LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING **TUESDAY, JANUARY 28, 2020** **TIME: 10:00 A.M.** **MEETING LOCATION:** LACERS Ken Spiker Boardroom 202 West First Street, Suite 500 Los Angeles, California 90012-4401 Live Board Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area). Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, 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) 473-7169.	President: Cynthia M. Ruiz Vice President: Michael R. Wilkinson Commissioners: Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Manager-Secretary: Lita Payne Executive Assistant: Ani Ghoukassian Legal Counsel: City Attorney's Office Public Pensions General Counsel Division

I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION

II. APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JANUARY 14, 2020 AND POSSIBLE BOARD ACTION

III. BOARD PRESIDENT VERBAL REPORT

IV. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

V. BOARD/DEPARTMENT ADMINISTRATION

A. RECEIVE AND FILE - LEGISLATIVE UPDATE OF JANUARY 2020

B. RECEIVE AND FILE - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019

C. RECEIVE AND FILE - LACERS POSTEMPLOYMENT HEALTH CARE FUND (115 TRUST) AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019

VI. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF JANUARY 14, 2020

B. INVESTMENT COMMITTEE VERBAL REPORT ON THE SPECIAL MEETING OF JANUARY 21, 2020

C. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF JANUARY 28, 2020

VII. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION

C. INVESTMENT MANAGER CONTRACT WITH PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE BOARD ACTION

D. INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

E. INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS VALUE PORTFOLIO AND POSSIBLE BOARD ACTION

VIII. LEGAL/LITIGATION

A. APPROVAL OF RFP FOR OUTSIDE FIDUCIARY COUNSEL AND POSSIBLE BOARD ACTION

IX. DISABILITY RETIREMENT APPLICATION(S)

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF INTHIRAN GNANAPRAGASAM AND POSSIBLE BOARD ACTION

X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, February 11, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XII. ADJOURNMENT

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

LACERS Ken Spiker Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

January 14, 2020

10:02 a.m.

Agenda of: Jan. 28, 2020

Item No: II

PRESENT:	President:		Cynthia M. Ruiz
	Vice President:		Michael R. Wilkinson
	Commissioners:		Annie Chao
			Elizabeth Lee
			Sandra Lee
			Nilza R. Serrano
		Arrived at 10:05 a.m.	Sung Won Sohn
	Manager-Secretary:		Lita Payne
	Executive Assistant:		Ani Ghoukassian
	Legal Counsel:		Anya Freedman

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was no response and no public comment cards were received.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF DECEMBER 10, 2019 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Vice President Wilkinson, and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz wished everyone a Happy New Year.

IV

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Lita Payne, Executive Officer, discussed the following items:

- FY 2020 Budget
- Emergency Program
- HQ Update
- Anthem Premium Stabilization Reserve (PSR)
- Anthem’s switch from ExpressScripts to Ingenio RX
- Anthem medical ID cards

Commissioner Sohn arrived at the Regular Meeting at 10:05 a.m.

B. UPCOMING AGENDA ITEMS – Ms. Payne stated the following items will be on an upcoming Board agenda:

- January 21, 2020 – Special Investment Committee Meeting
- January 28, 2020 Board Meeting – 2019 Comprehensive Annual Financial Report
- January 28, 2020 Board Meeting – 115 Trust Financial Statements
- January 28, 2020 Benefits Administration Committee Meeting – 2021 Retiree Health Plan Year
- January 28, 2020 Benefits Administration Committee Meeting – Annual Retiree Wellness Report

V

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR NOVEMBER 2019 – This report was received by the Board and filed.

B. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR DECEMBER 2019 – This report was received by the Board and filed.

C. MARKETING CESSATION NOTIFICATION – This report was received by the Board and filed.

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

VI

CONSENT AGENDA

A. ADOPTION OF 2020 RETIRED MEMBER OF THE BOARD ELECTION CALENDAR AND POSSIBLE BOARD ACTION – Ani Ghoukassian, Commission Executive Assistant, presented this item to the Board. Vice President Wilkinson moved approval, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

VII

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT ON THE REGULAR MEETING OF DECEMBER 10, 2019 – Commissioner Sohn stated that Northern Trust presented to the Committee regarding the Securities Lending Activity Report.

B. GOVERNANCE COMMITTEE REPORT – CONSIDERATION OF BOARD AGENDA TITLE FOR REAL ESTATE INVESTMENT ITEMS AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Eduardo Park, Investment Officer II, and Jennifer Stevens, Principal with Townsend Holdings presented this item to the Board. After 29 minutes of discussion, Commissioner Serrano moved approval of option 2 in the report, seconded by Commissioner Sandra Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -6; Nays, Commissioner Chao -1.

C. GOVERNANCE COMMITTEE REPORT – PROPOSED REVISION TO THE BOARD EDUCATION AND TRAVEL POLICY AND POSSIBLE BOARD ACTION – Edeliza Fang, Senior Management Analyst II with the Administration Division, presented this item to the Board. After three minutes of discussion, Commissioner Elizabeth Lee moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, $18.99 Billion as of January 13, 2020. Mr. June discussed the following items:

- TorreyCove is being acquired by Aksia
- Rhumbline names Denise D'Entremont to President
- Future Board Items: Four investment manager contracts coming out of Investment Committee and finalists of the Active US Small Cap Equities Manager Search
- Paygrade advancement of Eduardo Park to Investment Officer II
- Saira Gandhi, Management Analyst, promoted to Senior Management Analyst with Street Services

B. PRESENTATION BY THE CARLYLE GROUP REGARDING PRIVATE EQUITY INVESTING – Wilkin Ly, Investment Officer III, introduced Mr. David Rubenstein, Co-Founder & Co-Executive Chairman of The Carlyle Group. Mr. Rubenstein discussed his personal history and philanthropy work with the Board for 50 minutes.

President Ruiz recessed the Regular Meeting at 11:46 a.m. for a break and reconvened the Regular Meeting at 11:51 a.m.

C. CONTINUED DISCUSSION OF PRIVATE EQUITY INVESTMENT MANAGEMENT – Rod June, Chief Investment Officer, David Fann, President and Jeff Goldberger, Senior Vice President with TorreyCove presented this item to the Board for 15 minutes.

D. NOTIFICATION OF COMMITMENT OF UP TO $35 MILLION IN NREP NORDIC STRATEGIES FUND IV, LP SCSP – This report was received by the Board and filed.

IX

DIVISION SPOTLIGHT

A. HEALTH ACCOUNT RECONCILIATION – Glen Malabuyoc, Management Analyst with Health Benefits Administration & Communications Division, presented this division spotlight to the Board for 15 minutes.

X

DISABILITY RETIREMENT APPLICATION(S)

A. CONSIDER THE DISABILITY APPLICATION OF EUGENE MONTGOMERY AND POSSIBLE BOARD ACTION – Vice President Wilkinson moved approval of staff recommendation, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Sohn, Vice President Wilkinson, and President Ruiz -7; Nays, None.

Commissioner Chao left the Regular Meeting at 12:54 p.m.

President Ruiz recessed the Regular Meeting at 12:55 p.m. to convene in Closed Session. James Napier, Deputy City Attorney, was present during the Closed Session items.

B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF ROY MAYES AND POSSIBLE BOARD ACTION

C. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF ANTHONY URIBE AND POSSIBLE BOARD ACTION

President Ruiz reconvened the Regular Meeting at 12:58 p.m. and announced that the Board unanimously approved the Disability Retirement Applications of Roy Mayes and Anthony Uribe.

Commissioner Chao returned to the Regular Meeting at 12:58 p.m.

XI

OTHER BUSINESS – Commissioner Serrano congratulated former LACERS Commissioner Elizabeth Greenwood for her appointment to the LACERA Board of Investments.

XII

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, January 28, 2020 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIII

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 12:59 p.m.

Cynthia M. Ruiz
President

Lita Payne
Manager-Secretary

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 28, 2020
ITEM: V-A

SUBJECT: **LEGISLATIVE UPDATE OF JANUARY 2020**

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

Recommendation

That the Board receive and file this report.

Executive Summary

This report on select Federal and State Legislation potentially affecting LACERS or public pension plans is provided on a periodic basis, reporting on relevant legislation at key progress milestones. The United States Congress convened on January 7, 2020 for the second session of the 116th Congress, while the California State Legislature convened on January 6, 2020.

The intent of this report is to alert the Board to legislation that may impact LACERS, or for which the Board may want to advocate that the City take a position, or to request further analysis from LACERS' consultants or legal counsel. At this time, it is not recommended for the Board to take a position on any specific proposed legislation.

Discussion

Bills Added to the Watch List

The following are newly introduced bills or bills of interest which were recently identified.

H.R. 1384 – Medicare for All Act of 2019

This bill was introduced on February 27, 2019. It seeks to eliminate health care disparities, lower health care costs, and provide a comprehensive, high-quality health program for all United States residents. If passed, the transition into the Medicare for All Program will take place over two years. Those who are younger than 19 years and 55 years and older would be able to enroll in coverage one year after enactment of the bill. On the second anniversary of enactment the law would apply to everyone.

On August 23, 2019, Councilmember Herb Wesson introduced to the City Council the Resolution in support of HR 1384, Medicare for All Act of 2019. On October 24, 2019, the Chief Legislative Analyst recommended adoption of the Resolution and to include in the City's 2019-2020 Federal Legislative Program in support of the bill. The Mayor adopted the Resolution on November 18, 2019.

Possible Impact on LACERS: Keenan & Associates (Keenan), LACERS' Health and Welfare Consultant, states that LACERS may be required to be actively involved with enrolling early retiree members into the new Medicare for All Program. LACERS would need to establish a supplemental plan that integrates with but does not duplicate the benefits provided under the new Medicare for All Program. However, Keenan states this bill is still premature for an in-depth analysis as there has not been any significant actions on this bill.

H.R. 3 – Lower Drug Costs Now Act of 2019

This bill was introduced on September 19, 2019. The House of Representatives passed the Act with a vote of 230-192. It is currently in the Senate for review. The Act seeks to lower drug prices through price negotiation, inflation rebates, and Medicare D plan design changes.

Possible Impact on LACERS: The bill would impact individuals covered under Medicare Parts A, B, D and Medicare Advantage Prescription Plan (MA-PD) under Part C. Keenan states this bill would reduce the price of drugs but likely at the cost of fewer drug choices and accessibility over time. Listed below is a list of key provisions included in the bill.

Price Negotiation

- Establish a "Fair Price Negotiation Program" that allows Health and Human Services (HHS) to negotiate up to 250 drugs per year based off a refilling list of the most costly drugs in the U.S. without competition from at least one generic or biosimilar drug on the market.
- Establish a maximum price for any negotiated drug with an international price index called the Average International Market (AIM) price.
- Drug manufacturers who refuse to participate in the negotiation process or who do not agree on a price with HHS will be subject to a Non-Compliance Fee starting at 65% of the sales for that particular drug. For every quarter the manufacturer is out of compliance, the fee increases by ten percentage points, up to a max of 95%.

Medicare Part B and D Inflation Rebates

- Drug manufacturers of a drug in Part B or D, who raise the price above the Consumer Price index for urban areas (CPI-U), can either lower the price or be required to pay the rebate to the Federal Supplementary Medical Insurance Trust Fund.
- A Part B beneficiary's copayment would be computed based on the inflation-adjusted payment amount.

Medicare Part D Plan Design Changes

- Establish a $2000 out-of-pocket maximum (OOPM) for Medicare Part D beneficiaries.
- Provide point-of-sale price discounts (negotiated by HHS with manufacturers) to beneficiaries.

Keenan states this bill is unlikely to pass in the Republican-majority Senate due to the price negotiation provision in the bill.

H.R. 5529 – Social Security Equity Act of 2019

This bill was introduced on December 19, 2019. It seeks to amend Title II of the Social Security Act to expand the exception to the Windfall Elimination Provision (WEP) based on years of coverage. Currently the WEP reduces the earned Social Security benefits of an individual who also receives a pension from any employment not covered by Social Security, such as a government agency.

Bills Passed into Law

The following bills have passed into law and will be removed from the future Legislative Watch List. Staff will work with respective consultants and legal counsel toward operational and legal compliance, as necessary.

H.R. 1865 – Further Consolidated Appropriations Act, 2020 ("Appropriations Act")

On December 20, 2019, the President signed into law the Further Consolidated Appropriations Act, 2020 ("Appropriations Act").This act includes provisions relating to employee benefits and retirement matters, including H.R. 748, Middle Class Health Benefits Tax Repeal Act of 2019 ("Cadillac Tax") and H.R. 1994, Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act").

- This bill repeals the excise tax, also known as the "Cadillac Tax" which would have imposed a 40% tax on high-cost employer-sponsored health care coverage for which there is an excess benefit.

  Impact on LACERS: The actuarial assumptions will be revised in the June 30, 2020 Health Valuation report to exclude the cost of the excise tax effective in 2020.

- Repeals the prohibition on making regular contributions to a traditional IRA after age 70½.

  Impact on LACERS: None. LACERS does not administer IRAs.

- Permits penalty-free withdrawals of up to $5,000 from "eligible retirement plans".

  Impact on LACERS: May apply to Limited Term Retirement Plan (LTRP). Pending confirmation from LACERS' Tax Counsel. This provision does not apply to the LACERS defined benefit plan.

- Increases the required minimum distribution (RMD) age from 70½ to 72. The new law applies to individuals who turn 70½ in 2020 and they must take distributions once they reach the age of 72.

  Impact on LACERS: This provision will require a plan amendment for LACERS and updates to communication materials. LACERS would be allowed a remedial amendment period through the last day of the plan year that begins in 2024 in order to make plan amendments to implement provisions of the SECURE Act.

- Modifies required minimum distribution rules for designated beneficiaries such that distributions to an "eligible death beneficiary" are to be made within ten years of the employee's death. This applies to employees in governmental plans who die after December 31, 2021.

  Impact on LACERS: None. This provision does not apply to defined benefit plans.

SB 30 – Domestic Partnership

On July 30, 2019, the Governor approved the bill into law eliminating the limitations on who may form domestic partnerships and allowing opposite-sex couples under the age of 62 to be eligible to form domestic partnerships.

Possible Impact on LACERS: LACERS shall review plan documents to ensure that the definition of Registered Domestic Partner coincides with California law.

SB 343 – Healthcare Data Disclosure

On September 5, 2019, the Governor approved the bill into law that would update health care price transparency and disclosure requirements for Kaiser Permanente.

Possible Impact on LACERS: Potential impact on Kaiser costs are unknown at this time.

AB 290 – Health Care Service Plans and Health Insurance: Third Party Payments

On October 13, 2019, the Governor approved the bill into law. This bill seeks to restrict dialysis and rehabilitation provider profits and limit the use of third-party payers. The bill would also require providers to disclose to health care plans which patients are receiving premium assistance from third-party payers.

This bill would prohibit a chronic dialysis clinic from steering, directing, or advising a patient regarding any specific coverage program option or health care service plan contract. The bill would require a chronic dialysis clinic to post a notice requiring questions about Medicare coverage for patients with end stage renal disease to be directed to the Health Insurance Counseling and Advocacy Program.

Possible Impact on LACERS: Indirect impact to LACERS. May result in higher costs for dialysis care.

Strategic Plan Impact Statement

The legislative update supports the LACERS Strategic Plan Board Governance Goal of upholding good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Chhintana Kurimoto, Management Analyst, Administration Division.

LP/TB/DW/CK
Attachment: LACERS Legislative Watch List

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

BILL NO	AUTHOR	TITLE/TOPIC	Introduced	STATUS			
				Assembly	Senate	House	Final Status
STATEWIDE LEGISLATION							
SB 30	Wiener	**Domestic Partnership** Existing law defines domestic partnership as two adults who have chosen to share one another's lives in an intimate and committed relationship of mutual caring. Existing law specifies requirements for entering into a domestic partnership, including that the domestic partners be either of the same sex or of the opposite sex and over 62 years of age. This bill would remove the requirement that persons be of the same sex or of the opposite sex and over 62 years of age in order to enter into a domestic partnership. Existing law imposes a $23 charge on persons filing domestic partner registrations to fund the development and support of a lesbian, gay, bisexual, and transgender curriculum for training workshops on domestic violence and for the support of a grant program to promote healthy nonviolent relationships in the lesbian, gay, bisexual, and transgender community. Existing law exempts from this charge persons of opposite sexes filing a domestic partnership registration when one or both of the persons meet the eligibility criteria for federal old-age insurance benefits. This bill would expand the exemption from paying the charge to all persons filing a domestic partner registration when one or both of the domestic partners is 62 years of age or older. Existing law requires the Secretary of State to prepare forms entitled "Declaration of Domestic Partnership" and "Notice of Termination of Domestic Partnership" and to distribute those forms to each county clerk and make them available to the public at the office of the Secretary of State and each county clerk. This bill would delete the requirement that the forms be available at the office of each county clerk and, instead, require that the Secretary of State make the forms available at the office of the Secretary of State or on the Secretary of State's internet website. The bill would require the instructions to the "Declaration of Domestic Partnership" form and the internet website to include an explanation that registered domestic partners have the same rights, protections, and benefits, and are subject to the same responsibilities, obligations, and duties under law as are granted to and imposed upon spouses and an explanation of how to terminate a registered domestic partnership. This bill would also make various technical and conforming changes.	12/3/2018	7/1/19 Passed	7/5/19 Passed	N/A	7/30/19 Approved by the Governor. Chaptered by Secretary of State. Chapter 135, Statutes of 2019
AB 287	Voepel	**Public Employees' Retirement: Annual Audits** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program.	1/28/2019	2/07/19 Referred to Com. on P.E. & R.		N/A	

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

				STATUS			
BILL NO	**AUTHOR**	**TITLE/TOPIC**	**Introduced**	**Assembly**	**Senate**	**House**	**Final Status**
AB 290	Wood	**Health Care Service Plans and Health Insurance: Third-Party Payments** This bill would require a health care service plan or an insurer that provides a policy of health insurance to accept payments from specified third-party entities, including an Indian tribe or a local, state, or federal government program. The bill would also require a financially interested entity, as defined, other than those entities, that is making a third-party premium payment to provide that assistance in a specified manner and to perform other related duties, including disclosing to the plan or the insurer the name of the enrollee or insured, as applicable, for each plan or policy on whose behalf a third-party premium payment will be made. The bill would require each plan or insurer to provide to the appropriate department information regarding premium payments by financially interested entities and reimbursement for services to providers, and would set forth standards governing the reimbursement of financially interested providers, including, but not limited to, chronic dialysis clinics, that meet certain criteria. Commencing January 1, 2022, the bill would require reimbursement to contracted providers to be the higher of the Medicare reimbursement rate or the rate determined pursuant to an independent dispute resolution process, as established by the bill, if either party seeks a rate determination pursuant to that process, and would require reimbursement for noncontracted providers to be governed by the terms and conditions of the health care service plan contract or health insurance policy, or the rate determined pursuant to the dispute resolution process, as prescribed. The reimbursement rates and dispute resolution process established by the bill would not apply to reimbursement for an enrollee or insured on behalf of whom a financially interested provider was already making premium payments to a health care service plan or insurer on or before October 1, 2019, except under specified circumstances. The bill would not alter existing obligations and requirements applicable to a health care service plan or health insurer relating to offering, marketing, selling, and issuing a health benefit plan, and cancellation or nonrenewal, as specified. The bill would specify that its requirements do not supersede or modify any privacy and information security requirements and protections in federal and state law regarding protected health information or personally identifiable information. The bill would declare that an enrollee's or insured's loss of coverage due to a financially interested entity's failure to pay premiums on a timely basis would be deemed a triggering event to allow for special enrollment, requiring a health care service plan or health insurer to allow an individual to enroll in or change individual health benefit plans, as specified. This bill would prohibit a chronic dialysis clinic from steering, directing, or advising a patient regarding any specific coverage program option or health care service plan contract. The bill would require a chronic dialysis clinic to post a notice requiring questions about Medicare coverage for patients with end stage renal disease to be directed to the Health Insurance Counseling and Advocacy Program, as specified. This bill would make certain of its provisions operative, for specified financially interested entities, on July 1, 2020, or upon a finding by the United States Department of Health and Human Services Office of Inspector General that compliance by the financially interested entities with those provisions does not violate federal law, as specified.	1/28/2019	9/09/2019 Passed	9/10/19 Passed	N/A	10/13/19 Approved by the Governor. Chaptered by Secretary of State - Chapter 862, Statutes of 2019.

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

				STATUS			
BILL NO	**AUTHOR**	**TITLE/TOPIC**	**Introduced**	**Assembly**	**Senate**	**House**	**Final Status**
SB 343	Pan	**Health Care Data Disclosure** Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. These provisions govern, among other things, procedures by health care service plans and insurers with respect to premium payments. This bill would require: a health care service plan or an insurer that provides a policy of health insurance to accept payments from specified third-party entities, including an Indian tribe or a local, state, or federal government program; a financially interested entity, as defined, other than those entities, that is making a third-party premium payment to provide that assistance in a specified manner and to perform other related duties, including disclosing to the plan or the insurer the name of the enrollee or insured, as applicable, for each plan or policy on whose behalf a third-party premium payment will be made; each plan or insurer to provide to the appropriate department information regarding premium payments by financially interested entities and reimbursement for services to providers, and would set forth standards governing the reimbursement of financially interested providers, including, but not limited to, chronic dialysis clinics, that meet certain criteria. Commencing January 1, 2022, the bill would require: reimbursement to contracted providers to be the higher of the Medicare reimbursement rate or the rate determined pursuant to an independent dispute resolution process, as established by the bill, if either party seeks a rate determination pursuant to that process; reimbursement for noncontracted providers to be governed by the terms and conditions of the health care service plan contract or health insurance policy, or the rate determined pursuant to the dispute resolution process, as prescribed. The bill would declare that an enrollee's or insured's loss of coverage due to a financially interested entity's failure to pay premiums on a timely basis would be deemed a triggering event to allow for special enrollment, requiring a health care service plan or health insurer to allow an individual to enroll in or change individual health benefit plans, as specified. This bill would: eliminate alternative reporting requirements for a plan or insurer that exclusively contracts with no more than 2 medical groups or a health facility that receives a preponderance of its revenue from associated comprehensive group practice prepayment health care service plans and would instead require those entities to report information consistent with any other health care service plan, health insurer, or health facility, as appropriate; eliminate the authorization for hospitals to report specified financial and utilization data to OSHPD, and file cost data reports with OSHPD, on a group basis, but would authorize a health facility that receives a preponderance of its revenue from associated comprehensive group practice prepayment health care service plans and that is operated as a unit of a coordinated group of health facilities under common management to report specified information for the group and not for each separately licensed health facility. Because a willful violation of the bill's requirements relative to health care service plans would be a crime, the bill would impose a state-mandated local program.	2/19/2019	8/22/19 Passed	9/5/19 Passed	N/A	9/5/19 Approved by the Governor. Chaptered by Secretary of State. Chapter 247, Statutes of 2019

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

BILL NO	AUTHOR	TITLE/TOPIC	Introduced	STATUS			
				Assembly	Senate	House	Final Status
		FEDERAL LEGISLATION					
		EMPLOYER COMPLIANCE/REPORTING ISSUES					
HR 1994	Neil	**Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE ACT)** This bill modifies the requirements for employer-provided retirement plans, individual retirement accounts (IRAs), and other tax-favored savings accounts. **With respect to employer-provided retirement plans, the bill modifies requirements regarding:** • multiple employer plans; • automatic enrollment and non-elective contributions; • tax credits for small employers that establish certain plans; • loans; • lifetime income options; • the treatment of custodial accounts upon termination of section 403(b) plans; • retirement income accounts for church-controlled organizations; • the eligibility rules for certain long-term, part-time employees; • required minimum distributions; • nondiscrimination rules; • minimum funding standards for community newspaper plans; and • Pension Benefit Guaranty Corporation premiums for CSEC plans (multiple employer plans maintained by certain charities or cooperatives). **The bill also includes provisions that:** • treat taxable non-tuition fellowship and stipend payments as compensation for the purpose of an IRA; • repeal the maximum age for traditional IRA contributions; • treat difficulty of care payments as compensation for determining contribution limits for retirement accounts; • allow penalty-free withdrawals from retirement plans if a child is born or adopted; • expand the purposes for which qualified tuition programs (commonly known as 529 plans) may be used; • reinstate and increase the tax exclusion for certain benefits provided to volunteer firefighters and emergency medical responders; • increase penalties for failing to file tax returns, and • require the Internal Revenue Service to share tax information with U.S. Customs Border Protection to administer the heavy vehicle use tax.	3/29/2019	N/A	6/3/2019 Received in Senate	5/23/19 Passed	12/20/19 Bill signed into law under HR 1865
HR 1865	Pascrell	**Further Consolidated Appropriations Act, 2020 (Appropriation Act)** Making further consolidated appropriations for the fiscal year ending September 30, 2020, and for other purposes. This bill includes provisions of employee benefits and retirement matters incorporating H.R. 748 – Middle Class Health Benefits Tax Repeal Act of 2019 ("Cadillac Tax") and H.R. 1994 – Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act")	3/25/2019	N/A	11/12/2019 Passed	10/28/19 Passed	12/20/19 Bill signed into law. Became Public Law No: 116-94

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

BILL NO	AUTHOR	TITLE/TOPIC	Introduced	STATUS Assembly	Senate	House	Final Status
		INVESTMENT ISSUES					
HR 3848	Pocan	**Stop Wall Street Looting Act of 2019** To require the Securities and Exchange Commission to issue rules requiring private funds to publicly disclose certain information, and for other purposes. This bill includes the following topics: Title I - Corporate Responsibility Title II - Anti-Looting Title III - Protecting Workers When Companies Go Bankrupt Title IV - Closing The Carried Interest Loophole Title V - Investor Protection And Market Transparency Title VI - Restrictions On Securitizing Risky Corporate Debt	7/18/2019	N/A		8/12/19 Referred to the Subcommittee on Antitrust, Commercial, and Administrative Law	
		SOCIAL SECURITY ISSUES					
HR 141	Davis	**Social Security Fairness Act of 2019** To amend Title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.	1/3/2019	N/A		1/31/2019 Referred to the Subcommittee on Social Security	
S 521	Brown	**Social Security Fairness Act** To amend Title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.	2/14/2019	N/A	2/14/2019 Read twice and referred to the Committee on Finance		
HR 5529	Smith	**Social Security Equity Act of 2019** To amend title II of the Social Security Act to expand the exception to the windfall elimination provision based on years of coverage.	12/19/2019	N/A			
		MEDICAL/HEALTH ISSUES					
HR 748	Courtney	**Middle Class Health Benefits Tax Repeal Act of 2019 ("Cadillac Tax")** (Sec. 2) This bill repeals the excise tax on employer-sponsored health care coverage for which there is an excess benefit (high-cost plans). The repeal applies to taxable years beginning after December 31, 2019. (Under current law, the tax is scheduled to take effect in 2022.) (Sec. 3) This section exempts the budgetary effects of this bill from the Pay-As-You-Go (PAYGO) scorecards maintained under the Statutory Pay-As-You-Go Act of 2010 or by the Senate under the FY2018 congressional budget resolution.	1/24/2019	N/A	07/22/2019 Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 157	7/17/2019 Passed	12/20/19 Bill signed into law under HR 1865
S 2543	Grassley	**Prescription Drug Pricing Reduction Act (PDPRA) of 2019** To amend titles XI, XVIII, and XIX of the Social Security Act to lower prescription drug prices in the Medicare and Medicaid programs, to improve transparency related to pharmaceutical prices and transactions, to lower patients' out-of-pocket costs, and to ensure accountability to taxpayers, and for other purposes.	9/25/2019		9/25/19 Placed on Senate Legislative Calendar under General Orders. Calendar No. 225		

LACERS LEGISLATIVE WATCH LIST
JANUARY 2020

BILL NO	AUTHOR	TITLE/TOPIC	Introduced	STATUS			
				Assembly	Senate	House	Final Status
HR 1384	Jayapal	**Medicare for All Act 2019** This bill establishes a national health insurance program that is administered by the Department of Health and Human Services (HHS). Among other requirements, the program must (1) cover all U.S. residents; (2) provide for automatic enrollment of individuals upon birth or residency in the United States; and (3) cover items and services that are medically necessary or appropriate to maintain health or to diagnose, treat, or rehabilitate a health condition, including hospital services, prescription drugs, mental health and substance abuse treatment, dental and vision services, and long-term care. The bill prohibits cost-sharing (e.g., deductibles, coinsurance, and copayments) and other charges for covered services. Additionally, private health insurers and employers may only offer coverage that is supplemental to, and not duplicative of, benefits provided under the program. Health insurance exchanges and specified federal health programs terminate upon program implementation. However, the program does not affect coverage provided through the Department of Veterans Affairs or the Indian Health Service. The bill also establishes a series of implementing provisions relating to (1) health care provider participation; (2) HHS administration; and (3) payments and costs, including the requirement that HHS negotiate prices for prescription drugs. Individuals who are age 18 or younger, age 55 or older, or already enrolled in Medicare may enroll in the program starting one year after enactment of this bill; other individuals may buy into the program at this time. The program must be fully implemented two years after enactment.	2/27/2019	N/A		12/10/2019 Subcommittee Hearings Held.	
HR 3	Pallone	**Lower Drug Costs Now Act 2019** This bill establishes several programs and requirements relating to the prices of prescription drugs. In particular, the bill requires the Centers for Medicare & Medicaid Services (CMS) to negotiate prices for certain drugs (current law prohibits the CMS from doing so). Specifically, the CMS must negotiate maximum prices for (1) insulin products; and (2) at least 25 single source, brand name drugs that do not have generic competition and that are among the 125 drugs that account for the greatest national spending or the 125 drugs that account for the greatest spending under the Medicare prescription drug benefit and Medicare Advantage (MA). The negotiated prices must be offered under Medicare and MA, and may also be offered under private health insurance unless the insurer opts out. The negotiated maximum price may not exceed (1) 120% of the average price in Australia, Canada, France, Germany, Japan, and the United Kingdom; or (2) if such information is not available, 85% of the U.S. average manufacturer price. Drug manufacturers that fail to comply with the bill's negotiation requirements are subject to civil and tax penalties. The bill also makes a series of additional changes to Medicare prescription drug coverage and pricing. Among other things, the bill (1) requires drug manufacturers to issue rebates to the CMS for covered drugs that cost $100 or more and for which the average manufacturer price increases faster than inflation; and (2) reduces the annual out-of-pocket spending threshold, and eliminates beneficiary cost-sharing above this threshold, under the Medicare prescription drug benefit.	9/19/2019	N/A	12/16/19 Received in Senate	12/12/19 Passed/agreed to in House: On passage Passed by the Yeas and Nays: 230 - 192	

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 28, 2020
ITEM: V – B

SUBJECT: **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019**

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

Recommendation

That the Board receive and file this report.

Executive Summary

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

Discussion

Financial information of interest, as well as a summary of the year's accomplishments, are found in the Executive Officer's *Letter of Transmittal* in *Section I - Introduction*. This is followed by *Section II - Financial* which includes a financial highlight and analysis in narrative format titled *Management's Discussion and Analysis,* and LACERS' audited financial statements. The remaining three sections are: *III - Investment* which discusses the investment results and activities; *IV - Actuarial* which includes the condensed actuarial valuations; and, *V - Statistical* which provides historical information.

The CAFR is prepared in accordance with the requirements of the Government Finance Officers Association (GFOA), and has been submitted for consideration of the GFOA Achievement for Excellence in Financial Reporting Award. The award, which LACERS has received annually for the last 20 years, recognizes individual governments that succeed in demonstrating a spirit of transparency and full disclosure in their CAFRs.

Prepared By: Mikyong Jang, Departmental Chief Accountant IV

LP:TB:MJ

Attachment: 1. Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019

BOARD Meeting: 01/28/20
Item V - B
Attachment 1

Los Angeles City Employees' Retirement System

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

2019

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
Securing Your Tomorrows

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019

Los Angeles City Employees' Retirement System

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Issued by
Neil M. Guglielmo
General Manager

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

Table of Contents

Table of Contents (Continued)

Table of Contents (Continued)

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Introduction

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Letter of Transmittal

December 4, 2019

Dear Members of the Board:

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS, or the System) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, the System's 82nd year of operation. This report is intended to provide a comprehensive review of our financial condition at conclusion of the fiscal year including the System's audited financial statements, investment performance results, and actuarial valuations for retirement and health benefit plans.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Today, approximately 26,600 Active Members and 20,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

Board Governance

The LACERS Board of Administration, consisting of four Commissioners appointed by the Mayor and three Commissioners elected by the Members, sets general policy and adopts rules and regulations necessary to operate LACERS. Among other duties, the Board directs investment strategy and policy for the System's assets, determines the health insurance carriers and health subsidy levels for retired employees, and approves Members' retirement applications, including applications for disability retirements. In furthering its role as a governing body, during the fiscal year the Board enhanced its education program, adopted a mechanism to evaluate conflicts of interest, and completed a comprehensive review of the Board Governance Policies inclusive of the Investment Policy.

During the fiscal year, Board Member Cynthia M. Ruiz was reappointed by the Mayor for a five-year term beginning July 1, 2019; two new Board Members, Elizabeth Lee and Annie Chao, were elected to fill the Active Member positions for terms beginning July 1, 2018, and July 1, 2019, respectively. We thank Board Member Elizabeth Greenwood who departed on June 30, 2019 after 10 years of service on our Board of Administration.

Major Initiatives

Strategic Plan

LACERS' mission is *to protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members*. To help achieve this, LACERS established a new Strategic Plan in 2019 focused on the following seven goals:

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

Strategic Business Plan Initiatives

LACERS' strategic plan goals are achieved through a series of initiatives, generally developed in conjunction with the annual budget process and, if prioritized as a Business Plan Initiative (BPI), are presented and discussed regularly in a performance management approach by the BPI Team, inclusive of the General Manager, Chief Investment Officer, Assistant General Managers, senior managers, and initiative leads.

Emphasis on the Member Experience

A focal point of the Strategic Plan is improving the Member experience. In 2019, LACERS underwent a reorganization allocating resources and new initiatives to a new Member Services Section focused on customer service, wellness, and Member engagement. In addition to increasing Member services and outreach, this new Section is also improving and expanding on channels of communication, including development of a new, more Member friendly website. LACERS also conducted for the first time an administrative benchmarking against peer retirement systems in order to assess self-improvement opportunities and establish performance commitments and measures.

Establishment of a 115 Trust Fund

In December 2018, LACERS formally established an Internal Revenue Code § 115 Trust Fund for retiree health funding, ensuring ongoing System tax compliance and providing a mechanism to better manage retiree health costs. Within this fund, LACERS instituted a self-insured dental Preferred Provider Organization (PPO) plan in 2019, resulting in cost savings to the dental benefit for the System and participating Members.

Procurement of a Headquarters Building

On October 23, 2019, LACERS Board of Administration purchased a headquarters building at 977 North Broadway in Los Angeles, California. LACERS new headquarters building will undergo necessary capital improvements in 2020 and LACERS will be transitioning staff and services to the new headquarters building through 2021. The new headquarters building will allow for long-term cost-effectiveness of LACERS' administration as building owner versus lessee; and will better position LACERS to provide an improved Member experience at a dedicated LACERS' controlled facility.

Funding Status and Progress

Actuarial assumptions are used in the actuarial valuation process for measuring the liabilities of the plan and the contribution requirements of the plan sponsor. While the City Charter requires that an actuarial experience study be completed every five years, the typical timeframe between experience studies for LACERS has been three years. LACERS' last experience study for the period of July 1, 2014 to June 30, 2017, was completed in 2018 with the Board adopting several assumption changes, including most significantly a demographic assumption change from static to generational mortality tables to better reflect the increasing lifespan of LACERS Members. The Board has requested the next experience study to be conducted in 2020, and will be based on the period of July 1, 2017 to June 30, 2019.

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

In the June 30, 2019 actuarial valuation, the combined funded ratio, based on the actuarial value of assets, for the Retirement Plan and the Postemployment Health Care Plan has increased by 1.5% from a year ago to 73.1%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan increased from 70.1% to 71.3%; and for the Postemployment Health Care Plan, the ratio has increased from 80.7% to 84.4%. The increase in the funded ratio coincides with a decrease of the Unfunded Actuarial Accrued Liabilities by $93.6 million primarily as a result of the 2019/20 health insurance premium and subsidy levels being lower than expected, and partially offset by the updated trend projection for Medicare Part B premiums after 2019/20.

The fair value of LACERS' assets as of June 30, 2019, maintains consistency with the actuarial value of assets, which is determined by the seven-year asset smoothing policy, as gains and losses on investment returns through 2019 largely balance out, despite an investment return of 5.52% on the market value of assets basis for the 2019 fiscal year, which is below the 7.25% assumed rate of return.

Investment Summary

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

The portfolio consists of investments in U.S. and non-U.S. equities and fixed income, private equity, private real estate, public real assets, and short-term investments. The System's total portfolio was valued at $17.7 billion as of June 30, 2019, an increase of $0.8 billion (4.7%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 6.2% (or a net of fees return of 6.0%) over a one-year period. The total fund underperformed its policy benchmark by -0.8% gross of fees return (or -1.0% net of fees return), and underperformed its actuarial assumed rate of investment return.

The System has made several total portfolio enhancements including greater exposure to low-cost passive investment strategies in its public markets asset classes. As of June 30, 2019, the System's passive exposure was 37% at the total fund level (86% for U.S. public equities, 33% for non-U.S. public equities, and 29% for core fixed income) and compares favorably against a peer group of public pension plans. Further, the Board approved to become a signatory of the Principles for Responsible Investment (PRI) in April 2019. As a signatory, the Board believes that evaluating investment opportunities through the lens of environmental, social, and governance factors will result in a total portfolio that is better equipped to face the dynamic challenges of global risks, while at the same time being able to support responsible alpha generation commensurate with the System's financial goals and objectives.

The annualized investment returns in detail are presented in the Investment Results on page 69 of the Investment Section. The detail of investment income and loss can be found on pages 20 - 21 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Financial Reporting

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

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

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both US GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2019, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration for the fiscal year ended June 30, 2019. To receive this honor, LACERS was assessed to have met the standards in six key areas: Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, External Investments Performance Evaluation, Member Communications, and Funding Adequacy.

Acknowledgements

Lastly, I would like to acknowledge the professional and dedicated staff of the Fiscal Management Division of LACERS for the preparation of this report. I would also like to express appreciation for the leadership and commitment of the LACERS Commissioners, as well as all other LACERS' staff for their assistance and contributions. Lastly, I would also like to thank our external auditor, Brown Armstrong, and our consulting actuary, Segal Consulting, for their professional assistance in the preparation of this report.

Respectfully Submitted,

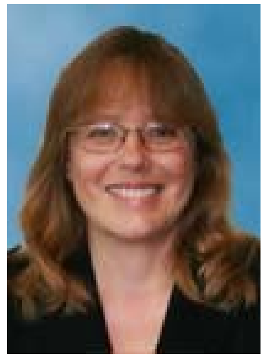
Lita Payne

Lita Payne
Executive Officer

Mikyong Jang
Chief Accountant

Board of Administration
For the Fiscal Year Ended June 30, 2019


Cynthia M. Ruiz
President
Appointed by the Mayor


Elizabeth L. Greenwood
Vice President
Elected by Active Members


Sandra Lee
Member
Appointed by the Mayor


Nilza R. Serrano
Member
Appointed by the Mayor

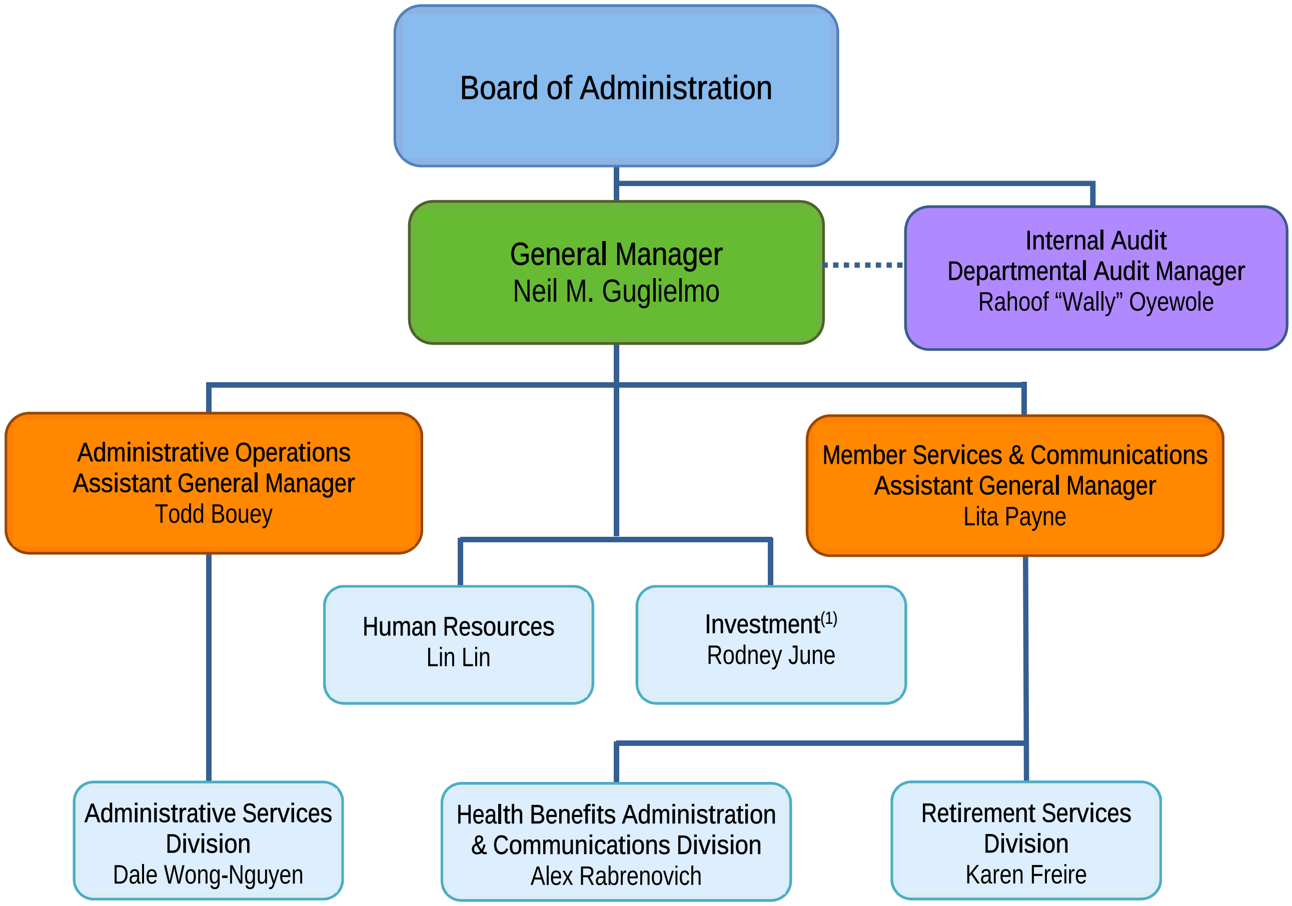

Sung Won Sohn
Member
Appointed by the Mayor


Michael R. Wilkinson
Member
Elected by Retired Members


Elizabeth Lee
Member
Elected by Active Members

Organization Chart

As of June 30, 2019



(1) Schedules of Fees and Commissions can be found in the Investment Section on page 75, and a list of firms managing the investment portfolio can be found in the Investment Section on pages 77 - 79.

Professional Consultants

Actuary
Segal Consulting

Independent Auditor
Brown Armstrong

Investment
NEPC
Portfolio Advisors, LLC
The Townsend Group
TorreyCove Capital Partners, LLC

Health & Welfare
Keenan & Associates

Legal/Fiduciary Counsel
Ice Miller, LLP
Morgan, Lewis & Bockius, LLP
Nossaman, LLP
Reed Smith, LLP

Pension Administration System
Levi, Ray & Shoup, Inc.
Linea Solutions

Strategic Planning Consultant
CEM Benchmarking
Cortex Applied Research Inc.
Emergency Management & Safety Solutions

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City Employees' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

AWARDED 20 CONSECUTIVE YEARS SINCE 1999

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2019

Presented to

Los Angeles City Employees' Retirement System (LACERS)

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

AWARDED SEVEN CONSECUTIVE YEARS SINCE 2013

Financial

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
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FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying Retirement Plan and Postemployment Health Care Plan Statement of Fiduciary Net Position of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of June 30, 2019, and the related Retirement Plan and Postemployment Health Care Plan Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise LACERS basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Plan and Postemployment Health Care Plan of LACERS as of June 30, 2019, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of LACERS that collectively comprise LACERS basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited LACERS June 30, 2018 financial statements, and our report dated November 27, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of LACERS internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 25, 2019

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Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2019 was $17,707,910,000, an increase of $718,294,000 or 4.2% over the prior fiscal year.
- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded dental insurance premium, Members' portion of premium reserve, and net investment income were $1,802,166,000, a 21.9% decrease from the prior fiscal year. Self-funded dental insurance premium and Members' portion of premium reserve are two new funding sources for the newly established 115 Trust fund (refer to Note 3 – Postemployment Health Care Plan Description on page 34).
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67, *Financial Reporting for Pension Plans,* and No. 68, *Accounting and Financial Reporting for Pensions.*
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.
- Net investment income for this fiscal year was $968,497,000, representing a 36.2% decrease compared with an investment income of $1,518,879,000 for the previous fiscal year.
- The total deductions from the fiduciary net position were $1,083,872,000, a 7.7% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the retirement benefits was $5,977,828,000 as of June 30, 2019. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the market value (also referred to as the "fair value") of the plan's assets, NPL is determined on a market value basis, and it fully reflects the plan's investment performance (6.2% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL increased by $268,480,000.
- The System's Net Other Postemployment Benefits (OPEB) Plan Liability for the postemployment health care benefits was $522,201,000 as of June 30, 2019. Net OPEB Liability (NOL) is a measure required by GASB Statement No. 74. NOL is determined on a market value basis, and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position (market value of the plan's assets). NOL reflects the plan's investment performance (6.2% rate of return, gross of fees) for this fiscal year. As compared with the previous fiscal year, the NOL decreased by $58,255,000.
- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 71.3%, which is the same as the funded ratio on a market value basis reported in the actuarial valuation for the retirement benefits.
- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 84.3%, which is the same as the funded ratio on a market value basis reported in the actuarial valuation for the postemployment health care benefits.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 24 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 25 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 26 - 48 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan, and the Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 50 - 59 of this report.

Supplemental Schedules

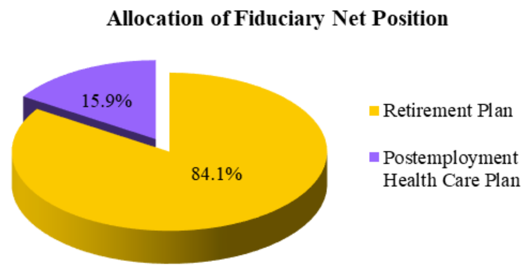
The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 62 and 63 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2019 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 14,895,812	84.1%
Postemployment Health Care Plan	2,812,098	15.9
Fiduciary Net Position	$ 17,707,910	100.0%



Fiduciary Net Position

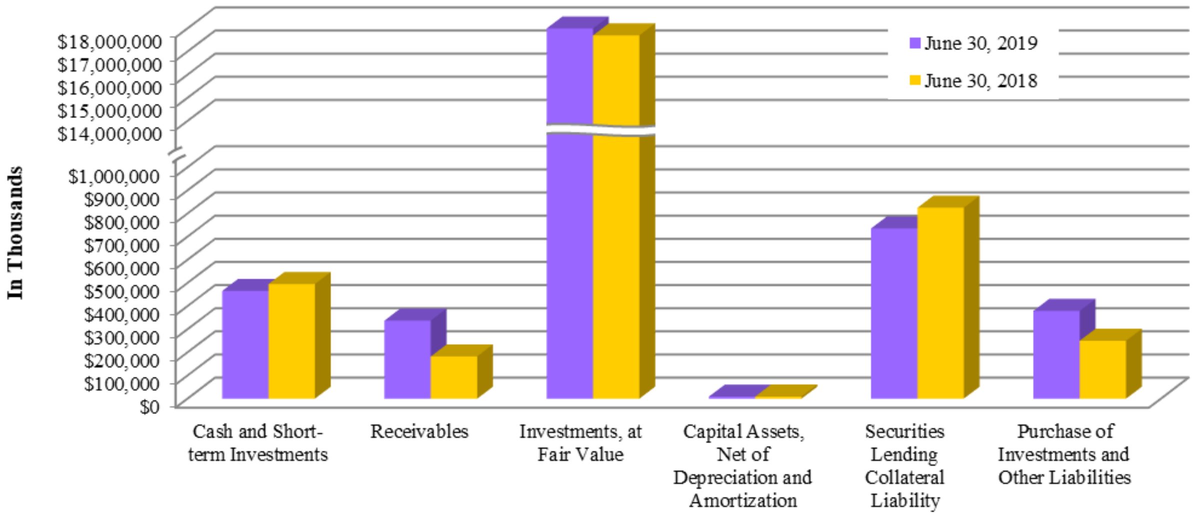
The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2019 and 2018 (dollars in thousands):

	June 30, 2019	June 30, 2018	Change	
Cash and Short-Term Investments	$ 440,455	$ 470,390	$ (29,935)	(6.4) %
Receivables	312,505	157,483	155,022	98.4
Investments, at Fair Value	17,990,214	17,357,845	632,369	3.6
Capital Assets, Net of Depreciation and Amortization	8,789	9,185	(396)	(4.3)
Total Assets	18,751,963	17,994,903	757,060	4.2
Securities Lending Collateral Liability	705,535	795,076	(89,541)	(11.3)
Purchase of Investments and Other Liabilities	338,518	210,211	128,307	61.0
Total Liabilities	1,044,053	1,005,287	38,766	3.9
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 17,707,910	$ 16,989,616	$ 718,294	4.2 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)

Components of Fiduciary Net Position



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Fiduciary net position increased by $718,294,000, or 4.2%, during this fiscal year.

Net Increase in Fiduciary Net Position

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

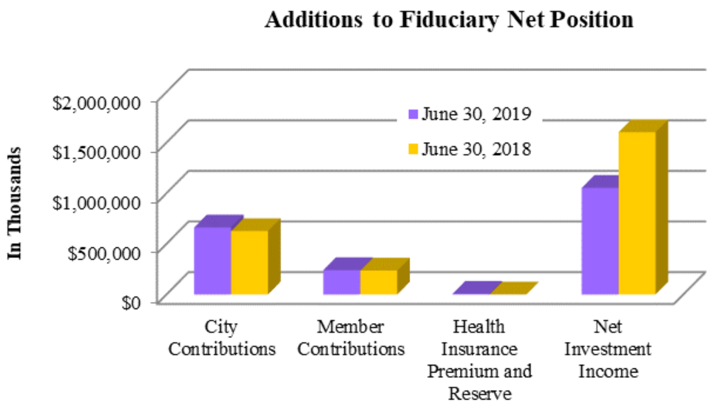
	June 30, 2019	June 30, 2018	Change	
Additions	$ 1,802,166	$ 2,306,348	$ (504,182)	(21.9) %
Deductions	1,083,872	1,006,302	77,570	7.7
Net Increase in Fiduciary Net Position	718,294	1,300,046	(581,752)	(44.7)
Fiduciary Net Position, Beginning of Year	16,989,616	15,689,570	1,300,046	8.3
Fiduciary Net Position, End of Year	$ 17,707,910	$ 16,989,616	$ 718,294	4.2 %

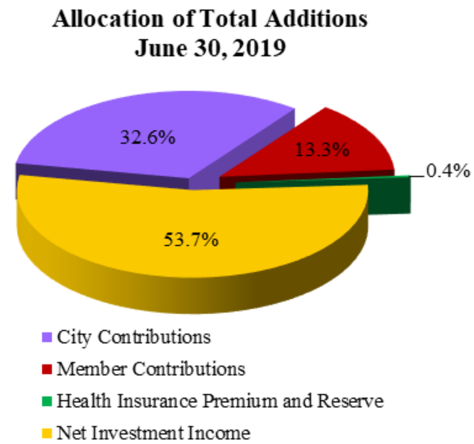
Financial Analysis (Continued)

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

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	June 30, 2019	June 30, 2018	Change
City Contributions	$ 586,754	$ 551,247	6.4 %
Member Contributions	240,357	236,222	1.8
Health Insurance Premium and Reserve	6,558	-	N/A
Net Investment Income	968,497	1,518,879	(36.2)
Additions to Fiduciary Net Position	$ 1,802,166	$ 2,306,348	(21.9) %





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

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $586,754,000 during the fiscal year. The total increase of $35,507,000 or 6.4% over the prior fiscal year was due to a higher payroll base (approximately 2.5% increase in payroll) and higher contribution rate recommended by the actuary for the reporting year. The total City contributions include a $36,017,000 true-up credit adjustment, a reduction from the City's advanced contribution payment, to reconcile the difference of the City's contributions based on projected payroll against actual payroll. This true-up amount, which included accrued interest at 7.25%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 27.83% (22.71% for the Retirement Plan and 5.12% for the Postemployment Health Care Plan), which is 1.04% higher than the prior fiscal year at 26.79%. $478,717,000 of actual contribution to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. $107,927,000 of actual contribution to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

In fiscal year 2018-19, Member contributions were $240,357,000, which was $4,135,000 or 1.8% greater than the prior year. The increase in Member contributions was primarily attributable to the increase in the number of Members and their salaries but lessened by decreased voluntary Larger Annuity contributions received by LACERS during the fiscal year.

Financial Analysis (Continued)

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

LACERS established a Postemployment Health Care 115 Trust fund (the "115 Trust fund") in late December 2018, and replaced the existing Delta Dental PPO Plan with a self-funded Dental Plan under the 115 Trust fund effective January 1, 2019. Accordingly, LACERS recognized revenue of $5,034,000 representing monthly dental insurance premium and $1,056,000 one-time payment received from existing 401(h) Health Care fund to prepay a reserve for self-funded Dental Plan. Additionally, $468,000 of Members' portion from the health insurance premium reserve amount was also recognized as revenue (refer to Note 1 – Description of LACERS and Significant Accounting Policies, subheading Reserves on pages 27-28).

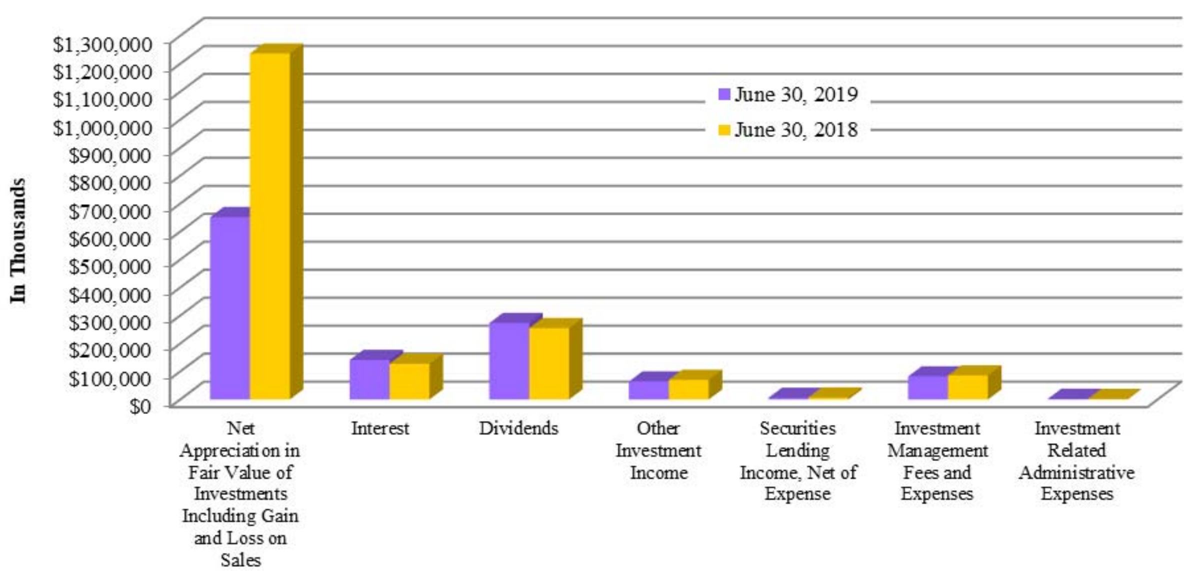
The net investment income was $968,497,000, which included $637,092,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	June 30, 2019	June 30, 2018	Change
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	$ 637,092	$ 1,206,714	(47.2) %
Interest	121,215	107,942	12.3
Dividends	238,458	220,106	8.3
Other Investment Income	49,475	55,094	(10.2)
Securities Lending Income, Net of Expense	6,179	6,959	(11.2)
Sub-Total	1,052,419	1,596,815	(34.1)
Less: Investment Management Fees and Expenses	(81,582)	(76,213)	7.0
Investment Related Administrative Expenses	(2,340)	(1,723)	35.8
Net Investment Income	$ 968,497	$ 1,518,879	(36.2) %

Investment Income and Expenses



Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $968,497,000, as compared with the income of $1,518,879,000 for the previous fiscal year (36.2% decrease). This decrease was due primarily to a lower net appreciation in the fair value of investments of $637,092,000, compared with the previous fiscal year's amount of $1,206,714,000 (47.2% decrease). In general, public equity market returns were positive for the current year, but lower relative to the previous fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 9.0% compared with 14.8% for the previous year. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned 1.3% compared with 7.3% for the previous year. Fixed income markets, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, experienced a strong rally during the current fiscal year, returning 7.9% compared with -0.4% for the previous year. The net appreciation as reported reflects a deduction for carried interest in the amount of $35,136,000, which represents a profit share that the general partners of these funds received as a compensation after the performance of the funds achieved agreed-upon return level.

Interest income derived from fixed income securities and dividend income derived from equities increased by $13,273,000 or 12.3%, and $18,352,000 or 8.3%, respectively. The increase in income from these sources resulted primarily from an increase in LACERS fixed income and equity holdings relative to the previous fiscal year.

Other investment income, primarily derived from private equity and private real estate partnership investments, decreased by $5,619,000 or 10.2%, as the rate of partnership distributions slowed during the current fiscal year.

LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, LACERS securities lending income (net of expense) decreased by $780,000 or 11.2%, from a year ago due to lower borrower demand for securities held in LACERS portfolio.

Total investment management fees, expenses, and investment related administrative expenses increased by $5,986,000 or 7.7% from the prior year. This increase corresponded with the increase in the fair value of LACERS investments over the fiscal year.

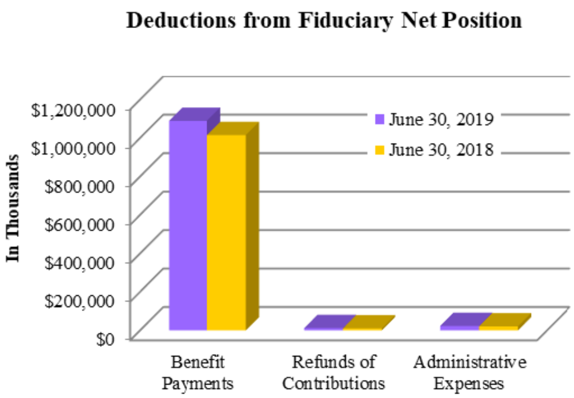
Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

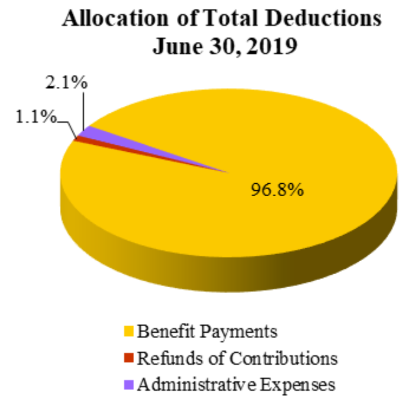
The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	June 30, 2019	June 30, 2018	Change
Benefit Payments	$ 1,049,283	$ 975,112	7.6%
Refunds of Contributions	11,684	10,412	12.2
Administrative Expenses	22,905	20,778	10.2
Deductions from Fiduciary Net Position	$ 1,083,872	$ 1,006,302	7.7%

Financial Analysis (Continued)

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





LACERS deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Member Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $77,570,000 or 7.7% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by $74,171,000 or 7.6%. The benefit payments for the Retirement Plan increased by $62,123,000 or 7.3% mainly due to the annual cost of living adjustments (COLA) (approximately 2.8% increase on average with a maximum of 3.0%); increased number of retirees and beneficiaries; and the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits also increased by $12,048,000 or 9.4%. This increase was mainly due to the increased number of retirees and their dependents eligible for medical subsidy; increased reimbursement of Medicare Part B premium; and inclusion of $1,056,000 one-time prepaid reserve for LACERS self-funded Dental Plan and $4,018,000 dental benefit claims paid from the self-funded Plan for January through June 2019 which were additions to the health expense incurred by LACERS to cover subsidy portion of the self-funded Dental Plan premium payment made to the 115 Trust fund.

The refunds of Member contributions increased by $1,272,000 or 12.2% from the prior fiscal year's $10,412,000. It was mainly due to the increase in contribution refunds upon Members leaving the City service.

LACERS administrative expenses also increased by $2,127,000 or 10.2% from the prior fiscal year. There was an increase in personnel cost, which was mainly due to the mandatory COLA increases as well as increase in employee health and retirement benefit costs. In addition, LACERS recorded full-year amortization for the cost of Pension Administration System (PAS) that went live in March 2018, resulting in an increased depreciation and amortization expense compared to prior fiscal year. Post PAS implementation consulting fees were also incurred and recorded under administrative expense of the current fiscal year. In this reporting period, administrative expenses included certain expenses associated with the 115 Trust fund: $365,000 of third party administrative fees charged for the self-funded Dental Plan claims and some legal counsel cost for legal advice and guidance needed for the establishment of 115 Trust fund (refer to Note 3 – Postemployment Health Care Plan Description on page 34).

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2019, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2019 Total	2018 Total
Assets				
Cash and Short-Term Investments	$ 370,509	$ 69,946	$ 440,455	$ 470,390
Receivables				
Accrued Investment Income	52,854	9,978	62,832	57,237
Proceeds from Sales of Investments	197,133	37,216	234,349	86,261
Other	12,891	2,433	15,324	13,985
Total Receivables	262,878	49,627	312,505	157,483
Investments, at Fair Value				
U.S. Government Obligations	1,192,407	225,108	1,417,515	1,173,467
Municipal Bonds	-	-	-	2,527
Domestic Corporate Bonds	742,127	140,102	882,229	831,555
International Bonds	504,459	95,234	599,693	546,920
Other Fixed Income	759,252	143,335	902,587	1,033,950
Bank Loans	7,460	1,408	8,868	5,397
Opportunistic Debts	171,352	32,349	203,701	109,931
Domestic Stocks	3,930,485	742,015	4,672,500	4,704,733
International Stocks	4,407,841	832,132	5,239,973	5,078,641
Mortgages	442,796	83,593	526,389	424,614
Government Agencies	26,032	4,915	30,947	41,062
Derivative Instruments	(670)	(127)	(797)	1,000
Real Estate	666,661	125,855	792,516	801,634
Private Equity	1,689,590	318,968	2,008,558	1,807,338
Securities Lending Collateral	593,493	112,042	705,535	795,076
Total Investments, at Fair Value	15,133,285	2,856,929	17,990,214	17,357,845
Capital Assets				
Furniture, Computer Hardware and Software (Net of Depreciation and Amortization)	7,393	1,396	8,789	9,185
Total Assets	15,774,065	2,977,898	18,751,963	17,994,903
Liabilities				
Accounts Payable and Accrued Expenses	45,776	8,642	54,418	40,967
Accrued Investment Expenses	8,130	1,534	9,664	10,455
Purchases of Investments	230,854	43,582	274,436	158,789
Securities Lending Collateral	593,493	112,042	705,535	795,076
Total Liabilities	878,253	165,800	1,044,053	1,005,287
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 14,895,812**	**$ 2,812,098**	**$ 17,707,910**	**$ 16,989,616**

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

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2019, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2019 Total	2018 Total
Additions				
Contributions				
City Contributions	$ 478,827	$ 107,927	$ 586,754	$ 551,247
Member Contributions	240,357	-	240,357	236,222
Total Contributions	719,184	107,927	827,111	787,469
Self-Funded Insurance Premium	-	6,090	6,090	-
Health Insurance Premium Reserve	-	468	468	-
Investment Income				
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	519,661	117,431	637,092	1,206,714
Interest	102,364	18,851	121,215	107,942
Dividends	201,415	37,043	238,458	220,106
Other Investment Income	41,789	7,686	49,475	55,094
Securities Lending Income	6,139	1,129	7,268	8,185
Less: Securities Lending Expense	(888)	(201)	(1,089)	(1,226)
Sub-Total	870,480	181,939	1,052,419	1,596,815
Less: Investment Management Fees and Expenses	(66,544)	(15,038)	(81,582)	(76,213)
Investment Related Administrative Expenses	(1,909)	(431)	(2,340)	(1,723)
Net Investment Income	802,027	166,470	968,497	1,518,879
Total Additions	1,521,211	280,955	1,802,166	2,306,348
Deductions				
Benefit Payments	909,154	140,129	1,049,283	975,112
Refunds of Contributions	11,684	-	11,684	10,412
Administrative Expenses	17,806	5,099	22,905	20,778
Total Deductions	938,644	145,228	1,083,872	1,006,302
Net Increase in Fiduciary Net Position	582,567	135,727	718,294	1,300,046
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits				
Beginning of Year	14,313,245	2,676,371	16,989,616	15,689,570
End of Year	**$ 14,895,812**	**$ 2,812,098**	**$ 17,707,910**	**$ 16,989,616**

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

1. Description of LACERS and Significant Accounting Policies

General Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 29 - 39 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Members who entered the System prior to February 21, 2016 are Tier 1 Members of LACERS. On or after February 21, 2016, new Members become Members of LACERS Tier 3 (refer to Note 2 – Retirement Plan Description on pages 29 - 30, and Note 3 – Postemployment Health Care Plan Description on pages 34 - 35 for each tier's eligibility requirements and benefits provided).

Basis of Accounting and Presentation

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

Investments

Investment Policies

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

As of June 30, 2019, the Board's adopted asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	46.00%
Domestic and International Bonds	13.75
Private Equity	14.00
Real Assets	13.00
Short-Term Investments	1.00
Credit Opportunities	12.25
Total	100.00%

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in accordance with Accounting Standards Codification Topic 820 – *Fair Value Measurement and Disclosures.* The fair values of derivative instruments are determined using available market

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

Investments (Continued)

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

The provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy. This information is presented in Note 6 on pages 44 - 46.

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

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

Concentrations
The investment portfolio as of June 30, 2019, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments
For the fiscal year ended June 30, 2019, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 5.62%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI) on pages 54 and 59, respectively.

Receivables

As of June 30, 2019, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

Prior to July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment, were recorded and expensed in the year acquired. Effective July 1, 2001, these purchases were capitalized upon acquisition if the cost of purchase was $5,000 or more, and depreciated over five years using the straight-line method.

In order to comply with the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, certain costs for developing LACERS new Pension Administration System (PAS), a customized software solution critical to LACERS core operations, had been capitalized. The capitalized cost for the PAS project up to its completion in February 2018 was $9,098,000. In addition, certain post-implementation costs of $315,000 were capitalized during this fiscal year. The total capitalized cost for the PAS of $9,413,000 is being amortized over 15 years using the straight-line method.

Administrative Expenses

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

Reserves

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

Reserves for the Retirement Plan

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

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

Reserves (Continued)

Reserves for the Retirement Plan (Continued)

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

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

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

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

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

Reserves for the Postemployment Health Care Plan

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

115 Trust Account – This new Health Care fund is currently limited to pay the benefit claims from LACERS self-funded Dental Plan, but ultimately will fund all health care benefits for retirees upon depletion of the existing 401(h) account reserves. The 115 Trust account currently consists of dental plan premium and prepayment; certain retired Members' health insurance premium deductions; and short-term investment earnings; less payments to the dental plan claims and for administration fees to the third party contractor who administered the dental plan claims for the System; and certain allocated administrative expenses. During this reporting year, funds from this reserve account were separately invested, thus they were not in LACERS investment pool, and therefore, investment earnings (losses) including net appreciation (depreciation) in fair value of investments were not distributed (refer to Note 3 – Postemployment Health Care Plan Description on page 34).

Reserve balances as of June 30, 2019, were as follows (in thousands):

Reserves for the Retirement Plan		
Member Contributions:		
- Mandatory	$ 2,504,742	
- Voluntary	7,101	
Basic Pensions	11,732,697	
Annuity	578,154	
Larger Annuity	56,435	
FDBP	16,683	$ 14,895,812
Reserve for the Postemployment Health Care Plan		
401 (h) Account	2,809,909	
115 Trust Account	2,189	2,812,098
Total Reserves		$ 17,707,910

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

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

2. Retirement Plan Description

Plan Administration and Membership

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

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

As of June 30, 2019, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	17,812
Non-vested	8,820
	26,632
Inactive:	
Non-vested	6,149
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,439
Retired	20,034
Total	55,254

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

Eligibility Requirement and Benefits Provided

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Tier 1 – Enhanced Benefits

In November 2016, voters approved a ballot measure resulting in approximately 550 sworn Airport peace officers provided an election to opt-out of the LACERS Plan and transfer to the Los Angeles Fire and Police Pension (LAFPP) Plan as its Tier 6 Members.

2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

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

Tier 3
Plan Members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provided that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Plan Members also are eligible to retire with an age-based reduced benefit before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the Member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the Member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, the System also provides Tier 3 Members enhanced retirement benefits with a 2.0% retirement factor if the Member retires at age 63 with at least 10 years of service, or a retirement factor of 2.1% if the Member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the Member's retirement factor (1.5% - 2.1%), with the Member's Final Average Compensation (FAC) based on the Member's pensionable salary for the last 36 months or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

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

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

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

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

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

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

2. Retirement Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2019, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 23.06% of projected payroll, based on the June 30, 2017 actuarial valuation.

Upon closing the fiscal year 2018-19, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2018. As a result, employer contributions received for the Retirement Plan were $31,179,000 more than required, and this amount was credited to the employer toward employer contributions for fiscal year 2019-20. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 22.71% for fiscal year 2018-19.

Member Contributions

Tier 1

The current contribution rate for Tier 1 Members is 11% of their pensionable salary including: 1) a 1% increase in the Member contribution rate pursuant to 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first); and 2) 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance.

Tier 3

The contribution rate for Tier 3 Members is 11% of their pensionable salary including 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 Members do not pay ERIP contribution, therefore, Tier 3 Members' contribution rate will not drop down when Tier 1 Members cease to pay the 1% ERIP contribution.

2. Retirement Plan Description (Continued)

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity Benefits. As of June 30, 2019, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 20,793,421
Plan Fiduciary Net Position (1)	14,815,593
Plan's Net Pension Liability	$ 5,977,828
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.3%

(1) Plan fiduciary net position was $14,895,812,000 as of June 30, 2019 without excluding amounts associated with Family Death and Larger Annuity Benefits.

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2019, are summarized below:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Method – assuming a closed group (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation assumption at 3.00% and the real across-the-board salary increase assumption of 0.50%.
Annual COLAs	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.
Percent Married / Domestic Partner	76% of male participants and 50% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2019 and June 30, 2018.

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

Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2019 and June 30, 2018.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2019. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2014 through June 30, 2017. The next experience study will be conducted in 2020.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.3%
U.S. Small Cap Equity	5.00	6.1
Developed Int'l Large Cap Equity	17.00	6.7
Developed Int'l Small Cap Equity	3.00	7.1
Emerging Market Equity	7.00	8.9
Core Bonds	13.75	1.0
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.0
Emerging Market Debt	4.50	3.4
Private Debt	3.75	5.5
Private Real Estate	7.00	4.7
Real Estate Investment Trust (REIT)	0.50	5.9
Treasury Inflation Protected Securities (TIPS)	3.50	1.0
Commodities	1.00	3.4
Public Real Assets	1.00	4.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

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, 2019, calculated using the discount rate of 7.25%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$8,797,246	$5,977,828	$3,652,816

3. Postemployment Health Care Plan Description

Plan Administration and Membership

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

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

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

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

As of June 30, 2019, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses[1]	15,791
Vested terminated Members entitled to, but not yet receiving benefits[2]	1,474
Active Members	26,632
Total	43,897

(1) Total participants including married dependents and dependent children currently receiving benefits are 21,115.

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

Eligibility Requirement and Benefits Provided

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

The maximum subsidies are set annually by the Board. Effective February 21, 2016, healthcare benefit eligibility requirements have changed for the Members who have periods of part-time service. Such Members are now eligible to participate in the LACERS retiree medical programs with a 10 whole years of service, even if some or all of that service was part-time, provided that the Member meets the eligibility requirements. Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment healthcare benefits after the retired Member's death. During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional

3. Postemployment Health Care Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2019, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap (refer to Member Contributions of Note 2 – Retirement Plan Description on page 31).

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2019, was 5.10% of projected payroll, based on the June 30, 2017 actuarial valuation.

Upon closing the fiscal year 2018-19, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2018. As a result, employer contributions for Postemployment Health Care Plan were $4,838,000 more than required, and this amount was returned to the employer as a credit toward employer contribution for fiscal year 2019-20. Based on the actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 5.12%.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability

As of June 30, 2019, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	$ 3,334,299
Plan Fiduciary Net Position	2,812,098
Plan's Net OPEB Liability	$ 522,201
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.3%

Significant Assumptions

The total OPEB liability as of June 30, 2019 was determined by actuarial valuation as of June 30, 2019. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2019, are summarized below:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.50% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Salary Increase	Range from 3.90% to 10.00% based on years of service, including inflation assumption at 3.00%.
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

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

Medical Premium Trend Rates to be applied to fiscal year 2019-2020 and later years are:

First Fiscal Year (July 1, 2019 through June 30, 2020)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	7.89%	N/A
Anthem Blue Cross PPO	3.40%	3.88%
UHC Medicare HMO	N/A	3.96%

Fiscal Year 2020 - 2021 and later	
Fiscal Year	Trend (Approx.)
2020 - 2021	6.62%
2021 - 2022	6.37%
2022 - 2023	6.12%
2023 - 2024	5.87%
2024 - 2025	5.62%
2025 - 2026	5.37%
2026 - 2027	5.12%
2027 - 2028	4.87%
2028 - 2029	4.62%
2029 - 2030 and later	4.50%

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

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

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Discount Rate
The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2019 and June 30, 2018.

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

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2019 and June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuation as of June 30, 2019. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2014 through June 30, 2017. The next experience study will be conducted in 2020.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.3%
U.S. Small Cap Equity	5.00	6.1
Developed Int'l Large Cap Equity	17.00	6.7
Developed Int'l Small Cap Equity	3.00	7.1
Emerging Market Equity	7.00	8.9
Core Bonds	13.75	1.0
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.0
Emerging Market Debt	4.50	3.4
Private Debt	3.75	5.5
Private Real Estate	7.00	4.7
Real Estate Investment Trust (REIT)	0.50	5.9
Treasury Inflation Protected Securities (TIPS)	3.50	1.0
Commodities	1.00	3.4
Public Real Assets	1.00	4.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

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, 2019, calculated using the discount rate of 7.25%, as well as what LACERS net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$1,000,088	$ 522,201	$ 131,811

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of LACERS as of June 30, 2019, calculated using the healthcare cost trend rates as well as what LACERS net OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rates (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates(1)	1% Increase
$ 80,855	$ 522,201	$1,101,307

(1) Current healthcare cost trend rates: 6.62% graded down to 4.50% over 9 years for Non-Medicare medical plan costs, and 6.12% graded down to 4.50% over 7 years for Medicare medical plan costs. 4.00% for all years for Dental and 4.50% for all years for Medicare Part B subsidy cost.

4. Contributions Required and Contributions Made

LACERS switched to the Entry Age cost method beginning from the June 30, 2012 actuarial valuation to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

The total contributions to LACERS for the fiscal year ended June 30, 2019, in the amount of $827,111,000 ($719,184,000 for the Retirement Plan and $107,927,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 478,717	$ 107,927
FDBP	110	-
Total City Contributions	478,827	107,927
Member Contributions	240,357	-
Total Contributions	$ 719,184	$ 107,927

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $478,717,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $107,927,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $240,357,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan and Family Death Benefit Plan.

5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 50 - 54 for the Retirement Plan and pages 55 - 59 for the Postemployment Health Care Plan.

6. Cash and Short-Term Investments and Investments

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

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2019, for the Retirement Plan and Postemployment Health Care Plan included approximately $2,375,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $438,080,000 for a total of $440,455,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2019, short-term investments included collective STIF of $82,922,000, international STIF of $146,133,000, and future contracts initial margin and collaterals of $209,025,000.

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net negative value of $797,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income. LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2019, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 165,913	$(1,001)	$ (2,058)
Equity Index	16,856	58	(53)
Foreign Exchange	(4,667)	(2)	297
Interest Rate	(24,978)	38	211
Currency Forward Contracts	269,031	(87)	(22)
Currency Options	N/A	-	(198)
Right / Warrants	N/A	197	26
Total Value		$ (797)	$ (1,797)

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2019, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 59,686	1.94 %
AA	1,365,523	44.40
A	195,599	6.36
BBB	523,906	17.04
BB	268,067	8.72
B	447,403	14.55
CCC	30,097	0.98
CC	-	0.00
C	112	0.00
D	2,622	0.09
Not Rated	182,140	5.92
	3,075,155	100.00%
U.S. Government Guaranteed Securities(1)	1,496,813	
Total Fixed Income Securities(2)	$ 4,571,968	

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

(2) Derivatives instrument of $38,000 are included.

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

Credit Risk – Derivatives

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

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

As of June 30, 2019, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is $2,010,000. All counterparties of these investment derivatives had the credit rating of "A" or "AA" assigned by S&P.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2019, LACERS has exposure to such risk in the amount of $24,510,000 or 0.4% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 13 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2019, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Concentration of Credit Risk

The investment portfolio as of June 30, 2019, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2019 is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 61,691	0.89
Bank Loans	8,869	0.06
Commercial Mortgage-Backed Securities	72,771	4.36
Corporate Bonds	1,096,737	5.51
Government Agencies	61,833	6.72
Government Bonds	977,249	7.65
Government Mortgage-Backed Securities	453,618	3.80
Index Linked Government Bonds	722,329	7.04
Municipal/Provincial Bonds	5,570	3.09
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	4,975	2.18
Opportunistic Debts	203,701	0.20
Other Fixed Income (Funds)	902,587	5.73
Derivative Instruments	38	13.96
Total Fixed Income Securities	$ 4,571,968	

Highly-Sensitive Investments

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

Investment Type	Fair Value
Asset-Backed Securities	$ 61,691
Commercial Mortgage-Backed Securities	72,771
Government Agencies	61,833
Government Mortgage-Backed Securities	453,618
Non-Government Backed C.M.O.s	4,975
Total Asset-Backed Investments	$ 654,888

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 27% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

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

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2019, which represent 28.1% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivative Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 1,350	$ -	$ -	$ -	$ -	$ 1,350
Australian dollar	1,154	175,457	-	(21)	-	176,590
Brazilian real	(2,666)	96,683	215	(180)	-	94,052
British pound sterling	822	583,513	-	22	-	584,357
Canadian dollar	(735)	219,928	-	(16)	-	219,177
Chilean peso	(5,118)	6,623	-	(73)	-	1,432
Chinese yuan renminbi	(1,828)	27,592	-	44	-	25,808
Colombian peso	(1,874)	4,281	-	(126)	-	2,281
Czech koruna	1,927	2,737	-	(47)	-	4,617
Danish krone	53	67,747	-	-	-	67,800
Egyptian pound	1,925	4,421	-	(16)	-	6,330
Euro	(5,924)	1,236,144	21,014	83	87,943	1,339,260
Hong Kong dollar	1,401	465,427	-	(2)	-	466,826
Hungarian forint	190	5,226	-	(31)	-	5,385
Indian rupee	11,124	130,769	-	(5)	-	141,888
Indonesian rupiah	(1,087)	28,971	-	(63)	-	27,821
Israeli new shekel	(1,776)	18,784	-	(18)	-	16,990
Japanese yen	4,308	759,309	-	(33)	-	763,584
Malaysian ringgit	1,151	14,575	-	-	-	15,726
Mexican peso	4,475	38,323	581	-	-	43,379
New Romanian Leu	-	-	-	-	-	-
New Taiwan dollar	(4,979)	147,990	-	(72)	-	142,939
New Zealand dollar	109	5,562	-	(7)	-	5,664
Norwegian krone	97	51,156	-	-	-	51,253
Peruvian nuevo sol	2,123	-	-	(32)	-	2,019
Philippine peso	(2,744)	17,706	-	(35)	-	14,927
Polish zloty	934	12,165	-	(57)	-	13,042
Qatari riyal	-	2,413	-	-	-	2,413
Russian ruble	5,971	16,471	-	-	-	22,442
Singapore dollar	3,065	76,107	-	(57)	-	79,115
South African rand	150	76,755	-	(140)	-	76,765
South Korean won	1,637	172,525	-	(22)	-	174,140
Swedish krona	74	108,389	-	-	-	108,463
Swiss franc	(1,705)	309,567	-	(11)	-	307,851
Thai baht	(23)	41,375	-	(246)	-	41,106
Turkish lira	(2,132)	10,771	-	(489)	-	8,150
United Arab Emirates dirham	825	3,006	-	-	-	3,831
Total Investments Held in Foreign Currency	$ 12,274	$ 4,938,468	$ 21,810	$ (1,650)	$ 87,943	$ 5,058,845

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

Fair Value Measurements

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

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

Private equity funds classified in Level 3 of the fair value hierarchy are valued based on the availability of market price of the underlying assets, and using either a discounted cash flow or Comparable Company Analysis with internal assumptions. Real estate funds classified in Level 2 or 3 of the fair value hierarchy are valued based on periodic appraisals in accordance with industry practice.

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

Certain investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV) per share (or its equivalent) provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with US GAAP requirements. These investments are not categorized within the fair value hierarchy but disclosed in the Investments Measured at the NAV on page 46.

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

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2019 (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
Government Bonds	$ 1,699,578	$ -	$ 1,699,578	$ -
Government Agencies	61,833	-	61,833	-
Municipal/Provincial Bonds	5,570	-	5,570	-
Corporate Bonds	1,163,404	-	1,163,189	215
Bank Loans	8,868	-	8,868	-
Government Mortgage Bonds	453,618	-	453,618	-
Commercial Mortgage Bonds	72,771	-	72,771	-
Opportunistic Debts	14,167	-	-	14,167
Total Debt Securities	3,479,809	-	3,465,427	14,382
Equity Securities:				
Common Stock:				
Basic Industries	1,313,489	1,313,368	-	121
Capital Goods Industries	507,655	507,637	9	9
Consumer & Services	2,544,498	2,543,516	-	982
Energy	818,263	818,183	-	80
Financial Services	1,689,279	1,689,207	-	72
Health Care	1,052,003	1,051,818	-	185
Information Technology	1,407,988	1,407,943	-	45
Real Estate	501,487	501,418	-	69
Miscellaneous	10,594	8,947	-	1,647
Total Common Stock	9,845,256	9,842,037	9	3,210
Preferred Stock	54,402	54,402	-	-
Stapled Securities	12,814	12,814	-	-
Total Equity Securities	9,912,472	9,909,253	9	3,210
Private Equity Funds	258,834	-	-	258,834
Real Estate Funds	120,996	-	118,344	2,652
Total Investments by Fair Value Level	13,772,111	$ 9,909,253	$ 3,583,780	$ 279,078
Investments Measured at the NAV:				
Common Fund Assets	902,587			
Private Equity Funds	1,749,724			
Real Estate Funds	671,520			
Opportunistic Debts	189,534			
Total Investments Measured at the NAV	3,513,365			
Total Investments Measured at Fair Value(1)	$ 17,285,476			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ (907)	$ (907)	$ -	$ -
Foreign Exchange Contracts (liabilities)	(87)	-	(87)	-
Rights/Warrants	197	195	-	2
Total Investment Derivative Instruments	$ (797)	$ (712)	$ (87)	$ 2

(1) Excluded $(797,000) of investment derivative instruments (shown separately) and 705,535,000 of securities lending collateral.

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

Fair Value Measurements (Continued)

Investments Measured at the NAV:
(in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets [1]	$ 902,587	$ -	Daily	2 days
Private Equity Funds [2]	1,749,724	761,307	N/A	N/A
Real Estate Funds [3]	671,520	63,049	Daily, Quarterly	1-90 days
Opportunistic Debts [4]	189,534	-	Monthly	30 days
Total Investments Measured at the NAV	$ 3,513,365	$ 824,356		

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

(2) Private equity funds - This investment type includes 183 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 26 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Ten investments, representing approximately 84.3% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. There is no intention to redeem any of these ten investments in the near future. Sixteen investments, representing approximately 15.7% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 1% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. It is expected that this fund will be liquidated fully over the next two years.

7. Securities Lending Agreement

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

Minimum collateralization is 102% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high quality short-term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

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

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair values on the Statement of Fiduciary Net Position.

As of June 30, 2019, LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers, and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. In this event, LACERS would be required to make up the deficiency in collateral and would incur a loss.

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

The following table represents the fair value of securities on loan and cash/non-cash collateral received as of June 30, 2019 (in thousands):

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government and Agency Securities	$ 405,669	$ 413,572
Domestic Corporate Fixed Income Securities	151,779	154,583
International Fixed Income Securities	274,664	289,919
Domestic Stocks	370,266	375,642
International Stocks	650,727	694,322
Total	$ 1,853,105	$ 1,928,038

7. Securities Lending Agreement (Continued)

As of June 30, 2019, the fair value of the securities on loan was $1,853,105,000. The fair value of associated collateral was $1,928,038,000 ($705,535,000 of cash collateral and $1,222,503,000 of non-cash collateral). Non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. LACERS income and expenses related to securities lending were $7,268,000 and $1,089,000, respectively, for the fiscal year ended June 30, 2019.

8. Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives on page 41).

As of June 30, 2019, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of $157,792,000, and foreign exchange future contract with a negative notional amount of $4,667,000 due to its short position. In addition, at June 30, 2019, LACERS had outstanding forward purchase commitments with a notional amount of $269,031,000 and offsetting forward sales commitments with notional amounts of $269,031,000, which expire in September 2019. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $209,025,000 as of June 30, 2019.

9. Operating Lease

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

The future minimum lease commitments are as follows as of June 30, 2019:

Fiscal Year 2020	$ 806,000
Fiscal Year 2021	1,003,000
Fiscal Year 2022	1,043,000
Fiscal Year 2023	813,000

10. Commitments and Contingencies

As of June 30, 2019, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,168,724,000, including agreements for acquisition not yet initiated.

The federal Patient Protection and Affordable Care Act (PPACA, also referred to as the Affordable Care Act) of 2010 contains a provision that would impose a 40% excise tax on the annual value of high-cost health plans that exceed certain dollar thresholds beginning in 2022 (deferred from year 2020). If there is no change in the law or LACERS plan provisions between now and 2022, and if the current medical cost trend stays substantially the same during the same period, some of LACERS postemployment health care benefits will be subject to the excise tax in 2022 and thereafter. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires the inclusion of the excise tax in the liability. The impact of potential excise tax imposed by the Affordable Care Act (ACA) and related statutes on certain health plans in calculating the contribution rates for the employer was reflected in the valuation for fiscal year June 30, 2019.

11. Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through November 25, 2019, which was the date of management's review.

Purchase of a Real Estate Property

On October 9, 2019, LACERS Board approved the purchase of a commercial office building and underground parking structure located at 977 N. Broadway in Los Angeles, California to serve as LACERS future headquarters building with the purchase price not to exceed $34,000,000. The purchase was settled at $33,750,000 on October 23, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan

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

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

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

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

	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability	$20,793,421	$19,944,578	$18,458,188	$17,424,996	$16,909,996	$16,248,853	$14,881,663
Plan Fiduciary Net Position	14,815,593	14,235,230	13,180,516	11,809,329	11,920,570	11,791,079	10,154,486
Plan's Net Pension Liability	$ 5,977,828	$ 5,709,348	$ 5,277,672	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.3%	71.4%	71.4%	67.8%	70.5%	72.6%	68.2%

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

Note to Schedule:

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 29). Enhanced benefits became effective as of January 7, 2018.

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

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

Schedule of Contribution History

(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 258,643	$ 258,643	$ -	$ 1,827,864	14.2%
2011	303,561	303,561	-	1,678,059	18.1
2012	308,540	308,540	-	1,715,197	18.0
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8
2015	381,141	381,141	-	1,835,637	20.8
2016	440,546	440,546	-	1,876,946	23.5
2017	453,356	453,356	-	1,973,049	23.0
2018	450,195	450,195	-	2,057,565	21.9
2019	478,717	478,717	-	2,108,171	22.7

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Amortization Method Level Percent of Payroll.

Amortization Period Multiple layers – closed amortization period.
Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2018 to combine the unrecognized returns and losses of prior years as of June 30, 2017 into one layer and recognize it evenly over six years from fiscal year 2017-18 through fiscal year 2022-23.
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases(1)	Ranges from 3.90% to 10.00% based on years of service.
Cost of Living Adjustment(2)	Tier 1: 3.00% Tier 3: 2.00%
Mortality	Healthy: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017. Disabled: Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

(1) Includes inflation at 3.00% as of June 30, 2019, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 3.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

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

Note to Schedule:

The rates of investment returns for the fiscal years 2015 and 2016 were much lower compared to other fiscal years. It reflected the impact of divergent and volatile global markets on LACERS investment portfolio over these reporting periods.

Required Supplementary Information
Postemployment Health Care Plan

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

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

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

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

	2019	2018	2017	2016
Total OPEB Liability	$ 3,334,299	$ 3,256,827	$ 3,005,806	$ 2,793,689
Plan Fiduciary Net Position	2,812,098	2,676,371	2,438,862	2,134,877
Plan's Net OPEB Liability	$ 522,201	$ 580,456	$ 566,944	$ 658,812
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.3%	82.2%	81.1%	76.4%

Note to Schedule:

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

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

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 34 - 35) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 29) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

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

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 96,511	$ 96,511	$ -	$ 1,827,864	5.3%
2011	107,396	107,396	-	1,678,059	6.4
2012	115,209	115,209	-	1,715,197	6.7
2013	72,916	72,916	-	1,736,113	4.2
2014	97,841	97,841	-	1,802,931	5.4
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9
2019	107,927	107,927	-	2,108,171	5.1

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Amortization Method: Level Percent of Payroll.

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

Asset Valuation Method: Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual 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. An Ad Hoc change was made in 2018 to combine the unrecognized returns and losses of prior years as of June 30, 2017 into one layer and recognize it evenly over six years from fiscal year 2017-18 through fiscal year 2022-23.

Actuarial Assumptions:

Investment Rate of Return: 7.25%

Inflation: 3.00%

Real Across-the-Board Salary Increase: 0.50%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[1]	Ranges from 3.90% to 10.00% based on years of service.
Mortality	Healthy: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017. Disabled: Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

(1) Includes inflation at 3.00% as of June 30, 2019, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

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

Note to Schedule:

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

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SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2019
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 9,506	$ 2,148	$ 11,654
Employee Benefits and Development	4,008	906	4,914
Total Personnel Services	13,514	3,054	16,568
Professional Services:			
Actuarial	261	59	320
Audit	76	17	93
Legal Counsel	562	133	695
Disability Evaluation	179	41	220
Retirees' Health Admin Consulting	-	704	704
Benefit Payroll Processing	192	43	235
Self-Funded Dental Plan Admin Fees	-	365	365
Other Consulting	101	23	124
Total Professional Services	1,371	1,385	2,756
Information Technology:			
Computer Hardware and Software	526	119	645
Computer Maintenance and Support	635	143	778
Total Information Technology	1,161	262	1.423
Leases:			
Office Space	750	170	920
Office Equipment	34	8	42
Total Leases	784	178	962
Other Expenses:			
Fiduciary Insurance	28	6	34
Educational and Due Diligence Travel	46	10	56
Office Expenses	313	71	384
Depreciation and Amortization	589	133	722
Total Other Expenses	976	220	1,196
Total Administrative Expenses	$ 17,806	$ 5,099	$ 22,905

Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2019
(In Thousands)

		Assets Under Management		Fees and Expenses
Retirement Plan				
Investment Management Fees:				
Fixed Income Managers	$	3,845,917	$	5,062
Equity Managers		8,337,624		20,041
Subtotal		12,183,541		25,103
Other Investment Fees and Expenses:				
Private Equity Consulting Fees		N/A		599
Real Estate Consulting Fees		N/A		175
Other Consulting Fees		N/A		367
Investment Related Administrative Expenses		N/A		1,909
Subtotal		N/A		3,050
Postemployment Health Care Plan				
Investment Management Fees:				
Fixed Income Managers		726,050		1,144
Equity Managers		1,574,014		4,529
Subtotal		2,300,064		5,673
Other Investment Fees and Expenses:				
Private Equity Consulting Fees		N/A		135
Real Estate Consulting Fees		N/A		40
Other Consulting Fees		N/A		83
Investment Related Administrative Expenses		N/A		431
Subtotal		N/A		689
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$	14,483,605	$	34,515
Private Equity Managers' Fees and Expenses:				
Retirement Plan	$	1,689,590	$	32,289
Postemployment Health Care Plan		318,968		7,297
Total Private Equity Managers' Fees and Expenses	$	2,008,558	$	39,586
Real Estate Managers' Fees and Expenses:				
Retirement Plan	$	666,661	$	8,011
Postemployment Health Care Plan		125,855		1,810
Total Real Estate Managers' Fees and Expenses	$	792,516	$	9,821
Total Assets Under Management and Fees and Expenses	$	17,284,679[1]	$	83,922[2]

(1) Excluding Security Lending Collateral assets of $705,535,000. Total Investments including Security Lending Collateral was $17,990,214,000.

(2) Including Investment Management Fees and Expenses of $81,582,000 and Investment Related Administrative Expenses of $2,340,000.

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Investment

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Report on Investment Activity

December 2, 2019

Dear Members of the Board:

Presented below is a summary report of the System's investment activities for the fiscal year 2018-2019.

Market Overview

Fiscal year 2018-2019 was a volatile period for the LACERS' investment portfolio, characterized by trade wars, ongoing Brexit uncertainty, and monetary easing by the Federal Reserve. In spite of these challenges, the LACERS' investment portfolio returned 6.2% (gross of fees) for the one-year period ending June 30, 2019.

The first quarter of the fiscal year continued the bullish trend across U.S. equities markets supported by strong macroeconomic data and low unemployment. Non-U.S. equities, particularly in emerging markets, struggled relative to U.S. equities as currencies continued to weaken and trade tensions remained high between the U.S. and China.

Global equities sold off during the second quarter of the fiscal year as the market worried about a rate increase by the Federal Reserve. U.S. equities led the sell-off and developed market indices moved towards bear market territory; Non-U.S. equities also underperformed. Global liquidity tightened as the European Central Bank ended the expansion of its Quantitative Easing program. Market volatility picked up as the ongoing trade wars and a looming global slowdown weighed on investors' sentiment.

With a new calendar year, the third quarter of the fiscal year brought a reversal in the market with a potential trade deal between the U.S. and China on the horizon. The Federal Reserve took a dovish stance and signaled no additional rate hikes. The optimistic outlook for the quarter led to a rise in equities across the globe.

The momentum from the third quarter carried over to the fourth quarter of the fiscal year. This was largely in part due to the Federal Reserve taking an even more dovish stance. The market expected several rate cuts due to ongoing concerns about low domestic inflation, a weak global growth outlook, and the trade war between the U.S. and China. European countries also benefited from expectations that an expansionary monetary policy from the European Central Bank was likely as well.

While the 2019 fiscal year was a period of market volatility, the LACERS' investment portfolio is constructed based on a long-term investment horizon and is well-diversified in order to weather periods of market volatility.

Investment Performance

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

LACERS investments are reported at fair value. The total portfolio was $17.7 billion on June 30, 2019, an increase of $0.8 billion over the prior fiscal year. The Fund realized a 6.2% (gross of fees) return for the fiscal year. Individual asset class gross returns were: U.S. equity, 8.3%; non-U.S. equity, 0.4%; core fixed income, 8.1%; credit opportunities, 9.1%; private equity, 13.5%; and real assets, 5.8%.

The total portfolio underperformed its policy benchmark by 82 basis points (gross of fees) for the fiscal year, mainly attributed to the relative underperformance of U.S and non-U.S. equities, which underperformed their benchmarks by 73 and 90 basis points, respectively.

The Investment Results table presented on page 69 provides a summary of time-weighted rates of return based on fair value of assets by asset classes and for the total fund.

Policies, Procedures and Guidelines

In February 2019, the Board approved a revised Investment Policy (Policy) in order to implement the new target asset allocation policy approved in April 2018, and increase the commitment sizes to private equity funds to meet private equity program objectives, authorize staff to conduct tactical rebalances of the Fund. Other revisions included changes to LACERS emerging investment manager aspirational goals and qualification criteria, and a new requirement of LACERS contractors to adopt sexual harassment and illegal discrimination policies and to disclose litigation committed to such misconducts prior to contract finalization.

Investment Manager Contract Awards and Renewals

As presented in the table on page 71, contracts with nine investment managers of publicly traded securities were awarded or renewed during the fiscal year: two active U.S. equity managers, three active non-U.S. equities manager, three core fixed income manager, and a credit opportunities manager.

Private Investments

LACERS approved 22 private equity and three private real estate partnerships totaling $784.8 million of committed capital as presented in the table on page 71.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2018-2019

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

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

Investment Results

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

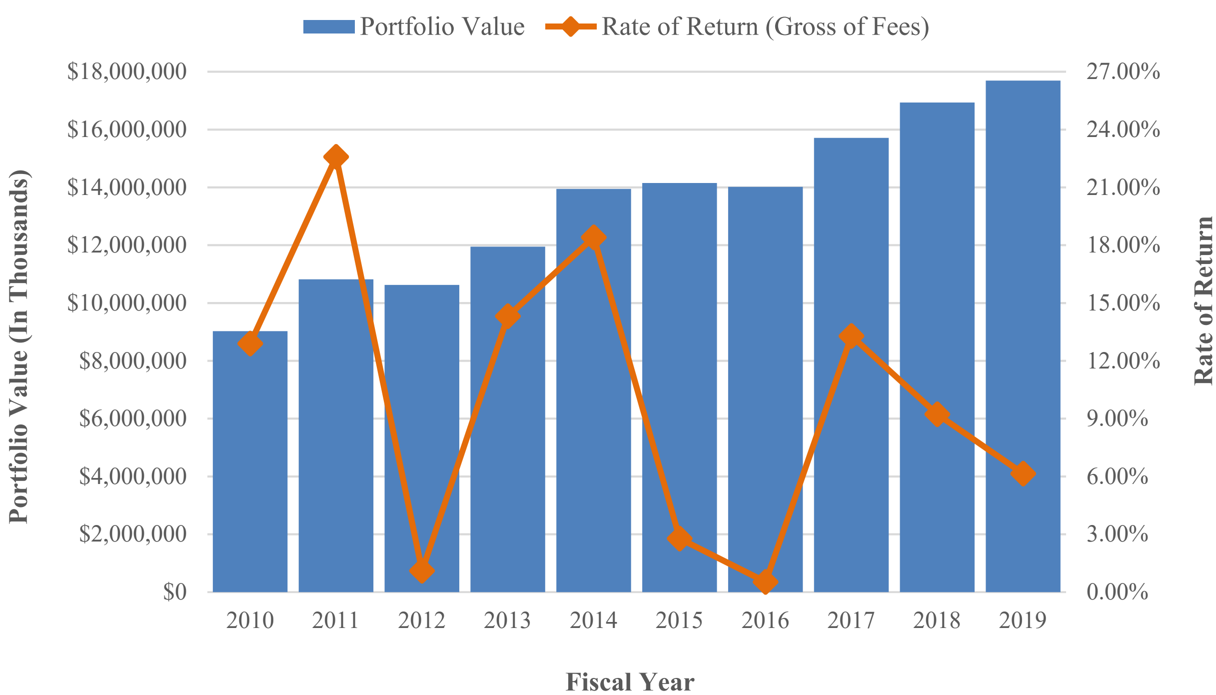
Asset Class / Benchmark	Annualized Rates of Return(1) (Gross of Fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	**8.25**	**14.07**	**10.17**
Russell 3000	8.98	14.02	10.19
Non-U.S. Equity	**0.39**	**10.00**	**3.30**
MSCI ACWI ex U.S.	1.29	9.39	2.16
Private Equity	**13.46**	**13.96**	**10.92**
Russell 3000 plus 300 bps	12.23	17.42	13.48
Core Fixed Income(2)	**8.09**	**2.75**	**3.15**
Bloomberg Barclays U.S. Aggregate	7.87	2.31	2.95
Credit Opportunities(3)	**9.12**	**7.23**	**4.56**
Credit Opportunities Blend(4)	9.22	6.82	4.94
Real Assets	**5.77**	**5.04**	**6.41**
CPI plus 5%	6.65	7.05	6.45
LACERS Total Fund	**6.15**	**9.52**	**6.30**
LACERS Policy Benchmark	6.97	9.79	6.29

(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) Fixed income mandate changed from core-plus to core on July 1, 2012. Returns reflect core mandate only.
(3) Initial funding of this asset class occurred in the second quarter of 2013.
(4) 65% Bloomberg Barclays U.S. Corp High Yield 2% Capped and 35% JP Morgan EMBI-Global Diversified.

Investment Results

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

Fiscal Year	Total Investment Portfolio (Fair Value)	Time-Weighted Rate of Return (Gross of Fees)
2010	$ 9,023,397	12.90%
2011	10,816,393	22.59
2012	10,623,740	1.11
2013	11,946,264	14.32
2014	13,941,866	18.41
2015	14,148,849	2.78
2016	14,014,772	0.53
2017	15,708,981	13.29
2018	16,935,458	9.23
2019	17,693,115	6.15



Investment Contract Activity

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

Firms	Mandate
Aegon USA Investment Management	Active U.S. High Yield Fixed Income
AJO, LP	Active U.S. Large Cap Value Equities
AQR Capital Management, LLC	Active Non-U.S. Small Cap Equities
Robert W. Baird & Co. Incorporated	Active Domestic Fixed Income
EAM Investors, LLC	Active U.S. Small Cap Growth Equities
Lazard Asset Management LLC	Active Non-U.S. Equities Developed Markets Core
LM Capital Group, LLC	Active Domestic Fixed Income
Loomis, Sayles & Company, L.P.	Active Core Fixed Income
MFS Institutional Advisors, Inc.	Active Non-U.S. Equities Developed Markets

New private equity and real estate partnerships:

Investment Funds	Mandate
ABRY Advanced Securities Fund IV, L.P.	Private Equity – Distressed Debt
ABRY Partners IX, L.P.	Private Equity – Buyout
Advent Global Technology Limited Partnership	Private Equity – Buyout
Advent International GPE IX Limited Partnership	Private Equity – Buyout
Astorg VII	Private Equity – Buyout
DEFY Partners II, L.P.	Private Equity – Venture Capital
FS Equity Partners VIII, L.P.	Private Equity – Buyout
Genstar Capital Partners IX, L.P.	Private Equity – Buyout
Gilde Buy-Out Fund VI C.V.	Private Equity – Buyout
Harvest Partners VIII, L.P.	Private Equity – Buyout
Hellman & Friedman Capital Partners IX, L.P.	Private Equity – Buyout
New Enterprise Associates 17, L.P.	Private Equity – Venture Capital
Platinum Equity Capital Partners V, L.P.	Private Equity – Buyout
Polaris Growth Fund I, L.P.	Private Equity – Growth Equity
Roark Capital Partners II Sidecar LP	Private Equity – Buyout
Roark Capital Partners V (T) L.P.	Private Equity – Buyout
Spark Capital Growth Fund III, L.P.	Private Equity – Buyout
Spark Capital VI, L.P.	Private Equity – Growth Equity
TA XIII-A, L.P.	Private Equity – Growth Equity
TCV X, L.P.	Private Equity – Growth Equity
The Baring Asia Private Equity Fund VII, L.P.	Private Equity – Buyout
Vista Equity Partners Fund VII, L.P.	Private Equity – Buyout
Asana Partners Fund II, L.P.	Real Estate – Value Add
Broadview Real Estate Partners Fund, L.P.	Real Estate – Opportunistic
Kayne Anderson Core Real Estate, L.P.	Real Estate – Core Plus

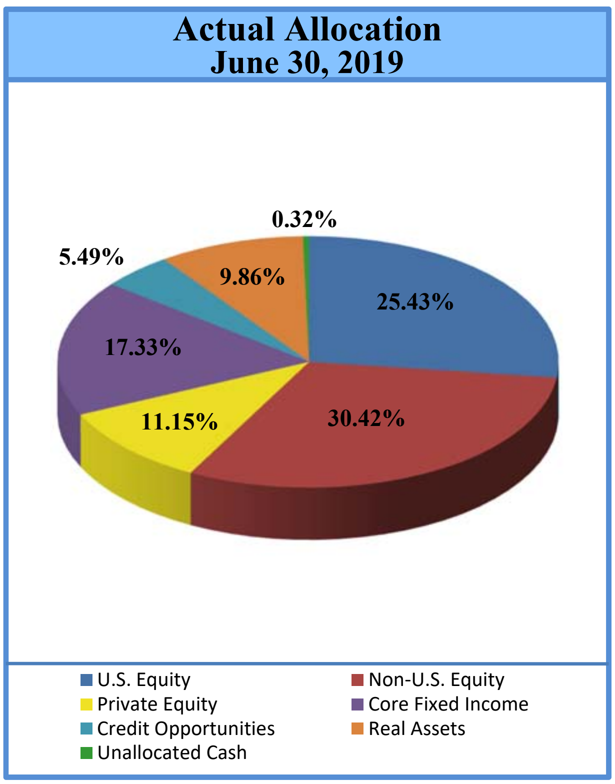
Contracts with consultants and vendors awarded/renewed/extended:

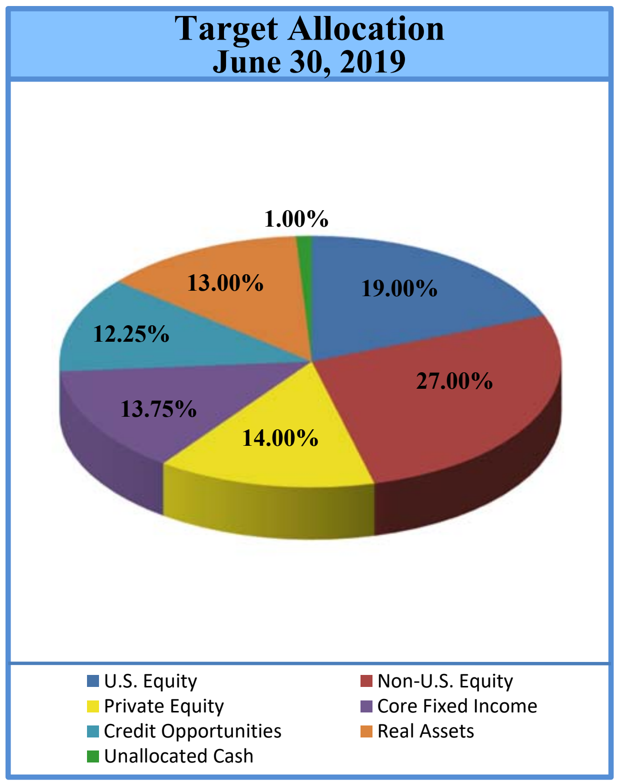
Firms	Mandate
CEM Benchmarking Inc.	Investment Cost and Performance Benchmarking
TorreyCove Capital Partners, LLC	Private Equity Consulting Services
PitchBook	Private Markets Database

Asset Allocation
As of June 30, 2019

	Actual[(2)]		Target[(3)]
U.S. Equity	25.43%	U.S. Equity	19.00%
Non-U.S. Equity	30.42	Non-U.S. Equity	27.00
Private Equity[(1)]	11.15	Private Equity	14.00
Core Fixed Income	17.33	Core Fixed Income	13.75
Credit Opportunities	5.49	Credit Opportunities	12.25
Real Assets	9.86	Real Assets	13.00
Unallocated Cash	0.32	Unallocated Cash	1.00
Total	100.00%	**Total**	100.00%

(1) The underweight to Private Equity is allocated to U.S. Equity. Private Equity cannot be rebalanced on demand since the general partners control the timing of funding and distributions.
(2) Implementation of new Target Asset Allocation Policy is still in progress which is the reason for the difference in allocations.
(3) New Target Allocation Policy was adopted on April 10, 2018.





List of Largest Assets Held by Fair Value

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2019. A complete listing of the System's top 100 holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US$)
1.	1,094,375	Microsoft Corp.	$ 146,602,475
2.	627,715	Apple Inc. Class A	124,237,352
3.	59,128	Amazon Inc.	111,966,554
4.	348,260	Facebook Inc.	67,214,180
5.	392,085	Johnson & Johnson	54,609,598
6.	253,736	Berkshire Hathaway Class B	54,088,903
7.	431,251	J.P. Morgan Chase & Co.	48,213,861
8.	43,788	Alphabet Inc. Class C	47,330,887
9.	42,811	Alphabet Inc. Class A	46,355,750
10.	570,691	Exxon Mobil Corp.	43,732,051
		Total	$ 744,351,611

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US$)
1.	6,619,103	AIA Group Ltd.	$ 71,380,406
2.	610,801	Nestle SA	63,310,306
3.	536,160	Novartis AG	49,051,766
4.	167,537	Roche Holding AG	47,193,884
5.	1,037,800	Tencent Holdings Ltd.	46,838,819
6.	264,309	Alibaba Group Holding Ltd.	44,787,160
7.	317,719	Air Liquide	44,521,754
8.	986,571	Diageo PLC	42,489,806
9.	284,160	SAP SE	39,078,106
10.	1,930,552	DBS Group Holdings	37,042,854
		Total	$ 485,694,861

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings[(1)]

	Par Value	Asset Description	Fair Value (in US$)
1.	53,807,000	United States Treas Notes Inflation Index 0.25% Tb 01/15/2025	$ 58,117,584
2.	50,510,000	United States Treas Bonds 2.75% due 02/15/2028	56,296,490
3.	48,700,000	United States Treas Notes Inflation Index 0.625% Tb 01/15/2026	53,633,921
4.	48,300,000	United States Treas Notes Inflation Note 0.375% DTD 07/15/2025	52,616,714
5.	46,200,000	United States Treas Notes Inflation Index 0.75% Tb 07/15/2028	49,002,352
6.	46,000,000	TSY Inflation Index N/B U.S. Govt National 0.375% 01/15/2027	48,996,186
7.	46,050,000	United States Treas Notes 0.125% Inflation Index 07/15/2026	48,758,973
8.	46,150,000	TSY Inflation Index 0.375% 07/15/2027	48,656,463
9.	46,100,000	United States Treas Inflation Index NTS 0.50005% 01/15/2028	48,536,823
10.	42,120,000	United States Treas Bonds 2.75% due 08/15/2042	45,176,065
		Total	$ 509,791,571

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

	Par Value (in local currency)	Asset Description	Fair Value (in US$)
1.	4,930,000	Anheuser-Busch 4.9% Due 02/01/2046	$ 6,060,097
2.	6,750,000	Petroleos Mexicanos 6.375% Due 01/23/2045	5,923,637
3.	2,845,000	Fed of Russia 12.75% BD 06/24/2028	4,706,267
4.	4,410,000	Petrobras Global Finance 5.299% Due 01/27/2025	4,679,010
5.	4,570,000	Santander UK PLC 2.125% Due 11/03/2020	4,589,113
6.	3,960,000	Republic of Ecuador 8.75% Due 02/06/2023	4,336,240
7.	3,075,000	Brazil Federative Republic BD 8.25% Due 01/20/2034	4,101,312
8.	2,635,000	Republic of Philippines Global Bond 7.75% Due 01/14/2031	3,989,970
9.	2,750,000	Republic of Colombia Bond 7.375% Due 09/18/2037	3,858,115
10.	3,868,000	Federation of Turkey Bond 6.875% Due 03/17/2036	3,703,401
		Total	$ 45,947,162

(1) The U.S. Fixed Income and Non-U.S. Fixed Income holdings represent the fair value of LACERS separate accounts and the fair value of LACERS ownership in mutual fund-like accounts.

Schedules of Fees and Commissions

Schedule of Fees
(In Thousands)

	2019 Assets Under Management	Fees	2018 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 4,571,967[1]	$ 6,206	$ 4,169,596[2]	$ 5,923
Equity Managers	9,911,638[1]	24,570	9,784,201[2]	25,734
Real Estate Managers	792,516	9,821	801,634	8,422
Private Equity Managers	2,008,558	39,586	1,807,338	34,644
Total	$ 17,284,679	$ 80,183	$ 16,562,769	$ 74,723
Investment Consulting Fees	N/A	$ 1,399	N/A	$ 1,490
Investment Related Administrative Expense	N/A	2,340	N/A	1,723
Total	N/A	$ 3,739	N/A	$ 3,213

(1) Includes $38,000 of fixed income derivatives and $(835,000) of equity derivatives. This is combined in the Statement of Fiduciary Net Position as $(797,000).
(2) Includes $(173,000) of fixed income derivatives and $1,173,000 of equity derivatives. This is combined in the Statement of Fiduciary Net Position as $1,000,000.

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	Merrill Lynch International Limited	61,252,850	$ 176,571	$ 0.003
2.	Goldman, Sachs and Co.	164,195,939	164,537	0.001
3.	J.P. Morgan Securities PLC	32,848,200	148,860	0.005
4.	Credit Suisse Securities (USA) LLC	79,425,493	141,985	0.002
5.	Societe Generale London Branch	24,226,536	131,845	0.005
6.	Morgan Stanley & Co., LLC	63,728,451	104,668	0.002
7.	HSBC Securities (USA) Inc.	83,878,604	90,796	0.001
8.	CLSA Singapore PTE LTD	19,157,761	86,654	0.005
9.	Instinet, LLC	29,542,033	85,641	0.003
10.	C.L. King & Associates, Inc.	4,131,842	82,636	0.020
	Total	562,387,709	1,214,193	0.002
	Total - Other Brokers [1]	670,688,363	2,199,850	0.003
	Grand Total	1,233,076,072	$ 3,414,043	$ 0.003

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

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of $17,149 commission credit from Cowen, which was rebated to LACERS in cash.

Investment Summary
As of June 30, 2019

Type of investment	Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income				
Government bonds	$ 1,699,577,718	9.45%	$ 1,417,514,667	$ 282,063,051
Government agencies	61,832,800	0.34	30,946,703	30,886,097
Municipal / provincial bonds	5,570,465	0.03	-	5,570,465
Corporate bonds	1,163,403,232	6.47	882,229,310	281,173,922
Bank loans	8,868,477	0.05	8,868,477	-
Government mortgage bonds	453,617,614	2.52	453,617,614	-
Commercial mortgage bonds	72,770,988	0.40	72,770,988	-
Opportunistic debts	203,700,898	1.13	189,533,644	14,167,254
Other fixed income (Common Funds Assets)	902,587,267	5.02	902,587,267	-
Derivative Instruments	38,248	-	39,180	(932)
Total Fixed Income	**4,571,967,707**	**25.41**	**3,958,107,850**	**613,859,857**
Equities				
Common stock				
Basic industries	1,313,489,637	7.30	484,261,562	829,228,075
Capital goods industries	507,655,560	2.82	132,894,785	374,760,775
Consumer & services	2,544,498,625	14.14	1,141,338,019	1,403,160,606
Energy	818,262,557	4.55	368,866,914	449,395,643
Financial services	1,689,278,783	9.39	629,161,683	1,060,117,100
Health care	1,052,002,397	5.85	650,447,532	401,554,865
Information technology	1,407,988,316	7.83	941,080,816	466,907,500
Real Estate	501,487,564	2.79	323,500,704	177,986,860
Miscellaneous	10,593,071	0.06	923,060	9,670,011
Total Common Stock	**9,845,256,510**	**54.73**	**4,672,475,075**	**5,172,781,435**
Preferred stock	54,401,451	0.30	-	54,401,451
Stapled securities	12,814,445	0.07	-	12,814,445
Derivative Instruments	(835,229)	-	815,110	(1,650,339)
Total Equities	**9,911,637,177**	**55.10**	**4,673,290,185**	**5,238,346,992**
Real Estate	**792,516,302**	**4.40**	**785,707,487**	**6,808,815**
Private Equity				
Buyout	1,055,580,259	5.87	775,048,739	280,531,520
Distressed debt	105,466,760	0.59	79,791,352	25,675,408
Mezzanine	3,124,319	0.02	3,124,319	-
Special Situations	231,332,248	1.28	162,081,482	69,250,766
Venture capital	613,054,287	3.41	556,499,769	56,554,518
Total Private Equity	**2,008,557,873**	**11.17**	**1,576,545,661**	**432,012,212**
Security Lending Collateral	**705,535,002**	**3.92**	**645,629,508**	**59,905,494**
Total Fund(1)	**$ 17,990,214,061**	**100.00%**	**$11,639,280,691**	**$6,350,933,370**

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

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

AJO
EAM Investors
PanAgora Asset Management
Principal Global Investors
RhumbLine Advisers

Non-U.S. Equity

AQR Capital Management
Axiom International Investors
Barrow, Hanley, Mewhinney & Strauss
Dimensional Fund Advisors
Lazard Asset Management
MFS Institutional Advisors
Oberweis Asset Management
Quantitative Management Associates
State Street Global Advisors

Fixed Income

LM Capital Group
Loomis Sayles & Company
Neuberger Berman
Robert W. Baird & Co.
State Street Global Advisors

Credit Opportunities

Aegon USA Investment Management
Prudential Investment Management
Bain Capital Credit

Public Real Assets

CenterSquare Investment Management
CoreCommodity Management
Dimensional Fund Advisors

Cash & Short-Term

The Northern Trust Company

Real Estate

Almanac Realty
Apollo Global Real Estate
Asana Partners
Berkshire Group
Bristol Group
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Funds
CIM Group
CityView
Clarion Partners
Colony Investors
Cornerstone Real Estate Advisors
DLJ Real Estate Capital Partners
DRA Advisors
Gerrity Group
Hancock Timber Resource Group
Hunt Realty Investments
Integrated Capital
Invesco Real Estate
Jamestown
JP Morgan
LaSalle Investment Management
Lone Star Funds
Mesa West Capital
Morgan Stanley
Pacific Coast Capital Partners
Paladin Realty Partners
Phoenix Realty Group
Principal Real Estate Investors
Realty Associates
Standard Life Investments
Stockbridge Real Estate
Torchlight Investors
Walton Street Real Estate

Private Equity

1315 Capital Management
ABRY Partners
ACON
Advent International
AION Capital Partners
Alchemy Partners
American Securities
Angeleno Group
Angeles Equity Partners
Apollo Management
Ares Management
Ascribe Capital
Astorg Partners
Austin Ventures

Investment Advisors (Continued)

Private Equity (Continued)

Avenue Capital Group
Bain Capital
Baring Private Equity Asia Limited
BC Partners
Black Diamond Capital Management
Blackstone Group
Blue Sea Capital
Brentwood Associates
Cardinal Partners
Carlyle Group
CenterGate Capital
Charterhouse Capital Partners
CHS Capital
Coller International Partners
Craton Equity Investors
CVC Capital Partners
Defy Partners
EIG Global Energy Partners
Element Partners
Encap Investments
Energy Capital Partners
Essex Woodland Health Ventures
FIMI Opportunity Funds
First Reserve Corporation
Frontier Venture Capital
Gilde Buy Out Partners
Glendon Capital Management
GTCR
Halifax Capital
Harvest Partners
Hellman & Friedman Investors
High Road Capital Partners
Hony Capital
Incline Equity
Insight Venture
Institutional Venture Partners
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR
KPS Investors
Leonard Green & Partners
Levine Leichtman Capital Partners
Lindsay Goldberg & Bessemer
Longitude Capital Partners
Madison Dearborn Partners
Newbridge Asia
Nordic Capital
Onex Partners
Polaris Venture Partners
Upfront Ventures
NGEN Partners
New Water Capital Partners
NGP Natural Resources
NMS Capital
Roark Capital
Menlo Ventures
Mill Point Capital
Nautic Partners
New Enteprise Associates
New Mountain Partners
Oak HC/FT Partners
Oak Investment Partners
Oaktree Capital Management
Palladium Equity Partners
Permira
Pharos Capital Partners
Platinum Equity
Providence Equity Partners
Rustic Canyon/Fontis Partners
Saybrook Capital
Searchlight Capital Partners
Spire Capital
SSG Capital Partners
St. Cloud Capital
Spark Capital
StarVest Partners
StepStone Group
Sterling Partners
Stripes Group
Sunstone Partners
TA Associates
Technology Crossover Ventures
TCW
TPG Capital
Thoma Bravo
Trident Capital
VantagePoint Venture Partners
Vestar Capital Partners
Vicente Capital Partners
Vista Equity Partners
Threshold Ventures (formerly DFJ Venture)
Wynnchurch Capital
Yucaipa American Alliance

Investment Advisors (Continued)

Consultants

NEPC, LLC
TorreyCove Capital Partners, LLC
The Townsend Group

Custodian

The Northern Trust

Transition Managers

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

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)

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Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2019	June 30, 2018	Change
I. Total Membership			
a. Active Members	26,632	26,042	2.3 %
b. Pensioners and Beneficiaries	20,034	19,379	3.4 %
II. Valuation Salary			
a. Total Annual Projected Payroll	$ 2,225,412,831	$ 2,177,687,102	2.2 %
b. Average Projected Monthly Salary	6,963	6,969	(0.1)%
III. Benefits to Current Retirees and Beneficiaries[1]			
a. Total Annual Benefits	$ 947,588,609	$ 880,071,707	7.7 %
b. Average Monthly Benefit Amount	3,942	3,784	4.2 %
IV. Total System Assets[2]			
a. Actuarial Value	$ 17,711,461,636	$ 16,687,907,767	6.1 %
b. Market Value	17,707,909,933	16,989,616,344	4.2 %
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$ 5,974,856,716	$ 5,962,143,593	0.2 %
b. Health Subsidy Benefits	521,636,655	627,984,336	(16.9)%

(1) Includes July COLA.

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

	FY 2020-21[1]		FY 2019-20[1]		Difference	
VI. Budget Items (as a Percent of Pay)	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
a. Retirement Benefits						
1. Normal Cost	6.70%	3.82%	6.72%	3.78%	(0.02)%	0.04 %
2. Amortization of UAAL	18.38%	18.38%	18.34%	18.34%	0.04 %	0.04 %
3. Total Retirement Contribution	25.08%	22.20%	25.06%	22.12%	0.02 %	0.08 %
b. Health Subsidy Benefits						
1. Normal Cost	3.31%	4.21%	3.36%	4.11%	(0.05)%	0.10 %
2. Amortization of UAAL	1.04%	1.04%	1.47%	1.47%	(0.43)%	(0.43)%
3. Total Health Subsidy Contribution	4.35%	5.25%	4.83%	5.58%	(0.48)%	(0.33)%
c. Total Contribution (a+b)	29.43%	27.45%	29.89%	27.70%	(0.46)%	(0.25)%

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

	June 30, 2019	June 30, 2018	Difference
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	71.3%	70.1%	1.2%
b. Health Subsidy Benefits	84.4%	80.7%	3.7%
c. Total	73.1%	71.6%	1.5%
(Based on Market Value of Assets)			
d. Retirement Benefits	71.3%	71.4%	(0.1)%
e. Health Subsidy Benefits	84.3%	82.2%	2.1%
f. Total	73.1%	72.9%	0.2%

Summary of Significant Valuation Results (Continued)

	June 30, 2019	June 30, 2018	Change
VIII. Net Pension Liability[1]			
Total Pension Liability	$ 20,793,421,143	$ 19,944,579,058	4.3 %
Plan Fiduciary Net Position	(14,815,592,841)	(14,235,230,528)	4.1 %
Net Pension Liability	$ 5,977,828,302	$ 5,709,348,530	4.7 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.3%	71.4%	(0.1)%

[1] Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on pages 90 - 91.

	June 30, 2019	June 30, 2018	Change
IX. Net OPEB Liability[1]			
Total OPEB Liability	$ 3,334,298,548	$ 3,256,827,847	2.4 %
Plan Fiduciary Net Position	(2,812,097,867)	(2,676,371,615)	5.1 %
Net OPEB Liability	$ 522,200,681	$ 580,456,232	(10.0)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	84.3%	82.2%	2.1 %

[1] Refer to the Schedule of Changes in Net OPEB Liability and Related Ratios on page 108.

Segal Consulting

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Actuarial Certification

November 6, 2019

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS or the System) retirement program as of June 30, 2019, 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, 2018. 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 Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2019 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*
2) Schedule of Changes in Net Pension Liability and Related Ratios*
3) Schedule of Contribution History*

<u>Actuarial Section</u>

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*
12) Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 67 Report as of June 30, 2019*

* Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2019.

Actuarial Certification (Continued)

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

Active Member Valuation Data

Member Population

Valuation Date	Active Members[1]	Covered Payroll[2]	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2010	26,245	$1,817,662,284	$69,257	5.5
06/30/2011	25,449	1,833,392,381	72,042	4.0
06/30/2012	24,917	1,819,269,630	73,013	1.3
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)

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

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

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Allowances Added[2]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2010	2,893[3]	$144,594,918[3]	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

(1) Does not include Family Death Benefit Plan beneficiaries. Table is based on valuation data.
(2) Includes the COLA granted in July.
(3) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Schedule of Funded Liabilities by Type

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For: Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members
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

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2010	$9,554,027	$12,595,025	$3,040,998	75.9 %	$1,817,662	167.3 %
06/30/2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
06/30/2012	9,934,959	14,393,959	4,459,000	69.0	1,819,270	245.1
06/30/2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
06/30/2014	10,944,751	16,248,853	5,304,102	67.4	1,898,064	279.5
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
06/30/2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
06/30/2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
06/30/2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
06/30/2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2019

1.	Unfunded actuarial accrued liability at beginning of year		$ 5,962,143,593
2.	Total normal cost at beginning of year		370,409,073
3.	Expected employer and member contributions at beginning of year[1]		(761,958,070)
4.	Interest		403,868,108
5.	Expected unfunded actuarial accrued liability at end of year		5,974,462,704
6.	Changes due to:		
	a) Investment gain on smoothed value of assets	$ (13,111,129)	
	b) Loss due to actual contributions less than expected	59,540,384	
	c) Gain due to lower than expected salary increases for continuing actives	(120,498,219)	
	d) Loss due to lower than expected mortality for payees	40,662,931	
	e) Other losses on demographic experience	33,800,045	
	Total loss		394,012
7.	Unfunded actuarial accrued liability at end of year		$ 5,974,856,716

[1] Net of the additional expected employer contributions due to the application of the 40-year minimum amortization required for the two GASB 25/27 layers, since the beginning of year UAAL was developed without the liability associated with those two layers. These additional contributions will serve to reduce the contribution loss (if any) from the scheduled one-year delay in implementing the higher contribution rates calculated in the prior valuation.

Actuarial Balance Sheet

June 30, 2019

Actuarial Present Value of Future Benefits		
1.	Present value of benefits for retired members and beneficiaries	$ 11,620,004,477
2.	Present value of benefits for inactive vested members	516,719,939
3.	Present value of benefits for active members	11,598,917,004
4.	Total actuarial present value of future benefits	$ 23,735,641,420
Current and Future Assets		
5.	Total valuation value of assets	$ 14,818,564,427
6.	Present value of future contributions by members	1,848,423,280
7.	Present value of future employer contributions for:	
	a) Entry age normal cost	1,093,796,997
	b) Unfunded actuarial accrued liability	5,974,856,716
8.	Present value of current and future assets	$ 23,735,641,420

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 29). Enhanced benefits became effective as of January 7, 2018.

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

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

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 67 Report as of June 30, 2019

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2018	$14,235	$716	$915	$20	$799	$14,816
2019	14,816	771	1,075	20	1,058	15,549
2020	15,549	773	1,099	21	1,110	16,312
2021	16,312	777	1,161	22	1,163	17,068
2022	17,068	783	1,224	24	1,216	17,819
2023	17,819	788	1,288	25	1,268	18,562
2024	18,562	749	1,350	26	1,317	19,253
2025	19,253	759	1,415	27	1,365	19,935
2026	19,935	766	1,481	27	1,412	20,605
2045	27,789	124 (1)	2,441	38	1,919	27,353
2046	27,353	118 (1)	2,452	38	1,887	26,869
2047	26,869	112 (1)	2,461	37	1,851	26,334
2048	26,334	105 (1)	2,468	36	1,812	25,747
2049	25,747	99 (1)	2,474	35	1,769	25,105
2082	2,656	17 (1)	524	4	172	2,318
2083	2,318	16 (1)	471	3	149	2,009
2084	2,009	14 (1)	420	3	129	1,729
2085	1,729	13 (1)	373	2	111	1,477
2086	1,477	12 (1)	329	2	94	1,252
2102	29	1 (1)	11	0	2	21
2103	21	1 (1)	8	0	1	15
2104	15	1 (1)	6	0	1	11
2105	11	1 (1)	4	0	1	8
2106	8	0 (1),(2)	3	0	0	6
2107	6	0 (1),(2)	2	0	0	4
2108	4	0 (1),(2)	2	0	0	3
2109	3	0 (1),(2)	1	0	0	2
2110	2	0 (1),(2)	1	0	0	2
2111	2	0 (1),(2)	1	0	0	1
2112	1	0 (1),(2)	1	0	0	1
2113	1	0 (1),(2)	0 (2)	0	0	0
2114	0	0 (1),(2)	0 (2)	0	0	0
2115	0	0 (1),(2)	0 (2)	0	0	0
2116	0	0 (1),(2)	0 (2)	0	0	0
2117	0	0 (1),(2)	0 (2)	0	0	0

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

(2) Less than $1 million when rounded.

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

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 67 Report as of June 30, 2019 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2018 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2027-2044, 2050-2081, and 2087-2101 have been omitted from this table.

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

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2019); 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, 2019. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2019 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 7.25% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.14% of the projected beginning Plan Fiduciary Net Position amount. The 0.14% portion was based on the actual fiscal year 2018-19 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2018. 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 7.25% per annum.

9. As illustrated in this Schedule, 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 7.25% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2019 shown in the GAS 67 report, pursuant to paragraph 44 of GASB Statement No. 67.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2014 through June 30, 2017 Actuarial Experience Study dated June 29, 2018, the June 30, 2017 Review of Economic Actuarial Assumptions report dated June 30, 2017, and in the Supplemental Information report dated August 10, 2017. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Net Investment Return

7.25%[1]

Based on the Review of Economic Actuarial Assumptions referenced above, expected administrative and investment expenses represent about 0.60% of the Market Value of Assets.

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

Discount Rate

7.25%

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 3.00% is used to approximate that crediting rate in this valuation.

Consumer Price Index (CPI)

Increase of 3.00% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.

Payroll Growth

Inflation of 3.00% 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 3.00% per year from the valuation date.

Salary Increases

The annual rate of compensation increase includes: inflation at 3.00%, plus "across the board" salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Percentage Increase
Less than 1	6.50%
1 – 2	6.20%
2 – 3	5.10%
3 – 4	3.10%
4 – 5	2.10%
5 – 6	1.10%
6 – 7	1.00%
7 – 8	0.90%
8 – 9	0.70%
9 – 10	0.60%
10 & Over	0.40%

Post-Retirement Mortality Rates

Healthy Members and all Beneficiaries

Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables (separate tables for males and females), with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Disabled Members

Headcount-Weighted RP-2014 Disabled Retiree Mortality Tables (separate tables for males and females), with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

The RP-2014 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.

Pre-Retirement Mortality Rates

Headcount-Weighted RP-2014 Employee Mortality Tables (separate tables for males and females), with no setback for males and females, multiplied by 90%, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Pre-Retirement Mortality Rates (Continued)

Age	Rate (%)[1] Male	Rate (%)[1] Female
20	0.05	0.02
25	0.06	0.02
30	0.05	0.02
35	0.06	0.03
40	0.07	0.04
45	0.11	0.07
50	0.19	0.12
55	0.31	0.19
60	0.51	0.27
65	0.88	0.40

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

[1] Generational projections beyond the base year (2014) are not reflected in the above mortality rates.

Disability Incidence

Age	Rate (%)
25	0.01
30	0.02
35	0.05
40	0.07
45	0.13
50	0.19
55	0.20
60	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

Termination (< 5 Years of Service)	
Years of Service	Rate (%)
Less than 1	12.00
1 – 2	10.00
2 – 3	9.00
3 – 4	8.25
4 – 5	7.75

Termination (5+ Years of Service)	
Age	Rate (%)
25	7.00
30	7.00
35	5.50
40	3.90
45	3.20
50	2.70
55	2.50
60	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 Enhanced 1[1]		Tier 3	
Age	Non-55/30	55/30	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	7.0	0.0	6.0	0.0
51	3.0	0.0	4.0	0.0	3.0	0.0
52	3.0	0.0	4.0	0.0	3.0	0.0
53	3.0	0.0	4.0	0.0	3.0	0.0
54	17.0	0.0	18.0	0.0	16.0	0.0
55	6.0	24.0	7.0	25.0	0.0[2]	23.0
56	6.0	16.0	7.0	17.0	0.0[2]	15.0
57	6.0	16.0	7.0	17.0	0.0[2]	15.0
58	6.0	16.0	7.0	17.0	0.0[2]	15.0
59	6.0	16.0	7.0	17.0	0.0[2]	15.0
60	7.0	16.0	8.0	17.0	6.0	15.0
61	7.0	16.0	8.0	17.0	6.0	15.0
62	7.0	16.0	8.0	17.0	6.0	15.0
63	7.0	16.0	8.0	17.0	6.0	15.0
64	7.0	16.0	8.0	17.0	6.0	15.0
65	13.0	20.0	14.0	21.0	12.0	19.0
66	13.0	20.0	14.0	21.0	12.0	19.0
67	13.0	20.0	14.0	21.0	12.0	19.0
68	13.0	20.0	14.0	21.0	12.0	19.0
69	13.0	20.0	14.0	21.0	12.0	19.0
70 & Over	100.0	100.0	100.0	100.0	100.0	100.0

[1] Consistent with the cost study prepared for the adoption of enhanced Tier 1 benefits, the rates above are estimated by increasing the retirement rates for Tier 1 by a flat 1%.
[2] Not eligible to retire under the provisions of the Tier 3 plan.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Members

Pension benefit will be paid at the later of age 59 or the current attained age. For reciprocals, 3.90% compensation increases per annum.

Other Reciprocal Service

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year.

Unknown Data for Members

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

Form of Payment

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

Percent Married/Domestic Partner

76% of male participants; 50% of female participants.

Age and Gender of Spouse

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

Actuarial Cost Method

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

Actuarial Value of Assets

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

Valuation Value of Assets

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

Amortization Policy

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

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

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Employer Contributions (Continued)

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 3.50% (i.e., 3.00% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Internal Revenue Code Section 415

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $225,000 for 2019. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

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

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

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

Changes in Actuarial Assumptions

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

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1 (§ 4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on pages 29 - 30 regarding the Membership). Includes Airport Peace Officers who did not pay for enhanced benefits.

Tier 1 Enhanced (§ 4.1002(e))

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

Tier 3 (§ 4.1080.2(a))

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

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.

Summary of Plan Provisions (Continued)

Normal Retirement Benefit (continued)

Tier 1 Enhanced

Amount (§ 4.1007(a))

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

Tier 3

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

Age & Service Requirement

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

Amount

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

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

Age & Service Requirement

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

Amount

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

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

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

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

Amount (§ 4.1007(a) & (b))

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

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

Tier 3

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

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

Amount (§ 4.1080.5(a)(1))

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

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

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

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.

Summary of Plan Provisions (Continued)

Service Credit

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

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

Final Average Monthly Compensation

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

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

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

Post-Retirement Cost-of-Living Benefits

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

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

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

Death after Retirement

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

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

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

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

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

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

While on nonservice-connected disability or service retirement

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

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

Death before Retirement

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

Option #1:

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

Summary of Plan Provisions (Continued)

Death before Retirement (Continued)

Tier 1, Tier 1 Enhanced, & Tier 3 (Continued)

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

Tier 1 & Tier 3

Option #2:

- Eligibility – Duty-related death or after five years of continuous service.
- Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Tier 1 Enhanced

Service-Connected Death

Option #2:

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

Nonservice-Connected Death

Option #2:

- Eligibility – 5 years of service (unless on military leave and killed while on military duties).
- Benefit – 50% of Member's Final Average Monthly Compensation.

Member Contributions

Tier 1 & Tier 1 Enhanced (§ 4.1003)

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

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

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

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

Tier 3 (§ 4.1080.3)

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

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

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

Disability

Tier 1 & Tier 3

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

5 years of continuous service.

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

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

Tier 1 Enhanced

Service Requirement (§ 4.1008.1)

Service-Connected Disability: None.

Nonservice-Connected Disability: 5 years of continuous service.

Amount[1] (§ 4.1008.1)

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

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

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

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

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

Tier 3 (§ 4.1080.6)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

Early retirement benefit (based on a Retirement Factor of 1.50% instead of 2.00%; 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

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

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

Segal Consulting

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Actuarial Certification

November 6, 2019

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2019, 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, 2018.

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2019 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section, and in the Actuarial Section, is provided below:

Financial Section
1) Schedule of Net Other Postemployment Benefits (OPEB) Liability*
2) Schedule of Changes in Net OPEB Liability and Related Ratios*
3) Schedule of Contribution History*

Actuarial Section
4) Summary of Significant Valuation Results
5) Active Member Valuation Data
6) Retirees and Beneficiaries Added to and Removed from Health Benefits
7) Member Benefit Coverage Information
8) Schedule of Funding Progress
9) Actuarial Analysis of Financial Experience
10) Actuarial Balance Sheet
11) Schedule of Changes in Net OPEB Liability and Related Ratios*
12) Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 74 Report as of June 30, 2019

* Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2019.

Actuarial Certification (Continued)

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.

Thomas Bergman, ASA, MAAA, EA	Andy Yeung, ASA, MAAA, FCA, EA
Retiree Health Actuary	Vice President and Actuary

Active Member Valuation Data

Member Population

Valuation Date	Active Members[1]	Covered Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2010	26,245	$1,817,662,284	$69,257	5.5
06/30/2011	25,449	1,833,392,381	72,042	4.0
06/30/2012	24,917	1,819,269,630	73,013	1.3
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)

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

Retirees and Beneficiaries Added to and Removed from Health Benefits

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Subsidies Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
06/30/2010	2,104[2]	$23,010,841[2]	555	$2,670,987	13,442	$94,208,355	27.5%	$7,009
06/30/2011	431	5,670,390	437	2,774,684	13,436	97,104,061	3.1	7,227
06/30/2012	433	(540,583)	438	2,516,835	13,431	94,046,643	(3.1)	7,002
06/30/2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
06/30/2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669
06/30/2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038
06/30/2016	837	2,185,058	536	3,102,492	14,313	111,712,086	(0.8)	7,805
06/30/2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
06/30/2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
06/30/2019	1,195	12,323,187	548	3,780,696	15,791[3]	144,408,241	6.3	9,145

(1) Also reflects changes in subsidies for continuing retirees and beneficiaries.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).
(3) Total participants including married dependents currently receiving benefits are 21,115.

Health Benefits Valuation

Member Benefit Coverage Information

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2010	$34,455	$1,124,254	$1,075,166	$1,425,726	100%	100%	25%
06/30/2011	19,964	1,066,351	882,393	1,546,884	100	100	52
06/30/2012	24,454	1,083,168	1,184,778	1,642,374	100	100	45
06/30/2013	26,869	1,104,833	1,280,783	1,734,733	100	100	47
06/30/2014	41,188	1,196,769	1,424,896	1,941,225	100	100	49
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61
06/30/2016	50,413	1,275,604	1,467,671	2,248,753	100	100	63
06/30/2017	62,252	1,379,357	1,564,197	2,438,458	100	100	64
06/30/2018	67,138	1,497,370	1,692,320	2,628,844	100	100	63
06/30/2019	65,887	1,600,131	1,668,281	2,812,662	100	100	69

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2010	$1,425,726	$2,233,874	$808,148	63.8 %	$1,817,662	44.5 %
06/30/2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
06/30/2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
06/30/2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
06/30/2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
06/30/2016	2,248,753	2,793,688	544,935	80.5	1,968,703	27.7
06/30/2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
06/30/2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
06/30/2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2019

1.	Unfunded actuarial accrued liability as of June 30, 2018	$ 627,984,336
2.	Employer normal cost as of June 30, 2018	74,477,507
3.	Expected employer contributions during 2018-19 fiscal year	(106,524,934)
4.	Interest	43,205,425
5.	Expected unfunded actuarial accrued liability as of June 30, 2019 (1 + 2 + 3 + 4)	639,142,334
6.	Change due to investment gain, after smoothing	(16,214,973)
7.	Change due to actual contributions more than expected	(1,177,631)
8.	Change due to miscellaneous demographic gains and losses(1)	38,443,686
9.	Change due to updated 2019-20 premium and subsidy levels	(172,496,463)
10.	Change due to updating trend to project future Medicare Part B premiums after 2019/2020	33,939,702
11.	Unfunded actuarial accrued liability as of June 30, 2019 (5 + 6 + 7 + 8 + 9 + 10)	$ 521,636,655

(1) Other losses include the recognition for the first time of the liability for about 250 retirees receiving a premium reimbursement for health plans not sponsored by LACERS. Data for those retirees is not included in the regular retiree membership data as members receiving a medical subsidy from LACERS, and was provided separately for the first time for this valuation.

Actuarial Balance Sheet

June 30, 2019

Assets	
1. Actuarial value of assets	$ 2,812,661,894
2. Present value of future normal costs	647,218,953
3. Unfunded actuarial accrued liability	521,636,655
4. Present value of current and future assets	$ 3,981,517,502
Liabilities	
5. Actuarial present value of total projected benefits	$ 3,981,517,502

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

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

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

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

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

Health Benefits Valuation

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 34 - 35) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 29) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

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

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 74 Report as of June 30, 2019

(Dollars in Millions)

Year Beginning July 1,	Projected Beginning OPEB Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2018	$2,676	$108	$134	$5	$166	$2,812
2019	2,812	96	148	5	202	2,956
2020	2,956	95	157	6	212	3,101
2021	3,101	94	169	6	222	3,242
2022	3,242	94	183	6	232	3,379
2023	3,379	93	196	6	241	3,511
2024	3,511	84	208	7	250	3,631
2025	3,631	84	220	7	258	3,747
2026	3,747	84	231	7	266	3,858
2045	5,772	34	447	11	403	5,752
2046	5,752	33	454	11	402	5,722
2047	5,722	32	461	11	399	5,680
2048	5,680	30	470	11	396	5,625
2049	5,625	28	480	11	391	5,554
2082	1,087	8[1]	190	2	72	975
2083	975	7[1]	176	2	65	869
2084	869	7[1]	162	2	57	770
2085	770	6[1]	148	1	51	678
2086	678	6[1]	135	1	44	592
2102	21	1[1]	8	0[2]	1	15
2103	15	1[1]	6	0[2]	1	10
2104	10	1[1]	4	0[2]	1	7
2105	7	0[1],[2]	3	0[2]	0[2]	4
2106	4	0[1],[2]	2	0[2]	0[2]	3
2107	3	0[1],[2]	2	0[2]	0[2]	2
2108	2	0[1],[2]	1	0[2]	0[2]	1
2109	1	0[1],[2]	1	0[2]	0[2]	1
2110	1	0[1],[2]	0[2]	0[2]	0[2]	1
2111	1	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2112	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2113	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2114	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2115	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2116	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]
2117	0[2]	0[1],[2]	0[2]	0[2]	0[2]	0[2]

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

(2) Less than $1 million when rounded.

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

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.25% and Preparation of GASB 74 Report as of June 30, 2019 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2018 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2027-2044, 2050-2081, and 2087-2101 have been omitted from this table.

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

5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2019); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 43 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2019. The projected benefit payments reflect the excise tax as imposed by the ACA and related statutes reflected in the June 30, 2019 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 7.25% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.19% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.19% portion was based on the actual fiscal year 2018-19 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2018. 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 7.25% per annum.

9. As illustrated in this Schedule, the OPEB 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 7.25% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2019 shown in the GAS 74 report, pursuant to paragraph 49 of GASB Statement No. 74.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2014 through June 30, 2017 Actuarial Experience Study dated June 29, 2018, the Review of Economic Actuarial Assumptions dated June 30, 2017, the Supplemental Information report dated August 10, 2017, and the retiree health assumptions letter dated September 17, 2019. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Measurement Date

June 30, 2019.

Data

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

Post-Retirement Mortality Rates

Healthy Members and all Beneficiaries

Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables (separate tables for males and females), with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Disabled Members

Headcount-Weighted RP-2014 Disabled Retiree Mortality Tables (separate tables for males and females), with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

The RP-2014 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.

Termination Rates before Retirement

Pre-Retirement Mortality

Headcount-Weighted RP-2014 Employee Mortality Tables (separate tables for males and females), with no setback for males and females, multiplied by 90%, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Rates of termination for Members with less than five years of service are as follows:

Years of Service	Rate (%)
0	12.00
1	10.00
2	9.00
3	8.25
4	7.75

	Rate (%)	
Age	Disability	Termination(1)
25	0.01	7.00
30	0.02	7.00
35	0.05	5.50
40	0.07	3.90
45	0.13	3.20
50	0.19	2.70
55	0.20	2.50
60	0.20	2.50

(1) Rates for Members with five or more years of service. No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Retirement Rates

	Rate (%)					
	Tier 1		APO Tier 1(1)		Tier 3	
Age	Non-55/30	55/30	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	7.0	0.0	6.0	0.0
51	3.0	0.0	4.0	0.0	3.0	0.0
52	3.0	0.0	4.0	0.0	3.0	0.0
53	3.0	0.0	4.0	0.0	3.0	0.0
54	17.0	0.0	18.0	0.0	16.0	0.0
55	6.0	24.0	7.0	25.0	0.0(2)	23.0
56	6.0	16.0	7.0	17.0	0.0(2)	15.0
57	6.0	16.0	7.0	17.0	0.0(2)	15.0
58	6.0	16.0	7.0	17.0	0.0(2)	15.0
59	6.0	16.0	7.0	17.0	0.0(2)	15.0
60	7.0	16.0	8.0	17.0	6.0	15.0
61	7.0	16.0	8.0	17.0	6.0	15.0
62	7.0	16.0	8.0	17.0	6.0	15.0
63	7.0	16.0	8.0	17.0	6.0	15.0
64	7.0	16.0	8.0	17.0	6.0	15.0
65	13.0	20.0	14.0	21.0	12.0	19.0
66	13.0	20.0	14.0	21.0	12.0	19.0
67	13.0	20.0	14.0	21.0	12.0	19.0
68	13.0	20.0	14.0	21.0	12.0	19.0
69	13.0	20.0	14.0	21.0	12.0	19.0
70 & Over	100.0	100.0	100.0	100.0	100.0	100.0

(1) Consistent with the cost study prepared for the adoption of enhanced Tier 1 benefits, the rates above are estimated by increasing the retirement rates for Tier 1 by a flat 1%.

(2) Not eligible to retire under the provisions of the Tier 3 plan.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Participants

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

Exclusion of Inactive Vested

Inactive vested with less than 10 years of service are excluded.

Unknown Data for Members

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year

Net Investment Return

7.25%[(1)]

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

Discount Rate

7.25%

Salary Increases

The annual rate of compensation increase includes: inflation at 3.00%, plus "across the board" salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Percentage Increase
Less than 1	6.50%
1 – 2	6.20%
2 – 3	5.10%
3 – 4	3.10%
4 – 5	2.10%
5 – 6	1.10%
6 – 7	1.00%
7 – 8	0.90%
8 – 9	0.70%
9 – 10	0.60%
10 & Over	0.40%

Per Capita Cost Development

The assumed costs on a composite basis are the future costs of providing postemployment healthcare 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 healthcare services.

Maximum Dental Subsidy
2019-20 Fiscal Year

Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	79.4%	$44.60
DeltaCare USA	20.6%	$13.98

Medicare Part B Premium Subsidy[(1)]	
Actual monthly premium for calendar year 2019	$135.50
Projected monthly premium for calendar year 2020	$141.60
Projected monthly premium for plan year 2019/2020	$138.55

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

Maximum Monthly Medical Subsidy
(Not Subject to Medical Subsidy Cap)
Participant Under Age 65 or Not Eligible for Medicare A & B
2019-20 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.9%	$853.39	$1,706.78	$853.39
Anthem BC PPO	21.5%	$1,271.19	$1,790.80	$853.39
Anthem BC HMO	16.6%	$996.03	$1,790.80	$853.39

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Monthly Medical Subsidy
(Not Subject to Medical Subsidy Cap)
Participant Eligible for Medicare A & B
2019-20 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	57.6%	$262.47	$524.94	$262.47
Anthem BC Medicare Supplement	31.4%	$546.54	$1,066.16	$546.54
UHC Medicare Advantage Plan(1)	11.0%	$275.98	$547.14	$275.98

(1) Rates for CA plan.

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

Maximum Monthly Medical Subsidy
(Subject to Medical Subsidy Cap)

	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65: All Plans	$1,190.00	$1,190.00	$593.62
Age 65 and Over: Kaiser Senior Advantage HMO	$203.27	$406.54	$203.27
Blue Cross Medicare Supplement	$478.43	$478.43	$478.43
UHC Medicare Advantage Plan	$219.09	$433.93	$219.09

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

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

Age	Retiree Male	Retiree Female	Spouse Male	Spouse Female
55	0.9019	0.9312	0.7098	0.8040
60	1.0711	1.0037	0.9503	0.9324
64	1.2288	1.0647	1.1996	1.0495
65	0.9187	0.7809	0.9187	0.7809
70	1.0648	0.8415	1.0648	0.8415
75	1.1475	0.9058	1.1475	0.9058
80+	1.2357	0.9766	1.2357	0.9766

Spouse/Domestic Partner Coverage

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

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

Participation

Retiree Medical and Dental Coverage Participation:

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

(1) Inactive Members are assumed to elect coverages at 50% of the rates shown above.

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

Health Care Cost Subsidy Trend Rates

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

First Fiscal Year (July 1, 2019 through June 30, 2020):

Plan	Trend to be applied to 2019-20 Fiscal Year premium
Anthem BC HMO, Under Age 65	7.89%
Anthem BC PPO, Under Age 65	3.40%
Kaiser HMO, Under Age 65	3.37%
Anthem BC Medicare Supplement	3.88%
Kaiser Senior Advantage	3.12%
UHC Medicare Advantage Plan	3.96%

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Health Care Cost Subsidy Trend Rates (Continued)

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

Fiscal Year	Trend (Approx.)		Calendar Year	Trend (applied to calculate following year premium)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2020-21	6.62%	6.12%	2020	6.75%	6.25%
2021-22	6.37%	5.87%	2021	6.50%	6.00%
2022-23	6.12%	5.62%	2022	6.25%	5.75%
2023-24	5.87%	5.37%	2023	6.00%	5.50%
2024-25	5.62%	5.12%	2024	5.75%	5.25%
2025-26	5.37%	4.87%	2025	5.50%	5.00%
2026-27	5.12%	4.62%	2026	5.25%	4.75%
2027-28	4.87%	4.50%	2027	5.00%	4.50%
2028-29	4.62%	4.50%	2028	4.75%	4.50%
2029-30 and later	4.50%	4.50%	2029	4.50%	4.50%

Dental Premium Trend: 4.00% for all years.

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

Health Care Reform

As directed by LACERS, the impact of potential excise tax imposed on high-cost health care plans by the Affordable Care Act (ACA) and related statutes on certain health plans was reflected in the current valuation in calculating the contribution rates for the employer. Statements No. 74 and No. 75 by the Governmental Accounting Standards Board (GASB) for financial reporting purposes require the inclusion of the excise tax in the liability. The potential tax liability has been allocated to the Plan and member in the same proportion as the proportion of the total medical premium paid by the Plan and member.

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

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

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 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% of MVA nor greater than 140% of MVA.

Valuation Value of Assets

The portion of the total actuarial value of assets allocated for health 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, were combined and amortized over 30 years effective June 30, 2012. Health trend and premium assumption changes are amortized over 15 years.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Employer Contributions (Continued)

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 3.50% (i.e., 3.00% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Assumption Changes since Prior Valuation

The trend used to project future Medicare Part B premiums was increased from 4.00% to 4.50%. Starting premium costs and first year trends were updated to reflect 2020 calendar year premium data.

Summary of Plan Provisions

LACERS administers a single-employer postemployment healthcare plan. The following summarizes the major benefit provisions of the Health Plan as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 3 – Postemployment Health Care Plan Description on page 34 regarding the Membership).

Tier 3 (§4.1080.2(a))

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

Benefit Eligibility

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

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

Medical Subsidy for Members Not Subject to Cap

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

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

Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium). As of July 1, 2019, the maximum monthly health subsidy is $1,790.80, remaining unchanged in calendar year 2020. This amount includes coverage of dependent premium costs.

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

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

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

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

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

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

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

Summary of Plan Provisions (Continued)

Dependents

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

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

Dental Subsidy for Members

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

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2019, the maximum dental subsidy is $44.60 per month; remaining unchanged in calendar year 2020.

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

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

If a retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium.

Medical Subsidy for Surviving Spouse

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

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

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($853.39 per month as of July 1, 2019, remaining unchanged in calendar year 2020).

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

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

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

Changes in Plan Provisions

None.

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Statistical

Statistical Section

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

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

Fiscal Year	Member Contributions	Employer Contributions[1] Amounts	Employer Contributions[1] As a % of Annual Covered Payroll[2]	Net Investment Income (Loss)[3]	Total Additions
2010	$ 126,961	$ 266,240	14.2%	$ 911,088	$ 1,304,289
2011	114,731	306,737	18.1	1,654,824	2,076,292
2012	178,246	308,712	18.0	72,705	559,663
2013	197,881	346,350	19.9	1,275,612	1,819,843
2014	204,136	357,818	19.8	1,820,266	2,382,220
2015	207,564	381,299	20.8	308,557	897,420
2016	211,345	440,704	23.5	27,638	679,687
2017	227,532	453,504	23.0	1,524,533	2,205,569
2018	236,222	450,338	21.9	1,249,814	1,936,374
2019	240,357	478,827	22.7	802,027	1,521,211

(1) Contributions received on July 15th of the fiscal year with discounted rate.
(2) Starting fiscal year 2014, when a new benefit tier was added, % of Annual Covered Payroll is an aggregate rate for all tiers and it is based on actual covered payroll.
(3) Includes unrealized gains and losses of investments. Investment related administrative expenses are included starting fiscal year 2014 pursuant to GASB Statement No. 67.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses[1]	Total Deductions
2010	$ 569,938	$ 27,971	$ 14,204	$ 612,113
2011	654,384	18,215	13,232	685,831
2012	664,626	11,100	12,995	688,721
2013	687,362	17,697	13,352	718,411
2014	708,956	15,982	12,438	737,376
2015	734,736	10,121	15,946	760,803
2016	767,264	7,719	15,576	790,559
2017	799,221	9,803	16,019	825,043
2018	847,031	10,412	16,394	873,837
2019	909,154	11,684	17,806	938,644

(1) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.

Schedule of Additions by Source - Postemployment Health Care Plan

(Dollars in Thousands)

Fiscal Year	Employer Contributions[1] Amounts	Employer Contributions[1] As a % of Annual Covered Payroll[2]	Self-Funded Insurance Premium[3]	Health Insurance Premium Reserve[3]	Net Investment Income (Loss)[4]	Total Additions
2010	$ 96,511	5.3 %	$ -	$ -	$ 155,745	$ 252,256
2011	107,396	6.4	-	-	295,324	402,720
2012	115,209	6.7	-	-	10,314	125,523
2013	72,916	4.2	-	-	253,632	326,548
2014	97,841	5.4	-	-	375,504	473,345
2015	100,467	5.5	-	-	59,435	159,902
2016	105,983	5.7	-	-	(721)	105,262
2017	97,457	4.9	-	-	330,368	427,825
2018	100,909	4.9	-	-	269,065	369,974
2019	107,927	5.1	6,090	468	166,470	280,955

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

Schedule of Deductions by Type - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses[1]	Total Deductions
2010	$ 83,196	$ 2,859	$ 86,055
2011	98,156	2,786	100,942
2012	91,437	2,931	94,368
2013	97,946	3,197	101,143
2014	101,628	3,327	104,955
2015	103,599	3,932	107,531
2016	109,940	4,151	114,091
2017	119,616	4,224	123,840
2018	128,081	4,384	132,465
2019	140,129	5,099	145,228

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

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan
Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Additions: City Contributions	Additions: Member Contributions	Additions: Net Investment Income (Loss)	Additions: Total Additions	Deductions: Benefit Payments	Deductions: Refunds of Contributions	Deductions: Admin. Expenses[1]	Deductions: Total Deductions	Net In(De)crease in Fiduciary Net Position
2010	$ 266,240	$ 126,961	$ 911,088	$ 1,304,289	$ 569,938	$ 27,971	$ 14,204	$ 612,113	$ 692,176
2011	306,737	114,731	1,654,824	2,076,292	654,384	18,215	13,232	685,831	1,390,461
2012	308,712	178,246	72,705	559,663	664,626	11,100	12,995	688,721	(129,058)
2013	346,350	197,881	1,275,612	1,819,843	687,362	17,697	13,352	718,411	1,101,432
2014	357,818	204,136	1,820,266	2,382,220	708,956	15,982	12,438	737,376	1,644,844
2015	381,299	207,564	308,557	897,420	734,736	10,121	15,946	760,803	136,617
2016	440,704	211,345	27,638	679,687	767,264	7,719	15,576	790,559	(110,872)
2017	453,504	227,532	1,524,533	2,205,569	799,221	9,803	16,019	825,043	1,380,526
2018	450,338	236,222	1,249,814	1,936,374	847,031	10,412	16,394	873,837	1,062,537
2019	478,827	240,357	802,027	1,521,211	909,154	11,684	17,806	938,644	582,567

(1) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.

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

(In Thousands)

Fiscal Year	Additions: City Contributions	Additions: Self-Funded Insurance Premium[1]	Additions: Health Insurance Premium Reserve[1]	Additions: Net Investment Income (Loss)	Additions: Total Additions	Deductions: Benefit Payments	Deductions: Admin. Expenses[2]	Deductions: Total Deductions	Net In(De)crease in Fiduciary Net Position
2010	$ 96,511	$ -	$ -	$ 155,745	$ 252,256	$ 83,196	$ 2,859	$ 86,055	$ 166,201
2011	107,396	-	-	295,324	402,720	98,156	2,786	100,942	301,778
2012	115,209	-	-	10,314	125,523	91,437	2,931	94,368	31,155
2013	72,916	-	-	253,632	326,548	97,946	3,197	101,143	225,405
2014	97,841	-	-	375,504	473,345	101,628	3,327	104,955	368,390
2015	100,467	-	-	59,435	159,902	103,599	3,932	107,531	52,371
2016	105,983	-	-	(721)	105,262	109,940	4,151	114,091	(8,829)
2017	97,457	-	-	330,368	427,825	119,616	4,224	123,840	303,985
2018	100,909	-	-	269,065	369,974	128,081	4,384	132,465	237,509
2019	107,927	6,090	468	166,470	280,955	140,129	5,099	145,228	135,727

(1) Additions related to LACERS Postemployment Health Care 115 Trust fund and the self-funded Dental Plan established in fiscal year 2019.

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

Schedule of Benefit Expenses by Type - Retirement Plan

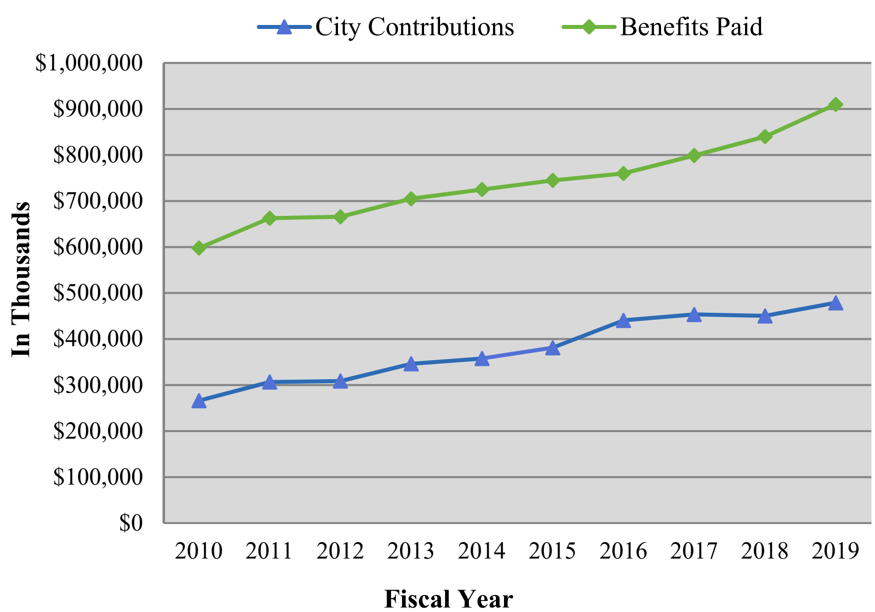
(In Thousands)

	Benefits						Refunds of Contributions					
	Age & Service Benefits			Disability Benefits								
Fiscal Year	Retirants	Survivors	Death in Service	Retirants	Survivors	Sub-total	Separation	Death in Service	Unused Contributions	Misc.	Sub-Total	Total Benefits Paid
2010	$ 483,295	$ 60,299	$ 2,699	$ 16,268	$ 7,377	$ 569,938	$ 21,814	$ 1,269	$ 1,094	$3,794	$ 27,971	$ 597,909
2011	563,254	64,160	2,674	16,544	7,752	654,384	13,951	1,640	1,281	1,343	18,215	672,599
2012	570,633	66,735	2,477	16,720	8,061	664,626	6,765	2,416	965	954	11,100	675,726
2013	588,035	70,298	2,776	17,810	8,443	687,362	13,103	2,515	1,006	1,073	17,697	705,059
2014	606,135	73,477	2,669	17,657	9,018	708,956	12,295	1,509	1,184	994	15,982	724,938
2015	627,865	76,619	2,537	18,348	9,367	734,736	3,891	1,848	1,342	3,040	10,121	744,857
2016	657,810	78,441	2,315	19,001	9,697	767,264	4,241	1,231	883	1,364	7,719	774,983
2017	686,172	81,250	2,738	18,810	10,251	799,221	4,213	3,015	1,027	1,548	9,803	809,024
2018	731,954	83,387	2,402	18,850	10,438	847,031	5,686	1,653	1,588	1,485	10,412	857,443
2019	794,844	83,072	2,066	18,935	10,237	909,154	6,529	3,302	1,054	799	11,684	920,838

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2010	$ 266,240	$ 597,909
2011	306,737	672,599
2012	308,712	675,726
2013	346,350	705,059
2014	357,818	724,938
2015	381,299	744,857
2016	440,704	774,983
2017	453,504	809,024
2018	450,338	857,443
2019	478,827	920,838



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

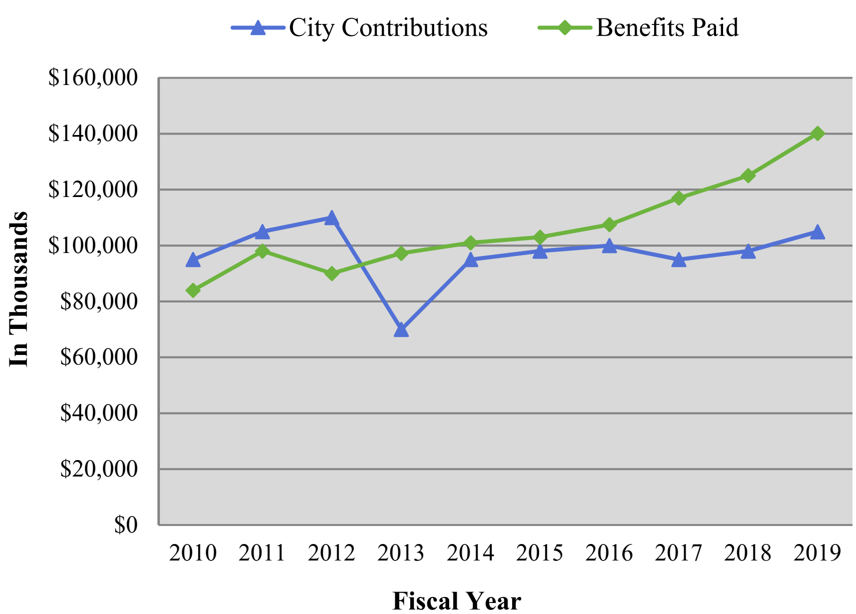
(In Thousands)

	Age & Service Benefits		Death in Service	Disability Benefits		
Fiscal Year	Retirants	Survivors	Benefits	Retirants	Survivors	Total Benefits Paid
2010	$ 70,548	$ 8,802	$ 394	$ 2,375	$ 1,077	$ 83,196
2011	84,487	9,624	401	2,481	1,163	98,156
2012	78,506	9,181	341	2,300	1,109	91,437
2013	83,792	10,017	396	2,538	1,203	97,946
2014	86,889	10,533	382	2,531	1,293	101,628
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2010	$ 96,511	$ 83,196
2011	107,396	98,156
2012	115,209	91,437
2013	72,916	97,946
2014	97,841	101,628
2015	100,467	103,599
2016	105,983	109,940
2017	97,457	119,616
2018	100,909	128,081
2019	107,927	140,129



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants[1]	Type of Benefits[2] 1	2	3	4	5	6	7	8	9	10	11
$ 1 to $1,000	1,745	373	338	9	455	67	159	85	259	-	432	18
1,001 to 2,000	3,521	1,066	835	56	512	582	87	209	174	-	79	1
2,001 to 3,000	3,141	1,849	573	84	253	219	23	75	65	-	16	1
3,001 to 4,000	3,129	2,578	282	81	127	13	3	18	27	-	4	-
4,001 to 5,000	2,824	2,538	179	37	55	5	-	2	8	-	1	-
5,001 to 6,000	2,094	1,925	119	15	30	1	-	-	4	-	-	-
6,001 to 7,000	1,323	1,232	64	7	19	-	-	-	1	-	-	-
7,001 to 8,000	800	764	20	5	11	-	-	-	-	-	-	-
8,001 to 9,000	512	474	23	7	8	-	-	-	-	-	-	-
9,001 to 10,000	303	284	10	4	5	-	-	-	-	-	-	-
Over $10,000	575	541	22	1	7	3	-	1	-	-	-	-
Total	19,967	13,624	2,465	306	1,482	890	272	390	538	-	532	20

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits are voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship
8 - DRO Life Time Annuity
9 - DRO Term Annuity
10 - Larger Annuity
11 - Larger Annuity Continuance

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits[3] 1	2	3	4	5	6	7
Medical Subsidy								
$ 1 to $ 200	491	335	35	4	39	48	17	13
201 to 400	4,680	3,374	968	80	123	58	25	52
401 to 600	5,000	4,215	401	50	207	84	17	26
601 to 800	180	94	15	14	28	14	1	14
801 to 1,000	1,718	1,409	91	30	120	58	4	6
1,001 to 1,200	1,393	1,352	-	-	36	5	-	-
1,201 to 1,400	908	836	-	-	53	19	-	-
1,401 to 1,791[1]	1,368	1,319	-	-	43	6	-	-
Total	15,738	12,934	1,510	178	649	292	64	111
Dental Subsidy								
$ 1 to $ 10	634	463	-	-	75	96	-	-
11 to 20	2,452	2,291	-	-	109	52	-	-
21 to 30	949	708	-	-	156	85	-	-
31 to 40	1,075	893	-	-	142	40	-	-
41 to 45[2]	8,354	8,188	-	-	146	20	-	-
Total	13,464	12,543	-	-	628	293	-	-

(1) Maximum medical subsidy for plan year 2019.
(2) Maximum dental subsidy for plan year 2019.
(3) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2009 to June 30, 2019	Years of Service Credit Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/09 to 6/30/10						
Average Monthly Benefit at Retirement	$ 907	$ 1,964	$ 2,810	$ 3,911	$ 4,674	$ 5,818
Average Final Monthly Salary(1)	$ 3,755	$ 5,525	$ 6,030	$ 6,316	$ 6,514	$ 6,708
Number of Retirees Added (2)	94	140	137	365	559	1,238
Period 7/1/10 to 6/30/11						
Average Monthly Benefit at Retirement	$ 768	$ 1,414	$ 2,369	$ 3,146	$ 3,721	$ 5,920
Average Final Monthly Salary(1)	$ 5,266	$ 5,175	$ 6,141	$ 6,424	$ 6,409	$ 7,882
Number of Retirees Added	51	42	27	55	42	37
Period 7/1/11 to 6/30/12						
Average Monthly Benefit at Retirement	$ 784	$ 1,379	$ 2,362	$ 3,453	$ 4,008	$ 6,003
Average Final Monthly Salary(1)	$ 4,995	$ 5,052	$ 6,338	$ 7,165	$ 6,804	$ 8,238
Number of Retirees Added	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit at Retirement	$ 976	$ 1,888	$ 2,253	$ 3,355	$ 4,101	$ 5,487
Average Final Monthly Salary(1)	$ 6,025	$ 6,713	$ 6,055	$ 6,819	$ 7,007	$ 7,573
Number of Retirees Added	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary(1)	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary(1)	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	$ 943	$ 1,756	$ 2,514	$ 3,796	$ 4,514	$ 5,498
Average Final Monthly Salary(1)	$ 5,095	$ 6,077	$ 6,786	$ 7,656	$ 7,731	$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit(3)	$ 886	$ 1,068	$ 1,388	$ 1,521	$ 1,657	$ 2,568
Number of Continuance Benefit Added(3)	79	29	24	41	32	65
Period 7/1/16 to 6/30/17						
Average Monthly Benefit at Retirement	$ 1,076	$ 1,764	$ 2,546	$ 3,412	$ 4,789	$ 5,745
Average Final Monthly Salary(1)	$ 5,553	$ 6,326	$ 6,974	$ 7,696	$ 8,053	$ 8,204
Number of Retirees Added	105	99	104	107	263	271
Average Monthly Continuance Benefit(3)	$ 1,154	$ 1,022	$ 1,360	$ 1,949	$ 1,869	$ 2,916
Number of Continuance Benefit Added(3)	70	19	30	38	50	55
Period 7/1/17 to 6/30/18						
Average Monthly Benefit at Retirement	$ 1,291	$ 1,913	$ 2,739	$ 3,922	$ 5,037	$ 6,348
Average Final Monthly Salary(1)	$ 5,869	$ 6,707	$ 7,100	$ 7,896	$ 8,292	$ 8,758
Number of Retirees Added	115	115	136	85	247	377
Average Monthly Continuance Benefit(3)	$ 1,012	$ 1,411	$ 1,562	$ 2,076	$ 2,830	$ 3,812
Number of Continuance Benefit Added(3)	70	25	26	28	49	54

Schedule of Average Benefit Payments - Retirement Plan (Continued)

Retirement Effective Dates July 1, 2009 to June 30, 2019	Years of Service Credit Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/18 to 6/30/19						
Average Monthly Benefit at Retirement	$ 1,003	$ 2,010	$ 2,756	$ 3,829	$ 5,395	$ 6,834
Average Final Monthly Salary(1)	$ 5,276	$ 6,613	$ 7,103	$ 7,771	$ 8,695	$ 9,219
Number of Retirees Added	123	104	147	82	277	344
Average Monthly Continuance Benefit(3)	$ 1,697	$ 1,703	$ 1,586	$ 2,655	$ 2,665	$ 4,184
Number of Continuance Benefit Added(3)	65	28	30	29	42	82

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).
(3) Additional information for Continuance Benefit is provided starting fiscal year 2016.

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2009 to June 30, 2019	Years of Service Credit Under 10 yrs(1)	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/09 to 6/30/10					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 385	$ 562	$ 634	$ 786
Number of Retirees Added (2)	8	116	110	267	1,978
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 21	$ 26	$ 28
Number of Retirees Added (2)	11	120	102	261	1,987
Period 7/1/10 to 6/30/11					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 465	$ 440	$ 688	$ 648
Number of Retirees Added	1	31	31	69	145
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 17	$ 22	$ 17
Number of Retirees Added	2	26	26	68	130
Period 7/1/11 to 6/30/12					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 372	$ 581	$ 660	$ 642
Number of Retirees Added	-	34	27	84	136
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 10	$ 17	$ 28	$ 25
Number of Retirees Added	4	25	24	75	131
Period 7/1/12 to 6/30/13					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 428	$ 596	$ 790	$ 840
Number of Retirees Added	1	64	33	102	243
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 14	$ 21	$ 28	$ 26
Number of Retirees Added	2	55	27	95	235

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2009 to June 30, 2019	Years of Service Credit Under 10 yrs(1)	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/13 to 6/30/14					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266
Period 7/1/14 to 6/30/15					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	-	85	40	105	409
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	1	78	35	102	399
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 309	$ 515	$ 729	$ 926	$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 16	$ 24	$ 34	$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 411	$ 493	$ 717	$ 1,136	$ 1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 18	$ 25	$ 34	$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 547	$ 771	$ 1,082	$ 1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 5	$ 17	$ 27	$ 31	$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 716	$ 560	$ 714	$ 1,012	$ 1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 16	$ 27	$ 36	$ 37
Number of Retirees Added	4	75	113	62	539

(1) Effective February 21, 2016, retiree health benefits are provided to part-time employees who retired with 10 years of service but less than 10 years of service credit. Previously, they were allowed to enroll in LACERS Health Care Plan at their own cost, but not eligible for health benefits.

(2) Large increase is primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Direct questions concerning any of the information provided in this report to:

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

(800) 779-8328
(888) 349-3996 TTY
(213) 473-7297 FAX
www.LACERS.org

LACERS
LOS ANGELES CITY EMPLOYEES
RETIREMENT SYSTEM

Securing Your Tomorrows

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Rahoof "Wally" Oyewole, Dept. Audit Manager

Rahoof Oyewole

MEETING: JANUARY 28, 2020
ITEM: V-C

SUBJECT: **RECEIVE AND FILE - LACERS' POSTEMPLOYMENT HEALTH CARE (115 TRUST) AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019**

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

Recommendation

That the Board receive and file the 115 Trust audited financial statements for Fiscal Year ended June 30, 2019.

Executive Summary

In December 2019, the Board and the City entered into a trust agreement regarding LACERS' newly established Postemployment Health Care Fund (115 Trust or Fund). The agreement requires LACERS to submit annual audited financial statements for the Fund to the City. LACERS' current external auditor, Brown Armstrong, was engaged to audit 115 Trust financial statements for the Fiscal Year ended June 30, 2019. Brown Armstrong has issued an unmodified ("clean") opinion. The attached trust financial statements and accompanied auditor's reports will be forwarded to the City as required by the agreement.

Discussion

On November 9, 2018, the City Council approved Ordinance No. 185829 to establish the LACERS Health Care Fund (115 Trust or Fund) for the sole purpose of funding the retiree healthcare benefits for eligible LACERS' retirees and beneficiaries, as well as to help stabilize premium rates over time. During this first fiscal year, the Fund was primarily used to record premiums and claims related to LACERS' new Self-Funded Dental Insurance program.

The ordinance provides that LACERS Board serves as the trustee of the Fund, and requires the Board and the City to enter into an agreement to administer the Fund. In December 2018, the City and the Board entered into a trust agreement to formalize the roles and responsibilities of each party with respect to the administration and investment of the Fund. Although 115 Trust financial data were included as part of LACERS' overall Postemployment Health Care Plan financial statements, trust agreement requires audited financial statements specifically for 115 Trust. To comply with this provision, LACERS prepared statements specifically to capture trust fund activities, and engaged Brown Armstrong, LACERS current external auditor, to audit the statements. Brown Armstrong staff have completed the audit and issued an unmodified opinion. Attached are Brown Armstrong's reports and trust financial statements. The reports will be transmitted to the City as required by the trust agreement. Staff will be available to answer any questions the Board may have.

Prepared By: Rahoof "Wally" Oyewole, Departmental Audit Manager

RO

Attachments: 1. Brown Armstrong Reports to Audit Committee and the Board
2. LACERS' 115 Trust Audited Financial Statements Year Ended June 30, 2019

BOARD Meeting: 01/28/20
Item V – C
Attachment 1

BROWN ARMSTRONG
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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee and Board of Administration
Los Angeles City Employees' Retirement System
Lost Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles City Employees' Retirement System (LACERS) Postemployment Health Care fund (115 Trust), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the LACERS 115 Trust basic financial statements, and have issued our report thereon dated January 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACERS 115 Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LACERS 115 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACERS 115 Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACERS 115 Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 7, 2020

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BROWN ARMSTRONG

Certified Public Accountants

REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE AND BOARD OF ADMINISTRATION IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Audit Committee and Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited the financial statements of the Los Angeles City Employees' Retirement System (LACERS) Postemployment Health Care Fund (115 Trust) for the fiscal year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our scope of services outline to you dated December 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LACERS 115 Trust are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by LACERS 115 Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting LACERS 115 Trust financial statements was:

- Management's estimate of the fair value of investments which is derived by various methods as explained in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Note 1 – *Description of LACERS and Significant Accounting Policies* and Note 3 – *Cash and Short-Term Investments and Investments* were derived from LACERS' investment policy. The estimated fair value of investments was derived by various methods as detailed in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Audit Management Issues
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all misstatements identified during the audit, if any, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted during our audit.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the Management Representation Letter dated January 7, 2020.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the LACERS 115 Trust financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LACERS 115 Trust auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the Management's Discussion and Analysis (MD&A) and the Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

****

This report is intended solely for the information and use of the Audit Committee, Board of Administration, and management of LACERS 115 Trust, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 7, 2020

BOARD Meeting: 01/28/20
Item V – C
Attachment 2

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF
THE CITY OF LOS ANGELES, CALIFORNIA)
POSTEMPLOYMENT HEALTH CARE FUND (115 TRUST)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)
POSTEMPLOYMENT HEALTH CARE FUND (115 TRUST)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table of Contents

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Los Angeles City Employees' Retirement System (LACERS) Postemployment Health Care Fund (115 Trust) as of June 30, 2019, and the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LACERS 115 Trust preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS 115 Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the 115 Trust of LACERS as of June 30, 2019, and the changes in fiduciary net position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4, these financial statements present only the 115 Trust, and do not purport to, and do not present fairly the financial position of LACERS, as of June 30, 2019, the changes in its financial position, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the 115 Trust that collectively comprise the 115 Trust's basic financial statements. The Schedule of Administrative Expenses, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2020, on our consideration of LACERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS 115 Trust internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 7, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Financial Highlights

- On November 9, 2018, Los Angeles City Employees' Retirement System (LACERS or the System) Postemployment Health Care Fund (115 Trust Fund, 115 Trust or the "Fund") was established upon City Council approval of Ordinance No. 185829 amending Article 1 of Chapter 11, Division 4 of the Los Angeles Administrative Code, for the sole purpose of funding the retiree healthcare benefits for eligible LACERS retirees and beneficiaries in addition to or in lieu of the LACERS' Health Care Coverage Account (the "401(h)") as well as to help stabilize premium rates over time (refer to Note 1 – Postemployment Health Care Fund (115 Trust) Description on page 9).

- Effective January 1, 2019, LACERS' fully-insured Delta Dental Preferred Provider Organization (PPO) Plan was replaced with LACERS Self-funded Delta Dental PPO Plan under the LACERS 115 Trust Fund.

- The LACERS 115 Trust fiduciary net position as of June 30, 2019 was $2,188,937.

- The total additions to the fiduciary net position of the Fund, from Self-funded Dental ("Dental") insurance premium, Members' portion of premium reserve, and investment income from the Short-Term Investment were $6,578,797. These are the only funding sources to the 115 Trust fund for this fiscal year.

- The total deductions from the fiduciary net position of the Fund were $4,389,860, for the payment of Self-Funded Dental insurance claims and third party fee for the administration of the Dental claims and the Fund's share in the System's administrative expenses.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS' 115 Trust financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedule provide additional financial data on the Fund's operations. All notes to the financial Statements, additional information in the Required Supplementary Information and Supplemental Schedule apply to 115 Trust only unless indicated otherwise.

Financial Statements

There are two financial statements presented by the LACERS' Health Care Fund. The Statement of Fiduciary Net Position on page 7 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of the Fund is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 8 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Financial Statements

The notes to the financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 - 12 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Investment Return for the Fund. This required supplementary information can be found on page 13 of this report.

Overview of the Financial Statements (Continued)

Supplemental Schedule

The supplemental schedule consists of a Schedule of Administrative Expenses. This is presented to provide additional financial information on the Fund's operations for the current fiscal year. This schedule can be found on page 14 of this report.

Financial Analysis

LACERS Postemployment Health Care Fund (115 Trust) was established in this fiscal year, and therefore, comparative information is not available in the foregoing analysis and reports. The 115 Trust is part of LACERS Postemployment Health Care Plan which is composed of the existing 401(h) account and the newly established 115 Trust account. Internally, LACERS accounts each in a separate fund, however, for purposes of the financial statements presentation, these are combined into one and presented in the Postemployment Healthcare Plan of LACERS.

Fiduciary Net Position

The following table details the components of the fiduciary net position of the Fund as of June 30, 2019. The majority of the Fund's fiduciary net position consists of cash and short-term investments, and self-funded insurance prepayment.

	June 30, 2019
Cash and Short-Term Investments	$ 1,801,302
Receivables	
Accrued Investment Income	4,400
Accrued Insurance Premium	307
Total Receivables	4,707
Self-Funded Insurance Prepayment	1,056,000
Total Assets	2,862,009
Accrued Benefit Claims	610,363
Accrued Administrative Expenses	62,589
Accrued Investment Expenses	120
Total Liabilities	673,072
Fiduciary Net Position Restricted for Postemployment Health Care Benefits – 115 Trust	$ 2,188,937

Financial Analysis (Continued)

Net Increase in Fiduciary Net Position

The increase in fiduciary net position during the reporting period was the net effect of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the fiscal year:

	June 30, 2019
Total Additions	$ 6,578,797
Total Deductions	4,389,860
Net Increase in Fiduciary Net Position	2,188,937
Fiduciary Net Position, Beginning of Year	-
Fiduciary Net Position, End of Year	$ 2,188,937

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

The additions to the Fund's net position that constitute the funding sources of 115 Trust health benefits are Self-Funded Dental ("Dental") Insurance Premium, Members' Insurance Premium Reserve, and Short-Term Investment Income.

In this fiscal year, the Fund recognized revenue of $5,034,036 representing monthly dental insurance premium and $1,056,000 one-time payment received from the existing 401(h) Health Care fund to prepay a reserve for the Dental Plan. Additionally, $468,153 of Members' portion from the health insurance premium reserve amount was also recognized as revenue (refer to Note 2 – Summary of Significant Accounting Policies, subheading Reserves on page 10).

The following table represents the components that make up the additions to the Fund's fiduciary net position for the fiscal year ended June 30, 2019:

	June 30, 2019
Self-Funded Dental Insurance Premium	$ 6,090,036
Members Insurance Premium Reserve	468,153
Net Investment Income	20,608
Additions to Fiduciary Net Position	$ 6,578,797

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

The following table provides information related to the deductions from the Fund's fiduciary net position for the fiscal year ended June 30, 2019:

	June 30, 2019
Self-Funded Dental Insurance Claims	$ 4,018,393
Administrative Expenses	371,467
Deductions from Fiduciary Net Position	$ 4,389,860

Management's Discussion and Analysis

Financial Analysis (Continued)

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

The deductions from the Fund's fiduciary net position in this reporting period can be summarized as Self-Funded Dental Insurance Claims, and Administrative Expenses.

In this reporting period, the Fund paid Dental insurance claims of $4,018,393 representing dental benefit claims paid from January through June 2019.

Administrative expenses included $364,721 of third party fees charged for the administration of Dental benefit claims and some legal counsel cost for legal advice and guidance needed for the establishment of 115 Trust Fund (refer to Note 1 – Postemployment Health Care Fund (115 Trust) Description on page 9).

Requests for Information

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

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

FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Postemployment Health Care Fund (115 Trust)
As of June 30, 2019

		2019
Assets		
Cash and Short-Term Investments	$	1,801,302
Receivables		
Accrued Investment Income		4,400
Accrued Insurance Premium		307
Total Receivables		4,707
Self-Funded Insurance Prepayment		1,056,000
Total Assets		2,862,009
Liabilities		
Accrued Benefit Claims		610,363
Accrued Administrative Expenses		62,589
Accrued Investment Expenses		120
Total Liabilities		673,072
Fiduciary Net Position Restricted for Postemployment Health Care Benefits - 115 Trust	**$**	**2,188,937**

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

Statement of Changes in Fiduciary Net Position
Postemployment Health Care Fund (115 Trust)
For the Fiscal Year Ended June 30, 2019

	2019
Additions	
Self-Funded Dental Insurance Premium	$ 6,090,036
Members Insurance Premium Reserve	468,153
Investment Income	
Interest	21,261
Less: Investment Expenses	(566)
Investment Related Administrative Expenses	(87)
Net Investment Income	20,608
Total Additions	6,578,797
Deductions	
Self-Funded Dental Insurance Claims	4,018,393
Administrative Expenses	371,467
Total Deductions	4,389,860
Net Increase in Fiduciary Net Position	2,188,937
Fiduciary Net Position Restricted for Postemployment Health Care Benefits – 115 Trust	
Beginning of Year	-
End of Year	**$ 2,188,937**

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

1. Postemployment Health Care Fund (115 Trust) Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan, which consist of a 401(h) fund (the 401(h) account) and a 115 Trust Fund. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor.

Establishment of 115 Trust

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

115 Trust Administration

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

Plan Administration

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

The Plan is currently funded by existing Health Care Coverage Account (the "401(h)") and Health Care Fund (the "115 Trust"). Health care benefit cost (except Self-funded Dental Plan benefits and its administrative cost) shall be paid first from the 401(h) account until it is depleted. Upon depletion of the 401(h), the 115 Trust shall solely fund the health benefit cost.

Eligibility Requirement and Benefits Provided

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

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

1. Postemployment Health Care Fund (115 Trust) Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment healthcare benefits after the retired Member's death. During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2019, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Premiums from the Members and other expenses are recognized when due and payable.

Investments

Investment Policies
Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, real assets, private equity, and short-term investments.

During this reporting year, the funds of the 115 Trust were separately invested under short-term investment assets in order to maintain enough cash flow to pay out the monthly benefit claims and third party dental claims administrator's fee.

Fair Value of Investments
US GAAP requires that assets be reported at fair value in accordance with Accounting Standards Codification Topic 820 – *Fair Value Measurement and Disclosures.* Additionally, the provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy (refer to Note 3 – Cash and Short-Term Investments and Investments, subheading Fair Value Measurements on page 12).

The 115 Trust Fund's investments as of June 30, 2019 were all in the form of short-term investments assets, and it's reported at fair value.

Concentrations
The 115 Trust Fund's investments as of June 30, 2019, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Receivables

As of June 30, 2019, the 115 Trust held no long-term contracts for contributions receivable from the City.

Administrative Expenses

All administrative expenses were funded from the 115 Trust fiduciary net position, which represents investment earnings, one-time payment received from 401(h) and premium received from the Dental Plan participating Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS fund is maintained on a reserve basis, determined in accordance with recognized actuarial methods. LACERS' established a separate reserve for the 115 Trust under the System's Postemployment Health Care Plan as follows:

115 Trust Account – This new Health Care fund currently pays the benefit claims from LACERS' self-funded Dental Plan, but ultimately will fund all health care benefits for retirees upon depletion of the existing 401(h) account reserves. The 115 Trust account currently consists of self-funded dental plan premiums and prepayments; certain retired Members' health insurance premium deductions; and short-term investment earnings; less payments for the self-funded dental plan claims and for administration fees to the third party contractor who administered the dental plan claims for the System; and certain allocated administrative expenses.

2. Summary of Significant Accounting Policies (Continued)

Reserves (Continued)

The 115 Trust Reserve balance as of June 30, 2019 was $2,188,937.

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Self-funded Delta Dental Plan

Effective January 1, 2019, the LACERS fully-insured Delta Dental PPO Plan was replaced with the LACERS Self-funded Delta Dental PPO Plan under the 115 Trust. Although Delta continues to administer the plan for a fee, LACERS sets and collects premiums from enrolled Members and pays billed claims to Delta. With this arrangement, LACERS bears financial risk if claims costs exceed collected premiums. This change does not affect the maximum dental subsidy amount to the eligible retired Members.

Employer Contributions

There was no employer contributions required and received by 115 Trust for the fiscal year ended June 30, 2019.

3. Cash and Short-Term Investments and Investments

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

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2019, for the 115 Trust was $1,801,302.

Fair Value Measurements

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

All 115 Trust funds were invested in the short-term investment assets during this fiscal year, and therefore, GASB 72 requirements are not applicable to the 115 Trust fund.

4. Relationship of the 115 Trust Financial Statements to LACERS

These financial statements present only the Postemployment Health Care Fund (115 Trust), and do not purport to, and do not present fairly the financial position of LACERS, as of June 30, 2019, the changes in its financial position, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States if America. The financial statements were reconciled to LACERS' Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position in LACERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, along with information presented in the Notes to the Basic Financial Statements and the Required Supplementary Information Section (RSI). Included in LACERS' CAFR Note 3 – Postemployment Health Care Plan Description, are disclosures regarding the Plan's Net Other Postemployment Benefit (OPEB) Liability. The Plan's Net OPEB Liability as of June 30, 2019 was approximately $522,201,000 and the Plan's Fiduciary Net Position as a percentage of the total OPEB liability was 84.3%.

5. Subsequent Event

Date of Management's Review

The potential for subsequent events was evaluated through January 7, 2020, which was the date of management's review.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Investment Returns
For the Fiscal Year Ended June 30

	2019
Annual money-weighted rate of return, net of investment expenses	2.4%

Note to Schedule:

The required disclosure about factors that significantly affect trends in the money-weighted rate of return is not provided as only one year's rate is available. As additional years' money-weighted rate of return become available, the factors that significantly affect trends in the rate of return will be disclosed.

SUPPLEMENTAL SCHEDULE

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2019

	2019
Personnel Services:	
Salaries	$ 431
Employee Benefits and Development	182
Total Personnel Services	613
Professional Services:	
Actuarial	12
Audit	3
Legal Counsel	5,643
Disability Evaluation	8
Retirees' Health Admin Consulting	321
Benefit Payroll Processing	9
Self-Funded Dental Plan Admin Fees	364,721
Other Consulting	5
Total Professional Services	370,722
Information Technology:	
Computer Hardware and Software	24
Computer Maintenance and Support	29
Total Information Technology	53
Leases:	
Office Space	34
Office Equipment	1
Total Leases	35
Other Expenses:	
Fiduciary Insurance	1
Educational and Due Diligence Travel	2
Office Expenses	14
Depreciation and Amortization	27
Total Other Expenses	44
Total Administrative Expenses	$ 371,467

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: **Investment Committee**
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 28, 2020
ITEM: VII – B

SUBJECT: **FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Award contracts for three-year terms to the following five firms for the Active U.S. Small Cap Equities Mandate:

Core:	Copeland Capital Management, LLC
Growth:	EAM Investors, LLC (emerging manager and current LACERS manager) Granahan Investment Management (emerging manager)
Value:	Bernzott Capital Advisors (emerging manager) Segall Bryant & Hamill

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

Executive Summary

The Board-approved request for proposal (RFP) for active U.S. small cap equities investment managers opened on February 25, 2019, and closed on April 12, 2019. A total of 142 proposals were received and 131 of these proposals met the minimum qualifications of the search. On July 9, 2019, the Committee reviewed an evaluation report of the qualified responses and advanced 18 firms as semi-finalists for further due diligence by staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant. On December 2, 2019, the Committee interviewed five finalist firms: Copeland Capital

Management, LLC (core mandate); EAM Investors, LLC and Granahan Investment Management (growth mandate); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate). The Committee requested that staff and NEPC bring forth further information regarding each firm's ability to manage risk at a future meeting. On January 14, 2020, the Committee received the requested report and concurred with the staff recommendation to hire all five finalist firms.

Discussion

The Board approved an RFP process to evaluate the current marketplace for active U.S. small cap equities investment managers on October 23, 2018. Based upon the asset allocation targets approved by the Board on April 10, 2018 and LACERS' total fund assets at the time of RFP approval, the anticipated allocation to this mandate is up to approximately $648 million. LACERS seeks qualified investment management firms to actively manage one or more of the following long-only, publicly-traded U.S. small cap equities investment strategies: small cap core equities, small cap growth equities, and small cap value equities. The search opened on February 25, 2019, and closed on April 12, 2019.

A total of 142 proposals were received, representing 123 firms, including 26 emerging investment managers. Following a review of the minimum qualifications (MQs) required to participate in the search, 131 proposals, including 23 from emerging managers, met the MQs: 42 for small cap core (7 emerging managers), 40 for small cap growth (8 emerging managers), and 49 for small cap value (8 emerging managers). On July 9, 2019, the Committee reviewed NEPC's evaluation report of the qualified responses and concurred with the recommendation to advance 18 firms as semi-finalists in the search.

To initiate due diligence on the semi-finalists, staff and NEPC conducted conference calls with the 18 firms to further understand the firms and proposed investment strategies. Staff and NEPC then conducted on-site meetings with 12 firms for further evaluation. Staff also conducted reference checks and conferred with NEPC's manager research team.

On December 2, 2019, staff presented a recommendation to the Committee to advance the following five firms as finalists in the search:

1) Core: Copeland Capital Management, LLC

2) Growth: EAM Investors, LLC (emerging manager and current LACERS manager)
Granahan Investment Management (emerging manager)

3) Value: Bernzott Capital Advisors (emerging manager)
Segall Bryant & Hamill

The Committee interviewed each finalist and deferred taking action on the staff recommendation; the Committee requested that staff and NEPC provide additional information on each firm's ability to manage downside risk. Staff and NEPC presented this information on January 14, 2020, to the Committee's satisfaction. Accordingly, the Committee recommends that the Board award contracts to all five firms for a term of three years. The approximate proposed allocation to each firm and proposed effective fees are presented in the following table.

Style	Manager	Approximate Allocation % of Domestic Equity Portfolio	Approximate Allocation $ in millions	Proposed Effective Fee
Core	Copeland Capital Management, LLC	5.0%	$175	0.47%
Growth	EAM Investors, LLC	2.4%	$85*	0.73%
Growth	Granahan Investment Management	2.3%	$80	0.77%
Value	Bernzott Capital Advisors	4.1%	$140	0.59%
Value	Segall Bryant & Hamill	1.9%	$70	0.68%

**The approximate allocation represents a reduction to the $142 million EAM Investors, LLC currently manages.*

The allocations were determined by a risk budget analysis of the domestic equity portfolio using the Board-approved asset class risk budget of 0.75%. The funding for these strategies would be derived primarily from assets currently held in the passive small cap core, growth, and value strategies. Approximately $200 million (or 5.7% of the domestic equity portfolio) would be retained in the passive small cap core strategy to comply with the risk budget.

Strategic Plan Impact Statement

The RFP for active U.S. small cap equities investment managers assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Barbara Sandoval, Investment Officer II

RJ/BF/BS:jp

Attachments: 1. Investment Committee Recommendation Report dated December 2, 2019
2. Investment Committee Recommendation Report dated January 14, 2020
3. Proposed Resolutions

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer
Lita Payne

MEETING: DECEMBER 2, 2019
ITEM: II

SUBJECT: **FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board the following five firms as finalists for the Active U.S. Small Cap Equities Mandate search:

1) Core: Copeland Capital Management, LLC

2) Growth: EAM Investors, LLC
Granahan Investment Management

3) Value: Bernzott Capital Advisors
Segall Bryant & Hamill

Executive Summary

The Board-approved request for proposal (RFP) for active U.S. small cap equities investment managers opened on February 25, 2019, and closed on April 12, 2019. A total of 142 proposals were received, representing 123 firms, including 26 emerging investment managers. Upon review of the proposals, 131 met the minimum qualifications and 18 firms progressed as semi-finalists. On-site visits were held with 12 firms; 5 firms are recommended to advance as finalists for this search.

Discussion

Background
The Board approved a request for proposal (RFP) process to evaluate the current marketplace for active U.S. small cap equities investment managers on October 23, 2018. Based upon the asset allocation targets approved by the Board on April 10, 2018 and LACERS' total fund assets at the time of RFP approval, the anticipated allocation to this mandate was approximately $648 million. LACERS seeks qualified investment management firms to actively manage one or more of the following long-only, publicly-traded U.S. small cap equities investment strategies: small cap core equities, small cap growth equities, and small cap value equities. LACERS is considering separately managed accounts and fund-of-funds.

The search opened on February 25, 2019, and closed on April 12, 2019. The RFP was published on LACERS' website and the website of LACERS general fund consultant, NEPC, LLC (NEPC). The search was advertised in the Pensions and Investments and Emerging Manager Monthly publications. The RFP was also advertised online through the Association of Asian American Investment Managers and the New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

Search Results
A total of 142 proposals were received, representing 123 firms, including 26 emerging investment managers. Following a review of the minimum qualifications (MQs) required to participate in the search, 131 proposals, including 23 from emerging managers, met the MQs: 42 for small cap core (7 emerging managers), 40 for small cap growth (8 emerging managers), and 49 for small cap value (8 emerging managers). On July 9, 2019, the Committee reviewed NEPC's candidate evaluation report and concurred with the staff recommendation to advance the following 18 firms as semi-finalists in the search:

1) Core: ClearBridge Investments, LLC; Copeland Capital Management, LLC; Legato Capital Management, LLC (emerging manager); PIMCO; QMA LLC; Rothschild & Co Asset Management US

2) Growth: EAM Investors, LLC (emerging manager and current LACERS manager[1]); Goldman Sachs Asset Management; Granahan Investment Management (emerging manager); Lisanti Capital Growth, LLC (emerging manager); Westfield Capital Management Co, L.P.; William Blair Investment Management, LLC

3) Value: Ariel Investments, LLC; Bernzott Capital Advisors (emerging manager); Dimensional Fund Advisors LP; Hotchkis & Wiley Capital Management, LLC; Investment Counselors of Maryland, LLC; Segall Bryant & Hamill

Additional Due Diligence Activities
Staff and NEPC conducted conference calls with the 18 semi-finalists for further details about the firms and proposed investment strategies. Upon review and analysis, on-site meetings were held with 12 firms to obtain a better understanding of potential investment and organizational risks. Staff and NEPC interviewed various professionals on topics including, but not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Staff also conducted reference checks and conferred with NEPC's manager research team.

Based upon these due diligence activities, staff recommends the following five firms as the proposed finalists for hire for the active U.S. small cap equities mandate:

1) Core: Copeland Capital Management, LLC

2) Growth: EAM Investors, LLC (emerging manager and current LACERS manager[1])
Granahan Investment Management (emerging manager)

[1] EAM Investors, LLC managed approximately $131 million for LACERS as of October 31, 2019.

3) Value: Bernzott Capital Advisors (emerging manager)
Segall Bryant & Hamill

These firms exhibit organizational stability, strong management teams, well-articulated investment strategies consistent with LACERS objectives, well-defined risk management and compliance practices, and track-records of adding value. Staff also received positive feedback from references for these firms. NEPC concurs with staff's recommendation.

The table below provides the approximate proposed allocations to the recommended firms based upon LACERS domestic equity portfolio value as of October 31, 2019:

Style	Manager	Approximate Allocation % of Domestic Equity Portfolio	Approximate Allocation $ in millions
Core	Copeland Capital Management, LLC	5.0%	$175
Growth	EAM Investors, LLC	2.4%	$85*
Growth	Granahan Investment Management	2.3%	$80
Value	Bernzott Capital Advisors	4.1%	$140
Value	Segall Bryant & Hamill	1.9%	$70

*The approximate allocation represents a reduction to the $131 million EAM Investors, LLC currently manages.

The allocations were determined by a risk budget analysis of the domestic equity portfolio using the Board-approved asset class risk budget of 0.75%. The funding for these strategies would be derived primarily from assets currently held in the passive small cap core, growth, and value strategies. Approximately $200 million (or 5.7% of the domestic equity portfolio) would be retained in the passive small cap core strategy to comply with the risk budget.

Should the Committee concur with this recommendation and the Board approve the hiring of these managers, staff will bring forth proposed changes to the LACERS Manager Monitoring Policy (Policy) in order to establish more appropriate guidelines for monitoring the concentrated portfolios of Granahan Investment Management and Bernzott Capital Advisors. The Policy currently focuses on monitoring performance over the short- and mid-term periods (3 and 5 years). However, the performance of concentrated portfolios may experience large deviations from the respective benchmarks over these shorter time periods; they are expected to add substantial value over longer time periods. All firms will be present at the meeting of December 2, 2019, for interviews by the Committee.

Strategic Plan Impact Statement

The Request for Proposal (RFP) for active U.S. small cap equities investment management assists the fund to optimize long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Barbara Sandoval, Investment Officer II

RJ/BF/BS:sg

Attachment:

1. Finalist Information Matrix and Performance Returns
2. Presentation by Copeland Capital Management, LLC
3. Presentation by EAM Investors, LLC
4. Presentation by Granahan Investment Management
5. Presentation by Bernzott Capital Advisors
6. Presentation by Segall Bryant & Hamill

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 14, 2020
ITEM: IV

SUBJECT: **CONTINUED DISCUSSION OF FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board the following five firms as finalists for the Active U.S. Small Cap Equities Mandate search:

1) Core: Copeland Capital Management, LLC
2) Growth: EAM Investors, LLC (emerging manager and current LACERS manager)
   Granahan Investment Management (emerging manager)
3) Value: Bernzott Capital Advisors (emerging manager)
   Segall Bryant & Hamill

Executive Summary

On December 2, 2019, the Committee heard presentations from the five proposed finalists firms for the Active U.S. Small Cap Equities Mandate search and requested further information regarding each firm's ability to manage risk. NEPC, LLC (NEPC), LACERS' General Fund Consultant, prepared the attached report in response to the Committee's request.

Discussion

On December 2, 2019, the Committee heard presentations from the five proposed finalists firms for the Active U.S. Small Cap Equities Mandate search. As requested by the Committee, the attached report by NEPC provides additional information on each firm regarding strategy and downside risk management.

Staff recommends all five firms as finalists for hire; the approximate proposed allocation to each firm and proposed effective fees are presented in the following table.

Style	Manager	Approximate Allocation % of Domestic Equity Portfolio	Approximate Allocation $ in millions	Proposed Effective Fee
Core	Copeland Capital Management, LLC	5.0%	$175	0.47%
Growth	EAM Investors, LLC	2.4%	$85*	0.73%
Growth	Granahan Investment Management	2.3%	$80	0.77%
Value	Bernzott Capital Advisors	4.1%	$140	0.59%
Value	Segall Bryant & Hamill	1.9%	$70	0.68%

*The approximate allocation represents a reduction to the $142 million EAM Investors, LLC currently manages.

As discussed at the December 2, 2019 Committee meeting, the allocations were determined by a risk budget analysis of the domestic equity portfolio using the Board-approved asset class risk budget of 0.75%. The funding for these strategies would be derived primarily from assets currently held in the passive small cap core, growth, and value strategies. Approximately $200 million (or 5.7% of the domestic equity portfolio) would be retained in the passive small cap core strategy to comply with the risk budget. NEPC concurs with this recommendation.

Strategic Plan Impact Statement

The Request for Proposal (RFP) for active U.S. small cap equities investment management assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Barbara Sandoval, Investment Officer II

RJ/BF/BS:sg

Attachment: 1. Small Cap Investment Manager Search Report by NEPC, LLC

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

PROPOSED RESOLUTION

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Copeland Capital Management, LLC.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Copeland Capital Management, LLC
Service Provided:	Active U.S. Small Cap Core Equities Portfolio Management
Estimated Effective Date:	April 1, 2020 through March 31, 2023
Duration:	Three years
Benchmark:	Russell 2000 Index
Estimated Allocation:	$175 million

January 28, 2020

CONTRACT AUTHORIZATION
EAM INVESTORS, LLC
ACTIVE U.S. SMALL CAP GROWTH EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to EAM Investors, LLC.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	EAM Investors, LLC
Service Provided:	Active U.S. Small Cap Growth Equities Portfolio Management
Estimated Effective Date:	April 1, 2020 through March 31, 2023
Duration:	Three years
Benchmark:	Russell 2000 Growth Index
Estimated Allocation:	$85 million

January 28, 2020

CONTRACT AUTHORIZATION
GRANAHAN INVESTMENT MANAGEMENT
ACTIVE U.S. SMALL CAP GROWTH EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Granahan Investment Management.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Granahan Investment Management
Service Provided:	Active U.S. Small Cap Growth Equities Portfolio Management
Estimated Effective Date:	April 1, 2020 through March 31, 2023
Duration:	Three years
Benchmark:	Russell 2000 Growth Index
Estimated Allocation:	$80 million

January 28, 2020

CONTRACT AUTHORIZATION
BERNZOTT CAPITAL ADVISORS
ACTIVE U.S. SMALL CAP VALUE EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Bernzott Capital Advisors.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Bernzott Capital Advisors
Service Provided:	Active U.S. Small Cap Value Equities Portfolio Management
Estimated Effective Date:	April 1, 2020 through March 31, 2023
Duration:	Three years
Benchmark:	Russell 2000 Value Index
Estimated Allocation:	$140 million

January 28, 2020

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

PROPOSED RESOLUTION

WHEREAS, on October 23, 2018, the Board of Administration (Board) authorized a Request for Proposal for the U.S. Small Cap Equities Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, performed an evaluation of the 142 proposals submitted; and

WHEREAS, on July 9, 2019, the Investment Committee reviewed NEPC's evaluation report of the proposals and concurred with the staff recommendation to advance 18 firms as semi-finalists in the search; and

WHEREAS, staff and NEPC conducted further due diligence on the 18 semi-finalists; and

WHEREAS, on December 2, 2019, the Investment Committee interviewed five finalists recommended by staff: Copeland Capital Management, LLC (core mandate finalist); EAM Investors, LLC and Granahan Investment Management (growth mandate finalists); Bernzott Capital Advisors and Segall Bryant & Hamill (value mandate finalists); and requested additional information on each firm's ability to manage risk; and

WHEREAS, on January 14, 2020, the Investment Committee considered the risk management information requested on December 2, 2019, and recommended all five finalists to the Board for consideration for hire; and

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to award a contract to Segall Bryant & Hamill.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Officer to execute the necessary documents, subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Segall Bryant & Hamill
Service Provided:	Active U.S. Small Cap Value Equities Portfolio Management
Estimated Effective Date:	April 1, 2020 through March 31, 2023
Duration:	Three years
Benchmark:	Russell 2000 Value Index
Estimated Allocation:	$70 million

January 28, 2020

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 28, 2020
ITEM: VII – C

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a one-year contract extension with PGIM, Inc. for management of an active emerging market debt portfolio.

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

Discussion

On January 14, 2020, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with PGIM, Inc. (PGIM). PGIM has managed an active emerging market hard currency debt portfolio for LACERS since March 2014, and the current contract expires on February 28, 2020. The Committee discussed the organization, investment strategy, and performance. PGIM is in compliance with the LACERS Manager Monitoring Policy.

Staff recommends a one-year extension to PGIM's current contract as PGIM is a participant in an ongoing investment manager search for an emerging market blended hard and local currency debt strategy. This strategy will replace the hard currency only emerging market debt mandate currently managed by PGIM.

Strategic Plan Impact Statement

A contract extension with PGIM will allow the fund to maintain a diversified exposure to emerging markets debt, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

<u>Prepared By:</u> James Wang, Investment Officer I, Investment Division
Jeremiah Paras, Investment Officer I, Investment Division

RJ/BF/JW/JP:sg

Attachments:
1. Investment Committee Recommendation Report dated January 14, 2020
2. Proposed Resolution

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 14, 2020
ITEM: VII

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a one-year contract extension with PGIM, Inc. for management of an active emerging market debt portfolio.

Executive Summary

PGIM, Inc. (PGIM) has managed an active emerging market hard currency debt portfolio for LACERS since March 2014. LACERS' portfolio was valued at $425 million as of November 30, 2019. PGIM is in compliance with the LACERS Manager Monitoring Policy; staff recommends a one-year contract extension pending the outcome of the emerging market debt blended hard and local currency investment manager search currently in progress.

Discussion

Background
PGIM manages an active emerging market hard currency debt portfolio for LACERS benchmarked against the J.P. Morgan Emerging Market Bond Index (EMBI) Global Diversified Index. PGIM's investment approach is top-down and starts with defining the macroeconomic environment, followed by regional country analysis, and ends with security selection. The strategy is jointly managed by David Bessey and Cathy Hepworth, Co-Heads of Emerging Markets Debt. They are supported by seven portfolio managers specializing in various facets of emerging market debt investing (e.g., foreign exchange rates, global interest rates, etc.). LACERS' portfolio was valued at approximately $425 million as of November 30, 2019.

PGIM was hired through the 2013 Active Emerging Market Debt manager search process and the Board authorized a three-year contract on July 23, 2013. Subsequently, the Board authorized a three-year contract renewal on November 15, 2016. The current contract expires on February 28, 2020.

On October 23, 2018, the Board approved an investment manager search for an emerging market blended hard and local currency debt strategy. This mandate will replace the hard currency only emerging market debt mandate currently managed by PGIM. The search was published on June 10, 2019, and is currently in progress; staff expects the search to be completed prior to fiscal year end 2020. PGIM is a participant in this search. Accordingly, staff recommends a one-year extension to PGIM's current contract.

Organization
PGIM has approximately 1,702 employees and is headquartered in Newark, New Jersey. The firm is the wholly-owned global investment management business of Prudential Financial, Inc., a publicly-traded financial services company (NYSE ticker symbol PRU). As of September 30, 2019, PGIM managed $1.3 trillion in total assets, with $26.3 billion in the emerging market hard currency debt strategy.

Due Diligence
David Bessey, Co-Head of Emerging Markets Debt, will be retiring at the end of March 2020, upon which Cathy Hepworth, the lead portfolio manager for the LACERS portfolio, will take over as the sole Head of Emerging Markets Debt. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, consider this personnel transition to have no material impact to the strategy. PGIM's investment philosophy, strategy, and process have not changed over the contract period.

Performance
As of November 30, 2019, PGIM has outperformed its benchmark, net-of-fees, over all time periods as presented in the table below.

Annualized Performance as of 11/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception[1]
PGIM	0.30	15.92	4.64	7.61	5.75	5.55
JPMorgan EMBI Global Diversified Index	-0.65	14.29	4.29	6.45	5.32	5.14
% of Excess Return	*0.95*	*1.63*	*0.35*	*1.16*	*0.43*	*0.41*

[1]Performance Inception Date: 6/30/2014. Strategy was funded after contract inception date of 3/1/14.

Calendar year performance is presented in the table below.

Calendar Year Performance as of 11/30/19 (Net-of-Fees)						
	1/1/19-11/30/19	2018	2017	2016	2015	6/30/14-12/31/14
PGIM	14.24	-4.90	12.72	9.97	0.39	-0.92
JPMorgan EMBI Global Diversified Index	12.77	-4.26	10.26	10.15	1.18	-1.14
% of Excess Return	*1.47*	*-0.64*	*2.46*	*-0.18*	*-0.79*	*0.22*

PGIM is in compliance with the LACERS Manager Monitoring Policy.

Fees
LACERS pays PGIM an effective fee of 39.1 basis points (0.391%), which is approximately $1.7 million annually based on the value of LACERS' assets as of November 30, 2019. The fee ranks in the 28th percentile of fees charged by similar managers in the eVestment Global Emerging Markets Fixed Income Hard Currency Universe (i.e., 72% of like-managers have higher fees).

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract extension with PGIM will allow the fund to maintain a diversified exposure to emerging markets debt, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/JW/JP:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC

CONTRACT EXTENSION
PGIM, INC.
ACTIVE EMERGING MARKET DEBT
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with PGIM, Inc. (PGIM) for active emerging market debt portfolio management expires on February 28, 2020; and,

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

WHEREAS, a one-year contract extension will provide the necessary time to complete an ongoing investment manager search to evaluate the marketplace of active emerging market debt blended hard and local currency strategies in which PGIM is a participant; and,

WHEREAS, a contract extension with PGIM will allow the fund to maintain a diversified exposure to emerging market debt; and,

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with PGIM.

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

Company Name:	PGIM, Inc.
Service Provided:	Active Emerging Market Debt Portfolio Management
Effective Dates:	February 29, 2020 through February 28, 2021
Duration:	One year
Benchmark:	J.P. Morgan Emerging Market Bond Index (EMBI) Global Diversified Index
Allocation as of November 30, 2019:	$425 million

January 28, 2020

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 28, 2020
ITEM: VII – D

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a three-year contract renewal with Principal Global Investors, LLC for management of an active U.S. mid cap core equities portfolio.

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

Discussion

On January 14, 2020, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Principal Global Investors, LLC (Principal). Principal has managed an active U.S. mid cap core equities portfolio for LACERS since July 2014, and the current contract expires on June 30, 2020. The Committee discussed the organization, investment strategy, performance, and fees. Principal is in compliance with the LACERS Manager Monitoring Policy.

Strategic Plan Impact Statement

A contract renewal with Principal will allow the fund to maintain a diversified exposure to domestic equity markets, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II
Jeremiah Paras, Investment Officer I

RJ/BF/BS/JP:

Attachments: 1. Investment Committee Recommendation Report dated January 14, 2020
2. Proposed Resolution

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 14, 2020
ITEM: VI

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Principal Global Investors, LLC for management of an active U.S. mid cap core equities portfolio.

Executive Summary

Principal Global Investors, LLC (Principal) has managed an active U.S. mid cap core equities portfolio for LACERS since July 2014. LACERS' portfolio was valued at $209 million as of November 30, 2019. Principal is in compliance with the LACERS Manager Monitoring Policy and staff recommends a three-year contract renewal.

Discussion

Background
Principal manages an active U.S. mid cap core equities portfolio for LACERS benchmarked against the Russell Midcap Index. Principal's investment strategy is driven by fundamental research and seeks companies with strong competitive advantages trading at discounts to intrinsic values, as determined by free cash flows. The portfolio is managed by Bill Nolin, Chief Investment Officer, and Thomas Rozycki, Head of Research, who are supported by a team of six research analysts. LACERS' portfolio was valued at approximately $209 million as of November 30, 2019.

Principal was hired through the 2013 Active U.S. Mid Cap Core Equities search process and the Board authorized a three-year contract on January 28, 2014. Subsequently, the Board authorized a three-year contract renewal on January 24, 2017. The current contract expires on June 30, 2020.

Organization
Principal is headquartered in Des Moines, Iowa and has approximately 1,828 employees of which 580 are investment personnel. The firm is the wholly-owned global investment management business of

Principal Financial Group, Inc., a publicly-traded financial services company (NYSE ticker symbol PFG). As of September 30, 2019, Principal managed $459.3 billion in total assets, with $24.9 billion in the mid cap equities strategy.

Due Diligence
Principal's investment philosophy, strategy, and process have not changed over the contract period.

Performance
As of November 30, 2019, Principal has outperformed its benchmark, net-of-fees, for most time periods with the exception of the 3-month period, as presented in the table below.

Annualized Performance as of 11/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception[1]
Principal	5.71	30.05	15.83	19.37	13.89	14.25
Russell Midcap Index	6.72	14.96	8.23	11.63	8.88	9.10
% of Excess Return	*-1.01*	*15.09*	*7.60*	*7.74*	*5.01*	*5.15*

[1]Performance inception date: 7/24/14. Strategy was funded after contract inception date of 7/1/14.

Calendar year performance is presented in the table below.

Calendar Year Performance as of 11/30/19 (Net-of-Fees)						
	1/1/19-11/30/19	2018	2017	2016	2015	7/24/14-12/31/14
Principal	42.09	-5.56	25.56	10.96	2.35	6.65
Russell Midcap Index	27.61	-9.06	18.52	13.80	-2.44	4.40
% of Excess Return	*14.48*	*3.50*	*7.04*	*-2.83*	*4.79*	*2.25*

Principal is in compliance with the LACERS Manager Monitoring Policy.

Fees
LACERS pays Principal an effective fee of 37.4 basis points (0.374%), which is approximately $800,000 annually based on the value of LACERS' assets as of November 30, 2019. The fee ranks in the 11th percentile of fees charged by similar managers in the eVestment U.S. Mid Cap Core Equity Universe (i.e., 89% of like-managers have higher fees).

General Fund Consultant Opinion
NEPC, LLC, LACERS' General Fund Consultant, concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Principal will allow the fund to maintain a diversified exposure to domestic equity markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division
Ellen Chen, Investment Officer I, Investment Division
Jeremiah Paras, Investment Officer I, Investment Division

RJ/BF/BS:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC

CONTRACT RENEWAL
PRINCIPAL GLOBAL INVESTORS, LLC
ACTIVE U.S. MID CAP CORE EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Principal Global Investors, LLC (Principal) for active U.S. mid cap core equities portfolio management expires on June 30, 2020; and,

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

WHEREAS, a contract renewal with Principal will allow the fund to maintain a diversified exposure to U.S. mid cap core equities; and,

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Principal.

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

Company Name:	Principal Global Investors, LLC
Service Provided:	Active U.S. Mid Cap Core Equities Portfolio Management
Effective Dates:	July 1, 2020 through June 30, 2023
Duration:	Three years
Benchmark:	Russell Midcap Index
Allocation as of November 30, 2019:	$209 million

January 28, 2020

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Sung Won Sohn, Chair
Elizabeth Lee
Nilza R. Serrano

MEETING: JANUARY 28, 2020
ITEM: VII – E

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS VALUE PORTFOLIO AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1. Approve a three-year contract renewal with Dimensional Fund Advisors LP for management of an active emerging markets value equities portfolio.

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

Discussion

On January 14, 2020, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Dimensional Fund Advisors LP (DFA). DFA has managed an active emerging markets value equities portfolio for LACERS since July 2014, and the current contract expires on June 30, 2020. The Committee discussed the organization, investment strategy, performance, and fees. The Committee expressed concern about DFA's one- and two-year underperformance relative to the benchmark and requested a report on DFA's performance in one year (circa January 2021). DFA is in compliance with the LACERS Manager Monitoring Policy.

Strategic Plan Impact Statement

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

Prepared By: Eduardo Park, Investment Officer II

RJ/BF/WL/EP:sg

Attachments: 1. Investment Committee Recommendation Report dated January 14, 2020
2. Proposed Resolution

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE
From: Lita Payne, Executive Officer Lita Payne

MEETING: JANUARY 14, 2020
ITEM: VIII

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS VALUE PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Dimensional Fund Advisors LP for management of an active emerging markets value equities portfolio.

Executive Summary

Dimensional Fund Advisors LP (DFA) has managed an active emerging markets value equities portfolio for LACERS since July 2014. LACERS' portfolio was valued at $427 million as of November 30, 2019. DFA is in compliance with the LACERS Manager Monitoring Policy and staff recommends a three-year contract renewal.

Discussion

Background
DFA manages an active emerging markets value equities portfolio for LACERS benchmarked against the MSCI Emerging Markets Value Index. DFA's strategy provides diversified exposure to deep value emerging markets stocks and invests across all market capitalizations with a tilt to small capitalization stocks. DFA believes consistent exposure to the market, value, and size risk premiums are compensated with increased expected returns. The portfolio is managed by a team of over 30 portfolio management professionals led by Jed Fogdall, who has 25 years of industry experience. LACERS' portfolio was valued at $427 million as of November 30, 2019.

DFA was hired through the 2013 Active Non-U.S. Equity Emerging Markets Value manager search process and the Board authorized a three-year contract on February 25, 2014. Subsequently, the Board authorized a three-year contract renewal on January 24, 2017. The current contract expires on June 30, 2020.

Organization
DFA is headquartered in Austin, Texas, and has more than 1,000 employees globally. As of November 30, 2019, the firm managed approximately $595 billion in total assets, with $23 billion in the emerging markets value equities strategy.

Due Diligence
In February 2019, Joseph Chi, Co-head of Portfolio Management and Chairman of the Investment Committee, left the firm. Jeff Fogdall assumed the sole role of Head of Portfolio Management and Chairman of the Investment Committee. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, consider this personnel transition to have no material impact to the firm or investment strategy. DFA's investment philosophy, strategy, and process have not changed over the contract period.

Performance
As of November 30, 2019, DFA has outperformed the benchmark, net-of-fees, for most time periods with the exception of the 1- and 2-year period, as presented in the table below.

Annualized Performance as of 11/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception[1]
DFA	5.96	1.24	-3.15	6.56	1.76	-0.31
MSCI EM Value Index	4.98	2.24	-1.36	6.41	1.20	-0.48
% of Excess Return	*0.98*	*-1.00*	*-1.79*	*0.15*	*0.56*	*0.17*

[1]Performance inception date: 7/24/14. Strategy was funded after contract inception date of 7/1/14.

DFA's calendar year performance is presented in the table below.

Calendar Year Performance as of 11/30/19 (Net-of-Fees)						
	1/1/19 – 11/30/19	2018	2017	2016	2015	7/28/14 – 12/31/14
DFA	3.04	-12.46	32.59	17.86	-19.26	-13.57
MSCI EM Value Index	4.58	-10.72	28.07	14.90	-18.57	-12.89
% of Excess Return	*-1.54*	*-1.74*	*4.52*	*2.96*	*-0.69*	*-0.68*

DFA is in compliance with the LACERS Manager Monitoring Policy.

Fees
LACERS pays DFA an effective fee of 51.2 basis points (0.512%), which is approximately $2.2 million annually based on the value of LACERS' assets as of November 30, 2019. The fee ranks in the 19th percentile among its peers in the eVestment U.S. Global Emerging Markets All Cap Value Equity Universe (i.e., 81% of like-managers have higher fees).

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

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

Prepared By: Eduardo Park, Investment Officer II

RJ/BF/WL/EP:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC

CONTRACT RENEWAL
DIMENSIONAL FUND ADVISORS LP
ACTIVE EMERGING MARKETS VALUE EQUITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Dimensional Fund Advisors LP (DFA) for active emerging markets value equities portfolio management expires on June 30, 2020; and,

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

WHEREAS, a contract renewal with DFA will allow the fund to maintain a diversified exposure to non-U.S. equities emerging markets; and,

WHEREAS, on January 28, 2020, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with DFA.

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

Company Name:	Dimensional Fund Advisors LP
Service Provided:	Active Emerging Markets Value Equities Portfolio Management
Effective Dates:	July 1, 2020 through June 30, 2023
Duration:	Three years
Benchmark:	MSCI Emerging Markets Value Index
Allocation as of November 30, 2019:	$427 million

January 28, 2020