension Plan:	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL):	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.

Other Postemployment Benefits:	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension Plans:	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions:	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan Members:	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment:	The period after employment.
Postemployment Benefit Changes:	Adjustments to the pension of an inactive employee.
Postemployment Healthcare Benefits:	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected Benefit Payments:	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public Employee Retirement System:	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real Rate of Return:	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs:	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):	A defined benefit pension plan that is used to provide pensions to employees of only one employer.
Termination Benefits:	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL):	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 67.

BOARD Meeting: 11/14/23
Item: V-A
Attachment 5

Los Angeles City Employees' Retirement System

Governmental Accounting Standards Board Statement 74 (GAS 74) Actuarial Valuation of Other Postemployment Benefits (OPEB)

As of June 30, 2023

Segal

Segal

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November 7, 2023

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement 74 (GAS 74) Actuarial Valuation as of June 30, 2023. It contains various information that will need to be disclosed in order to comply with GAS 74.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist LACERS in preparing items related to the other postemployment benefits (OPEB) plan in their financial report. The census and financial information on which our calculations were based was prepared by LACERS. That assistance is gratefully acknowledged.

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

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

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

Sincerely,

Segal

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

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

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

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

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

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required for “Other Postemployment Benefits (OPEB)” plans by Statement No. 74 of the Governmental Accounting Standards Board as of June 30, 2023. This valuation is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and surviving spouses as of June 30, 2023, provided by LACERS;
- The assets of the Plan as of June 30, 2023, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc. that the Board has adopted for the June 30, 2023 valuation.

General Observations on GAS 74 Actuarial Valuation

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

Highlights of the valuation

1. The NOLs measured as of June 30, 2023 and 2022 have been determined from the actuarial valuations as of June 30, 2023 and June 30, 2022, respectively.
2. The NOL has decreased from a liability of $232.9 million as of June 30, 2022 to a surplus of ($135.3) million as of June 30, 2023 mainly due to (i) 2024 premiums, underlying claims estimates and subsidy levels were overall lower than expected; the savings produced by the Medicare plan premiums (which either remained level or decreased) more than offset the losses which resulted from the larger than expected premium increases for the non-Medicare plan premiums; updates to the actuarial spread factor methodology also contributed to the savings (ii) reflecting assumptions based on the triennial experience study, and (iii) the overall impact of the updated trend assumptions produced savings for the plan; although the trend rates for 2025 and after were slightly increased, the first year trend assumption for fiscal year 2023/2024 was lower than expected due to the 2024 premium experience.
3. The investment return calculated for the OPEB Plan was 8.05% (net of investment expenses only). This is higher than the 7.35% investment return calculated for the Retirement Plan.[1] Both of these returns have been calculated by Segal on a dollar-weighted basis taking into account the beginning of year assets, contributions, and benefit cash flows made during the year. In backing into a rate of return using actual investment income and investment expense as provided by LACERS, we sometimes could come up with a different return for the two Plans if: (a) the timing of the actual cash flows (especially the benefit payments) are different from what we assumed and/or (b) the actual income and expense allocated are different when compared to the proportion of the assets in the two Plans.
4. The discount rates used in the valuations for financial disclosure purposes as of June 30, 2023 and 2022 are the assumed investment returns on Plan assets (i.e. 7.00% for the funding valuations as of the same dates). As contributions that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions and current Plan assets, when projected in accordance with the method prescribed by GAS 74, are expected to be sufficient to make all benefit payments to current members.

[1] We note that for the June 30, 2022 valuation, the investment return calculated for the OPEB Plan was -9.52% while the investment return calculated for the Retirement Plan was -8.11%.

Summary of key valuation results

Measurement Date		June 30, 2023	June 30, 2022
Disclosure elements for plan year ending June 30:	• Service cost[2]	$81,027,749	$81,415,128
	• Total OPEB Liability	3,405,088,528	3,580,696,288
	• Plan Fiduciary Net Position	3,540,386,112	3,347,771,350
	• Net OPEB Liability	(135,297,584)	232,924,938
Schedule of contributions for plan year ending June 30:	• Actuarially determined contributions	$90,580,892	$91,622,720
	• Actual contributions	90,580,892	91,622,720
	• Contribution deficiency / (excess)	0	0
Demographic data for plan year ending June 30:	• Number of retired members and surviving spouses[3]	17,759	17,753
	• Number of vested terminated members	1,617	1,537
	• Retired members and surviving spouses entitled but not yet eligible for health benefits.	132	139
	• Number of active members	25,875	24,917
Key assumptions as of June 30:	• Discount rate	7.00%	7.00%
	• Health care premium trend rates		
	Non-Medicare medical plans	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
	Medicare medical plans	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
	Dental	Actual premium increase in first year, then 3.00%	3.00%
	Medicare Part B	Actual premium increase in the first year then 4.50%	4.50%

[2] The service cost is based on the previous year's valuation, meaning the June 30, 2023 and 2022 values are based on the valuations as of June 30, 2022 and June 30, 2021, respectively. The key assumptions used in the June 30, 2021 valuation are as follows:

Discount rate	7.00%
Health care premium trend rates	
Non-Medicare medical plan	Actual premium increase in first year, then graded from 7.37% to ultimate 4.50% over 12 years
Medicare medical plan	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
Dental	4.00%
Medicare Part B	4.50%

[3] The total number of participants, including married dependents, receiving benefits is 23,696 as of June 30, 2023 and 23,798 as of June 30, 2022.

Important information about actuarial valuations

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

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

Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Participant information	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the measurement date, as provided by LACERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to healthcare trends and member enrollment in retiree health benefits. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.

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

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

The valuation is prepared at the request of LACERS. Segal is not responsible for the use or misuse of its report, particularly by any other party.
The actuarial valuation is prepared at the request of the Board to assist LACERS in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
An actuarial valuation is a measurement at a specific date – it is not a prediction of the plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of future financial measures, except where otherwise noted.
If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.
While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.

As Segal has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

Section 2: GAS 74 Information

General information about the OPEB plan

Plan Description

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

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and surviving spouses. The Board has seven members: four members, one of whom shall be a retired member of the System, shall be appointed by the Mayor subject to the approval of the Council; two members shall be active employee members of the System elected by the active employee members; one shall be a retired member of the System elected by the retired members of the System.

Plan membership. At June 30, 2023, OPEB plan membership consisted of the following:

Retired members or surviving spouses currently receiving benefits[1]	17,759
Vested terminated members entitled to, but not yet receiving benefits	1,617
Retired members and surviving spouses entitled but not yet eligible for health benefits	132
Active members	25,875
Total	45,383

[1] The total number of participants, including married dependents, receiving benefits is 23,696.

Section 2: GAS 74 Information

Benefits provided. LACERS provides benefits to eligible retirees and beneficiaries:

Membership Eligibility:	
Tier 1 (§4.1002(a))	All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.
Tier 3 (§4.1080.2(a))	All employees who became members of the System on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.
Benefit Eligibility:	
Tier 1 (§4.1111(a)) *and Tier 3 (§4.1126(a))*	Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a service or disabled retiree before the member reaches age 55.
Medical Subsidy for Members Not Subject to Cap:	
Under Age 65 or Over Age 65 Without Medicare Part A	
Tier 1 (§4.1111(d)) *and Tier 3 (§4.1126(c))*	The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2023, the maximum health subsidy is $1,962.20 per month. As of January 1, 2024, the maximum health subsidy is $2,187.58. This amount includes coverage of dependent premium costs.
Over Age 65 and Enrolled in Both Medicare Parts A and B	
Tier 1 (§4.1111(e)) and *Tier 3 (§4.1126(d))*	For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

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

Subsidy Cap for Tier 1:	
(§4.1111(b))	As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired members who do not contribute an additional 4% or 4.5% of employee contributions to the Pension Plan. The capped subsidy is different for Medicare and non-Medicare retirees. The cap applies to the medical subsidy limits at the 2011 calendar year level. The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.
Dependents:	
Tier 1 (§4.1111(e)(4)) *and Tier 3 (§4.1126(d)(4))*	An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service. The combined member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.
Dental Subsidy for Members:	
Tier 1 (§4.1114(b)) *and Tier 3 (§4.1129(b))*	The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2023, the maximum dental subsidy is $43.81 per month; decreasing to $42.93 per month in calendar year 2024. There is no subsidy available to spouses or domestic partners or for dependent coverage. There is also no reimbursement for dental plans not sponsored by the System.
Medicare Part B Reimbursement for Members:	
Tier 1 (§4.1113) and *Tier 3 (§4.1128)*	If a retiree is eligible for a health subsidy, covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium.

Section 2: GAS 74 Information

Surviving Spouse Medical Subsidy:	
Tier 1 (§4.1115) and Tier 3 (§4.1129.1)	The surviving spouse or domestic partner will be entitled to a health subsidy based on the member's years of service and the surviving dependent's eligibility for Medicare.
Under Age 65 or Over Age 65 Without Medicare Part A	The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($939.09 per month as of July 1, 2023 and $1,051.78 per month as of January 1, 2024).
Over Age 65 and Enrolled in Both Medicare Parts A and B	For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

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

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

Net OPEB Liability

Measurement Date	June 30, 2023	June 30, 2022
Components of the Net OPEB Liability		
Total OPEB Liability	$3,405,088,528	$3,580,696,288
Plan Fiduciary Net Position	(3,540,386,112)	(3,347,771,350)
Net OPEB Liability	$(135,297,584)	$232,924,938
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	103.97%	93.49%

The NOL was measured as of June 30, 2023 and 2022. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date, while the TOL was determined based upon the results of the actuarial valuations as of June 30, 2023 and 2022, respectively.

Plan provisions. The plan provisions used in the measurement of the NOL as of June 30, 2023 and 2022 are the same as those used in the LACERS funding valuations as of June 30, 2023 and 2022, respectively.

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

Inflation	2.50%
Salary increases	Ranges from 9.00% to 4.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and including inflation
Health care trend	Non-Medicare: Actual premium increases in the first year and then 7.12% graded to ultimate 4.50% over 11 years Medicare: Actual premium increases in the first year and then 6.37% graded to ultimate 4.50% over 8 years
Other assumptions	Same as those used in the June 30, 2023 funding valuation

Section 2: GAS 74 Information

The TOL as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019, dated June 17, 2020, and the retiree health assumptions letter dated September 22, 2022. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Ranges from 9.95% to 4.25% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and including inflation
Health care trend	Non-Medicare: Actual premium increases in the first year and then 7.12% graded to ultimate 4.50% over 11 years Medicare: Actual premium increases in the first year and then 6.37% graded to ultimate 4.50% over 8 years
Other assumptions	Same as those used in the June 30, 2022 funding valuation

Determination of discount rate and investment rates of return

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

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

Section 2: GAS 74 Information

Discount rate: The discount rates used to measure the TOL was 7.00% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2023 and June 30, 2022.

Discount rate and trend sensitivity

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS' Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability as of June 30, 2023	$316,466,107	$(135,297,584)	$(508,751,280)

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of LACERS as of June 30, 2023, calculated using the trend rate as well as what LACERS' Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rates[4]	1% Increase
Net OPEB Liability as of June 30, 2023	$(546,070,481)	$(135,297,584)	$372,463,635

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

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

Measurement Date	June 30, 2023	June 30, 2022
Total OPEB Liability		
• Service cost[5]	$81,027,749	$81,415,128
• Interest	250,837,724	246,694,076
• Change of benefit terms	0	0
• Differences between expected and actual experience	(12,047,528)	(369,459)
• Changes of assumptions	(336,074,645)	(109,877,440)
• Benefit payments	(159,351,060)	(157,244,471)
Net change in Total OPEB Liability	**$(175,607,760)**	**$60,617,834**
Total OPEB Liability – beginning	**3,580,696,288**	**3,520,078,454**
Total OPEB Liability – ending (a)	**$3,405,088,528**	**$3,580,696,288**
Plan Fiduciary Net Position		
• Contributions – employer	$90,580,892	$91,622,720
• Contributions – employee	0	0
• Net investment income[6]	269,610,945	(360,636,412)
• Benefit payments	(159,351,060)	(157,244,471)
• Administrative expense	(8,226,015)	(7,618,828)
• Other[7]	0	(3,722)
Net change in Plan Fiduciary Net Position	**$192,614,762**	**$(433,880,713)**
Plan Fiduciary Net Position – beginning	**3,347,771,350**	**3,781,652,063**
Plan Fiduciary Net Position – ending (b)	**$3,540,386,112**	**$3,347,771,350**
Net OPEB Liability – ending (a) – (b)	**$(135,297,584)**	**$232,924,938**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	**103.97%**	**93.49%**
Covered payroll[8]	**$2,307,335,751**	**$2,155,005,471**
Plan Net OPEB Liability as percentage of covered payroll	**-5.86%**	**10.81%**

5 The service cost is based on the previous year's valuation, meaning the June 30, 2023 and 2022 values are based on the valuations as of June 30, 2022 and June 30, 2021, respectively.

6 Includes building lease and other income.

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

8 Covered payroll is the payroll on which contributions to an OPEB plan are based.

Schedule of contributions – Last ten fiscal years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[9]	Contributions as a Percentage of Covered Payroll
2014	$97,840,554	$97,840,554	$0	$1,802,931,195	5.43%
2015	100,466,945	100,466,945	0	1,835,637,409	5.47%
2016	105,983,112	105,983,112	0	1,876,946,179	5.65%
2017	97,457,455	97,457,455	0	1,973,048,633	4.94%
2018	100,909,010	100,909,010	0	2,057,565,478	4.90%
2019	107,926,949	107,926,949	0	2,108,171,088	5.12%
2020	112,136,429	112,136,429	0	2,271,038,575	4.94%
2021	103,454,114	103,454,114	0	2,276,768,292	4.54%
2022	91,622,720	91,622,720	0	2,155,005,471	4.25%
2023	90,580,892	90,580,892	0	2,307,335,751	3.93%

See accompanying notes to this schedule on the next page.

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

Section 2: GAS 74 Information

Notes to Schedule:

Methods and assumptions used to establish "actuarially determined contribution" (ADC) rates:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method:	Entry Age Cost Method (level percent of payroll)
Amortization method:	Level percent of payroll
Remaining amortization period:	Multiple layers, closed amortization periods. The unfunded actuarial accrued liability as of June 30, 2020 is amortized over a fixed period of 21 years beginning June 30, 2021. Assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis.
Asset valuation method:	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.
Actuarial assumptions:	
Valuation date:	June 30, 2023
Investment rate of return	7.00%
Inflation rate	2.50%
Real across-the-board salary increase	0.50%
Projected salary increases[10]	Ranges from 9.00% to 4.00%, based on years of service
Medical cost trend rates	
Non-Medicare medical plans	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
Medicare medical plans	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
Dental	Actual premium increase in first year, then 3.00% thereafter
Medicare Part B	Actual premium increase in first year, then 4.50% thereafter
Other assumptions:	Same as those used in the June 30, 2023 funding actuarial valuation.

[10] Includes inflation at 2.50% plus across the board salary increases of 0.50% plus merit and promotional increases

Section 3: Appendices

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2023 ($ in millions)

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

* Mainly attributable to employer contributions to fund each year's annual administrative expenses.

** Less than $1 million, when rounded.

*** $12,934 million when discounted with interest at the rate of 7.00% per annum has a value of $16 million as of June 30, 2023.

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

Notes:

(1) Amounts may not total exactly due to rounding.

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

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

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

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

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

(7) Column (d): Projected administrative expenses are calculated as approximately 0.25% of the projected beginning Plan's Fiduciary Net Position amount. The 0.25% portion was based on the actual fiscal year 2022 - 2023 administrative expenses as a percentage of the beginning Plan's Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.

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

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

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

Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement 74. The terms may have different meanings in other contexts.

Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: a) Investment return — the rate of investment yield that the Plan will earn over the long-term future; b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates; c) Retirement rates — the rate or probability of retirement at a given age; d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered Employee Payroll:	The payroll of the employees that are provided OPEB benefits.
Discount Rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: 1) the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and 2) the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Entry Age Actuarial Cost Method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.
Healthcare Cost Trend Rates:	The rate of change in per capita health costs over time.
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position.
Plan Fiduciary Net Position:	Market Value of Assets
Real Rate of Return:	The rate of return on an investment after removing inflation.
Service Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.
Valuation Date:	The date at which the actuarial valuation is performed.

5784119v4/05806.009

BOARD Meeting: 11/14/23
Item: V-A
Attachment 6

Los Angeles City Employees' Retirement System

Family Death Benefit Plan (FDBP) Costs as of June 30, 2023

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

November 7, 2023

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

Dear Board Members:

We have developed our recommended contribution rates for the voluntary Family Death Benefit Plan ("Plan") as of June 30, 2023. If adopted by the Board, these rates will be effective for the two plan years beginning July 1, 2024 and ending June 30, 2026. The last review of the Plan was conducted as part of the June 30, 2021 actuarial valuation. That study yielded the current employee monthly contribution rate of $1.90. The City matches the employees' cost at the same level.

Recommendations

Based on the census data and the actuarial assumptions used for the June 30, 2023 actuarial valuation, our observations and recommendations are as follows:

- The current employee monthly rate is $1.90 through June 30, 2024. Based on this rate, the estimated total annual contributions would be about $94,600 (about $47,300 each for the members and the City) for plan year 2023/2024. The current monthly rate of $1.90 previously adopted by the Board was a result of a reduction by 20% from the prior monthly rate of $2.40 previously recommended by Segal as a result of the June 30, 2021 valuation. That recommendation was made after considering the surplus position of the Plan as of the date of that valuation.
- It is our understanding that the earnings credited to the Family Death Benefits Reserve include realized and unrealized gains or losses. Therefore, the crediting procedure for the Family Death Benefits Reserve is in line with the procedure utilized for the Retirement Plan reserves (with the exceptions of the Reserve for Member Contributions and the Annuity Reserve). Since the future payment liability for this program has been discounted at the valuation assumed earnings rate of 7.00% per year for this valuation, we believe the crediting procedure is consistent with the valuation discount rate assumption.
- For several years, Plan assets have exceeded the Plan's liability reserve. The Plan does not currently have a formal policy on how the monthly premium rate should be adjusted to reflect any such funding surplus. However, after discussions with LACERS

in 2017, we recommended two action items for reducing surplus in the FDBP liability reserve for the June 30, 2017 FDBP valuation, and those action items were adopted by the Board and implemented by LACERS. We have continued presenting similar action items for the Board to consider for the June 30, 2023 FDBP valuation and those two items are provided as an Appendix to this report.

- We recommend that the current employee monthly rate of $1.90 be decreased by about 20% to $1.50 for the two plan years beginning July 1, 2024 and ending June 30, 2026. This is developed using Action Item 2 in the Appendix to this report, where the surplus is amortized over 30 years.

Analysis and assumptions

It is our understanding that the Plan is funded on a term cost basis and the premium charged for the current year is only supposed to be sufficient to pay for the present value of the projected death benefits for those expected to die in the same period. However, there is an adjustment in the monthly premium based on the Plan's funded status to reflect the relative value of the actual plan reserve compared to the actual present value of death benefits in pay status for those who previously died. As of June 30, 2023, the Plan's annual term cost is $148,679 for the 2,075 active members participating at June 30, 2023. This translates to a monthly rate of $2.99 for both the employee and the City. However, the Plan is in a surplus position as of June 30, 2023, with the Plan's valuation value of assets of $19,072,418 exceeding the liability reserve of $6,080,474 by $12,991,944.[1] This surplus is about $1.3 million higher than the surplus as of the last review as of June 30, 2021.

We anticipate that the surplus reserve of $12,991,944 will be more than sufficient to sustain the recommended monthly premium rates of $1.50 for the employee and the City for the two plan years beginning July 1, 2024. As the surplus would be depleted at the rate of about $74,000 per year, which is substantially less than the 7.00% expected investment return on the surplus assets of $12,991,944, we expect that at, June 30, 2026, there would be an even larger surplus remaining from the June 30, 2023 surplus balance of $12,991,944 if all actuarial assumptions were to come true. The surplus continues to grow, in part, because some active FDBP members are paying premiums even though their survivors may not receive benefits from the Plan. This is discussed in item 5 below and under Action Item 1 in the Appendix.

As noted, all of the calculations are based on the June 30, 2023 actuarial valuation participant data and actuarial assumptions shown in the Retirement Plan valuation report. In addition, this Plan requires further assumptions in the valuation as shown below:

1. Each participating active member is assumed to have two children with an average age of about 13.
2. The children are assumed to be eligible for a monthly benefit of about $938 each until they reach age 18.
3. A surviving spouse is assumed to be eligible for a monthly benefit of about $312 until the children reach age 16.

[1] If the Plan's June 30, 2023 market value of assets of $18,514,979 were to be used in the above analysis, the Plan would have a surplus of $12,434,505 instead of $12,991,944.

4. A surviving spouse of a member who has paid FDBP premiums for 10 or more years is assumed to be eligible for an additional monthly benefit of about $613 starting at age 60.[2]

5. As previously discussed with LACERS and included in our 2021 valuation report, we understood that survivors may not receive benefits from the FDBP if they receive a service retirement survivorship benefit from the Retirement Plan. Therefore, those FDBP participants who are currently eligible to retire under the Retirement Plan do not have an FDBP liability in our valuation even though it is assumed that they would continue to pay premiums to the FDBP. We believe this is one of the contributors to the increase in the surplus balance of $12,991,944 as of June 30, 2023, because 882[3] of the 2,075 active participants in the Plan as of June 30, 2023 will not be eligible for a benefit from the FDBP based on this criterion. Additionally, based on a prior conversation with LACERS, we understood that for the active members who are enrolled in the FDBP and who have no surviving spouse/domestic partner upon death, FDBP payments may be made to the members' eligible children and/or dependent parents, if any. However, LACERS' staff noted in August 2021 that this information was not available while the member is active. Segal anticipates that having this information would not have a material effect on the valuation results anyway.

   Note that the lower than expected returns on the valuation value of FDBP assets for the years ended June 30, 2023 and June 30, 2022 of 6.9% and 6.6%, respectively, served to slightly decrease the surplus balance as of June 30, 2023.

The above costs were certified by Andy Yeung, ASA, Enrolled Actuary. The undersigned 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.

Sincerely,

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

bts/JL

cc: Edwin Avanessian
Todd Bouey
Dale Wong-Nguyen

2 Larger amounts are available if the surviving spouse begins receiving payments after age 60.

3 This is slightly reduced from 890 observed at the time of the June 30, 2021 valuation.

APPENDIX

Possible Action Items On How To Adjust The Monthly Premium Rate In Years Where There Is A Surplus

Surplus history

Below we provide the historical progression of the surplus in the Family Death Benefit Reserve, based on the valuation (smoothed) value of assets, for the last six biennial valuations:

Valuation Date	Valuation Value of FDBP Assets	FDBP Liability Reserve	Excess FDBP Reserves
June 30, 2013	$14,456,893	$8,453,914	$6,002,979
June 30, 2015	15,402,402	8,378,370	7,024,032
June 30, 2017	15,858,684	7,576,611	8,282,073
June 30, 2019	16,686,626	7,209,746	9,476,880
June 30, 2021	18,186,116	6,530,272	11,655,844
June 30, 2023	19,072,418	6,080,474	12,991,944[1]

[1] The increase in the excess FDBP reserves is offset slightly by the lower than expected return on the valuation value of FDBP assets for the years ended June 30, 2022 and 2023. The actual rates of return were 6.6% for the year ended June 30, 2022 and 6.9% for the year ended June 30, 2023, compared to the assumed annual rate of return of 7.00%. This resulted in an actuarial loss of about $89,000 for the two years.

Action items for reducing surplus in FDBP

Following are two possible action items on how to reduce the FDBP surplus and to adjust the monthly premium rate for the FDBP when there is a surplus:

Action item 1: permanent cessation of contributions to FDBP for certain members

As previously discussed with LACERS and included in our 2019 valuation report, we understood that current or future survivors may not receive any benefits from the FDBP if they are currently receiving a service retirement survivorship benefit from the Retirement Plan because the member has already passed away, or will become entitled to a future service retirement survivorship benefit because the active member has already satisfied the requirements under the Retirement Plan to receive a benefit. Following up on the action item we recommended in the June 30, 2017 FDBP valuation, we were informed that LACERS sent letters to members who were contributing to the FDBP, but who were retirement eligible, to consider de-selecting the voluntary FDBP contributions. However, there are still FDBP active participants who are currently eligible to retire under the Retirement Plan (and whose potential survivors may not receive any benefits from the FDBP) and who are continuing to pay employee premiums. We have estimated the number of such members for the last two valuations to be as follows:

	Active FDBP Members in the June 30, 2021 Valuation	No Longer Active FDBP Members	New Active FDBP Members	Active FDBP Members in the June 30, 2023 Valuation
Eligible to Retire[1]	890			882
Not Eligible to Retire	1,422			1,193
Total	2,312	-287	+50	2,075

[1] Whose potential survivors may not receive any benefits from the FDBP.

We have observed that approximately 193 of the 890 members who were participating in the FDBP as of June 30, 2021 and whose current or future survivors may not receive any benefits from the FDBP were no longer participating in the FDBP as of June 30, 2023.

Note that, based on a prior conversation with LACERS, we understood that for active members enrolled in the FDBP who have no surviving spouse/domestic partner upon death, FDBP payments may be made to the members' eligible children and/or dependent parents, if any. Accordingly, for this action item, Segal proposes that if LACERS can determine exactly which remaining FDBP participants are currently eligible for service retirement and are married or with domestic partners or have no eligible children and/or dependent parents that LACERS continues to consider an annual program to inform these participants to consider de-selecting the voluntary FDBP contributions. (This would have the added effect of allowing the City to suspend matching contributions to the FDBP for these participants.) As noted on page 3 in the body of this report, the Plan's annual term cost of $148,679 as of June 30, 2023 for the 2,075 active members participating in the Plan as of that date translates to an employee and City monthly rate of $2.99 each. This term cost reflects no liabilities for the 882 members who are eligible to retire under the Retirement Plan. Should these 882 members terminate their participation in the FDBP, the term cost as of June 30, 2023 for the remaining 1,193 members would translate to an employee and City monthly rate of $5.19 each. In this case, maintaining the current monthly premium at $1.90 would mean that the surplus is depleted at a rate of about $94,000 per year, which is less than the expected investment return on the surplus of about $909,000.

While this action item may be considered to be more of a communication issue than a funding policy issue, it would help to prevent the Plan from accumulating even more surplus going forward.

Action item 2: reduction in contributions

Under the Retirement Plan's funding policy, actuarial surplus is amortized over a 30-year open (non-decreasing) period. For the FDBP, the Board may want to consider amortizing actuarial surplus over the same 30-year open period. In addition, since the benefits and the associated employer and employee contributions for FDBP are not dependent on salary, we would suggest amortizing the surplus as a level dollar amount, rather than a level percentage of salary. The amortization of the surplus would serve as a reduction in the current $1.90 per month charge to the FDBP. An annual amortization credit of about $978,000 would be available at the beginning of the year by amortizing over 30 years the surplus of $12,991,944 available as of June 30, 2023. We note this credit would be more than the $1.90 monthly charge. This credit would be approximately $19.65 per month each (for the employee and for the City), assuming for this calculation that the same 2,075 active employees as of June 30, 2023 would continue to participate in the Plan (i.e., <u>before</u> considering Action Item 1).

For the June 30, 2021 FDBP valuation, we recommended a decrease in the monthly charge from $2.40 to $1.90, or by 20%, and that recommendation was adopted by the Board. Under this action item for the June 30, 2023 valuation, we propose that the monthly charge be reduced below the current $1.90 by about another 20%, or to $1.50 for the two plan years beginning July 1, 2024 and ending June 30, 2026. However, before the Board considers this action item, the following ramification should be considered. As of the June 30, 2023 valuation date, there were about 25,900 active members. Of those, we have roughly estimated that about 5,900 members were eligible to retire as of the valuation date, leaving about 20,000 not yet eligible. Of those not yet eligible to retire, about 1,200 members are currently contributing FDBP premiums. This leaves approximately 18,800 (i.e., 20,000 - 1,200) additional active employees who may want to participate in the FDBP if contributions are temporarily reduced, which is about a sixteen-fold increase over the number of retirement ineligible members currently contributing.

For an extreme illustration, if all of the 18,800 active employees referenced above were to enroll in the FDBP in the next two years and there is no change to the current $1.90 employee monthly rate, there would be a reduction in the excess FDBP reserves by about $1.48 million. This represents between one and two years of the annual surplus amortization credits of $978,000.

Alternatively, we have reviewed the sensitivity of enrolling new members for purposes of applying the annual surplus amortization credit of $978,000 to reduce the excess FDBP reserves. For instance, if we were to recommend no change in the current $1.90 employee monthly rate, we have estimated that approximately 11,200 new FDBP participants out of the remaining 18,800 eligible participants mentioned above would need to enroll in the FDBP in order to reduce the excess FDBP reserves by the entire annual credit of $978,000. These hypothetical 11,200 new FDBP participants would represent about 60% of all remaining eligible participants. Considering that there were only 50 new members who elected to participate in the FDBP between the June 30, 2021 and June 30, 2023 valuations (when the employee monthly rate was reduced from $2.40 to $1.90), enrolling about another 11,200 new participants in the short term may not be realistic. The 50 new members represented about 0.3% of those not yet in the plan and not yet eligible to retire as of June 30, 2021.

If, instead, we were to recommend a large change in the current $1.90 employee monthly rate, such as a 50% reduction to $0.95, we have estimated that approximately 8,400 new FDBP participants would need to enroll in the FDBP in order for the surplus to be reduced by the annual credit of $978,000. These hypothetical 8,400 new FDBP participants would represent about 45% of all remaining eligible participants.

These scenario results reflect the assumption that the current participants who will not have a survivor eligible for FDBP benefits (i.e., the 882 participants mentioned above in Action Item 1) will opt out of the Plan.

Based on the information discussed above, we recommend that the current employee monthly rate of $1.90 be decreased to $1.50 per month. This approximately 20% reduction in the monthly rate is in line with the recommended decrease in the monthly rate for the last June 30, 2021 FDBP valuation and it would mean that about 9,900 new participants would need to enroll in the FDBP in order for the surplus reserves to be reduced by the annual credit of $978,000.[4]

It should be noted that in preparing the above premium reduction amounts, we have assumed the term cost of the new FDBP participants to be the same as the $5.19 calculated above based on 1,193 members covered under the Plan as of June 30, 2023.

Recommendation

As noted above, we recommend a reduction to the current monthly premiums, from the current $1.90 to $1.50, for 2024/2025 and 2025/2026 (Action Item 2). In addition, we recommend that, if possible, it continue to be communicated to the remaining members who are currently contributing to the FDBP but who are currently retirement eligible and are married or with domestic partners or have no eligible children and/or dependent parents to cease contributing to the Plan (Action Item 1).

Additional considerations

Based on preliminary discussions with LACERS, the Board, in consultation with the City Attorney, may want to consider additional future actions items on how to reduce the funding surplus, in addition to developing a formal policy on how the monthly premium rate should be adjusted to reflect any such surplus.

[4] The 9,900 count assumes that none of the 882 FDBP active members who are currently eligible to retire under the Retirement Plan are single or without a domestic partner and have eligible children and/or dependent parents and will remain in the plan.

One such item the Board may want to consider would be to increase the benefits offered under the Family Death Benefit Plan, recognizing that the current levels of benefit provided by the Plan are fixed amounts. The Board may compare the death benefits currently provided by the FDBP with those offered by Social Security benefits or some other public retirement system peers.

In addition, since participation in the FDBP is voluntary, the Board may consider allowing the System to charge the FDBP for any direct expenses.

Note that we are available to discuss these possible additional future action items with the Board, along with any other possible action items, at a subsequent meeting, if desired.

5782088v6/05806.007

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 14, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: V - B**

SUBJECT: **CONSIDERATION FOR APPROVAL OF CONTRACTS WITH FOUNDATION FOR SENIOR SERVICES, PERSONAL WELLNESS CORPORATION, AND MOM'S COMPUTER; DETERMINATION THAT COMPETITIVE BIDDING WOULD BE IMPRACTICABLE, UNDESIRABLE, AND/OR DISADVANTAGEOUS AND POSSIBLE BOARD ACTION**

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

Recommendations

That the Board:
1. Approve a one-year contract with Foundation for Senior Services for a period beginning January 1, 2024, and ending December 31, 2024;
2. Approve one-year contract with Personal Wellness Corporation for a period beginning January 1, 2024, and ending December 31, 2024;
3. Adopt a finding that conducting a competitive bidding process for virtual support services would be impracticable, undesirable, and/or disadvantageous; and
4. Approve a one-year contract with Mom's Computer for a period beginning January 1, 2024, and ending December 31, 2024; and
5. Authorize the General Manager to negotiate and execute the one-year contracts.

Executive Summary

The LACERS Well program was developed as a strategic initiative to support and improve the health of LACERS Retired Members by educating them about, and encouraging the use of, resources available through the LACERS health insurance carriers, medical groups, providers, and communities, as well as the network of LACERS Well Champions who voluntarily lead various types of activities. The goal of the program is to help Retired Members better manage their health so that they are able to have a more fulfilling retirement, while minimizing long-term healthcare costs.

To achieve its goals, LACERS Well seeks to contract with Foundation for Senior Services (FFSS), Personal Wellness Corporation (PWC), and Mom's Computer to provide education and activities tailored to the senior population. LACERS Well has worked with each vendor for services that met or exceeded expectations with expenditures between $6,750 to less than $25,000 per year. As such, Members are familiar with the hosts who provide a welcoming and comfortable environment. Since

LACERS Well's current contracts with these vendors are set to expire on December 31, 2023, LACERS asks the Board to award a new one-year contract with FFSS, PWC, and Mom's Computer for the reasons discussed herein. Each vendor is required so that LACERS can continue to provide these popular and much needed services to its Members.

<u>Discussion</u>

LACERS Well seeks to contract with FFSS, Mom's Computer, and PWC to provide education and activities to LACERS Retired Members. All Retired Members are eligible to register for any event offered through LACERS Well. These events provide a space where Members can learn about a specific topic as well as to connect and engage with other Members. Their services are specifically geared toward the senior population. Additionally, these vendors provide highly-specialized services that have been tailored and customized to address the unique needs of LACERS Members. Focus is placed not only on the topics and activities themselves, but also on the social aspects of these events and activities. Their approach is in line with the Wellness Program's Purposeful Living Campaign which is based on the five essential elements of well-being: Purpose, Physical Health, Financial Wellness, Social Engagement, and Community Involvement.

Foundation for Senior Services

FFSS is a non-profit organization whose mission is to provide seniors and their families with education, options, and resources so they can choose quality care and assistance that will help preserve their independence. FFSS' purpose is to provide support to seniors in the communities they serve to meet the growing needs of our senior population, and to keep seniors living safely and well cared for in their homes for as long as possible.

LACERS Well currently has a contract with FFSS to provide education to Retired Members on a variety of topics as part of the Aging Mastery Program, which expires on December 31, 2023. FFSS also provides creditable and licensed speakers for classes and workshops covering exercise, healthy eating, estate planning, and financial fitness. FFSS's mission aligns with the LACERS Well's mission to enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness. FFSS has facilitated or provided speakers to four LACERS Well events in 2023 where over 200 LACERS Members attended these in-person and virtual events.

LACERS seeks to renew its one-year contract with FFSS to continue providing these vital services. As a new vendor to LACERS, FFSS cannot estimate its annual expenditures for 2024, but LACERS proposes a contract ceiling of less than $25,000, which should be sufficient since FFSS does not anticipate that the contract will be more than $25,000 per year.

Personal Wellness Corporation

PWC is a fitness organization specializing in the holistic approach, not just physical health of individuals by providing a motivational aspect challenging participants to focus on the "why" of their fitness goals. Sean Foy, founder of PWC, is an internationally renowned authority on fitness, weight management, and health living. As an author, exercise physiologist, behavioral coach and speaker, Sean has earned the reputation of as “America’s Fast Fitness Expert” who brings an upbeat, positive, and sensible approach to making fitness happen.

LACERS Well has partnered with PWC to provide Members with the fitness and motivational services of Sean Foy. Prior to 2021, LACERS Well utilized PWC to provide services at various in-person workshops and extravaganzas. In 2022, LACERS launched a new partnership with PWC to conduct the monthly fitness classes virtually. As of October 2023, there have been 10 virtual classes held with 188 participants. In 2023, PWC conducted two in-person events which were attended by 132 participants in total. The total annual expenditure is approximately $12,750 per year.

LACERS intends to continue this partnership as PWC is in alignment with the LACERS Well 2024 theme of “Move, Learn & Grow Together.” Sean Foy, who has established a long-time rapport with the Retired Members, provides a comfortable environment for the Members to continue to participate and enjoy these fitness classes. Members have provided positive feedback stating the program provides them with the purpose to stay active and remain committed to their fitness goals.

LACERS seeks to renew its one-year contract with FFSS to continue providing these vital services.

Mom’s Computer

Mom’s Computer is committed to helping seniors and adult learners navigate the ever-changing landscape of technology, with personalized care and support tailored to everyone’s needs. Whether it is becoming familiarized with a device, troubleshooting technical issues, or learning new software, Mom's Computer is dedicated to making technology accessible and user-friendly for all. Through his passion for education and technology, Elijah Dittersdorf, founder and CEO, is making a difference in the lives of seniors and adult learners, helping them stay connected and engaged in today's digital world. Under Elijah's leadership, Mom's Computer has grown to become a trusted and reliable resource for technology care in the Los Angeles area and beyond.

Mom’s Computer provides customized class curriculum about complex technical materials tailored to LACERS Members’ needs in a fun and social environment. Mom’s Computer has provided technical support services since 2018, first by providing support services at various in-person workshops, extravaganzas, and Open Enrollment meetings. LACERS expanded this partnership in 2020, when virtual technical support services emerged as a critical need, and Mom’s Computer began to provide technical support for virtual workshops as well as the virtual Open Enrollment meetings. Mom’s Computer continues to conduct monthly virtual technical classes and workshops, as well as to provide individual technical support with devices or virtual meetings.

Throughout its engagement with LACERS, Mom’s Computer has received positive feedback from Members and Plan staff. Members have explained that they are familiar with Mom’s Computer and can reach out with any questions or technical support needs. Further, Mom’s Computer’s monthly technology classes are the highest attended LACERS Well program with 340 Members attending the virtual classes in 2023.

LACERS asks the Board to make a finding that a new competitive process for this contract engagement would be impracticable, undesirable, and/or disadvantageous pursuant to Los Angeles Administrative City Charter (LACC) Section 371(e)(2) and Los Angeles Administrative Code (LAAC) Section 10.15(10). First, the current expenditure for this engagement is approximately $6,750 per year. Such a low dollar amount for the contract award is unlikely to elicit bids from new potential contractors. Second, as described above, Mom's Computer provides a specialized service that is uniquely tailored to LACERS Members and is highly technical. LACERS may therefore seek a one-year renewal of this contract pursuant to LAAC Section 10.5(b)(2), because the total dollar amount for the contract, between $6,750 and less than $25,000, is far below the $187,496 contract exemption limit.

Strategic Plan Impact Statement

The LACERS Well contracts support the Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: James Kawashima, Senior Benefits Analyst II, Health, Wellness and Buyback Division

NMG/DWN/KF/jk

Attachment: 1. Proposed Resolution

Board Meeting: 11/14/23
Item V - B
Attachment 1

CONSIDERATION FOR APPROVAL OF CONTRACTS WITH FOUNDATION FOR SENIOR SERVICES, PERSONAL WELLNESS CORPORATION, AND MOM'S COMPUTER; DETERMINATION THAT COMPETITIVE BIDDING WOULD BE IMPRACTICABLE, UNDESIRABLE, AND/OR DISADVANTAGEOUS AND POSSIBLE BOARD ACTION

PROPOSED RESOLUTION

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) developed the LACERS Well program to support and improve the health of Retired members;

WHEREAS, LACERS Well has contracted with vendors to provide services and activities to help Retired Members better manage their health while minimizing long-term healthcare costs;

WHEREAS, the Foundation for Senior Services, Mom's Computer, and Personal Wellness Corporation provide these services geared toward the Retired Member population in a social setting;

WHEREAS, the Los Angeles City Charter Section 1106 provides the LACERS' Board of Administration the sole and exclusive responsibility to administer the system for the exclusive purpose of providing benefits to system participants and their beneficiaries;

WHEREAS, the Los Angeles City Charter Section 371(e)(2) and Los Angeles City Administrative Code Section 10.15(a)(10) enable the contracting authority to make a finding that a new competitive process would be impracticable, undesirable, and/or disadvantageous;

WHEREAS, the Los Angeles City Administrative Code Section 10.5(b)(2) exempts contract renewals where the total term is in excess of three years if the dollar amount is less than $187,496 and no competitive bidding process is required;

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

1. Approve a one-year contract with the Foundation for Senior Services for a period beginning January 1, 2024, and ending December 31, 2024;
2. Approve a one-year contract with Personal Wellness Corporation for a period beginning January 1, 2024, and ending December 31, 2024;
3. Adopt a finding that conducting a competitive bidding process for virtual support services would be impracticable, undesirable, and/or disadvantageous;
4. Approve a one-year contract with the Mom's Computer for a period beginning January 1, 2024, and ending December 31, 2024; and,
5. Authorize the General Manager to negotiate and execute the one-year contracts.

November 14, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: November 14, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: V - C**

SUBJECT: **CONTRACT WITH BOX, INC. TO CONDUCT AN ELECTRONIC SYSTEM OF RECORD DUE DILIGENCE STUDY AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1) Find that, pursuant to City Charter Sections 371(e)(2) and (e)(10), and Los Angeles Administrative Code Section 10.15(a)(2) and (a)(10), competitive bidding for conducting a study to evaluate migrating LACERS' current document management system into Box.com. would not be desirable, practicable, or advantageous; and,
2) Authorize the General Manager to negotiate and execute a contract with Box, Inc., for a term of one year and not to exceed the previously appropriated amount of $45,000, to perform a rigorous and thorough due diligence study on the buildout of an enhanced system of record inside the Box.com platform and the migration requirements of content existing within the current document management system.

Executive Summary

Hyland OnBase has served as LACERS' primary document management system (DMS) for a number of years. While it has delivered essential document storage and retrieval functionalities, it has become apparent that LACERS' evolving administrative demands, including increased remote work and interdepartmental collaboration, require a more flexible and scalable solution.

The Electronic Document Management System Migration Study will explore the proposed migration from Hyland OnBase to LACERS' existing Box.com technology platform as well as gather requirements for the technical architecture that would be needed to support a DMS build inside of Box.com. This project presents a strategic opportunity to understand the costs and benefits of modernizing our DMS, with intended outcomes being enhanced collaboration, mobility, security, and cost-efficiency within LACERS' existing technology environment.

This migration study will entail careful planning and requirements gathering, data migration and privacy rules, compliance considerations, and enhanced feature requests such as data extraction, meta-tagging, advanced search, system administration, and potential Artificial Intelligence capabilities.

Discussion

The transition to a new DMS is a strategic initiative aimed at enhancing efficiency, collaboration, security, and cost-effectiveness in LACERS' document management processes. It is also one that requires significant planning and oversight to ensure any new DMS will meet not only the needs of today but also the future needs of LACERS.

Box.com is LACERS' current platform for all operational and administrative content. IT staff and LACERS leadership at all levels agree that Box.com has more than fulfilled their initial expectations for supporting LACERS' evolving needs, and LACERS' reliance on Box.com during the transition to remote work has been rewarded with increased efficiency and seamless collaboration among staff. Staff recommends pursuing this migration study to evaluate transitioning from Hyland OnBase to Box.com as LACERS' system of record for the following reasons.

Rationale for Migration:

1. **Enhanced Collaboration:** Box.com provides advanced collaborative features that allow multiple stakeholders to work on documents simultaneously, fostering greater efficiency and teamwork. This is particularly vital at LACERS, where interdepartmental cooperation is critical.
2. **Cloud-Centric Approach:** Box.com is cloud-based, offering the flexibility needed to accommodate remote work and the scalability required to manage growing volumes of documents. It reduces LACERS' dependence on on-premises infrastructure and associated maintenance costs.
3. **Mobile Accessibility:** The mobility of LACERS employees is increasing. Box.com's mobile applications enable users to access, edit, and share documents securely from various devices, which is essential for our workforce's productivity and flexibility.
4. **Enhanced Security:** Box.com is known for its robust security measures, including advanced encryption, access controls, and audit trails. This ensures the protection of sensitive and confidential documents in compliance with regulatory requirements.
5. **Cost Efficiency:** Migrating to Box.com offers potential cost savings by eliminating the need for extensive on-premises hardware, reducing maintenance, and simplifying licensing models.

The study will seek to address the following:

Key Considerations:

1. **Data Migration:** The successful transition of data from OnBase to Box.com is a critical consideration, ensuring that documents remain accessible, organized, and metadata-rich throughout the process.
2. **DMS Architecture and Proposed Integrations:** The architecture of a new DMS within Box.com will satisfy requirements gathered from staff, will address current bottlenecks in workflow, and satisfy the future needs of LACERS through product integrations, to be proposed by Box.com.
3. **User Training:** Adequate training and change management strategies must be in place to ensure a smooth transition for all users, reducing resistance and maximizing adoption.
4. **Integration with Existing Systems:** The potential for integration with other key systems used within LACERS such as Pension Gold, must be explored to maintain seamless workflows and data consistency.

5. **Regulatory Compliance:** It is imperative to ensure that the new system complies with all relevant data protection and records management regulations specific to LACERS.

The Fiscal Year 2023-24 departmental budget includes $45,000 for the conduct of this analysis. Following this study, LACERS will make a determination as to whether to request budget to proceed with an implementation project.

Strategic Plan Impact Statement

Contracting with Box, Inc. to perform a due diligence study on document system migration supports the Strategic Plan Goal of organizational effectiveness, efficiency, and resiliency.

Prepared By: Vikram Jadhav, Chief Information Officer

NMG/TB:vj

Attachments: 1. Proposed Board Resolution

CONTRACT WITH BOX, INC. TO CONDUCT AN ELECTRONIC SYSTEM OF RECORD DUE DILIGENCE STUDY

PROPOSED RESOLUTION

WHEREAS, the Board has appropriated sufficient funds of $45,000 to engage Box, Inc. to perform a rigorous and thorough due diligence study on the buildout of an enhanced system of record inside the Box.com platform and the migration requirements of content existing within the current document management system;

WHEREAS, Box, Inc. understands the LACERS vision for content management due to their involvement with the development of the Retirement Application Portal and as the provider of the current LACERS document management system for organizational file management and internal workflows;

WHEREAS, it is beneficial for LACERS to continue its partnership with Box, Inc. to engage in a due diligence study as Box, Inc. is uniquely qualified to build an enhanced system of record within LACERS' Box environment due to the proprietary nature of the Box, Inc. platform; and,

WHEREAS, Charter Section 371(e)(2) and 371(e)(10) and Los Angeles Administrative Code Section 10.15(a)(2) and (a)(10) provide exemption from the competitive bidding process for contracts where the contracting authority determines that the desired service is of a proprietary nature and where the competitive bidding process would be "undesirable, impractical or impossible."

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

1. Find that, pursuant to City Charter Sections 371(e)(2) and (e)(10), and Los Angeles Administrative Code Section 10.15(a)(2) and (a)(10), competitive bidding for conducting a study to evaluate migrating LACERS' current document management system into Box.com. would not be desirable, practicable, or advantageous; and,
2. Authorize the General Manager to negotiate and execute a contract with Box, Inc., for a term of one year and not to exceed the previously appropriated amount of $45,000, to perform a rigorous and thorough due diligence study on the buildout of an enhanced system of record inside the Box.com platform and the migration requirements of content existing within the current document management system.

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION | **MEETING: NOVEMBER 14, 2023**
From: Neil M. Guglielmo, General Manager | **ITEM: VI – B**

SUBJECT: **PRI BOARD ELECTIONS AND BALLOT MEASURES AND POSSIBLE BOARD ACTION**

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

<u>Recommendation</u>

That the Board consider the Principles for Responsible Investment (PRI) 2023 Asset Owner Ballot and cast votes for the following ballot items:

1. Elect one Africa, one Asia, and one global asset owner signatory representative for the PRI Board;
2. Vote to confirm the appointment of the proposed Board Chair;
3. Receive the PRI Annual Report and Accounts for year ended March 31, 2023;
4. Approve the 2023 Signatory General Meeting (SGM) Minutes; and
5. Approve amendments to the Articles of Association

<u>Executive Summary</u>

As a signatory of the PRI, LACERS may participate in the 2023 election to vote for three candidates, confirm the appointment of the Board Chair, receive the PRI Annual Report and Accounts, approve the 2023 SGM Minutes, and approve the amendments to the Articles of Association.

<u>Discussion</u>

As a signatory of the PRI, LACERS should participate actively in all areas of PRI governance. The PRI Articles aim to balance real delegation from signatories to the PRI Board and its fiduciary role, with accountability and effective mechanisms for signatories to escalate critical issues and influence the strategic direction of the PRI.

2023 PRI Board Election
To ensure global representation on the PRI Board, PRI requests that asset owners vote for one Africa, one Asia, and one global asset owner position.

Asset owner candidates headquartered in Africa
Kamal Mitha, Head of Investments, Sasria SOC Limited (South Africa)
Lebogang Mokgabudi, Independent Specialist Trustee, Government Employees Pension Fund (South Africa)
Sonja Cecile Saunderson, Chief Investment Officer, Eskom Pension and Provident Fund (South Africa)

Asset owner candidate headquartered in Asia
Takeshi Kimura, Special Adviser to the Board, Nippon Life Insurance Company (Japan)

Global asset candidates
Catherine Bolger, Board Director, State Super – SAS Trustee Corporation (Australia)
Anita J. Clemons, Senior Vice President & Managing Director of Investment Management, Presbyterian Church U.S.A. Foundation (United States)
Alessandra Festini, ESG Manager, Cassa Nazionale di Previdenza e Assistenza Forense (Italy)
Jonathan Grabel, Chief Investment Officer, Los Angeles County Employees Retirement Association (LACERA) (United States)
Torben Moger Pedersen, Chief Executive Officer, PensionDanmark (Denmark)

The PRI Board should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organization to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture; and gender diversity. The following link provides the current composition of the PRI Board: https://www.unpri.org/about-us/governance/board-members.

The PRI Board encourages the election of candidates with leadership and governance experience. The candidates' statement (Attachment 1) highlights all the candidates' demonstrated leadership within responsible investment, ESG expertise, and other experience relevant to PRI's long-term success. Staff are available to assist the Board regarding the candidates' qualifications during the Board's discussion on this item. The election voting period ends on December 1, 2023.

Appointment of the proposed Board Chair[1]

The PRI Board proposes Conor Kehoe as the next Board Chair, taking over as Chair from Martin Skancke when the latter's term as PRI chair draws to a close at the end of 2023. Conor has 30 years of experience with McKinsey & Co where he co-founded McKinsey's Investor and Private Equity practice and the U.S. based research organization FCLTGlobal[2] ('Focusing Capital on the Long Term'). His extensive knowledge of responsible investment includes serving as Chair of the Integrated Reporting Council, a member of the G7 Impact Taskforce on Impact Accounting, as well as continuing to provide expertise on the topic to McKinsey, where he still serves as a Senior Advisor (see Attachment 2 for more information).

[1] Signatories are asked to confirm the appointment of the Chair by a simple majority of asset owner signatories' vote
[2] https://www.fcltglobal.org/

2023 Annual Report and Accounts
Signatories have the right to receive PRI's Annual Report and Accounts. PRI must present to signatories at each SGM the Association's latest annual accounts, any required accompanying reports, and the auditor's report. The PRI Board is asking all signatories to receive and vote for the 2023 Annual Report and Accounts. The following links provide access to the reports:

Annual Report
https://dwtyzx6upklss.cloudfront.net/Uploads/z/s/n/pri_ar2023_smaller_file_8875.pdf

Audited Accounts
https://dwtyzx6upklss.cloudfront.net/Uploads/s/n/o/pri_final_accounts_2023_737190.pdf

2023 Signatory General Meeting Minutes
Signatories have the right to approve the SGM minutes (Attachment 3). All signatories (including LACERS) had the opportunity to attend the 2023 SGM either in-person or via webcast or listen to the meeting recording at a later date. Staff participated virtually at the most recent 2023 SGM.

Amendment to the Articles of Association[3]
The purpose of amending the Articles of Association[4], is to enable a more agile strategy setting process. As a first step the PRI Board is proposing removing from the Articles of Association, the strict requirement to consult Signatories on a set three-year strategy cycle and replace it with the requirement to consult Signatories at least every three years.

In addition, PRI has taken the opportunity to make other minor amendments to the Articles, to:

1) Update the pronouns in the Articles to gender neutral language per best practice diversity, equity and inclusion guidance;
2) Remove now redundant provisions that were concerned with the transition in 2015 from the former Advisory Council to the current Board;
3) Remove unnecessary provisions about the requirement to formally consult signatories on policies that are relevant only to the Executive, the Diversity and the Procurement policies, or committee terms that are agreed by the Board; and
4) Update the title of the Code of Ethics and Conduct policy and correct typos.

Please see attachment 4 for more details and tracked changes to the Articles.

<u>Staff Recommendation</u>

Staff recommends that the Board elect three candidates to the PRI Board, confirm the Board Chair, receive the 2023 Annual Report and Accounts, approve the 2023 SGM minutes, and approve the amendments to the Articles of Association.

[3] Signatories must approve changes to the Articles of Association by a simple majority of asset owner signatories voting.
[4] https://d8g8t13e9vf2o.cloudfront.net/Uploads/g/e/r/2016-11-14-Articles-of-Association-of-PRI-Association-.pdf

Strategic Plan Impact Statement

Voting the PRI 2023 Ballot aligns with the goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Ellen Chen, Director of Private Markets, ESG Risk Officer, Investments Division

NMG/RJ/WL/EC:rm

Attachments:
1. PRI Board Candidate Statements
2. PRI Chair Candidate Statement
3. PRI 2023 Signatory General Meeting Minutes
4. PRI Articles of Association

Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Full name: **Kamal Mitha**

Job title: **Head of Investments**

Signatory organisation name: **Sasria SOC Limited**

Signatory organisation seconding your candidacy: **Government Institutions Pension Fund (GIPF)**

CANDIDATE STATEMENT

I believe that any investment strategy should incorporate elements of financial return as well as social impact. By encouraging this advancement, companies can improve the welfare of communities and our environment. While following this investment strategy, companies can achieve a return on investment and promote societal accountability. Investing for the benefit of society holds companies to a higher ethical standard. I understand that long-term value creation is not achieved through short-term solutions, nor at the expense of future generations, nor through moral decay. Environmental, social and governance factors must be acknowledged to ensure a sustainable future. Incorporating ESG metrics into your decision making has shown to deliver superior returns over time as these companies are more sustainable over the long- term.

I believe that my experience combined with my education will place me in good stead and make me the ideal candidate for this role. I believe I can make a difference in the area of responsible investing for the betterment of society.

BIOGRAPHY

Kamal Mitha is employed as the Head of Investments at Sasria SOC Limited, having joined the organisation in October 2018. He began his investment career in 2007 within the unit trust industry. In 2008 he worked for Advantage Asset managers, managing the investment administration back office. In 2009 he joined Africa's largest asset manager, the Public Investment Corporation as a Senior Investment Officer. In 2012 he was promoted to the Portfolio Management and Valuations team where he managed assets close to $20 billion.

Mr. Mitha is a CFA and a CAIA charterholder. He completed his Bachelor of Commerce degree at the Nelson Mandela Metropolitan University and continued to upskill himself with a Master of Business

Administration qualification from the University of Witwatersrand. He is also a Certified Driector with the Institute of Directors South Africa.

SIGNATORY ORGANISATION INFORMATION

The 1976 uprisings by courageous young people in Soweto turned the course of history and played a significant role in the creation of Sasria.

The government of the day and the South African Insurance Association (SAIA) needed to provide insurance cover against political riots and politically motivated mass action. The South African Special Risks Insurance Association (abbreviated SASRIA) was formed in 1979 as a section 21 non-profit company with a legislated monopoly.

At the time, it was exempted from paying tax and its members were South African short-term insurance companies. Sasria offered cover on the basis that it would not refuse cover or cancel the cover, making the South African government the reinsurer of last resort with unlimited liability. Rates were originally high in order to build up reserves and reflect the high risk at that time. In 1998, the mandate was extended for our cover to include nonpolitical perils, such as strikes and labour disturbances. Sasria was converted to a limited company in terms of the Sasria Act. Sasria is now a transformed entity and the special risk short-term insurer of choice for all individuals, businesses and government institutions looking for extraordinary cover of their assets within the borders of South Africa and includes civil commotion, public disorder, strikes, riots and terrorism cover. Sasria works through a network of insurance companies and brokers who perform an administration function on their behalf and sell their products.

Sasria contributes to the economic sustainability and growth of South Africa. They protect assets against extraordinary risk by offering affordable insurance protection, thereby ensuring that South Africa continues to be an attractive investment destination that delivers economic continuity and social stability for all its people, entities or businesses. Sasria adheres to the highest standards of corporate governance, thereby growing a sustainable business that contributes positively to South Africa’s economy.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

- Non Executive Director of a South African based foundation with a focus on health equity. Positions held include:
  - Chairman of Audit Committee and Member of the Investment Committee
- Certified Director with the Institute of Directors South Africa (IODSA)
- Member of the Valuations Committee providing input into Valuations and impairments
- Becoming an Investment Committee member of a healthcare fund within South Africa. Held the position from October 2014 to October 2018. Responsibilities included:
  - Directing investment decisions for a R1.6 billion fund;
  - Maintaining the prudent and effective investments of the fund; and
  - Overseeing the investment policies and management of the fund.

- Deputy Chair of the Investment Steering Committee which is a subcommittee of the Investment Committee. Member of the Investment Committee within Sasria.
- Maintaining the Investment Policy within Sasria.
- Regular engagement with the leadership of investee companies

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI.

- Integration of alignment of SDGs
- Implementation of the Code of Responsible investing in South Africa (CRISA 2)
- Incorporating ESG factors within our portfolio management reporting
- Incorporating ESG within the investment decision-making process
- Conducting ESG quality assessments and influencing the ESG landscape through stewardship;
- Creating ESG dashboards within the infrastructure sector to improve reporting
- Managing and maintaining the UNPRI submissions on behalf of Sasria
- Implementing the investment strategy of Sasria
- Establishing a black asset manager incubation program for Sasria. This enables job creation, transformation and skills transfer.

VIDEO STATEMENT

https://www.youtube.com/watch?v=RIb-2hJcddc

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Lebogang Mokgabudi**

Job title: **Independent Specialist Trustee on the GEPF Board of Trustees**

Signatory organisation name: **Government Employees Pension Fund**

Signatory organisation(s) seconding your candidacy: **Sanlam Life Insurance Limited; LA Retirement Fund**

CANDIDATE STATEMENT

I am an Independent Specialist Trustee of the Government Employees Pension Fund of South Africa, appointed by the Minister of Finance in South Africa. I serve on the GEPF's Investment Committee, Advisory Board, Finance, Audit, and Risk Committee and the Valuations Subcommittee. The GEPF is a founding member of the PRI and plays a critical role in promoting the UN Principles of Responsible Investing, through its own work and by participating in the PRI's work in South Africa. In my role as a Board trustee of GEPF and member of the Investment Committee, I ensure that Environmental, Social, and Governance issues are a central part of the GEPF's investment beliefs and investment policy, and that the capacity of the Fund is strengthened to oversee and monitor the integration of the ESG principles.

Turning to the experience and capabilities I will bring to bear to the PRI Board, I have corporate governance experience having served on various boards and have held senior executive management positions focussed on increasing financial inclusion and democratising investments, alongside a variety of partners, including impact investors and international development finance institutions. I am an independent non-executive director at Old Mutual Alternative Risk Transfer and Kenya Women's Finance Trust and served as an Advisory Board member to Village Capital, democratising investments in emerging markets. I am currently working with the International Finance Corporation.

I was previously the South Africa Country Manager of Catalyst Fund and invested in entrepreneurs that create and scale affordable, accessible, and appropriate solutions for underserved and climate-vulnerable communities. As Country Manager, I raised funds from the JP Morgan Chase Foundation for a covid recovery programme to extend capital to businesses in the township economy where social impact metrics were part of the investment analysis and decision-making process.

I am deeply committed to developing an inclusive economy in Africa and have advised regulators and policy-makers on financial inclusion policies in Nigeria, Rwanda, Tanzania, Egypt, and Kenya. I will put this experience to effective use during my term as a member of the PRI Board, bringing regional, emerging market, and developmental perspectives. I wish to contribute towards increasing the PRI's reach in South Africa and other African countries, working with other signatories to promote the principles of responsible investing.

Given my experience and the GEPF's commitment to promoting the PRI's work, I am well-positioned to contribute to the PRI's work and development.

BIOGRAPHY

Lebogang Mokgabudi is a pan-African board director, independent specialist trustee of the GEPF and seasoned private sector executive. She is a member of multiple boards across the continent, bringing financial services experience and experience leveraging technology to solve economic, social, and environmental challenges.

She is an Independent Specialist Trustee of the GEPF, appointed by the Minister of Finance, South Africa. She serves on the Investment Committee, Advisory Board, Valuations Subcommittee, and the Finance, Audit, and Risk Committee. As a member of the Investment Committee she has ensured that ESG issues become a central part of the GEPF's investment beliefs and investment policy, and that the capacity of the Fund is strengthened to oversee and monitor the integration of the ESG principles.

She is an Independent Non-Executive Director on the board of the Old Mutual Alternative Risk Transfer Board, transforming the insurance sector through cell-captive licences. She is an Independent Non-Executive Director on the board of Kenya Women's Finance Trust leveraging her digital financial services experience to extend capital to female-owned businesses in Kenya. As a member of the advisory board of Village Capital, she has supported mission-driven technology founders building emergent solutions for social, economic and environmental challenges in Africa.

Executive Directorships held include Vice President Fintech at TransUnion, Director of Emerging Markets Digital at Visa, and South Africa Country Manager at Catalyst Fund. As the South Africa Country Manager of Catalyst Fund, she invested in early-stage entrepreneurs that create and scale affordable, accessible, and appropriate solutions for the underserved and climate-vulnerable communities. She is currently working with the International Finance Corporation, Financial Institutions Group.

She holds an MBA from the Gordon's Institute of Business Sciences and a BCom in Finance from the University of Witwatersrand.

SIGNATORY ORGANISATION INFORMATION

The GEPF is a substantial fund within the South African market and takes account of its wider impact on the broader South African society when making investments. The Fund believes that integrating Environmental, Social, and Governance (ESG) factors into all its investment decisions promotes the long-term value of the GEPF's investments and is in the interest of its members, beneficiaries, and the South African society at large. The GEPF is a defined benefit fund that serves the retirement interest of 1 267 307 active members and 336 629 beneficiaries that receive a monthly annuity from the Fund. The Board of Trustees is the executive authority of the Fund and consists of 16 board members. The employer and employees are equally represented on the Board.

The main duty of the Board is to provide financial security for the GEPF's members and pensioners by ensuring that all funds are responsibly invested and accounted for and that benefits are paid out efficiently, accurately, and on time.

The Fund's total asset value at the end of the financial year 31 March 2022 reached an all-time high of R2.3 trillion. The GEPF is currently 100% funded as per the last actuarial valuation that was conducted on 31 March 2022.

The investment strategy of the GEPF is designed to take into consideration the liabilities and other long-term obligations which the Fund must meet. Investments are diversified into several asset classes in accordance with the risk profile of the Fund. The Fund's strategic asset allocation is determined through modeling the Fund's assets and liabilities into the future and establishing the asset class structure that offers the highest probability of meeting the Fund's current and future liabilities.

The allocation of the Funds between the different asset classes is set out in the table below.

Asset class	Strategic Asset Allocation	Strategic Asset Allocation Range
South African Equity	50%	45 - 55%
South African Property	5%	3 - 7%
South African Bonds	31%	26 - 36%
South African Cash	4%	0 - 8%
Africa Equity (excluding South Africa)	5%	0 - 5%
Foreign Bonds	2%	0 - 4%
Foreign Equity	3%	1 - 5%

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

Name of Company/Entity/Fund	Leadership and Governance Experience	Type of Business
Government Employees Pension Fund (GEPF)	Member: Board of Trustees Member: Investment Committee Member: Advisory Board Member: Finance, Audit and Risk Member: Valuations Subcommittee	Pension Fund UN PRI founding signatory
Old Mutual Alternative Risk Transfer	Independent Non-Executive Director Member: Audit and Risk Committee	Insurance (South Africa)
Kenya Women's Finance Trust	Independent Non-Executive Director	Microfinance Bank (Kenya)
Transaction Junction	Independent Non-Executive Director and member of the Audit and Risk Committee	Technology (South Africa)
Savant Fund	Member: Investment Committee	Venture Capital Fund

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

I'm currently an independent specialist trustee on an institution that is a founding signatory to the UN PRI. It is a substantial fund within the South African market and takes account of its wider impact on the broader South African society when making investments. The Fund believes that integrating Environmental, Social and Governance (ESG) factors into investment decisions promotes the long-term value of the GEPF's investments and is in the interest of its members.

GEPFs responsible investment mandate is aligned with its own investment beliefs and with South Africa's National Frameworks on development such as the Code for Responsible Investing (CRISA), the Government's New Growth Path, and the National Development Plan, in addition to other global responsible investing and development objectives. As a signatory to the United Nations Principle for Responsible Investment (UN PRI), a leading proponent for responsible investment, the GEPF is also supportive of the United Nations Sustainable Development Goals (SDGs), a set of 17 goals aimed at ending poverty, fighting inequality and injustice, and tackling climate change by 2030. This ensures that responsible investment is a consideration across all asset classes.

In line with international best practice, the GEPF has adopted a set of investment belief statements, which reflect the Fund's investment philosophy and approach. The investment beliefs serve as guiding principles, which the GEPF and its asset managers apply in their investment decision making. The GEPF's Board of Trustees recognised the need to formulate clear views on the functioning of investment markets, and how the application of these views can ultimately add value to the Fund's members. The investment beliefs also express the Fund's role in society and its responsibility to its stakeholders.

VIDEO STATEMENT

https://www.youtube.com/watch?v=CLKuJoNjWdk

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Sonja Cecile Saunderson**

Job title: **Chief Investment Officer**

Signatory organisation name: **EPPF**

Signatory organisation(s) seconding your candidacy: **Old Mutual**

CANDIDATE STATEMENT

I am interested in serving as a Board Member of the United Nations' Principles for Responsible Investment (UN PRI). I have 23 years' investment experience, including having been Chief Investment Officer (CIO) at Momentum Investments and currently at the Eskom Pension and Provident Fund (EPPF). I have the right balance of experience, knowledge and passion for responsible investment practices.

I have witnessed the transformative power of responsible investing throughout my career as an investment professional. It has the potential to create positive change not only in financial markets but also in social and environmental aspects. I am committed to helping formulate responsible investing practices and steering initiatives for a sustainable future.

My experience and insight as a CIO in the South African landscape can contribute significantly to the work of the UN PRI. The EPPF plays a pivotal role in driving responsible investment practices among asset owners in South Africa. I have been actively involved in shaping our organisation's sustainable investment strategies, ensuring that they align with global best practice while addressing the unique challenges and opportunities found in South Africa and on the African continent.

As a potential board member, I will bring a strong African perspective to the table and this is so important in the current global context. Africa holds immense potential for sustainable investment but it also faces unique socio-economic and environmental challenges. Living in Africa which is one of the biggest carbon polluting continents, I am committed to promoting responsible investing. I also support initiatives that address these challenges, while capitalising on the opportunities presented by the African landscape. All of this is done through fair and transparent process.

I also recognise the importance of collaboration and knowledge-sharing on a global scale. By serving on the UN PRI Board, I aim to facilitate dialogue and foster partnerships that can drive responsible investment practices worldwide. I am dedicated to actively participating in the formulation of policies, strategies, and initiatives that advance the UN PRI's mission and contribute to the achievement of the Sustainable Development Goals.

I believe that my extensive experience (coupled with my passion for sustainable investing) uniquely positions me to contribute to the work of the UN PRI Board. I am eager to leverage my expertise, African perspective, and commitment to responsible investing to support the organisation in its mission to create a more sustainable and equitable world.

BIOGRAPHY

Sonja Saunderson is an accomplished investment professional with a successful career spanning 23 years. With a strong educational background, including a B.Sc., BCom., BCom. Hons., and M. Comm., she has consistently excelled academically, graduating cum laude in each of her degrees. Sonja's expertise extends to actuarial exams and a postgraduate diploma in financial planning.

During her tenure as a lecturer at the Centre for Business Mathematics and Informatics at North-West University, Sonja played a crucial role in developing the university's actuarial training programme. Her experience includes presentations at colloquiums, tuition of students in actuarial science, and collaboration with industry on research projects.

As a quantitative analyst at PSG Escher Investments/m Cubed Holdings, Sonja honed her skills in asset and liability modelling, investment advice and risk management. Her responsibilities included running simulations, compiling reports, liaising with clients, and investment decision-making. She also managed research projects, conducted quantitative modelling and contributed to product development.

Sonja's career progressed to other senior leadership positions, where she demonstrated exceptional research and analytical capabilities, overseeing quantitative research processes, portfolio construction and risk management.

As Chief Investment Officer at the Momentum Metropolitan Group, Sonja oversaw substantial assets under management for third party clients as well as the life company, ensuring optimal investment processes, chairing investment committees and providing strategic direction. Her responsibilities extended to investment decision-making, stakeholder management, budgeting and formulating client value propositions. She is an expert in managing investment teams, launching new fund capabilities and engaging with large clients.

She is the Chief Investment Officer at the Eskom Pension and Provident Fund (EPPF) where she drives strategic agenda, focusing on delivering investment returns for members as well as responsible investing.

Sonja's exceptional academic achievements, extensive experience, leadership roles and passion for making positive impact make her the ideal candidate for the UN PRI Board.

SIGNATORY ORGANISATION INFORMATION

The Eskom Pension and Provident Fund (EPPF) is a significant institutional investor in South Africa, providing retirement benefits for employees of Eskom, the country's electricity utility. Established in 1989, the EPPF manages retirement savings for approximately 86,000 members, including in-service employees and pensioners.

The primary objective of the EPPF is to ensure the financial security and wellbeing of its members during retirement. With assets under management of close to R200 billion, the EPPF plays a crucial role in safeguarding the retirement savings and delivering sustainable returns to its members. It is also a leader in the South African investment landscape.

As Chief Investment Officer, Sonja Saunderson is responsible for driving the strategic investment agenda of the EPPF including focusing on delivering investment returns for the fund's members while prioritising responsible investing practices. The EPPF is committed to integrating environmental, social, and governance (ESG) factors into its investment decision-making processes, aiming to generate long-term value while considering sustainability and societal impact.

The EPPF recognises the importance of responsible investing in addressing global challenges and creating a sustainable future. By incorporating ESG considerations into investment strategies, the fund aims to promote positive change and contribute to a more equitable and environmentally conscious society.

Under Sonja Saunderson's investment leadership, the EPPF will continue prioritising responsible investing and actively engage with ESG issues. As a significant institutional investor, the EPPF has the opportunity to influence corporate behaviour, encourage sustainable practices among its investee companies and contribute to the broader Sustainable Development Goals.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

Sonja has a wealth of leadership and governance experience, showcased throughout her 23-year career in the investment industry. Her leadership journey evolved over time. As Deputy CIO at Momentum Investments, Sonja was responsible for daily portfolio management activities, staff management and communication with the board and large clients. She chaired the Investment Policy Group, serving as a vital link between the investment team and the board, ensuring sound investment decision-making and governance.

Continuing her ascent, Sonja took on the role of Chief Investment Officer at Momentum Manager of Managers/Momentum Outcome-based Solutions. Sonja provided leadership for the investment management team, nurturing a culture of innovation and also served as a board member and registered Key Individual (in the Financial Advisory and Intermediary Services Act for the Financial Services Provider) where she worked with industry and other stakeholders to shape the future strategy.

Then as Chief Investment Officer at MMH Group, Sonja assumed responsibility for all third-party and MMI Life assets, demonstrating her ability to manage complex portfolios and oversee investment strategy. She chaired the Group Investment Committee, as well as various steering and product committees including the Responsible Investments Committees. She was a member of the Board for Momentum Investments and served as the Key Individual responsible for the management and oversight of the various investment licences within the group.

Sonja's leadership and governance acumen extended to her current role as Chief Investment Officer of the Eskom Pension and Provident Fund (EPPF). In this capacity, she is part of the executive and investment teams, contributing to the fund's strategic agenda, particularly in terms of investment returns and responsible investing. She chairs the Asset Owner Forum Investment Committee in South Africa where she drives various investment projects, championing sound governance practices, and promoting responsible investing aligned with the UN PRI's objectives.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Sonja brings extensive leadership experience in the realm of responsible investing, ESG, and other relevant areas crucial for the long-term success of the UN PRI.

Throughout her career, Sonja has been a passionate advocate for sustainable and responsible investing practices. As Chief Investment Officer of various prominent investment firms, including Momentum Manager of Managers and MMH Group, she has consistently demonstrated her commitment to integrating ESG factors into investment decision-making processes. Sonja recognises the importance of considering environmental and social impact, as well as strong governance practices, in generating sustainable long-term value for investors.

Sonja has led efforts to embed responsible investment practices across all asset classes and investment strategies, ensuring that ESG considerations are thoroughly incorporated into the investment process. Sonja has fostered a culture of accountability and transparency, driving her teams to actively engage with investee companies on sustainability issues and advocate for positive change. She was instrumental in establishing a Responsible Investing Programme within the Momentum Metropolitan Group and participated in various industry initiatives at the Association for Savings and Investments of South Africa and other industry bodies.

Sonja's leadership experience encompasses a deep understanding of global ESG trends and industry developments. She has played a key role in formulating and executing strategies to address emerging ESG risks and opportunities.

In addition to her strong focus on responsible investing and ESG, Sonja has a solid foundation in governance. She has served on various investment committees and boards, providing valuable insights and guidance on investment governance matters. Sonja's experience in chairing committees and governance forums demonstrates her ability to effectively navigate complex decision-making processes, and promote accountability and ethical behaviour within organisations.

Overall, Sonja Saunderson's leadership experience in responsible investing, ESG integration, and governance positions demonstrate why she’s the ideal candidate for the PRI.

VIDEO STATEMENT

https://www.youtube.com/watch?v=OqP2LDnA0qA

PRI Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Takeshi Kimura**

Job title: **Special Adviser to the Board**

Signatory organisation name: **Nippon Life Insurance Company**

Signatory organisations seconding your candidacy:

- **AIA Group Limited**
- **Assurances du Groupe BPCE**
- **CDPQ (Caisse de dépot et placement du Québec)**
- **GPIF (Government Pension Investment Fund)**
- **Swiss Re Ltd**
- **Tokio Marine & Nichido Fire Insurance Co.,Ltd.**

CANDIDATE STATEMENT

I am truly grateful for the opportunity and honour of running for re-election for a second term on the PRI Board of Directors.

During my current tenure on the PRI Board, I have worked earnestly to help the PRI strengthen value across the diverse and global membership base, operate at scale, deepen its understanding of signatories, and build a truly global organization.

PRI is a big-tent organization. Signatories have different intentions and approaches to responsible investment, based on different investor mandates, different client expectations and different regulatory requirements. Embracing such diversity of signatories has contributed to the growth of the signatory base and the mainstreaming of ESG investments. At the same time, however, I recognize that embracing the diversity of signatories may blur the interpretation of responsible investment and reduce transparency and accountability of the PRI community.

I believe that so far the pros of the big-tent approach outweigh the cons. Under the big-tent approach, the growth of the signatory base has created positive externality to the PRI community and the financial industry as a whole. Everyone is happy.

However, in a changing world, the magnitude of pros and cons may change and even reverse. As the beneficiaries' expectations of responsible investments rise, signatories need to progress their responsible investment activities and demonstrate their progression. Signatories also need to enhance their transparency and accountability. Without such efforts, the growth of the signatory base and embracement of diversity could bring negative externalities to the PRI community and the ESG industry. If this happens, it will not be good for anyone.

To avoid such situations, we must continue to change and evolve. The PRI Board needs to find the best way to support signatories and as such is committed to working with them to co-design a progression pathways framework.[1] This will be my top priority to address if re-elected.

A progression pathways framework should accommodate investors' different approaches to responsible investment and should provide sufficient options to accurately describe responsible investment practices without overwhelming signatories with complexity or prescriptions. At the same time, it should be noted that there is a trade-off: tailoring the response to specific groups of signatories reduces scalability.

How to support the overall development of the responsible investment industry while meeting the needs of various signatories is a difficult task, but if re-elected, I promise to continue to work sincerely on this challenge.

BIOGRAPHY

Academic background

I have a master's degree in economics and a doctor's degree in engineering.

- Master of Science in Policy Economics, University of Illinois at Urbana-Champaign (1994, U.S.)
- Doctor of Engineering, Tokyo Institute of Technology (1997, Japan)

I majored in macroeconomics, monetary economics, econometrics, and operations research.

I published many papers in the refereed journals (including the top 10 journals) of these fields.[2]

Professional background

I started my central bank career at the Bank of Japan (BOJ) in 1989 and worked at the Bank until 2020.[3] During that time, I was seconded to the Board of Governors of the Federal Reserve System (FRB) from 2003–2004.

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[1] See the following paper for details.
PRI, "PRI in a Changing World Signatory Consultation: PRI Board Response", March 2023.

[2] For details, see my home page at URL: research papers by takeshi kimura (google.com) .

[3] See URL: Home : Bank of Japan (boj.or.jp) .

At the BOJ, I served for many years in key positions in major departments and was involved in various fields of central banking: monetary policy, macro-prudential policy, money market operations, and payment system innovations (digital currency).

- Director-General, Payment and Settlement Systems Department, 2018-2020
- Deputy Director-General, Financial System and Bank Examination Department, 2015-2018
- General Manager, Regional Branch, 2013-2015
- Associate Director-General, Monetary Affairs Department, 2011-2013
- Associate Director-General, International Department, 2009-2011

Meanwhile, I represented the BOJ in various international committees and groups:

- BIS/CPMI (Bank for International Settlements, Committee on Payments and Market Infrastructures), 2018-2020
- FSB/SCAV/AGV (Financial Stability Board, Standing Committee on Assessment of Vulnerabilities, Analytical Group of Vulnerabilities), 2015-2018
- G20 Study Group on Commodities, 2010-2011, and so on

After leaving the BOJ in 2020, I joined Nippon Life Insurance Company. At Nippon Life Insurance, as Special Adviser to the Board, I have engaged in several projects in cooperation with three departments: Financial Planning Department, Corporate Planning Department, and Global Business Planning Department. I currently lead international initiatives such as PRI and NZAOA, as well as domestic government and financial industry activities related to sustainable finance.

SIGNATORY ORGANISATION INFORMATION

Nippon Life Insurance is Japan's largest private asset owner with assets under management of ¥70trn (about $540bln). It is the core company of the Nippon Life group, which consists of multiple group companies operating life insurance and asset management businesses in the Asia-Pacific region and globally. Six of the group companies are PRI signatories.

Nippon Life Insurance is supporting PRI in Person 2023 as the lead sponsor. The success of PRI in Person will encourage investors around the world to shape sustainability outcomes and contribute to building a better world for all including Nippon Life's customers. Supporting PRI in Person as the lead sponsor is aligned with our management philosophy to act in the best long-term interests of our customers.

Nippon Life Insurance signed up to the PRI in 2017 and has been proactively progressing its responsible investing activities since then. In addition to focusing on "outside-in" risk management, such as ESG integration, Nippon Life has been promoting responsible investment activities in the direction of strengthening the "inside-out" aspect, or "Investing for Sustainability Impact". It is a shift from a future taker to a future maker. While future takers act on the future real world as a given, future makers act to proactively influence the future real world.

Specifically, we have placed importance on improving corporate engagement and will focus more on sustainability outcomes in the dialogue with investee companies. We have also been actively involved in collaboration among investors to address systemic risks that cannot be managed by a single investor, such as climate change. For example, Nippon Life Insurance participates in investors' collaborative initiatives, including Net Zero Asset Owner Alliance, Climate action 100 plus, and Advance, a human rights initiative. It is more important than ever for investors to work together towards a common goal.

LEADERSHIP AND GOVERNANCE EXPERIENCE

During my current tenure on the PRI Board, I have served on three Board Committees: the Finance, Audit and Risk Committee, the Governance Committee and the Policy Committee. I have never been absent from a Board meeting or any of the three Committees and have made every effort to fulfil my duties and contribute to constructive discussions.

Prior to working at Nippon Life, I worked at the Bank of Japan, Japan's central bank. With the progress of the digitalization of society in recent years, the central bank has faced the challenge of reforming payment systems. From 2018 to 2020, as Director-General, I led the BOJ's Payment and Settlement Systems Department. A particularly important issue was whether the central bank should issue digital currency. I established a study team within the department, and formed a group with other advanced central banks to assess the potential case for central bank digital currency (CBDC).[4]

Various players are involved in payment systems: banks, nonbanks, market infrastructures, and end-users such as firms and individuals. Since the issuance of CBDC could have a significant impact on these players, a national debate was necessary from the perspective of improving customer convenience and maximizing the benefits of technological innovation while avoiding a hasty decision. As Director-General, I held discussions with various stakeholders through many forums and exchanged opinions with politicians and the media.

[4] See URL: Central bank group to assess potential cases for central bank digital currencies : 日本銀行 Bank of Japan (boj.or.jp)
.

After that, with the consent of the BOJ Governor, I decided to start the process for proof of concept for CBDC.

In addition, in the field of payment systems, I tackled the issue of reforming cross-border payments, a priority issue for the G20 and FSB.[5] As a member of CPMI, I had discussions with other central banks and set out the direction of reform for domestic players such as banks and nonbanks.[6]

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

In FY2022, I was invited to speak at the Japanese government's expert meetings on sustainable finance, including the "Expert Panel on Sustainable Finance" organized by the Financial Services Agency and the "Financial High-Level Panel on ESG" organized by the Ministry of the Environment. My suggestions on the need to strengthen beneficiary engagement are reflected in the FSA's report.

In October 2022, as an alumnus of the central bank, I organized a meeting between the Bank of Japan and the PRI's Japanese signatories. The meeting discussed recent topics related to ESG investments in capital markets, regulatory developments, and central bank climate change initiatives such as the NGFS (Central Banks and Supervisors Network for Greening the Financial System).

In addition to the above policy engagement activities, as a PRI board member, I have actively expressed my thoughts and opinions in media interviews. I have taken on the role of PRI ambassadors through various opportunities to raise awareness of the challenges of ESG investment in Japan.

TV appearance

Japan Times


Nippon Life exec urges shift to stakeholder capitalism

ESG Talk

Tomoko Kaichi
Contributing writer

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Takeshi Kimura, executive officer and special adviser to the board, finance and investment planning department and corporate planning department, at Nippon Life Insurance Co. | Hiromichi Matono

Insurance Asset Risk


10 October 2022

Japanese insurers ahead of the game on sustainability

Takeshi Kimura, special adviser to the board of Nippon Life, explains how the 1992 Kyoto Protocol spurred Japan to act on sustainability and how the country's insurers play their parts.

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[5] See URL: Cross-border Payments - Financial Stability Board (fsb.org) .

[6] The Committee on Payments and Market Infrastructures (CPMI) is an international standard setter that promotes, monitors and makes recommendations about the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy.

Finally, I have also actively exchanged views on responsible investment with investors around the world through participation in national and international events.

PRI in Person 2022 in Barcelona

Aisian Investment Summit in Hong Kong in 2023

- PRI and ClientEarth, "Integrating the UN SDGs into investment: from aspiration to practice", 2023.
- PRI and Global Compact (Network Japan), "Integrating the SDGs into Corporate Strategy", Joint Seminar on International Trends, 2022.
- "Study Group on Impact Investing" co-organized by the Financial Services Agency and GSG-NAB Japan in 2022 and 2023.
- RI Japan, "Building trust and credibility in the sustainable finance industry: How can investors, lenders and service providers be true to their sustainability claim?", 2022.
- AsianInvestor, "How leading asset owners integrate ESG in asset allocation", 2021, and so on.

VIDEO STATEMENT

https://www.youtube.com/watch?v=pD5SVbkjxkA

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Catherine Jane Bolger**

Job title: **Board Director, State Super**

Signatory organisation name: **State Super (SAS Trustee Corporation)**

Signatory organisation(s) seconding your candidacy: **AustralianSuper**

CANDIDATE STATEMENT

I am a union-nominated director for SAS Trustee Corporation (State Super), the trustee for NSW public sector superannuation schemes with assets of $38 (AUD) billion of public sector workers' retirement savings . I am an active advocate of the need to invest our members' money responsibly to achieve our respective commitments to invest in line with the Paris Agreement, while delivering sustainable development and a sustainable financial system.

State Super is a long-term signatory of the PRI and our investment beliefs align with those espoused by the PRI; that active investment stewardship provides tangible, long term value for our members. State Super is based in Australia, and like many asset owners, has set a goal to achieve net-zero CO2e in a way that is consistent with Just Transition. As a universal asset owner, we understand the real-life impact of our stewardship and investment efforts, as our investments and members are in fossil-fuel impacted communities.

My skills and experience will add value to the PRI Board as we work to enable our signatories to move towards Active Ownership 2.0 to prioritise outcomes over process, and common goals over narrow outcomes. My real-life experience in Australia has done just that.

The transition to net zero needs world collaboration, and engagement to ensure no-one is left behind as we move to net zero. If elected to the PRI Board I would bring my unique perspective and experience, having chaired the Australian Council of Trade Unions' committee which developed the guide for Asset Owners to 'Securing a Just Transition', an actionable framework used by Australian asset owners to improve their stewardship of their assets and investment outcomes as we map a way forward to transition to net zero.

I am keen to deepen and extend this work with the PRI to assist asset owners contribute to the transition while delivering long term financial outcomes for members. I am seeking to join the PRI Board to deepen the work the PRI is doing to operationalise the principles – and to provide signatories with the tools to act.

BIOGRAPHY

My career over the last 20 years has been as a leader in the trade union movement, a trustee of Superannuation funds, and the President of AIST, the Australian Industry Association for Superannuation funds. The combination of these experiences means I bring to active ownership the real world experiences of changes and transition of workers and their communities experience, and solutions to make sure no-one is left behind, creating long term value for investors.

An example of my leadership is the development of Just Transition principles for investors . I will bring this collaborative and real world approach to my contributions to the PRI Board work programme to assist signatories to continue to implement climate commitments, and navigate the best way to support and enable asset owners to move to active ownership 2.0.

My experience over the last 5 years as the President of AIST, the Australian Industry Association for Superannuation funds, means I am uniquely placed to bring the experiences and ideas of all Australian funds big and small to the PRI Board as PRI navigates the best way to support and enable asset owners to move to active ownership 2.0.

I am a director at State Super, the Chair of State Super's Risk, Audit and Compliance Committee, and a member of its Investment Committee and People and Culture Committee.

I hold a Bachelor of Economics and a Master of Labour Law and Relations from the University of Sydney, and am a Graduate member of the Australian Institute of Company Directors. I also completed the Harvard University Trade Union Program on Strategic Management and Campaigning.

SIGNATORY ORGANISATION INFORMATION

State Super is the trustee of some of Australia's largest superannuation schemes with over 90,000 members and $38 billion in assets (as at 30 June 2023).

We were established in 1919 and have been a member of the PRI since 2011. We are proud of our over 100-year history and approach to responsible investment.

I was a member of the Board which approved a net-zero plan in December 2021 formulated with input from TCorp (NSW Treasury Corporation) and Mercer, to set a milestone of a 45% reduction in the weighted-average intensity of CO_2 emissions by 2030 by revenue against an end of calendar 2020 baseline, on the way to the 2050 net-zero objective.

We have also made an investment in a small, diversified portfolio of Global Decarbonisation Enabling (GDE) companies that aim to increase members' potential investment returns in a world of increasing carbon prices and decarbonisation activity. State Super expects GDE companies share prices to generally benefit from this activity over the long term. The GDE portfolio allocation is positioned for a long lasting, global investment trend: over $120 trillion US dollars is expected to be spent on decarbonisation until 2050.

As part of State Super's commitment to systematic ESG integration, it has developed a dashboard that provides access to ESG and other risk metrics in the one tool. While most asset owners use ESG and climate data for listed equities, the incorporation of these by State Super into an interactive dashboard means they are readily accessible by the investment team at any time to facilitate oversight and discussions.

I've supported these initiatives since I joined the State Super Board in 2015 and will bring this experience to the Board of PRI.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

As a President of the Australian Institute of Superannuation Trustees, the peak body for Industry profit to member Superannuation Funds, I have overseen the development of the first Governance Code for Trustees of Super funds. It is an enhanced governance scorecard, a robust set of metrics which funds report against each year, and transparently provide a summary of results to their fund members. All funds have embraced the code, and the results show improved outcomes across our sector on a year on year basis. I'm proud to have led this initiative.

My collaborative style of leadership has been integral to the merging of the two peak superannuation industry bodies in Australia. Though not without its challenges, like any merger, my laser like focus on the strategic benefits of the merger, and my ability to bridge points of difference have led to a successful outcome.

I understand the long term value created by good governance, and as the Chair of the State Super Risk, Audit and Compliance Committee I lead robust decision making which delivers clear guidance and actions for our Board and our team. If elected I look forward to working with the PRI Board to implement their future strategic priorities.

Leadership, as well as governance, originates with the board, with culture the foundation. As Secretary of Prisoners Aid Association, I led the development of a social enterprise "Mates on the Move" providing training and employment for ex – prisoners. It was essential to the program's success, measured as clients' participation, that we be able to create a strong culture of respect and support that enabled learning in a supported environment. I consider it a testament to our work that the program continues to operate successfully.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

I am a strong advocate for State Super developing its proactive approach towards Responsible Investing. I bring to the Board deep expertise in social factors that investors must consider especially as the world transitions to net zero. I have a proven track record in successfully applying the lens of an investor to this deep knowledge of social factors and led the development of an actionable guide on Just Transition for Investors, used by many asset owners in Australia.

I take an active interest in the activities of the Australian Council of Superannuation Investors (ACSI) attending Company briefings where ACSI reviews how Companies have implemented their ESG undertakings in practice. This has given me a real understanding of ESG in practice in the Companies we invest in, a useful insight as PRI moves to asset ownership 2.0 from policy to practice.

I am a director of the Centre for Workers Capital, whose focus is to work with asset owners to achieve their ambitions to improve outcomes and impacts from their investment, and to continually strive for best practice asset management and stewardship.

I would bring to the PRI Board a deep understanding of membership organisations, extensive experience as a director, and the strategic and governance skills needed to make a difference. For example in Australia as President of AIST I have worked tirelessly to create a single, stronger voice for Industry Super Funds with the merger of two industry associations. My collegiate approach to working with key stakeholders, and sharp focus on the strategic benefits, has enabled us to work through the many challenges mergers present.

I will bring extensive experience, connections in the Asia Pacific region, global networks, diversity and the perspective of Australian asset owners to the position.

VIDEO STATEMENT

https://www.youtube.com/watch?v=g4tImrLPjnQ

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Anita J. Clemons**

Job title: **Senior Vice President & Managing Director of Investment Management**

Signatory organisation name: **Presbyterian Foundation**

Signatory organisation(s) seconding your candidacy: **Unitarian Universalist Association's (UUA)**

CANDIDATE STATEMENT

Please accept my nomination for PRI Board Candidate.

I have been with the Presbyterian Foundation since 2000 serving faith- based investors. My work in socially responsible investment mandates includes positive and negative screens, shareholder advocacy, filing and co-filing shareholder resolutions, voting all proxies, education on the impact of socially responsible investment management.

I also serve on the Members Council of Oikocredit International which is an international cooperative out of the Netherlands which provides microfinance to disadvantaged regions of the world. In that role I have also served on the Investment Advisory Council for Oikocredit. I was just elected to my second term where I represent Members of Oikocredit from North America.

I have over 40 years of investment management experience which began with Merrill Lynch in 1980, PNC in the 90's, and finally the Presbyterian Foundation in 2000 through the present. My value add would be compliance and evaluation of the Principles of Responsible Investment. My experience with the 200 - year - old Presbyterian Foundation with its 40+ year history of responsible investment management would serve the PRI as an experienced asset owner.

The Board of PRI would benefit from a boots on the ground asset owner that knows the challenges present today for socially responsible mandates. Many times, when applying socially responsible principles, you must be able to demonstrate and educate your constituents to allow for buy in. That is where I spend much of my time, educating the clients on why and how we are a responsible investor.

I have appeared on Bloomberg and CNBC discussing SRI and believe I would be valuable to your Board in decisions on compliance and evaluation of the work of PRI and its asset owners.

BIOGRAPHY

Anita Clemons
University of Louisville, B.S. Medical Technology
Certified Financial Planner (CFP)
Accredited Portfolio Management Advisor (APMA)
Accredited Asset Management Specialist (AAMS)
Accredited Wealth Management Advisor (AWMA)
Accredited Investment Fiduciary (AIF)

2000 – Present
Senior Vice President & Managing Director of Investment Management

1. Report to CEO, Dr. Tom Taylor, Presbyterian Foundation.
2. Responsible for fiduciary oversight of Investment Management of Presbyterian Foundation assets under management.
3. Staff report to Presbyterian Foundation Board of Trustees Investment Committee.
4. Reporting on Compliance and Evaluation of Investment Managers selected by Outsourced Chief Investment Officer.
5. Oversight of Proxy Voting of all assets by outside vendor.
6. Education and public speaking on socially responsible investment management.
7. Creation and monitoring of Investment Policy Statements to include socially responsible mandates.
8. Investment management of customized strategies for large high -profile accounts of the Church.
9. Leadership of stewardship activities of the Presbyterian Foundation which include corporate engagement representing Presbyterian Foundation shares owned.
10. Elected members council representative for Oikocredit International (second term).
11. Representative for Presbyterian Foundation on the Church Mission Responsibility Through Investment Committee.
12. Research and due diligence on new impact investment offerings.
13. Annual Policy Reviews

SIGNATORY ORGANISATION INFORMATION

The Presbyterian Foundation holds $1.2 Billion in assets under management. These assets are invested according to the social witness principles of the Presbyterian Church USA. The Presbyterian Foundation is responsible for attracting, managing and distributing gifts made to the Presbyterian Church. This includes stewardship education.

Stewardship activity includes:

1. Positive screens for ESG’
2. Negative screens (25% or more revenue) for prohibited sectors:
    a. Alcohol,
    b. Tobacco
    c. Gambling
    d. Weapons,

   e. For Profit Prisons
   f. Human Right Offenders
   g. Select Fossil Fuel Companies
3. Specific Policy Allocations to Clean Energy
4. Filing and co-filing Shareholder Resolutions
5. Voting all Proxies
6. Specific allocations to Impact – Community Investments across all continents
7. A signatory of the PRI
8. A member of Oikocredit International
9. Participation in Shareholder Engagements
10. Staff leadership in Mission Responsibility Through Investment Committee of the Presbyterian Church.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

Member of Senior staff of Presbyterian foundation last 11 years.
Title: Senior Vice president & Managing director of investment management
direct Report to: President/ceo of presbyterian foundation
member's council of oikocredit international
staff leadership to presbyterian foundation board of trustees

GOVERNANCE

- extensive experience with policy creation
- compliance monitoring
- evaluation of results vs policy
- application of principles of resonsible investment
- effective external relationships
- effective internal relationships

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Application of Responsible Investment Policy for assets under management.
Monitoring results vs. policy with reporting to Board of Trustees.
Evaluation of responsible investment practices vs. Policy.
Assurance of voting 100% of all proxies (20,000 + per year)
Commitment to responsible investing; the explicit consideration of environmental, social and governance (ESG) factors in investment decision making, strong and collaborative stewardship; and

1. I have boots on the ground experience in faith based socially responsible investment strategies.
a. Implementation of socially responsible mandates
b. Creation and review of Investment Policy statements incorporating socially responsible investment management.
c. Obtaining buy-in from constituents to accept and embrace the responsible components of a sustainable strategy.
d. Working with money managers to obtain proper reporting and transparency.
e. All of which may be helpful as the PRI moves forward in a rapidly changing responsible world.
2. I am an elected member of impact investor Oikocredit International Members Council. My position is one of 7 around the world and serves Members of North America. I work with the Managing Board of Oikocredit International to connect Members with the work of Oikocredit. One of the key goals of Oikocredit is to get Members more involved.
3. I envision that PRI would also benefit from more Signatory involvement. This is accomplished by bringing people to the table with shared values, shared inspirations, all seeking to bring about positive change to our world.
4. The Governance framework of the PRI is the bedrock of how we are governed and should be designed so as to ensure:
effective boards,
transparency around roles and responsibilities,
accountability to, and engagement with, stakeholders, and
driving sustainable business practices.

My credentials include:
Bachelor of Science in Medical Technology from the University of Louisville,
Certified Financial Planners License since 1986,
Accredited Investment Fiduciary,
Accredited Portfolio Management Advisor and
Accredited Asset Management Specialist.
Thank you for watching this video and thank you in advance for your consideration to elect me, Anita Clemons as a PRI Board member asset owner. It would be my honor to serve on the PRI Board.
Transparency in reporting activity, including the societal and environmental outcomes being achieved.

VIDEO STATEMENT

https://www.youtube.com/watch?v=AVV4CIx1Zvs

PRI Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Alessandra Festini CESGA**

Job title: **ESG Manager**

Signatory organisation name: **Cassa Nazionale di Previdenza e Assistenza Forense**

Signatory organisation(s) seconding your candidacy: **INARCASSA**

CANDIDATE STATEMENT

I'm the ESG Manager at Cassa Nazionale di Previdenza e Assistenza Forense, the first pillar National Pension Scheme for the Italian Lawyers.
I have 26 years of experience in finance and for the last 5 years I have been involved in sustainability in investments.
I have the responsibility to implement the ESG Policy and the best practice in the sustainability investment process.
I actively participate in conferences, meetings, round tables with other financial sector operators to spread the sustainability principles and to find common standards for applications of the Rules of the European Union and trying to match them with the international rules.
I also directly engage with the company in which we have invested and we engage with the asset managers in whose products we invest.
One of the problems that I often find in my job and share with other operators is the management of sustainability data and the applications of the rules (EU Directives).
My proposals are connected with these problems. In particular:

1. As part of the PRI board I would like to propose a collaboration with other departments of the United Nations that have already started data collection and data management projects using Blockchain technology. This could guarantee the sustainability of the investments and therefore allow the investors to make a correct assessment in terms of sustainability.
2. I also strongly believe that engagement with other players in the industry is very important to build common standards on the application of ESG principles.
3. It is also important to deal with the European Union and other supranational organizations to help them issue rules in line with ESG market standards.

All this will be possible if I am elected and I hope you will vote for me.
Thank you

BIOGRAPHY

Alessandra Festini began her career as a chartered accountant and auditor in Rome after having obtained a degree in Economics and Commerce. In 1996 she joined Cassa Forense (The Pension Fund for Italian lawyers) where she currently holds the role of ESG Manager with the responsibility for the implementation of ESG principles in investments and the Due Diligence of liquid assets, private markets, real estate and infrastructures.

Previously she held various positions and responsibilities within the same Pension Fund. In 2017 up to her current position, she was Tactical Asset Allocation Manager and Legal Expert, dealing the tactical asset allocation, ex-ante risk analysis, half-yearly investment reports and legal due diligence. In 2006 she held the position of Fund Selector and Analyst. Prior to this role she was head of the Finance and Treasury Department from 1996 to 2006.

She graduated cum laude in Economics from the La Sapienza University of Rome, where she also obtained experience as an assistant in the financial math department.

In 2020 she earned the CESGA Certified ESG Analyst diploma from EFFAS.

SIGNATORY ORGANISATION INFORMATION

Cassa Nazionale di Previdenza e Assistenza Forense is the National Pension Scheme for Italian Lawyers. It is a first pillar even if it is a private entity.

It is a Defined benefit pension plan, but last year the lawyers representatives voted for changing it to a Defined Contribution Plan from 2024.

It is changing from a pay-as-you-go pension system to a capital funded pension system.

Currently Cassa Forense has 240.000 associates and 31.748 retirees and has roughly 16 billion euro of assets under management.

Cassa Forense, as a social security entity, has the objective of "Sustainability" in the long term, that means the ability of the assets to match the institutional commitments (pension and other welfare services).

The 50-year sustainability, according to the Italian law, requires prudent asset management, aimed at ensuring and improving the resilience.

Even if Cassa Forense does not have any duty according to the EU directives such as the IORP II Directive (EU) 2016/234, the Shareholder Rights Directive (EU) 2017/828 and the Sustainable Finance Disclosure Regulation (SFDR), Directive (EU 2019/2088), the board decided to approach the ESG principles in the investments.

The portfolio at 31/05/2023 is roughly 16 billion euro and it is invested in the detail as follow:

Cash 7%, Liquid Assets 70%, Illiquid Assets 23%

Liquid Assets: Bonds 40%, Equities 26%, Liquid Alternative 4%

Illiquid Assets: Private market (Equity and debt) 6%, Infrastructure 4,5%, Real Estate 12,5%.

In 2019 Cassa Forense became a member of UN PRI and in 2022 it became a member of the Italian association Forum per la Finanza Sostenibile.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

Alessandra Festini is a professional with many years of experience in the financial sector in management and coordination roles.

She is distinguished by her wide range of multidisciplinary skills, excellent interpersonal communication skills and staff mentoring skills, thank to which she is able to establish meaningful relationships and ensure a dynamic and productive work environment.

Demonstrates solid leadership, versatility and ability to constantly optimize business processes by improving workflow and organizational efficiency through a proactive attitude towards solving even complex problems.

During her carrier in Cassa Forense she managed teams in the various units of the company.

In 2019 she was nominated ESG Manager with the duties of Responsible for ESG and Responsible Investment Policy implementation; ESG integration strategies and investment due diligence in all Asset Classes; Portfolio monitoring and assessment

From 2019 to 2021 she was Risk & ESG Manager - Legal Analysis with duties of Portfolio allocation optimization; ex ante risk analysis; semi-annual portfolio reports; ESG integration strategies and investment due diligence; internal legal due diligence

From 2017 to 2019 she was Tactical Asset Allocation Manager & Legal with the duties of Tactical asset allocation analysis and ex ante Risk report; semi-annual portfolio reports; internal legal due diligence of investments and drawing up legal agreements.

From 2006 to 2017 she held the position of Fund Manager with the duties of Managing the portfolio (11 Billion euro), including the due diligence on various financial instruments (equities, fixed income funds, private equities, private debt, real estate and infrastructure funds, all related to the strategic asset allocation). Duties also include risk management, investor relations, and trading.

From 1996 to 2006 she was the Head of Finance and Treasury with the duties of Analysis and control of segregated mandates, and due diligence on investments.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

I have been working for several years in the financial sector of one of the most important private pension funds in Italy (first pillar) with assets (to date) of around 16 billion euros.
Within the Pension fund, while always continuing to deal with finance, I have never done the same things.

Indeed, I had the opportunity to deal with finance at 360 degrees covering different roles, and following different aspects of investments; from trading activity (direct investments) to the analysis of liquid instruments (funds e bonds, including structured notes and shares listed and listed on regulated markets) and illiquid (Private Market, Real Estate, Infrastructure).

This has allowed me to reach a high level of competence, recognized by the Board of Directors, by all internal Managers, as well as by executives, advisers and consultants with whom the organization interacts on a daily basis.

My function, especially in recent years, has been enriched with new contents; it is a transversal function highly specialized and, since 2018, I have been entrusted with the task of drafting a project to integrate the Principles of Sustainability (ESG) in Cassa Forense Investments.

This long-term project, which we have called "IBW Investments for a Better World", shared by the Board and presented to the Committee of Delegates, is considered by asset managers, advisers and other professionals in the sector, as one of the most structured models adopted by pension funds who have already addressed the issue of sustainability.

In 2019 I was appointed ESG Manager with the functions of Responsible for the implementation of ESG and Responsible Investment Policy; ESG integration strategies and investment ESG due diligence across all Asset Classes; ESG portfolio monitoring and ESG assessment.

In 2020 I obtained the certification of CESGA® (Certified ESG Analyst) from EFFAS.

VIDEO STATEMENT

https://www.youtube.com/watch?v=XZudkTQ4syM

PRI Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Jonathan Grabel**

Job title: **Chief Investment Officer**

Signatory organisation name: **Los Angeles County Employees Retirement Association**

Signatory organisation(s) seconding your candidacy: **Maryland State Retirement and Pension System**

CANDIDATE STATEMENT

This a pivotal moment in the evolution and maturation of responsible investing across global markets. Given my experience and commitment, I would welcome the opportunity to serve on the PRI Board of Directors to further the PRI's mission on behalf of all asset owners and signatories.

My current role as the chief investment officer of a U.S. public pension plan managing over US$77 billion in assets—along with past experience as a private equity investor, investment banker, and tax accountant—position me to add an informed viewpoint on both macro trends and practical operational matters in financial markets, responsible investing, and organizational governance.

The Los Angeles County Employees Retirement Association (LACERA) has been a committed signatory to the PRI since 2008 and I currently serve on PRI's Asset Owner Technical Advisory Committee. We are pleased to be named a finalist for ESG Investor of the Year by Institutional Investor for our integrated, total fund approach to investment stewardship. With assets invested with external asset managers across diverse asset classes and 65 global markets, we have embedded ESG throughout our investment process. This includes diligently evaluating ESG factors in our strategic asset allocation and asset manager selections, pursuing productive stewardship initiatives, and public policy advocacy. It is my belief that our prudent consideration of ESG financial risks and opportunities has helped better inform our investment process and produce top quartile performance.

It is a critical period for positioning the PRI for sustainable success. PRI's signatory base has grown and now includes signatories with diverse fund sizes, geographic footprints, depth of experience with responsible investing, and local market regulatory environments. Strategies and tools for ESG integration have become more sophisticated. Challenges are equally diverse. They range from effectively navigating a successful energy transition to promoting a regulatory environment across markets that is conducive for asset owners to responsibly steward investments and produce sustainable returns.

In light of these challenges and opportunities, it would be an honor to collaborate with fellow board directors to advance the PRI as the world's leading proponent of responsible investment. My combination of broad market knowledge, deep investment skills, and prudent governance insights would enable me to be a productive director. If elected, I would actively dedicate time to serve as a director and promote PRI as a robust association serving all signatories.

BIOGRAPHY

Jonathan Grabel is the Chief Investment Officer for the Los Angeles County Employees Retirement Association (LACERA). Having been named CIO in 2017, Mr. Grabel leads LACERA's investment program, which manages over US$77 billion in assets (including a US$74 billion defined benefit pension plan and US$3 billion in other post-employment benefits) on behalf of LACERA's 185,000 active and retired members. Under Mr. Grabel's leadership, LACERA has generated top-quartile returns through the plan's multi-faceted investment framework, inclusive of ESG considerations.

He brings a breadth of asset owner experience, having previously served as the CIO for a statewide pension plan (New Mexico Public Employees Retirement Association) and a local school pension system (Montgomery County Public Schools Employees Pension System near Washington, D.C). He also provides depth of investment insight, as he previously was a general partner at a private equity firm focused on growth-stage investments in technology, networking industries, and digital communications. Earlier in his career, Mr. Grabel was an investment banker and a tax accountant, where he advised non-profit organizations and private entities.

His past governance experience includes serving as a board director of over ten companies, ranging from start-up firms to one publicly listed company. He has also served on philanthropic boards, such as the Santa Fe Community Foundation (Santa Fe, New Mexico) and the Suburban Hospital Foundation Board.

Mr. Grabel received his BS in economics from the University of Pennsylvania Wharton School of Business and his MBA from the University of Chicago Booth School of Business. He is a Certified Public Accountant (CPA) (inactive).

SIGNATORY ORGANISATION INFORMATION

LACERA manages over US$77 billion in assets on behalf of over 185,000 active and retired Los Angeles County employees. LACERA is the largest county public pension in the United States and serves the country's most populous county with over ten million people.

LACERA's mission is "to produce, protect, and provide the promised benefits for LACERA members." LACERA aims to fulfil its mission through prudent investment and conservation of plan assets. Responsible stewardship is key to our investment process. We have a dedicated board committee and stewardship team. We have elevated ESG considerations throughout our investment policy statement and investment beliefs. We have updated our stewardship principles and take actionable steps to advance our investment program through these principles. We vote proxies at over 6,500 companies in 65 global markets. We assess ESG in all investment mandates, including upfront and ongoing diligence. Our strategic asset allocation aims to be climate aware, as we stress test our capital market expectations for the potential impact of various climate scenarios to inform our asset allocation and portfolio positioning. In addition, we publish an annual corporate governance and stewardship report.

A key component of our stewardship program is collaborating with peers to advance common objectives and amplify our collective voice. LACERA staff recently chaired the Council of Institutional Investors and we are active supporters of the IFRS' newly established International Sustainability Standards Board to enhance the availability and quality of ESG data in financial markets. LACERA has endorsed the Taskforce on Climate-related Financial Disclosures, the CFA Institute's DEI Code of Conduct, and the Institutional Limited Partner Association's Diversity in Action Initiative. We participate in the Climate Action 100+ and the Global Real Estate Sustainability Benchmark. We participated on PRI's Western

North America Advisory Committee and previously contributed to PRI's Private Equity Advisory Committee.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

I currently lead and manage all aspects of LACERA's investment program, including working with LACERA's Board of Investments to establish strategic plans and objectives, and managing the investment division to align staffing and resources, and measure progress against stated goals.

I would bring to the PRI broad experience working for and with boards of directors in both non-profit and for-profit settings. As a partner at a private equity firm, I served on many boards and understand key aspects of positioning an organization for strategic success. My corporate experience ranged from small, start-up entities seeking to establish growth plans and align resources to achieve their goals, to one publicly-listed corporation navigating public market company expectations and markets. I have also served on several local philanthropic boards, including in health care and community development. And as a certified public account (inactive), I provided professional advice and counsel to non-profit boards and entities.

As the CIO for US public pension plans in Maryland, New Mexico, and now California, I now have routine experience working with and for boards.

Across my experience serving on or working for boards, as well as leading LACERA's investment program, I understand the critical need to listen to constituents to develop workplans that reflect the views of multiple constituents. I also embrace the soft skills necessary to be a successful leader. These include active listening, the willingness to be challenged, conflict resolution, delegation, emphasis on education, and the capacity to implement repeatable processes. This holistic view would position me to support the PRI to enter the next phase of its development.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

Mr. Grabel is an active proponent of advancing effective strategies to incorporate ESG considerations into investment management. Under Mr. Grabel's leadership, LACERA developed and LACERA's board of investments adopted a 5-point multi-year strategic plan to advance a holistic approach to produce and protect investment returns. One of the five core pillars of LACERA's strategic plan is to maximize stewardship rights and considerations across all asset classes, investment fund structures, and investment decision points. He has expanded LACERA's dedicated focus and resources to support consideration of ESG factors throughout LACERA's investment program, including working with LACERA's board and dedicated stewardship staff on program development and education and expanding resources and data analytics to support consideration of ESG factors in portfolio monitoring and investment analysis.

Outside of LACERA, Mr. Grabel is active in supporting industry initiatives to expand consideration of ESG factors in investment management and promote sustainable financial markets. He serves on the PRI Asset Owner Technical Advisory Committee, the Council of Institutional Investors U.S. Asset Owners Advisory Council, and the Institutional Investor Advisory Group of the International Financial Reporting Standards' recently-established International Sustainability Standards Board (the successor entity to the SASB Standards).

VIDEO STATEMENT

https://www.youtube.com/watch?v=Rkuv8gQ7klI

PRI Principles for Responsible Investment

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY, AND COMPARATIVE INFORMATION FORM

Full legal name: **Torben Möger Pedersen**

Job title: **CEO, Jan 1992 - Oct 2023**

Signatory organisation name: **PensionDanmark**

Signatory organisation(s) seconding your candidacy: **PKA**

CANDIDATE STATEMENT

It is a huge honour for me to be nominated by PensionDanmark and PKA as candidate to the board of the UN PRI.

PRI is on a good track and has grown substantially in both significance and support. We must maintain this positive development because the need for PRI has never been bigger. The world community is facing a number of coexisting challenges:

- Loss of nature and biodiversity
- Rising temperatures and insufficient climate action
- Rising inequality among humans and societies
- Growing insecurity and conflict levels

To a large extent these challenges are interdependent and reinforcing each other and this is exactly why PRI with its broad ESG focus has a key role when facing these challenges and bring investors together to pave the way for positive change.

There are solutions out there that can be achieved and scaled if we collaborate with engagement and respect: Increasing natural capital will also benefit climate and limit temperature rises, while ensuring a just transition to clean energy will be instrumental in the long standing combat against poverty. This will in turn be a way to promote justice and equal opportunities.

Together, we investors can influence companies as active owners and engage with politicians and law makers. And these efforts find credibility when we direct our investments towards the needs of people and planet.

In PensionDenmark, we have demonstrated that it is possible to earn good returns from positive impact investments. We call it: "to do good and do well at the same time".

There are several dedicated investor initiatives working for social development and human rights, mitigating climate change and reversing nature loss. PRIs role is to collaborate with these initiatives and connect the dots to create synergy and at the same time be a one-stop-shop for investors, politicians and other stakeholders working for the common good.

We must act together and develop even more sustainable investor practices.

I have a long standing experience with collaboration and leadership in international boards with colleagues from all regions of the world and I have in particular had the pleasure to witness the excellent competencies of the PRI staff as Principal in the Net Zero Asset Owner Alliance where the secretariat is a shared responsibility of the PRI and UNEP FI.

I believe that I can make a significant and positive contribution at the board in PRI – and ask for your support.

BIOGRAPHY

Torben Möger Pedersen – BIO

Torben Möger Pedersen (b. 1955) has been the CEO of PensionDanmark – one of the largest pension funds in Denmark – since it was established in 1992. During his leadership, PensionDanmark has received a considerable number of awards for its groundbreaking investment strategy. As of October 2023, Torben will retire and focus on serving in selected boards.

Torben Möger Pedersen has always been engaged in multi stakeholder activities and contributed to the leadership in numerous initiatives to promote better societal outcomes for the greater good in Denmark and abroad.

Today, he is the chair of the board of Denmark's Export and Investment Fund (EIFO), Copenhagen Business School (CBS), The Hedorf Foundation, The Danish Foreign Policy Society, Danish Society for Education and Business (DSEB), Gefion Gymnasium and the CIP Foundation. In 2019, the Danish Government appointed Torben as chair of the Climate Partnership for the Financial Sector.

Torben Möger Pedersen is a co-founder and member of the Steering Group of UN-convened Net Zero Asset Owner Alliance, member of the B-Team Leader Group, of OECDs Working Group on Long-Term Investments, of the Global Agenda Council on Investments, and The Alliance of CEO Climate Leaders under the auspices of World Economic Forum and a member of the Advisory Board in OECD's Centre on Green Finance and Investment.

Torben Möger Pedersen holds a M.Sc. Economics from University of Copenhagen and is adjunct professor at CBS.

SIGNATORY ORGANISATION INFORMATION

PensionDanmark is a major non-profit Labour Market Pension Fund (AUM is EUR 45 billion and growing rapidly) that provide pension and insurance benefits, including lifelong learning and preventive health care, to more than 800.000 members. Sustainability is a part of the DNA and PensionDanmark perceives the 17 UN Sustainable Development Goals as an attractive catalogue offering new investment opportunities.

PensionDanmark is recognised internationally as an innovative impact investor in climate solutions and SDG promotion. The SDGs are an integral part of the investment policy which has won PensionDenmark the position as a leading investor in sustainable real estate and renewable energy infrastructure. PensionDenmark was the founding partner of Copenhagen Infrastructure Partners (CIP) in 2012 and today CIP is the worlds largest fund manager within greenfield renewable energy investments. Having focused on sustainable real estate in a decade, in 2022 PensionDanmark set the ambition that new urban development projects shall deliver a net-positive result for biodiversity and nature in 2030.

PensionDanmark also has a strong focus on social investments and has contributed to three dedicated investment vehicles managed by the Danish DFI to promote sustainable growth in developing countries. Besides the involvement in blended finance, PensionDanmark is participating in dedicated funds that bring new technology, decent jobs and clean infrastructure to Emerging markets in Africa, Latam and South Asia.

Last, but not least, PensionDanmark participates in many collaborations with other investors, whether it is as active owners towards companies, policy advocacy or the development of investor guidelines and promotion of sustainable investor practices. PensionDanmark has e.g. been a long standing member of PRI, collaborates with Global Unions Committee of Workers Capital and is a co-founder of the Net Zero Asset Owner Alliance convened by the UN SG in 2019.

SPECIFIC EXPERTISE

LEADERSHIP AND GOVERNANCE EXPERIENCE

Torben Möger Pedersen has served in numerous boards – often as chair or vice chair – most in the financial sector, but Torben has also huge leadership and governance experience from boards in education, business and media. Some of them are due to appointment from various Danish government administrations.

Internationally, Torben has been vice chair of Institutional Investors Group on Climate Change (IIGCC), Steering Group Member of the Net Zero Asset Owner Alliance, a World Economic Forum Climate leader, B-team leader and advised the Global Climate Fund (GCF) in South Korea as well as OECD on how to mobilise private capital for sustainable investments.

These activities has helped Torben to build a strong global network of investors, influencers and business leaders from Europe, Asia and the Americas.

As CEO in PensionDanmark from the very beginning to the current position as a large pension fund Torben has demonstrated considerable skills on how to lead an organization in strong growth and to make bold decisions along the way. He has been a leader in the development of innovative strategies, organization building and collaborated with the board and board members to create a common vision appreciated and enforced by all entities of the organization that today comprises some 350 coworkers at the head quarter in Copenhagen.

Besides the interaction with his international network, that also should be beneficial to PRI, Torben has been a thought leader and delivered several keynotes at global events.

Finally, it is worth to highlight that Torben Möger Pedersen is a co-founder and board member of the Board Leadership Society in Denmark. The task is to constantly search for ways to improve leadership and governance in business and organisations.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

As CEO of PensionDanmark, Torben Möger Pedersen has been the main driver and inspirer behind the innovative approach to impact investment that has earned the pension fund multiple awards for more than a decade.

PensionDanmark took a 50 per cent share of the worlds first off shore wind farm (developed by Orsted), and founded Copenhagen Infrastructure Partners (CIP) that has now become the largest investor vehicle in renewable energy globally. Torben was also behind the strategy to exclusively build sustainable certified properties for business and families and demanded social clauses and collective agreement for all construction projects with PensionDanmark as builder. The responsible approach to investment was enlarged and moved abroad when PensionDanmark, PKA and PBU engaged with the Danish DFI to establish three blended finance funds for Climate and SDG-investments in the DAC countries.

As chair of the Danish Climate Partnership for finance, vice chair of IIGCC and adviser for the Global Climate Fund, Torben has encouraged and participated in appreciative dialogues and active ownership with companies engaged in the fossil sectors in order to understand new possibilities for a just and green transition in mature markets as well as in the emerging and developing markets.

Lately, he has spearheaded the development of a very ambitious nature pledge for new real estate projects in PensionDanmark with the promise to have a positive effect on biodiversity in less than a decade after development. An effort that will counted, reported and audited.

In his capacity as Chair of the CIP-foundation, he has initiated a collaboration together with WWF on how to promote biodiversity in general and in particular in relation with the development large renewable energy infrastructure projects.

VIDEO STATEMENT

https://www.youtube.com/watch?v=VOnpfvPC-hA

PRI | Principles for Responsible Investment

CONOR KEHOE - CANDIDATE STATEMENT

The Board has kindly recommended me to serve as Chair from 1 January 2024.

I am very excited at the prospect, because:

- I've long admired investors' leadership in sustainability.
- Responsible investment is entering a new and highly political era. Good strategic decisions and the right skills are vital for the PRI's next 10 years. Much of my career has been devoted to helping large corporations reset their strategic direction – I feel that I can help PRI at this juncture.
- I confronted an analogous strategic challenge as Chair of the International Integrated Reporting Council (IIRC), which we merged with the Sustainability Accounting Standards Board (SASB) and then into the International Financial Reporting Standards (IFRS) to form the International Sustainability Standards Board (ISSB). Voluntary corporate sustainability reporting was replaced by mandatory reporting. The PRI, of course, has a much broader mandate - but it needs to adjust, not disappear.

The background to my interest and motivation

I was intrigued at how some private equity portfolio companies outperformed stock market equivalents financially, and that academic research showed that well-resourced engagement explained most of the outperformance (alpha). Such 'active ownership' has a longer-term perspective than public Boards generally experience from their investors. I was part of the team at McKinsey that founded Focusing Capital on the Long Term (https://www.fcltglobal.org/) to research and promote public market 'long-termism'.

In my role as IIRC Chair, I saw that long-termism and sustainability are closely linked. Corporate sustainability reporting promotes better, longer-term governance of companies - to their benefit as well as to society and the environment. I don't see conflict between long-term economic value creation and sustainability goals. For example, clear SDG-led corporate purpose will often increase economic performance. This is reinforced by the strong civil and environmental expectations that millennials and Gen Z have of corporations. I believe that impact accounting is the next important development here and I am active in advancing the case for it.

I set up McKinsey's investor practice 20+ years ago and have had the pleasure of helping a development finance institution (DFI), large pension funds, sovereign wealth funds and asset managers reset their strategic course and then organise to execute. I feel that I know the investor community and its challenges.

As a PRI Chair, I would be ‘mission driven and signatory centric’. The PRI has an admirably strong sense of mission. It is accountable to, and serves, its signatories. I will maintain the first and reinforce the second aspect of this strong culture. I request your vote now, and if confirmed, your ongoing support and engagement.

About Conor Kehoe

Conor most recently chaired the International Integrated Reporting Council (IIRC) – a coalition of 70 leading sustainability organisations. He served during its merger with the Sustainability Accounting Standards Board (SASB) and the subsequent merger of the two into the International Financial Reporting Standards (IFRS) to form the International Sustainability Standards Board (ISSB) in September 2022.

Previously a member of the G7 Impact Accounting Taskforce, Conor is now involved in two organisations advancing the case for impact accounting.

He is an Advisory Board member at Blackrock and a Special Advisor at McKinsey, where he founded and co-leads its Board Intelligence Forum for European non-executives and chairs.

While at McKinsey, he co-founded its Private Equity and Principal Investors (PEPI) practice, McKinsey New Ventures and was also a member of the team that founded the US-based research organisation FCLTGlobal (Focusing Capital on the Long Term).

Originally a software engineer who led McKinsey’s Tech and Telecom practice in Europe, Conor now advises a small number of software-based growth stage companies along with the Turing Institute (the UK’s data science institute). He is an adjunct lecturer at Tsinghua University and recently revived his software skills by completing Stanford’s Machine Learning course.

Conor is an Irish citizen, who has worked in the USA, throughout Europe and in Asia. Now based in London, he has lived in France and his native Ireland. He and his American wife also spend part of each year in the USA.

VIDEO STATEMENT
https://www.youtube.com/watch?v=S00op7po-KQ

PRI | Principles for Responsible Investment

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2023 SIGNATORY GENERAL MEETING MINUTES

13 SEPTEMBER 2023 08:00 – 09:30 BST AND 17:00 – 18:30 BST

Online webcast

In attendance:

- Martin Skancke, Chair, PRI Board (meeting Chair)
- David Atkin, Chief Executive Officer
- Rose Easton, Interim Chief Responsible Investment Ecosystems Officer
- Cathrine Armour, Chief Responsible Investment Solutions Officer
- Tamsin Ballard, Chief Initiatives Officer
- Nathan Fabian, Chief Sustainable Systems Officer
- Esther Teeken, Chief Operating Officerf
- 620+ signatory representatives attended via online webcast

Materials:

- SGM presentation

WELCOME ADDRESS AND PRI BOARD REPORT

MESSAGE FROM THE CHAIR

Martin Skancke, Chair of the PRI Board, welcomed signatories attending via webcast to the 2023 Signatory General Meeting (SGM) and provided an overview of the agenda and housekeeping items.

Martin Skancke explained he will be joined by six other speakers from the Executive Team; David Atkin, Chief Executive Officer, Rose Easton, Interim Chief Responsible Investment Ecosystems Officer, Cathrine Armour, Chief Responsible Investment Solutions Officer, Tamsin Ballard, Chief Initiatives Officer, Nathan Fabian, Chief Sustainable Systems Officer, Esther Teeken, Chief Operating Officer.

Board priorities for this year

The Board had three key priorities for this year.

1) *Lead the response to the PRI in a Changing World signatory consultation.*

The Board had recognised that responsible investment was and is undergoing significant change, leading on the design of the PRI in a Changing World consultation. The objective of the consultation was to understand signatory views on the changing expectations of responsible investors, and how the PRI might adapt to support its signatories in a changing environment. Close to 1,500 signatories, 27% of the signatory base, responded to the online formal consultation. This participation was broadly representative of the PRI signatory base, whether by signatory category, size, geography, or tenure. Martin Skancke thanked signatories for their participation. Overall, 1,900 signatories participated in at least one part of the consultation. The Board appreciates that the survey took time and consideration, and appreciates the engagement by those who took part. These are complex subjects and signatories' responses provide a great foundation for the future direction and value we seek to provide to signatories.

Clear messages emerged regarding the need to:

- Measure and enable progress in ways that acknowledge the diverse signatory base;
- Design a more agile strategy-setting process; and
- Further assess and seek input on PRI's mission statement and governance.

In the executive and financial report agenda item, the Executive Team provides more information about the in-depth findings from the consultation and how that is being reflected in the PRI's work programmes, including plans for progression pathways, and how PRI delivers value to signatories.

The future of PRI's Reporting and Assessment Framework and oversight of the roll out of this year's Reporting Framework has been an important strategic item for Board discussion.

The Board oversaw the delivery of Reporting and Assessment supported by the Reporting and Assessment Framework Oversight Committee and external assurance. The Board discussed lessons learnt from the 2021 reporting exercise, including clarity on objectives, project management, and working with external parties.

The external environment of reporting commitments is evolving rapidly. The Board recognises that signatories have valid concerns about the reporting burden and duplication of reporting. In response, the PRI has established a programme of work aimed at better understanding and addressing duplication between reporting regimes. The work is beginning with a proof of concept to determine, in collaboration with signatories, equivalent reporting requirements in focused areas. The programme will initially focus on the UK's Stewardship Code and the Task Force on Climate-related Financial Disclosures. The Board is hopeful that this more agile approach and co-designing with signatories will set a good precedent of how the PRI will work as an organisation in the future.

2) *Organisational effectiveness, including oversight of the implementation of the Target Operating Model.*

The Board has overseen the design and implementation of a new Target Operating Model for the PRI. The Board recognised that after undergoing significant change in recent years, the PRI needs a refreshed, fit-for-purpose operating model that aligns with its strategic direction.

The key drivers for change included:

- The need to operate at scale;
- The changing responsible investment landscape; and

- The need to review the capabilities to best support signatories and the global and local dimensions of the PRI signatory base.

The Board's role was to challenge the Target Operating Model presented by the Executive, the risks, the value for signatories, and the Executive's capacity to continue to deliver existing programmes of work through the transition period. The Executive Team provides more information on the Target Operating Model in the executive and financial report.

The Board also received annual reports on the Executive's people and culture, including the progress made on diversity, equity and inclusion. The Board approved a new climate change policy and an updated human rights policy. This is part of PRI's 'Walk the Talk' programme, aimed at ensuring that the PRI's own policies and practices are aligned with its mission.

3) *Effective governance (including the Chair search process and induction).*

One key item for the Board over this past year has been searching for the next Chair of the PRI Board, as current Chair's maximum term limit is the end of this year. This search was led by a search committee of the Board, and the process for the new Chair appointment including signatory approval vote is covered in the last agenda item of signatory voting, PRI Board director elections and nominated Chair.

Every year, the Board undertakes an annual Board evaluation. In the past year it was a self-evaluation. Overall, the view of the Board is that it is functioning well, including the important supporting Board committees. A key strength is strong relationships amongst members and members working effectively together. Communication with signatories and stakeholders was identified as an area for improvement.

In January 2023, the PRI Board welcomed two new members; Denisio Liberato from PREVI and Rebeca Minguela from Clarity AI.

The Board oversaw, discussed, and agreed a number of other important items during the year, including:

- PRI work programmes on ESG issues, driving meaningful data and sustainability outcomes;
- PRI-led and PRI-supported investor initiatives, including Climate Action 100+, the Net-Zero Asset Owner Alliance and the new Advance stewardship initiative for human rights and social issues.

The Board is monitoring the wider context of the politicisation of ESG in some markets. The PRI has been more proactive about communicating the fiduciary imperative of responsible investment, and is providing guidance on anti-trust and stewardship to support signatories' efforts. The Board will continue to monitor the ESG backlash and consider, with the Executive, the best response to support responsible investment and signatories.

EXECUTIVE AND FINANCIAL REPORT

David Atkin, Chief Executive Officer, thanked signatories for joining the SGM and provided an update in the executive and financial report.

A year of listening and learning

Over recent years, the momentum behind responsible investment has been remarkable. The PRI's work around the world has been driven forward by tailwinds, helping to move responsible investment into the mainstream. In the year to April 2023, the PRI's growth continued on this trajectory. The PRI represented the investor voice at milestone global events, including COP27 in Egypt, and held PRI in Person for the first time since the Covid-19 pandemic, convening more than 2,000 attendees in Barcelona and online.

However, over the same period, the PRI has also seen the emergence of headwinds challenging the progress of responsible investment. Market turbulence and geopolitical issues have affected investors globally. And, at the same time, the PRI has also been contending with a political campaign to limit US investors' freedom to act in the best interests of their clients and beneficiaries.

Against this backdrop, David Atkin completed his first year as the CEO of the PRI. David Atkin previously served on the Board from 2009-2015. This year was an opportunity to learn and evaluate the inner workings of the organisation, better understand PRI signatories around the world and fully immerse in day-to-day work. Importantly, over the past year, David Atkin has been listening and learning, and now PRI is responding to better deliver on its mission and meet signatory needs.

In this executive and financial report, together with some of the PRI Executive Team, David Atkin provides some of the highlights of the past year at the PRI, the changes its making in response to signatory feedback, and its plans for the year ahead.

PRI in a Changing World

Insights into the needs and priorities of PRI signatories came through the global consultation, PRI in a Changing World. The consultation had impressive participation rates and David Atkin led 19 workshops with over 400 signatories in ten countries. This gave PRI a real breadth and depth of signatory views.

The PRI explored key issues for the future of responsible investment, including the PRI's mission, governance, and the value it provides to signatories. The following clear messages emerged:

- Progression on responsible investment activities is expected over time, and the PRI needs to measure that progress in ways that acknowledge its diverse signatory base;
- Continue and expand work in policy engagement; and
- Design a more agile strategy-setting process, seeking further input on the mission statement and governance.

The survey also shows that the PRI remains a 'big tent', and that there is no one way to be a responsible investor. Signatories' interpretations of responsible investment vary based on their mandates, geography, and other factors. Many see the future of responsible investment to include identifying and acting on sustainability outcomes, as well as managing ESG risks and opportunities. Importantly, others continue to see managing ESG risks and opportunities as the sole dimension of responsible investment.

The PRI's new structure

In light of the global context, and the findings from the consultation, the PRI has designed a new operating model. The PRI's objective is to better align how it operates in line with signatories expectations regarding providing most value. To achieve this, the PRI has been reorganised to create six distinct cross-functional teams.

The first department is Responsible Investment Ecosystems. There is a strong appetite for PRI-supported communities of practice within regions. There is also a role for the PRI and its signatories to play in creating the right enabling environment for responsible investment through local engagement with policy, regulation, and standard setting. This team will allow the PRI to better support the local priorities of signatories, and provide a connection point in each region.

The second department is Responsible Investment Solutions. Guidance, tools, and training are seen as some of the most important PRI offerings. The majority of signatories want more of these services to monitor and progress their responsible investment practices. Through this function, the PRI will deliver practical and tailored products and services to build market capability, drive progression and ensure accountability, including PRI's annual Reporting Framework. This will continue to be informed by signatory needs and a strengthened data analytics function.

The third department is Investor Initiatives and Collaboration which will combine and strengthen the PRI's opportunities for investors to influence collectively. This team will also identify credible and relevant external initiatives, whose work PRI can amplify to signatories. The PRI intends to partner, support and complement peers operating in the responsible investment space.

The fourth department is the Sustainable Systems group which will look forward and guide the organisation on what responsible investment looks like in the future. It will also lead the signatory-guided design process for progression pathways. This will be a framework for how the PRI can support signatories to demonstrate progress in a way that is most relevant to their particular responsible investment approach.

The fifth department is Operations which is a key enabler of the PRI strategy and oversees signatory experience. It will provide the PRI with effective governance, legal and risk management, and global business support functions. The team will also coordinate strategy, planning and change management processes.

The sixth department is the People and Culture team which helps to enable PRI's people to be the best that they can be. Ensuring a good experience for all employees globally which will enable them to deliver the work that brings value to signatories.

This is an important opportunity to strengthen the PRI's value proposition for signatories against the rapidly evolving external landscape, and the PRI is working hard to embed these new capabilities.

Reacting to maturing markets
Rose Easton, Chief Responsible Investment Ecosystems Officer provided an update.

The responsible investment landscape is changing and the PRI's signatory base has grown significantly in recent years. Signatory numbers increased 10% year-on-year, reaching almost 5,400 by the end of March 2023.

After several years of very rapid growth, this represents a natural slowing in the rate of new joiners as the PRI starts to reach saturation point in some of the most developed markets. In many of these countries, most investors are now PRI signatories. This means that the PRI's regional teams now need to shift the focus of their work, to provide more support for the existing signatories in progression of their responsible investment practices. However, there are still markets in which further recruitment of signatories will be important in helping us deliver the PRI's mission. In response, the PRI now needs to take a more tailored approach to its regional work.

Enhanced experience for signatories
As numbers continue to grow, the PRI is evolving its approach to better support signatories. The PRI teams in local markets have historically acted as the first point of contact for PRI signatories, new and old, whether this is guiding them through wide range of tools and thought leadership or answering their queries on Reporting and Assessment. Given the growth in PRI's signatory base, coupled with an even wider array of PRI solutions, the PRI believes it can provide a more comprehensive and consistent signatory experience through a dedicated, centralised support team in the operations department. The PRI is excited to be establishing a new centralised global team that will focus on improving the experience of signatories. This includes three main pillars;

1) A new stakeholder services area that will track and enhance the signatory journey and provide easy access to support and the right resources, including on-line materials.
2) The PRI has increased its focus on marketing and communications, to help ensure that signatories better receive the information that is interesting and relevant to them, in an accessible way.
3) The PRI's flagship in-person event – PRI in Person. The PRI will also focus on diversifying and regionalising events as part of this broader team, to enhancing signatory experience with PRI.

Work in this area will continue to develop over the next year and the PRI will keep signatories updated.

Deepening regional engagement
Engaging with signatories in their region remains crucial as the responses in the PRI in a Changing World consultation told the PRI that signatories need more from the PRI than just a good relationship. To better serve signatories' needs, there is a need to move beyond managing relationships, and work towards building a thriving responsible investment ecosystem in their market. This means working

with all the key players in the ecosystem: the individual asset owners and investment managers, but also service providers such as the investment consultants and data providers, policy makers, regulators, stock exchanges, sustainable investment forums and other regional associations that shape the market.

The PRI must identify the barriers to responsible investment-aligned capital flows right across the investment chain, and work collaboratively to address them. The PRI must convene investors, policy makers and other stakeholders – but also provide a connecting point for the groups and platforms that already play a convening role in each region, to help them connect with each other. The PRI's goal remains to enable any work that serves the PRI's mission, which includes supporting and complementing the work of peers, and not to compete or duplicate it.

Policy debate and regulatory frameworks are a fundamental aspect of developing strong ecosystems, for which local knowledge is a must. The PRI needs a deep understanding of whether a particular market has clear sustainability targets or a sustainable finance strategy, of which government entities are driving which developments, of the blend between country-specific and regional requirements, and more. PRI's policy engagement will therefore move from a single central policy team to a dual model that sees regional policy teams delivering local policy engagement, guided by high-level priorities coordinated by a global policy team that will lead on international and multilateral engagement.

In conclusion, PRI's global perspective and reach has always been a strength which is valued by the signatories.

In the future, PRI colleagues in countries around the world will work even more closely with signatories and their communities to support them in progressing their practices, engaging with regional policy and regulatory change and nurturing strong responsible investment ecosystems. The PRI looks forward to working with all signatories in this collective effort.

Update on reporting
Cathrine Armour, Chief Responsible Investment Solutions Officer, provided an update on reporting.

In 2023, the PRI made several changes to the Reporting Framework in response to investor feedback. The PRI took steps to simplify the Framework and reduce the reporting effort, aiming to deliver a process that is better suited to the needs of signatories, while being led by the PRI's mission.

Clearly, there is still some work for PRI to do in this area. The PRI recognises the technical issues many signatories faced with reporting and understands the frustration this has caused. The PRI has identified the key causes that have affected performance of the reporting tool and will be ensuring that these are addressed across all 2024 reporting platforms.

In 2024, the PRI has responded to signatory requests for stability and the PRI does not intend to make any significant revisions to the content of next year's reporting cycle and instead focus all efforts on ensuring a smooth delivery.

The PRI is also addressing concerns over the increasing reporting effort globally, through a number of new initiatives focused on the future of reporting. One of these is the PRI's equivalency initiative, which is intended to create a harmonised reporting approach across the ecosystem. In collaboration with signatories, the PRI has started to determine equivalent reporting requirements that exist in focused areas. This will start off in areas where signatories have already identified a significantly increased reporting effort which will ultimately benefit all signatories. The first phase of this work has started, with the establishment of an asset owner working group to identify areas of equivalent reporting between the UK Stewardship Code and PRI's 2023 Reporting and Assessment Framework. This will pinpoint opportunities for reducing the overall reporting effort, with a view to concluding the group's work in 2024.

The focus of the equivalency work will gradually expand to encompass other areas. Later this year, the PRI will be inviting applications from signatories to join another working group focused on TCFD reporting in the UK, the EU, and Hong Kong and the group will commence its activities soon.

Guidance

The PRI's expert Guidance team, in collaboration with ten signatory working groups, produces a year-round programme of high-quality, timely publications. An upcoming highlight is the analysis of 2023 Reporting data which will analyse over 50 indicators from the 2023 Reporting Framework, and the data outputs will be used to chart the development of the Responsible Investment (RI) industry. This analysis will enable signatories to benchmark their performance against relevant peers and identify steps they can take to enhance their responsible investment practices.

The PRI is also producing two new introductory guides specifically for asset owners. The first is on corporate governance. It has a practical focus, providing case studies on how asset owners, particularly those with less extensive resources, can drive robust corporate governance practices in the companies they invest in. The second is an issue-specific guide for asset owners on human rights. Investors have a legal responsibility to act to uphold human rights, which is explained in the guide. The short explainer also details other drivers that are leading greater numbers of investors to act on human rights. The guide explains what human rights are, why they matter to investors, and the steps investors can take to protect them. The piece includes a series of questions on human rights risk identification that asset owners can ask managers during the due diligence process.

Another publication which is coming up is titled: *how to write a responsible investment policy*. This looks at the current practice, what to consider before writing or updating a policy, and guidelines on what content to include, from sustainability issues and stewardship to position statements.

The PRI hopes that signatories find these publications practical and useful, and look forward to any signatory feedback.

Investor education

The PRI Academy continues to grow year on year and has now trained over 20,000 investment professionals on its courses. The PRI is delighted that the Academy continues to enjoy a user satisfaction rate of around 99%. The PRI spent the past year completely refreshing its product offering, marketing and processes to ensure it is best placed to support signatory efforts to build responsible investment capacity.

The highlights of the year include the launch of the new ESG in Alternative Investments course in January 2023. This was the first course entirely focused on private markets. Feedback from the first cohorts of users has been fantastic and a number of large private equity, private credit and real assets focused signatories have already rolled the course out across their portfolio, investment and client teams.

The PRI has also updated two foundational courses, Understanding ESG and Applied RI, moving them on to a new, and a user-friendly learning platform, while fully updating the content, including adding over 40 brand new PRI expert videos across the two courses.

Looking forward to PRI in Person next month, the PRI has translated the three most popular courses into Japanese, Understanding ESG, Applied RI, and ESG in Alternative Investments. The PRI is now looking at further translations into other languages.

The PRI is also planning to update the Advanced RI course and, in collaboration with signatories, scoping a series of new course ideas to develop and release in 2024.

Leading and supporting collaboration
Tamsin Ballard, Chief Initiatives Officer, provided an update.

Collaboration, consistent with investors' duties and mandates, is critical to progress on responsible investment. The PRI is facing challenges in the current operating environment, including attacks on ESG investing. But the benefits of collaboration are clear. It creates opportunities for investors to influence collectively, enables greater coherence and transparency of approaches and methodologies; and importantly, provides proof of concept and viability for actions that are needed to progress responsible investment.

There is continued interest and demand for opportunities to collaborate and participate in investor initiatives. Total signatory participation and AUM coverage across the initiatives that the PRI leads have increased over the past year due to growth of existing initiatives and developing new stewardship initiatives. The PRI anticipates further growth in the year ahead.

The number of investor initiatives globally is growing, and the PRI is actively partnering, supporting and helping to make connections and ensure alignment.

The PRI has also seen encouraging growth in the use of the PRI Collaboration Platform, where signatories can pool resources, share information and enhance their influence. Use of the platform continues to expand beyond its investor-company collaborative engagement origins, with the PRI using it to engage with signatories on ongoing policy consultations. And this year saw a 33% increase in signatories using the Resolution Database to pre-declare their voting intentions.

Leading and supporting investor initiatives
The past year has been busy for the initiatives that the PRI leads and supports. The PRI's longest running collaborative engagement, Climate Action 100+ (where we are one of five investor networks) has concluded Phase 1, with continued progress amongst focus companies. It has now started phase 2, in which it will focus on implementing transition plans and target stronger progress by 2030.

More than 250 signatories, representing 37 trillion US dollars in AUM, have endorsed Advance, PRI's collaborative stewardship initiative focusing on social issues and human rights. The initiative has begun its first phase with 40 focus companies across the metals and mining and renewable energy sectors, and investors are developing company-specific engagement strategies.

Responding to strong signatory demand for a greater focus on real-economy policy, the PRI also launched a pilot initiative, testing collaborative engagement with a sovereign debt issuer on climate change. This has initially focused on Australia, as the introduction of the Climate Change Act and other major reforms presented an opportunity to support policy action at a critical juncture.

The PRI continues to play an active role in the net-zero alliances. In the past year the Net Zero Asset Owner Alliance, which the PRI co-convened with UNEP Finance Initiative, has published position papers including expectations for oil and gas investments. For the Net Zero Asset Managers Initiative (NZAM) the PRI has integrated NZAM commitments and progress reporting in the 2023 Reporting Framework, and many NZAM members are using this option to fulfil their NZAM reporting requirements with support from PRI climate specialists.

The PRI also continues to coordinate the Net Zero Financial Service Providers Alliance, where Stock Exchanges have received Race to Zero accreditation. The year has been focused on strengthening transparency and accountability, ensuring a robust governance process is in place.

The PRI also leads and supports collaboration on asset class initiatives including the Credit Risk and Ratings Initiative, Assessing Sovereign Climate Risks and Opportunities (ASCOR) and Initiative Climat International (iCI) focusing on private markets.

Looking forward
Heading into the next year, the PRI will continue to actively assist signatories in navigating the changing operating environment for many initiatives. In doing so, the PRI is reassured by supportive voices calling for collaboration including the UN Secretary General who has said that collective climate action "does not violate anti-trust – it upholds the public trust". In a number of jurisdictions the PRI is finding that there is a supportive view on collaboration and ever-more commitment to responsible investment.

For the net zero alliances, a major development in the coming year will be the UN Framework Convention on Climate Change's proposed new Recognition and Accountability Framework for climate action for non-state actors. The new Framework will encourage standardised accountability frameworks for different non-state actors, including voluntary investor alliances, and shine a spotlight on those not acting. Importantly it will also aim to identify policy barriers to achieving net zero. The PRI is inputting into the formal consultation process, coordinating closely with network partners.

The PRI is also excited about several new opportunities for investors to collaborate. The PRI is expecting to launch a new collaborative stewardship initiative on nature by the end of the financial year, working closely with peer initiatives in the industry. The PRI is also scoping an expansion of sovereign engagement on climate policy, expanding our Australian pilot. The PRI looks forward to updating signatories on progress and hopes signatories will take the opportunity to join one or more of collaborative initiatives and also sign up to our Collaboration Platform.

ESG issues
Nathan Fabian, Chief Sustainable Systems Officer, provided an update on ESG issues.

It is essential that we treat finance, the economy, our environment and society as an interconnected system, and focus on the meaningful, proportionate roles that our broad tent of responsible investors play in this system. Individually we invest in companies and financial instruments. However, in aggregate we rely on a sustainable economy in a sustainable world. One way the PRI helps is to work in the space between the double materialities, helping investors and working with regulators on the impact and systemic implications of environmental, social and governance issues and how responsible investors can respond to and influence them. In the past year, the PRI has continued its work in this area.

In addition to climate change, the PRI is working on Biodiversity. At the UN Biodiversity Conference, or COP15, the PRI coordinated engagement and statement provided an opportunity for investors to call on governments to halt and reverse nature loss by 2030. As part of the PRI's nature programme, it is now developing guidance to support signatories' investment practices, a new nature stewardship initiative, and policy engagement (for example responding to the Task Force on Nature-related Financial Disclosures and latest drafts of the EU Taxonomy). The PRI also launched new Nature and Circular Economy Reference Groups earlier this year.

On social issues, the PRI's work has continued across human rights, with a focus on diffusing the OECD guidelines and UN Guiding Principles. The PRI has also focussed on decent work, and diversity, equity and inclusion.

Within the governance sphere, the PRI issued guidance on corporate purpose, driving change in the tax system, and responsible political engagement.

Public policy and a sustainable financial system
The PRI engages with public policy to support its Principles and mission. Public policy critically affects institutional investors' ability, and incentive, to generate sustainable returns, therefore the PRI continues to deepen and expand engagement with policy makers worldwide. The PRI engaged on the necessary capabilities within a sustainable financial system, and on the design of specific policies and regulation. The PRI also supports signatories to engage directly with policy makers.

In the past year the PRI carried out more than 130 policy engagement activities, ranging from leading technical groups to enabling signatories to express their urgent and very real needs for comparable data.

Highlighting the need for global alignment on the economic transition has been a theme across many of our policy briefings and engagements. On corporate sustainability reporting, the PRI has worked with signatories to ensure that investor data needs are appropriately considered in the standard-setting developments that are underway. Most notably, this has included the International Sustainability Standards Board (ISSB) and European Sustainability Reporting Standards, which the PRI has vigorously supported.

This year the PRI reviewed the global ESG reporting landscape for investors, to ensure that the PRI understands what ESG reporting requirements apply to your investments and processes. The PRI is aware that it needs to locate signatory reporting to the PRI in a regulatory context and understand the equivalency of different reporting obligations, feeding into the work that Cathrine Armour mentioned. The review covered 120 ESG reporting instruments across five global reporting initiatives and nine key jurisdictions.

Academic research

The PRI has continued to foster relationships between investors and academia. Academic seminars throughout the year broadened the opportunity for thought leaders to present their work, with the Academic Network Conference, within PRI in Person, being the highlight of the calendar.

This year the PRI also created two research fellowship positions, bringing up-and-coming academics into the PRI to contribute evidence and insights to its work. A focus this year has been enhancing PRI's work with the International Financial Reporting Standards (IFRS) and International Sustainability Standards Board (ISSB).

Looking ahead

In the coming year, the PRI will build on these strong foundations to continue empowering signatories. The PRI will bring all our systems activity together, to build a common view of changing priorities for financial markets and economic transition. The team will look forward, innovate, and guide the PRI on responsible investment's future, ensuring that various activities to support signatories contribute to achieving a sustainable financial system and a more sustainable world.

One of the most resounding findings of the PRI in a Changing World consultation was the need for the PRI to do more to support signatory progression in their responsible investment practices. 95% of respondents said that they expected to progress as PRI signatories, and over 80% wanted to demonstrate that progress in a more relevant way than is currently possible. Therefore, the PRI is launching the Progression Pathways programme, which will help PRI to ensure signatories are supported to achieve their responsible investment goals in a much more tailored way.

Progression Pathways will be step-by-step journeys with dedicated support, tools and communities of practice to help investors progress towards their own responsible investment goals, based either on their organisational purpose or the ESG issues on which they want to focus.

At PRI in Person in October, the PRI will be launching a co-design process with signatories. The PRI has a range of in-person and online workshops and opportunities for signatories to share their views on what these pathways should look like and how existing tools, like the Reporting and Assessment Framework, can evolve to better support signatories on a more tailored progression journey. The PRI looks forward to working with signatories on these exciting developments.

PRI in Person
Esther Teeken, Chief Operating Officer, provided an update.

The next edition of PRI in Person will take place in Tokyo, from 3-5 October 2023. This is PRI's first time in Japan, and first time in Asia since 2016, and the PRI is excited and looking forward to welcoming over 1,200 delegates from over 40 countries. The PRI is grateful to its lead sponsor, Nippon Life Insurance Company, and 40 other sponsors for their generous support in making the conference possible.

The theme this year is "moving from commitments to action". There will be a focus on practical examples of action that signatories have taken, as well as identifying opportunities for future action. The PRI looks forward to welcoming delegates at the PRI in Person in Tokyo.

Financials
In the year ending 31 March 2023, the PRI generated a surplus (after interest, tax and depreciation), of circa £0.5 million pounds sterling.

Total income generated during the year amounted to £34.8 million pounds sterling This is over £7 million pounds sterling ahead of the prior year, as a result of increased signatory numbers and higher income from events post-pandemic. Signatory fees remain the major source of income, accounting for 72% of total income. Restricted funding income increased as a result of additional grant funding being achieved.

Other sources of income include events and the PRI Academy, with events income being driven predominantly by the annual PRI in Person. Last year's conference in Barcelona generated a surplus of £1.3 million pounds sterling through ticket and sponsorship sales. The PRI Academy also recorded a strong year, with revenues increasing by £0.4 million pounds sterling. Overall course enrolment numbers increased to more than 4,400, up from 3,800 in the prior year. Operating expenditure for the year amounted to £34 million pounds sterling.

People costs continue to be the largest expenditure item, accounting for 62% of total expenditure. Head count increased by 33 full time equivalents over the year, allowing us to invest in internal capabilities. Non-people expenditure included contracted services, IT, events, and premises. This spending contributes towards PRI's core work directly supporting responsible investment practice.

In the balance sheet, overall assets have increased by circa £0.5 million pounds sterling during the year, with year-end reserves within the PRI's minimum required reserves policy.

The budget for the financial year 2023/24 has been signed off by the Board, and is aligned with the PRI's priorities.

Risk management
There are a number of risks that the PRI is currently monitoring as part of its risk management.

Risk of litigation is largely due to the political environment in some regions, including specific pushback against ESG investing. The PRI maintains legal advice, has reviewed guidance documents and updated sign-off procedures. The PRI has no specific reason to expect any incoming litigation. However, in the interests of prudent and comprehensive planning, the PRI track risks of this nature constantly which PRI believes it's the right thing to do for the organisation and ultimately for its signatories.

The PRI monitors reputational risk. Globally agreed goals on climate and nature are at risk, leading to pushback on the veracity of investors' claims and effectiveness of approaches used. This extends to accusations of greenwashing. Enabling signatories to progress and demonstrate doing so, via PRI Reporting and other mechanisms, is critical to the PRI. As such, the PRI is monitoring the reputational risk profile of both the PRI and the wider sector within the public discourse at the moment, and will continue to respond through its own channels and the media, to safeguard the reputation of the organisation and the important work being undertaken together.

Holding confidential data means I.T. security is of critical importance to the PRI. The PRI has data protection, information security, password and acceptable I.T. use policies. The PRI is Cyber Essentials certified and working towards additional certifications. The PRI has invested significantly in safeguarding against risks of this nature and will continue to monitor such risks to ensure the operational integrity of the organisation is protected.

The PRI operates in a complex, global context, therefore these are a selection of the risks that PRI monitors on an ongoing basis.

Walk the Talk
The PRI has also been working to ensure its internal practices reflect its values via the Walk the Talk programme. While most of the PRI's impact on ESG issues is indirect, the PRI recognises that its own operating activities have impacts, and want to manage these in a way that's consistent with the mission of the PRI.

This year, the PRI Board approved a new Climate Change Policy, which sets out PRI's commitment to measuring, mitigating and reporting on climate change risks and impacts – throughout its operations and in business relationships.

The PRI is also working on strengthening its commitment to human rights. The PRI Board approved an updated Human Rights Policy, the implementation of which will be supported by a new Supplier's Code of Conduct Policy and a revised Procurement Policy.

The PRI looks forward to updating signatories on the progress of these initiatives in future years.

We are halfway to 2030

David Atkin thanked signatories again for joining the SGM today and for their continued commitment to the PRI and to responsible investment. We are at the halfway point of the 2030 Agenda for Sustainable Development, and globally we are far off track. However, it is still possible to redouble our efforts, translate our commitments into action and secure our collective future – and the PRI is here to support signatories.

SIGNATORY VOTING, PRI BOARD DIRECTOR ELECTIONS, AND PROPOSED NEW CHAIR

Martin Skancke, Chair of the PRI Board, provided an overview of the PRI Board director elections and proposed new Chair.

The PRI Board

The PRI Board is composed of one independent chair and ten elected directors.

- seven directors elected by asset owner signatories;
- two directors elected by investment manager signatories;
- one director elected by service provider signatories; and
- two permanent UN advisors who are representatives from the PRI's founding UN partners: UN Global Compact and UNEP Finance Initiative.

Unfortunately for the PRI Board, Scott Connolly, from Telstra Superannuation, an asset owner representative, resigned in May 2023, upon his appointment to the Australian Government at the Fair Work Commission and therefore there is the vacant position to be filled in the upcoming elections.

Martin Skancke is pleased to Chair a very engaged Board that is gender balanced and has good representation from around the world.

Signatory voting and PRI Board Director elections

The 2023 PRI Board election is for three asset owner representative positions and one investment manager representative position. Asset owner signatories will vote for asset owner candidates and investment manager signatories will vote for investment manager candidates. All signatories will be asked to vote on other four items: confirm the appointment of the Chair; receive the PRI Annual Report and Accounts; approve the Signatory General Meeting minutes; and approve amendments to the Articles of Association.

The signatory voting opens on 20 September and closes on 1 December, lasting for more than 10 weeks. Signatories are invited to vote on various elements of PRI governance shown in the table below.

Voting item	Asset owners	Investment managers	Service providers
Vote for three asset owner representatives in the PRI Board election	✓		
Vote for one investment manager representative in the PRI Board election		✓	
Vote to confirm the appointment of the Chair	✓	✓	✓
Vote to receive the PRI Annual Report and Accounts	✓	✓	✓
Vote to approve the Signatory General Meeting minutes	✓	✓	✓
Vote to approve amendments to the Articles of Association	✓	✓	✓

Amendments to the Articles of Association
There are several proposed changes related to PRI's Articles of Association for signatories vote.

The PRI asked signatories in the PRI in a Changing World consultation regarding their willingness to engage on PRI's strategy or priority setting as well as the agility of the strategy setting. Signatories want to engage on PRI's priorities, the value PRI provide and its strategy, and a set three-year strategy is not agile. Therefore, a proposed change is the removal of a prescription to have a set three-year strategy cycle, and addition of '*At least every three years the Directors must formally consult signatories on the strategic plan… subject to a Formal Consultation'.*
This increases PRI's commitment to:

- signatory consultation – through different forums - about the direction of the organisation;
- accountability to the implementation of the strategy; and
- transparency about reporting to signatories about the success or not of the strategy.

The current Articles are from 2015 and therefore the PRI has also taken the opportunity to remove unnecessary provisions, about the requirement to formally consult on policies that are relevant only to the Executive, as well as provisions that were concerned with the transition from the former Advisory Council to the current Board that are redundant now.

To help with signatories voting on these changes we will provide on the PRI website and in the voting platform the proposed new Articles in track changes along with the rationale for the changes.

Appointment of the new Chair
Martin Skancke was pleased to announce that the Board has made a decision to propose Conor Kehoe (Statement & Video) as its next Chair, from 2024.

Signatories are asked to confirm Conor Kehoe's appointment as the PRI Board Chair by a simple majority vote, including a simple majority of asset owner signatories' voting.

The Chair recruitment process was underpinned and run by a diverse group of PRI Board members, with a mix of gender and geographic representation, to ensure that issues of diversity and inclusion remained at the forefront of the process. The PRI was privileged to receive interest from a hugely talented pool of potential nominees from across the globe and would like to thank all involved.

Martin Skancke thanked the Chair search committee - Renosi Mokate, Tycho Sneyers, Sanda Ojiambo and led by Sharon Hendricks - who supported the Board through the search process. It was a global search process, supported by Russell Reynolds, an external search consultant.

The Board's assessment is that Conor Kehoe has the ability and experience to lead a high-performing Board, to provide ideas and thought leadership, to challenge and support the Executive (particularly as we go through the PRI's next strategy cycle) and to be a strong ambassador for the PRI across the globe.

Conor Kehoe has vast experience in a number of roles.

- 30 years with McKinsey & Co. and co-founded the organisation's Investor and Private Equity practice and the US based research organisation FCLTGlobal (Focusing Capital on the Long Term).
- Extensive knowledge of responsible investment includes serving as Chair of the Integrated Reporting Council, as a member of the G7 Impact Taskforce on Impact Accounting, as well as continuing to provide expertise on the topic to McKinsey, serving as a Senior Adviser.
- Proven track record in helping organisations establish clear strategic plans that translate into operational reality, this will be integral to the PRI's evolution following the PRI in a Changing World consultation.

The role of the Board is to nominate the independent chair, with the final appointment being contingent on a simple majority of PRI signatories voting to confirm the chair in the role, including a simple majority of asset owner signatories voting.

Subject to signatory approval, Conor Kehoe's term as the new Chair will commence on 1 January 2024.

Asset owner election: vote for one representative

The PRI is a global organisation, and aims for global representation on its Board, particularly within the asset owner positions. To ensure geographical diversity and have a global representation on the Board, the Board encouraged nominations from asset owner signatories headquartered in Africa and Asia during an exclusivity period in May-June 2023.

There are three asset owner positions; Africa, Asia, and an open position. Each asset owner signatory will have three votes for the three asset owner positions and vote separately for Africa, Asia, and open asset owner positions.

For the one asset owner representative position, not subject to geographical eligibility criteria, five candidates have nominated.

- Catherine Bolger - Board Director, State Super - SAS Trustee Corporation (Australia) - Statement & Video
- Anita J. Clemons - Senior Vice President & Managing Director of Investment Management, Presbyterian Church U.S.A. Foundation (United States) - Statement & Video
- Alessandra Festini - ESG Manager, Cassa Nazionale di Previdenza e Assistenza Forense (Italy) - Statement & Video
- Jonathan Grabel - Chief Investment Officer, Los Angeles County Employees Retirement Association (LACERA) (United States) - Statement & Video
- Torben Möger Pedersen - Chief Executive Officer, PensionDanmark (Denmark) - Statement & Video

Asset owner election: vote for one representative from Africa

Three candidates are competing for the one Africa asset owner representative position.

- Kamal Mitha, Head of Investments, Sasria (SOC) Limited (South Africa) - Statement & Video
- Lebogang Mokgabudi, Independent Specialist Trustee, Government Employees Pension Fund (South Africa) - Statement & Video
- Sonja Cecile Saunderson, Chief Investment Officer, Eskom Pension and Provident Fund (South Africa) - Statement & Video

Asset owner election: vote for one representative from Asia

Only one candidate, Takeshi Kimura, a current Board member, has nominated for the Asia asset owner representative position, seeking a second term on the Board.

- Takeshi Kimura, Special Adviser to the Board, Nippon Life Insurance Company (Japan) - Statement & Video

Although there is only one candidate, as defined in the Election Rules, asset owner signatories will be asked to vote to approve the candidate's appointment as a PRI Board Director by a simple majority vote.

Investment manager election: vote for one representative

Eight candidates are competing for the one open investment manager representative position.

- Eric Bruguiere, Partner, Ciclad Gestion (France) - Statement & Video
- Adam Michael Davies[1], Chief Executive Officer, Velox Capital Partners LLP (United Kingdom) - Statement & Video
- Johannes Feist, Chief Executive Officer, Mikro Kapital Management S.A. (Luxembourg) - Statement & Video
- Laurence Vigeant-Langlois, Managing Director, AE Industrial Partners, LP (United States) - Statement & Video
- Kudakwashe Mukova, Head of Impact & Sustainability, Norsad Capital (Botswana) - Statement & Video
- Mmakeaya Magoro Tryphosa Ramano, Non-Executive Director, Public Investment Corporation (PIC) (South Africa) - Statement & Video
- Tycho Sneyers, Managing Partner, LGT Capital (Switzerland) - Statement & Video
- Carina Wessels, Executive: Governance, Legal, Compliance and Sustainability, Alexander Forbes Investments Limited (South Africa) - Statement & Video

The PRI would like to thank candidates for nominating for the PRI Board elections.

Online signatory voting

Online signatory voting will open on Wednesday 20 September and close on 1 December 17.00 GMT. All main contacts of signatory organisations will receive a voting ballot via email from vote@governance.unpri.org. Signatories are encouraged to visit the PRI website to learn more about these candidates, view their statements and videos which will help voters to make an informed voting decision.

Electing PRI Board directors and voting on governance related items are important signatory rights. The PRI encourages signatories to actively participate in the signatory voting and PRI Board Director elections. Signatories are encouraged to exercise their vote.

Martin Skancke concluded by acknowledging that this is his last SGM as the PRI Chair, having served the maximum of three consecutive three-year terms as Chair. He is grateful for the opportunity to be part of the incredible journey the PRI has been on these last 9 years. Martin Skancke thanked all signatories for the trust they have placed in him and for many interesting discussions over these years. He thanked everyone at the PRI, the PRI Executive has impressed the Board with their skills, enthusiasm, and dedication, and it has been a privilege to work with them.

Signatories will be asked to approve the minutes via an online vote alongside the PRI Board election vote.

[1] Adam Michael Davies withdrew their nomination from the PRI Board elections after the Signatory General Meeting. Therefore, seven candidates are competing for the one open investment manager representative position.

SIGNATORY Q&A

Signatories asked questions on a range of topics across both SGMs. The following questions and responses have been ordered and grouped by topic to increase legibility for the readers.

Current reporting requirements seems to by mainly a box ticking exercise and self assessment without external auditing and thereby enabling green washing for asset managers that then run around with their scores. Instead PRI could define minimum standards (UN Global Compact based exclusion criteria for at least x% of AuM to be a member, etc.) that are externally audited, making PRI memberships a quality label. Currently anyone could get this membership as long as they are capable of ticking boxes and pays the annual fee.
The PRI provides a recognition of signatories' commitments to, and evidence of, action orientation towards the Principles of responsible investment including transparency, stewardship, sustainability (as per the six Principles). PRI membership is a commitment by the organisation that promotes responsible investment practices. It publicly signals dedication to responsible investment without necessarily providing a label for individual products or investments. Membership demonstrates that the signatory is dedicated to integrating ESG considerations into their investment strategies and actively engaging with companies to promote sustainability.

Questions in the Framework do not encourage tick box approach. The PRI asks for the depth (such as AUM coverage) or the frequency of practices, including asking for examples or evidence (such as links to the evidence). This is to ensure that there is a further level of accountability and robustness in the questions the PRI asks. While the external audit is considered an assurance of signatories' commitments, PRI's minimum requirements reflect these and the transparency of reporting provides for accountability. PRI's minimum requirements includes a requirement for signatories to have an RI policy that covers their overall approach to RI or guidelines on E, S, and/or G factors, which must cover >50% of their AUM. More information and guidance on this can be found on our minimum requirements webpage. These were developed alongside our signatory base and each requirement received strong signatory support as a means to enhance accountability to signatories' commitments to the PRI.

Signatories must report on the confidence-building measures they have used to enhance or demonstrate the credibility of their ESG disclosures to the PRI in the Confidence-Building Measures module. In this module, signatories can declare the level of verification or assurance that they have undertaken for their reported data, which is publicly available in signatories' Transparency Reports. The PRI produces and publishes Transparency Reports which include all responses to core indicators. These are publicly disclosed by the PRI for all signatories that are mandatory reporters to the PRI. This opens signatory responses to public scrutiny to enhance accountability for reported data.

Ambitions of PRI to participate in political debates regarding responsible investments? Outside the investment world, the PRI seems to currently have little influence on both politics and society.

The PRI is a politically neutral organisation and engages with global policy makers and regulators on a spectrum of issues. The PRI does not engage in politics, however it has a role to inform and educate lawmakers and support them in policy development. This includes supporting the development of legislative, regulatory or technical proposals in the interest of signatories' work. The PRI will continue to play a role and expand this work in corporate reporting, investor disclosure, financial system reporting and transition planning for economies and sectors.

What are the ambitions of PRI to not only act as a reporting platform but also as an ESG standard setter? For instance, UN Global Compact Breaches could be defined and made public by PRI and all signatories forced to either divest or engage with those companies in order to remain signatories.
This approach would take the PRI in a different direction, and it is not currently on the PRI's agenda. The PRI does not have the authority under its Articles of Association to force signatories to take specific steps with individual investment holdings. The PRI would like to support signatories to pursue responsible investment practices and objectives. Frameworks such as the UN Global Compact and the OECD Guidelines are pertinent for responsible investors and we believe responsible investors should be seeking to use them to inform their investment allocation and stewardship activities. The PRI's role is to provide tools and support to signatories, and create opportunities for signatories to make progress and work on common areas of interest and shape policy. The PRI is conducting the 2024-27 strategic planning and will consult with signatories, this is an opportunity for signatories to provide input. The PRI is a big tent organisation and a change in direction would mean that PRI would be a different organisation which is not PRI's intention.

What's the current schedule for this year's assessment report? The original horizon was Nov-Dec, which the PRI announced in March. Since the report period is delayed, is there a change in the schedule of releasing of assessment report.
The PRI expects to maintain the communicated schedule for delivery of the assessment reports and release these in November-December 2023.

What is the schedule of reporting period in 2024 and if we will have time to improve our process with referring the assessment report.
The 2024 reporting period will be same as 2023 lasting for three months commencing in May-June 2024. The PRI will review signatory feedback at the end of 2023 reporting cycle and take this into consideration.

Is the PRI continuing with the same time period for the annual PRI assessment process? Juggling this big deliverable during the height of proxy season was a challenge. When will the Reporting Framework results be reported?
The PRI would like to thank signatories for progressing with their 2023 reporting with circa 90% of mandatory reporters currently with more than 90% completion or submitted. The PRI expects to have the same timeframe for next year. The PRI intends to release the Reporting Framework in January 2024, open the reporting window in May-June 2024 for a period of three months and issue assessment and transparency reports in November-December 2024.

The PRI acknowledges feedback regarding the challenges of the reporting cycle, the PRI intends to maintain consistency and the structure for 2024. This will enable more time to focus on other developments such as progression pathways – and build this into longer-term reporting changes expected from 2025. The PRI encourages signatories to provide feedback during their reporting submissions, which will enable the PRI to consider the feedback and finalise the Reporting Framework for 2024.

Has the reporting window been determined for next year? Address the reporting issues this year and will there be anticipated additional reporting changes next year?
The PRI is considering dynamic reporting as part of progression pathway co-design conversation with signatories. The PRI would like to explore what does dynamic reporting looks like, periods of time through the year that signatories could submit dynamic reporting that aligns with their commitments and suits their needs. The PRI encourages signatories to provide feedback and participation in the co-design process.

Should any big changes be expected in the reporting in 2024 and the following years?
The PRI recognises the potentially fundamental relationship between the idea of progression pathways and Reporting and Assessment. The PRI aims to achieve stability in the reporting experience for signatories in 2024 and will take signatory feedback into consideration. If there are fundamental changes from the way the PRI aligns progression pathways and Reporting and Assessment, they will not be immediate changes. The PRI will consult with signatories through the progression pathways co-design process, regarding the best approach for Reporting and Assessment, and the idea of progression tools, and progression pathways for the future.

The equivalency approach makes complete sense in reporting. However, initial focus on UK Stewardship Code which has up to 250 signatories. Would a focus on SFDR which is likely to be far more widespread be more practical. This may also cover further elements of RI process, rather than just stewardship.
The PRI is starting equivalency work with the UK Stewardship Code. The purpose is to establish a framework to undertake the equivalency work. The PRI aims to extend that framework for assessing equivalency across another series of requirements for reporting. The PRI is therefore currently agreeing a methodology that could be applied to other frameworks.

I wish to express strong support for the progressive pathways approach. With respect to "solutions" investing, I recommend that this is explicitly connected to the UN's sustainable development agenda, which includes the SDGs but will endure well past 2030: a forever agenda.
The PRI will commence a progression pathways co-design process with the signatories and looks forward to having a deep conversation. The PRI will provide further information during the PRI in Person. Some investors will be able to think about longer-term sustainability goals as part of their risk return, investment strategy setting, and servicing their clients through their mandates. This is a reasonable proposition and the PRI would like to explore this further. In addition, the PRI will explore how over time sustainable financial system support, will contribute and have a role as economies transition and pursue these goals.

When will the Progression Pathways program be available to signatories? Will it be tailored to asset class?
The PRI promised to co-design the progression pathways with signatories. The PRI is aware of the risk of asking signatories for input frequently on many things. However, the progression pathways is important as the PRI is considering adding substantial element towards the way in which the signatories look to implement the six Principles. The PRI is considering the different structural elements or the potential parts of a progression framework.

In the PRI in a Changing World consultation, the PRI referred to investment activities, responsible investment objectives, sustainability issues, assets and asset classes as potential ways to structure or frame a progression framework. The PRI already uses investment activities and asset classes extensively for guidance and the Reporting Framework.

The PRI is thinking about how it can add in a useful way to that approach that already exists. Based on signatory feedback, there is emphasis on investment objectives and sustainability issues. The PRI will co-design the progression pathways with the signatories and explore all of the best design approaches.

What is the long-term plan for Service Provider involvement. Currently reporting is suspended and very little news is published around where it is heading?
The PRI recognises that it needs to do more to serve its service provider signatories, and this is on the PRI Board's agenda. The service provider community play an important role in the ecosystem.

The PRI already has initiatives in place for its service providers. For example, the PRI plays the secretariat role for the Net Zero Service Provider Initiative. There are also other programmes of work that do support service providers. As the PRI goes through the planning process for the next strategic cycle, the service provider offerings will be considered, and the PRI will look to create more opportunities to support service providers in their work and also include them in in the future reporting and assessment programmes.

Will the PRI adjust their reporting requirements and questions to fit with Corporate Sustainability Reporting Directive European Sustainability Reporting Standards requirements?
The equivalency methodology and framework that the PRI is establishing will enable it to be applied across another range of regulatory requirements. The PRI will be looking to prioritise those and look at equivalency in the context of our reporting requirements in the future.

Are there any updates to share relating to minimum requirements for being a signatory?
The PRI will maintain its minimum requirements in 2024 to have consistency with 2023 reporting. The PRI will be reviewing the minimum requirements and discuss with signatories, collect feedback and findings, and include in the future years as the PRI seeks to revise its Reporting Framework moving forward[2].

[2] As set out in the Signatory Accountability Rules changes to the minimum requirements criteria are subject to a formal signatory consultation and require approval of the Board.

How can new signatory join projects/working groups run by PRI?
Signatories can contact their dedicated local team or visit the dedicated get involved page to find out how to join projects/working groups run by PRI.

Will we still have a dedicated PRI representative that we can contact respect to country or region-specific initiatives?
Signatories can visit the dedicated get involved page for more information. In addition, the central support team can help with more generic queries. The PRI will continue to have either a dedicated team contact e-mail or individual contact depending on the size of the team and the market.

Has the PRI in Person 2024 location been determined yet?
The location of the next year's PRI in Person will be announced at this year's PRI in Person in Tokyo.

Will there be a virtual option for the PRI in Person 2023? Or access to recorded sessions?
The PRI in Person 2023 will not have live virtual participation. However, the recording will be available within 24 hours of the event. In addition, on a daily basis the PRI will provide updates via its social media channels.

Would be very interested in learning more on the tax engagement work – could you share a link (or several) for that?
Signatories can find out more about the tax engagement work on Tax fairness page of the PRI website.

What specific resources or support is provided for Faith Based Responsible Investors?
The PRI would like to undertake more work in this area and faith-based signatories can contact the PRI to discuss what their needs are to enable the PRI to best support them. The PRI does not have specific guidance on faith-based investing requirements. However, signatories can find guidance on screening in an introduction to responsible investment: screening | introductory guide | PRI (unpri.org).

How are the PRI planning to develop their approach to nature beyond deforestation?
With the launch of the Taskforce on Nature-related Financial Disclosures framework many investors are grappling with the issue of how they intend to understand nature risk in their portfolios and their communication with the companies. The PRI will do more work more to help signatories understand these issues and provide guidance. The PRI is planning to launch a new nature engagement initiative in early 2024, which will focus on enabling policy change. The PRI has already recruited a signatory advisory committee with 17 investors and a technical advisory group with ten members which will seek to maximise investors collective contribution to the goal of reversing biodiversity loss.

The PRI is starting with deforestation work, recognising that it's the biggest contributor to nature loss and also exploring other areas of nature loss that contribute to systemic risks. The PRI is working closely with other nature focused stewardship initiatives – including Nature Action 100. The group of investors engaged with the finance sector deforestation action to help ensure the coherence and complementarity. This initiative is part of the PRI's wider support signatories on managing nature related risk and harnessing value creation opportunities, including a nature reference group which was recently established.

Are there any plans for taking into consideration the US political agenda, the anti-ESG movement, which makes it difficult for asset managers to combine different expectations?
The PRI is undertaking consideration of the anti-ESG movement and will continue this work as the political debate doesn't change the fundamentals of the market and the economic change, which we are all dealing with. The PRI reached out to US political representatives to help build understanding on the investment role. The PRI is talking with the regulators around the world regarding collaborative engagements and how investors are operating within the law and their process when they are sharing information and analysis on sustainability trends in the markets and the responses of companies. The PRI will continue to outreach and reassure signatories.

I am interested in asking the PRI's COO about the legal risk, is it present exclusively in the USA or in some other countries?
The PRI faces legal risks where it has entities in various jurisdictions. Currently, there is an increased risk in the US which is driven by the anti ESG movement.

To the extent that there is legal risk on collaboration between investors, PRI's understanding is that investors are seeking company responses to understand investment risk to make informed decisions. This is part of their prudent duty to their beneficiaries and clients. This would seem to be a proper diligent purpose that investors are undertaking, and the PRI encourages signatories to take further advice on their own circumstances.

PRI's collaborations, including in the US, are on very sound ground because of the fiduciary interests of investors in these issues. In addition, the PRI is engaging on the policy and political discussions around the roles of investors and collaboration and sees its role to inform policymakers and politicians regarding why investors are using ESG tools and thinking about sustainability trends and how that's part of their role to serve their clients. The PRI believes that its role is to support signatories by helping them to educate and inform on the purpose of investors around ESG and will continue to play that role.

Now that the PRI has 18 years of history, will you provide a timeline of change resulting from Responsible Investment?
The PRI celebrated its 10-year anniversary in 2016 which showcased how the PRI has contributed to responsible investment. The PRI will look into celebrating its 20-year anniversary in the coming years and will seek to undertake an exercise to showcase the timeline of change resulting from responsible investment. The PRI is planning for the next strategic cycle and it is important to identify how the work of signatories has aided the PRI mission and provide evidence of change.

Do you collaborate with other UN organizations that are working on many interesting projects like Blockchain?
The PRI does not collaborate with any UN organisations on blockchain specifically. However, the PRI collaborates with many UN agencies such as UNEP Finance Initiative, UN Global Compact, and

UNCTAD other organisations. This foundation of exchange with UN agencies is part of PRI and how it supports signatories. The PRI is open to growing this in ways that are meaningful to signatories.

There is a wider issue of rapid technological change, including blockchain and how that affects markets and financial markets stability. The PRI is aware, and signatories are identifying increasing interest in this area. Signatories are considering the risks and threats associated with this, including on generative AI, and regulators are considering the potential impact on financial markets. In addition, there is issue around rights to privacy and ownership of information. PRI signatories have started signalling their interest in this area and the PRI will seek to develop further in this area.

What bottlenecks / barriers does the UN PRI currently see as relevant for investors looking to take steps in the field of responsible investing?
One difficulty that the PRI is supporting with is to help signatories navigate through the regulatory environments that now are very different in different parts of the world. The barriers are dependent on the geography and the PRI is thinking very systematically about these issues. There are many new things to learn and respond to from regulators and, in some markets there is some divergence. In the US, the ongoing intense political debate regarding the role of investors that are attempting to prudently manage sustainability factors, and the role of regulation, is a challenging debate. One important element is comparable data on emissions, impacts from corporations and the ability to assess that data against goals, scientific information, and analysis that is being provided on these trends. In addition, there is a transition planning theme for economies, specific sectors, and the corporations that are being invested in.

The PRI recognises that there is a difference in approach to responsible investment from investors, regional experience, mandate or purpose, expectations of their clients and the regulation. The PRI better needs to serve signatories based on their context and experience and it hopes the progression discussion is going to be a good way to get into some more detail.

Will the new focus on human rights include the growing refugee issue around the world?
Historically, the PRI have looked at this issue with existing guidance and podcasts on migration and decent work. This issue is not explicitly covered through the Advance initiative which is focused on human rights and social issues in mining, and the renewables sectors. However, this is an area for the PRI for further consideration.

Thank you PRI, for the support for the Global Investor Commission on Mining 2030 seeking to establish a long term vision for a socially responsible mining sector. Recognising the important work of Advance on human rights, how do you see PRI supporting members beyond human rights related to areas of live conflict.
The PRI is pleased to support the Global Investor Commission on Mining, which is an innovative collaboration of investors interested in how the mining sector is dealing with the social context in which they operate. The PRI would like to support investors working in these areas. Advance is the PRI's flagship platform for investors interested in engaging companies on human rights. Signatories using the platform are learning regarding how to engage corporations on human rights risks and performance in their supply chains.

The PRI acknowledges that the area of live conflict is a new area, and the PRI is learning what role it should be playing to support signatories. In the current operating environment, it is anticipated that there will be more conflicts which may affect markets and investors' interests.

Could you briefly compare any differences between PRI's as-is and to-be structure?
The new structure has been reduced to six executive reports to the CEO (previously this was eight executive reports). The PRI has now included finance, technology, and signatory support in operations. The PRI created a new division - RI Solutions, focused on helping individual signatories to become better responsible investors. The PRI has put together all of the initiatives that were across two teams in the previous structure into one collaborations and initiatives team. Regional policy is now part of the RI Ecosystems team and there is also a global policy team. The aim of the restructure is to scale the organisation and better serve signatories.

Does it really make sense to make global PRI in Person events when taking greenhouse gas emissions into consideration (especially on a yearly basis)? Topics as well as progress differ anyhow in different regions, therefore regional based events could be an alternative with global events only happening every 5 years for instance.
Convening and educating responsible investors is a priority for the PRI and our signatories have consistently identified events as a key benefit of membership. In particular, we regularly receive feedback from signatories that PRI in Person provides a unique opportunity for signatories to network and share knowledge with their global peers, whereas opportunities to do this at a local or regional level are quite common. During the pandemic, we were able to test a number of virtual event formats and it was clear that it is extremely challenging to replicate this delegate-to-delegate interaction without the need for travel. However, we continue to make the content of PRI in Person accessible digitally to those signatories who prefer not to attend in person. For example, recordings of the Tokyo conference sessions next month will be available online within 24 hours of the live event. We continue to strive to minimise the environmental impact of the in-person conference, working with our suppliers, sponsors and other stakeholders to ensure that the event is delivered as sustainably as possible, and we have halved the number of PRI staff travelling to the conference this year. In keeping with our increased focus on regional ecosystem development, we intend to expand the PRI events programme to include a wider range of regional events in addition to PRI in Person.

Will you provide a pdf copy of the audited accounts as of March 2023, 2023 SGM Minutes, and a pdf details amendment changes? Will more details be provided on the Chair appointment?
The audited accounts, SGM minutes and a PDF of changes to the Articles of Association including the rationale for each change will be available to signatories in the online voting ballot which will be sent on 20 September. The Board nominates the Chair and signatories vote to confirm the appointment of the Chair, further information on the Chair will be provided in the voting materials.

Can you please clarify how to vote?
All main contacts of signatory organisations will receive voting ballot on 20 September. For more information on signatory voting visit PRI website.

Principles for Responsible Investment

PRI ARTICLES OF ASSOCIATION

Objectives

The purpose of amending the PRI's governing document, the Articles of Association, is to enable a more agile strategy setting process. Throughout the *PRI in a Changing World* consultation process Signatories expressed that they would like to provide more input to the Board on the PRI's strategy and priorities. In the Board's response[1] to the consultation the Board committed to: 'design a more agile PRI strategy-setting process'. As a first step the Board is proposing removing from the Articles of Association, the strict requirement to consult Signatories on a set *three-year* strategy cycle. The PRI will continue to consult on its strategy and direction but on a more agile and regular basis.

PRI strategy process

In the *PRI in a Changing World* consultation the PRI consulted Signatories on the strategy process. Currently the PRI has a three-year strategy setting process. This process includes a formal consultation with Signatories that asks Signatories for their initial input into, and subsequent feedback on, the proposed strategy. This formal consultation is a Signatory right, codified in the PRI's Articles of Association.

The pace of change within the responsible investment ecosystem is changing rapidly. The consultation therefore considered whether we need to move away from a rigid three-year strategy cycle to a more agile approach. As a growing organisation with 5,000+ Signatories, it is increasingly questionable whether a formal consultation on the strategy every three years is the right cadence or format for setting organisational priorities. The Board believe that a more agile process is required.

It is the role of the elected PRI Board to set the strategy and direct, within a framework, the organisational priorities agreed and understood by Signatories.

Throughout the consultation process Signatories have expressed that they would like to provide more input to the Board on the PRI's strategy and priorities. The Board's preliminary view was that, while we cannot consult with each Signatory on every issue, we can make better use of existing forums to develop dialogues, for example regional groups, advisory committees, working groups, PRI in Person and other events.

Proposed changes to the articles

The purpose of amending the Articles is to enable a more agile strategy setting process. It is proposed to remove the reference to a "three-year" Strategic Plan, to enable a more agile, rolling and flexible strategy process. It is proposed to codify in the Articles the requirement to consult Signatories *at least every three years*. This increases the PRI's commitment to consult signatories on the strategy and priorities.

We have also taken the opportunity to make other minor amendments to the Articles, to:

- update the pronouns in the Articles to gender neutral language per best practice diversity, equity and inclusion guidance;

[1] Board response to the consultation

- remove now redundant provisions that are were concerned with the transition in 2015 from the former Advisory Council to the current Board;
- remove unnecessary provisions about the requirement to formally consult signatories on policies that are relevant only to the Executive, the Diversity and the Procurement policies, or committee terms that are agreed by the Board; and
- update the title of the Code of Ethics and Conduct policy and correct typos.

In the table below are proposed changes shown in tracked changes and the rationale. See Appendix 1 for the full Articles of Association (again in tracked changes).

Approval process

Per the Articles of Association Signatories must approve changes to the Articles by a simple majority of the Signatories voting on the amendment in question, including, a simple majority of Asset Owner Signatories voting.

Subject to Signatory approval the Articles of Association will be approved by the members of the PRI (the statutory Directors) in December 2023.

TABLE: CHANGES AND RATIONALE

Section	Tracked change	Rationale for change
Various	~~his or her~~their	Throughout the Articles pronouns changed to gender neutral language per best practice diversity, equity and inclusion guidance.
Various	~~he or shes~~they	Throughout the Articles pronouns changed to gender neutral language per best practice diversity, equity and inclusion guidance.
Various	Article numbers updated.	Numbering corrected if changed. See tracked changes.
Contents	~~Transitional Arrangements~~	Removal of section related to transitional arrangements at the time of adoption of the 2015 Articles of Association.
Definitions and Interpretation	1.1 **Chair:** ~~on the date of adoption of these Articles, means the person named as the Chair in accordance with Article 9.5, and, following the termination of that person's office,~~ means the person appointed as the Chair in accordance with Article 9.1.4;	Removal of historical reference to Chair at the time of adoption of the 2015 Articles of Association.
Definitions and Interpretation	**1.1 Code of Ethics and Conduct:** has the meaning given in Article 19.1.4;	Amended to include "conduct" per the published Board code of ethics and conduct. Same amendment made in 12.5, 12.6 and 19.1.3.
Definitions and Interpretation	1.1 **Original Signatory:** has the meaning given to it in Article 11.~~2~~3;	Correction of numbering error.
Membership of the Board – Composition	9.1 ~~Subject to the transitional arrangements set out in Article 9.5, t~~The Board will be constituted as follows:	Removal of historic reference to Directors at the time of adoption of the 2015 Articles of Association.
Membership of the Board – Transitional Arrangements	~~**Transitional Arrangements**~~ ~~9.5 The Directors as at the date of adoption of these Articles are the individuals named in the table below, each of whom will continue in office until 31 December in the year set out opposite his or her name in the table (unless his or her office is terminated earlier). Each of the Directors named in the table below is to be deemed for all purposes under these Articles to have been elected by the category of Signatories set out opposite his or her name~~.	Removal of historic reference to Directors at the time of adoption of the 2015 Articles of Association.

Section	Tracked change	Rationale for change
	Followed by table.	
Term of Office of Elected Directors:	10.6 No person elected as a Director may serve more than three (3) consecutive terms as an elected Director. ~~In the case of a person deemed elected as set out in Article 9.5, the number of consecutive terms served by that person as a PRI Advisory Council Representative immediately prior to the date of the adoption of these Articles (as set out in the last column in the table in Article 9.5) will be deemed to be consecutive terms that such person has served as a Director for the purpose of these Articles.~~	Removal of historic reference to Directors at the time of adoption of the 2015 Articles of Association.
Termination of office	*The office of Director (including the Chair) is immediately vacated on the expiry of the Director's term of office or if….* ~~11.1.4 reason of the Director's mental health, a court makes an order which wholly or partly prevents the Director from personally exercising any powers or rights which he or she would otherwise have;~~	Omitted pursuant to The Mental Health (Discrimination) Act 2013
Termination of office	11.2 If a Director, having been elected under Article 10, ceases to hold the position as Relevant Officer of a particular Signatory (an Original Signatory) that qualified him or her to be so elected, that Director will automatically retire from ~~his or her~~their office upon such cessation unless, before that retirement, the Company is notified in writing by the Original Signatory that it wishes the Director to complete ~~his or her~~their term of office, in which case, the Director, if ~~he or she is~~they are so willing, may remain in office for the rest of that term. Any Director who retires from office in accordance with this Article 11.~~2~~3 may be permitted to stand for re-election as a Director provided that they~~he or she~~ satisfy~~ies~~ the eligibility requirements of Article 10.2.	Correction of numbering error in addition to changing pronoun to gender neutral language as noted above.
Strategic Plan	12.7 The Directors must publish a~~every three (3) years devise, and, subject to a Formal Consultation required by Article 18.6, adapt and publish a three-year~~ strategic plan for the Company (a **Strategic Plan**). Annually the Directors must report to Signatories on the progress of implementing the **Strategic Plan.** ~~.~~At least every three years the Directors must formally consult Signatories on the **Strategic Plan,** this shall be subject to a Formal Consultation required by Article 18.6.	In the PRI a Changing World consultation in 2022 the Board consulted Signatories on the strategy process. Signatories agreed there is a need for a more agile PRI strategy-setting process.

Section	Tracked change	Rationale for change
		This is the primary change to the Articles - it removes the requirement to have a set three-year strategy cycle. This will enable a more agile and flexible rolling Strategic Plan. Codified is the requirement to consult Signatories at least every three years, however, this is the minimum. It is expected consultation will be more frequent, and through a variety of means, to keep up with the rapidly changing external context and to bring the PRI closer to Signatories by more regular input from Signatories on the PRI's strategy and priorities.
Right to confirm the appointment of the auditor	18.4 Where the Company is required by the Act to appoint an auditor (not being the auditor ~~appointed in respect of the Company as at the date of the adoption of these Articles or one~~ deemed re-appointed under the Act), the Company must seek the prior approval of the Signatories by a vote carried by a simple majority of those voting in an Electronic Poll.	Removal of unnecessary provision related to auditors appointed at the time of adoption of the articles - Signatories voted to confirm the appointment of the current auditor in 2021 so that reference is not relevant.
Right to Formal Consultation	18.7 The Company will conduct a Formal Consultation with the Signatories prior to making any: 18.7.1 material changes to the governance structure of the Company including material changes to any of the rules or policies in Article 19.1.1. to 19.1.5~~that the Company is required to publish under Article 19.1~~; and/or	Requirement to consult on internal policies removed (Diversity and Procurement Policies) - this is the responsibility of the Executive. Clarification that Signatory consultation is not required for the committee terms of reference, as set in Article 14, the Directors have authority to constitute committees.
Rules and Policies, etc	19.1 The Directors must devise and publish on the Company's website: ….*(see Article 19.1 for list list).* ~~19.1.3 a policy for procuring the supply of goods and services to the Company (the Procurement Policy);~~ ~~19.1.4~~ 19.1.3 a code of ethics and conduct applicable to Directors (the Code of Ethics);	List reordered to provide clarity on what requires Signatory consultation. See changes to Article 18.7 - Signatories will still be consulted on material changes to the Signatory Rules, Election Rules, the code of ethics and conduct, the SGM Rules, Director and

Section	**Tracked change**	**Rationale for change**
	19.1.4 rules regulating the: convening of, conduct of and the information to be provided in advance of each SGM (the SGM Rules); 19.1.5 terms of reference for each Director, including the Chair (the Terms of Reference for Directors); and ~~19.1.7~~ 19.1.6 the Committee Terms of Reference for each committee constituted in accordance with Article 14, 19.1.7 a policy for procuring the supply of goods and services to the Company (the Procurement Policy); 19.1.8 a diversity policy with respect to the Company, the Board, the Company's executives and the Company's dealings with third parties (the Diversity Policy);	Chair terms of reference (this are listed in Article 19.1.1 to 19.1.5).
Rules and Policies, etc	19.1 provided that no rule will be inconsistent with anything contained in the Articles, but in the event of any inconsistency, the Articles will prevail.	Correction of typo
Statutory Members	20.2The Statutory Members of the Company are the Directors of the company.~~, as at the date of the adoption of these Articles, are the Directors listed in Article~~ 9.5~~.~~	Removal of historic reference to Directors at the time of adoption of the 2015 Articles of Association.

COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL

ARTICLES OF ASSOCIATION OF PRI ASSOCIATION

Company Number: 7207947
Date of Incorporation: 30 March 2010
Adopted by Written Resolution passed on *insert date* ~~5 March 2015~~
Articles revised with signatory approval on *insert date* ~~14 November 2016~~

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COMPANIES ACT 2006 COMPANY LIMITED BY GUARANTEE
NOT HAVING A SHARE CAPITAL

ARTICLES OF ASSOCIATION

- of -

PRI ASSOCIATION

1. DEFINITIONS AND INTERPRETATION

1.1 In these Articles, the following words and phrases have the following meanings unless the context otherwise requires:

Act	means the Companies Act 2006 including any statutory modification or re-enactment of the same for the time being in force;
Annual Election	has the meaning given to it in Article 10.1;
Articles	means these Articles of Association;
Asset Owner	has the meaning given to it in Article 17.1;
Asset Owner Signatory	means an Asset Owner that has been admitted as a Signatory in the Asset Owner category in accordance with the Signatory Rules;
Authorised Conflict	has the meaning given in Article 7.3;
Board	means the board of Directors of the Company;
Chair	~~on the date of adoption of these Articles, means the person named as the Chair in accordance with Article 9.5, and, following the termination of that person's office,~~ means the person appointed as the Chair in accordance with Article 9.1.4;
Code of Ethics and Conduct	has the meaning given in Article 19.1.4;
Committee Terms of Reference	has the meaning given in Article 14.4;

Company	means PRI Association;
Director	means a director of the Company and includes any person occupying the position of director, by whatever name called;
Diversity Policy	has the meaning given in Article 19.1.~~5~~8;
document	includes, unless otherwise specified, any document sent or supplied in electronic form;
Election Rules	has the meaning given in Article 19.1.2;
electronic form	has the meaning given in section 1168 of the Act;
Electronic Poll	means an electronic poll of Signatories conducted by the Directors in accordance with the Signatory Rules;
Extraordinary Election	has the meaning given in Article 18.10;
Formal Consultation	has the meaning given in Article 18.6;
Former Relevant Officer	means a person who is a former Relevant Officer of a Signatory;
Initiative	means the United Nations-supported Principles for Responsible Investment Initiative;
Interim Director	has the meaning given in Article 10.27;
Investment Manager	has the meaning given in Article 17.2;
Investment Manager Signatory	means an Investment Manager that has been admitted as a Signatory in the Investment Manager category in accordance with the Signatory Rules;
Mid-Term Election	has the meaning given to it in Article 10.8;
Non-binding Resolution	has the meaning given in Article 18.11;
Objects	the objects of the Company as set out in Article 4;
Ordinary Resolution	has the meaning given to it in section 282 of the Act;
Original Signatory	has the meaning given to it in Article 11.~~2~~3;
Permanent UN Advisor	has the meaning given in Article 9.2;
PRI's Mission	has the meaning given in Article 4.2;
Principles for Responsible Investment or **Principles**	means the principles for responsible investment in the form set out in Schedule 1 (as amended from time to time) that each Signatory commits to implementing;
Procurement Policy	has the meaning given in Article 19.1.7~~3~~;

Professional Service Partner	has the meaning given in Article 17.3;
Professional Service Partner Signatory	means a Professional Service Partner that has been admitted as a Signatory in the Professional Service Partner category in accordance with the Signatory Rules;
Relevant Category	has the meaning given in Article 10.2;
Relevant Officer	means a person who is employed or otherwise serving as: (i) the Chief Executive Officer of a Signatory; or (ii) the Chief Investment Officer of a Signatory; or (iii) in the case of a Signatory that does not have the offices of Chief Executive Officer or Chief Investment Officer: the most senior investment professional of that Signatory; or (iv) a director serving on the main governing board (and not merely any subsidiary boards, subordinate boards or committees) of a Signatory; or (v) a trustee of a Signatory; or (vi) an executive employee of a Signatory in a role where ~~his or her~~their immediate line manager is one of the persons described in sub-paragraphs (i), (ii) or (iii) of this definition of Relevant Officer;
Secretary	means any person appointed to perform the duties of the secretary of the Company;
SGM	means the annual general meeting of the Signatories, being the Signatory General Meeting as defined, constituted and held in accordance with the SGM Rules;
SGM Rules	has the meaning given in Article 19.1.4~~6~~;
Signatories	means Asset Owner Signatories, Investment Manager Signatories and Professional Service Partner Signatories;
Signatory Rules	has the meaning given in Article 19.1.1;
Special Resolution	has the meaning given in section 283 of the Act;
Statutory Member	means a person who is admitted to membership (within the meaning of the Act) of the Company following his or her appointment as a Director in accordance with Article 20[2];

[2] PRI Association is a company incorporated in England under the Companies Act 2006. Any such company must have "members" as well as directors. In these Articles, these "members" are called the Statutory Members and they must be the same individuals as

Strategic Plan	has the meaning given in Article 12.7;
Surplus Assets	has the meaning given in Article 8.1;
Terms of Reference for Directors	has the meaning given in Article 19.1.5~~7~~;
United Kingdom	means the United Kingdom of Great Britain and Northern Ireland; and
writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

1.2 Unless the context otherwise requires, words or expressions contained in these Articles will have the same meaning as in the Act. Any statutory modification of such meaning that is not in force when these Articles become binding on the Company is to be disregarded.

1.3 All words importing the singular number will include the plural and vice versa.

1.4 The introductory sections of, and any headings in, the Articles are used for convenience only and are to be disregarded in any construction or interpretation of the Articles.

1.5 The model articles for private companies limited by guarantee contained in Schedule 2 of the Companies (Model Articles) Regulations 2008 (SI 2008/3229) that would otherwise apply to the Company by default, as a matter of law, are excluded.

1.6 A reference to a Schedule is a reference to a schedule to these Articles. The Schedules form part of, and are deemed incorporated into, these Articles.

1.7 A reference to a date is to that date in London, England.

the Directors. The Companies Act 2006 requires various matters to be approved by resolutions of these individuals in their capacity as "members". It is for this reason that the Articles provide rules for meetings of Statutory Members in Schedule 2.

COMPANY DETAILS

2. NAME

2.1 The name of the Company is PRI Association.

3. REGISTERED OFFICE

3.1 The registered office of the Company is to be situated in England and Wales.

OBJECTS AND POWERS

4. OBJECTS[3]

4.1 The objects of the Company are to:

4.1.1 promote the Initiative, launched in April 2006 by the United Nations Secretary-General in New York, by advancing the Principles for Responsible Investment; and

4.1.2 promote the consideration of environmental, social and governance issues:

4.1.2.1 in the management and ownership of investments;

4.1.2.2 relating to investment policies and practices by investment managers and owners and other interested parties including consumers, non-governmental organisations, regulators and governments; and

4.1.2.3 promote the PRI's Mission,

and thereby to promote sustainable global commerce and a sustainable financial system.

4.2 The **PRI's Mission** is:

"We believe that an economically efficient, sustainable global financial system is a necessity for long -term value creation. Such a system will reward long -term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; fostering good governance, integrity and accountability; and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.".

5. POWERS

5.1 The Company has the following powers for the purpose of promoting the Objects:

5.1.1 to organise or otherwise promote training and education and capacity building;

5.1.2 to arrange, hold or otherwise promote conferences, lectures, meetings, courses, seminars and discussions;

5.1.3 to collect, analyse, distribute, exchange or publish information, statistics and advice;

[3] An amendment to the Articles, including the Objects and Principles, requires: (i) under the Companies Act 2006, a Special Resolution of the Statutory Members; and (ii) the approvals of the requisite majority of Signatories set out in Article 18.1.2. An amendment to the Articles which also amends the Principles would additionally require the approval of the UN Global Compact and UNEP Finance Initiative (or their respective successor agencies within the United Nations, if any), as set out in Article 18.1.3.

5.1.4 to foster, undertake, carry out and commission research and to disseminate and exchange the results of any such research;

5.1.5 to co-operate with UNEP Finance Initiative, the UN Global Compact (or their respective successor agencies within the United Nations, if any) and other United Nations programmes and divisions and any other authority or organisation, international, national, local or otherwise;

5.1.6 to borrow and raise money in such manner and on such security as the Company may think fit;

5.1.7 to raise funds and to invite and receive contributions from any person or persons whatsoever by way of subscription, donation or otherwise and to accept any gift or transfer of property, provided that this will be without prejudice to the ability of the Company to disclaim any gift in whole or in part in such circumstances as the Company may think fit;

5.1.8 to make grants or loans of money and to give guarantees or provide security for the performance of contracts;

5.1.9 to operate bank accounts;

5.1.10 to deposit and invest funds with all the powers of a beneficial owner, including but not limited to the power to delegate the management of such funds;

5.1.11 to purchase, take on lease or in exchange, hire or otherwise acquire any real or personal property and any rights or privileges and to construct, maintain and alter any buildings or erections in which the Company for the time being has an interest;

5.1.12 to sell, let, mortgage, dispose of or turn to account all or any of the property or assets of the Company;

5.1.13 to insure and arrange insurance cover of every kind and nature in respect of the Company, its property and assets, and to take out other insurance policies to protect the Company, its employees, agents or members as required, including but not limited to indemnity insurance to cover the liability of the Directors and any other officer of the Company;

5.1.14 to employ and pay staff, agents, consultants and other professional persons or advisors;

5.1.15 to make all reasonable and necessary provision for the payment of pensions and superannuation to or on behalf of employees and their widows and other dependants;

5.1.16 to enter into contracts to provide services to or on behalf of other bodies;

5.1.17 to purchase or form trading companies alone or jointly with others;

5.1.18 to subscribe to, become a member of, or amalgamate or co-operate with any other organisation, institution, society or body not formed or established for purposes of profit (whether incorporated or not and whether in Great Britain or Northern Ireland or elsewhere) whose objects are wholly or in part similar to those of the Company and which by its constitution prohibits the distribution of its income and property amongst its members to an extent at least as great as is imposed on the Company under or by virtue of Article 6, and to purchase or otherwise acquire and undertake all such part of the property, assets, liabilities and engagements as may lawfully be acquired or undertaken by the Company of any such organisation, institution, society or body;

5.1.19 to enter into partnership, joint venture or other arrangement with any body with objects similar in whole or part to the Objects;

5.1.20 to affiliate to or accept affiliation from any body with objects similar in whole or part to the Objects;

5.1.21 to act as trustee of any trust;

5.1.22 to make any charitable donation either in cash or assets; and

5.1.23 to do all such other lawful things as are calculated to further the Objects, or any of them, or are incidental or conducive to doing so.

APPLICATION, PAYMENT OR DISTRIBUTION OF THE COMPANY'S INCOME AND PROPERTY

6. APPLICATION OF INCOME AND PROPERTY

6.1 The income and property of the Company must be applied solely towards the promotion of the Objects.

6.2 None of the income or property of the Company may be paid or transferred by way of dividend to a person in his or her capacity as a Statutory Member.

6.3 A Director:

6.3.1 may be employed and remunerated by the Company for acting as a Director;

6.3.2 may be paid reasonable out-of-pocket expenses properly incurred when acting on behalf of the Company;

6.3.3 may receive an indemnity from the Company in accordance with Article 25; and

6.3.4 may benefit from insurance cover purchased at the expense of the Company in accordance with Article 5.

7. CONFLICTS OF INTERESTS

7.1 Whenever a Director has a personal interest (including but not limited to a personal financial interest or a duty of loyalty owed to another organisation or person) directly or indirectly in a matter to be discussed at a meeting of the Directors or a committee of the Directors or in any transaction or arrangement with the Company (whether proposed or already entered into), the Director concerned must:

7.1.1 declare ~~his or her~~their interest at or before any discussion on the item;

7.1.2 not take part in any discussion on the item save to the extent that ~~he or she is~~they are invited expressly to contribute information;

7.1.3 not be counted in the quorum for the part of any meeting and any vote devoted to that item; and

7.1.4 withdraw during the vote and have no vote on the item.

7.2 Articles 7.1.2 to 7.1.4 (inclusive) will not apply where the matter to be discussed is in respect of a policy of insurance as authorised in the Articles.

7.3 If a conflict of interests arises for a Director (whether due to a personal financial interest or to a duty of loyalty owed to another organisation or person or otherwise) and the conflict is not authorised by virtue of any other provision in the Articles, then, on the matter being proposed to the Directors, the unconflicted Directors may authorise the conflict of interests (the **Authorised Conflict**) subject to the conditions in Article 7.4.

7.4 A conflict of interests may only be authorised under Article 7.3 if:

7.4.1 the unconflicted Directors consider it is in the interests of the Company to do so in the circumstances applying;

7.4.2 the procedures of Article 7.1 are followed in respect of the Authorised Conflict; and

7.4.3 the terms of the Procurement Policy are complied with in respect of any direct or indirect benefit to the conflicted Director which may arise from the Authorised Conflict.

7.5 Where a conflict is authorised in accordance with Articles 7.3 and 7.4 above, the unconflicted Directors, as they consider appropriate in the interests of the Company, may set out any express terms of the authorisation, which may, but need not, include authorising the conflicted Director:

7.5.1 to disclose information confidential to the Company to a third party; or

7.5.2 to refrain from taking any step required to remove the conflict, and

may impose conditions on the authorisation.

8. SURPLUS ASSETS

8.1 If on the winding-up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever of the Company (the Company's **Surplus Assets**), the same must not be paid to or distributed among the Statutory Members of the Company, but must be given or transferred in accordance with this Article.

8.2 The Directors may at any time before, and in expectation of, the Company's dissolution resolve that the Surplus Assets are to be, on or before the dissolution, applied or transferred in any of the following ways:

8.2.1 directly for one of more of the Objects; or

8.2.2 to any one or more institutions that has or have objects similar to the Objects provided that any such institution prohibits the distribution of its income and property to an extent at least as great as is imposed on the Company under or by virtue of Article 6.

8.3 In the event of no resolution being passed by the Directors in accordance with Article 8.2, on the winding-up or dissolution of the Company, the Surplus Assets must be applied or transferred only in the manner set out in either Article 8.2.1 or 8.2.2 as directed by the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) acting jointly. If either of those agencies (or their respective successor agencies within the United Nations) is no longer functioning, then the remaining agency will be entitled to act alone. Any direction made under this Article 8.3 that requires the application or transfer of the Surplus Assets other than in the manner set out in either Articles 8.2.1 or 8.2.2 is to be disregarded.

8.4 If:

8.4.1 no direction has been made under Article 8.3 in respect of any or all of the Surplus Assets within six (6) months of the date of the winding-up or dissolution of the Company; or

8.4.2 both of the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) are no longer functioning,

then the Surplus Assets must instead be applied as directed by the High Court of England and Wales.

8.5 If the Company is a trustee of any trusts at the time it is wound up or dissolved, the Company must procure the appointment of a new trustee or trustees of those trusts in the place of the Company.

PROVISIONS RELATING TO THE BOARD

9. MEMBERSHIP OF THE BOARD

Composition

9.1 ~~Subject to the transitional arrangements set out in Article 9.5, t~~The Board will be constituted as follows:

9.1.1 seven Directors who have been elected by the Asset Owner Signatories in accordance with Article 10;

9.1.2 two Directors who have been elected by the Investment Manager Signatories in accordance with Article 10;

9.1.3 one Director who has been elected by the Professional Service Partner Signatories in accordance with Article 10; and

9.1.4 one Director, who has been nominated by the Directors to serve as the Chair and has had such nomination confirmed by the Signatories in accordance with Article 10.

Permanent UN Advisors

9.2 UN Global Compact and UNEP Finance Initiative (or their respective successor agencies within the United Nations) may each appoint one senior representative to serve as one of two permanent UN advisors to the Board (each a **Permanent UN Advisor**).

9.3 Each of the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) may remove its respective appointee Permanent UN Advisor and appoint another individual in ~~his or her~~their place from time to time by giving written notice of the removal and appointment to the Company.

9.4 Each of the Permanent UN Advisors is entitled to receive notice of, attend and speak at all meetings of the Board, but is not entitled to vote on any resolution of the Board.

~~**Transitional Arrangements**~~

~~9.5 The Directors as at the date of adoption of these Articles are the individuals named in the table below, each of whom will continue in office until 31 December in the year set out opposite his or her name in the table (unless his or her office is terminated earlier). Each of the Directors named in the table below is to be deemed for all purposes under these Articles to have been elected by the category of Signatories set out opposite his or her name:~~

~~Director~~	~~Category of Signatories~~	~~End of current term of office~~	~~Number of current consecutive terms served (including current term)~~
~~Martin Skancke (Chair)~~	~~Not applicable~~	~~2017~~	~~1~~
~~Niels Erik Petersen~~	~~Asset Owner Signatories~~	~~2016~~	~~2~~
~~Daniel Simard~~	~~Asset Owner Signatories~~	~~2015~~	~~3~~
~~David Atkin~~	~~Asset Owner Signatories~~	~~2015~~	~~2~~
~~Renosi Mokate~~	~~Asset Owner Signatories~~	~~2017~~	~~1~~
~~Priya Mathur~~	~~Asset Owner Signatories~~	~~2017~~	~~2~~
~~Mark Chaloner~~	~~Asset Owner Signatories~~	~~2017~~	~~1~~
~~Eric Wetlaufer~~	~~Asset Owner Signatories~~	~~2015~~	~~1~~
~~Marcel Barros~~	~~Asset Owner Signatories~~	~~2017~~	~~2~~
~~Luciane Ribeiro~~	~~Investment Manager Signatories~~	~~2017~~	~~2~~
~~Peter Webster~~	~~Professional Service Partner Signatories~~	~~2016~~	~~1~~
~~Geeta Aiyer~~	~~Investment Manager Signatories~~	~~2017~~	~~1~~
~~Colin Melvin~~	~~Professional Service Partner Signatories~~	~~2016~~	~~1~~

10. ELECTION OF DIRECTORS, APPOINTMENT OF CHAIR AND TERM OF OFFICE

Election of Directors

10.1 The Directors will, in each calendar year, organise an election of Directors to fill vacancies on the Board that will arise on the termination of office of one or more Directors at the end of that calendar year (an **Annual Election**).

10.2 To be eligible to stand for election as a Director by a category of Signatories (a **Relevant Category**), a person must:

10.2.1 be a Relevant Officer or Former Relevant Officer of a Signatory of the Relevant Category; and

10.2.2 be:

10.2.2.1 nominated by a Signatory of the Relevant Category and seconded by another Signatory of the Relevant Category; or

10.2.2.2 in the case of a Mid-Term Election, nominated: (a) by a Signatory of the Relevant Category and seconded by another Signatory of the Relevant Category, OR (b) by the Board; and

10.2.3 satisfy any additional eligibility requirements prescribed by the Board in accordance with Article 10.10 in respect of the vacancy for which ~~he or she is~~they are standing; and

10.2.4 be a natural person (not a company or other organisation) who confirms in writing ~~his or her~~their willingness to be a Director and a Statutory Member.

10.3 In any election under this Article 10:

10.3.1 a Signatory may only nominate any one person for election and second any one person for election (and having nominated a person may not also second that person in the same election); and

10.3.2 each nomination or seconding of a person by a Signatory must be in writing.

Term of Office of Elected Directors

10.4 Each Director who is elected in an Annual Election is elected for a term of three (3) calendar years, commencing on 1 January of the year next following the announcement of ~~his or her~~their election.

10.5 Each Director who is elected in a Mid-Term Election is elected for a term commencing on the date of ~~his or her~~their election and ending on 31 December of the second calendar year immediately following the end of the calendar year in which the director is elected.

~~10.6~~ No person elected as a Director may serve more than three (3) consecutive terms as an elected Director. ~~In the case of a person deemed elected as set out in Article 9.5, the number of consecutive terms served by that person as a PRI Advisory Council~~

10.6 ~~Representative immediately prior to the date of the adoption of these Articles (as set out in the last column in the table in Article 9.5) will be deemed to be consecutive terms that such person has served as a Director for the purpose of these Articles.~~

10.7 A Director who has served for three (3) consecutive terms as an elected Director will be eligible to stand for election as a Director (subject to satisfying the other eligibility requirements of these Articles) provided that the office for which they~~he or she~~ seek~~s~~ election commences no sooner than twelve (12) months after the end of those three (3) consecutive terms.

Mid-Term Elections

10.8 If, during a calendar year, there is a vacancy or there are vacancies on the Board for any of the positions referred to in Articles 9.1.1 to 9.1.3 (inclusive), the Directors may organise an election by Signatories of the Relevant Category or Relevant Categories to fill such vacancy or vacancies (a **Mid-Term Election**).

Diversity

10.9 The Directors will seek to promote diversity of the Board through engagement with Signatories, the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) and the Company's executives, by adoption of the Diversity Policy and appropriate Election Rules and by such other means as they deem appropriate.

10.10 In the case of any Annual Election or Mid-Term Election, the Board may, in respect of one or more of the vacancies to be filled, prescribe eligibility requirements for candidates wishing to stand for election as Directors additional to the other eligibility requirements of Article 10.2 with a view to setting high leadership standards and enhancing the collective skills and/or experience and/or diversity of the Board. Such additional eligibility requirements will be prescribed in accordance with the guidelines provided in the Election Rules.

10.11 If, in the case of any Annual Election or Mid-Term Election, the Board prescribes additional eligibility requirements in accordance with Article 10.10, the Board will notify the Signatories of such requirements and the reason(s) for them before the relevant period for nomination opens.

Election Rules

10.12 Only Asset Owner Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Asset Owner Signatories

10.13 Only Investment Manager Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Investment Manager Signatories.

10.14 Only Professional Service Partner Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Professional Service Partner Signatories.

10.15 In each election:

10.15.1 each Signatory will have as many votes as there are vacancies on the Board to be filled by election by its category of Signatories; and

10.15.2 no Signatory may vote more than once for the same candidate.

10.16 In any election by a category of Signatories to fill a vacancy or vacancies on the Board (not being subject to additional eligibility requirements specified by the Board in accordance with Article 10.10), the candidates, equal in number to the number of vacancies to be filled, who receive the highest number of votes from Signatories of the relevant category voting in an Electronic Poll will be deemed to be elected. When determining those candidates who have received the highest number of votes from Signatories of the relevant category for the purpose of this Article, any candidate who is elected under Article 10.17 at that election by the relevant category of Signatories will not be included as part of such determination.

10.17 If, in any election:

10.17.1 a single vacancy is the subject of particular additional eligibility requirements specified by the Board in accordance with Article 10.10, the eligible candidate who: (a) satisfies those additional eligibility requirements, and (b) receives the highest number of votes amongst eligible candidates who also satisfy those particular additional eligibility requirements, from Signatories of the relevant category voting in an Electronic Poll, will be deemed to be elected to fill such vacancy; or

10.17.2 any two or more vacancies are the subject of the same particular additional eligibility requirements specified by the Board in accordance with Article 10.10, the eligible candidates who: (a) satisfy those particular additional eligibility requirements; (b) are equal in number to the number of vacancies to be filled; and (c) receive the highest number of votes amongst eligible candidates who also satisfy those additional eligibility requirements, from Signatories of the relevant category voting in an Electronic Poll, will be deemed to be elected to fill such vacancies.

10.18 If, in any election, there is only one eligible candidate nominated for election to fill a particular vacancy, that candidate will not be deemed automatically appointed as a Director. ~~His or her~~Their appointment as a Director will require the approval of a simple majority of those Signatories of the relevant category voting in an Electronic Poll.

10.19 If, in any election, the number of eligible candidates nominated for election to fill particular vacancies is equal to or less than the number of such vacancies, those candidates will not automatically be deemed appointed as Directors. The appointment of any of those candidates as a Director to fill any of those particular vacancies will require the approval of a simple majority of those Signatories of the relevant category voting in an Electronic Poll.

10.20 Except as otherwise provided in these Articles, the procedures for the nomination and election of Directors will be determined by the Election Rules.

Appointment of Chair

10.21 To be eligible to be nominated by the Directors to be the Chair a person must be a natural person (not a company or other organisation) who confirms in writing ~~his or her~~their willingness to be a Director and a Statutory Member.

10.22 A person nominated by the Directors to be the Chair must, before taking office, have ~~his or her~~their appointment as Chair, and term of office (including commencement date), confirmed by the approval of:

10.22.1 a simple majority of Signatories, including

10.22.2 a simple majority of Asset Owner Signatories,

voting in an Electronic Poll.

10.23 Except as otherwise provided in these Articles, the method of the confirmation of the Chair will be determined by the Signatory Rules.

Term of Office of Chair

10.24 The Chair may be appointed for a term of up to three (3) years, following the expiry of which period they ~~he or she~~ will cease to serve as the Chair unless re-appointed in accordance with the provisions of these Articles.

10.25 A person who has served as the Chair for three (3) consecutive terms will be eligible for appointment as Chair (subject to satisfying the other eligibility requirements of these Articles) provided that the appointment commences no sooner than twelve (12) months after the end of those three (3) consecutive terms.

Independence of the Chair

10.26 The Chair is under a duty at all times to exercise ~~his or her~~their own independent judgment in the performance of ~~his or her~~their office, without regard to any connection they ~~he or she~~ may have with any particular Signatory or Signatories, or any other person or organisation.

Interim Directors

10.27 If, in any circumstances, the Company has no Directors, the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) will jointly be entitled to appoint two (2) persons to be Directors (each an **Interim Director** and together the **Interim Directors**). If either of those agencies (or their respective successor agencies within the United Nations) is no longer functioning, then the remaining agency will be entitled to act alone. The Interim Directors will, as soon as reasonably practicable after their appointment, invite nominations from the Signatories for persons to stand for election as Directors. The Interim Directors will have the power to conduct such an election for Directors as they see fit. Each Interim Director must step down at that election, although they ~~he or she~~ will be entitled to stand for election as a Director if they ~~he or she~~ fulfil~~s~~ the eligibility criteria set out in Article 10.2.

11. TERMINATION OF OFFICE

11.1 The office of Director (including the Chair) is immediately vacated on the expiry of the Director's term of office or if:

11.1.1 the Director ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;

11.1.2 the Director becomes bankrupt or makes any arrangement or composition with ~~his or her~~their creditors generally;

11.1.3 a registered medical practitioner who is treating the Director gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three months;

~~11.1.4 by reason of the Director's mental health, a court makes an order which wholly or partly prevents the Director from personally exercising any powers or rights which he or she would otherwise have;~~

~~11.1.5~~11.1.4 the Director resigns ~~his or her~~their office by written notice to the Company provided at least two (2) Directors remain in office after the resignation takes effect;

~~11.1.6~~11.1.5 the Director fails to attend in any calendar year:

~~11.1.6.1~~11.1.5.1 the requisite number of Directors' meetings as required by the Terms of Reference for Directors; and / or

~~11.1.6.2~~11.1.5.2 a majority of the meetings of a Board committee to which the Director is appointed (if any),

unless, and to the extent that, there are exceptional reasons agreed in advance by the Chair for the Director not meeting such requirements in accordance with the Terms of Reference for Directors;

~~11.1.6.3~~11.1.5.3 and the Directors resolve by simple majority of those voting on the resolution that ~~his or her~~their office be vacated;

~~11.1.7~~11.1.6 the Director is directly or indirectly interested in any contract with the Company and fails to declare the nature of ~~his or her~~their interest as required by the Act or the Articles and the Directors resolve by simple majority of those voting on the resolution that ~~his or her~~their office be vacated;

~~11.1.8~~11.1.7 the Director did not satisfy the criteria set out in Article 10.2 at the time of his or her election and the Directors resolve by simple majority of those voting on the resolution that the office be vacated; or

~~11.1.9~~11.1.8 the Director is declared by the Board to have failed to fulfil or to be incapable of fulfilling ~~his or her~~their proper functions as a Director, and/or to have brought the Company or the Initiative into disrepute, and, after having been given an opportunity to be heard, is accordingly removed by aresolution of the Board approved by two thirds of all of the Directors other than the Director who is the subject of the resolution for removal.

11.2 Notwithstanding Article 11.1, the office of Chair is vacated if the Directors resolve by simple majority of those voting on the resolution that the office be vacated.

11.3 If a Director, having been elected under Article 10, ceases to hold the position as Relevant Officer of a particular Signatory (an **Original Signatory**) that qualified him or her to be so elected, that Director will automatically retire from ~~his or her~~their office upon such cessation unless, before that retirement, the Company is notified in writing by the Original Signatory that it wishes the Director to complete ~~his or her~~their term of office, in which case, the Director, if ~~he or she is~~they are so willing, may remain in office for the rest of that term. Any Director who retires from office in accordance with this Article 11.~~2~~3 may be permitted to stand for re-election as a Director provided that they ~~he or she~~ satisfy~~ies~~ the eligibility requirements of Article 10.2.

12. POWERS AND DUTIES OF THE DIRECTORS

12.1 Subject to the provisions of the Act and the Articles and to any directions given by Special Resolution, the business of the Company will be managed by the Directors who may exercise all the powers of the Company.

12.2 No alteration of the Articles and no direction given by Special Resolution will invalidate anything which the Directors have done before the making of the alteration or the passing of the resolution.

12.3 A meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.

Terms of Reference for Directors

12.4 Each Director must comply with the Terms of Reference for Directors applicable to him or her.

Procurement Policy

12.5 The Directors must comply with the Procurement Policy.

Code of Ethics and Conduct

12.6 The Directors must comply with the Code of Ethics and Conduct.

Strategic Plan

12.7 The Directors must publish a~~every three (3) years devise, and, subject to a Formal Consultation required by Article 18.6, adapt and publish a three-year~~ strategic plan for the Company (a **Strategic Plan**). Annually the Directors must report to Signatories on the progress of implementing the **Strategic Plan**. ~~.~~At least every three years the Directors must formally consult signatories on the **Strategic Plan**, this shall be subject to a Formal Consultation required by

Article 18.6.

13. PROCEEDINGS AND DECISIONS OF THE DIRECTORS

13.1 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit.

Number of meetings

13.2 The Directors must hold at least three (3) meetings in each calendar year.

Calling a meeting and notice

13.3 A meeting of the Directors may be called by any Director.

13.4 Notice of any meeting of the Directors must indicate:

13.4.1 its proposed date, time and subject matter;

13.4.2 where it is to take place; and

13.4.3 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

13.5 In fixing the date and time of any meeting of the Directors, the Director calling it must try to ensure, subject to the urgency of any matter to be decided by the Directors, that as many Directors as practicable are likely to be available to participate in it.

13.6 Notice of a meeting of the Directors must be given to each Director and each Permanent UN Advisor, but need not be in writing.

13.7 Notice of a meeting of the Directors need not be given to Directors who waive their entitlement to notice of that meeting, which they may do by giving notice to that effect to the Company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

13.8 Directors are to be treated as having waived their entitlement to notice of a meeting if they have not supplied the Company with the information necessary to ensure that they receive the notice before the meeting takes place.

Participation

13.9 Any Director or any Permanent UN Advisor may participate in a meeting of the Directors by means of video conference, telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in such a meeting will constitute presence in person at that meeting.

Quorum

13.10 No decision other than a decision to call a meeting of the Directors or a general meeting will be taken by the Directors unless a quorum participates in the decision-making process.

13.11 The quorum for decision-making by the Directors is as follows:

	Quorum

at any time during which the number of serving Directors elected by the Asset Owner Signatories is four (4) or more:	four (4) Directors elected by the Asset Owner Signatories;
at any time during which the number of serving Directors elected by the Asset~~s~~ Owner Signatories is three (3):	three (3) Directors elected by the Asset Owner Signatories;
at any time during which the number of serving Directors elected by the Asset~~s~~ Owner Signatories is two (2):	two (2) Directors elected by the Asset Owners Signatories;
at any time during which there is a sole serving Director elected by the Asset Owner Signatories:	two (2) Directors, one of whom must be the sole serving Director elected by the Asset Owners Signatories;
at any time during which there are no serving Directors elected by the Asset Owner Signatories:	any two (2) Directors, unless there is a sole serving Director at the relevant time in which case that serving Director may act alone.

If the number of Directors elected by the Asset Owner Signatories serving as Directors is less than four (4) the remaining Directors must as soon as reasonably practicable arrange a Mid-Term Election of the Asset Owner Signatories for the purpose of filling all, or as many as possible, of the relevant vacancies.

13.12 A Director will not be counted in the quorum present at a meeting of the Directors in relation to a resolution on which ~~he or she is~~they are not entitled to vote.

Voting and the Chair

13.13 Questions arising at a meeting will be decided by a simple majority of votes unless otherwise specified in these articles.

13.14 The meetings of the Board will be run by the Chair or, in ~~his or her~~their absence, such Director as the Chair directs. If neither the Chair, nor the Chair's appointee is present within 30 minutes of the time appointed for the holding of a meeting, the Directors present may choose one of their number to chair the meeting. In the case of an equality of votes, the Chair (or chair, as the case may be) will not have a second or casting vote.

13.15 All acts done by any meeting of the Directors or of a committee, or by any person acting as a Director, will be as valid as if every such person had been duly appointed and was qualified to be a Director, even if it becomes apparent afterwards that there was some defect in the appointment of any such Director or person acting as a Director; or they or any of them were disqualified; or they or any of them were not entitled to vote on the matter.

Voting by a Director unable to attend a meeting of the Board

13.16 A Director may not appoint an alternate director or anyone to act on ~~his or her~~their behalf at meetings of the Directors except as provided in Articles 13.17 to 13.19 (inclusive).

13.17 Any Director (other than the Chair) may, by giving notice in writing to the Company, appoint:

13.17.1 any other Director who has been elected by the same category of Signatories as that Director; or

13.17.2 the Chair,

to be ~~his or her~~their alternate Director (and remove any person so appointed). Each person acting as an alternate Director will be entitled to attend and vote at all meetings of the Board in ~~his or her~~their appointer's absence and to exercise at such meeting all the powers, rights and authorities of ~~his or her~~their appointer. Each person acting as an alternate Director has a separate vote at Board meetings for each Director for whom they ~~he or she~~ act~~s~~ as alternate in addition to ~~his or her~~their own vote. Any person acting as an alternate Director will only count as one for the purpose of determining whether a quorum is present. If, under the terms of these Articles, any such person acting as an alternate Director is not entitled to exercise ~~his or her~~their own vote in respect of a particular proposed resolution of the Board, then they ~~he or she~~ may not exercise any additional vote in respect of that resolution that they ~~he or she~~ ha~~s~~ve otherwise been appointed to exercise in accordance with this Article.

13.18 Each person acting as an alternate Director will alone be responsible to the Company for ~~his or her~~their own acts and defaults and will not be deemed to be the agent to the Director appointing him or her.

13.19 A Director appointed as an alternate Director under the terms of Articles 13.17 to 13.19 (inclusive) will cease to exercise any powers, rights or authorities of ~~his or her~~their appointer immediately if ~~his or her~~their office as a Director is vacated for any reason or ~~his or her~~their appointer's office as a Director is vacated for any reason.

Written Board Resolutions

13.20 A resolution in writing, signed by a majority of all of the Directors entitled to receive notice of a meeting of the Directors and to vote upon the resolution will be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held, and it may consist of several documents in like form each signed by one or more Directors.

14. BOARD COMMITTEES

14.1 The Directors may: (i) constitute committees to facilitate the workings of the Board; and (ii) may, if they choose, delegate any of their powers to those committees, in each case on the basis set out in this Article 14. The provisions of Articles 14.4 to 14.9 (inclusive) will apply to committees constituted in accordance with this Article 14.

14.2 If the Directors constitute a committee to which they do not delegate any of their executive powers, then any Director or Permanent UN Advisor is eligible to be appointed to, and may vote on any resolution of, that committee. A committee constituted in accordance with this Article 14.2, may invite any other person to attend its meetings and participate in any way that such committee sees fit, as long as that participation does not include a vote on any resolution of that committee.

14.3 If the Directors constitute a committee to which they delegate any of their executive powers then any Director or Permanent UN Advisor is eligible to be appointed to that committee, but only the Directors appointed to such committee may vote on any resolution of that committee. A committee constituted in accordance with this Article 14.3, may invite any other person to attend its meetings and participate in any way that such committee sees fit, as long as that participation does not include a vote on any resolution of that committee.

14.4 The Directors will specify in writing the terms of reference (including such conditions as they see fit) of each committee constituted in accordance with this Article 14 (in respect of each such committee, the **Committee Terms of Reference**).

14.5 Subject to and in default of any other terms imposed by the Directors:

14.5.1 a committee may elect a chair of its meetings; if no such chair is elected, or, if at any meeting the chair is not present within ten minutes after the time the meeting was due to start, the committee members present may choose one of their number to chair the meeting;

14.5.2 a committee may meet and adjourn as it thinks proper;

14.5.3 questions arising at any meeting must be determined by a majority of votes of the committee members present that are entitled to vote in accordance with Articles 14.2 or 14.3, as the case may be; and

14.5.4 in the case of an equality of votes, the chair of the committee will not have a second or casting vote but a decision on the relevant matter must be referred to the next available meeting of the Directors.

14.6 All Committees constituted in accordance with Article 14 must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by the Directors.

14.7 The terms of reference of, and any delegation of executive power by the Board to, a committee must be recorded in the Board's minutes.

14.8 The Directors may revoke or alter a delegation in whole or part, or alter its terms and conditions.

14.9 All acts and proceedings of committees must be reported to the Directors fully and promptly.

15. DELEGATION OF DAY-TO-DAY MANAGEMENT TO EXECUTIVES

15.1 The Directors may delegate day-to-day management and administration of the Company to executives on such terms as they see fit, and may appoint one of such executives to be head of the executives with such title as the Directors see fit.

15.2 The Directors must provide a description of the head of the executive's role and reporting lines and set the limits on ~~his or her~~their authority.

16. BOARD REVIEWS

Annual Board Reviews

16.1 The Directors must carry out their own annual review of the functioning of the Board. The Chair must report the results of such annual review to the next SGM following such review.

Periodic Independent Reviews of the Board

16.2 The Directors must also instruct an independent expert to conduct, and report in writing on, an independent review of the functioning of the Board:

16.2.1 no sooner than two (2) years nor more than four (4) years after the date of adoption of these Articles; and subsequently

16.2.2 no sooner than two (2) years nor more than four (4) years after the date of each independent expert's written report of a review conducted in accordance with this Article,

and the Chair must report the results of such independent expert's review to the next SGM following such review.

PROVISIONS RELATING TO SIGNATORIES AND THEIR INVOLVEMENT IN GOVERNANCE

17. SIGNATORIES

Categories of Signatory

17.1 An **Asset Owner** is an organisation that manages or controls investment funds, either on its own account or on behalf of others, and which owns more than half of such investment funds.

17.2 An **Investment Manager** is an organisation that manages or controls investment funds, either on its own account or on behalf of others, and which does not own more than half of such investment funds.

17.3 A **Professional Service Partner** is an organisation that does not manage investment funds but provides services to Asset Owners and/or Investment Managers that assist in the fulfilment of the Principles.

Admission and terms of participation

17.4 An organisation may apply to be a Signatory in accordance with the rules set out for admission as a Signatory set out in the Signatory Rules. The Company must review all applications to become a Signatory and the admission of a Signatory is at the Company's sole discretion.

17.5 The terms of a Signatory's participation in the Company are governed by the Signatory Rules.

SGMs and Electronic Polls

17.6 The Company will convene an SGM in each calendar year.

17.7 SGMs will be conducted in accordance with the SGM Rules.

17.8 The Company will organise Electronic Polls in circumstances where these Articles require a matter to be determined by an Electronic Poll. Electronic Polls will be conducted in accordance with the Signatory Rules.

18. SIGNATORY RIGHTS

Rights to approve amendments to the Articles and the Principles

18.1 These Articles and the Principles for Responsible Investment may only be amended:

18.1.1 in accordance with the Act; and

18.1.2 with the approval of:

18.1.2.1 a simple majority of the Signatories voting on the amendment in question, including:

18.1.2.2 a simple majority of Asset Owner Signatories voting on the amendment in question,

such approval to be given by way of vote at an SGM or by way of an Electronic Poll; and

18.1.3 in the case of a proposed amendment to the Principles, with the written approval of the UN Global Compact and UNEP Finance Initiative (or their respective successor agencies within the United Nations, if any).

Rights to elect the Directors/confirm the appointment of the Chair

18.2 The Signatories have the right to elect the Directors and the right to confirm the appointment of the Chair in accordance with Articles 9 and 10.

Right to receive annual accounts

18.3 The Company must lay before Signatories at each SGM the Company's latest annual accounts; any reports that the Company or its officers are required to make in respect of such accounts; and (unless the Company is at such time exempt from audit) the auditor's report on those accounts and reports. The Company will provide the Signatories with an opportunity to receive such reports and accounts by way of a vote carried by a simple majority of those voting in an Electronic Poll.

Right to confirm the appointment of the auditor

18.4 Where the Company is required by the Act to appoint an auditor (not being the auditor ~~appointed in respect of the Company as at the date of the adoption of these Articles or one~~ deemed re-appointed under the Act), the Company must seek the prior approval of the Signatories by a vote carried by a simple majority of those voting in an Electronic Poll.

Right to approve minutes of an SGM

18.5 The proceedings of each SGM will be minuted. The Signatories will have a right to approve such minutes by a vote carried by a simple majority of those voting in an Electronic Poll.

Right to Formal Consultation

18.6 The Company will consult with the Signatories in the formal manner set out in Article 18.8 (a **Formal Consultation**) prior to the adoption of a Strategic Plan and report annually to Signatories on progress in implementing the Strategic Plan.

18.7 The Company will conduct a Formal Consultation with the Signatories prior to making any:

18.7.1 material changes to the governance structure of the Company including material changes to any of the rules or policies in Article 19.1.1. to 19.1.5~~that the Company is required to publish under Article 19.1~~; and/or

18.7.2 material changes to the Objects and/or the PRI's Mission; and/or

18.7.3 material changes to the Principles; and/or

18.7.4 material changes to the Company's fee structure for Signatories.

18.8 For the purposes of a Formal Consultation, the Directors will:

18.8.1 publish a formal consultation document;

18.8.2 allow a period of no fewer than four weeks for Signatories to respond; and

18.8.3 specify various means of communication by which Signatories may make their responses.

18.9 At the first meeting of Directors held after the end of the Formal Consultation period allowed by the Directors, the Directors will discuss Signatories' responses to the Formal Consultation and, as soon as reasonably practicable after that meeting, publish a document setting out the Directors' proposals and decisions in the light of the Formal Consultation.

Right to call for an extraordinary election of Directors

18.10 Signatories may, in accordance with the following provisions, require the Company to arrange an election for all ten (10) elected seats on the Board (an **Extraordinary Election**):

18.10.1 If Signatories representing at least three (3) per cent of all the Signatories serve written notice on the Company requiring the Company to hold an Extraordinary Election, then the Directors must as soon as reasonably practicable arrange an Electronic Poll. The sole resolution on the poll will be "*The Signatories require an Extraordinary Election to be arranged as soon as reasonably practicable* ".

18.10.2 If Signatories representing a simple majority of all Signatories voting in the Electronic Poll held in accordance with Article 18.10.1, including a simple majority of Asset Owner Signatories voting in the Electronic Poll, vote in favour of the resolution, then the Directors must arrange an Extraordinary Election as soon as reasonably practicable in accordance with the rules for such elections set out in the Election Rules.

18.10.3 In the event of an Extraordinary Election, the Directors, including the Chair, will remain in post until the formal announcement to the Company by the Chair of the results of the Extraordinary Election, whereupon each Director (including the Chair) will automatically vacate ~~his or her~~their office unless they ~~he or she~~ ha~~s~~ve been duly elected as Director in the Extraordinary Election. The election of a Director who was a serving Director immediately prior to such election will be disregarded for the purpose of calculating ~~his or her~~their maximum period of office under Article 10. The Directors elected in an Extraordinary Election must nominate a person to be Chair for confirmation by the Signatories in accordance with Article 10.

Right to propose a non-binding resolution

18.11 Signatories representing at least three (3) per cent of a category of Signatories may serve notice on the Company requiring the Company to put a resolution to the vote of Signatories on any matter except a matter otherwise expressly requiring Signatories' approval under the Articles (a **Non-binding Resolution**). As soon as reasonably practicable after receipt of such a request, the Directors must arrange an Electronic Poll of the Signatories on the proposed Non-binding Resolution.

18.12 A Non-binding Resolution will be passed if Signatories representing a simple majority of Signatories voting in an Electronic Poll vote in favour of the resolution. A Non- binding Resolution will not be binding on the Company or its Directors except as specified in Article 18.13.

18.13 If a Non-binding Resolution is passed, then the Directors must as soon as reasonably practicable meet to decide how to respond. The Directors must report in writing to Signatories on their deliberations in response to the Non-binding Resolution, and, if and to the extent that they have decided not to comply with the requirements of the Non-binding Resolution, they must state their reasons for doing so in the report. The report must be made available to the Signatories at the same time as they are given notice of the next SGM, or, if the Directors so decide, at an earlier date.

19. RULES AND POLICIES, ETC

19.1 The Directors must devise and publish on the Company's website:

19.1.1 rules regulating:

19.1.1.1 Signatory status, including: the admission of Signatories; the determination of the criteria for Signatory status; and the termination of a Signatory's status as Signatory;

19.1.1.2 Signatory consultation, including: the conduct of Electronic Polls; the conduct of any Formal Consultation and the procedure for proposing a Non-binding Resolution; and

19.1.1.3 communications between the Company and the Signatories,

(together, the **Signatory Rules**);

19.1.2 rules regulating the procedures for: the nomination and election of Directors (including an Extraordinary Election); and the confirmation of the appointment of the Chair by Signatories (the **Election Rules**);

~~19.1.3 a policy for procuring the supply of goods and services to the Company (the **Procurement Policy**);~~

~~19.1.4~~19.1.3 a code of ethics and conduct applicable to Directors (the **Code of Ethics and Conduct**);

~~19.1.5 a diversity policy with respect to the Company, the Board, the Company's executives and the Company's dealings with third parties (the **Diversity Policy**);~~

~~19.1.6~~19.1.4 rules regulating the: convening of, conduct of and the information to be provided in advance of each SGM (the **SGM Rules**);

19.1.5 terms of reference for each Director, including the Chair (the **Terms of Reference for Directors**); ~~and~~

~~19.1.7~~19.1.6 the **Committee Terms of Reference** for each committee constituted in accordance with Article 14,

19.1.7 a policy for procuring the supply of goods and services to the Company (the **Procurement Policy**);

19.1.8 a diversity policy with respect to the Company, the Board, the Company's executives and the Company's dealings with third parties (the **Diversity Policy**);

provided that no rule will be inconsistent with anything contained in the Articles, but in the event of any inconsistency, the Articles will prevail.

19.2 The Directors may, from time to time, make such other rules as they may deem necessary or convenient for the proper conduct and management of the Company provided that no rule will be inconsistent with anything contained in the Articles, but in the event of any inconsistency, the Articles will prevail.

19.3 Other than where rules or policies or other matters made in accordance with Article 19 contain express provisions relating to their amendment, the Directors may alter or repeal them or make any additions to them at their discretion.

PROVISIONS RELATING TO STATUTORY MEMBERS

20. STATUTORY MEMBERS

20.1 The Company must maintain a register of Statutory Members.

20.2 The Statutory Members of the Company are the Directors of the company.~~, as at the date of the adoption of these Articles, are the Directors listed in Article 9.5.~~

20.3 Statutory Membership is open only to the Directors. In standing for election as a Director, a person will be deemed to have applied for Statutory Membership, and, on ~~his or her~~their election as a Director, such person must be entered by the Directors in the register of Statutory Membership. A person's Statutory Membership will terminate automatically when they~~he or she~~ ~~ceases to~~cease to be a Director.

20.4 Statutory Membership is not transferable.

20.5 The provisions of Schedule 2 apply in respect of Statutory Members.

ADMINISTRATION OF THE COMPANY

21. SECRETARY

21.1 Subject to the provisions of the Act, any Secretary will be appointed by the Directors for such term and such remuneration and on such conditions as the Directors may think fit. Any Secretary so appointed by the Directors may be removed by them.

22. MINUTES AND RECORDS

22.1 The Directors must ensure that the Company keeps records, in writing, comprising:

22.1.1 minutes of all proceedings at general meetings;

22.1.2 copies of all resolutions of Statutory Members passed otherwise than at general meetings; and

22.1.3 minutes of meetings of the Directors and committees of the Directors, including the names of the Directors present at the meeting.

22.2 The Directors must ensure that the records comprising the items specified in Article 22.1 are kept for at least ten (10) years from the date of the meeting or resolution, as the case may be.

ACCOUNTS AND AUDIT

23. ACCOUNTS

23.1 The Directors must comply with the requirements of the Act for keeping financial records, the audit or other scrutiny of accounts (as required) and the preparation and transmission to the Registrar of Companies of:

23.1.1 annual reports;

23.1.2 annual returns; and

23.1.3 annual statements of account.

23.2 Accounting records relating to the Company must be made available for inspection by any Director at any reasonable time during normal office hours.

23.3 The Directors must supply a copy of the Company's latest available statement of account to any Director or Statutory Member on request, and, within two (2) months of the request to any other person who makes a written request and pays the Company's reasonable costs of complying with the request.

24. AUDIT

24.1 Auditors must be appointed and their duties regulated as required in accordance with the Act and Article 18.4.

25. INDEMNITY

25.1 Subject to the provisions of the Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) may be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that this Article will be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Act.

SCHEDULE 1 – THE PRINCIPLES

The Principles for Responsible Investment

1. We will incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.

SCHEDULE 2 – PROVISIONS RELATING TO STATUTORY MEMBERS

1. *DEFINITIONS*

1.1 *Words and phrases defined in the Articles of which this Schedule forms part apply in this Schedule. In addition, in this Schedule, the following words and phrases have the following meanings unless the context otherwise requires:*

clear days	*in relation to a period of notice means a period excluding:* (i) *the day when the notice is given (or deemed to be given); and* (ii) *the day for which it is given or on which it is to take effect; and*
Proxy Notice	*has the meaning given in paragraph 5.2 of this Schedule* .

2. *LIMITED LIABILITY OF STATUTORY MEMBERS*

2.1 *The liability of each Statutory Member is limited to £1, being the amount that they ~~he or she~~ undertake~~s~~ to contribute to the assets of the Company for:*

2.1.1 *payment of the debts and liabilities of the Company contracted before they ~~he or she~~ cease~~s~~ to be a Statutory Member;*

2.1.2 *payment of the costs, charges and expenses of winding up; and*

2.1.3 *adjustment of the rights of the contributories among themselves,*

in the event that the Company is wound up while ~~he or she is~~they are a Statutory Member, or within one year after they~~he or she~~ cease~~s~~ to be a Statutory Member.

3. *MEETINGS OF STATUTORY MEMBERS*

3.1 *The Company is not obliged to hold an Annual General Meeting of the Statutory Members of the Company.*

3.2 *General meetings of the Statutory Members may be:*

3.2.1 *called by the Directors; or*

3.2.2 *requisitioned by Statutory Members in accordance with the Act.*

4. *NOTICE OF GENERAL MEETINGS OF STATUTORY MEMBERS*

4.1 *Subject to paragraph 4.2 of this Schedule, general meetings of Statutory Members must be called by at least fourteen (14) clear days' notice.*

4.2 *A general meeting may be called by shorter notice if it is so agreed by a majority in number of the Statutory Members having a right to attend and vote at the meeting, being* *a majority together representing not less than 90% of the total voting rights at that meeting of all the Statutory Members.*

4.3 *The notice must specify the place, the day and the time of meeting, the general nature of the business to be transacted and a statement pursuant to the Act informing the Statutory Member of his rights regarding proxies.*

4.4 *Subject to the provisions of the Articles and to any restrictions imposed on any classes of membership, notice of a general meeting must be given in any manner authorised by these Articles to:*

4.4.1 *every Statutory Member; and*

4.4.2 *the auditor for the time being of the Company.*

4.5 *No person other than as specified in paragraph 4.4 of this Schedule is entitled to receive notice of general meetings.*

4.6 *The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice will not invalidate the proceedings at that meeting.*

4.7 *A Statutory Member present at any meeting of the Company either in person or by proxy will be deemed to have received notice of the meeting and, where required, of the purposes for which it was called.*

5. *PROXIES OF STATUTORY MEMBERS*

5.1 *A Statutory Member is entitled to appoint:*

5.1.1 *the Chair; or*

5.1.2 *any Director that has been elected by the same category of Signatories as that which elected the appointing Statutory Member as a Director,*

as ~~his or her~~their proxy to exercise all or any of ~~his or her~~their rights to attend and to speak and vote at a meeting of the Company.

5.2 *Proxies may only validly be appointed by a notice in writing (a* ***Proxy Notice*** *) which:*

5.2.1 *states the name and address of the Statutory Member appointing the proxy;*

5.2.2 *identifies the person appointed to be that Statutory Member's proxy and the general meeting in relation to which that person is appointed;*

5.2.3 *is signed by or on behalf of the Statutory Member appointing the proxy, or is authenticated in such manner as the Directors may determine; and*

5.2.4 *is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which it relates.*

5.3 *The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.*

5.4 *Unless a Proxy Notice indicates otherwise, it must be treated as:*

5.4.1 *allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and*

5.4.2 *appointing that person as a proxy in relation to any adjournment of the general* *meeting to which it relates as well as the meeting itself.*

5.5 *A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.*

5.6 *An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.*

5.7 *A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.*

5.8 *If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointer's behalf.*

6. *ORGANISATION AT GENERAL MEETINGS OF STATUTORY MEMBERS*

6.1 *No business will be transacted at any general meeting unless a quorum of Statutory Members is present.*

6.2 *A quorum for these purposes is such individuals (being Statutory Members) present in person or by proxy , who would also constitute a quorate meeting of the Directors in accordance with Article 13.11.*

6.3 *There must be a chair of every general meeting:*

6.3.1 *the Chair must chair every general meeting of the Company; and*

6.3.2 *if, at any meeting, the Chair is not present within ten (10) minutes after the time appointed for the holding of the meeting and willing to act, the Statutory Members present must elect one of their number to chair the meeting.*

6.4 *If within thirty (30) minutes from the time appointed for the meeting a quorum is not present, or if during a meeting a quorum ceases to be present, the meeting:*

6.4.1 *if convened on the requisition of Statutory Members, will be dissolved; or*

6.4.2 *in any other case, will be adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and place as the Directors may determine.*

6.5 *In relation to adjournment of general meetings:*

6.5.1 *the chair of the relevant meeting may, with the consent of any meeting at which a quorum is present (and will if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business is to be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place;*

6.5.2 *when a meeting is adjourned for fourteen (14) days or more, the Company must give at least seven (7) clear days' notice of it to the same persons to whom notice of the Company's general meetings is required to be given, and containing the same information which such notice is required to contain;*

6.5.3 *otherwise it will not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*

7. *VOTING AT GENERAL MEETINGS OF STATUTORY MEMBERS*

7.1 *A resolution put to the vote of a general meeting must be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded.*

7.2 *Unless a poll is duly demanded, a declaration by the chair of that meeting and an entry to that effect in the minutes of proceedings of the Company that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, will be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.*

7.3 *A poll on a resolution may be demanded:*

7.3.1 *in advance of the general meeting where it is to be put to the vote; or*

7.3.2 *at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.*

7.4 *A poll may be demanded by:*

7.4.1 *the chair of that meeting; or*

7.4.2 *two or more Statutory Members having the right to vote on the resolution.*

7.5 *A demand for a poll may be withdrawn if:*

7.5.1 *the poll has not yet been taken; and*

7.5.2 *the chair of that meeting consents to the withdrawal.*

7.6 *A poll demanded on the election of a person to chair a meeting or on a question of adjournment must be taken immediately. A poll demanded on any other question must be taken either at the meeting at which it is demanded or at such time and place as the chair of that meeting directs, save that it must be taken within thirty days after it was demanded.*

7.7 *If the poll is not taken at the meeting at which it was demanded, at least seven (7) clear days' notice must be given specifying the time and place at which the poll is to be taken.*

7.8 *The poll will be taken in such manner as the chair of that meeting directs.*

7.9 *The chair of that meeting may fix a time and place for declaring the results of the poll. The result of the poll will be deemed to be the end of the meeting at which the poll was demanded, save where there are other polls still to be taken in respect of the same meeting.*

7.10 *If a poll is demanded, the meeting may continue to deal with any other business that may be conducted at the meeting.*

8. *VOTES OF STATUTORY MEMBERS*

8.1 *Every Statutory Member has one vote on any resolution at a general meeting.*

8.2 *On a vote on a resolution on a poll taken at a meeting, all or any of the voting rights of a Statutory Member may be exercised by a duly appointed proxy.*

9. *WRITTEN RESOLUTIONS OF STATUTORY MEMBERS*

9.1 *Save for a resolution to remove a Director before the expiration of ~~his or her~~their period of office or to remove an auditor before the expiration of ~~his or her~~their term of office, any resolution of the Statutory Members may be proposed and passed as a written resolution in accordance with the Act.*

9.2 *Any resolution of the Statutory Members to be taken in writing for which the Act does not specify whether it is to be passed as an Ordinary Resolution or a Special Resolution will be passed by a simple majority.*

COMMUNICATION

10. *MEANS OF COMMUNICATION*

10.1 *Subject to the Articles, the Company may deliver a notice or other document to a Statutory Member:*

10.1.1 *by delivering it by hand to an address as provided in accordance with Paragraph 4 of Schedule 5 to the Act;*

10.1.2 *by sending it by post or other delivery service in an envelope (with postage or delivery paid) to an address as provided in accordance with Paragraph 4 of Schedule 5 to the Act;*

10.1.3 *by fax to a fax number notified by the Statutory Member in writing;*

10.1.4 *in electronic form to an address notified by the Statutory Member in writing; or*

10.1.5 *by a website, the address of which will be notified to the Statutory Member in writing.*

10.2 *This Article does not affect any provision in any relevant legislation or the Articles requiring notices or documents to be delivered in a particular way.*

10.3 *If a notice or document:*

10.3.1 *is delivered by hand, it is treated as being delivered at the time it is handed to or left for the Statutory Member;*

10.3.2 *is sent by post or other delivery service in accordance with paragraph 10.1 of this Schedule above it is treated as being delivered:*

10.3.2.1 *24 hours after it was posted, if first class post was used; or*

10.3.2.2 *48 hours after it was posted or given to delivery agents, if first class post was not used,*

provided it can be proved conclusively that a notice or document was delivered by post or other delivery service by showing that the envelope containing the notice or document was:

10.3.2.3 *properly addressed; and*

10.3.2.4 *put into the postal system or given to delivery agents with postage or delivery paid;*

10.3.3 *is sent by fax, provided that the Company can show that it was sent to the fax number provided by the Statutory Member, it is treated as being delivered at the time it was sent;*

10.3.4 *is sent in electronic form, provided that the Company can show that it was sent to the electronic address provided by the Statutory Member, it is treated as being delivered at the time it was sent; or*

10.3.5 *is sent by a website, it is treated as being delivered when the material was first made available on the website, or if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.*